The Effect of Green Intellectual Capital, Green Accounting, and Firm Size on Financial Performance through ESG

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ABSTRACT

Growing environmental sustainability concerns have intensified expectations for companies to integrate green practices and transparent ESG disclosure into their operations as a means of enhancing credibility and financial performance in increasingly sustainability-oriented capital markets. This research investigates the effects of green intellectual capital, green accounting, and firm size on financial performance, with ESG disclosure serving as a mediating variable. The study focuses on Indonesian publicly listed companies that are consistently included in the SRI-KEHATI Index and/or IDX ESG Leaders from 2018 to 2025. The data were analyzed quantitatively using the Partial Least Square (PLS) technique. The findings reveal that neither green intellectual capital nor green accounting significantly influences financial performance, measured by Return on Assets (ROA), while firm size demonstrates a significant negative impact. ESG disclosure also shows no significant direct effect on financial performance and is unable to mediate the relationships between green intellectual capital, green accounting, or firm size and financial performance. These results suggest that internal, environmentally oriented initiatives have yet to generate measurable short-term financial benefits without additional supporting factors. This study provides valuable insights for corporate decision-makers and stakeholders regarding the necessity of aligning sustainability practices with financial outcomes.

Keywords: *ESG Disclosure, Financial Performance, Firm Size, Green Accounting, Green Intellectual Capital*

ABSTRAK

Meningkatnya perhatian terhadap isu keberlanjutan lingkungan telah mendorong perusahaan untuk tidak hanya berorientasi pada kinerja keuangan, tetapi juga mengintegrasikan praktik ramah lingkungan serta mengungkapkan ESG secara transparan guna meningkatkan kepercayaan pasar dan kinerja perusahaan. Penelitian ini bertujuan menguji pengaruh green intellectual capital, green accounting, dan ukuran perusahaan terhadap kinerja keuangan perusahaan, dengan ESG disclosure sebagai variabel mediasi. Objek penelitian adalah perusahaan publik Indonesia yang konsisten tergabung dalam indeks SRI-KEHATI dan/atau IDX ESG Leaders selama 2018–2025. Data dianalisis secara kuantitatif dengan metode Partial Least Square (PLS). Hasil penelitian menunjukkan bahwa GIC dan green accounting tidak berpengaruh signifikan terhadap kinerja keuangan (Return on Assets), sedangkan ukuran perusahaan berpengaruh negatif signifikan. ESG disclosure juga tidak berpengaruh langsung signifikan terhadap kinerja keuangan. variabel ESG disclosure tidak berhasil memediasi pengaruh green intellectual capital, green accounting maupun ukuran perusahaan terhadap kinerja keuangan. Temuan ini mengindikasikan bahwa inisiatif hijau internal belum memberikan dampak finansial jangka pendek yang nyata tanpa dukungan faktor lain. Penelitian ini diharapkan dapat memberikan wawasan bagi manajemen perusahaan dan pemangku kepentingan

Kata kunci: *Pengungkapan ESG, Kinerja Keuangan, Ukuran Perusahaan, Akuntansi Hijau, Modal Intelektual Hijau*

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INTRODUCTION

Environmental sustainability issues have become a major focus in modern business. Companies today are expected not only to achieve financial gains but also to conduct their operations responsibly toward the environment and openly communicate their Environmental, Social, and Governance (ESG) practices (Hoang, 2018). In Indonesia, the implementation of Financial Services Authority Regulations Number 51 of 2017 requires publicly listed companies to produce independent sustainability reports, prompting many firms to publish these reports as proof of their commitment to sustainable financial practices. Nevertheless, the quality of ESG disclosure in Indonesia still lags behind that of developed countries. The SRI-KEHATI Index (since 2009) and IDX ESG Leaders (since 2020) were launched to highlight 25 companies with responsible investment practices. The introduction of these indexes has boosted investor attention toward firms that demonstrate strong ESG performance. Studies indicate that companies effectively implementing ESG practices achieve operational performance that is 88% higher and stock prices that are 80% higher compared to other firms. These results align with signaling theory, suggesting that environmental initiatives and transparent ESG reporting act as favorable signals for investors and contribute to improved corporate value and financial outcome.

However, not all sustainability efforts align with improvements in financial performance. The integration of green initiatives with financial outcomes still faces challenges: Green Intellectual Capital (GIC) is often viewed as a long-term investment that may not yield rapid returns (Benevene et al., 2021). Green accounting, which incorporates environmental costs and benefits into accounting, increases accountability and transparency, and larger companies tend to be more capable of implementing it due to their greater resources (Rounaghi, 2019). Nevertheless, the adoption of green practices is often met with skepticism because it can increase short-term costs without guaranteeing immediate financial returns. Evidence in practice shows a gap between sustainability commitment and financial performance, as not all companies in the SRI-KEHATI index with high ESG ratings consistently demonstrate stronger financial performance each year. This raises the question of whether green intellectual capital and green accounting truly enhance profitability, or whether ESG disclosure itself acts as the catalyst for investor appreciation of those green initiatives. In other words, it is worth asking whether ESG disclosure may serve as an important mechanism that bridges internal green practices with external perceptions from investors and the public.

Ramadhani et al. (2022) found that the implementation of green accounting positively affects corporate efficiency and performance, while Dewi (2020) and Maryanti and Hariyono (2020) reported negative or insignificant effects of Green Accounting. Similarly, regarding green intellectual capital, Bangun et al. (2024) found no significant impact on financial performance. There is positive relationship between green intellectual capital and profitability when supported by good corporate governance (Sumiati & Isnaini, 2024). The variation in prior research outcomes highlights a gap that warrants deeper examination, especially through the inclusion of ESG disclosure as a mediating factor. In contrast to most earlier studies that employed Good Corporate Governance (GCG) as a moderating variable, this study positions ESG disclosure as an intermediary variable. This design aims to uncover how green intellectual capital, green accounting, and firm size may affect financial performance indirectly through ESG disclosure. Beyond reinforcing the relationships among these variables, ESG disclosure serves as a concrete manifestation of sustainability practices that can shape market sentiment and investor evaluations (Itan et al., 2025).

Based on the preceding discussion, this research seeks to investigate how Green Intellectual Capital, green accounting practices, and firm size influence a company's financial performance, as well as to determine whether ESG disclosure functions as a mediating factor within these relationships. The study focuses on firms included in the SRI-KEHATI Index and the IDX ESG Leaders for the 2018–2025 period, aiming to offer

a thorough perspective on how sustainability-oriented strategies and transparent reporting can contribute to improving organizational performance.

LITERATURE REVIEW & HYPOTHESIS DEVELOPMENT

The Effect of Green Intellectual Capital on Corporate Financial Performance

Resource-Based View (RBV) states that a company's competitive advantage derives from assets or resources that are Valuable, Rare, Inimitable, and Non-Substitutable (VRIN) (Barney, 1991). In this regard, green intellectual capital acts as a non-physical asset that is difficult for competitors to replicate and can serve as a source of competitive advantage. A high level of green intellectual capital is anticipated to encourage operational efficiency, foster innovation, and strengthen corporate reputation, which in turn can contribute to better financial outcomes.

Green Intellectual Capital (GIC) expands traditional intellectual capital by integrating an environmental perspective that encompasses employee expertise, internal systems, and external stakeholder relationships supporting sustainability goals. Yulianingsih and Wahyuni (2023) found that GIC significantly increases corporate ROA and ROE, particularly when aligned with strong governance mechanisms. Similar evidence is presented by Shahbaz and Malik (2025) showing that companies investing in green human resources and environmental management systems experience greater cost efficiency and increased profitability, indicating that environmentally oriented intellectual capital enhances long-term financial outcomes.

H1: Green intellectual capital has a significant effect on corporate financial performance.

The Effect of Green Accounting on Corporate Financial Performance

Signaling Theory assumes that corporate actions can send signals to the market (Spence, 1973). The provision of complete and reliable sustainability information, such as through Environmental, Social, and Governance (ESG) reporting, is commonly viewed by investors as an encouraging indication of a firm's future performance. When ESG disclosures are thorough and consistently communicated, investor confidence tends to increase, which may result in reduced capital costs and improved profitability. Essentially, ESG reporting serves as a signal of managerial capability and a company's long-term dedication to sustainability, potentially enhancing its perceived value among investors.

Green accounting, or environmental accounting, integrates environmental impacts into corporate reporting by identifying, measuring, and disclosing environmental-related costs and benefits, thereby strengthening accountability and reducing information asymmetry from an agency theory perspective. Empirical studies support its positive role in performance: Ramadhani et al. (2022) demonstrated that green accounting improves operational efficiency and financial performance; Susanti et al. (2023) reported significant improvements in efficiency and net profit; and Friede et al. (2015) found that companies adopting environmental accounting achieve higher financial performance than those with limited environmental disclosure.

H2: Green accounting has a significant effect on corporate financial performance.

The Effect of Firm Size on Corporate Financial Performance

Financial performance is measured using the Return on Assets (ROA) indicator, which assesses how effectively a company's management utilizes assets to generate net income. Theoretically, Good Management Theory states that companies that excel in social and environmental responsibility also tend to excel in financial performance (Waddock & Graves, 1997). Companies that are proactive in sustainability generally possess strong overall management, resulting in better financial outcomes. Conversely, trade-off theory suggests that investments in sustainability activities may suppress short-term profits because they involve additional costs without immediate returns. Therefore, the financial

effects of environmentally oriented initiatives are likely to be indirect and may take time to materialize. In this regard, ESG disclosure is anticipated to redirect investor attention from immediate expenses toward long-term reputational gains, helping to connect sustainability efforts with improved financial outcomes.

Firm size, commonly measured by total assets, reflects organizational resource availability and market visibility, enabling larger firms to gain easier investor access and operate more efficiently. Evidence consistently indicates that firm size contributes positively to performance. Julietha and Natsir (2021) found that firm size positively influences profitability in manufacturing and financial service industries. Larger firms experience higher profits and firm value due to broader capital access, stronger reputations, and greater operational diversification (Joe & Ginting, 2022). Siregar et al. (2022) and Panjaitan et al. (2025) further revealed that large firms with strong ESG disclosure outperform those with weak disclosure, demonstrating that transparency amplifies the competitive advantages of firm size through increased public trust.

H3: Firm size has a significant effect on corporate financial performance.

Environmental, Social, and Governance as Mediator Variable

Environmental, Social, and Governance (ESG) serves as a framework for assessing corporate sustainability impacts and plays a crucial role in sustainable investment by evaluating organizations beyond financial outcomes to include environmental and social value (Weston & Nnadi, 2023; Chen et al., 2023; Davydenko et al., 2023). Empirical evidence also shows that ESG performance positively affects financial performance measured using ROA (Ihsani et al., 2023).

ESG performance has become a key framework for evaluating corporate sustainability practices and their broader impact on society and the environment (Davydenko et al., 2023). ESG plays a critical role in modern investment behavior, as stakeholders increasingly assess companies not only based on financial performance but also their contributions to environmental stewardship and social responsibility (Weston & Nnadi, 2023; Chen et al., 2023). Empirical evidence indicates that ESG performance positively influences accounting-based financial performance, particularly when measured using ROA (Ihsani et al., 2023). This suggests that ESG implementation can enhance transparency, strengthen stakeholder trust, and reduce risk, ultimately supporting stronger financial outcomes. Therefore, ESG has the potential to act as an effective mediating mechanism linking sustainability-related strategic resources to financial results.

In the context of Green Intellectual Capital (GIC), Yusliza et al. (2020) show that environmentally oriented intellectual resources, such as green human capital and environmental management systems, improve operational efficiency and profitability over the long term. However, the financial benefits may not be immediately visible unless effectively communicated through sustainability reporting. ESG disclosure can serve as a strategic communication channel that signals the value of GIC initiatives to investors and the public, thereby enhancing financial performance. Similarly, green accounting strengthens corporate accountability and public confidence by integrating environmental impacts into reporting practices. Because ESG reporting emphasizes transparency of environmental and social outcomes, it may enhance the performance benefits of green accounting by reducing information asymmetry and improving corporate reputation (Al-Amosh, 2025). Firm size may also gain greater financial advantage when accompanied by ESG transparency, as larger companies have more resources to implement sustainability initiatives and are more visible to regulators and investors (Anggraeni et al., 2022; Liang & Cao, 2024). Therefore, ESG disclosure is expected to mediate the effect of GIC, Green Accounting, and firm size on financial performance, supporting hypotheses H5, H6, and H7.

H4: ESG has a positive effect on corporate financial performance.
H5: ESG mediates the effect of green intellectual capital on financial performance.

H6: ESG mediates the effect of green accounting on financial performance.
H7: ESG mediates the effect of firm size on financial performance.

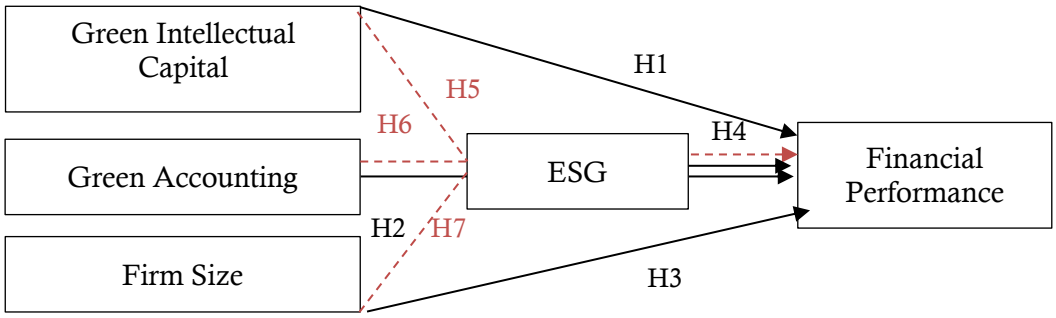

Figure 1. Research Framework

Figure 1 proposed research framework examines the relationships between green practices, firm characteristics, and financial performance, with a particular focus on the mediating role of ESG disclosure. Specifically, it posits that green intellectual capital, green accounting, and firm size each positively influence corporate financial performance, both directly and indirectly through ESG disclosure. ESG disclosure itself is also hypothesized to have a direct positive impact on financial performance. By integrating these variables, the framework seeks to capture how firms' sustainability-related knowledge, accounting practices, and scale contribute to financial outcomes, while highlighting ESG disclosure as a key mechanism that translates these internal and structural capabilities into measurable performance gains.

RESEARCH METHODS

This research adopts a quantitative method using an explanatory causal design. The approach was chosen to clarify cause-and-effect relationships among the variables and to empirically test the formulated hypotheses. The analysis specifically evaluates how green intellectual capital, green accounting, and firm size influence financial performance, both directly and indirectly through ESG disclosure as a mediating variable. Consequently, the research framework incorporates testing of direct relationships as well as mediated effects based on the developed conceptual model.

The population of this study comprises all companies listed on the Indonesia Stock Exchange (IDX) that are included in the SRI-KEHATI Index or the IDX ESG Leaders during the 2018–2025 period. The SRI-KEHATI Index consists of firms recognized for strong sustainability practices, while the IDX ESG Leaders represent those with the highest ESG assessments. A purposive sampling technique was applied using predetermined criteria to ensure sample relevance to the research objectives. The criteria include: companies consistently listed in the SRI-KEHATI Index and/or IDX ESG leaders for a minimum of seven consecutive years from 2018 to 2025; companies that publish complete annual and sustainability reports each year within the study period; and companies that reported positive earnings during the period. Based on these requirements, 10 companies met the criteria, generating 70 total observations (10 firms × 7 years).

In this study, Green Intellectual Capital (GIC) is measured as a disclosure index encompassing green human capital, green structural capital, and green relational capital, assessed through content analysis of annual and sustainability reports (Bangun et al., 2024). Green Accounting (GA) is operationalized as an environmental accounting disclosure index, evaluating the reporting of environmental costs, environmental performance, and compliance with GRI standards. Firm size is measured using the natural logarithm of total assets, reflecting resource capacity, operational scale, and exposure to public and regulatory scrutiny. ESG disclosure, serving as a mediating variable, is measured through an index capturing environmental, social, and governance

performance based on sustainability reports or external ESG scores (Davydenko et al., 2023; Weston & Nnadi, 2023). Finally, financial performance is measured using Return on Assets (ROA) to assess the effectiveness of asset utilization in generating net income (Ihsani et al., 2023). All variables are operationalized using ratio scales and disclosure indices, enabling the examination of both direct and indirect relationships, including the mediating role of ESG disclosure. This study relies on secondary data obtained through the documentation of official reports, primarily annual reports and sustainability reports from each sampled company. Data analysis was conducted using Structural Equation Modeling (SEM) with the Partial Least Squares (PLS) variance-based method. Model testing was carried out using hypothesis, path coefficient, and R-squared testing.

RESULTS

This study uses companies included in the SRI-KEHATI Index listed on the Indonesia Stock Exchange (IDX) during the period 2018–2025 as research objects. This index consists of companies that not only demonstrate strong financial performance but also are committed to sustainability principles and social responsibility. Sampling was conducted using several selection criteria. The structural model test, or inner model, is used to examine the presence of direct and indirect effects among variables. The structural model or inner model test can be conducted using bootstrapping. The bootstrapping test results are as follows in Figure 2.

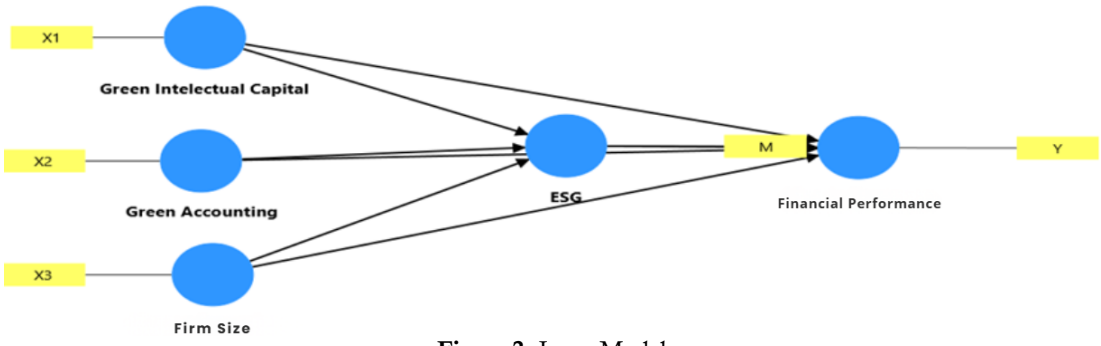

Figure 2. Inner Model

Table 1. R Square Test

Construct	R-Square	R-Square Adjusted
ESG	0.838	0.831
Financial Performance	0.320	0.278

The assessment of the structural model begins with an evaluation of the R-Square values. Based on the results generated through SmartPLS, the R-Square outcomes are summarized in Table 1. The adjusted R-Square for the financial performance variable is 0.278, indicating that 27.8% of the variation can be explained by the model, while the remaining 72.2% is attributed to other factors outside the model. For the ESG variable, the adjusted R-Square is 0.831, meaning that 83.1% of the variance is accounted for by the model, with the remaining 17.9% influenced by variables not included in the analysis.

These analytical results form the basis for hypothesis testing within this study. The evaluation of hypotheses is conducted using t-statistics and p-values, where a hypothesis is accepted if the p-value is below 0.05. This research examines both direct and indirect relationships among variables due to the inclusion of independent variables, dependent variables, and a mediating variable. The outcomes of the direct effect testing are shown in the path coefficient results generated from the SmartPLS bootstrapping procedure.

The path coefficient test is used to measure the strength of the influence exerted by the independent variables on the dependent variable based on the inner model scheme shown in the figure and the path coefficient Table 2.

Table 2. Direct Effect Test

Construct	Original Sample	Sample Mean	Standard Deviation	T-Statistics	P-Values
Green Intellectual Capital → Financial Performance	0.051	0.047	0.119	0.427	0.670
Green Accounting → Financial Performance	-0.478	-0.498	0.251	1.906	0.057
Firm Size →Financial Performance	-0.624	-0.624	0.120	5.223	0.000
ESG → Financial Performance	0.253	0.282	0.254	0.994	0.320

The results of the first hypothesis test indicate that the path coefficient value of 0.051, accompanied by a t-statistic of 0.427 (below the critical value of 1.960), and a p-value of 0.670 demonstrate that Green Intellectual Capital (GIC) does not significantly influence financial performance (ROA). Accordingly, H1 is not supported. For the second hypothesis, the path coefficient obtained is −0.478 with a t-statistic of 1.906, which also falls short of the 1.960 threshold, and a p-value of 0.057. These results show that green accounting does not have a significant impact on financial performance, resulting in the rejection of H2.

The third hypothesis test yields a path coefficient of −0.624 and a t-statistic of 5.223, exceeding the critical value of 1.960, along with a p-value of 0.000. This confirms that firm size exerts a significant influence on financial performance, and therefore H3 is accepted. The fourth hypothesis test produces a path coefficient of 0.253, a t-statistic of 0.994, and a p-value of 0.320, all of which fall below the required significance levels. These findings show that ESG disclosure does not significantly affect financial performance, thus H4 is rejected.

Table 3. Indirect Effect Test

Construct	Original Sample	Sample Mean	Standard Deviation	T-Statistics	P-Values
Green Accounting → ESG → Financial Performance	0.207	0.234	0.213	0.974	0.330
Green Intellectual Capital → ESG → Financial Performance	0.048	0.052	0.050	0.959	0.338
Firm Size → ESG → Financial Performance	0.006	0.010	0.024	0.235	0.814

The analysis conducted aims to explain the presence of significant indirect effects using a mediating variable. The indirect effect analysis test produced the following results in Table 4. The results of the fifth hypothesis test reveal a path coefficient of 0.048 and a t-statistic of 0.959, which is below the critical value of 1.960. With a p-value of 0.338, the findings indicate that ESG disclosure does not mediate the effect of Green Intellectual Capital (GIC) on financial performance, leading to rejection of the hypothesis. The sixth hypothesis test produces a path coefficient of 0.207 and a t-statistic of 0.974, also below the required threshold, with a p-value of 0.330. This shows that ESG disclosure does not act as a mediator between green accounting and financial performance, and therefore, the hypothesis is rejected. The seventh hypothesis test results in a path coefficient of 0.006 and a t-statistic of 0.235, which is considerably lower than the t-table requirement of 1.960. The p-value of 0.814 suggests that ESG disclosure does not mediate the relationship between firm size and financial performance, resulting in the rejection of the final hypothesis.

DISCUSSION

The findings of this study provide several important insights regarding the effects of Green Intellectual Capital (GIC), green accounting, firm size, and ESG disclosure on financial performance, as well as the mediating role of ESG. The rejection of H1 suggests

that GIC has not yet directly contributed to improvements in profitability. Implementing GIC typically requires substantial investments in employee expertise, internal infrastructure, and relational networks, while the economic benefits tend to be realized only in the long term. Without effective communication and disclosure, the market may not immediately recognize or reward the implementation of GIC initiatives. This result is consistent with Asiaei et al. (2023), who found that elements of green intellectual capital are not directly associated with environmental performance. Conversely, this finding contrasts with studies by Khanlarov et al. (2020) and Wang and Juo (2021), which reported positive impacts of GIC on corporate performance, highlighting the potential variability across contexts and industries in realizing financial benefits from intellectual capital. From a legitimacy theory perspective, the insignificant effects of GIC, green accounting, and ESG disclosure on short-term financial performance suggest that firms adopt sustainability practices mainly to secure social legitimacy and regulatory compliance rather than immediate economic returns. In emerging markets, sustainability disclosure often functions symbolically to meet societal expectations, with financial benefits accruing over time.

Similarly, the rejection of H2 indicates that green accounting has not supported short-term financial improvement. Environmental and social responsibility initiatives often involve substantial costs, which companies may perceive as financial burdens rather than opportunities for value creation. As a result, green accounting practices may be treated primarily as compliance obligations rather than strategic drivers of profitability. Without effective cost management, these practices can suppress short-term profits. This finding contrasts with the results of Endiana et al. (2020) and Khan and Gupta (2025), who found that green accounting positively influences financial performance, suggesting that contextual factors such as industry type, regulatory environment, and management efficiency may play critical roles in determining outcomes.

Firm size negatively and significantly influences financial performance. This suggests that larger firms tend to exhibit lower Return on Assets (ROA), potentially due to increased managerial complexity, bureaucratic inefficiencies, higher operational costs, or diminished agility in resource allocation. Larger firms, despite benefiting from economies of scale and easier access to capital in theory, may face challenges in translating their size into higher profitability in the context of sustainability-focused companies. This finding contrasts with some prior studies, such as Karim et al. (2024) and Hashimy (2025), who reported superior performance among larger firms due to operational and regulatory efficiencies. However, it aligns with Aurelia et al. (2025), who found that firm size may negatively affect profitability in certain contexts due to increased managerial complexity. From a stakeholder theory perspective, financial outcomes, particularly in sustainability-related initiatives, depend on sustained engagement and credible communication, where larger firms' symbolic or compliance-driven practices may fail to fully translate scale advantages into immediate profitability gains.

ESG disclosure alone has not demonstrated a significant impact on short-term financial performance. ESG practices are inherently oriented toward long-term sustainability outcomes rather than immediate financial returns, and investor responses to ESG information remain limited. This aligns with findings by Dragomir et al. (2022), who observed negative impacts of ESG on financial performance, and Tanjaya and Ratmono (2024), who reported no significant effect prior to the COVID-19 pandemic. These results highlight that the benefits of ESG initiatives may take time to be internalized and reflected in metrics such as ROA.

The subsequent hypotheses (H5–H7), which tested ESG disclosure as a mediator, were all rejected. H5's rejection indicates that ESG cannot mediate the influence of GIC on financial performance. Although GIC theoretically strengthens resource management and stakeholder relationships, its financial advantages typically manifest over the long term. Limited integration of GIC into sustainability strategies and insufficient ESG reporting may further weaken its mediating effect. These results correspond with Ramadhani et al. (2022) who noted that intellectual capital's financial benefits are

delayed. Similarly, the rejection of H6 suggests that ESG cannot mediate the effect of Green Accounting, likely due to limited disclosure, high short-term costs, and compliance-oriented adoption. Finally, the rejection of H7 indicates that ESG does not mediate the relationship between firm size and financial performance. Large firms may already enjoy strong investor confidence and market credibility, reducing reliance on ESG indicators for financial outcomes (Drempetic et al., 2020).

These findings suggest that while firm size directly influences financial performance, the financial impacts of green initiatives and ESG disclosure are largely long-term and context-dependent. Short-term profitability may not immediately benefit from GIC, Green Accounting, or ESG activities, emphasizing the importance of effective communication, strategic integration, and long-term perspectives when implementing sustainability initiatives (Dasinapa, 2024).

CONCLUSION

The study concludes that green intellectual capital and green accounting do not exert a significant impact on financial performance (ROA), resulting in the rejection of the first and second hypotheses. Firm size is the only variable found to significantly affect ROA, supporting the third hypothesis. Additionally, ESG disclosure neither directly influences financial performance nor mediates the relationships between green intellectual capital, green accounting, and firm size with financial performance, leading to the rejection of the fourth through seventh hypotheses. These results imply that sustainability-oriented internal initiatives have not yet produced measurable financial benefits in the short term, and the Indonesian capital market may still place limited emphasis on the financial relevance of ESG disclosure. Larger firms tend to exhibit lower financial performance as proxied by ROA, indicating that greater scale does not necessarily translate into higher profitability.

This research is subject to several limitations, including a relatively small sample of companies consistently listed in the SRI-KEHATI Index and IDX ESG Leaders from 2018–2025, and the use of ROA as the sole measure of financial performance, which may not fully capture broader financial impacts. Future studies are recommended to expand sample coverage to different sectors, apply additional financial indicators such as Tobin's Q or stock returns, and extend the observation time frame to capture long-term effects of sustainability initiatives. It is also suggested to incorporate additional variables such as corporate governance quality, industry characteristics, or regulatory pressure, and to analyze the qualitative strength of ESG disclosures to provide deeper insight into the linkage between sustainability strategies and financial outcomes.

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