

ABSTRACT

This study aims to analyze the effect of Environmental, Social, and Governance (ESG) disclosure on firm financial performance proxied by Return on Assets (ROA), as well as to examine the moderating role of board size in the relationship between ESG disclosure and financial performance. A quantitative approach was employed using panel data from 50 non-financial manufacturing companies listed on the Indonesia Stock Exchange during the 2019–2024 period. ESG disclosure data were obtained from Bloomberg, and the Random Effect Model with robust standard errors was applied to address heteroskedasticity issues. The results show that environmental and social disclosures do not significantly affect ROA, while governance disclosure has a negative and significant effect on firm profitability. Furthermore, board size is found to significantly moderate the relationship between governance disclosure and ROA. The interaction results indicate that a larger board weakens the negative impact of governance disclosure on profitability, suggesting that an effective board structure can improve the implementation of governance practices. These findings imply that companies should design board structures carefully to enhance governance effectiveness and minimize inefficiencies that may reduce profitability. This study contributes to the literature by separating ESG disclosure into its individual components and incorporating board size as a moderating variable, providing evidence from an emerging market context.

Keywords: ESG Disclosure, Financial Performance, ROA, Board Size, Corporate Governance

