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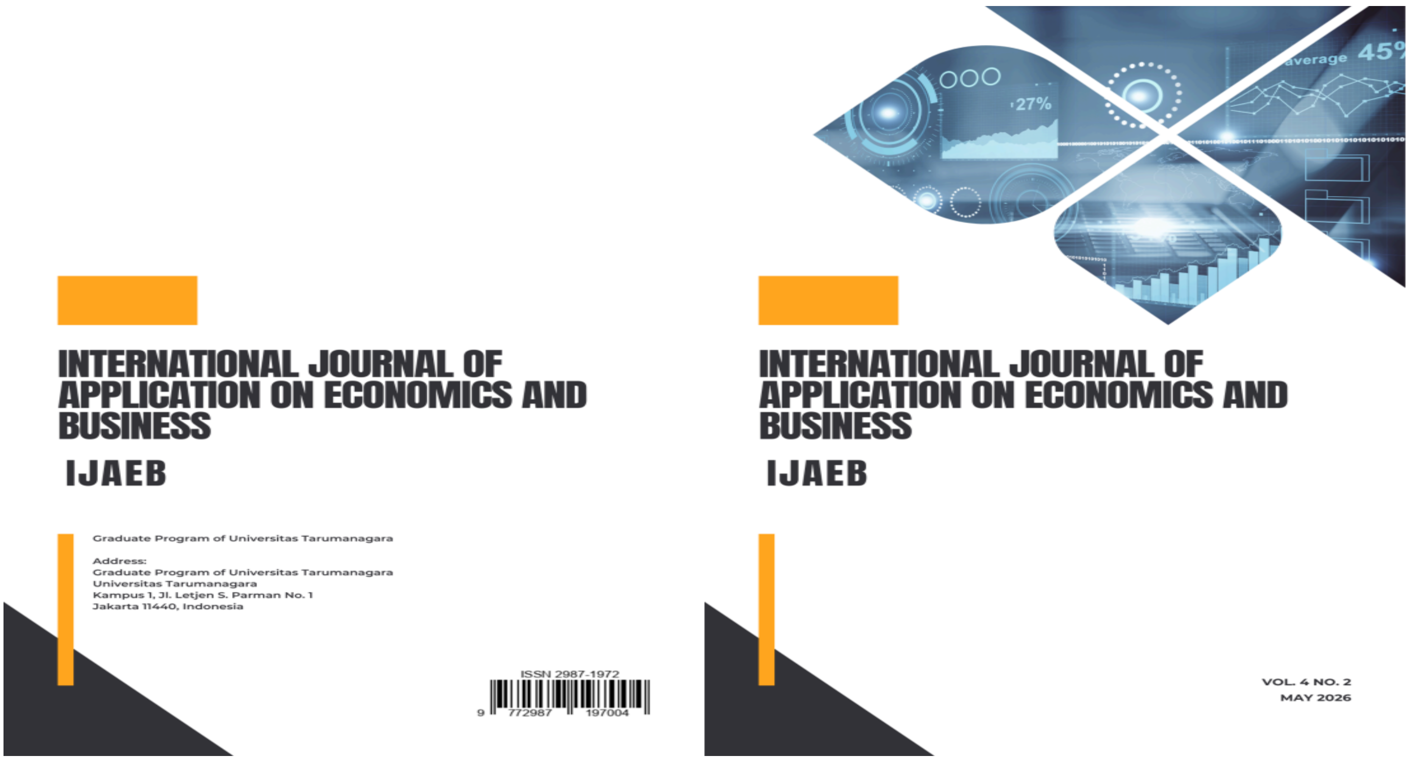

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PROFITABILITY, RISK, AND COMPANY SIZE: UNVEILING THEIR ROLE IN ESG DISCLOSURE

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ABSTRACT
This study aims to analyze the factors that influence Environmental, Social, and Governance (ESG) Disclosure. Awareness of ESG has been increasing, as evidenced by the growing number of companies that disclose sustainability information in their corporate reports. ESG disclosure serves as a tool for companies to meet stakeholder demands by promoting transparency and accountability. The independent variables used in this study are profitability, risk, and company size, with ESG disclosure as the dependent variable. The study employs a quantitative descriptive approach and the purposive sampling technique. The population that meets the sampling criteria consists of 38 companies out of 131 companies, focusing on the consumer non-cyclicals sector listed on the Indonesian Stock Exchange (IDX) during the period 2022 to 2024. The data used is secondary data obtained from financial reports and sustainability reports, which are accessible through the official IDX website and the companies' official websites. The collected data were analyzed using EViews version 12. The results of this study indicate that company size has a positive and significant effect on ESG disclosure. This finding supports legitimacy theory, suggesting that larger companies tend to increase their ESG disclosure to gain recognition from stakeholders. On the other hand, profitability and risk have a positive but insignificant effect on ESG disclosure.

Keywords: *ESG Disclosure, Profitability, Risk, Company Size*

1. INTRODUCTION

Environmental, Social, and Governance Disclosure (ESG) is a tool used by companies to provide transparency and accountability regarding how they manage their impact on the environment, social aspects, and sustainable governance. ESG disclosure can influence a company's value and reputation in the eyes of investors and other stakeholders. Approximately 85% of respondents in a Bloomberg Intelligence survey indicated that ESG investments can provide clear long-term benefits (Novena & Utomo, 2025).

In recent years, awareness of the importance of sustainability has been increasing among companies and stakeholders. The growing attention towards ESG is driven by demands from investors, consumers, and regulators who expect transparency and accountability in corporate operations. This phenomenon is marked by the rising number of companies disclosing information related to ESG as part of their corporate reporting.

Although there is currently no law that explicitly regulates ESG, on July 1, 2025, the Sustainability Standards Board of the Indonesian Institute of Accountants ratified the national Sustainability Disclosure Standards, which are equivalent to international standards and will become effective on January 1, 2027 (Laoli, 2025). In addition, the Financial Services Authority (OJK), through the Regulation of the Financial Services Authority Number 51/POJK.03/2017 concerning the Implemantation of Sustainable Finance for Financial Services Institutions, Issuers, and Public Companies, encourages companies to prepare sustainability reports separately from annual reports or as an inseparable part of the annual report. The Indonesia Stock Exchange (IDX) also supports these efforts by encouraging companies to improve the quality and availability of ESG information through the launch of ESG Reporting.

This study employs profitability, risk, and company size as independent variables. The study uses a sample of companies in the consumer non-cyclicals sector listed on the IDX for the period 2022 to 2024. The consumer non-cyclicals sector ranks second among the eleven sectors in the IDX with the highest number of listed companies. A larger number of companies leads to greater potential environmental impact resulting from their operation activities. Companies in the consumer non-cyclicals sector, which produce essential goods, play an important role in conducting ESG disclosure because their products are widely consumed by the public, and their production processes are closely related to environmental and social issues.

In the study by Sharma et al. (2020), which aimed to determine the relationship between financial performance and ESG disclosure in Indian companies listed on the Bombay Stock Exchange for the period 2013 to 2016, return on capital employed and return on assets were used to measure profitability, while debt to equity ratio was used to measure risk. The results of Sharma's study show that return on capital employed and return on assets have a positive and significant effect on ESG disclosure, while debt to equity ratio has a negative but insignificant effect to ESG disclosure. However, according to studies conducted by Yustin & Suhendah (2023) and Karlina et al. (2019), profitability has a negative and significant effect on ESG disclosure. In the studies by Rahman & Alsayegh (2021) and Ismail et al. (2018), risk has a positive effect on ESG disclosure. Another study by (Roestanto et al., 2022), found that company size has a positive and significant effect on ESG disclosure. However, this contradicts the findings of Agistiani et al. (2023) and Anggraini & Dura (2021), which found a negative and significant effect on ESG disclosure.

Legitimacy Theory

Dowling and Pfeffer (1975) stated that legitimacy is an essential condition for a company's continuity. Legitimacy theory emphasizes the relationship between a company and society, which is indirectly based on a social contract. This theory highlights that a company's continuity does not rely solely on financial aspects, but is also influenced by the company's behavior toward societal norms, values, and expectations. Legitimacy theory serves as one of the frameworks that explains corporate behavior in disclosing non-financial information, including ESGD, as a form of the company's commitment to fulfilling the social contract. ESGD can serve as a tool to gain, maintain, or restore legitimacy even though it is not yet mandated by regulation, functioning to demonstrate social responsibility, enhance a positive image, and reduce pressure from stakeholders and the public (Deegan, 2022). Thus, ESGD not only provides transparency on how companies manage environmental, social, and governance impacts, but also serves as part of a legitimacy theory strategy to demonstrate that corporate behavior align with societal norms, values, and expectations.

Stakeholder Theory

Stakeholder theory explains that a company's sustainability is not solely focused on the interests of shareholders, but is also influenced by its relationships with various interested parties (stakeholders), such as employees, the community, the government, and the environment. According to Freeman (1984), stakeholders are any individuals or groups who have the ability to influence or are affected by the achievement of an organization's goals. According to Yustin and Suhendah (2023), stakeholders can be either a threat or an advantage for a company because each stakeholder has the ability to influence it. Therefore, companies must pay attention to the interests of all stakeholders in every business activity. Companies have both moral and economic obligations to maintain good relationship with stakeholders through responsible behavior. One way to achieve this is by disclosing non-financial information, namely ESG. Responsible companies will strive to meet stakeholder expectations by disclosing social and environmental performance as a form of accountability (Clarkson, 1995). According to Gray et al. (1995), ESGD functions as a communication medium between companies and stakeholders, aiming to reduce information asymmetry and build social legitimacy. ESGD can be seen as a response to increasing stakeholder pressure regarding sustainability issues. Therefore, ESGD becomes a corporate communication tool with stakeholders, serving as a strategy to maintain social support for business continuity.

Profitability

Profitability provides companies with adequate resources to fund ESG activities. More profitable companies are able to adopt better ESGD strategies in response to stakeholder demands (Seguel, 2022). According to Sharma et al. (2020), profitability has a positive and significant effect on ESGD because the higher a company's profitability, the higher its level of ESGD. In addition, the positive relationship between profitability and ESGD provides evidence that the availability of financial resources enables companies to engage in ESGD (Ismail et al., 2018). However, a company's profitability is not solely the result of economic activities, it is also influenced by the quality of its relationship with stakeholders. Based on stakeholder theory, a company is accountable not only to investors but also to all parties affected by or capable of influencing company activities, including investors, employees, customers, regulators, communities, and society at large (Freeman, 1984). According to Yustin & Suhendah (2023), companies need stakeholder support to survive and grow. Therefore, ESGD acts as an effort to fulfill corporate responsibility to gain stakeholder trust and operate with positive support. Profitability serves as a measure of company performance to provide information to stakeholders. It also reflects a company's overall performance in managing resources and its impact on sustainability. Higher profitability allows companies to allocate more resources toward ESGD. Therefore, the higher the profitability, the greater the ESGD. Based on the explanation above, the following hypothesis is proposed:
H1: Profitability has a positive and significant effect on ESG disclosure.

Risk

Risk refers to potential loss of company value arising from uncertainties regarding future outcomes or events (Sassen et al., 2016). Solvency is defined as an indicator of financal risk reflecting a company's ability to settle its long-term obligations (Utami & Nugroho, 2020). High financial risk makes a company vulnerable to losing public and investor trust. Based on legitimacy theory, companies are bound by a social contract with society, compelling them to behave according to societal norms, values, and expectations to ensure sustainability. According to Yustin & Suhendah (2023), companies with high levels of debt tend to allocate their resources toward debt repayment, thereby reducing their flexibility to engage in ESGD. Risk serves as a measure of company performance to provide information and ensurement to stakeholders. When risk is high, companies face greater pressure and have fewer remaining resources to allocate toward ESGD. Therefore, the higher the risk, the lower the ESGD, Based on the explanation above, the following hypothesis is proposed:
H2: Risk has a negative and significant effect on ESG disclosure.

Company Size

Company size is a standard measurement used to determine the scale of a company (Agistiani et al., 2023). Large companies are inseparable from public scrutiny. The more public attention a company receives, the more it will strive to gain trust through ESGD (Karlina et al., 2019). Based on the study by Sharma et al. (2020), company size has a positive and significant effect on ESGD because larger companies tend to disclose more ESG information, while smaller companies disclose less. Therefore, large companies must obtain and demonstrate legitimacy through ESGD. ESGD can help enhance corporate image and, indirectly, increase company size. Company size tends to be associated with greater resources, broader social responsibility, and higher public pressure for ESGD. Based on the explanation above, the following hypothesis is proposed:

H3: Company size has a positive and significant effect on ESG disclosure.

Based on the hypothesis development above, Figure 1. below presents the research framework:

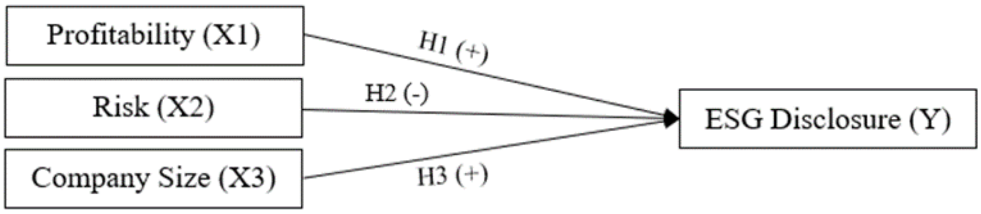

Figure 1. Research Framework
Source: Processed by the authors

2. RESEARCH METHOD

This study employs a quantitative descriptive approach and a purposive sampling method. The data obtained are secondary data, which can be easily accessed through the official website of the Indonesian Stock Exchange (IDX) and the companies' official websites. The data are processed using EViews version 12.

Out of 131 consumer non-cyclicals companies listed on the IDX in 2022 to 2024, a total of 38 companies were selected as the research sample based on the following criteria: 1) Companies in the consumer non-cyclicals sector listed on the IDX, 2) Consumer non-cyclicals companies that conducted an Initial Public Offering (IPO) on the IDX from 2022 onwards, 3) Companies that disclose information related to the GRI Standards 2021 Index during 2022 until 2024, 4) Companies that consistently published financial reports during 2022 until 2024, 5) Companies that use Indonesian Rupiah as their reporting currency, 6) Companies that do not have negative equity in their financial statements.

Table 1 below presents the operationalization of the variables in this study and serves as the proxies used. The proxy used to measure ESGD is the GRI Standards 2021, profitability is measured using Return on Assets (ROA), risk is measured using the Debt to Equity Ratio (DER), and company size is measured using ln(Total Assets).

Table 1. Variables Operationalization
Source: Processed by the Authors

Variable	Proxy	Scale	References
ESG Disclosure (ESGD)	$GRI\ Standard\ 2021 = \frac{Total\ ESG\ disclosure}{117}$	Ratio	Yustin & Suhendah (2023)
Profitability (PROFIT)	$ROA = \frac{Net\ Income}{Total\ Assets}$	Ratio	Sharma et al. (2020)
Risk (RISK)	$DER = \frac{Total\ Liabilities}{Total\ Equity}$	Ratio	Sharma et al. (2020)
Company Size (SIZE)	$SIZE = \ln Total\ Assets$	Ratio	Suttipun, M. (2023)

3. RESULTS AND DISCUSSIONS

Descriptive Statistic Test

Based on the criteria, the total number of observed samples is 114 data points for the period 2022 to 2024. Table 2 below presents the descriptive statistical results for each variable in which ESGD (ESG Disclosure) is the dependent variable, while PROFIT (Profitability), RISK (Risk), and SIZE (Company Size) are the independent variables.

Table 2. Descriptive Statistic
Source: Processed by the Authors with EViews version 12

Variable	Mean	Median	Maximum	Minimum	Std. Dev.
ESGD	0.554131	0.589744	0.914530	0.085470	0.209673
PROFIT	0.073854	0.072996	0.292866	-0.203211	0.076944
RISK	2.161962	0.754206	38.17212	0.071989	5.108211
SIZE	29.61118	29.63801	32.93787	26.80953	1.411753

ESGD shows a minimum value of 0.085470, indicating that Cisadane Sawit Raya Tbk disclosed only 10 out ot 117 ESG items in 2022 and 2023. The maximum value of 0.914530 indicates that Sawit Sumbermas Sarana Tbk disclosed 107 out of 177 ESG items during the period 2022 to 2024.

Regarding PROFIT, the minimum value of -0.203211 is due to Kino Indonesia Tbk experiencing a loss in 2022, while the maximum value of 0.292866 indicates that Unilever Indonesia Tbk recorded a profit in 2022. PROFIT has a mean value of 0/073854 and a median value of 0.072996. The slightly higher mean compared to median indicates that a few companies achieved relatively high profitability, which raised the average value, while most companies have profitability levels close to the median. This implies the profitability performance among the sampled companies is relatively stable, with no extreme variations.

Regarding RISK, the minimum value of 0.071989 and the maximum value of 38.17212 indicate that BISI International Tbk did not rely heavily on debt to finance the company in 2024. However, in 2023, most of Duta Intidaya Tbk's funding came from debt. The mean value of 2.161962 much higher than the median value of 0.754206 which mean a few companies have very high leverage levels, which raise the overall average. In contrast, most companies have relatively low and reasonable debt to equity ratios, while only a few exhibit extremeny high leverage.

Lastly, SIZE shows a minimum value of 26.80953 for Wahana Interfood Nusantara Tbk and a maximum value of 32.93787 for Indofood Sukses Makmur Tbk. The mean value of 29.61118 amd the median value of 29.63801, suggesting no significant disparity between large and small companies within the sample. The relatively narrow range between the minimum and maximum values also implies that most companies have similar assets scales. Overall, these results suggest that the companies in the sample are relatively large in scale, which may enhance their capacity and tendency to disclose ESG.

Panel Model Test Selection

The probability value of the cross-section Chi-square is 0.0000, as shown in Table 3, and it is less than 0.05. Therefore, the selected model is the Fixed Effect Model (FEM). The analysis should then proceed with the Hausman test.

Table 3. Chow Test
Source: Processed by the Authors with EViews version 12

Effect Test	Statistic	d.f.	Prob.
Cross-section F	7.453632	(37.73)	0.0000
Cross-section Chi-square	178.295365	37	0.0000

The probability value of the cross-section random is 0.0219, as shown in Table 4, and it is less than 0.05. Therefore, the selected model is the Fixed Effect Model (FEM). This indicates that FEM is the most appropriate model for this study, and thus, the Lagrange Multiplier test is not required.

Table 4. Hausman Test
Source: Processed by the Authors with EViews version 12

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	9.633865	3	0.0219

Classical Assumption Test

The results of the classical assumption test confirmed that there were no indications of autocorrelation, multicollinearity, nor heteroskedasticity in the data. Furthermore, Fixed Effect Model was selected by a series of statistical tests, including Chow Test and Hausman Test.

Regression Analysis Test

Before performing the regression analysis, the model was tested using panel model testing. The results of the panel model test indicate that the data are suitable for the Fixed Effect Model (FEM), with the following equation:

ESGD = -11.3683877789 + 0.202814805927*PROFIT + 0.00752844717435*RISK + 0.401580221278*SIZE

The multiple regression equation illustrates the relationship between ESG Disclosure (ESGD) as the dependent variable and profitability (PROFIT), risk (RISK), and company size (SIZE) as the independent variables. The constant value of -11.3684 represents the baseline level of ESG disclosure when all independent variables are equal to zero. The coefficients of profitability (0.2028) and risk (0.0075) indicate a positive relationship with ESG disclosure. However, both are statistically insignificant, implying that increases in profitability or risk do not significantly influence the level of ESG disclosure. Meanwhile, the company size coefficient of 0.4016 shows a positive and significant effect, meaning that larger companies tend to have a higher level of ESG disclosure. Therefore, the results suggest that company size is the most influential factor in determining the extent of ESG disclosure compared to profitability and risk.

F-Test and t-Test

As shown in Table 5, the probability of the F-statistic is 0.00000, which is less than 0.05. Therefore, it can be concluded that profitability, risk, and company size have a simultaneous significant effect on ESG disclosure.

Table 5. F-Test
Source: Processed by the Authors with EViews version 12

F-statistic	8.599334
Prob(F-statistic)	0.000000

As presented in Table 6, several findings can be concluded from the analysis of the significance values of each variable. First, the profitability variable has a coefficient value of 0.202815, indicating a positive relationship that could increase the level of ESG disclosure. However, the significant value of 0.5448, which is greater than 0.05, shows the relationship between profitability and ESG disclosure is not statistically strong.

Second, the risk variable has a coefficient value of 0.202815 and a significant value of 0.1885, is greater than 0.05, which means risk does not have a significant effect on ESG disclosure, although the direction of the relationship remains positive.

Lastly, the company size variable has a coefficient value of 0.401580. This finding indicates that company size has the potential to increase ESG disclosure, with a significant value of 0.0014, which is less than 0.05. This result strengthens the finding that company size positively influences ESG disclosure.

Table 6. t-Test
Source: Processed by the Authors with EViews version 12

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-11.36839	3.572313	-3.182360	0.0021
PROFIT	0.202815	0.333309	0.608488	0.5448
RISK	0.007528	0.005672	1.327332	0.1885
SIZE	0.401580	0.120670	3.327919	0.0014

Multiple Coefficient of Determination Test

Table 7 shows an adjusted R-squared value of 0.728999, likely measures the proportion of variation in the dependent variable that can be explained by all independent variables in the regression model. This result means that ESG disclosure can be explained by the independent variable profitability, risk, and company size of 72.90%, while the remaining 27.10% is explained by other variables that are not included in this study.

Table 7. Multiple Coefficient of Determination Test
Source: Processed by the Authors with EViews version 12

R-squared	0.824929
Adjusted R-squared	0.728999

Table 8. Hypothesis Test Results
Source: Processed by the Authors

No	Hypothesis	Result
H1	Profitability has a positive and significant effect on ESG disclosure	Rejected
H2	Risk has a negative and significant effect on ESG disclosure	Rejected
H3	Company size has a positive and significant effect on ESG disclosure	Accepted

The Effect of Profitability on ESG Disclosure

The results in Table 8 show that profitability has no effect on ESG disclosure. These findings do not support the hypothesis of this study but are consistent with the research conducted by Mukhti et al. (2025), Andriani & Masliha (2021), and Purnomo & Prasetyo (2021). Conversely, they contradict the findings of Yustin & Suhendah (2023), Karlina et al. (2019), and Nurdiono et al. (2019), who found a negative and significant effect on profitability on ESG disclosure. This result indicates that a company's ability to generate profit does not significantly influence the level of ESG disclosure. This may be due to companies not prioritizing ESG disclosure. Companies tend to focus on increasing profits, while ESG related costs cannot be avoided or passed on to other parties. Rather than disclosing ESG information and experiencing a potential decrease in profits as a result, companies may choose to use their profits to seek additional capital and increase profitability (Purnomo & Prasetyo, 2021). Although companies with higher profitability tend to disclose more sustainability information, the relationship is not strong enough to be considered statistically meaningful. In other words, an increase in profitability does not necessarily lead to a higher level of ESG disclosure. This finding suggests that profitable companies may prioritize financial performance over sustainability reporting, or that ESG disclosure decisions are influenced more by other factors rather than by profitability itself.

The Effect of Risk on ESG Disclosure

The results in Table 8 show that risk has no effect on ESG disclosure. These findings do not support the hypothesis of this study but are in line with the research conducted by Nurdiono et al. (2019). On the other hand, they contradict the findings of Yustin & Suhendah (2023) and Karlina et al. (2019), who found a negative and significant relationship between risk and ESG disclosure. This result suggests that the level of risk borne by a company does not significantly affect its ESG disclosure, even though the direction of the relationship is positive. When companies face higher risk tend to increase sustainability disclosure, but the effect is not statistically significant. This may be because companies with a large amount of debt face higher risk and lack sufficient resources to disclose ESG. Companies with financial obligations will choose to prioritize debt repayment rather than disclose ESG information (Yustin & Suhendah, 2023). In other words, variations in corporate risk do not have a meaningful impact on the extent of ESG disclosure. This finding suggests that companies do not necessarily use ESG disclosure as a strategy to manage or mitigate perceived risks. It may also imply that companies experiencing higher risk focus more on maintaining financial stability rather than allocating resources toward sustainability reporting.

The Effect of Company Size on ESG Disclosure

The results in Table 8 show that company size has a positive effect on ESG disclosure. This finding supports the hypothesis of this study and is consistent with the research conducted by Roestanto et al. (2022) and Rahman & Alsayegh (2021). However, it contradicts the findings of Agistiani et al. (2023) and Anggraini & Dura (2021), who found a negative and significant effect on company size on ESG disclosure. These results suggest that larger companiess, as measured by total assets, tend to have a higher level of ESG disclosure than smaller ones. According to Agistiani et al. (2023), large companies cannot escape political pressure, therefore, they carry out social responsibilities to disclose broader information compared to smaller companies. Large companies also receive considerable public attention. The more public attention they receive, the more they will strive to gain trust through ESG disclosure (Karlina et al., 2019). The finding suggests that big companies, with greater resources and public visibility, are more likely to engage in transparent reporting to maintain their reputation and meet stakeholder expectations. Larger companies also face higher public scrutiny and regulatory attention, which encourages them to provide more comprehensive ESG disclosures. Therefore, company size plays a crucial role in determining the extent of sustainability reporting within companies.

4. CONCLUSIONS AND SUGGESTIONS

The population that meets the sampling criteria consists of 38 companies out of 131 companies, focusing on the consumer non-cyclicals sector listed on the Indonesian Stock Exchange (IDX) during the period 2022 to 2024. This study found that profitability and risk do not have a significant effect on ESG disclosure, while company size has a positive and significant effect on ESG disclosure.

This study has several limitations that may be addressed in future research. The limitations include: 1) The research period is limited to three year (2022 until 2024), 2) The sample consists of only 38 companies, and 3) The independent variables are limited to profitability, risk, and company size, without considering other potential factors that may influence ESG disclosure such as company age, company type, institutional ownership, foreign ownership, and board size.

The recommendations of this study are directed to readers and future researchers to further develop studies related to ESG dislcosure. This research can serve as a reference for future studies. Future researchers are encouraged to extend the research period, select a broader range of sectors, and address the limitation that this study only focused on the consumer non-cyclicals sector, where most companies operate in the food and beverages sub-sector, resulting in limited representativeness. In addition, the use of different independent variables, or the inclusion of control, mediating, or moderating variables, could provide deeper insights and serve as a valuable direction for future research on ESG disclosure.

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