ABSTRACT

This study aims to examine and analyze the effect of Environmental, Social, and Governance (ESG) performance on firm profitability, as measured by Return on Assets (ROA) and Return on Equity (ROE), and to examine the role of firm size as a moderating variable. The study focuses on non-financial companies listed on the Indonesia Stock Exchange during the 2021-2024 period. The sample was selected using a purposive sampling method, resulting in 60 companies with a total of 240 observations. The study uses secondary data obtained from the Refinitiv database. The data were analyzed using panel data regression with the Fixed Effect Model (FEM) and Robust Standard Errors, as well as Moderated Regression Analysis (MRA). The results show that ESG performance has a negative and significant effect on ROA and ROE. Furthermore, firm size does not moderate the effect of ESG performance on ROA and ROE. These findings indicate that the implementation of ESG initially acts as a compliance cost that burdens short-term profitability, and large firm size does not inherently provide enough efficiency buffer to neutralize this cost.

Keywords: *ESG Performance, Profitability, ROA, ROE, Firm Size*

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