IJAFIBS, 13 (2) (2025) pp. 236-246

Published by: TRIGIN Publisher

International Journal of Applied Finance and Business Studies

Journal homepage: www.ijafibs.pelnus.ac.id

Unpacking ESG disclosure and market performance: a stakeholder-based study of Indonesian Energy Firms

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ARTICLE INFO

Article history:

Received Jul 5, 2025
Revised Jul 20, 2025
Accepted Jul 29, 2025

Keywords:

ESG Disclosure;
Energy Sector;
Firm Performance;
Stakeholder Theory;
Tobin's Q.

ABSTRACT

This scholarly work investigates the potential impact of Environmental, Social, and Governance (ESG) information dissemination on firm-level performance, within the theoretical scope of stakeholder orientation. ESG transparency is evaluated across three thematic pillars—ecological stewardship, societal engagement, and corporate oversight—based on parameters delineated by Nasdaq ESG Metrics (2019). Corporate performance is represented by a market-based indicator, namely Tobin's Q. The empirical dataset comprises 17 energy-sector entities listed on the Indonesia Stock Exchange over the period 2019–2023, selected through purposive sampling methodology. Analytical procedures employ multiple linear regression techniques. The empirical results indicate that environmental transparency exerts a statistically significant and favorable influence on firm value. In contrast, disclosures related to social and governance aspects do not demonstrate a meaningful association with corporate performance. On the whole, the disclosure of ESG dimensions exhibits a significant and positive linkage with firm outcomes. Nevertheless, in spite of existing regulatory mandates, merely 25% of energy firms have issued sustainability reports, and the comprehensiveness of ESG-related disclosures remains suboptimal. The present invetigation highlights the strategic importance of environmental transparency in enhancing market valuation. Practically, the findings urge energy firms to enhance environmental disclosures to boost investor trust and firm valuation.

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1. INTRODUCTION

The principal aspiration of commercial endeavors is often centered on the amplification of economic returns. Yet, in real-world application, a considerable number of corporations exhibit a disregard for environmental and societal obligations, which may detrimentally influence both enterprise performance and the durability of the national economy. Ensuring organizational longevity necessitates the incorporation of ecological and social imperatives within strategic and operational frameworks. Therefore, the persistence of a business entity should not be appraised merely through the lens of profitability, but also through the degree to which it responds to the diverse interests of its stakeholder constituencies (Carroll, 1979; Elkington, 1997).

A fundamental manifestation of a company's dedication to its stakeholder network is articulated through the adoption of corporate social responsibility (CSR) initiatives. Initially, the CSR paradigm emerged from a narrow concentration on shareholder value toward a more encompassing

stakeholder-centric approach, integrating various interest groups such as suppliers, personnel, and consumers (Bowen, 2013; Donaldson & Preston, 1995; Friedman, 1970). Over time, CSR evolved into a multidimensional construct comprising economic, juridical, moral, and philanthropic obligations (Carroll, 1979). By the year 2008, the CSR discourse had undergone a conceptual refinement, accentuating the pillars of sustainability, transparency, and accountability (Crowther, D., & Aras, 2008), which increasingly converged with the principles embedded in the Environmental, Social, and Governance (ESG) paradigm(Velte, 2019).

In the Indonesian context, the articulation of Corporate Social Responsibility (CSR) and Environmental, Social, and Governance (ESG) disclosures is codified within Law No. 40 of 2007 concerning Limited Liability Companies, and is further operationalized through the Financial Services Authority Regulation No. 51/POJK.03/2017, which outlines sustainable finance directives applicable to financial institutions and publicly listed entities (OJK, 2017). Notwithstanding the existence of this regulatory scaffolding, early-stage adherence was notably inadequate. Empirical evidence from a regional comparative analysis revealed that Indonesia occupied the lowest position among five ASEAN member states in terms of sustainability disclosure practices (Loh et al., 2018).

Nevertheless, the adoption of ESG disclosure has been associated with growing public trust. A 2020 survey by GlobeScan and GRI showed a 51% increase in public trust, with Indonesia ranking first among 27 countries in ESG-related disclosure credibility (Wuryasti, 2022). However, these findings contrast with the ongoing environmental and governance crises in Indonesia. Numerous ESG-related incidents have been reported in the mining and manufacturing sectors, including the contamination events impacting the Malinau and Sesayap riverine systems by PT Kayan Putra Utama Coal (Wicaksono, 2022), the contamination of the Malili River by PT Citra Lampia Mandiri, and environmental degradation in Sulawesi caused by nickel mining (Chandra, 2021). Additional cases of air pollution from cement plants in Sukabumi and data from JATAM reveal that 45 mining conflicts have resulted in the criminalization of 69 individuals and the destruction of 700,000 hectares of land (Alamsyah, 2021; Lumbanrau, 2021).

These events indicate a low level of corporate ESG awareness and weak ethical foundations in corporate governance. The absence of effective ESG practices can diminish corporate reputation and stakeholder trust. Conversely, firms that adopt robust ESG frameworks can gain stakeholder confidence, attract investments, and enhance market performance (De Lucia, Pazienza, & Bartlett, 2020; Velte, 2019). Stakeholders perceive ESG disclosure as an indicator of corporate accountability, long-term sustainability, and social legitimacy (Buallay, 2019; Eccles, Serafeim, & Krzus, 2011).

The articulation of ESG disclosure is congruent with the foundational principles of stakeholder theory, which advocates for the generation of collective value that extends beyond shareholders to encompass the broader constellation of stakeholder groups (Freeman, 2010). High ESG disclosure improves stakeholder relationships, enhances firm competitiveness (Buallay, 2019; Gunawan, Permatasari, & Fauzi, 2022), and supports economic performance and sustainable development (di Bella, V., & Al-Fayoumi, 2016; Ferraris, Belyaeva, & Bresciani, 2020).

Although Environmental, Social, and Governance (ESG) matters have garnered increasing scholarly and practical attention, empirical inquiries within the Indonesian context yield heterogeneous and often inconclusive findings. Certain investigations suggest that social performance exerts a favorable influence on corporate outcomes; however, the linkage between environmental or social dimensions and financial results has also been reported as adverse (Burhan, A. H. N., & Rahmanti, 2012; Tarigan & Semuel, 2015). While some empirical studies underscore a statistically significant and positive association between ESG disclosure and operational efficacy, others have failed to establish any meaningful correlation (Husada & Handayani, 2021; Maulida Nur Safriani & Dwi Cahyo Utomo, 2020; Qodary & Tambun, 2021; Triyani, Setyahuni, & Kiryanto, 2020).

Prior scholarly examinations have revealed a noteworthy affirmative influence of ESG performance on financial metrics, alongside a favorable association between the extent of ESG disclosure and the attainment of abnormal market returns (Kamila & Purwanti, 2020; Zahroh & Hersugondo, 2021).

However, a critical gap remains in how ESG impact is measured. The aforementioned previous studies often rely on financial indicators such as return on assets (ROA) or return on equity

(ROE), which may not adequately capture market perceptions or long-term firm value, especially in sustainability-related performance. These conventional financial proxies are often inconsistent or limited in reflecting the strategic value of ESG initiatives. Thus, there is a need to adopt more market-oriented metrics that better reflect investor and stakeholder assessments, such as Tobin's Q. Furthermore, there is a scarcity of empirical research in the Indonesian context that utilizes standardized ESG disclosure benchmarks to enable cross-firm comparability and evaluate the actual substance of ESG reporting.

Comprehensive investigations on ESG disclosure within the Indonesian context remain limited, particularly those grounded in stakeholder theory and employing market-oriented performance proxies like Tobin's Q in conjunction with standardized disclosure instruments such as the 2019 Nasdaq ESG Indicators. This conceptual lacuna highlights the imperative to evaluate ESG transparency beyond the conventional confines of financial reporting, acknowledging its strategic role in stakeholder engagement and value co-creation.

This inquiry seeks to investigate the influence of Environmental, Social, and Governance (ESG) transparency on market-based corporate valuation within Indonesia's energy industry. Anchored in stakeholder theory, the study positions ESG disclosure as a strategic apparatus for cultivating stakeholder rapport and preserving long-term enterprise value. The Indonesian institutional milieu—marked by comparatively fragile safeguards for investor interests—offers a distinctive empirical setting to assess the extent to which ESG initiatives function as credible proxies of corporate accountability and reliability.

This study furnishes four principal contributions: (1) it furnishes empirical substantiation regarding the scope and efficacy of ESG disclosures within a sector characterized by substantial environmental and social externalities; (2) it adopts a market-reflective metric of firm value, namely Tobin's Q; (3) it utilizes the 2019 Nasdaq ESG Indicators to ensure uniformity and cross-sectional comparability in disclosure measurement; and (4) it incorporates firm-level control variables to strengthen the empirical rigor and reliability of the analytical model. The findings of this research are expected to generate theoretical contributions by reinforcing stakeholder theory within the domain of ESG research in emerging markets. In practical terms, the study provides concrete policy recommendations for regulators to enhance ESG governance frameworks and for industry actors to strengthen disclosure quality, thereby promoting more accountable and sustainable corporate behavior.

2. RESEARCH METHOD

This investigation utilizes a quantitative methodological framework to explore the influence of Environmental, Social, and Governance (ESG) disclosures on corporate performance. The study's population encompasses entities operating within the energy sector and listed on the Indonesia Stock Exchange (IDX) throughout the 2019–2023 timeframe. This particular sector is deliberately chosen due to its pronounced vulnerability to ESG-related challenges, especially in relation to ecological and societal ramifications. A purposive sampling strategy is employed to identify firms that satisfy predefined inclusion parameters: (1) continuously listed on IDX from 2019 to 2023, (2) published both annual reports and sustainability reports for each year in the study period, and (3) disclosed sufficient ESG-related information for analysis. A total of 17 firms met these criteria and were included in the sample.

Table 1. Framework for Deriving the Analytical Sample

Description	Total Entities Observed
Publicly traded entities in the energy domain on the Indonesia Stock Exchange during the 2019–2023 period	66
Firms with incomplete data	49
Final Sample	17

The study uses secondary data sourced from publicly available documents, including annual reports and sustainability reports, which were accessed through company websites and the official IDX portal. ESG disclosures were extracted based on the Nasdaq ESG Reporting Guide (2019), while financial performance data were drawn from audited financial statements. Data collection was conducted between October 2022 and January 2023.

To ensure the reliability of secondary data, a validation process was carried out through a series of cross-verification steps. Each data point extracted from corporate reports was manually checked by two independent reviewers. Discrepancies between annual reports and sustainability reports were resolved through triangulation using IDX filings or investor presentations when available. In cases of inconsistent or missing ESG disclosure data, firms were either excluded from the sample or the specific indicators were coded as '0' (non-disclosed) following the binary scoring procedure used in ESG disclosure assessments. Financial data inconsistencies were addressed by referencing audited statements and verifying them against third-party financial databases when applicable. This process ensured consistency, completeness, and comparability across firms and time periods.

Table 2. Operational Definitions of Variables

Variable Type	Variable	Label	Measurement
Dependent Variable	Firm Performance	TQ	(Market Value of Equity + Total Debt) / Total Assets
Independent Variables	Environmental Disclosure	ED	Number of environmental items disclosed / Total number of environmental items
	Social Disclosure	SD	Number of social items disclosed / Total number of social items
	Governance Disclosure	GD	Number of governance items disclosed / Total number of governance items
Control Variables	Profitability	ROA	Net Income / Total Assets
	Firm Size	Size	Natural Logarithm of Total Assets
	Firm Age	Age	Year of Observation – Year of IPO
	Leverage	Lev	Total Liabilities / Total Assets
	Sub-Industry (IDX-IC)	SI	Dummy Variable: 1 = Oil & Gas Production & Refinery 2 = Oil & Gas Storage & Distribution 3 = Coal Production 4 = Coal Distribution 5 = Oil & Gas Drilling Service 6 = Oil, Gas & Coal Equipment & Services 7 = Alternative Energy Equipment 8 = Alternative Fuels

The inclusion of control variables is intended to mitigate potential confounding effects and isolate the genuine impact of ESG disclosures on firm performance. Profitability (ROA) is included because more profitable firms may possess greater resources to engage in ESG practices or disclose such activities more transparently. Firm size (Size) is controlled because larger firms often receive more scrutiny from stakeholders and are more likely to engage in formal ESG reporting. Firm age (Age) is considered because more established firms may have greater experience or institutional knowledge in managing stakeholder relations and sustainability issues. Leverage (Lev) is controlled to account for a firm's capital structure, which can influence both disclosure behavior and market valuation. Sub-industry classification (SI) accounts for sector-specific operational characteristics that might affect ESG exposure and financial outcomes, ensuring that observed effects are not driven by heterogeneity within the broader energy sector.

Descriptive Statistics Used to summarize the data distribution using mean, minimum, maximum, and standard deviation. This study incorporates a series of classical diagnostic evaluations to affirm

the robustness and statistical soundness of the regression framework. Normality of residuals was assessed using the Kolmogorov-Smirnov (K-S) test, wherein a significance level (p-value) exceeding 0.05 denotes a distributional conformity to normality. Autocorrelation was examined via the Durbin-Watson (D-W) statistic, with acceptable values ranging between -2 and +2, indicative of the absence of serial correlation in residuals. To detect multicollinearity, tolerance values exceeding 0.10 and Variance Inflation Factor (VIF) scores below 10.00 were utilized, reflecting negligible interdependence among predictor variables. Lastly, heteroscedasticity was evaluated through visual inspection of the residual scatterplot; a diffuse and non-structured dispersion of points signified the presence of homoscedastic variance.

A stochastic and non-uniform dispersion of residual data points implies the presence of homoscedasticity. For hypothesis verification, this research employs a multiple linear regression modeling approach to examine the extent to which various explanatory variables impact firm performance, operationalized through the Tobin's Q metric. This statistical technique is used to determine whether the model holds explanatory power, with a significance threshold set at 0.05 (α = 5%). The analysis assesses both the simultaneous and individual effects of the independent variables. The regression equation employed is: Tobin's Q = β_0 + β_1ED + β_2SD + β_3GD + β_4ROA + β_5Size + β_6Age + β_7DER + β_8SI + ε..

The F-statistic is employed to determine whether the regression equation, in its entirety, possesses statistical relevance in elucidating the behavior of the dependent construct. A significance level (p-value) below the 0.05 threshold denotes that the model exhibits collective explanatory strength over the outcome variable, thereby warranting the rejection of the null hypothesis. Conversely, a significance level surpassing 0.05 implies inadequate model fit, indicating that the independent predictors fail to jointly account for variance in the dependent variable, and thus the null hypothesis remains tenable.

The t-statistical procedure is applied to ascertain the discrete influence exerted by each predictor variable on the criterion variable. Under a 0.05 significance threshold, an explanatory variable is considered to exert a statistically meaningful impact on firm performance if its p-value falls below 0.05 and its computed t-statistic surpasses the critical value delineated in the t-distribution table. Should these parameters not be satisfied, the variable in question is interpreted as lacking individual explanatory power in relation to the outcome variable..

The coefficient of determination (R^2) functions as a statistical gauge to quantify the extent to which variance in corporate performance is accounted for by the proposed regression framework. An adjusted R^2 value of zero signifies the model's complete inability to elucidate fluctuations in the dependent construct, whereas a value approaching unity denotes an optimal level of explanatory precision. In empirical applications, adjusted R^2 figures that gravitate toward 1 are indicative of a model with heightened predictive robustness.

3. RESULTS AND DISCUSSIONS

Descriptive Statistics

Table 3 delineates the descriptive statistical profile of all variables under observation, encompassing metrics such as the minimum, maximum, arithmetic mean, median, and standard deviation, across the 2019–2023 timeframe. The computed average score for (ED) stands at 0.3647, signifying that the sampled entities, on average, exhibit a relatively modest level of environmental transparency, approximating 36.47%. Social disclosure (SD) has a mean value of 0.4706, reflecting an average social disclosure level of 47.06%. Governance disclosure (GD) records a mean of 0.5765, suggesting that the average governance-related disclosure is 57.65%.

The mean firm performance (Tobin's Q) is 5.2762, implying that the average firm performance level is approximately 527.62%. For the control variables, profitability (ROA) has a mean of 6.7181, indicating an average return of 671.81%. Firm size (Size) has a mean of 14.582, equivalent to approximately IDR 14 billion. Firm age (Age) has a mean of 22.1176, suggesting that the average company age is 22 years. The sub-industry variable (SI) records a mean of 3.6471, implying that most companies are classified within the coal distribution sub-sector. Leverage (DER) shows a mean of 36.2900, meaning the average long-term debt level is 362.90% of total assets.

Table 3. Descriptive Statistics

Variable Type	N	Minimum	Maximum	Mean	Std. Deviation
Env	85	0.00	0.80	0.3647	0.20395
Soc	85	0.20	0.80	0.4706	0.18824
CG	85	0.30	0.70	0.5765	0.13152
Tobins Q	85	0.14	22.87	5.2762	5.09511
ROA	85	-9.84	45.40	6.7181	9.33204
Size	85	11.93	17.63	14.5825	1.59972
Age	85	11.00	37.00	22.1176	7.11205
SI	85	1.00	6.00	3.6471	1.75734
DER	85	-0.40	1132.43	36.2900	141.21983
Valid (listwise)	85				

Classical Assumption Tests

Preliminary diagnostic evaluations grounded in classical assumptions were administered to verify that the dataset adheres to the fundamental prerequisites of regression analysis. These assessments comprised the Kolmogorov-Smirnov procedure for evaluating distributional normality, the Durbin-Watson metric to detect autocorrelation, a visual residual scatterplot inspection to assess heteroscedasticity, and multicollinearity diagnostics via collinearity statistics. Table 4 encapsulates the diagnostic outcomes. The Kolmogorov-Smirnov test produced a p-value of 0.200, suggesting that the residuals follow a normal distribution. Additionally, the Durbin-Watson value of 1.979 resides comfortably within the conventional acceptance interval of –2 to +2, indicating no presence of serial correlation. Collinearity statistics show values below 1.0, confirming the absence of multicollinearity. Lastly, the scatterplot reveals a random distribution of residuals, supporting homoscedasticity.

Table 4. Summary of Classical Assumption Test Results

Test Tool	Significance Value	Decision
Kolmogorov-Smirnov	0.200	Data is Normally Distributed
Durbin-Watson	1.979	No Autocorrelation
Collinearity Statistics	< 1.0	No Multicollinearity
Scatterplot Graph	Randomly Spread	No Heteroscedasticity

Hypothesis Testing Results

The empirical outcomes of the hypothesis evaluation are delineated in the subsequent table:

Table 5. Summary of Classical Assumption Test Result

Variable	Pred. Sign	Coef.	p-value
Intercept		34.725	0.000
Env (ED)	+	5,644	0,014
Soc (SD)	+	3,922	0,200
CG (GD)	+	4,150	0,337
ROA	+	0,268	0,000
Size	-	2,655	0,000
Age	+	0,101	0,120
SI	-	0,002	0,458
DER	-	0,269	0,338
AdjustedR²		0.476	
F-Statistic		10.520	
Prob(F-Statistic)		0.000	***
N		85	

** shows a significant coefficient at 0,01, 005
Note:

*** Sig at 1% level (p < 0.01)
** Sig at 5% level (p < 0.05)

Table 5 encapsulates the findings derived from the regression estimation. The environmental disclosure (ED) variable exhibits a positive and statistically meaningful association with firm performance, as evidenced by a coefficient of 5.644 and a p-value of 0.014. This outcome substantiates the proposition that heightened environmental transparency contributes constructively to corporate performance. Conversely, the variables representing social disclosure (SD) and governance disclosure (GD) do not manifest statistically significant effects, with respective p-values of 0.200 and 0.337, thereby indicating the absence of discernible influence within the specified confidence threshold.

Among control variables, profitability (ROA) exerts a positive and highly significant effect on firm performance (coefficient = 0.268, p = 0.000). Interestingly, firm size (Size) shows a negative and significant coefficient (−2.655, p = 0.000), suggesting that larger firms may not necessarily perform better in terms of Tobin's Q. Meanwhile, firm age (Age), leverage (DER), and sub-industry classification (SI) are not statistically significant predictors of performance, with p-values exceeding 0.05. The adjusted R^2 value is 0.476, indicating that 47.6% of the variation in firm performance is explained by the model. The F-statistic value is 10.520, with a p-value of 0.000, confirming that the model is statistically significant overall. The sample size for the regression is 85 observations.

H1: Environmental Disclosure has a positive effect on Company Performance.

The aforementioned research hypothesis posits that environmental disclosure exerts a favorable influence on corporate performance. This premise is empirically examined by evaluating the statistical relevance of the coefficient β_1 at a 5% significance threshold. Should β_1 exhibit a p-value below 0.05 and a positive directional sign, it constitutes substantiated empirical backing for Hypothesis 1. As delineated in Table 5, the regression output yields a β_1 coefficient of 5.644 with a significance level of $\rho < 0.05$. These findings provide concrete empirical affirmation for the acceptance of Hypothesis 1. Consequently, the assertion that environmental transparency positively and significantly affects firm performance is empirically validated.

This study is based on the fundamental assumption of stakeholder theory, which states that the use of environmental, social, governance practices functions as a mechanism to meet stakeholder expectations and preferences. In this context, innovation emerges as a primary strategy used by organizations to address consumer expectations and desires for environmentally friendly products and reduce public concerns about pollution resulting from company activities. By integrating environmental, social, and governance principles, companies can drive development and innovation. This allows companies to engage in research and development efforts aimed at producing environmentally friendly products, thereby tapping into new market segments consisting of environmentally conscious consumers. Expanding market share through such efforts contributes to improved financial performance for the company. The creation of environmentally friendly products involves considerations related to environmental factors, such as product liability, and social aspects, such as product safety. In addition, organizations can innovate by implementing specific technologies designed to increase the efficiency of human resources in the production process while simultaneously reducing reliance on machines that contribute to environmental degradation. Increased productivity has the potential to drive sales, while reduced machine costs can optimize operational efficiency. Innovation in production methods includes environmental considerations, such as water and fuel management, pollution control, and waste management, as well as social aspects, including employee training and workforce education.

Previous research results showed inconsistencies, as studies on environmental, social, and governance information disclosure did not clearly reflect the effectiveness and contribution of ESG aspects to company operations (Husada & Handayani, 2021; Juliandara, Jahroh, & Purwanto, 2021; Qodary & Tambun, 2021; Safriani & Utomo, 2020). In contrast, some studies showed that environmental, social, and governance practices indicate future business sustainability and may potentially impact future financial performance and support the assumptions of stakeholder theory (Kamila & Purwanti, 2020; Melinda & Wardhani, 2020; Priharta, 2017). Stakeholder theory considers environmental disclosure as a major factor in determining investment decisions in a company. Therefore, companies tend to focus on maximizing profits to attract investors because they assume

that focusing on other factors can hinder competitive sustainability advantage. On the other hand, based on environmental disclosures in companies listed on the Indonesia Stock Exchange in the 2019-2023 observation year, it showed only 36.4% and only 5 out of 66 companies managed to make environmental disclosures ≥ 50%. This shows that many companies have not made overall environmental disclosures in their core business strategy.

H2: Social Disclosure has a positive effect on Company Performance.

The research hypothesis above assumes that social disclosure has a positive effect on company performance. This research hypothesis tests the significance of the β2 coefficient with a significance level of 5%. If β2 is statistically significantly smaller than 0.05 and has a positive sign value, then there is empirical evidence to support hypothesis 2. The regression results to test hypothesis 2 presented in Table 5 show that the β2 coefficient is 3.922 with a significance of ρ> 0.05. The results of this study indicate that there is empirical evidence to reject hypothesis 2. Thus, hypothesis 2 which states that social disclosure has an effect on company performance is not supported by empirical research data.

These findings stand in contrast to the central premise of stakeholder theory, which posits that corporate longevity is sustained not solely through the maximization of shareholder value, but also through the accommodation of broader stakeholder interests—including those of employees, communities, and other societal constituents—thereby fostering a conducive organizational climate that may enhance performance and, ultimately, financial outcomes. The empirical results of this inquiry align with prior studies, which reported that social disclosure exerts no discernible influence on firm performance, as such information is not perceived by stakeholders as a pivotal consideration in investment deliberations(Husada & Handayani, 2021). Therefore, companies tend to focus on maximizing profits to attract investors because they assume that focusing on other factors can hinder competitive sustainability advantage.

On the other hand, based on social disclosure in Energy sector participants formally recorded on the IDX over the 2019–2023 timeframe observation year, it showed only 47.1% and only 6 out of 17 companies managed to make social disclosures ≥ 50%. This shows that many companies have not made overall social disclosures in their core business strategy so that it has no impact on financial performance.

H3: Governance disclosure has a positive effect on firm performance.

This hypothesis advances the proposition that governance-related disclosure exerts a constructive influence on the realization of the Sustainable Development Goals (SDGs). The third hypothesis (H3) is empirically evaluated through the examination of the statistical relevance of the β_3 coefficient under a 5% significance criterion. Should β_3 display a p-value below 0.05 and a positive directional sign, such conditions would substantiate empirical endorsement for H3. However, the regression outputs encapsulated in Table 5 reveal that β_3 holds a value of 4.150, accompanied by a p-value exceeding the 0.05 threshold, thereby suggesting insufficient statistical evidence to validate the hypothesis. These findings provide empirical grounds to reject H3. Consequently, the hypothesis asserting that governance disclosure positively influences firm performance is not substantiated by the empirical data.

This finding stands in divergence from the foundational premise of stakeholder theory, which maintains that cultivating robust stakeholder engagement—reflecting the principles of sound corporate governance (GCG)—serves as a pivotal mechanism for reinforcing organizational longevity and, consequently, improving financial outcomes. The current empirical evidence is consonant with earlier scholarly investigations which determined that governance-related disclosure does not exert a statistically significant impact on corporate financial performance (Husada & Handayani, 2021). This may be attributed to the fact that stakeholders do not prioritize governance disclosure as a critical determinant in their investment decision-making processes. Therefore, firms appear to place greater emphasis on maximizing profitability to attract investors, rather than disclosing non-financial information as a reflection of ethical business conduct.

Moreover, governance disclosure data from companies listed on the Indonesia Stock Exchange during the 2019–2023 observation period reveal that the average level of disclosure was merely 57.6%, with only 16 out of 17 companies disclosing governance-related information at or above the 50% threshold. This suggests a pervasive weakness in corporate governance practices or, at the

very least, indicates that most companies engage in governance disclosure only to fulfill minimum regulatory requirements. As a result, such superficial disclosure may not translate into measurable impacts on firm performance. Essential governance dimensions—such as the strategic oversight functions of the apex governing entity, the processes for recognizing and mitigating economic, environmental, and societal ramifications, along with the scope and gravity of salient organizational issues—are frequently excluded or insufficiently articulated within sustainability disclosures.

This investigation integrates profitability as a moderating covariate in evaluating the nexus between ESG transparency and corporate performance. The statistical relevance of the β_4 coefficient is appraised using a 5% significance threshold. As detailed in Table 5, the regression analysis yields a β_4 value of 0.268 accompanied by a p-value beneath the 0.05 benchmark. These results substantiate that profitability positively contributes to the enhancement of firm performance metrics.

Moreover, the analytical model integrates total assets (SIZE) as a control parameter. The coefficient β_5 was scrutinized at the conventional 5% level of significance, producing a value of 2.655 with a corresponding p-value below 0.05. This denotes a statistically significant and affirmative linkage between organizational scale and financial outcomes. Firm longevity (AGE) was similarly operationalized as a control dimension, wherein the estimation of β_6 yielded a coefficient of 0.101 accompanied by a p-value surpassing the 0.05 cut-off, implying an absence of material influence on financial performance. Additionally, financial leverage—proxied through the debt-to-equity ratio (DER)—was incorporated into the model. The resulting β_7 coefficient stands at 0.002 with a p-value above 0.05, thereby suggesting that leverage does not exert a statistically discernible impact on firm performance.

Finally, the sub-sectoral classification (SI) was integrated as an auxiliary control variable within the regression framework. The estimated coefficient β_8 yielded a value of 0.269, accompanied by a p-value exceeding the 0.05 significance criterion. This outcome indicates that affiliation with a particular sub-industry does not exert a material or statistically meaningful effect on corporate performance in the context of ESG disclosure practicese.

While the present study provides valuable empirical insight into the relationship between ESG disclosure and firm performance within the Indonesian energy sector, certain limitations must be acknowledged. First, the relatively small sample size—comprising only 17 firms over a five-year period—may limit the generalizability of the findings across broader industrial or geographic contexts. This constrained sample is largely due to the scarcity of firms that consistently publish complete ESG-related disclosures within the specified timeframe, particularly in emerging markets like Indonesia.

Second, the study relies exclusively on secondary data obtained from corporate annual and sustainability reports. The quality and consistency of such data can vary significantly across firms, as there are no universally enforced reporting standards for ESG in Indonesia. This variation may introduce measurement bias or limit the comparability of ESG indicators across different firms.

Third, the use of a quantitative approach—while statistically rigorous—may not fully capture the nuanced organizational, cultural, or strategic motivations underlying ESG disclosures. Therefore, the interpretation of ESG's impact on performance may overlook contextual factors that influence disclosure practices or stakeholder perceptions.

In light of these limitations, future research is encouraged to employ qualitative or mixed-method approaches. Case studies, in-depth interviews, or field-based observations could enrich the understanding of internal managerial rationales and stakeholder dynamics that drive ESG reporting behavior. Moreover, expanding the sample to include firms from other sectors or incorporating cross-country comparisons may enhance external validity and allow for broader theoretical generalizations. A more integrative approach—combining quantitative analysis with qualitative insights—could also offer a more holistic perspective on how ESG strategies are formulated, implemented, and perceived within different organizational and regulatory settings.

4. CONCLUSION

This investigation endeavors to explore the extent to which disclosures related to environmental, social, and governance (ESG) dimensions exert influence on corporate performance. Based on the empirical findings, several key inferences can be drawn: (1) the analysis substantiates that

environmental disclosure demonstrates a statistically significant and positive association with firm performance; (2) the results indicate that social disclosure lacks a measurable effect on performance outcomes; and (3) governance disclosure is similarly found to have no statistically significant impact. The implications derived from this study include the following: (a) the empirical evidence reveals that the degree of environmental transparency among entities within Indonesia's energy sector remains considerably limited. b) There is a pressing necessity for regulatory authorities to exhibit greater assertiveness in enforcing statutory mandates concerning environmental disclosure obligations among energy sector entities in Indonesia. (c) This study also carries methodological significance, particularly through its adoption of the Nasdaq ESG indicators as proxies for disclosure measurement and the incorporation of firm-specific control variables. Such an analytical framework remains relatively uncommon in extant ESG-related scholarship within the Indonesian context. Consequently, this research contributes to the diversification and enrichment of empirical modeling approaches in the field of ESG disclosure studies. In addition to its empirical and methodological contributions, this study offers strategic recommendations for both practitioners and policymakers. Companies are encouraged to integrate ESG considerations more comprehensively into their core business strategies, ensuring that sustainability objectives align with long-term corporate performance goals. Furthermore, efforts to enhance the quality, standardization, and transparency of ESG-related data should be prioritized to facilitate more informed and sustainable investment decisions. Finally, this research paves the way for future studies to adopt a multi-sectoral perspective and combine quantitative with qualitative methodologies, thereby enabling a more holistic understanding of the ESG-performance nexus across different contexts within Indonesia.

ACKNOWLEDGEMENTS

I extend my profound appreciation to the Indonesia Stock Exchange (Bursa Efek Indonesia/BEI) for their indispensable facilitation and provision of both financial and non-financial datasets, which substantially enriched the analytical rigor of this research. The accessibility to BEI's comprehensive resources has been instrumental in enhancing the precision and contextual relevance of the empirical examinations presented in this study. I am also grateful for the commitment of BEI in promoting transparency, sustainability, and good governance in Indonesia's capital market, which served as an important foundation for this research. Without the assistance and cooperation from BEI, this study would not have been possible. Thank you for your continued dedication to supporting academic research and knowledge development in Indonesia.

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