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THE INFLUENCE OF ENVIRONMENTAL, SOCIAL, AND GOVERNANCE (ESG) DISCLOSURE ON FINANCIAL PERFORMANCE

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Abstract:
The banking sector plays an instrumental role in maintaining the stability of the financial system through its crucial intermediary function between corporate entities and borrowers. Consequently, companies that actively engage in ESG disclosure tend to exhibit superior financial performance due to their ability to mitigate risks, enhance operational efficiency, and bolster their reputation. This study empirically examines the effect of environmental, social, and governance (ESG) disclosure on the financial performance of banking companies listed on the IDX for 2020–2023. Using purposive sampling, 96 companies were selected. Multiple linear regression analysis was applied. The results indicate that Environmental Disclosure has a positive and significant effect on Financial Performance, with a significance value of 0.000 < 0.05 and a positive regression coefficient of 4.134. Similarly, Social Disclosure positively and significantly affects Financial Performance, with a significant value of 0.0008 < 0.05 and a positive regression coefficient of 4.233. Governance Disclosure also has a positive and significant impact on Financial Performance, with a significance value of 0.0001 < 0.05 and a positive regression coefficient of 4.021. The Adjusted R^2 value of 0.568 indicates that Environmental, Social, and Governance Disclosure influence 56.8% of financial performance. External factors outside of this research explain the remaining 43.2%.

Keywords: Environmental, Social, Governance, Financial Performance.

INTRODUCTION

The existence of the banking sector is very important for the economic stability of a country, especially in supporting the distribution of community income. Based on the law, a bank is defined as a business entity that has the task of collecting public funds through deposits and allocating these funds in the form of loans (Jachi & Yona, 2019). These funds can be used for various needs, both as business capital and consumption financing. As a result, banks become a link between owners of excess funds and borrowers to support the sustainability of the economic system. Good financial stability is essential so that banks can carry out their functions optimally, namely to support the economy and maintain the trust of customers who have deposited their funds (Tóth et al., 2021).

In maintaining business sustainability and reputation, both banks and other companies need to pay attention to improving financial performance. It is a crucial factor for stakeholders, such as investors and lenders, who need valid information to evaluate the company's development over time. According to Qorinawati and Adiwibowo (2019), financial performance plays a major role in the decision-making stage, especially for investment purposes and as a basis for evaluating the company's credibility in the market. For investors, analysis of the bank's financial performance is essential to ensure whether their investment can provide profits by expectations (Ni et al., 2020).

Through financial performance analysis, investors can make more informed decisions and mitigate potential risks, one of which is by looking at stock prices as an indicator of financial

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performance (Escrig-Olmedo et al., 2019). One method for analyzing financial performance is by using the profitability ratio, which utilizes accounting data from financial statements. This ratio compares income in the income statement with the book value of investments so it can assess how effective the company is in making a profit (Kumalasari et al., 2020).

In this study, the efficiency of the company in generating profits is measured by Return on Assets (ROA). It is very relevant for the banking sector, considering that assets are the main component in bank operations (Tran & Vo, 2020). In addition, ROA is often a variable in research related to ESG (Environmental, Social, and Governance) as a financial performance indicator in assessing the impact of ESG disclosure on corporate profitability (Tolliver et al., 2021). This approach is based on Stakeholder Theory, which states that the success of a corporate entity is not solely indicated by the achievement of financial profitability but also by its capacity to accommodate and respond to the expectations of various stakeholders through operational efficiency and social responsibility, which is reflected in Return on Assets (ROA) (Homayoun et al., 2023).

The financial performance of the banking sector is also influenced by various factors, such as interest rates, monetary policy, economic stability, market competition, and the implementation of ESG principles (Toscano et al., 2022). ESG covers various important aspects, ranging from company activities in minimizing environmental impacts, creating harmonious social relations with workers and the public, and ensuring effective and efficient corporate governance. ESG Disclosure can reflect how companies manage risks and opportunities related to these three aspects, which ultimately affect the company's financial performance (Kiesel & Lücke, 2019).

In the implementation of ESG in the banking sector, there are still various challenges that need to be faced, especially in the context of the financial industry in Indonesia. Although the commitment to sustainability continues to increase, the implementation of ESG still faces various obstacles. Republika.co.id reported that PT Bank Mandiri Tbk (BMRI) identified ESG as an important factor in future business sustainability. Data from the Mandiri Institute shows a significant increase in the signing of the Principles for Responsible Investment (PRI), reaching 5,374 entities in 2023, as well as a surge in global ESG-based bond issuance of up to USD 1.5 trillion in 2022, an increase of almost 15 times compared to 2015. However, this study also found that one of the main challenges in the Indonesian financial market is the minimal variety of ESG products and the low level of awareness of the importance of ESG as a business priority (Saputra et al., 2024).

Further surveys show that 71% of public companies in Indonesia understand the importance of ESG as a priority in the future. However, only 57% are aware of the Nationally Determined Contributions (NDC) target in reducing carbon emissions that must be achieved by 2030. Nevertheless, Bank Mandiri has shown a high commitment to sustainable financing by distributing credit of IDR 253 trillion until the third quarter of 2023, of which IDR 122 trillion was allocated for the green sector. With steps such as the USD 300 million Sustainability Bond and the first ESG Repo Transaction in Indonesia worth USD 500 million, Bank Mandiri continues to strengthen its position as a leader in sustainable financing (Republika.co.id).

This phenomenon shows that although the banking sector in Indonesia has begun to adopt ESG principles and realize the importance of sustainability, there are still many challenges that must be overcome so that its implementation can be more optimal. The company's commitment to ESG, such as that made by Bank Mandiri in allocating green financing and issuing ESG bonds, is a real step in supporting sustainability and reducing carbon emissions. It shows that several companies are not yet fully aware of the objectives of the NDC, and the lack of variety of ESG products in the market indicates the need for increased understanding and further support.

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Sustainability aspects, including ESG disclosure, are increasingly becoming a concern in evaluating a company's financial performance. Over the past few years, the banking sector has faced significant challenges, including credit risk, regulatory changes, and developments in financial technology. Along with the escalation of public awareness of the environmental and social implications of corporate activities, demands for transparency and accountability in business practices are growing (Saputra, 2023).

Today, expectations for companies have shifted, where success is evaluated not only based on profitability but also social and environmental responsibility (Watto et al., 2020). ESG disclosure includes three main components, namely environmental, social, and governance, which function as indicators of sustainability and ethics in investment decision-making (Manurung et al., 2022). ESG disclosure also plays an important role in evaluating the extent to which companies have implemented sustainable business practices. In line with this, the Indonesia Stock Exchange (IDX) continues to encourage more sustainable investment by increasing the implementation of ESG in the capital market through collaboration with ESG rating agencies and assessing companies listed on the IDX (www.idx.co.id).

Stakeholder theory is the basis of the approach in this study to analyze the impact of ESG disclosure on the financial performance of banking companies. Ghozali and Chariri (2007) explained that a company must have broader responsibilities than just to shareholders but also stakeholders in the company's operational activities, such as workers, customers, suppliers, and the surrounding community. Transparency in ESG disclosure plays an important role in building stakeholder trust, which ultimately has a positive impact on the company's financial performance (Atmadja et al., 2021).

Stakeholder Theory. Ghozali and Chariri (2007:409) emphasize that companies can no longer be viewed as entities that are only oriented towards financial profit but also have responsibilities towards various parties involved in their operations. Companies must provide benefits to the community, employees, government, and other stakeholders. Therefore, every policy implemented by management should consider the interests of all parties related to the company. Compliance with regulations set by the government or competent authorities reflects the company's efforts to meet the expectations and needs of stakeholders (Saputra & Laksmi, 2024).

The stakeholder approach began to develop in the mid-1980s in response to the challenges faced by managers in dealing with changes in the business environment (K. A. K. Saputra et al., 2021). The main focus of stakeholder management is to find effective ways to strategically manage the various groups and relationships that emerge in the business world (Bao Ngo & Tick, 2021). Melinda and Wardhani, 2020 argue that stakeholders often use environmental, social, and governance indicators as a reference to assess a company's commitment to sustainability. This approach emphasizes that companies must consider the balance between business interests and social accountability to facilitate the formation of harmonious and sustainable interactions with stakeholders (Jayawarsa et al., 2021).

Environmental, Social, and Governance (ESG) disclosure articulates the transparency of corporate entities in managing environmental consequences, social responsibility, and good corporate governance. The implementation of ESG in the banking sector is expected to boost investors' and all stakeholders' trust, which in turn can contribute to the company's financial performance. Banking entities that are proactive in disclosing ESG information tend to find it easier to obtain sustainable funding, improve their reputation, and attract investors who care about sustainability. A study of banking companies listed on the Indonesia Stock Exchange (IDX) for the 2020-2023 period showed a correlation between ESG disclosure and financial performance, where

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companies with more comprehensive ESG disclosure levels tend to experience increased profitability and financial stability. It shows that sustainable business practices not only provide benefits to the environment and society but also generate added value for the company in the future (Ding & Tseng, 2023).

The conceptual framework in this study describes how the variables studied are interrelated, with ESG disclosure as a variable that affects financial performance. This conceptual framework is based on the theory and findings of previous studies, which explain that transparency in ESG disclosure can have a positive impact on the stability and profitability of banking companies (Eliwa et al., 2021). This conceptual framework is expected to provide a more detailed understanding of the mechanism of the influence of ESG disclosure on the financial performance of companies in the banking sector, as shown in Figure 1 below.

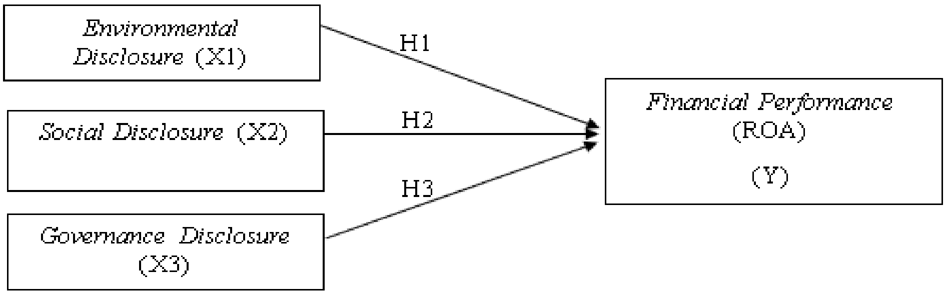

Figure 1. Conceptual Framework

Environmental Influence Disclosure of Financial Performance. Environmental disclosure disclosure is the implementation of a company's obligation to convey its efforts to preserve nature, manage resources efficiently, reduce carbon emissions, and use more environmentally friendly energy. This step not only reflects the company's commitment to the environment but also increases its openness and accountability to stakeholders. When companies actively disclose information about their environmental impact, they can create a good perception among the public and investors, which can ultimately contribute to improving their financial performance (Sara et al., 2020).

From the perspective of Stakeholder theory, companies are expected to not only prioritize the accumulation of financial capital but also integrate the interests of various groups related to their operations, both from within the company, such as employees and management, and from outside, such as investors, customers, communities, and governments (Saputra & Paranoan, 2024). One way to show concern and responsibility towards stakeholders is to disclose environmental information transparently so that they can understand how the company contributes to maintaining the balance of the ecosystem and reducing the negative impacts caused by its business activities (Adamo et al., 2021). Studies conducted by Fabiola et al. (2024), Noviantoro (2024), and Putri and Pramesti (2024) found that openness to environmental information has a positive effect on the company's financial performance. Based on these findings, this study proposes the following first hypothesis:
H1: Environmental Disclosure has a positive effect on financial performance.

Social Influence Disclosure of Financial Performance. Social disclosure in the ESG framework includes various information related to the company's commitment and steps in supporting social welfare. It includes corporate social responsibility, employment policies, respect for human rights, contributions to the community, and concern for various social issues. This

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disclosure reflects the company's moral and ethical values and demonstrates its dedication to fulfilling social responsibilities, which can ultimately strengthen the company's reputation and effectiveness of resource management (Saputra et al., 2022).

From the perspective of Stakeholder theory, corporate entities are expected to be not only responsible to shareholders but also to various parties affected by the company's operational activities. Disclosure of social information openly is a way for companies to demonstrate their accountability to various interested parties. Findings from previous studies conducted by Putri and Pramesti (2024) and Prayitno et al. (2024) found that social disclosure has a positive and significant influence on financial performance. Based on these findings, this study proposes the second hypothesis as follows:

H2: Social Disclosure has a positive effect on financial performance.

Influence of Governance Disclosure of Financial Performance. Governance disclosure reflects the company's openness in running its operations and monitoring systems, thus ensuring efficient use of resources and control of business activities involving employees, suppliers, and customers. Transparency in this governance not only shows the company's commitment to the principles of good governance but also plays a role in increasing stakeholder trust in the sustainability of the company's business (Putri & Saputra, 2021).

According to Nugroho and Hersugondo (2022), governance disclosure has a major impact on building stakeholder trust in the company. This trust does not only affect the company's reputation but also plays a role in the sustainability of the business in the long term. This principle is based on Stakeholder Theory, which emphasizes that the significant role of stakeholders in supporting the sustainability of the company entity leads to a positive impact on financial performance. Research conducted by Utomo (2024) and Prayitno et al. (2024) revealed that governance disclosure has a positive and significant influence on financial performance. Based on this explanation, the third hypothesis in this study is proposed as follows:

H3: Governance Disclosure has a positive effect on financial performance.

METHODS

In this study, the population analyzed includes banking companies listed on the Indonesia Stock Exchange (IDX) for the period 2020-2023. Meanwhile, the research sample consists of 22 banking companies selected based on the formulated selection criteria.

The sampling technique implemented is purposive sampling, which is a sample selection procedure based on predetermined considerations or criteria (Sugiyono 2020:85). In this study, samples were selected based on the following criteria:

1. Banking companies listed on the IDX in 2020-2023.
2. Banking companies that publish financial reports for 2020-2023 consecutively.
3. Banking companies that publish annual reports or sustainability reports during 2020-2023 consecutively.
4. Banking companies that use the GRI standard index as an ESG score assessment in their annual reports or sustainability reports published during 2020-2023.

The total number of banking companies listed on the Indonesia Stock Exchange (IDX) in the period 2020 to 2023, which is 43 entities, is determined as the population in this study. Furthermore, through the implementation of operationally defined criteria, companies that meet these requirements are selected as study samples.

This study uses data analysis techniques that include descriptive statistics and classical assumption tests. Descriptive statistics are used to present data in the form of tables, graphs, and

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basic statistical calculations without drawing generalization conclusions. Classical assumption tests are conducted before multiple linear regression analysis to ensure data validity. Normality tests assess residual distribution, multicollinearity tests identify correlations between independents, autocorrelation tests ensure there is no relationship between residuals, and heteroscedasticity tests evaluate the stability of residual variance in the regression model and a linear regression analysis is used to test the hypothesis in this study to understand the relationship and influence of independent variables on dependent variables. The regression equation used in this study is:

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + e$$

Where Y is financial performance, while X_1, X_2, and X_3 each represent Environmental Disclosure, Social Disclosure, and Governance Disclosure, the regression coefficients (β_1, β_2, β_3) show the magnitude of the influence of each independent variable on the dependent variable.

RESULT AND DISCUSSION

Normality Test. To find out whether the data is normally distributed, this study uses the Kolmogorov-Smirnov test. The results of the test can be seen in the table below:

Table 1. Normality Test Results

One-Sample Kolmogorov-Smirnov Test		
		Unstandardized Residual
N		96
Normal Parameters[a,b]	Mean	0,0000000
	Std. Devotion	1,16839066
Most Extreme Differences	Absolute	0,154
	Positive	0,154
	Negative	-0,074
Test Statistic		0.154
Asymp. Sig (2-tailed)		0,092
a. Test distribution is Normal		

Source: Processed data (2025)

Based on the data presented in Table 2, the significance value of Asymp. Sig. is 0.092 > 0.05. It indicates that the residuals in the regression model are normally distributed. Therefore, the normality requirements for multiple linear regression have been met, allowing the regression model to be used in further analysis without worrying about bias caused by non-normal residuals.

Multicollinearity Test. In this study, a multicollinearity test was conducted to prevent excessive linear relationships between independent variables in the regression model. It was done so that the results of the regression analysis would be more accurate and could be interpreted properly. The results of the multicollinearity test can be seen below:

Table 2. Multicollinearity Test Results

Variable	Collinearity statistics	
	Tolerance	**VIF**
Environmental	0,690	1,449
Social	0,513	1,949
Governance	0,542	1,846

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Source: Processed data (2025)

Based on the results of the multicollinearity test in Table 3, the Tolerance Value for the Environmental Disclosure variable is 0.690, with a VIF of 1.449. For Social Disclosure, the Tolerance value is 0.513 and VIF 1.949, while Governance Disclosure has a Tolerance of 0.542 and VIF 1.846. Since all Tolerance values are > 0.10 and VIF < 10, it can be concluded that there is no multicollinearity in the regression model. It means that there is no excessive linear correlation between independent variables so that the regression model can be used validly, and the results of the regression coefficient estimates can be interpreted accurately.

Autocorrelation Test. In this study, autocorrelation detection is carried out through the Durbin-Watson (DW) test. By conducting this test, the study ensures that the residuals in the regression model do not have a certain pattern so that the regression estimation results can be trusted. The following are the results of the autocorrelation test in this study.

Table 3. Autocorrelation Test Results

Model Summary[b]					
Model	**R**	**R-Square**	**Adjusted R-Square**	**Std. Error of the Estimate**	**Durbin-Watson**
1	0,742	0,550	0,568	2,18836	1,832

a. predictors: (Constant), Governance, Environmental, Social
b. Dependent Variable: Financial performance

Source: Processed data (2025)

Based on the results of the autocorrelation test listed in Table 4, the DW value is in the range of d_u < DW < (4 - d_u) or 1.755 < 1.832 < 2.245. This result confirms that no autocorrelation is detected in the regression model. Thus, the residuals in the model do not show a particular pattern, so the autocorrelation assumption has been met. It ensures that the regression model can be used validly and that the results of the regression coefficient estimation can be interpreted more accurately.

Heteroscedasticity Test. The following presents the results of the heteroscedasticity test using the Glejser method.

Table 4. Heteroscedasticity Test Results

Variable	Sig
Environmental	0,064
Social	0,421
Governance	0,084

Source: processed data, (2025)

Based on the data from Table 5, it can be concluded that there is no heteroscedasticity problem found in the independent variables in the regression model. The significance value for the Environmental Disclosure variable is 0.064, Social Disclosure 0.421, and Governance Disclosure 0.084, where all of these values are greater than 0.05 because the significance value generated is greater than 0.05. It proves that this regression model does not experience heteroscedasticity. Thus, the assumption of homoscedasticity has been met. It shows that the residual variance in the model is constant so that the regression model can be used validly without any heteroscedasticity interference that can affect the accuracy of the estimation results.

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F-Test Model Suitability Test. The following presents the results of the model feasibility test based on the F test.

Table 5. Model Feasibility Test Results

ANOVA[a]						
Model		**Sum of Squares**	**df**	**Mean Squares**	**F**	**Sig.**
1	Regression	29,791	3	9,930	7,032	0,000[b]
	Residual	122,862	92	1,412		
	Total	152,653	95			

a. Dependent Variable: Financial performance
b. predictors: (Constant), Governance, Environmental, Social

Source: Processed data (2025)

Based on the results of the model feasibility test using the F test, a significance value (Sig.) of 0.000 was obtained. Because the results obtained are less than 0.05, it can be ascertained that the regression model used in this study is feasible and statistically significant. It means that the independent variables (Environmental Disclosure, Social Disclosure, and Governance Disclosure) simultaneously have a significant effect on financial performance (ROA). Thus, this regression model can be used to examine the relationship between ESG Disclosure and the financial performance of banking companies validly and reliably.

Coefficient of Determination Test. The results of the determination coefficient test in this study are presented as follows:

Table 6. Results of the Determination Coefficient Test

Model Summary[b]					
Model	**R**	**R Square**	**Adjusted R Square**	**Std. Error of the Estimate**	**Durbin-Watson**
1	0.742[a]	0.550	0.568	2,18836	1,832

a. Predictors: (Constant), Governance, Environmental, Social
b. Dependent Variable: Financial performance

Source: Appendix 5 (2025)

Based on the results of the determination coefficient test (Adjusted R^2), a value of 0.568 was obtained. It shows that 56.8% of the variability in financial performance (ROA) can be explained by independent variables, namely Environmental Disclosure, Social Disclosure, and Governance Disclosure. Meanwhile, the remaining 43.2% (100% - 56.8%) is influenced by external factors not included in this study. These factors can be macroeconomic aspects, government policies, company business strategies, or other variables that affect the financial performance of banking companies.

Hypothesis Testing (T-Test). The results of this hypothesis test will help in understanding the extent to which each aspect of ESG Disclosure (Environmental, Social, and Governance) contributes to the financial performance of banking companies. The following are the results of the t-test, which will be analyzed further.

Table 7. Hypothesis Test Results

Coefficients[a]				
Model	**Unstandardized Coefficients**	**Standardized Coefficients**	**t**	**Sig.**

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		B	Std. Error	Beta		
1	(Constant)	-0,461	0,501		-0,920	0,360
	Environmental	4,134	0,978	0,489	4,227	0,000
	Social	4,233	0,982	0,032	4,310	0,008
	Governance	4,021	0,706	0,189	5,695	0,001

a. Dependent Variable: Financial performance

Source: Appendix 5 (2025)

Table 8 can be explained as follows:

1. The Environmental Disclosure variable shows a significance value of 0.000, which is less than 0.05, and a positive regression coefficient of 4.134. It indicates that Environmental Disclosure has a positive and significant effect on financial performance (ROA). Thus, it can be concluded that Environmental Disclosure has a positive and significant effect on financial performance (ROA). So, the first hypothesis is accepted.
2. The Social Disclosure variable has a significance value of 0.008, which is less than 0.05, and a positive regression coefficient of 4.233. These results indicate that Social Disclosure has a positive and significant effect on financial performance (ROA). Therefore, Social Disclosure has a positive and significant effect on financial performance (ROA). So, the second hypothesis in this study is accepted.
3. The Governance Disclosure variable has a significance value of 0.001, which is less than 0.05, with a positive regression coefficient of 4.021. This means that Governance Disclosure also has a positive and significant effect on financial performance (ROA). This shows that the third hypothesis, stating that Governance Disclosure has a positive and significant effect on financial performance, is accepted.

Environmental Influence Disclosure of Financial Performance. Based on the analysis results, Environmental Disclosure has a positive and significant effect on the financial performance of banking companies (ROA), with a significance value of 0.000 and a positive regression coefficient of 4.134. The more extensively a company discloses information related to the environment, the better its financial performance. Commitment to environmental sustainability can improve reputation, reduce legal and operational risks, and increase resource efficiency. In addition, companies that are transparent in environmental disclosure tend to be more attractive to investors and stakeholders, which has an impact on profitability.

This finding is in line with Stakeholder Theory, which states that companies have obligations not only to shareholders but also to wider stakeholders, such as society and the environment (Anggreni et al., 2023). Environmental disclosure reflects a company's efforts toward sustainability, which has the potential to strengthen trust from customers, investors, and regulators. By meeting stakeholder expectations, companies can build long-term profitable relationships, increase customer loyalty, and create added value for their business (Kumar, 2022). Therefore, environmental disclosure is not only a moral obligation but also a strategic step for companies to improve the company's financial performance.

Social Influence Disclosure of Financial Performance. Social Disclosure also reveals a significant positive effect on financial performance (ROA), with a significance of 0.008 and a regression coefficient of 4.233. Companies that are active in social disclosure, such as employee welfare and social responsibility, generally have higher levels of customer trust and increased employee motivation. It is also attractive to investors who consider social aspects in their investment

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decisions, which can ultimately increase profitability. Transparent social disclosure strengthens the company's relationship with various stakeholders, creates a positive image, and reduces conflict.

Stakeholder theory states that companies have responsibilities to various stakeholders, including workers, consumers, and the general public (Sancaya & Saputra, 2024). By disclosing social information transparently, companies demonstrate their commitment to social welfare and sustainable development. It can strengthen relationships with stakeholders, improve the company's image, and reduce the potential for conflict that can harm the business. It emphasizes that social disclosure is not only part of a company's responsibility to society but also a business strategy that can provide long-term financial benefits.

Influence of Governance Disclosure of Financial Performance. Governance Disclosure has a positive and significant effect on financial performance (ROA), with a significance of 0.001 and a regression coefficient of 4.021. Governance Good disclosure can improve transparency, accountability, and efficiency of decision-making, thereby reducing financial risk and increasing investor confidence. Companies with strong governance are more compliant with regulations and have better risk management. Through transparent and accountable corporate governance, companies can strengthen relationships with investors and business partners and improve financial performance in the long term (Hidayah et al., 2023; Saputra & Anggiriawan, 2021).

Stakeholder theory articulates that companies must consider the interests of a broad spectrum of stakeholders, including shareholders, investors, regulatory authorities, and the general public (Widjayanti et al., 2024). Corporate Good governance shows the company's commitment to implementing business practices based on ethical principles and accountability, which then increases stakeholder trust. The implementation of transparent and accountable governance enables companies to minimize conflicts of interest, increase operational efficiency, and strengthen relationships with investors and business partners (Dewi et al., 2024). Therefore, Governance Disclosure is not only a regulatory obligation, merely fulfilling a regulatory mandate but rather a strategic paradigm that has the potential to optimize a company's competitive advantage and financial performance in the long term.

CONCLUSION

Based on the research results, the disclosure of Environmental, Social, and Governance (ESG) has a positive and significant influence on the Financial Performance of banking companies. The more transparent a company is in disclosing its commitment to the environment, the higher its reputation in the eyes of investors and stakeholders, which ultimately has a positive impact on profitability. In addition, the company's involvement in social responsibility, such as employee welfare and contribution to the community, can increase customer loyalty and employee motivation. In terms of governance, companies with good management and a strong transparency system are more trusted by investors and have more effective risk management, thus encouraging operational efficiency and financial stability.

Based on these findings, investors are advised to consider the level of ESG transparency in a company's annual report before making investment decisions, as companies with good ESG disclosure tend to have stronger business prospects. In addition, additional analysis of financial indicators such as ROE, NPM, and PBV can provide a more comprehensive picture of the risks and potential returns of investments. For further research, it is recommended to include additional variables in measuring financial performance and expand the scope of the industry so that the research results are more generalizable. The use of ESG disclosure methods from independent rating

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agencies or content analysis with more specific weights can also increase the objectivity of research results.

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