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Does sustainability reporting moderate the relationship between ownership structure and firm performance?

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Abstract: This study examines the influence of ownership structure, specifically institutional ownership, government ownership, and ownership concentration on firm performance, while further investigating the moderating role of sustainability reporting. Using balanced panel data from firms listed on the Indonesia Stock Exchange (IDX) between 2019-2023, multiple regression analyses were conducted to test 6 (six) proposed hypotheses. The samples selected in this study were companies whose ESG score was assessed by Morningstar Sustainalytics. The results indicate that ownership concentration exhibits a positive and significant impact on firm performance, supporting Hypothesis 3. This result indicates that firms with a higher concentration of ownership tend to perform better due to stronger monitoring, reduced agency conflicts, and better alignment between management and shareholder interests. However, sustainability reporting is found to negatively moderates the relationship between ownership concentration and firm performance. This suggests that while sustainability disclosures enhance transparency and stakeholder engagement, they may also reduce the control advantages enjoyed by dominant shareholders, thereby weakening the positive impact of ownership concentration. Conversely, both institutional and government ownership show no significant effect on firm performance, indicating that these ownership types may not be effective governance mechanisms in the Indonesian context. Moreover, the moderating role of sustainability reporting in these relationships is also insignificant. Overall, the study highlights that not all ownership structures contribute equally to firm performance and that the influence of sustainability mechanisms such as ESG disclosure depends on contextual governance and regulatory environments. The study enriches the literature on corporate governance and sustainability disclosure, offering valuable implications for policymakers, investors, and corporate leaders in emerging markets.

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INTRODUCTION

Companies around the world are beginning to implement sustainability reporting (Khatri & Kjærland, 2023). Environmental, Social, and Governance (ESG) factors are becoming important drivers of overall corporate success, and business worldwide are recognizing the importance of incorporating these factors into their strategic operations (W. Chen et al., 2024). Companies evaluate their performance using

indicators other than traditional financial indicators because stakeholder expectations, investor demands, and regulatory pressures related to sustainability are increasing (Estébanez & Martín, 2025; Sulemana et al., 2025). This application shows that businesses with strong ESG policies not only help achieve environmental and social goals but also improve their financial performance, including profitability and market value (Aydoğmuş et al., 2022). The ownership structure of a company is a significant component that is often overlooked (Baysinger & Butler, 2019; Wei et al., 2024).

According to research by Fuadah et al., (2022), a company's ownership structure, whether it is majority family-owned, institutionally owned, or controlled by a large group of shareholders, can have a significant impact on its financial results and ESG performance. A lack of information in disclosing a company's ESG (Environmental, Social, and Governance) can lead to poor decisions, such as investing in high-risk sectors that may pollute the environment or discriminate against employees (Mohammad & Wasiuzzaman, 2021). The company's commitment to ESG practices is shaped by its ownership configuration. Kang & Jung (2020) dan Zhao (2023) argue that ownership structure has an impact on the company's decision-making process, resource allocation, and strategic priorities. In implementing sustainable corporate practices to understand the dangers to the company's reputation and finances that will come with substandard ESG performance (Filho et al., 2024).

Din et al. (2022) state that the complex relationship between ownership structure and different corporate policies is an important component of corporate governance and an interesting topic for researchers. Corporate governance, management incentives, and decision-making are all influenced by ownership structure and are critical in determining how financial results are generated (Guluma, 2021). Different ownership structures, such as institutional ownership, concentrated ownership, or government ownership, each have different governance benefits and issues (Ellili, 2020). This ownership structure has a significant impact on the company's profitability, market valuation, and other performance metrics (Zhu et al., 2025). This arrangement also affects how the company is managed, risks are evaluated, and strategic priorities are set (Jiménez et al., 2024).

Ownership structure, ESG performance, and financial results are correlated, implying that governance models have a direct effect on long-term sustainability initiatives and short-term financial measures (Liu & Lee, 2024). A strong ESG framework is more likely to be adopted by businesses with ownership structures that prioritize long-term growth (Cardillo & Basso, 2025). This ownership structure can help businesses perform better financially by enhancing their reputation, improving operational effectiveness, and reducing risk (Handoyo et al., 2023).

The purpose of this study is to broaden the understanding of the influence of ownership structure on corporate finance by considering the interaction of ESG performance. In addition, this study is expected to assist businesses in optimizing their ownership structure and governance and achieving a balance between financial and ESG performance. This study also aims to provide a comprehensive understanding of the variables that influence sustainability and financial success. Understanding this relationship is crucial in a rapidly changing corporate climate, where stakeholders expect increased accountability for sustainability. In addition to meeting these growing demands, businesses that align their ownership models with sound ESG principles will benefit from increased operational efficiency, lower costs, and better risk management (Martiny, Tagliatela, & Iraldo, 2024). By integrating previous research on ownership structures and ESG performance, this study aims to offer significant insights into how companies might use both areas to achieve long-term success.

LITERATURE REVIEW AND HYPOTHESES

Conflicts between owners (principals) and managers (agents) can impair a company's performance because of divergent goals, according to Jensen & Meckling (1976). The interests of owners and managers can be aligned through management ownership or a concentrated ownership structure to lessen these conflicts. As a result, agency costs are reduced, efficiency increases and company performance improves (Butar-butur et al., 2025; Stoiljković et al., 2024). The main conceptual framework for analyzing the relationship between ownership structure and information disclosure is agency theory (Chen et al., 2021).

The corporate governance framework is significantly shaped by ownership structure (Albitar et al., 2022; S. Chen et al., 2021). Previous studies have shown that corporate ownership structure plays an important role in influencing various aspects of business, including strategic decisions, operational efficiency, and overall financial performance (Raimo et al., 2020; Suriawinata & Nuralita, 2022). Ownership structure determines who has control and how much influence owners have in setting the direction of the company. Several factors, such as institutional ownership, government ownership, and the level of ownership concentration (where a small number of shareholders own a significant percentage of shares), are very important in influencing a company's bottom line (Suriawinata & Nuralita, 2022).

Ownership structure and ESG (Environmental, Social, and Governance) can be key factors in influencing company performance. Ownership structure influences how well businesses incorporate environmental, social, and governance (ESG) principles into their operations and policies, in addition to the growing focus on ESG issues. Larger or more involved shareholders, such as institutional investors, often push businesses to focus more on sustainability and sound governance, which can enhance the long-term performance of the business. Thus, the purpose of this study is to examine how ownership structure affects business performance, with a particular emphasis on how it affects the application of ESG principles, which can help businesses perform better both financially and non-financially in this fiercely competitive global marketplace.

According to Kusumawati & Setiawan (2019), institutional ownership refers to shares owned by certain organizations or institutions. Institutional investors will support efficient monitoring in stakeholder-oriented systems, in line with agency theory (Saleh, 2022). This statement contradicts the statements of Abedin et al. (2022) and Kusumawati & Setiawan (2019), in which institutional ownership does not have a significant effect on company value. Institutional ownership has a positive impact on improving company performance, according to several empirical studies conducted in developed and developing countries (Din et al., 2022; Ivone & Shellen, 2022; Siddique et al., 2022).

H1. Institutional ownership has a significant effect on firm performance

There is a significant relationship between company performance and government ownership. Fayad et al. (2024) states that governments generally require comprehensive financial reporting, disclosure of operational information, and compliance with certain governance standards. The findings by Ghazali, (2020) show that the political, economic, and stability conditions of a country can influence the effectiveness of regulatory actions and business characteristics in that country. Many studies have been conducted on whether government ownership can affect company performance (Bui & Krajcsák, 2024). The study conducted by Ahmed et al. (2022) provides evidence that government ownership can have a positive effect on company performance.

H2. Government ownership has a significant effect on firm performance

One of the core corporate governance processes that has been examined in the literature is ownership structure (Dhifi & Zouari, 2024; Fulgence et al., 2024). Ownership concentration can serve as a tool for managing companies that can influence risk-taking decisions at the company level and potentially affect overall company performance (Tran & Le, 2020). Albitar et al. (2022) and Perwitasari et al. (2022) revealed that the higher the ownership concentration, the lower the Covid-19 disclosure. In this study, ownership concentration had a negative correlation with Covid-19 disclosure.

H3. Ownership concentration has a significant effect on firm performance

Integrated reporting (IR), proxied by ESG disclosure score, acts as an intervening variable that bridges the influence of government ownership, institutional ownership, and ownership concentration on firm performance (ROA and ROE). Research conducted by Butar-butur et al., (2025) shows that the quality of Integrated Reporting plays an important role in improving the transparency and accountability of ESG-focused companies in Indonesia. Fayad et al. (2024) supports this relationship, that the quality of integrated

reporting is significantly influenced by ownership structure and has a positive impact on company value. Furthermore, Dhifi & Zouari (2024) shows that integrated reporting plays a mediating role in the relationship between ownership structure and company performance in Europe. Similar results are confirmed by Biju et al. (2025) who found that ESG disclosure, as a proxy for integrated reporting, has a significant positive effect on company profitability. Accordingly, ownership structure has a greater impact on enhanced financial performance (ROA and ROE) the better a company's integrated reporting is.

- H4. Integrated reporting moderates the relationship between institutional ownership and firm performance
- H5. Integrated reporting moderates the relationship between government ownership and firm performance
- H6. Integrated reporting moderates the relationship between ownership concentration and firm performance

METHODS

This study uses secondary data with quantitative approach, where secondary data is obtained from companies' financial reports and sustainability reports, both financial and non-financial data, which can be accessed through the companies' official websites and the official website of the Indonesia Stock Exchange (IDX).

Purposive sampling is the method of sampling that is employed. All companies listed on the Indonesia Stock Exchange (IDX) and listed in the ESG Morningstar Sustainalytics Listed Companies list that have generally shown a dedication to sustainability reporting make up the research population. There are 435 data in the study's sample. The table below shows the sample selection criteria.

Table 1. Sample Selection

Sample Selection Criteria	Amount
Companies included in ESG Morningstar Sustainalytics Listed Companies	88
Less: incomplete financial statements and sustainability reports	(6)
Companies that do not have relevant share ownership data	(0)
Total	82

The dependent variable in this study is company performance, and the independent variables are ownership concentration (OWNCON), government ownership (GVOWN), and institutional ownership (INVOWN). Two metrics, Return on Equity (ROE) and Return on Assets (ROA), were used to gauge the performance of the company. Table 2 provides information on how each variable utilized in this study was measured.

Table 2. Variable Measurement

Variable	Acronym	Measurement
Independent Variable		
Government Ownership	GVOWN	Percentage of shares held by government to total number of shares outstanding (Boshnak, 2023)
Institutional Ownership	INOWN	The proportion of shares held by institutional owners relative to all outstanding shares (Boshnak, 2023; Butar-butur et al., 2024)
Ownership Concentration	OWNCON	This represents the proportion of the total number of shares that are owned by the top three shareholders (Itan, Giovanni, et al., 2024)
Intervening Variable		
Sustainability reporting	ESG	ESG disclosure score based on the company's annual report/sustainability report (Butar-Butar et al., 2025; Itan, Ang, et al., 2024)

Dependent Variable

Variable	Acronym	Measurement
Return on Assets	ROA	Net income divided by total assets (Butar-butur et al., 2025)
Return on Equity	ROE	Net income divided by total equity

To support the relationship between ownership structure and company performance, this study integrates the Integrated Reporting (IR) approach. Integrated Reporting (IR) is a reporting approach that combines financial and non-financial information into a single integrated reporting system. This approach is used as a conceptual framework that bridges how ownership structure can influence integrated information disclosure, which ultimately impacts company performance. Conceptually, the relationship between variables can be described in the following sequence: ownership structure, integrated reporting, company performance. In other words, ownership structure can influence the extent to which a company implements integrated reporting practices, which in turn impacts the company's efficiency and effectiveness in achieving its financial goals. This approach also shows that transparent and integrated reporting can be a key medium for communicating the company's long-term value to stakeholders.

Next, this study conducted several stages of statistical analysis. First, descriptive statistical tests were performed to describe the characteristics of the sample data, such as the mean, standard deviation, minimum, and maximum of each variable. Second, Pearson's correlation test was performed to see the relationship between variables and detect potential multicollinearity. Next, multiple regression analysis was used to test the effect of government ownership (GOVOWN), institutional ownership (INOWN), and ownership concentration (OWNCON) on company performance, which was proxied by ROA and ROE.

In addition, this study also conducted regression analysis with moderating variables to examine whether ESG disclosure plays a role in strengthening the relationship between ownership structure and company performance. To ensure reliability, the regression model was run using a fixed effect model (Year FE) and robust standard error to address heteroscedasticity. Model fit testing was conducted using R² and adjusted R² values as measures of the model's ability to explain the variation in the dependent variable, as well as the F-statistic test to assess the overall significance of the model. Meanwhile, testing of each independent variable hypothesis was performed using the t-statistic test at significance levels of 1%, 5%, and 10%. Thus, the analysis method used is believed to produce valid results and support the testing of research hypotheses.

Based on the variables used to test the research hypothesis, this model is designed to analyze the moderating effect of Integrated Reporting (IR), proxied by ESG disclosure, on the relationship between ownership structure and company performance. The regression equation used is as follows:

(Regression 1)

$$ROA_{it} = \beta_0 + \beta_1 GOVOWN_{it} + \beta_2 INOWN_{it} + \beta_3 OWNCON_{it} + \beta_4 ESG_{it} + \beta_5 (GOVOWN_{it} \times ESG_{it}) + \beta_6 (INOWN_{it} \times ESG_{it}) + \beta_7 (OWNCON_{it} \times ESG_{it}) + \varepsilon_{it}$$

(Regression 2)

$$ROE_{it} = \beta_0 + \beta_1 GOVOWN_{it} + \beta_2 INOWN_{it} + \beta_3 OWNCON_{it} + \beta_4 ESG_{it} + \beta_5 (GOVOWN_{it} \times ESG_{it}) + \beta_6 (INOWN_{it} \times ESG_{it}) + \beta_7 (OWNCON_{it} \times ESG_{it}) + \varepsilon_{it}$$

The following is a description of the variables used in this investigation. Based on the assets' capacity to produce earnings, the company's Return on Assets (ROA) for year t serves as a gauge of its performance. Furthermore, corporate success is evaluated in terms of the capacity of its own

capital to produce profits using the Return on Equity (ROE) of company *i* in year *t*. Government ownership (GOVOWN), institutional ownership (INOWN), and ownership concentration (OWNCON) of firm *i* in year *t* are the independent variables. The ESG disclosure (ESG_{it}) of firm *i* in year *t* serves as a proxy for integrated reporting, the moderating variable in this study. Additionally, to test the moderating role, the interaction between each ownership structure variable and ESG is expressed in the form ($\times ESG$). ε_{it} , on the other hand, stands for the error term, a confounding element that the model is unable to account for.

RESULTS AND DISCUSSION

Table 3 shows the results of descriptive analysis of 435 observations show that Government Ownership (GVOWN) has an average of 0.640 and a large standard deviation of 5.450, reflecting wide variations in government ownership among companies. This finding is consistent with a study (Ariefiara et al., 2023) which states that ownership structure, including government ownership, has a significant negative impact on ESG disclosure in Indonesian public companies.

Table 3. Descriptive Statistics Test Results

	N	Mean	Std. Dev	Min	Max
GVOWN	435	0.640	5.450	0.000	51.103
INOWN	435	0.493	0.546	0.000	4.167
OWNCON	435	0.726	0.592	0.000	4.167
ROA	435	0.063	0.125	-	0.664
				1.671	
ROE	435	0.130	0.239	-	1.819
				2.531	
ESG	435	0.363	0.281	0.000	1.000

For Institutional Ownership (INOWN), the average is 0.493 with a standard deviation of 0.546. Significant institutional ownership is considered to strengthen governance oversight and moderate the relationship between ESG and financial performance (Wei et al., 2024). Another study notes that institutions tend to increase ROE in the long term (F. Ahmed et al., 2024; T. N. Bui et al., 2023).

A cross-country study by (Srivastava & Anand, 2023) involving 15,640 observations from 46 countries found that although ESG performance is positively associated with company value, ownership concentration significantly moderates this relationship negatively (entrenchment effect). This suggests that the dominance of majority shareholders can reduce the benefits of ESG on company value due to potential conflicts of interest and imbalances of influence in corporate decision-making.

The average ROA value is 0.063 with a standard deviation of 0.125. Extreme values such as the minimum ROA of -1.671 and maximum of 0.664 indicate significant divergence in profitability between companies. Similarly, ROE shows an average of 0.130 and a standard deviation of 0.239, reflecting variations from highly profitable to loss-making companies. This is consistent with the findings (Al Azizah & Haron, 2025) which reported a decline in the average ROA from 0.076 before the pandemic to 0.047 after the pandemic, as well as a decline in ROE (Al Azizah & Haron, 2025).

Finally, the ESG Disclosure variable has an average of 0.363 with a standard deviation of 0.281, which shows that ESG disclosure practices in Indonesia are still at a moderate level: some have not disclosed anything at all, while others have disclosed fully. These results are in line with a study by Rohendi et al. (2024) which found that ESG disclosure positively affects competitive advantage and company value in Indonesia, supporting stakeholder relevance and legitimacy in corporate governance.

Table 4. Test Results of Correlation Analysis

	GVOWN	INOWN	OWNCON	ROA	ROE	ESG
GVOWN	1.000					
INOWN	-0.100** (0.038)	1.000				
OWNCON	-0.129*** (0.007)	0.765*** (0.000)	1.000			
ROA	-0.022 (0.643)	0.231*** (0.000)	0.232*** (0.000)	1.000		
ROE	-0.022 (0.646)	0.197*** (0.000)	0.194*** (0.000)	0.846*** (0.000)	1.000	
ESG	-0.025 (0.597)	-0.038 (0.423)	0.141*** (0.003)	0.127*** (0.008)	0.163*** (0.001)	1.000

Table 4 shows that government ownership (GVOWN) is negatively correlated with both INOWN and OWNCON, by -0.100 ($p < 0.05$) and -0.129 ($p < 0.01$), respectively. This indicates that the greater the proportion of state ownership, the lower the participation of institutional investors and the concentration of other large shareholders. These findings are in line with research in Vietnam by Nguyen & Nguyen (2024), which concluded that state ownership tends to reduce the involvement of private investors in the capital structure of companies.

Companies with institutional ownership (INOWN) and ownership concentration (OWNCON) showed a strong positive correlation of 0.765 ($p < 0.01$), supporting the concept of dual block ownership, where large institutions often dominate company ownership. A study conducted by Abedin et al. (2022) in Bangladesh shows a significant positive relationship between the proportion of institutional ownership and ROA and company value, through the active monitoring mechanism carried out by institutional investors.

Furthermore, INOWN has a positive correlation with ROA of 0.231 ($p < 0.01$) and ROE of 0.197 ($p < 0.01$). This indicates that companies with a higher proportion of institutional shares tend to perform better financially. These results are consistent with Abedin et al. (2022), which confirms that institutional investors increase profitability through strict managerial oversight and a long-term orientation.

Similarly, OWNCON is also positively associated with performance: correlation with ROA of 0.232 ($p < 0.01$) and ROE of 0.194 ($p < 0.01$). This reflects the alignment effect in the context of emerging markets, where concentrated shareholders often exercise direct and effective control over management operations. According to research in Vietnam by Nguyen & Nguyen (2024) covering the period up to 2021, this finding is supported: companies with high ownership concentration often show stronger performance due to easier access to capital and rapid decision-making coordination.

Finally, the high correlation between ROA and ROE of 0.846 ($p < 0.01$) confirms that asset utilization efficiency is closely related to return on equity, companies that are efficient in managing assets are generally also able to generate high equity returns. This supports the predictions of basic financial theory that have been tested across many modern empirical studies.

Table 5. Regression Results (ROA)

Variable	Coeff (ROA)	Std. Err	t-Stat	Prob
GVOWN	0.0476	0.0384	1.24	0.216
ESG	0.127**	0.0572	2.22	0.027
GVOWN×ESG	-0.168	0.136	-1.24	0.217
INOWN	0.0488	0.0322	1.52	0.130
INOWN×ESG	-0.0430	0.0879	-0.49	0.625
OWNCON	0.036**	0.0249	1.45	0.019
OWNCON×ESG	-0.0609*	0.0723	-0.84	0.049
Constant	-0.00621	0.0175	-0.35	0.724

Table 5 Regression results show that ESG variables have a positive and significant effect on operational profitability as measured by ROA ($\beta = 0.127$; $p < 0.05$). These findings indicate that companies with higher ESG disclosure are able to improve asset utilization efficiency, reduce operating costs, and strengthen their reputation, thereby increasing operating profits. These results are in line with research conducted by Al Azizah & Haron (2025) which found that ESG has a positive effect on ROA in companies in Indonesia and Malaysia, both before and after the COVID-19 pandemic. Similar findings are also supported by Shrestha et al. (2025), which shows that ESG ratings are positively related to financial performance in companies in emerging markets.

Based on Table 5, it is clear that ownership concentration has a positive and significant effect on firm performance, thus supporting hypothesis 3 in this research. This finding is consistent with the theoretical expectation that when a firm's ownership concentrated, large shareholders have the incentive and clout to monitor management more effectively, reducing agency costs and aligning the interest of owners and managers (Faisal et al., 2020; Kim et al., 2024). Such alignment fosters better strategic decision making, stronger accountability, and ultimately stronger performance (Handoyo et al., 2023). For example, as study of Saudi listed firms during 2016-2021 found that higher ownership concentration was positively associated with both accounting-based (ROA, ROE) and market based (Tobin's Q, market-to-book) measures of performance (Boshnak, 2024).

Based on the regression results presented in Table 5, it can be observed that integrated reporting moderates the relationship between ownership concentration and firm performance with a negative and significant effect. This finding indicates that although concentrated ownership generally enhances firm performance by strengthening monitoring and reducing agency costs, the introduction of integrated reporting alters this dynamic (Colak & Sarioglu, 2025). Integrated reporting emphasizes transparency, long-term value creation, and multi-stakeholder accountability (Sulemana et al., 2025). Consequently, it can reduce the ability of dominant shareholders to exercise tight control over management decisions, particularly those aimed at short-term financial gains. In other words, integrated reporting may weaken the positive impact of ownership concentration on performance by diffusing power among stakeholders and increasing the scrutiny of managerial and shareholder actions. This argument is consistent with recent studies conducted by Bishwas & Hossain (2025) and Chen et al. (2021) showing that higher ownership concentration can negatively moderate the relationship between non-financial disclosure and firm performance. Furthermore, Fulgence et al. (2024) and Wei et al. (2024) emphasized that integrated reporting interacts with ownership structure in shaping firm performance outcomes, highlighting that institutional and concentrated ownership can alter the benefits of integrated disclosure. Therefore, the evidence in Table 5 supports the hypothesis 6 that integrated reporting has a significant moderating role, one that weakens the positive link between ownership concentration and firm performance.

Table 6. Regression Results (ROE)

Variable	Coeff (ROE)	Std. Err	t-Stat	Prob
GVOWN	0.0133	0.0737	0.18	0.857
ESG	0.170	0.110	1.55	0.122
GVOWN×ESG	-0.0467	0.261	-0.18	0.858
INOWN	0.0517	0.0618	0.84	0.403
INOWN×ESG	0.0726	0.169	0.43	0.667
OWNCON	0.0403	0.0478	0.84	0.400
OWNCON×ESG	-0.0833	0.139	-0.60	0.549
Constant	0.0250	0.0337	0.74	0.459

Table 6 In the ROE model, ESG variables do not have a significant effect ($p > 0.1$). This indicates that although ESG practices can improve asset performance, their impact is not strong enough to affect equity-based profitability, which is more influenced by capital structure, leverage, and dividend policy. This finding is consistent with Biju et al. (2025), which shows that the effect of ESG on ROE can only be seen significantly in the long term because the effects of ESG take time to be fully realized. Thus, it can be

concluded that ESG primarily provides direct benefits to a company's operational performance (ROA), while its impact on shareholder performance (ROE) tends to take longer to become apparent.

Referring to Table 5 and Table 6, it can be concluded that both institutional ownership and government ownership do not exhibit a statistically significant effect on firm performance in this study, which leads to the rejection of hypotheses 1 and 2. Furthermore, the analysis shows that the role of ESG in moderating the relationship between institutional ownership and government ownership on firm performance is likewise non-significant, thus resulting in the rejection of hypotheses 4 and 5. The results of this study are not in line with research conducted by Qasem et al. (2022) in Saudi Arabia, which shows that government ownership has a significant positive effect on ESG reporting. But, this results aligns with a growing body of empirical evidence. For example, while corporate governance related research in Indonesia found that state and foreign ownership do not significantly impact firm performance despite significant effects on ESG disclosure (Fuadah et al., 2022). In the ASEAN context, a study found that institutional ownership does not significantly moderate the ESG-firm performance link for accounting based measures such as ROA (Handoyo & Anas, 2024).

Table 7. Result of Coefficient of Determination Test

Model	Obs.	R²	Adj. R²	F-stat.	Prob.
ROA	435	0.081	0.066	5.36	0.0000
ROE	435	0.070	0.055	4.58	0.0001

Based on Table 7, the ROA model has an R-squared value of 0.081 and an Adjusted R-squared value of 0.066, meaning that the independent variables in this study only explain approximately 6.6% of the variation in ROA. This indicates that most of the variation in company operating performance is influenced by factors outside the model. However, the F-statistic value = 5.36 ($p < 0.01$) indicates that the model as a whole is significant, meaning that the variables included simultaneously do have an effect on ROA. In the ROE model, the R-squared value = 0.070 and adjusted = 0.055 indicate that only about 5.5% of the variation in ROE is explained by the research variables, but the F-statistic = 4.58 ($p < 0.01$) shows that the ROE model is also significant as a whole. These findings are consistent with those of Martiny, Tagliatalata, Testa, et al. (2024) and Shrestha et al. (2025), which show that ESG tends to have a more pronounced impact on operational performance (ROA) than on market performance in emerging markets (open access). Furthermore, Wang & Sonenshine (2025) and Yin et al. (2023) reminds us that the relationship between ESG and company performance can be non-linear, so even though the effect is significant, its ability to explain large variations (R^2) is not always high.

CONCLUSION

The empirical results of this study provide important insights into the role of ownership structure and sustainability disclosure in determining firm performance among companies listed on the Indonesia Stock Exchange (IDX) between 2019 and 2023. The regression results reveal that ownership concentration has a positive and significant relationship with asset-based profitability, supporting hypothesis 3 and highlighting the alignment effect, where concentrated ownership reduces agency conflicts and enhances managerial efficiency. The moderating analysis further indicates that ESG disclosure directly enhances firm performance (ROA), confirming its role as a determinant of operational profitability.

From a theoretical perspective, this study adds to the knowledge of agency theory (Jensen & Meckling, 1976). The findings show that ESG disclosure functions as a direct determinant, rather than merely a moderating factor, and also validates the relevance of the monitoring mechanism through institutional ownership and ownership concentration in the context of developing countries. This complements previous research, which was mainly conducted in industrialized countries, and offers new empirical data from Indonesia, an emerging market.

Practically speaking, the study's conclusions advise management on how to enhance operational effectiveness by better controlling ownership concentration and promoting institutional investor

involvement. Given that ESG disclosure procedures have been shown to drive higher profitability, particularly in terms of return on assets (ROA), companies also need to strengthen them. This study emphasizes the significance of sustainability governance and regulation for regulators in order to strike a balance between long-term sustainability and financial performance. These policies can improve the quality of ESG disclosure and encourage institutional investor participation.

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