ABSTRACT

Profitability is one of the key indicators in assessing a company's financial health and business sustainability. However, a company's growing commitment to sustainability practices is not always followed by an improvement in profitability, indicating uncertainty in the factors that influence it. This study aims to examine the effect of ESG Score, leverage, research and development, firm size, and sales growth on firm profitability, with the moderating role of board independence.

This research was conducted using a sample of non-financial companies listed on the Indonesia Stock Exchange, Bursa Malaysia, the Singapore Exchange, the Stock Exchange of Thailand, and the Philippine Stock Exchange from 2020 to 2024. The sample was selected using purposive sampling, resulting in a total of 48 companies that met the specified criteria. The analysis method employed was panel data regression, with the fixed effect model and robust standard errors being the chosen model to observe both direct and moderating effects.

The results show that research and development has a significant negative effect on firm profitability, while ESG Score, leverage, and firm size do not have a significant effect. Sales growth shows a significant positive effect on firm profitability. The moderation test reveals that board independence positively moderates the relationship between research and development and profitability, whereas board independence is not found to moderate the relationship between either ESG Score or leverage and firm profitability.

Keywords: ESG Score, leverage, research and development, firm size, sales growth, profitability, board independence