

ABSTRACT

This study aims to analyze the effect of ESG disclosure on corporate profitability and to examine the role of firm size as a moderating variable in the effect of ESG disclosure on profitability. Profitability in this study is proxied by Return on Assets (ROA). The object of this study consists of companies listed on the Hong Kong Stock Exchange during the 2020-2024 period. This study is motivated by the increasing attention to corporate sustainability practices and the inconsistent findings of previous studies regarding the relationship between ESG disclosure and profitability.

This study uses a quantitative approach with secondary data obtained from Bloomberg. The sample consists of 98 companies with 490 observations selected through purposive sampling. Panel data regression is conducted through four scenarios based on the inclusion of the interaction variable and mean-centering, with each scenario comprising four models. Scenario 4 Model 4 is used as the main model because it includes mean-centered ESG disclosure and firm size, their interaction, internal control variables consisting of DER, QR, and IO, as well as macroeconomic controls consisting of GDP and inflation. The model is estimated using the Fixed Effect Model with robust standard error through Stata software.

The results show that ESG disclosure has a positive and significant effect on corporate profitability. Firm size also positively moderates the effect of ESG disclosure on profitability, indicating that the effect becomes stronger in larger companies. Among the internal control variables, DER has a negative and significant effect on ROA, while QR and IO have positive and significant effects. GDP and inflation do not have significant effects on ROA. These findings support both hypotheses proposed in this study.

Keywords: ESG disclosure, profitability, Return on Assets, firm size, panel data regression, Hong Kong Stock Exchange

