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Behind The Environmental, Social, And Governance Figures In A Company's Financial Performance

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Abstract

This study examines the measurement of Environmental, Social, and Governance (ESG) disclosure, its relationship with corporate financial performance, and the factors explaining differences in previous findings. A structured literature review was conducted on 30 empirical articles published between 2021 and 2026. The findings indicate that ESG measurement employs several approaches, including scores from ESG rating agencies, corporate report content analysis, and indices based on the Global Reporting Initiative (GRI) and the Sustainability Accounting Standards Board (SASB). Empirical evidence reveals mixed relationships, including positive, negative, insignificant, and performance-measure-dependent results. These differences are associated with ESG measurement methods, firm characteristics, industry sectors, country contexts, observation periods, and analytical methods.

Keywords: ESG disclosure, ESG measurement, financial performance

INTRODUCTION

Issues Environmental, Social, and Governance (ESG) is increasingly gaining attention in business practices and investment decision-making. This attention reflects a shift in expectations of companies, which are no longer only judged on the basis of their ability to generate profits, but also on the way companies manage their environmental impacts, social relations, and governance. These developments have pushed ESG to become an important part of the

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evaluation of corporate sustainability and accountability. In line with these developments, research on ESG has been conducted in various contexts of countries and company characteristics, including on non-financial companies in Saudi Arabia (Hussain et al., 2024), companies in the S&P 500 index (Alfalih, 2023; Alrashed et al., 2026), as well as companies in G20 countries (Souza et al., 2025). The expansion of the research context shows that ESG has become a relevant empirical issue in the study of accounting and corporate finance.

Although ESG research is evolving, its concepts and measurements in empirical research still show diversity. One of the fundamental problems lies in the differences between ESG disclosures (ESG disclosure) and ESG performance (ESG performance). Both have different measurement focuses so they cannot be treated as fully equivalent constructs. (Souza et al., 2025) for example, differentiating ESG disclosure scores and ESG performance scores through the use of different rating sources. Meanwhile, (Nanda & Simatupang, 2026) uses ESG scores as a measure of ESG performance, while (Renata, 2026) distinguish between sustainability disclosures based on the GRI framework and financial materiality based on SASB. These differences show that the meaning of ESG variables needs to be based on their definitions, objects, and measurement bases, not solely on the terms used in the research.

The diversity of measurements becomes important when ESG is associated with a company's financial performance. The relationship between the two involves different aspects, namely the management and disclosure of environmental, social, and governance aspects on the one hand, and the company's financial achievements on the other. Research on this relationship has developed in various sectors, countries, company characteristics, and observation periods. However, differences in defining and operationalizing ESG have implications for the comparability of empirical results. Research that uses the same term ESG does not necessarily measure identical constructs, so the differences in results found cannot be directly interpreted as differences in the substantive relationship between ESG and financial performance.

Based on these conditions, there is a need to synthesize previous research by not only paying attention to the direction of the relationship between ESG and financial performance, but also examining how ESG is defined and operationalized in each study. Although studies on the relationship between ESG and financial performance have evolved, mapping that integrates research characteristics, variations in ESG measurements, and their relationship to differences in empirical findings still needs to be strengthened. Without a synthesis that pays attention to these aspects, differences in research results risk being understood only based on the direction of their influence, without considering differences in the underlying constructs and measurement

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approaches. Therefore, variations in ESG measurement are an important aspect to be examined in understanding the results of research on the relationship between ESG and corporate financial performance.

This study uses the Systematic Literature Review (SLR) approach to synthesize empirical evidence regarding the relationship between ESG and corporate financial performance, placing ESG measurement as the main focus of the study. The contribution of the research lies in the integration of the mapping of the characteristics of the article, the identification of ESG constructs and operationalizations, as well as the synthesis of the direction and significance of empirical findings along with factors related to the variation in research results. With this approach, this study is expected to provide a more structured understanding of the different meanings of ESG measurement and its implications for the interpretation of the relationship between ESG and corporate financial performance.

Based on the description above, this study aims to synthesize empirical evidence on the relationship between ESG and corporate financial performance from 30 articles for the period 2021–2026, focusing on variations in ESG measurements as an explanation of the differences in findings. Four research questions lead to this synthesis:

a. RQ 1 : What are the general characteristics of a synthesized article?
b. RQ 2 : How is ESG measured and operationalized in empirical research?
c. RQ 3 : What is the direction and significance of the influence of ESG on the company's financial performance?
d. RQ 4 : What factors can explain the difference in research results regarding the influence of ESG on a company's financial performance?

LITERATURE STUDY

2.1 Signaling Theory

Signal theory describes how a company conveys information to external parties to reduce information asymmetry between management and information users. Management has a deeper knowledge of the company's conditions, strategies, risks, and prospects than investors and other external parties. This information imbalance causes external parties to need signals that can be used to assess the company's quality and prospects (Spence, 1973).

In the context of ESG, the disclosure of environmental, social, and governance information can be a form of non-financial signals that companies convey to external parties. This information provides an overview of the company's commitments, policies, and practices that are not fully

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reflected in the financial statements. Relevant and trustworthy ESG disclosures can help investors assess the company's risks, management quality, and prospects. Thus, ESG information has the potential to complement financial information in the decision-making process.

The relevance of signal theory in ESG research is related to how sustainability information is received and assessed by external parties. (Abdi et al., 2022) For example, reviewing sustainability disclosures in relation to company value and financial performance. Meanwhile, (Souza et al., 2025) distinguish between the measurement of ESG disclosure and ESG performance in research on companies in G20 countries. This distinction is important because information about what companies disclose does not necessarily reflect the real results of ESG practices being implemented.

However, ESG disclosure does not automatically become a credible signal. The strength of the signal depends on the relevance, consistency, and verifiability of the information conveyed. Disclosures that are only narrative in nature without adequate practice support have the potential to provide an image that is not in line with the company's actual condition. Therefore, signal theory provides a foundation for understanding that the relationship between ESG and financial performance is not only related to the existence of ESG information, but also to the quality and credibility of the information.

2.2 Stakeholder Theory

Stakeholder theory views a company as an entity whose sustainability of activities is related to various parties who can influence or be influenced by the company's decisions. These groups include employees, customers, suppliers, creditors, governments, the community, and shareholders. Different from the view that places the interests of shareholders as the sole orientation of the company, this perspective emphasizes the importance of managing relationships with various stakeholders in maintaining business sustainability (Freeman, 1984).

In this perspective, the success of a company is not only judged by its ability to generate profits, but also by its ability to meet the interests of parties related to its operational activities. Good relationship management can build trust, reputation, and acceptance of the company's existence. This condition has the potential to support the sustainability of business activities through long-term relationships with stakeholders.

ESG is related to stakeholder theory because each dimension reflects the form of corporate responsibility towards different groups. The environmental dimension is related to the interests of the community and regulators in the impact of the company's activities on the

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environment. The social dimension includes the company's relationship with employees, customers, and the community. Meanwhile, the governance dimension is related to transparency, accountability, and supervisory mechanisms that protect the interests of shareholders and other external parties.

The relevance of this perspective can be seen in research that considers the corporate context and institutional environment in assessing ESG.(Awwad et al., 2026a) discusses the relationship between ESG disclosure and corporate performance in the context of emerging economies, while (Zhou et al., 2024) examine the sustainability aspects of energy sector companies in the Belt and Road Initiative countries. Both contexts show that ESG practices are inseparable from the characteristics of the company's environment and the interests of the stakeholders it faces.

However, meeting the interests of various stakeholders can also have consequences for the use of a company's resources. Investments to meet environmental and social demands, for example, can increase costs in the short term before the benefits are reflected in financial performance. As such, ESG benefits do not always appear directly and can depend on the characteristics of the company, the sector, and the context in which the company operates. Stakeholder theory provides a basis for understanding why companies implement ESG practices, while also explaining the possible differences in their financial consequences.

2.3 Corporate Financial Performance

A company's financial performance describes a company's ability to manage financial resources to carry out business activities and generate profits. This performance can be used to assess the effectiveness of the use of assets and capital and describe the market's assessment of the company's condition and prospects. In empirical research, financial performance is measured through a number of indicators that represent different aspects of performance. Accounting-based indicators are used to assess a company's ability to generate profits based on the resources it manages. Return on Assets (ROA) shows a company's ability to generate profits by utilizing the assets it owns. Return on Equity (ROE) describes the rate of return that a company generates on shareholder capital. Meanwhile, Return on Invested Capital (ROIC) measures a company's ability to generate returns on capital invested in its operational activities.

The three indicators use the company's financial information and provide an overview of profitability and effectiveness of resource management. In addition to accounting-based measures, company performance can also be assessed through market-based indicators, one of

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which is Tobin's Q. This indicator describes the market assessment of the company by comparing the company's market value with the value of its assets. Unlike accounting-based measures that rely on financial information, market-based measures also reflect investors' expectations of the company's prospects, risks, and growth potential. The difference in the characteristics of these indicators is important in the study of the relationship between ESG and financial performance.

Expenditures on ESG practices can affect costs and profitability in the current period, while the benefits may only be reflected in the market's assessment of the company's long-term prospects. Therefore, the results of studies using accounting-based indicators are not always the same as studies using market-based indicators. The diverse use of financial performance indicators is found in the ESG literature, among others in research(Firmansyah, Umar, & Jibril, 2023; Giannopoulos et al., 2022; Hussain et al., 2024). This diversity shows that financial performance cannot only be understood through one measure. In this SLR, the differences in financial performance indicators need to be considered when comparing research results because each indicator represents a different aspect of performance.

2.4 Environmental, Social, and Governance (ESG)

Environmental, Social, and Governance (ESG) is a framework that includes three main dimensions in assessing how a company manages environmental, social, and governance aspects. These three dimensions provide non-financial information about company activities, policies, and practices that are relevant to the sustainability of business activities. In empirical research, ESG is used to examine aspects of company sustainability and its relationship to financial performance. The Environmental dimension is related to managing the impact of company activities on the environment. This aspect includes managing emissions and climate change, energy and natural resource use, waste management, pollution, and compliance with environmental regulations. Managing the environmental dimension is important because the company's operational activities can pose environmental risks that affect the cost, reputation, and sustainability of the business.

The Social Dimension includes the company's relationship with individuals and groups involved or affected by its operational activities. This aspect includes the protection of employee rights, occupational safety and health, diversity, relations with the community, human rights, and responsibility to customers. The management of social aspects reflects the company's attention to the interests of people and society in carrying out its business activities. The Governance dimension is related to the systems, structures, and mechanisms used to direct and control the company. This aspect includes information transparency, management accountability, board

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structure and functions, business ethics, internal control, and the protection of shareholder rights. Good governance is needed to support the company's decision-making and supervision process responsibly.

The three dimensions are interrelated, but have different scopes and measurement characteristics. Therefore, ESG can not only be understood as a single aggregate construct, but can also be analyzed based on its respective dimensions. This distinction is relevant in empirical research because the influence of environmental, social, and governance aspects on financial performance does not necessarily show the same direction or level of significance. Research (Gartia et al., 2024) for example, examining the ESG dimension separately in the context of manufacturing companies in India.

In addition to the differences between dimensions, ESG research also needs to differentiate between ESG disclosures (ESG disclosure) and ESG performance (ESG performance). ESG disclosure refers to the information submitted by a company regarding its policies, activities, and sustainability aspects. Meanwhile, ESG performance is related to the company's achievements or results in managing environmental, social, and governance aspects. Thus, the completeness of the information disclosed does not always indicate the same level of ESG performance. (Souza et al., 2025) specifically distinguishes ESG disclosure and ESG performance measurements, while (Nanda & Simatupang, 2026) using ESG scores as a measure of ESG performance.

In empirical research, these differences in meaning have implications for the way ESG is operated. Measurement can use scores from rating agencies, analysis of the content of company reports, indices based on reporting standards, or scores compiled by researchers. Each approach has measurement objects and characteristics that are not always the same. Therefore, identification of the definition, dimensions, and methods of ESG measurement is important so that research results on the relationship between ESG and financial performance can be compared more precisely.

In this SLR, ESG is placed as the main construct that is examined in terms of its definition, dimensions, and measurement approach. Research (Gartia et al., 2024; Le, 2024; Mohammad & Wasiuzzaman, 2021) are several studies in the literature that discuss ESG practices or disclosures in relation to company performance. By paying attention to these measurement variations, the synthesis of this research is directed to understand what is actually measured as ESG and how the differences in operationalization are related to the variation in findings regarding the company's financial performance.

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RESEARCH METHODS

3.1 Research Design

This study uses a structured literature review method by comparing research results based on the differences in ESG aspects measured. The articles analyzed amounted to 30 empirical journal articles that discussed the relationship between ESG disclosure and corporate financial performance. All articles were published in the period 2021–2026 and are available in full text form. The articles have been collected and selected first by researchers before analysis. Therefore, this review only focuses on 30 articles that have been selected and is not intended to represent all research on ESG and corporate financial performance.

3.2 Data Sources and Searches

This study uses secondary data obtained from scientific journal articles that discuss ESG disclosure and corporate financial performance. The articles analyzed amounted to 30 empirical articles published in the period 2021–2026. The source of research data is in the form of articles in the form of complete text so that information about research methods, variable measurements, samples, and test results can be examined directly.

The article collection was carried out through a literature search by paying attention to the suitability of the research topic, namely the relationship between Environmental, Social, and Governance (ESG) disclosure and corporate financial performance. The search was focused on articles that discussed ESG measurement and its influence on financial performance indicators and market performance, such as ROA, ROE, ROIC, and Tobin's Q. Keywords relevant to the research topic included ESG Disclosure, Environmental Disclosure, Social Disclosure, Governance Disclosure, and Corporate Financial Performance.

After the articles are collected, the researcher conducts an initial examination to ensure the suitability of the article with the focus of the research. Articles that meet the needs of the analysis are then collected in the form of full-text PDFs and used as synthesis materials. Furthermore, each article is analyzed based on the characteristics of the research, ESG measurement methods, financial performance indicators, the direction and significance of the research results, and factors that can explain the differences in findings.

3.3 Inclusion and Exclusion Criteria

To maintain the suitability of the article with the purpose of the research, the literature selection process is carried out based on inclusion and exclusion criteria. The inclusion criteria are

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used to determine the articles that can be analyzed, while the exclusion criteria are used to exclude articles that are not in accordance with the focus of the research.

Table 3.3 Inclusion and Exclusion Criteria

Criteria	Inclusions	Exclusion
Publication period	Articles published in 2021–2026	Articles published outside of that period
Types of publications	Scientific journal articles	Books, proceedings, opinions, editorials, and non-journal publications
Types of research	Empirical research	Conceptual research, literature review, and SLR
Research focus	Discuss ESG disclosures or ESG aspects related to the company's financial performance	ESG research that has no relation to the company's financial performance
Article availability	Articles are available in full-text form so that they can be analyzed	Articles for which the full text is not available

RESEARCH RESULTS

4.1 General Characteristics of Synthesized Articles

The publication of 30 articles was synthesized from the range of 2021–2026, with the highest number in 2026 being 11 articles, followed by seven articles in 2025 and six articles in 2024. Meanwhile, the number of articles published in 2023, 2022, and 2021 was three articles, two articles, and one article, respectively. Thus, as many as 24 out of 30 articles came from publications for the 2024–2026 period. This composition shows that the synthesis is dominated by relatively new research, so the discussion can illustrate the development of empirical research on the influence of ESG disclosure on the company's financial performance in recent years. Of the 30 articles, 12 articles were indexed by Scopus Q1, Q2 eight articles, Q3 one article, while those indexed by SINTA 2 had five articles and SINTA 3 had four articles.

The research method used is a quantitative method to analyze the relationship between ESG disclosure and a company's financial performance. Most studies use panel data regression, while some studies also incorporate analysis of the content of reports to measure ESG disclosures before conducting statistical analysis. In addition to panel data regression, there are studies that use other methods, such as GMM, quantitial regression, panel cointegration analysis, difference-

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in-differences, PLS-SEM, moderation regression, and logistic regression. These differences in methods show that each study uses an analysis approach that is tailored to the goals and characteristics of the data. However, the diversity of these methods also makes the results of the study not always directly comparable, especially because each method has a different way of analysis and assumptions.

Of the 30 articles synthesized, research was conducted in various countries and regions. Indonesia was the location of the most research, namely in nine articles. In addition, there are two cross-border studies in the ASEAN region that also include Indonesian companies. Other research was conducted in India, Saudi Arabia, the United States, Malaysia, Palestine, Vietnam, Italy, Spain, Norway, and Morocco. Some articles use a broader cross-border coverage, such as G20 countries, the EMEA and Latin America regions, Belt and Road Initiative participating countries, and the global aviation market. In terms of research sectors, the synthesized articles include multi-sector companies and certain sectors, such as airlines, energy, manufacturing, banking, non-cyclical consumer goods, and small and medium-sized enterprises (SMEs).

4.2 ESG Measurement and Operationalization Methods in Empirical Research

Based on the findings of the study, it is shown that ESG measurement does not always refer to the same measure. Some studies measure ESG disclosures using scores provided by external rating agencies, while others compile their own indexes based on information in company reports. In addition, there are studies that use a combined ESG score and ESG performance score.

Table 4.2 Approaches to Measuring ESG Disclosures in Research

Measurement	Implementation in Articles
ESG score from the Assessor institution	Using ESG disclosure scores published by rating agencies, such as Bloomberg or Refinitiv.
Analysis of the content of the company's report	Examine ESG information in annual reports, sustainability reports, financial reports, and company websites.
Indexes based on standards or rules	Using a list of indicators based on GRI, SASB, or sustainability reporting provisions
Combined ESG score created by researchers	Combining environmental, social, and governance scores into a single ESG score, binary or proportional index, and PCA-based index

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Other ESG-related measurements	Using SDG disclosures, ESG performance scores, internal company information, or sustainability certifications.

4.2.1 ESG Score from the Assessment Board

Some studies use ESG scores obtained from rating agencies, such as Bloomberg and Thomson Reuters Eikon. Research conducted by(Alrashed et al., 2026; Bamel et al., 2025; Firmansyah, Umar, Jibril, et al., 2023; Kasingku et al., 2026) using Bloomberg's ESG disclosure score. Meanwhile, the research(Abdi et al., 2022; Giannopoulos et al., 2022) using data from Thomson Reuters Eikon. The use of data from these institutions can help researchers obtain ESG information from many companies and over a long period of time.

However, each institution has a different way of scoring. In fact, one institution can provide several types of ESG scores with different measurement purposes. Therefore, an ESG score alone is not enough to explain whether the score measures the ESG information disclosed by the company, the company's ESG performance, or a combination of the two. These differences are seen in the study (Souza et al., 2025), which uses the ESG disclosure score from Bloomberg and the ESG performance score from Refinitiv separately. Meanwhile, Nanda and Simatupang (2026) clearly use the Refinitiv ESG Score to measure a company's ESG performance. This shows that in understanding the results of the study, it is important to pay attention to the definition and purpose of scoring measurement explained by each researcher.

4.2.2 Analysis of the Content of Company Reports and Standards-Based Indices

In conducting research, researchers can use financial and sustainability statements published by companies to measure ESG disclosures. Research from (Alslaibi & Abdelkarim, 2024), using information from the company's website and disclosures to identify environmental, social, and governance aspects. While the research (Thu & Nguyen, 2026) compile an ESG score based on annual reports and sustainability reports with reference to GRI standards. Sulaiman et al. (2026) used an index consisting of 30 GRI indicators by assigning a score to each item. Meanwhile, (Musyarofah & Subadriyah, 2026) measure environmental, social, and governance disclosures separately based on the GRI 2021 indicators. Different from the study, (Ghizlane & Chiadmi, 2026) using 64 aspects based on regulations in Morocco and based on previous research.

Measurements based on financial statements and company progress allow researchers to

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know more clearly what information is disclosed. However, the measurement results of each study cannot necessarily be compared directly because there are differences in the number of indicators, the suitability of indicators with the company's sector, the scale of assessment, and the way scores are given and combined. Binary assessments only show whether information is disclosed or not. On the other hand, scale ranges can provide an idea of how detailed the information is conveyed. The materiality-based index not only looks at the existence of information, but also considers the relevance of the information based on the materiality aspect used in the research.

4.2.3 Materiality and Incorporation of ESG Scores

The difference between ESG disclosures in general and ESG disclosures that have a direct correlation to a company's financial condition can be seen in the study (Renata, 2026). The study used two measurement approaches, namely the GRI Standards 2021 to assess ESG disclosures in general and the SASB Materiality Framework to measure ESG disclosures that are considered important or relevant to the company's financial condition. As such, the two approaches have different focuses. GRI is used to see the extent to which companies disclose information regarding environmental, social, and governance aspects. Meanwhile, SASB places more emphasis on ESG information that has the potential to affect a company's financial performance and is relevant to investor decision-making.

In addition, some studies use the overall ESG score by combining environmental, social, and governance aspects into one score. There are also studies that use the principal component analysis (PCA) method to form a single ESG measure based on several indicators used. The combination can make it easier for researchers to assess the relationship between ESG and overall financial performance. However, the use of one combined score also has limitations because it can cover the differences in the influence of each ESG aspect. In fact, environmental, social, and governance aspects do not necessarily have the same level of importance for each company sector.

4.3 The Direction and Significance of the Influence of ESG on Corporate Financial Performance

Findings from various studies show that the relationship between ESG disclosures and a company's financial performance is not always consistent, both in positive and negative directions. This can be seen in table 4.3

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Table 4.3 Patterns of Research Results

Research Results Pattern	Research	Explanation
Positive ESG influences overall or over a period of time	Wan Mohammad & Wasiuzzaman (2021); Bamel et al. (2025); Alrashed et al. (2026); Abu Hussain et al. (2024)	Several studies have found that ESG disclosures can improve a company's financial performance, both directly and after the company has run it over a period of time.
The influence of ESG is negative or can reduce financial performance	Firmansyah et al. (2023); Nguyen (2026); Giannopoulos et al. (2022); ROA; Ghizlane & Chiadmi (2026); Zhou et al. (2024); Sari et al. (2026)	Some studies have found that ESG disclosures are actually related to a decline in financial performance. However, these results are not always the same because they depend on the ESG aspect and the financial performance measures used.
The influence of ESG is not statistically proven	Pramesti et al. (2024); Harahap & Akbar (2025); Sulaiman et al. (2026); Meidiyustiani & Lestari (2026)	These studies have not found sufficient evidence that ESG disclosures have an effect on a company's financial performance.
Results differ when using different measures of financial performance	Firmansyah et al. (2023); Giannopoulos et al. (2022); Wardani et al. (2025); Gartia et al. (2024)	The influence of ESG can show different outcomes when measured using different financial performance indicators, such as ROA, ROE, and market performance such as Tobin's Q
Different influences on environmental, social, and governance aspects	Alfalih (2023); Zhou et al. (2024); Gartia et al. (2024); Alslaibi & Abdelkarim (2024); Musyarofah & Subadriyah (2026)	Environmental, social, and governance aspects do not always have the same influence on financial performance. There are aspects that have a

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Research Results Pattern	Research	Explanation
		positive, negative, or even no effect.

4.3.1 ESG Has a Positive Effect on Financial Performance

A number of studies have shown that ESG disclosures can have a positive influence on a company's financial performance, even if the results are found in different countries and performance measures. Research from (Mohammad & Wasiuzzaman, 2021), found that ESG disclosures had a positive relationship with company value measured using Tobin's Q on companies in Malaysia. (Alslaibi & Abdelkarim, 2024) also found a significant association between environmental, social, and governance disclosure with ROA and ROE in companies in Palestine. Similar results were reported by (Bamel et al., 2025) found a positive relationship between overall ESG disclosures and several indicators of company performance in India.

Positive findings were also seen in the study(Alrashed et al., 2026), which showed a positive relationship in the long run, especially to ROE. The study used panel cointegration analysis and long-term estimation methods to look at the relationship between ESG and financial performance. In addition, (Hussain et al., 2024) found that ESG disclosures were positively correlated with ROA, ROE, and Tobin's Q in non-financial companies in Saudi Arabia. (Awwad et al., 2026b) also reported positive results between overall ESG disclosures with ROA and Tobin's Q based on the company's lead models in Palestine and Jordan.

4.3.2 ESG Negatively Affects Financial Performance

Research has also found that ESG disclosures have a negative relationship with a company's financial performance. Research (Firmansyah, Umar, Jibril, et al., 2023), found that overall ESG disclosures had a negative and significant effect on Tobin's Q. However, the study did not find a significant association when financial performance was measured using ROE. (Polzer et al., 2026) also found that companies with higher ESG scores tend to have lower ROA and Tobin's Q in companies included in the Vietnam Sustainability Index.

Different results between financial performance indicators were also found by(Giannopoulos et al., 2022). The study showed a negative relationship between ESG and ROA, but a positive relationship with Tobin's Q. Meanwhile, (Ghizlane & Chiadmi, 2026) found a negative association between ESG disclosures and Tobin's Q, but found no significant effect on ROA. (Sari et al., 2026) also reported a negative relationship between ESG disclosures and

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measures of sustainable financial performance measured using binary variables. However, a company's reputation was found to reduce the strength of such negative relationships in the main model.

Research (Veeravel et al., 2023) found that ESG disclosures had a positive relationship with company value measured using Tobin's Q, but showed a negative relationship with profitability measured using ROA. Different findings based on financial performance indicators were also demonstrated by (Jiang & Vitenu-sackey, 2025) ESG disclosure has a negative relationship with ROA, but shows a positive relationship with ROE on certain tests. These results show that the effect of ESG disclosure on financial performance is not always the same across every indicator used. Thus, the relationship between ESG and a company's profitability can provide different results depending on the measure of financial performance analyzed.

4.3.3 ESG has no effect on financial performance

The results of the research are not only positive and negative, there are also studies that have not found evidence of the significant influence of ESG on the company's financial performance. Research conducted by (Pramesti et al., 2024) found no significant direct influence between ESG disclosure and company value. Similar results were found by(Harahap & Akbar, 2025), which shows that ESG disclosures have no significant effect on a company's financial performance or value. The study also did not find that good corporate governance (GCG) is able to significantly strengthen or weaken these relationships.

Meanwhile,(Sulaiman et al., 2026) found no significant effect on ROA, ROE, and PBV in the main model. However, after testing using an alternative model (robustness test), ESG disclosures showed a positive and significant influence, but only on ROE. Differences in results by model were also seen in the study (Kasingku et al., 2026). The study initially found a negative association between ESG disclosures and financial performance. However, the relationship became insignificant after the year-fixed effects were incorporated into the research model.

4.3.4 Differences Between ESG Pillars

The separation of environmental, social, and governance disclosures reveals heterogeneity. Research conducted by (Zhou et al., 2024) against energy companies in Belt and Road Initiative countries, found a positive association for environmental and social disclosures, while governance disclosures did not contribute significantly to financial performance. (Gartia et al., 2024) report positive relationships for ESG and positive relationships for environmental and

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social dimensions, but negative relationships for governance in Indian manufacturing companies.

(Firmansyah, Umar, Jibril, et al., 2023) also reports the different directions between the E, S, and G dimensions as well as between Tobin's Q and ROE. (Musyarofah & Subadriyah, 2026) found a negative association between environmental disclosure and ROA, but found no significant association for social disclosure and governance.

The findings suggest that the incorporation of environmental, social, and governance aspects into a single ESG score can mask the differences in the influence of each aspect on a company's financial performance. Environmental disclosure may be more relevant in sectors with high environmental impacts, while social disclosures are related to the company's relationship with employees and the community, while governance disclosure relates to management oversight and investor protection. Therefore, it cannot be concluded that one aspect of ESG always has the greatest influence on a company's financial performance. The difference in research results can be influenced by the sector of the company being studied, the financial performance indicators used, the ESG measurement methods, and the analysis methods applied.

4.4 Factors That Can Explain the Difference in Research Results Regarding the Influence of ESG Disclosure on a Company's Financial Performance

Some of the factors that can explain the difference in research results regarding the influence of ESG disclosure on the company's financial performance include:

4.4.1 Accuracy of ESG Measurement

Research that uses ESG does not necessarily measure the same thing. The disclosure index, ESG performance score, and combined ESG score have different measurement objectives. While all three may show a relationship to each other, each describes a different aspect. If a study uses scores from a rating agency that combines company policies and ESG performance outcomes, then the results of the study cannot be directly considered evidence of the influence of ESG disclosure. Instead, an index compiled based on the amount of information a company submits in its financial statements and its continuation only shows the extent to which the company discloses ESG information, not proof that the company has implemented ESG practices well. This difference needs to be considered when understanding the results of the research (Abdi et al., 2022; Gartia et al., 2024; Nanda & Simatupang, 2026; Souza et al., 2025).

Research that measures ESG aspects differently or is related to ESG disclosures can still be used as discussion material, but they need to be grouped separately so as not to lead to erroneous

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conclusions. In research (Nanda & Simatupang, 2026) discusses the relationship between ESG performance and stock return rates, so his research focuses more on ESG performance than ESG disclosure. Research (Beretta et al., 2026) test disclosure Sustainable Development Goals (SDGs) as a variable that partially explains the relationship between sustainability performance and ROE.

Thus, the study provides an overview of the role of sustainability reporting in linking sustainability performance with financial performance, rather than testing ESG disclosure as the main variable that affects financial performance. Meanwhile, (Momtaz & Parra, 2025) examine ESG signals derived from internal company information and external certification on small and medium enterprises (SMEs). Therefore, the research is more appropriately seen as a study related to sustainability signals, rather than as a study that uses ESG disclosure measurement in general.

4.4.2 Completeness and Quality of Information in ESG Disclosure Measurement

An index that calculates the amount of information submitted by a company better describes how much ESG information is disclosed. Meanwhile, measurements that also pay attention to information in the form of numbers, company targets, reporting consistency from year to year, and the suitability of information between companies can provide a better picture of how clear and in-depth the information is conveyed. In addition, materiality-based measurement also considers whether the information disclosed is really important and relevant to the parties using the information.

Differences in how these measurements are measured can result in different impacts on a company's financial performance. Broader disclosure of information can help reduce the information gap between companies and outside parties, such as investors. However, the sheer volume of information or the length of sustainability reports does not always indicate that the information is of high quality, easy to use, or relevant to decision-making. This is seen in research (Renata, 2026), which uses the GRI to measure ESG disclosures in general and SASB to measure ESG disclosures that have financial relevance. The two approaches produce different statistical findings. This suggests that the results of the study can be influenced by the type of information that the measurement focuses on.

4.4.3 Differences in Financial Performance Measures

Differences in research results (Firmansyah, Umar, Jibril, et al., 2023; Giannopoulos et al., 2022; Wardani et al., 2025) does not always indicate a contradiction. This is because each indicator measures a different aspect. ROA measures a company's ability to generate profits from

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assets, Tobin's Q describes the market's valuation of a company, while ROE and ROIC measure the rate of return based on capital used. Thus, ESG disclosures can elicit a positive response from investors, but not necessarily directly increase the company's profitability. This condition may occur because the cost of implementing ESG takes time before providing financial benefits. However, this explanation is still an interpretation of the pattern of research results and has not been proven to apply to all articles reviewed.

4.4.4 Research Time and Use of Analysis Models

The results of the study can also be influenced by the length of time it takes for the implementation of ESG to provide benefits to the company. Investments in environmentally friendly technology, employee welfare, information systems, and governance can incur costs at the beginning of its implementation. However, benefits such as operational efficiency, improved reputation, and investor trust may only be felt in the long term. Research (The, 2024) found a positive relationship between ESG practice scores in the previous period and the performance of companies in Southeast Asia. Meanwhile, (Alrashed et al., 2026) found a positive relationship in the long run, especially to ROE versus ROA. These findings suggest that the relationship between ESG and financial performance can differ between short-term and long-term measurements.

In addition to the time factor, the results of the study may also change due to differences in the analysis model used. (Kasingku et al., 2026) reported that the negative relationship on the baseline model became insignificant after the fixed effect of the year was included. (Sulaiman et al., 2026) obtained a significant positive result for ROE only on the durability test specification (robustness). (Awwad et al., 2026b) report the difference between the baseline estimate and the estimate that has controlled for endogeny. The examples show that the annual shock, the structure of the time lag (Lag), and the treatment of endogeny can materially affect the interpretation of evidence.

4.4.5 Company Characteristics and Environmental Conditions

The relationship between ESG disclosures and a company's performance can vary, depending on the characteristics of the company. Some factors that can affect the relationship include the size and age of the company, the characteristics of the board, shareholding, financial condition, and the company's reputation. Research (Abdi et al., 2022), found that company size can strengthen or weaken the relationship between ESG and corporate performance in the aviation industry, whereas company age does not show a significant moderation effect. (Alslaibi

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& Abdelkarim, 2024) found that diversity and board size have different roles in the relationship between each aspect of ESG and financial performance. (Bamel et al., 2025) also found the role of industry profiles and the independence of the board in the relationship. Meanwhile, (Zhou et al., 2024) suggests that corporate ownership can strengthen the relationship of environmental and social disclosures with financial performance. (Sari et al., 2026) found that a company's reputation can reduce the strong negative relationship between ESG disclosures and sustainable financial performance.

In addition to company characteristics, industry conditions and the institutional environment can also influence these relationships. Each sector has different ESG disclosure needs and levels of importance. Environmental disclosures tend to be more of a concern for energy and manufacturing companies than for financial services or aviation companies. Differences in reporting rules, investor protection, regulatory enforcement, market developments, and the availability of ESG data in each country can also affect a company's disclosure practices. (Souza et al., 2025) found differences in outcomes between the G8 and G11 groups of countries by differentiating ESG disclosure and ESG performance measurements. Meanwhile, (Momtaz & Parra, 2025) indicates that the benefits of ESG information from within the company and certification from outside parties may differ according to institutional conditions after the Paris Agreement. Thus, the influence of ESG disclosure on financial performance cannot be equalized as it is influenced by the characteristics of the company, the industrial sector, and the conditions of the countries in which the company operates.

4.4.6 Complex Analysis Methods

Some of the studies in the article used more complex statistical analysis methods, such as SYS-GMM, MMQR, quantile regression with instrumental variables, panel cointegration, FMOLS/DOLS, and staggered difference-in-differences. These methods are used to address various problems in data analysis, such as the relationship between variables over time, differences in company characteristics, possible mutual relationships, and changes in economic conditions. However, the use of complex analysis methods does not guarantee that the results of the study have been measured correctly.

Therefore, research on ESG needs to pay attention to the accuracy of the measurement of variables as well as the analysis methods used. Researchers need to explain the definition and sources of ESG data, distinguish disclosure measurements from ESG performance, and provide reasons for choosing financial performance indicators. Researchers also need to consider the

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influence of ESG over a certain period of time and conduct additional tests to ensure the results of the research. Thus, the results of the analysis are not only supported by the right statistical methods, but also really describe the relationship between the variables being studied.

CONCLUSION

This study examines the relationship between ESG and corporate financial performance through a review of 30 empirical research articles. The results of the study show that ESG measurement in previous research is still diverse, ranging from disclosure indexes, ESG performance scores, to combined ESG scores. The three types of measurement have different focuses so they cannot be considered the same measure. The measurement methods used are also diverse, such as scores from rating agencies, analysis of company reports, indices based on GRI and SASB standards, and indicators compiled by each researcher. These differences show that the way ESG is measured can affect how the relationship between ESG and financial performance is understood.

The results of the study also show that the relationship between ESG and financial performance has not been consistent. Some studies have found positive influences, while others have found negative, insignificant, or different influences depending on the indicators used. The differences in results can be related to the environmental, social, and governance aspects studied, the company sector, state conditions, observation periods, and analysis methods. Therefore, this study emphasizes the importance of paying attention to the compatibility between the ESG concepts measured, the measurement methods, and the financial performance indicators used. Further research needs to distinguish ESG disclosure and ESG performance, pay attention to the completeness and quality of the information presented, and analyze accounting-based and market-based financial performance indicators separately.

This study has limitations because it only uses 30 articles that have been collected and selected beforehand. Thus, the results of this study cannot describe all research on ESG and corporate financial performance in various countries. However, the results of this study can be an overview of the development of ESG measurement and the differences in empirical findings that have been made. Overall, this study does not conclude that ESG disclosure always increases or decreases the company's financial performance. On the contrary, the results of the study show that the relationship needs to be understood by considering the type of ESG measurement and financial performance indicators used.

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