

The Effect of Good Corporate Governance, ESG Disclosure, and Green Innovation on Financial Performance in Manufacturing Companies for the Period 2021-2024 (A Study of the Basic Industry and Chemical Sub-Sectors on the Indonesia Stock Exchange)

Nabila Ramadhanty A¹, Nur Ravita Hanun²
^{1,2}Muhammadiyah University of Sidoarjo, Indonesia.



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ABSTRACT

Objective: This study aims to determine the effect of GCG, ESG Disclosure, and Green Innovation on Financial Performance (ROA). **Method:** This study uses a quantitative method. The research subjects are companies in the basic and chemical industry sub-sector listed on the Indonesia Stock Exchange (IDX) for the period 2021-2024. The sampling technique used was purposive sampling, resulting in 34 companies that met the criteria. The analysis technique used in this study was multiple linear regression. **Results:** The results of the study show that: (1) GCG, proxied by an independent board of commissioners, has no effect on financial performance, (2) ESG Disclosure has an effect on financial performance, (3) Green Innovation has no effect on financial performance in companies in the basic and chemical industry sub-sector listed on the Indonesia Stock Exchange (IDX) for the period 2021-2024. **Novelty:** The study identifies how GCG, ESG Disclosure, and Green Innovation differently influence financial performance within the basic and chemical industry sub-sector in Indonesia, showing that ESG Disclosure uniquely affects financial performance while GCG and Green Innovation do not.

INTRODUCTION

The manufacturing industry is a major pillar of Indonesia's economic growth, producing a wide range of products that enhance the quality of life for the community. However, there are still many cases of waste pollution that require attention as a significant challenge for manufacturing companies. One of the issues highlighted is the increase in hazardous and toxic waste (B3), alongside the expansion of production processes in manufacturing companies. H&T waste generated from these production processes can include chemical residues, solvents, used oil, and heavy metals that have the potential to pollute the environment. H&T waste must be processed safely and properly before being disposed of into the environment, so as not to harm the environment directly or indirectly [1].

As the public becomes more aware of sustainable growth, an increasing number of people are demanding that companies not only prioritize optimal financial performance but also work transparently and honestly on social and environmental issues. [2] This is certainly an important topic, especially for manufacturing companies that consistently contribute significantly to Indonesia's economic growth while also generating waste that impacts the environment and surrounding communities. As stated in Law Number 32 of 2009, article 1 paragraph (2), "Environmental protection and management are systematic

and integrated efforts carried out to preserve environmental functions and prevent pollution and/or environmental damage, which include planning, utilization, control, maintenance, supervision, and law enforcement." Therefore, waste from the production process must be properly treated to minimize its negative impact on the environment, and for that, costs are required to mitigate such impacts [3].

Environmental protection and management are implemented to preserve the environment's functionality and prevent pollution and environmental degradation. These measures include planning, utilization, control, maintenance, supervision, and law enforcement [3]. In 2021, based on data from the Indonesian Ministry of Environment and Forestry (KLHK), Indonesia generated 60 million tons of hazardous waste, with a significant portion originating from the manufacturing sector, specifically 2,897 tons [4]. Problems related to hazardous waste continue to occur despite the KLHK issuing eight regulations, including Minister of Environment and Forestry Regulation No. 6 of 2021, concerning Procedures and Requirements for the Management of Hazardous and Toxic Waste. For example, in May 2025, a company in Bogor that manufactures carts and trash cans was found to have violated regulations by improperly disposing of hazardous waste [5]. Additionally, PT Pindo Deli I was found to have polluted the Citarum River in the Teluk Jambe area of Karawang. The river water turning blue triggered an investigation, resulting in an administrative fine of Rp3.5 billion [6].

This issue could also lead to conflicts with local residents. Residents directly experience the disruptive effects of environmental pollution, including health issues, economic losses, reduced environmental beauty, and ecological imbalance [7]. Therefore, the implementation of good corporate governance and concern for sustainability not only adds value for investors and builds a positive image for the company, but also opens up opportunities for the company to improve its financial performance through operational efficiency, broader access to financing, and strengthening its long-term competitiveness.

The financial condition of a company can be measured by its financial performance over a specific period [8]. Several factors influence financial performance, the first of which is good corporate governance (GCG). By applying GCG principles as the basis for managing the company in a transparent and accountable manner, it is hoped that stakeholder trust can be increased [9]. However, it is also necessary to unite stakeholders by implementing effective corporate governance in order to mitigate environmental problems and enhance the company's overall financial performance [10]. This aligns with stakeholder theory, which posits that companies must be responsible to all stakeholders, including the community, investors, the government, and the environment, rather than just shareholders. The aim is to mitigate conflicts and environmental issues, while also enhancing financial performance. The study [10] found that good corporate governance has a positive and significant effect on financial performance. However, the study [9] concluded that institutional ownership and independent boards of commissioners have no proven effect on financial performance. However, audit committees do have an effect on company financial performance.

The second factor that influences financial performance is ESG Disclosure, or Environmental, Social, and Governance Disclosure. Essentially, ESG activities focus on minimizing negative environmental impacts, including energy efficiency, emission reduction, and waste management [11]. This is especially true for manufacturing companies that consistently generate waste, making attention to ESG disclosure necessary. This will be an important indicator for assessing the sustainability and social responsibility of companies, as well as being used to evaluate the reputation and competitiveness of companies to enhance financial performance [12]. In line with Legitimacy Theory and Stakeholder Theory, which state that ESG disclosure is a means of demonstrating that a company operates ethically, transparently, and responsibly to maintain the trust of its stakeholders. ESG Disclosure is an important indicator for assessing financial performance, as supported by research [13], which states that ESG Disclosure has a significant effect on Financial Performance.

Furthermore, the third factor that affects Financial Performance is Green Innovation. Green Innovation's primary objective is to reduce costs and differentiate processes and products, which are expected to minimize negative environmental impacts by optimizing the use of energy and raw materials in the production process of a product [14]. Green Innovation is a key strategy because it is considered a new form of innovation in the form of environmentally friendly products, services, processes, and management systems that can create advantages for companies and improve the efficiency of operational activities while strengthening the company's competitive position in the market, which is expected to support the company's financial performance [15]. Research conducted by [16] shows that Green Innovation has a positive and significant impact on financial performance. However [17]. states that Green Innovation has a negative impact on financial performance.

Therefore, previous studies have produced inconsistent results regarding the impact of GCG, ESG Disclosure, and Green Innovation on Financial Performance. It can be concluded that a research gap still exists. Most previous studies tend to highlight only one or two variables separately, focusing more on other sectors, such as mining and banking, which creates a research gap. In the study [9], GCG was used as an independent variable, and Financial Performance Was Used as a dependent variable, focusing on the mining sector. Another study used Green Innovation alone as an independent variable and focused on hospitality [16]. This indicates that a research gap still exists, particularly in manufacturing companies, regarding the relationship between these three variables during the period 2021–2024. The selection of the period is based on the fact that, starting in 2021, large companies listed on the IDX are required to publish Sustainability Reports. This study aims to address the existing gap, and therefore, it is necessary to conduct a study to determine whether GCG, ESG Disclosure, and Green Innovation are variables that affect a company's financial performance.

HYPOTHESIS DEVELOPMENT

The Impact of Good Corporate Governance on Financial Performance (H1)

Good Corporate Governance (GCG) is a system and structure designed to manage companies effectively, thereby increasing shareholder value and meeting stakeholder interests. GCG encompasses the mechanisms, systems, and processes implemented by companies to create sustainable added value in the long term, which are carried out in accordance with applicable laws and regulations, with the aim of increasing stakeholder confidence to invest and having a positive impact on the company's financial performance [8]. Stakeholder Theory supports this relationship because the implementation of good GCG enables companies to build trust with stakeholders. This is reinforced by research [10], which states that GCG has a positive effect on Financial Performance. Meanwhile, the results of research [18] indicate that managerial ownership has a significant effect on the financial performance of banking companies, whereas institutional ownership, independent commissioners, and audit committees do not have a significant effect on financial performance.

H1: Good Corporate Governance affects Financial Performance

The Impact of ESG Disclosure on Financial Performance (H2)

The implementation of Environmental, Social, and Governance (ESG) is currently a new pattern in investment decision-making. The relationship between ESG and company financial performance can enhance operational efficiency, for example, by reducing production waste, conserving energy, and managing natural resources more effectively, thereby lowering operational costs and increasing profitability [19][20]. Additionally, the proper implementation of ESG is expected to enhance the company's reputation and foster consumer trust and loyalty. The company's commitment to social and environmental responsibility makes it more attractive to consumers, which in turn can drive sales and increase profits [21][22][23]. Informative ESG Disclosure can also strengthen the company's legitimacy in the eyes of the public and stakeholders, thereby creating trust that can improve access to financing and operational efficiency [12]. This aligns with Legitimacy Theory and Stakeholder Theory, which positively contribute to a company's financial performance, as it will be perceived as more socially and environmentally responsible. Research [13] states that ESG Disclosure has been proven to have a significant positive impact on company performance.

H2: ESG Disclosure affects Financial Performance

The Impact of Green Innovation on Financial Performance (H3)

Companies that can create new ways to be more effective, innovative, and adaptive in their production and distribution processes, and produce environmentally friendly products, will gain a competitive advantage and become a strategic asset for the company's sustainability [7]. This is supported by Legitimacy Theory, which states that companies must conduct their business activities in accordance with the values, norms, and principles prevalent in society. This indicates that a company's operational sustainability is highly dependent on its ability to meet social expectations, particularly in terms of environmental concerns. Research [7] suggests that as a company strives to

improve its green innovation, its financial performance may decline due to increased operational costs. However, in the research [16], the concept of Green Innovation, which focuses on environmentally friendly processes and resource efficiency, has a sustainable effect on financial performance.

H3: Green Innovation affects Financial Performance

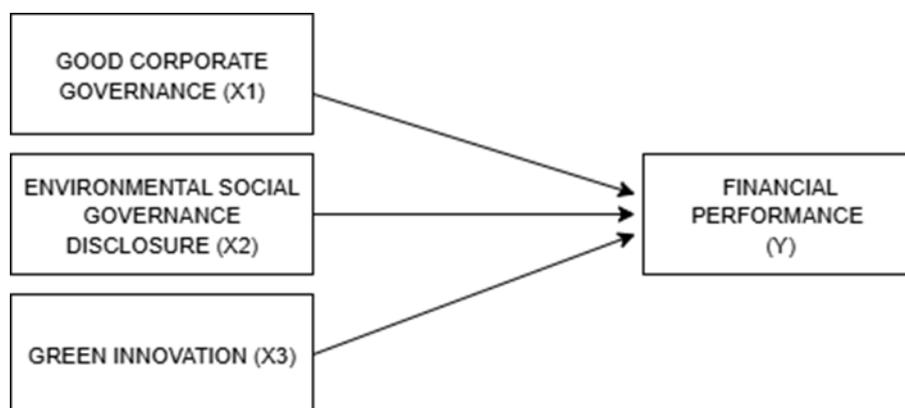


Figure 1. Conceptual Framework.

RESEARCH METHOD

Type, Data Sources, and Research Objects

This study uses quantitative methods. Research methods that utilize large amounts of data and are presented in numerical form will be linked to the questions being studied to draw conclusions. The type of data used in this study is secondary data obtained from annual reports and sustainability reports of companies listed on the Indonesia Stock Exchange (IDX), obtained through the website (www.idx.co.id).

Population and Sample

Manufacturing companies listed in the Basic Industry and Chemical sector are those that physically produce goods, such as cement, paper, chemicals, plastics, steel, and metals, on the IDX during the 2021-2024 period. The population used in this study consisted of 73 companies listed on the Indonesia Stock Exchange from 2021 to 2024. The sample selection method employed purposive sampling, whereby samples were selected based on specific criteria and tailored to address the problems and objectives of this study. Several criteria were used in the sample selection, as follows:

Table 1. Sample Criteria.

No	Sample Selection Criteria	Number
1	Number of Manufacturing Companies listed in the Basic Industry and Chemical Sector on the IDX	73
2	Manufacturing companies that did not publish annual reports consecutively from 2021 to 2024 on the IDX	28
3	Manufacturing companies that did not publish <i>sustainability reports</i> consecutively from 2021 to 2024	11
4	Number of companies selected as research samples	34

5	Total number of companies included in the research sample (34x4)	136
6	Outlier data	13
7	Total Sample	123

Source: Summarized by the researcher

Table 2. Operational Table.

Variable	Definition	Indicator	Scale
Good Corporate Governance (X1)	GCG is a corporate management system that ensures a balance between the interests of management, shareholders, and other stakeholders with the principles of transparency, accountability, responsibility, and independence [24].	Independent Board of Commissioners = $\frac{\text{Number of independent commissioners}}{\text{Total Number of Commissioners}}$	Ratio
Environmental Social Governance Disclosure (X2)	ESG Disclosure is the disclosure of non-financial information on environmental, social, and corporate governance aspects to provide information to stakeholders and enhance the company's reputation [13]. ESG Disclosure Indicators based on GRI Standards.	$\text{ESG Score} = \frac{\text{E+S+G}}{3}$	Ratio
Green Innovation (X3)	Green Innovation is innovation carried out by companies in the development of environmentally friendly products and processes, with the aim of reducing environmental impact and improving company efficiency and performance [7]. Indicators: Production processes utilize new technologies to	$\text{GI} = \frac{\text{Indicators disclosed}}{\text{Total Indicators}}$	Ratio

<p>Financial Performance (Y)</p>	<p>reduce energy, water, and waste Products use fewer substances that do not cause pollution or are hazardous (environmentally friendly materials) Components or materials in the production process can be recycled or reconditioned</p> <p>Financial Performance contains information about the financial condition of a company analyzed using financial analysis tools. The results of this analysis describe how well or poorly the company has performed in a certain period of time [25].</p>	<p>ROA= $\frac{\text{Earning After Tax}}{\text{Total Assets}}$</p>	<p>Ratio</p>
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Data Analysis Technique

This study uses an analytical method to test the formulated hypothesis. The analytical technique used is multiple linear regression with the assistance of Statistical Product and Service Solutions (SPSS) software 31 version. The analytical model applied can be explained as follows:

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + e$$

Explanation:

Y = Financial Performance

X1 = Good Corporate Governance

X2 = ESG Disclosure

X3 = Green Innovation

α = Constant

β_1, β_2 = Regression coefficients

ϵ = Error term

T-Test (Partial)

The partial test aims to measure the effect of each independent variable on the change in the dependent variable.

RESULTS AND DISCUSSION

Results

Descriptive Statistics Test

Table 3. Descriptive Statistics of Financial Performance (Y).

	N	Minimum	Maximum	Mean	Std. Deviation
Independent Board of Commissioners (X1)	123	.25	.75	.4138	.12565
ESG Disclosure (X2)	123	.60	1.00	.9057	.11257
Green Innovation (X3)	123	.33	1.00	.7263	.25619
Financial Performance (Y)	123	-9.56	25.01	3.9433	5.92530
Valid N (listwise)	123				

Source: SPSS Output

Based on the descriptive analysis results in Table 3, it is known that the sample in this study consisted of 123 samples. Financial Performance (Y), measured by Return on Assets (ROA), obtained a minimum value of -9.56 with a maximum value of 25.01 and an average (mean) value of 3.9433 with a standard deviation of 5.92530. The GCG variable (X1), measured by the Independent Board of Commissioners, shows a mean value of 0.4138 with a standard deviation of 0.12565. The Independent Board of Commissioners has a maximum value of 0.75 and a minimum value of 0.25. For ESG Disclosure (X2), the data results show that the minimum value is 0.60 and the maximum value is 1, with a mean value of 0.9057 and a standard deviation of 0.11257. Meanwhile, Green Innovation (X3) shows a minimum value of 0.30 and a maximum value of 1. Green Innovation has a mean value of 0.7263 and a standard deviation of 0.25619.

Normality Test

Table 4. Normal Probability Plot Test of Financial Performance (Y).

One-Sample Kolmogorov-Smirnov Test.

		Unstandardized Residual
N		123
Normal Parameters ^{a,b}	Mean	.0000000
	Std. Deviation	5.72308873
Most Extreme Differences	Absolute	.073
	Positive	.071
	Negative	-.073
Test Statistic		.073
Asymp. Sig. (2-tailed)		.166

Source : SPSS Output.

The Normality Test aims to test whether the residuals in the regression model are normally distributed. This study uses the Kolmogorov-Smirnov statistical test to determine whether the residuals are normally distributed or not. The residual value can be considered normal if the probability value is $Asymp. Sig > 0.05$ [26]. Based on the results of the Normality Test in Table 4, it can be seen that the p-value is 0.166, which is greater than 0.05, indicating that the data is normally distributed.

Heteroscedasticity Test

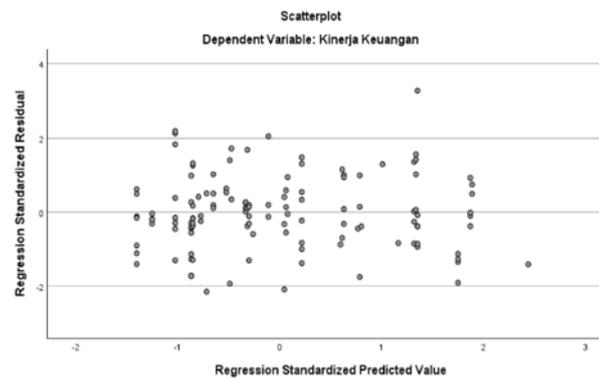


Figure 1. Heteroscedasticity Test of Financial Performance (Y).

The Heteroscedasticity Test aims to determine whether there is variation inequality in the residuals from one observation to another in the regression model [26]. The scatter plot reveals whether the points are evenly distributed or form a discernible pattern. If they are not evenly distributed and form a certain pattern, then there is a symptom of heteroscedasticity. If the points are evenly distributed and do not form a specific pattern, it can be concluded that the regression model is suitable and there is no heteroscedasticity [27]. In Figure 1, the scatter plot shows that the points are evenly distributed and do not form a discernible pattern, indicating that there is no heteroscedasticity in the regression model.

Multicollinearity Test

Table 5. Multicollinearity Test.

Coefficients^a

Model		Collinearity Statistics	
		Tolerance	VIF
1	GCG (X1)	.957	1.045
	ESG Disclosure (X2)	.992	1.008
	Green Innovation (X3)	.960	1.042

a. Dependent Variable: Financial Performance

Source : SPSS Output

The results of the multicollinearity test show a variable inflation factor (VIF) value of 1.045 for GCG (X1), with a tolerance value of 0.957. ESG Disclosure is 1.008 with a tolerance value of 0.992, and Green Innovation is 1.042 with a tolerance value of 0.960, which means that the independent variable values are < 10 . This indicates that there is no correlation between the independent variables in the regression model, and it can be concluded that there is no multicollinearity between the independent variables in the regression model.

Autocorrelation Test

Table 6. Autocorrelation Test of Financial Performance (Y).

Model Summary ^b					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.259 ^a	0.67	0.44	5.79478	1.046

a. Predictors: (Constant), Green Innovation (X3), ESG Disclosure (X2), GCG (X1)
b. Dependent Variable: Financial Performance (Y1)

Source : SPSS Output

The autocorrelation test aims to determine whether there is a correlation between the error in a given period t and the error in the previous period $t-1$ in a linear regression model. Table 6 shows that the Durbin-Watson (DW) value for Financial Performance (Y) is 1.046. Since the DW value is between -2 and $+2$, it can be concluded that there is no autocorrelation [28].

Determination Coefficient Test

Table 7. Coefficient of Determination Values for Financial Performance (Y).

Model Summary ^b					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.259 ^a	0.67	0.44	5.79478	1.046

a. Predictors: (Constant), Green Innovation (X3), ESG Disclosure (X2), GCG (X1)
b. Dependent Variable: Financial Performance (Y1)

Source : SPSS Output

The Coefficient of Determination test aims to assess the value of the influence between independent and dependent variables, as indicated by the adjusted R-squared [26]. Based on Table 7, the value of the coefficient of determination (R²) Adjusted R Square is 0.044. This means that the influence of the independent variables Independent Board of Commissioners (X1), ESG Disclosure (X2), and Green Innovation (X3) on financial performance (Y) is only 4.4%, while 95.6% is influenced by other factors not included in this study and outside the regression model analyzed.

Hypothesis Test (T-Test)

Table 8. Hypothesis Test of Financial Performance (Y).
Coefficients^a

Model		Unstandardized B	Coefficients Std. Error	Standardized Coefficients Beta	t	Sig.
1	(Constant)	15.775	4.707		3.351	.001
	GCG (X1)	3.490	4.269	0.74	.818	.415
	ESG Disclosure (X2)	-12.684	4.680	-.241	-2.710	.008
	Green Innovation (X3)	-2.461	2.090	-.106	-1.177	.241

a. Dependent Variable: Financial Performance

Source : SPSS Output

The T-test was conducted to determine whether there was a partial effect between the independent and dependent variables. Based on the results in Table 8, it can be seen that the significance value for ESG Disclosure (X2) is $0.008 < 0.05$, meaning that this variable has an effect on Financial Performance, while the significance value for Board of Commissioners Independence (X1) is $0.241 > 0.05$ and Green Innovation (X3) $0.415 > 0.05$, so these variables do not affect Financial Performance.

Multiple Linear Regression Test

$$FP = 15.775 + 3.490 X1 - 12.684 X2 - 2.461 X3$$

Based on the t-test results in Table 8, the Independent Board of Commissioners variable (X1) has a positive coefficient of 3.490 with a t-value of 0.818 and a significance level of 0.415, indicating that it has no significant effect on Financial Performance. The ESG Disclosure variable (X2) exhibits a negative coefficient of -12.684, with a t-value of -2.710 and a significance level of 0.008, indicating a significant negative effect on Financial Performance. Meanwhile, the Green Innovation variable has a negative coefficient of -2.461 with a t-value of -1.177 and a significance level of 0.241, indicating no significant effect on Financial Performance. Only the ESG Disclosure variable is proven to have a significant effect, while the Independent Board of Commissioners (X3) and Green Innovation have no significant effect on Financial Performance.

Discussion

The Impact of GCG on Financial Performance

Based on the t-test results in Table 8, it can be seen that the GCG variable measured by the independent board of commissioners shows a significance value of 0.415, where this value is > 0.05 , so it does not have a significant effect on financial performance (ROA), and with a regression coefficient value of 3.490, it can be concluded that hypothesis 1 (H1), which states that independent commissioners have an effect on financial

performance (ROA), is rejected. Based on Stakeholder Theory, a company's success is assessed not only by its financial performance but also by its ability to meet the interests of all stakeholders. Independent boards of commissioners have not been fully effective in carrying out their roles. By increasing supervision, it is hoped that losses can be prevented and that the costs incurred are commensurate with the benefits. However, good manager performance and company management do not depend only on the supervision of the board of commissioners [29]. Therefore, the size of the independent board of commissioners does not guarantee effective oversight unless they fully understand the interests of all stakeholders [30]. The results of this study align with previous studies that demonstrate that good corporate governance, as measured by an independent board of commissioners, does not significantly impact financial performance [18]. However, this differs from the results of studies that suggest an independent board of commissioners has a positive impact on financial performance [30].

The Impact of ESG Disclosure on Financial Performance

Table 8 shows that ESG Disclosure affects Financial Performance with a significance value of $0.008 < 0.05$. Hypothesis 2 (H2), which states that ESG Disclosure affects Financial Performance, is accepted. This study found that ESG Disclosure has a negative effect, with a negative coefficient value of -12.684 on company financial performance. The implementation of ineffective ESG policies can have a negative impact on a company's financial performance. This occurs because the average ESG disclosure of companies is still below 50%, resulting in suboptimal information provision. Thus, the data does not sufficiently influence investor decisions, and the effects of ESG are not yet visible in the subsequent period ($t+1$) [31]. Significant investment is also required to collect data, compile reports, and ensure compliance with ESG standards, necessitating costly operational changes to meet the standards. This can have a negative impact on financial performance ratios, as the profits received are not proportional to the assets spent [32]. Therefore, companies need to evaluate and refine their ESG policies to be more focused and efficient, enabling them to have a positive impact. This aligns with Stakeholder Theory, where companies are expected to continue disclosing information about their ESG to meet stakeholder expectations and gain recognition. The results of this study are in line with previous studies that demonstrate ESG Disclosure affects Financial Performance [33]. This differs from the results of studies that suggest ESG Disclosure does not affect financial performance [31].

The Impact of Green Innovation on Financial Performance

Green Innovation has a negative but statistically insignificant impact on financial performance, according to the findings from testing H3 in this study in Table 8 with a negative coefficient value of -2.461 with a significance value of $0.241 > 0.05$. It can be concluded that H3 is rejected. Although the primary objective of Green Innovation is to develop environmentally friendly products that are safer for the environment, the results of this study indicate that it does not have a significant impact on financial performance. This is because the implementation of such innovations requires large costs for research, technology, and industrial adjustments. Therefore, although important from an

environmental perspective, this innovation may not improve the company's financial success in the short term [14]. Companies seek to gain legitimacy from the public by demonstrating that their activities align with public values, norms, and expectations. In line with Legitimacy Theory, this is related to the Green Innovation variable because, although there has been no improvement in the company's financial performance in the short term, the implementation of green innovation can serve as a long-term legitimacy strategy. The company demonstrates its concern for environmental and sustainability issues. The results of this study are in line with previous studies that prove Green Innovation does not affect Financial Performance [34]. However, this differs from the results of studies that suggest Green Innovation affects Financial Performance [35].

CONCLUSION

Fundamental Finding : Based on the results and discussion presented above, it can be concluded that GCG, as measured by the independent board of commissioners, does not affect the financial performance of manufacturing companies in the basic and chemical industry sub-sector listed on the Indonesia Stock Exchange for the period 2021-2024. The size of the independent board of commissioners does not guarantee effective supervisory functions if they do not fully understand the interests of all stakeholders, resulting in limited influence on financial performance. ESG Disclosure affects the financial performance of manufacturing companies in the basic and chemical industry sub-sector listed on the Indonesia Stock Exchange for the period 2021-2024. However, ineffective implementation of ESG policies can have a negative impact on a company's financial performance. Therefore, companies must evaluate their policies to improve efficiency. Green Innovation does not affect the financial performance of manufacturing companies in the basic and chemical industry sub-sector listed on the Indonesia Stock Exchange for the period 2021-2024. Although companies are innovating environmentally friendly products, these innovations do not necessarily improve the company's short-term financial performance. **Implication :** These findings imply that companies must reassess the effectiveness of their governance structures, particularly the independent board of commissioners, to ensure they can play a more strategic role in enhancing financial outcomes. The significant effect of ESG Disclosure suggests that transparent and efficient ESG implementation contributes to financial performance, but poor or ineffective ESG practices may instead produce negative financial consequences. In addition, the absence of an effect from Green Innovation indicates that environmentally friendly innovations might require longer time horizons before contributing to financial outcomes, emphasizing the need for companies to align sustainability initiatives with long-term strategic planning. **Limitation :** This study has several limitations that may affect the differences in the research results, namely that the data analyzed was only for a 4-year period and only used 34 samples of manufacturing companies in the basic and chemical industry sub-sector listed on the IDX because several companies did not present complete annual reports and sustainability reports, and there were companies that did not have the required data. Therefore, the results of this study cannot be generalized or

represent all companies listed on the Indonesia Stock Exchange (IDX). **Future Research :** The researcher suggests that future studies expand the research sample by using companies from other sectors with different or longer time frames to examine the effect of various types of companies on financial performance. It is also hoped that future studies can be developed by adding other variables to see which variables have the most influence on the dependent variable of financial performance. This will provide a deeper understanding of which factors can have an influence. The researcher may consider using different measurement tools, in addition to those used in this study.

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Nabila Ramadhanty A

Muhammadiyah University of Sidoarjo, Indonesia.

Email: nabilaramadhanty18@gmail.com

***Nur Ravita Hanun (Corresponding Author)**

Muhammadiyah University of Sidoarjo, Indonesia.

Email: hanun@umsida.ac.id
