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How ESG Disclosure Affects Financial Performance

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General Background: The market is increasingly sustainability-focused, with ESG disclosures enhancing corporate transparency, investor trust, and long-term value. **Specific Background:** In Indonesia's consumer non-cyclicals sector, ESG disclosure's impact on financial performance remains inconsistent. **Knowledge Gap:** Most studies use composite ESG indices, overlooking the separate impacts of each dimension, research analyzing these individually in Indonesia remains limited. **Objective:** This study analyzes the effect of environmental, social, and governance disclosure on the financial performance of non-cyclical companies on the IDX 2022–2024. **Method:** Using quantitative methods used secondary data from annual reports, sustainability reports, and Bloomberg with a sample of 18 companies (54 observations) using purposive sampling and regression analysis on panel data using EViews 13. **Results:** The results indicate that social and governance disclosure has a positive and significant influence on financial performance while environmental disclosure does not have a significant influence. **Novelty:** This study indicates that positive impacts only come from social aspects with governance so that it can clarify the influence on each dimension previously covered in composite ESG. **Implications:** These results can provide a lesson for managers and investors that social and governance aspects have a stronger financial impact than environmental aspects.

Keywords: Environmental Disclosure, Social Disclosure, Governance Disclosure, Financial Performance.

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INTRODUCTION

A company's operational effectiveness is often assessed based on its financial performance as the primary indicator. Overall, an organization's performance can be measured by how well the company manages its financial resources, which include assets, equity, and liabilities (Ridwan & Yuhana, 2024). A strong financial position serves as an indicator that an entity is capable of utilizing its resources optimally, thereby enhancing profitability and maintaining long-term operational sustainability (Haliza *et al*., 2025). Furthermore, financial performance data has garnered significant attention from investors and stakeholders in assessing a company's stability and future prospects (Abdi *et al*., 2022). Companies that are able to maintain stable and consistent financial performance tend to earn a higher level of trust from the investment community and the general public (Jamaludin *et al*., 2024). Therefore, improving financial performance has become a strategic priority in corporate business activities, particularly in sectors facing profitability pressures, where ESG disclosure is increasingly used as a strategic tool to enhance transparency, build stakeholder trust, and strengthen overall financial performance.

[Figure 1. Average Return on Assets (ROA) Consumer Non-Cyclicals Sector from 2022 to 2024]

However, empirical evidence suggests that not all companies are always able to maintain this stability; Figure 1 illustrates a decline in the financial performance of non-cyclical consumer goods companies listed on the IDX from 2022 to 2024. This downward trend is consistent, with ROA declining from 5.13% in 2022 to 4.94% in 2022, and then falling further to 3.15% in 2024—indicating a weakening of companies' ability to leverage their assets to generate profits. In recent years, several companies in this sector have faced pressure on their profitability. According to a report from (CNN Indonesia, 2025), PT Gudang Garam Tbk saw its profit decline from Rp 5.32 trillion in 2023 to Rp 980.80 billion in 2024—a drop of 82%. A similar situation was reported by PT Unilever Indonesia Tbk, which saw a 29.83% decline in net profit from Rp 4.80 trillion in 2023 to Rp 3.36 trillion in 2024, accompanied by a decline in the company's net sales (Solihah *et al*., 2025). These conditions indicate that as companies in the non-cyclical consumer sector continue to face various pressures weighing on their financial results, a more robust strategic orientation is needed—one that integrates ESG disclosure as a mechanism to strengthen corporate resilience, thereby restoring investor sentiment and reinforcing financial stability in practical business operations.

Given the mounting pressure on financial performance, companies are increasingly devising strategies that go beyond purely fiscal considerations to emphasize sustainability priorities. It is in this context that many companies have begun integrating Environmental, Social, and Governance (ESG) frameworks into their business practices, thereby attracting significant attention (Ningtyas *et al*., 2026). The adoption of ESG standards reflects a company's commitment to incorporating sustainability aspects into its corporate strategy (Giannopoulos *et al*., 2022). Furthermore, the growing focus on ESG is also driven by demands from investors and the public for greater transparency regarding corporate responsibility in conducting business activities (Antonius & Ida, 2023). ESG disclosure is viewed as one of the factors influencing a company's financial performance, as companies can align sustainability practices with financial objectives while addressing stakeholder demands amid increasingly intense business competition (Irawan *et al*., 2025). Based on Figure 2, the average level of ESG disclosure in the non-cyclical consumer goods sector shows a consistent increase from 2022 to 2024. This trend indicates that companies are increasingly committed to enhancing transparency and integrating sustainable operations into their strategic frameworks, particularly in response to rising stakeholder demands and industry pressure regarding financial performance.

[Figure 2. Average ESG Disclosure Consumer Non-Cyclicals Sector from 2022 to 2024]

Environmental disclosure can be considered a key component of ESG reporting, signaling an entity's commitment to reducing its ecological footprint and implementing environmentally sustainable protocols (Firmansyah *et al*., 2023). Greater transparency in environmental disclosure can enhance a company's reputation in the eyes of stakeholders and boost investor confidence in the company. Research conducted by (Wu & Li, 2023) indicates a positive relationship between environmental disclosure and financial performance, whereby companies with sound environmental practices tend to be better able to maintain long-term business sustainability, as improved reputation and stakeholder trust can lead to favorable financial outcomes. However, this contrasts with the findings of a study by (Kurawa & Shuaibu, 2022), which revealed a negative effect: the implementation of environmental practices can increase operating costs due to compliance requirements, thereby reducing short-term profitability, while research by (Husada & Handayani, 2021) and (Zahroh & Hersugondo, 2021) indicates that environmental disclosure has no significant impact on a company's financial performance—specifically, it does not make a significant contribution to Return on Assets (ROA).

Another aspect of ESG practices that has also received significant attention is social disclosure, which provides guidance on how companies fulfill their responsibilities toward stakeholders such as employees, consumers, and the broader community (Matsali *et al*., 2025). Companies that consistently implement their social initiatives tend to be able to build stronger relationships with stakeholders and gain greater support in conducting their business activities. This support can boost trust and strengthen the company's position in the market. Research conducted by (Yoo & Managi, 2022) and (Zahroh & Hersugondo, 2021) found a positive relationship between social reporting and financial performance, linked to increased consumer loyalty and investor interest. However, on the other hand, (Yuen *et al*., 2022) suggest that social disclosure may have a negative impact on corporate profitability, as the implementation of ESG standards has the potential to increase operating costs and reduce profit margins. Additionally, (Retnosari *et al*., 2025) also found that social disclosure does not have a significant effect on a company's financial performance.

Furthermore, within the ESG framework, corporate governance disclosure plays an equally important role, as it demonstrates transparency in providing information regarding oversight mechanisms, management structure, and corporate control systems. By enhancing investor confidence through transparency in management practices, risks associated with corporate management can be reduced (Canli & Sercemeli, 2025). At higher levels of disclosure, corporate governance can also indicate that the quality of a company's management has improved. Research conducted by (Al Amosh *et al*., 2023) and (Firmansyah *et al*., 2023) shows that corporate governance has a positive impact on financial performance, as effective governance mechanisms can enhance the quality of decision-making and operational efficiency. However, this contrasts with research by (Kyere & Ausloos, 2021), which found a negative effect: the implementation of strict governance mechanisms can increase monitoring and compliance costs, thereby reducing financial flexibility and profitability. Another finding highlighted by studies by (Husada & Handayani, 2021) and (Zahroh & Hersugondo, 2021) is that corporate governance that does not have a significant impact on financial performance is associated with the suboptimal implementation of governance principles.

Despite extensive research, the evidence regarding the relationship between ESG disclosure and corporate performance remains inconsistent. A number of studies indicate that ESG transparency contributes positively to a company's financial performance by enhancing its reputation and strengthening stakeholder trust (Giannopoulos *et al*., 2022; Nugroho & Hersugondo, 2022; Singh, 2023). However, on the other hand, some studies suggest that ESG disclosure may have a negative impact on a company's financial results (Ruan & Liu, 2021; Yuen *et al*., 2022). These conflicting findings indicate an empirical gap in the existing literature. In addition, there is also a methodological gap, as most previous studies have used aggregate ESG measures, focused on specific sectors or countries, and did not analyze each ESG dimension separately. Research specifically analyzing the impact of each ESG aspect is very limited; consequently, the gap in the scientific literature is quite significant, necessitating further and more specific research on the non-cyclical consumer goods sector in Indonesia.

Stakeholder theory is used as the theoretical framework to understand the relationship between ESG disclosure and financial performance, emphasizing the importance of organizations in meeting the expectations of various stakeholder groups (Freeman, 1984). Companies that are transparent in communicating their ESG initiatives tend to enjoy higher levels of trust and support from stakeholders; with this support, they can enhance investor confidence by strengthening the company's reputation through improved corporate performance. Academically, this study plays an important role because it helps explain inconsistencies in previous research findings by expanding stakeholder theory through the provision of empirical evidence on how ESG disclosure affects financial performance. This study analyzes how environmental, social, and governance disclosures affect financial performance. Specifically, financial performance in this study is measured using Return on Assets (ROA). This investigation is specifically designed to address the empirical inconsistencies documented in the methodological literature, including inconsistent results from previous studies due to the aggregate treatment of ESG dimensions. Additionally, this study aims to address the decline in financial performance observed in Indonesia's non-cyclical consumer goods sector during the 2022–2024 period.

This study contributes in several ways: from a theoretical perspective, it expands stakeholder theory by analyzing ESG disclosures related to financial performance through a more detailed breakdown of each dimension. From an empirical perspective, it provides sector-specific evidence regarding Indonesia's non-cyclical consumer goods sector using the most recent data. From a practical perspective, these findings are expected to provide insights for managers and investors in making strategic decisions regarding sustainability and financial performance. Additionally, the results of this study are expected to offer useful implications for improving corporate strategies, supporting the investment decision-making process, and serving as a reference for further research in the field of ESG and financial performance.

The Impact of Environmental Disclosure on Financial Performance

Stakeholder theory posits that companies are expected to create value not only for shareholders but also for all stakeholders affected by the company's activities, particularly society and the environment (Freeman, 1984). This is where environmental disclosure serves as a mechanism for communicating a company's responsibility and accountability regarding environmental aspects to stakeholders; consequently, this perspective is highly relevant in Indonesia's non-cyclical consumer goods sector, where companies directly linked to public consumption are increasingly required to demonstrate responsible environmental practices. The level of environmental disclosure indicates the extent to which a company has reported on environmental policies and incentives, such as the use of resources to reduce emissions, as well as efforts toward sustainability (Matsali *et al*., 2025). Through this transparency, a company's reputation can improve and stakeholder trust can be strengthened.

From a theoretical perspective, increased stakeholder trust has the potential to lead to better financial performance. However, the implementation of environmental initiatives can also incur additional costs, meaning that the potential trade-off between environmental sustainability efforts and profitability—as well as financial performance—remains inconsistent. Several studies (Wu & Li, 2023) have found a positive relationship indicating that improvements in reputation and stakeholder trust can lead to better financial performance. On the other hand, another study (Kurawa & Shuaibu, 2022) shows a negative impact due to increased costs associated with environmental practices, while other studies (Husada & Handayani, 2021) and (Zahroh & Hersugondo, 2021) found no significant relationship. These divergent findings point to an empirical gap, while the use of aggregate ESG measures in many previous studies also indicates methodological limitations. To address this gap, this study examines environmental disclosure as a separate dimension within the non-cyclical consumer goods sector in Indonesia. Based on this discussion, the following hypothesis is proposed:

H1: Environmental disclosure has a positive effect on financial performance

The Effect of Social Disclosure on Financial Performance

Stakeholder theory suggests that companies must create value not only for shareholders but also for other stakeholders such as employees, customers, and the broader community (Freeman, 1984). In this context, social disclosure serves as a mechanism companies use to communicate their social responsibility and commitment to the well-being of stakeholders (Soesetio *et al*., 2024). This perspective is highly relevant in Indonesia's non-cyclical consumer goods sector, where companies maintain close relationships with consumers and the community, making the stakeholder perspective a key factor in determining business performance. Through social disclosure, this demonstrates that corporate reporting addresses employee well-being, workplace safety, community engagement, and consumer protection (Zahroh & Hersugondo, 2021). Transparent reporting can strengthen stakeholder trust, enhance a company's reputation, and foster long-term relationships.

From a theoretical perspective, strong relationships with stakeholders can boost productivity, strengthen customer loyalty, and expand access to financial resources, ultimately supporting better financial performance. However, implementing social initiatives often requires significant investment, and the benefits are typically realized only in the long term, creating a potential mismatch between short-term costs and long-term benefits. Empirically, research findings on the relationship between social disclosure and financial performance remain mixed; some studies, such as (Al Amosh *et al*., 2023), have found a positive relationship, suggesting that increased stakeholder trust can improve financial performance. Conversely, other studies, such as (Yuen *et al*., 2022), show negative effects resulting from increased operating costs associated with social initiatives, while yet other studies, such as (Retnosari *et al*., 2025), find no significant relationship. These divergent findings indicate an empirical gap, while the dominant use of composite ESG measures in previous studies also reflects methodological limitations. Therefore, this study aims to address this gap by examining social disclosure as a distinct dimension within the non-cyclical consumer goods sector in Indonesia. Based on this discussion, the following hypothesis is proposed:

H2: Social disclosure has a positive effect on financial performance

The Effect of Governance Disclosure on Financial Performance

Stakeholder theory states that companies must create value for all stakeholders by ensuring transparency, accountability, and alignment of interests between management and stakeholders (Freeman, 1984). In this section, corporate governance disclosure is used as a mechanism for companies to demonstrate their commitment to implementing good corporate governance. This perspective carries particular weight in Indonesia's non-cyclical consumer goods industry, where companies face intense competition and strict regulations, making transparency and investor trust crucial for maintaining operational strength. Corporate governance disclosure essentially measures the level of detail in the information a company shares regarding its board of directors' structure and internal control systems, which ensure transparent decision-making (Zahroh & Hersugondo, 2021).

Theoretically, enhancing governance transparency can sharpen oversight and improve the quality of decisions, which in turn has the potential to boost financial performance. However, implementing these mechanisms often incurs additional compliance and monitoring costs that can hinder short-term efficiency. Empirically, studies linking governance disclosure to financial outcomes reveal significant inconsistencies. Some, including (Inawati & Rahmawati, 2023) and (Zahroh & Hersugondo, 2021), have found a positive relationship, suggesting that robust governance improves financial performance. Other studies, such as (Kyere & Ausloos, 2021), highlight the negative impact of rising governance costs, while studies such as (Husada & Handayani, 2021) detected no significant relationship at all. This mixed evidence underscores an empirical gap, exacerbated by a heavy reliance on aggregate ESG scores in previous studies as a methodological weakness. Therefore, this study aims to address this gap by examining governance disclosure as a separate dimension within the non-cyclical consumer goods sector in Indonesia. Based on the above, the following hypothesis is proposed:

H3: Governance disclosure has a positive effect on financial performance

The Effect of Leverage on Financial Performance

Stakeholder theory suggests that companies must manage financial resources responsibly to create value for stakeholders while balancing risk with returns (Freeman, 1984). Here, leverage refers to a company's use of borrowed funds to finance its operations and align with growth objectives, effectively signaling its financial strategy and risk exposure to stakeholders. When managed well, this allows companies to access additional capital to expand their scale, enhance operational capabilities, and drive higher profitability. However, excessive debt can increase financial risk and interest expenses, which in turn can undermine overall performance. Research conducted by (Ling & Wu, 2022) and (Arhinful & Radmehr, 2023) generally indicates that leverage has a positive effect on financial performance when a company's capital structure is managed efficiently; therefore, based on this explanation, the hypothesis is as follows:

H4: Leverage has a positive effect on financial performance

The Effect of Firm Age on Financial Performance

Stakeholder theory focuses on the need for firms to build long-term relationships and trust with stakeholders in order to sustain operations and create sustainable value (Freeman, 1984). Firm age serves as an indicator of the level of experience, knowledge accumulated through the learning curve, and operational stability that a firm has built over the years. Long-established companies generally have more experience, more mature operational systems, and stronger relationships with stakeholders, enabling them to improve the quality of strategic decision-making and financial performance. Additionally, older companies are viewed as more reliable, which can enhance investor confidence. However, long-established companies may also face challenges such as organizational rigidity and stagnation, as well as difficulties adapting to market changes. Empirically, research (Benali, 2025) shows that firm age tends to have a positive relationship with financial performance. Firms with a long operational history are also better able to build strong relationships with stakeholders. This ultimately creates an impetus to increase investor confidence. Based on these considerations, the following hypothesis is proposed:

H5: Firm age positively affects financial performance

The Effect of Board Size on Financial Performance

Stakeholder theory emphasizes the importance of effective management mechanisms to ensure accountability by protecting stakeholder interests (Freeman, 1984). In this context, the board of directors is a key component of management because it influences oversight and decision-making processes. A larger board of directors brings a diverse range of skills, insights, and perspectives to the table, which can enhance the quality of strategic choices and strengthen oversight. This combination often helps prevent management errors by raising overall management standards, which ultimately improves firm performance. However, an excessively large board risks causing coordination problems, slowing down decision-making, and eroding efficiency. Empirical research conducted by (Hindasah *et al*., 2021) generally indicates a positive relationship between board size and financial performance; thus, an optimal board composition can strengthen oversight of management actions, leading to better management that ultimately supports improved financial performance. Based on this explanation, the following hypothesis is proposed:

H6: Board size has a positive effect on financial performance

METHODS

Research Type and Approach

This study employs a quantitative archival research design utilising panel data regression based on secondary data at the firm level, with the aim of analysing phenomena that can be objectively measured through the management of numerical data and statistical techniques. Through this approach, the researcher can systematically test the relationships between variables based on empirical data obtained from various relevant sources. Furthermore, this study formulates research hypotheses. These hypotheses are then tested to provide an explanation of the relationships between the variables under investigation (Creswell, 2023).

Research Population and Sample

All companies in the non-cyclical consumer goods sector listed on the IDX for the period 2022 to 2024 were used as the research population, totalling 109 companies. In addition, where companies in this sector are considered to have a close relationship with the determination of initiatives in corporate sustainability. The initial sample in the study consisted of 60 observations from 20 companies after an outlier detection process was carried out with as many as 6 observations from 2 companies that had been issued so that the final sample was obtained as many as 54 observations from 18 companies.

This study did not involve the participation of human respondents so the respondent recruitment procedure was not implemented. The researcher determined the sample using company-level archive data through purposive sampling techniques. This technique was chosen because it allows researchers to select companies that meet certain criteria by, for example, related to the availability of data needed for panel data analysis, such as the completeness of ESG and financial disclosures during the observation period. The use of this technique is important because not all companies in the population provide a complete inventory of ESG data and financial information as per the needs of the research. Initially, the sample encompassed the entirety of non-cyclical consumer goods corporations listed on the Indonesia Stock Exchange (IDX) over the 2022–2024 period. The researcher thereafter executed a succession of filtration phases to ascertain that the retained enterprises possessed data of sufficient completeness and suitability for analytical scrutiny. Entities failing to consistently disseminate both annual reports and sustainability disclosures throughout the observational timeframe were consequently omitted from the sample. Furthermore, companies without an ESG score in the Bloomberg database were also excluded. Companies that did not consistently provide profit reports during the study period were also excluded from the sample. A full breakdown of the sample selection criteria is presented in Table 1.

[Table 1. Sample Selection Based on Criteria]

Data Sources and Collection Techniques

The primary indicator used in data collection was a documentation sheet compiled through a database extraction process to systematically record financial data alongside ESG-related data from official sources. Secondary data has been defined by (Sugiyono, 2023) as information not collected directly by the researcher but obtained through intermediaries, such as official documents or specific institutions. In this study, the data used is sourced from sustainability reports, annual reports, and the Bloomberg database relating to companies in the non-cyclical consumer goods sector listed on the IDX for the period 2022 to 2024. The data sources used in this study are considered reliable as they originate from audited company reports and the Bloomberg database, which is widely recognised as a credible provider of financial data with ESG metrics. The data collection process involved accessing the official IDX website and the official websites of each company; additionally, information regarding ESG scores was obtained via Bloomberg Lab.

Variable Measurement

Dependent Variable

Return on Assets (ROA) is used as the dependent variable in this study to assess corporate financial performance, serving as an indicator of a company's ability to generate revenue through the efficient use of assets (Canli & Sercemeli, 2025). Furthermore, ROA also provides an indication of the extent to which a company's economic resources can be optimally utilised to generate profit (Ningdiyah *et al*., 2024). Through financial ratio analysis, researchers can compare performance across companies, conduct evaluations within an industry, and assist investors in making investment decisions. Therefore, these indicators are used to measure financial performance (Sari & Hariyani, 2024).

$$ROA=\frac{\text{Net Income}}{\text{Total Assets}}$$

Independent Variable

Environmental disclosure serves as one of the independent variables examined in this study. This is assessed using the Bloomberg Environmental Score. The environmental disclosure score ranges from 0.1 to 100, with a higher score indicating a more comprehensive level of information disclosure (Dang *et al.*, 2025). Bloomberg assesses environmental disclosure using various indicators, such as carbon emissions, company operational policies regarding environmental impacts, water pollution, the use of renewable energy, hazardous waste management, and raw material consumption.

The second independent variable utilized in this investigation is social disclosure, which is quantified by the Bloomberg Social Score. The social disclosure score varies from 0.1 to 100, where higher scores indicate a more extensive disclosure of social-related information (Dang *et al.*, 2025). The indicators used include employee turnover, the proportion of women within the workforce, workplace accident rates, the number of customer complaints, human rights protection, community investment, as well as occupational health and safety policies (Anifowose, 2025).

Governance disclosure represents the third independent variable analysed in this study. Governance disclosure is measured using the Bloomberg Governance Score. The governance disclosure score ranges from 0.1 to 100, where a higher score reflects greater transparency in corporate governance practices (Dang *et al.*, 2025). Bloomberg determines the governance disclosure score by utilising several governance-related indicators, including corporate involvement in political activities, board committee activities, executive compensation, board structure, and its responsibilities (Mahmood *et al*., 2025).

Control Variable

In this study, several control variables were used, namely board size, firm age, and leverage, to adjust for the potential influence of other factors on the independent variables. Leverage provides a general picture of the extent to which a company utilises debt in its capital structure and is an indication of the level of financial risk arising from the financing decisions taken (Latifatul *et al.*, 2023). A high level of leverage reflects both potential profit and financial risk. In this study, leverage is measured as (Aydoğmuş *et al.*, 2022):

$$Leverage=\frac{\text{Total Liabilities}}{\text{Total Assets}}$$

A firm's age indicates the length of time it has been in operation, reflecting its level of experience, stability, and ability to adapt to market conditions (Wibowo & Honggowati, 2022). Companies that have been in operation for longer are generally considered more mature and better able to maintain their business performance; therefore, a company's age is calculated using the following formula (Wagisuwari & Sitorus, 2025):

$$\text{Firm Age} = \text{Observation Year - Founded Year}$$

Board size refers to the total number of board members, which reflects a company's governance structure and oversight capabilities (Alabdullah *et al.*, 2021). A board with a larger number of members can bring a diverse range of skills and perspectives, thereby potentially improving the quality of decision-making, although this may also create coordination challenges. Board size is measured as follows (Muhammad *et al.*, 2024):

$$\text{Board Size} = \text{Number of Directors}$$

Data Analysis Techniques

Panel data regression is considered appropriate for this study as it allows for the simultaneous analysis of cross-sectional (firm) and time-series (year) variations, thereby providing stronger and more efficient estimates when testing the relationship between ESG disclosure and financial performance. The analytical procedures in this study were conducted using EViews 13 as the statistical analysis tool. Panel regression analysis begins with identifying the optimal estimation model, including the Random Effects Model (REM), Fixed Effects Model (FEM), or Common Effects Model (CEM). This study employs several statistical tests to determine the optimal model, such as the Hausman test, the Chow test, and the Lagrange Multiplier test. To boost data normality and sharpen the regression model's precision, I spotted and dropped outliers, cutting out a handful of extreme values from the final dataset. From there, I ran classical assumption checks, including tests for autocorrelation, heteroscedasticity, normality, and multicollinearity. For hypothesis testing, the analysis relied on the F-statistic, t-statistic, and R-squared value—which gauges how well the model explains variation in the dependent variable (Ismanto & Pebruary, 2024). The following regression equation was formulated to test the proposed relationship.

$$ROA_{it} = \alpha + \beta 1ENV + \beta 2SOC + \beta 3GOV + \beta 4LEV + \beta 5FA + \beta 6BS + \varepsilon_{it}$$

Explanation:
ROA = financial performance
ENV = environmental disclosure
SOC = social disclosure
GOV = governance disclosure
LEV = leverage
FA = firm age
BS = board size
α = constant
β = regression coefficient
ε = error term

RESULTS AND DISCUSSION

Descriptive Statistical Analysis

The final sample for this study consists of 18 companies from the non-cyclical consumer goods sector listed on the Indonesia Stock Exchange, covering the period from 2022 to 2024, resulting in 54 firm-year observations. The sampled firms represent various sub-sectors within consumer non-cyclicals, including food & staples retailing, food & beverage, tobacco, and nondurable household products.

The mean value of the financial performance metric (ROA) is indicated by descriptive statistics as 0.088148, with a range extending from 0.0300 to 0.1700. These results suggest that companies' ability to generate profits from their assets remains at a moderately stable level during the observation period. The environmental disclosure (ENV) variable shows a mean value of 39.71889, with values ranging from 11.62791 to 59.80066, reflecting variability in the degree of environmental transparency among organizations. The social disclosure (SOC) variable presents an average of 30.50629, ranging from a low of 14.32890 to a high of 41.23338, indicating that the overall level of social disclosure remains within a moderate interval. Conversely, the governance disclosure (GOV) variable records a mean score of 77.85303, ranging from 42.71523 to 93.61830, indicating that most companies demonstrate relatively strong governance disclosure practices.

For the leverage variable (LEV), the mean stands at 0.416635, pointing to a moderate dependence on debt financing overall; values stretch from 0.067154 to 0.866058, underscoring wide differences in how firms approach borrowing. Sample firms' age (FA) falls into the mature category, with ages between 8 and 118 years—spanning newer entrants to long-time industry veterans. Meanwhile, the board size variable (BS) has a mean value of 6.240741, which indicates a fairly moderate governance structure across various companies, with the number of board members ranging from 2 to 12, demonstrating differences in board size between companies. All descriptive statistical results in this study are presented in detail in Table 2.

[Table 2. Descriptive Statistical Analysis]

Panel Data Regression Model Selection Test

Chow Test

[Table 3. Chow Test]

The results of the Chow test in Table 3 show a cross-sectional Chi-square probability value of 0.0000 (< 0.05), indicating that the Fixed Effects Model (FEM) is preferred over the Common Effects Model (CEM).

Hausman Test

[Table 4. Hausman Test]

The results of the Hausman test in Table 4 show a probability value of 0.0923 (> 0.05), suggesting that the Random Effects Model (REM) is more appropriate than the Fixed Effects Model.

Lagrange Multiplier Test

[Table 5. Lagrange Multiplier Test]

The Lagrange Multiplier Test in Table 5 shows a cross-section probability value of 0.0054 (< 0.05), confirming that the Random Effects Model (REM) is the most appropriate model. Therefore, this study uses the Random Effects Model (REM) for further analysis.

Tests of Classical Assumptions

Normality Test

[Table 6. Normality Test]

The results of the normality test in Table 6 show a probability value of 0.461572 (> 0.05), indicating that the data are normally distributed.

Multicollinearity Test

[Table 7. Multicollinearity Test]

The multicollinearity test in Table 7 shows that all correlation coefficients are below 0.90, indicating that the model is free from multicollinearity.

Heteroscedasticity Test

[Table 8. Heteroscedasticity Test]

The results of the heteroscedasticity test in Table 8 show that all variables have significance values above 0.05, suggesting that the model does not suffer from heteroscedasticity.

Autocorrelation Test

[Table 9. Autocorrelation Test]

The autocorrelation test in Table 9 shows a Durbin–Watson value of 1.9622. A regression model is considered free from autocorrelation if it satisfies the criterion du < dw < (4 – du) (Ismanto & Pebruary, 2024). In this study, the Durbin–Watson value meets this criterion, namely 1.8151 < 1.9622 < 2.1849. These results indicate that the regression model does not exhibit autocorrelation.

Regression Analysis and Hypothesis Testing

[Table 10. Random Effects Model]

The regression results in Table 10 show that the Prob value (F-statistic) is 0.000016 (< 0.05), indicating that the model is statistically significant. The adjusted R-squared value of 0.414601 indicates that 41.46% of the variation in financial performance is explained by the independent and control variables, whilst the remaining 58.54% is explained by factors outside the model.

The hypothesis testing results indicate that environmental disclosure (ENV) has a significance value of 0.0722 (> 0.05) with a positive coefficient of 0.007379, indicating that it does not significantly affect financial performance; thus, H1 is rejected. Social disclosure (SOC) has a significance value of 0.0385 (< 0.05) with a positive coefficient of 0.013273, indicating a positive effect on financial performance; therefore, H2 is accepted. Governance disclosure (GOV) has a significance value of 0.0208 (< 0.05) with a positive coefficient of 0.010406, indicating a positive effect on financial performance; thus, H3 is accepted.

Turning to control variables, leverage (LEV) registers a p-value of 0.0254 (< 0.05) but a negative coefficient of -0.536806, signaling a detrimental effect on financial performance. Firm age (FA), however, posts a p-value of 0.0736 (> 0.05), showing no significant role. Board size (BS) has a significance value of 0.3491 (> 0.05), which also indicates no significant effect on financial performance.

Discussion

Environmental Disclosure Does Not Affect Financial Performance

The results shown in Table 10 indicate that the environmental disclosure variable has a probability value of 0.0722, which is above the significance level of 0.05, with a regression coefficient of 0.007379. Based on these results, the initial hypothesis is rejected as financial performance is not significantly influenced by environmental disclosure. This indicates that the level of environmental information disclosed by companies has not yet contributed directly to an improvement in the company's financial performance. The high cost of establishing environmental initiatives, for example investment in environmentally friendly technology, waste treatment with a decrease in emissions can result in the economic benefits of the implementation cannot be seen directly in financial performance. This is closely related to the phenomenon of declining financial performance in the consumer non-cyclicals sector where companies still often face profitability pressures despite concerns. Sustainability implementation could be improved, suggesting that environmental implementation alone cannot directly improve financial performance under current sector conditions.

These findings are inconsistent with stakeholder theory, as the theory focuses on the importance of meeting stakeholder expectations through public reporting that includes environmental information (Freeman, 1984). Within this theoretical framework, environmental disclosure is expected to enhance stakeholder trust and strengthen the company's reputation. A better reputation is ultimately believed to provide an impetus for improving corporate performance. However, in practice, many investors still prioritise indicators from environmental disclosures, which are not always directly reflected in financial performance, specifically in markets focused on short-term financial results.

These findings differ from those of a study conducted by (Wu & Li, 2023), which demonstrated a positive relationship between environmental reporting and a company's prior financial performance. The results of this study in line with the research conducted by (Husada & Handayani, 2021) and (Zahroh & Hersugondo, 2021) which indicates that the influence of environmental disclosure on financial performance is not significant. This difference can be explained by the characteristics of sectors where companies in the consumer non-cyclicals sector tend to operate with relatively stable demand but have tighter profit margins. That it is difficult for environmental initiatives to have a financial impact in the short term. In addition, previous research generally used composite ESG measurements, while this study analyzed environmental disclosures separately so that it could produce empirical results that have differences. The difference in empirical results is caused by variations in industry characteristics with the time period used for the study. The economic benefits of environmental disclosure in general can only be felt in the long term, so the effect on financial performance is not necessarily visible in a short observation period.

Social Disclosure Has a Positive Impact on Financial Performance

The results shown in Table 10 indicate that the social disclosure variable has a probability value of 0.0385, which is below the significance threshold of 0.05, with a regression coefficient of 0.013273. Consequently, the second hypothesis is supported, as the research findings indicate that social disclosure has a positive influence on financial performance. A positive regression coefficient suggests that the higher the level of social information disclosure by a company, the better its financial performance. This serves as an indication to companies that those consistently implementing social initiatives tend to achieve better financial performance. This finding is also relevant to the decline in financial performance within the non-cyclical consumer goods sector, where social disclosure can be utilised as a strategy to enhance stakeholder trust whilst helping to alleviate the financial pressures faced by companies.

These research results support stakeholder theory, which emphasises the importance of building strong relationships with various stakeholders, such as investors, the community, customers, and employees (Freeman, 1984). Corporate social responsibility initiatives are used as a means of demonstrating concern for the interests of stakeholders. A commitment to responsible and ethical business practices can be seen in companies that consistently communicate information regarding social aspects. Stakeholder trust can be enhanced and the company's reputation strengthened through this commitment; consequently, stakeholder support can ultimately foster increased investment alongside business growth, which contributes positively to financial performance. Such social disclosure serves as a crucial mechanism for maintaining stakeholder support, particularly in sectors closely linked to public consumption.

The findings of the study (Yuen *et al*., 2022) do not align with those of this study, as they suggest that social disclosure may have a negative impact on financial performance due to the potential for increased operational costs. However, the results of this study actually support the findings of (Al Amosh *et al*., 2023); (Yoo & Managi, 2022); (Zahroh & Hersugondo, 2021), which state that social disclosure provides benefits for a company's financial performance. Differences within the non-cyclical consumer goods sector tend to interact directly in shaping customer loyalty and brand perception. Furthermore, increased social disclosure also reflects a company's commitment to fulfilling its social responsibilities towards society. This commitment can strengthen the company's reputation whilst enhancing stakeholder trust. A better reputation and higher levels of stakeholder trust have the potential to attract investment and boost profitability, thereby also driving improvements in the company's financial performance.

On the other hand, the use of separate ESG dimensions in this study will allow for a more specific analysis of social disclosure. This has the potential to yield different findings from studies that use aggregate ESG measures.

Governance Disclosure Has a Positive Impact on Financial Performance

The results shown in Table 10 indicate that the governance disclosure variable has a probability value of 0.0208, which is below the significance level of 0.05, with a regression coefficient of 0.010406. Based on these results, it can be confirmed that the disclosure of management has a positive influence on financial performance, making the third hypothesis supported. The positive coefficient indicates that increasing transparency in governance is related to improving financial results. The governance disclosure indicates how the company can regulate the supervisory mechanism by ensuring transparency by maintaining accountability for the decision-making process so that the trust of investors, shareholders, and business partners in the company can be improved by Implementation of management transparently. These results are well in line with the conditions in the decline in financial performance in consumer non-cyclicals which indicates that disclosure in strong governance can help companies increase transparency by restoring stakeholder trust amid financial pressures.

These findings are in line with stakeholder theory that focuses on the importance of transparency in delivering company information to stakeholders (Freeman, 1984). Comprehensive governance disclosure is a reflection of the organization's commitment to ethical and open practices. This transparency is able to increase stakeholder trust in the company's management. A high level of trust from investors and other stakeholders can encourage investment interest and strengthen the stability of the company. In the end, this condition contributes to improving the company's financial performance. In this context, governance disclosure has an important role in increasing investor confidence, especially in emerging markets such as Indonesia.

The results of this study indicate a difference with the research conducted by (Husada & Handayani, 2021) and (Zahroh & Hersugondo, 2021) which concluded that the influence on the disclosure of governance on the company's financial performance is not significant. This discrepancy may be attributed to variations in the quality of management decisions. Sectoral characteristics and market conditions mean that firms in the non-cyclical consumer sector tend to face greater pressure to maintain transparency due to their direct relationship with consumers and regulatory oversight. Conversely, the findings of this study align with research conducted by (Al Amosh *et al.*, 2023); ((Firmansyah *et al.*, 2023); (Inawati & Rahmawati, 2023), which indicate that transparency in corporate governance can enhance financial performance, where higher levels of governance disclosure signify stronger oversight mechanisms and more transparent corporate management. Under these conditions, this can enhance the effectiveness of internal controls by reducing operational risk, thereby ultimately supporting improved financial performance. Furthermore, the use of separate ESG dimensions in this study allows for a more specific assessment of governance disclosures, thereby providing clearer evidence compared to studies employing aggregate ESG measurements.

Leverage Has a Negative Impact on Financial Performance

Table 10 is able to display the test results which are indicative of the leverage variable having a probability value of 0.0254 which is below the significance limit of 0.05, and a regression coefficient of -0.536806. These findings indicate that leverage has a negative influence on a company's financial performance. A negative coefficient is an indication that the higher the level of leverage, the company's financial performance tends to decrease. These results are not in line with stakeholder theory that optimal management and allocation of resources can provide increased financial risks and interest expenses, thereby reducing the company's profitability (Freeman, 1984). These conditions ultimately interfere with the company's ability to generate profits and lead to a decline in overall financial performance (Abubakar & Anyonje, 2025). These findings are also related to the phenomenon of declining financial performance that occurs in the consumer non-cyclicals sector where increased financial pressure can create an incentive for companies to be able to become more dependent on debt which ultimately worsens their financial condition.

The results of this study do not align with the conclusions of (Arhinful & Radmehr, 2023) and (Ling & Wu, 2022), who state that leverage can have a positive impact on financial performance because debt can be used as a source of financing for business expansion. If used appropriately, the use of debt can help companies increase operational capacity and drive growth. Conversely, these results are consistent with (Abid *et al.*, 2024), which indicates that high levels of leverage reduce a company's financial performance. Increased leverage exacerbates financial pressure and corporate risk, ultimately leading to deteriorating financial results. This discrepancy in findings is likely influenced by sectoral characteristics, where firms in the non-cyclical consumer goods sector tend to exhibit stable yet relatively low growth, rendering aggressive debt financing strategies less effective.

Company Age Does Not Affect Financial Performance

As shown in Table 10, where the test results provide insights into the company age variable, the probability value is 0.0736, which falls just outside the 0.05 significance threshold. This is an indication that the company's age does not have a significant influence on financial performance. The length of time a company operates does not directly determine its ability to increase financial results. These findings not support the stakeholder theory that long-established companies generally have higher levels of stakeholder trust (Freeman, 1984). However, such a long operational life is not always a reflection of the effectiveness of management in running the company. On the other hand, financial performance is more influenced by the strategies implemented and the company's operational effectiveness. This is also relevant to conditions in the non-cyclical consumer goods sector, where both long-established companies and relatively new ones face similar market pressures, particularly regarding cost efficiency and changes in consumer demand.

The results of this study do not align with the findings of (Iman *et al*., 2022), which state that companies with a longer operational history tend to benefit from better managerial skills, thereby generating better financial performance. In general, companies that have been around for a long time are assumed to have a more mature management system and stronger relationships with stakeholders. However, these advantages are not always automatically able to produce better financial performance, especially in competitive and dynamic market conditions, although these attributes are expected to create increased operational stability. Even so, the results of this study are an indication that the age of the company is not consistently the main factor in improving financial performance. This finding aligns with (Wibowo & Honggowati, 2022), who state that firm age does not have a significant influence on financial performance. This suggests that profit generation is more determined by the effectiveness of business management than by the length of time the firm has been in operation.

Board Size Does Not Affect Financial Performance

Table 10 shows the test results indicating that the board size variable has a probability value of 0.3491, which is above the 0.05 significance level. This is an indication that the size of the board does not have a significant influence on the company's financial performance. That way the number of council members does not directly provide an impetus to increase financial results. These findings are not in line with stakeholder theory that focuses on the importance of strong corporate governance in maintaining stakeholder trust (Freeman, 1984). The increase in the number of board members does not necessarily provide an increase in the effectiveness of supervision whereas on the contrary. The effectiveness of corporate governance is more determined by the quality of decision-making and the competence possessed by board members. These results are also relevant to conditions in the non-cyclical consumer goods sector, where decision-making effectiveness and operational efficiency are more important factors than simply the number of board members when facing financial performance challenges.

These research findings do not align with the findings of (Roffia *et al*., 2022), which state that a larger board size can enhance corporate oversight effectiveness and have a positive impact on financial performance. In theory, where the more diverse experience and skills of board members are given the hope of being able to create an improvement in the quality of strategic decision-making. However, without good coordination and adequate expertise, a large number of board members does not necessarily provide better governance results, although this factor can strengthen supervision of managerial activities. Even so, this research is an indication that the size of the board of directors does not always have a relationship with improving financial performance. This finding is consistent with (Muhammad *et al*., 2024), who state that board size has no significant influence on a company's financial performance. This emphasises that the quality of corporate governance practices is more important than simply increasing the number of board members.

CONCLUSION

This study examines the role of environmental, social, and governance disclosure in shaping financial performance among consumer non-cyclicals firms listed on the IDX from 2022 to 2024. The findings indicate that environmental disclosure has not yet shown a direct contribution to financial performance, while social and governance disclosures demonstrate a stronger association with improved corporate financial outcomes. These results highlight that not all ESG dimensions contribute equally to financial performance. Social and governance disclosure appear to play a more immediate role in strengthening stakeholder trust and corporate reputation, which in turn support better financial outcomes. In contrast, the benefits of environmental disclosure tend to emerge over a longer period and may not be immediately observable within the timeframe of this study. In addition, the findings related to control variables suggest that higher reliance on debt tends to place pressure on financial performance, whereas firm age and board size do not necessarily determine a company's ability to achieve better financial outcomes. This indicates that financial performance is more closely related to effective financial management and operational strategies rather than structural characteristics alone.

Limitations

This study has a number of limitations, particularly regarding the ability of the research variables to explain corporate financial performance, as reflected in the adjusted R-squared value of 41.46%. This value indicates that there are other factors outside the research model that also influence financial performance. Furthermore, this study focuses solely on the non-financial reporting dimension through environmental, social, and governance (ESG) disclosures. Consequently, broader aspects of corporate governance have not been analysed in depth, although some governance indicators have been represented in the form of quantitative information.

Recommendations

This study subsequently suggests developing the research model by adding variables related to corporate governance. Future research could incorporate ESG committees as part of governance mechanisms that are increasingly being implemented in corporate practice. ESG committees have the potential to enhance the effectiveness of sustainability strategies through more targeted oversight and coordination of ESG-related activities. Therefore, this variable is important to explore as a moderator variable to examine whether the existence of an ESG committee can strengthen the relationship between ESG disclosure and financial performance.

Implications

This study yields both theoretical and practical implications; theoretically, it expands stakeholder theory by providing a framework for disclosure that focuses on stakeholders who do not necessarily exert the same influence on financial performance. Specifically, the findings indicate that social and governance disclosures are more aligned with stakeholder expectations in the non-cyclical consumer goods sector, whilst environmental disclosures do not have a direct financial impact. Furthermore, by analysing ESG dimensions separately rather than using a composite index, this study also enriches the ESG literature by presenting more in-depth evidence regarding the differing relationships between each dimension and financial performance within the context of emerging markets.

From a practical perspective, where this study serves as a guide, companies need to prioritise improving the quality of social and governance disclosures as part of a strategy to strengthen stakeholder trust, enhance reputation, and attract investors. These findings are particularly relevant for companies in the non-cyclical consumer goods sector, as public trust is a key factor in sustaining financial performance.

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Conflict of Interest Statement: The authors declare that the research was conducted in the absence of any commercial or financial relationships that could be construed as a potential conflict of interest.

LIST OF TABLES

Table 1 */ Sample Selection Based on Criteria*

No.	Criteria	Total
1	Consumer non-cyclicals sector companies listed on the Indonesia Stock Exchange (IDX) during 2022–2024.	109
2	Consumer non-cyclicals sector companies that publish annual reports and sustainability reports consecutively during 2022–2024.	(16)
3	Consumer non-cyclicals sector companies that report profits consecutively during 2022–2024.	(29)
4	Consumer non-cyclicals sector companies that have ESG Scores in the Bloomberg database consecutively during 2022–2024.	(44)
Total companies meeting the sample criteria		20
Number of observation years		3
Total observations (20 × 3)		60
Outlier data (2 x 3)		(6)
Final research sample (18 x 3)		**54**

Source**:** Processed Data (2026)

***Table 2** / Descriptive Statistical Analysis*

Variable	Obs.	Mean	Std. Dev	Min	Max
ROA	54	0.088148	0.033369	0.033369	0.170000
ENV	54	39.71889	13.42148	11.62791	59.80066
SOC	54	30.50629	7.076194	14.32890	41.23338
GOV	54	77.85303	11.99507	42.71523	93.61830
LEV	54	0.416635	0.225478	0.067154	0.866058
FA	54	45.05556	25.02634	8.000000	118.0000
BS	54	6.240741	2.515375	2.000000	12.00000

Source**:** Output Eviews 13 (2026)

***Table 3** / Chow Test*

Effects Test	Statistic	d.f.	Prob.
Cross-section F	4.757478	(17,30)	0.0001
Cross-section Chi-square	70.590160	17	0.0000

Source**:** Output Eviews 13 (2026)

Table 4 */ Hausman Test*

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	10.874918	6	0.0923

Source**:** Output Eviews 13 (2026)

***Table 5** / Lagrange Multiplier Test*

	Cross-section	Test Hypothesis Time	Both
Breusch-Pagan	7.740737	0.351732	8.092469
	(0.0054)	(0.5531)	(0.0044)

Source**:** Output Eviews 13 (2026)

***Table 6** / Normality Test*

	Jarque-Bera	Probability
Normality Test	1.546235	0.461572

Source**:** Output Eviews 13 (2026)

***Table 7** / Multicollinearity Test*

	ENV	SOC	GOV	LEV	FA	BS
ENV	1.000000	0.371899	0.338753	0.063082	0.483651	0.482993
SOC	0.371899	1.000000	0.494773	-0.257080	0.245158	0.365150
GOV	0.338753	0.494773	1.000000	-0.189071	0.291019	0.483746
LEV	0.063082	-0.257080	-0.189071	1.000000	-0.063802	0.027688
FA	0.483651	0.245158	0.291019	-0.063802	1.000000	0.434340
BS	0.482993	0.365150	0.483746	0.027688	0.434340	1.000000

Source**:** Output Eviews 13 (2026)

Table 8 */ Heteroscedasticity Test*

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-0.023656	0.023470	-1.007960	0.3186
ENV	3.02E-05	0.000275	0.109497	0.9133
SOC	0.000859	0.000447	1.922146	0.0607
GOV	0.000104	0.000300	0.348169	0.7293
LEV	0.009082	0.015218	0.596769	0.5535
FA	8.08E-05	0.000154	0.524758	0.6022
BS	0.001002	0.001429	0.701676	0.4863

Source**:** Output Eviews 13 (2026)

***Table 9** / Autocorrelation Test*

	Value
Durbin-Watson	1.962193

Source**:** Output Eviews 13 (2026)

***Table 10** / Random Effect Model*

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-3.864940	0.349629	-11.05439	0.0000
ENV	0.007379	0.004013	1.838932	0.0722
SOC	0.013273	0.006234	2.129327	0.0385
GOV	0.010406	0.004350	2.391962	0.0208
LEV	-0.536806	0.232469	-2.309155	0.0254
FA	0.004321	0.002361	1.829932	0.0736
BS	-0.019370	0.020482	-0.945717	0.3491
		Effects Specification		
			S.D.	Rho
Cross-section random			0.196285	0.6014
Idiosyncratic random			0.159786	0.3986
		Weighted Statistics		
R-squared	0.480873	Mean dependent var		-1.066223
Adj R-squared	0.414601	S.D. dependent var		0.219403
S.E. of regression	0.167868	Sum squared resid		1.324447
F-statistic	7.256096	Durbin-Watson stat		1.962193
Prob (F-statistic)	0.000016			
		Unweighted Statistics		
R-squared	0.646011	Mean dependent var		-2.506659
Sum squared resi	3.242992	Durbin-Watson stat		0.801365

Source**:** Output Eviews 13 (2026)

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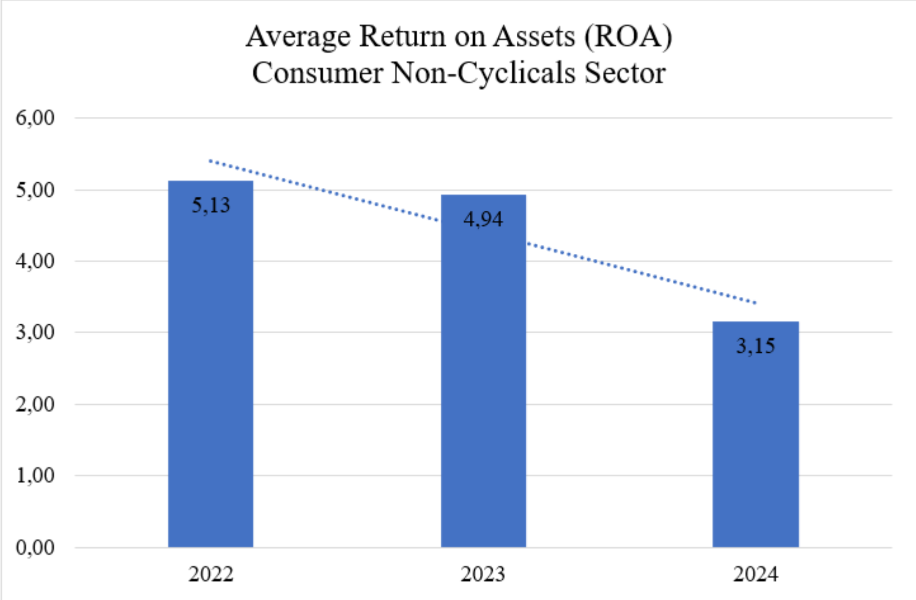
***Figure 1** / Average Return on Assets (ROA) Consumer Non-Cyclicals Sector from 2022 to 2024*



Source**:** Processed Data (2026)

***Figure 2** / Average ESG Disclosure Consumer Non-Cyclicals Sector from 2022 to 2024*

Source**:** Processed Data (2026)