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Research Article

ANALYSIS THE INFLUENCE OF ENVIRONMENT, SOCIAL, GOVERNANCE SCORE ON THE FINANCIAL PERFORMANCE OF COMPANIES ON THE IDX-MES BUMN-17 INDEX FOR THE 2022-2023 PERIOD

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Abstract
The challenges brought by the pandemic triggered significant changes and impacts related to environmental, social, and governance (ESG) issues. ESG-related matters have become crucial concerns for regulators, governments, and the public, serving as key factors that companies must integrate into their performance strategies. This study aims to analyze the partial and simultaneous contributions influences of the Environment, Social, and Governance (ESG) Score on Corporate Financial Performance (measured by ROA) in 2022–2023 among companies listed on the IDX-MES BUMN 17 Index. This is a quantitative research study using purposive sampling for sample selection. The research population includes companies indexed in the IDX-MES BUMN 17 for the 2022–2023 period. The data used consists of 12 companies listed in the IDX-MES BUMN 17 Index, observed over the 2022–2023 period. The data analysis technique employed is multiple linear regression analysis with the assistance of the E-Views 12 application. The testing method involves panel regression estimation, classical assumption tests including normality test, autocorrelation test, heteroscedasticity test, and multicollinearity test, followed by significance tests including the t-test (partial), F-test (simultaneous), coefficient of determination test, and panel data regression analysis. Based on the statistical test results, the partial test shows that both the Environment Score and Governance Score variables have a negative and insignificant contribution to Corporate Financial Performance. Meanwhile, the Social Score variable has a significant positive influence on Corporate Financial Performance. In the simultaneous test, all three variables Environment, Social, and Governance Score have a significant positive contribution to Corporate Financial Performance

Keywords: Corporate Financial Performance, ESG Score, IDX-MES BUMN 17, ROA

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INTRODUCTION

The Covid-19 pandemic that has swept across the world has had various impacts and exacerbated crises in various sectors. The first cases of Covid-19 were identified by scientists from several individuals who had contracted the disease. Since it was reported in Indonesia on March 2, 2020, the government has been working with health workers to continue prevention and treatment efforts. During the pandemic, several environmental issues have come to the fore, including changes in consumption patterns of medical waste. Most countries have experienced difficulties in managing this waste, exacerbating environmental pollution. One of the negative impacts of these efforts is the increase in the use of personal protective equipment (PPE), disposable masks, medical equipment for Covid-19 testing, and other waste such as used medicines, which has led to an increase in medical waste production. As is well known, medical waste is one type of recyclable waste that is difficult to manage and requires special equipment and techniques for recycling. In the worst cases, it has been found that the majority of countries have difficulty managing this waste, which is a severe form of environmental pollution.

As an effort to prevent the spread of Covid-19 and in order to recover various sectors, including the primary sectors related to health, the environment, and the economy, the central government has implemented a Large-Scale Social Restriction (PSBB) system, Enforcement of Restrictions on Community Activities (PPKM), and Lockdown, which focus on limiting interaction and direct contact between individuals. The positive impact of these restrictions can be seen from the environmental side, such as a decrease in carbon emissions due to reduced industrial and transportation activities. However, after the regulations related to these restrictions were relaxed, emissions and environmental pollution increased again, highlighting the need for a transition to clean energy. This pandemic has sparked discussions on the topic of environmental protection, the importance of reducing and minimizing environmental damage, and ensuring energy sustainability in the future. The next impact relates to social and economic issues, which have also undergone several significant changes due to the Covid-19 pandemic. Companies are required to improve health protocols for work safety, while declining consumer interest and demand have forced production cuts and layoffs, leading to increased unemployment. This has encouraged companies to be more transparent, prepare risk management, and develop strategies to deal with future crises.

During this difficult period, issues related to *Environment, Social, Governance* (ESG) became a major concern because the pandemic reinforced the urgency of sustainability, social resilience, and good environmental governance that work in synergy. ESG generally refers to a broad range of environmental, social, and corporate governance considerations that have the

potential to impact a company's ability to execute its business strategy and build long-term *value* (Neny et al., 2022).

From several presentations related to ESG issues during the pandemic and pre-pandemic periods, it can be seen that some economic actors have begun to develop awareness of issues related to the environment, socio-economics, and governance. This includes stock investors, who are increasingly demanding that companies integrate ESG factors into their operating strategies. Even regulators in many countries are beginning to raise ESG reporting standards to ensure long- term sustainability (HukumOnline, 2024). ESG is not just a trend, but also an important necessity in today's global business. Other data from a new report released by Bloomberg Intelligence (BI) also shows that global ESG assets in 2022 will reach more than $41 trillion and are projected to increase to more than $50 trillion in 2025. This trend continues the rise in ESG assets after exceeding $35 trillion in 2020 (BINUS, 2025). This further reinforces the urgency that ESG aspects attract the interest of stakeholders, including potential investors.

The development of ESG issues has been a concern since the publication of the United Nations Principles of Responsible Investment report, which encourages investors and companies to integrate ESG aspects into sustainable investment (Nugraha et al., 2024). Efforts to harmonize programs that combine the concept of environmental awareness with stocks also involve the government in their operation. The application of the ESG system in a company's practices is considered to increase the company's value. The ESG concept covers internal and external factors that indirectly influence a company's performance. The use of ESG scores can increase investor confidence in sustainable investment in companies (Purnomo., et al. 2024).

Judging from the increasingly complex global investment outlook, interest in sustainable investment has also increased. Shares are a type of investment instrument for companies to obtain funds and a means for investors to channel capital through purchased share assets. Central government regulations implementing a lockdown and WFH (Work From Home) system have attracted the interest of many people who have free time and do not yet have a job to learn about and try their hand at the capital market, namely stock investment. One of the positive impacts of the pandemic has been an increase in interest in online investment. Easy access to technology that provides information related to stock investment has made it easier for the general public to access it. Increased education has encouraged people to learn about personal finance through social media, webinars, or even directly on available online investment applications.

Developments related to sustainability issues and ESG factors in Indonesia are supported by the government through the issuance of POJK No. 51 of 2017, which contains regulations on the obligation of companies to prepare sustainability reports. Based on SEOJK No. 30/SEOJK.04/2016, the procedures for preparing corporate sustainability reports in Indonesia are regulated using the GRI (*Global Reporting Initiative*) guidelines as the internationally accepted standard (Nugraha., et al. 2024).

Following the issuance of supportive policies related to sustainability issues, there is an increasing urgency for financial service institutions, related issuers, and the government to support the implementation of ESG in companies in Indonesia. Amidst the rise of the ESG concept, the concept of sharia investment has also increased in line with the times, giving rise to the term sustainable sharia investment. According to the Head of the Sharia Capital Market Division of the Indonesia Stock Exchange (Irwan Abdalloh), if *the governance* aspect is already good and widely used, the valuation can be applied. However, the environmental aspect is still being calculated (Alifian, 2023).

The Islamic capital market is one topic that is closely related to Islamic economic trends. In recent years, the development of the Islamic capital market has shown significant results, as can be seen from the increasing number of Islamic stock indices that are recognized globally. Sharia investment has advantages among investors in terms of profits and values that are in line with ethics and morals.

On Thursday, April 29, 2021, the Sharia Economic Society (MES), in collaboration with the Indonesia Stock Exchange (IDX), launched a new Sharia Stock Index called IDX-MES BUMN 17. This index measures the performance of 17 state-owned enterprises (SOEs) and their affiliates that are deemed to operate their businesses in accordance with Sharia principles and regulations, have good fundamentals and liquidity, meet compliance standards, and possess significant market capitalization. The creation of this Sharia-based stock index was driven by the limited availability of new Sharia indices. On the same occasion, the Chairman of PP MES and Minister of State-Owned Enterprises, Erick Thohir, emphasized MES's commitment to unifying the sharia financial sector. Through collaboration between MES, BUMN, and BEI, the IDX- MES BUMN 17 Index was created as a step toward providing investment options that comply with sharia principles for the Indonesian people (Masyarakat Ekonomi Syariah, 2021).

Among the many factors contributing to the increase in sharia stock sales, one of the considerations for investors in their investment interests is *Impact Investing. Impact investing* is an investment strategy that combines the pursuit of financial returns while still providing a positive impact on the environment and society (Minsya, 2024).

The assessment of a company's performance towards its stakeholders is considered insufficient to influence investment decisions, so other indicators are needed to prove effective financial performance, where the quality of transparency and information in ESG disclosure becomes a strong legitimator for the public, shareholders, and stakeholders regarding the company's commitment to sustainable business and long-term prospects (Benedict and Hadiprajitno, 2024). Sustainable investment assessment also depends heavily on effective corporate governance, as companies with good governance are able to adopt environmental and social approaches that focus on the interests of many parties through control systems, operational procedures, strategic management, regulatory compliance, and policies for internal and external stakeholders.

Research on a similar topic has been conducted by Puri Wahyu Anggrain and Tri Darma Rosmala Sari, entitled The Effect of Environment Social Governance (ESG) Score on the Financial Performance of Companies Indexed in IDX ESG Leader in 2020-2023 (Anggraini and Sari, 2024). Based on this background, the researchers were interested in conducting research entitled Analysis The Influence of Environment, Social, Governance Score on the Financial Performance of Companies on the IDX-MES BUMN-17 Index for the 2022-2023 Period.

RESEARCH METHOD

This study uses a quantitative approach. The research approach uses numerical data to answer the research hypothesis. Secondary data is collected and then processed using tools to produce numerical data and objective results. Quantitative research is conducted systematically and consistently from the outset, using precise numerical data, data collection instruments, and emphasizing statistical data analysis. Each piece of data is described using statistical figures that can be measured and tested empirically (Putri., et al. 2024).

To complete this research, the researcher used secondary data as a source. The secondary data in this study was obtained from the official website of the Indonesia Stock Exchange and official financial reports published by each company on their official websites. The data obtained was in the form of net income after tax and total assets, which were

processed to obtain *the Return On Assets* (ROA). The *Environment, Social, Governance* (ESG) score data was sourced from the calculation of aspects published by companies with standards from *the Global Reporting Initiative* (GRI). This study used panel data regression analysis techniques, classical assumption tests, t-tests (partial), f-tests (simultaneous), panel data regression analysis, and coefficient of determination. The collected data will then be processed and analyzed using e- Views 12 software.

The population includes all objects and subjects of the study with certain characteristics that are targeted for research, analysis, and conclusion. The population of this study consists of company shares listed on the Sharia Stock Index, namely on the IDX MES-BUMN 17 for the 2022-2023 period, with a population of 12 companies.

A sample is a part of the population elements that are selected systematically to represent the entire population in a study. Quantitative research focuses on objective measurement and generalization of research results. The selection of sampling techniques is crucial in a study, as it will affect the results. Non-probability sampling techniques are methods in which each element does not have the same probability. The type of sampling method selected is purposive sampling. The sampling for this study is based on the following criteria:

1. Companies listed on the IDX-MES BUMN 17 index since the 2022-2 period. Companies that have been consecutively listed on the IDX MES-BUMN 17 index since the 2022-2023 period.
2. Companies that have published *Sustainability Reports* on the *Global Reporting Initiative (GRI)* website consecutively from 2022 to 2023.
3. Companies that did not delist or *relist* in 2022-2023.
4. Companies that published *annual reports* on their respective official websites consecutively from 2022 to 2023.

RESULTS AND DISCUSSION

Results

Model Selection (Panel Regression Estimation)

In general, using panel data will produce different intercept and slope coefficients for each company and each time period. There are three approaches used in panel models (Singagerda, 2018).

1. Common Effect: Ordinary Least Squares/OLS

   This technique is similar to performing regression on *cross-section* or *time series* data. However, for panel data, the first step is to combine cross-section data with *time series* data (*pooling data*). Once combined, the data is treated as a single observation to estimate the model using the OLS method. This method is known as *Common Effect* estimation.

2. Fixed Effect Model/FEM

   In the OLS model, it is assumed that the intercept and slope are uniform, both across time and across companies. However, this assumption does not fully reflect reality. The existence of variables that are not fully covered in the model equation can cause the intercept to be inconsistent. In other words, the intercept may vary between individuals and over time. This understanding is the basis for the development of this model. *The Fixed Effect Model* (FEM) is an approach in panel

data analysis that accommodates differences in fixed characteristics between individuals or entities that do not change over time.

3. Random Effect Model/REM

   The Random Effect Model (REM) is an approach in panel data analysis that assumes that differences between individuals or entities are random effects and are not correlated with the independent variables in the model. This model considers that the variation arising from differences between individuals or time is part of the *error* component, making it possible to accommodate this effect without having to provide a specific intercept for each individual. REM is suitable for use when individual characteristics are considered random and represent a larger population.

Selection of Panel Data Regression Test Models

From the three models that have been estimated, the model that is most appropriate/suitable based on the characteristics of the data to answer the research objectives will be selected. The three tests are Chow Test, Hausman Test, and Langrange Multiplier (LM) Test (Mardani, 2025).

1. Chow Test

   Comparing the Common Effect model with the Fixed Effect model to determine whether the fixed effect is significant.

Table 1. Results of Chow Test

Effect Test	Statistic	d.f	Prob
Cross-section Chi-square	**42.654227**	**11**	**0.0000**

Source: Processed Data (2025)

Based on the Chow Test results in the cross-section Chi-square probability value table, which is less than 0.05, namely 0.00 < 0.05, the interpretation of the Chow Test results is that the fixed effect model (FEM) is better than the common effect model (CEM), so the Hausman Test can be carried out.

2. Hausman Test

   Comparing the Fixed Effect and Random Effect models to determine the more appropriate model. The Hausman Test is conducted to compare which model is more appropriate between FEM and REM .

Table 2. Results of the Hausman Test

Test Summary	Chi-square Statistic	Chi-square d.f	Prob
Cross-section random	**2.269858**	**3**	**0.5183**

Source: Processed Data (2025)

Based on the Hausman Test results in the table, the probability value is greater than 0.05, namely 0.5183 > 0.05. The interpretation of the Hausman Test results is that the random effect model (REM) is better than the fixed effect model (FEM), so the Lagrange Multiplier Test can be carried out.

3. Lagrange Multiplier (LM Test)
   The Lagrange Multiplier test is a Random Effect Model significance test conducted to determine whether the Random Effect Model approach is better than the Common Effect Model.

Table 3. Results of LM Test

	Cross-section	Test Hypothesis Time	Prob
Breusch-Pagan	**3.751555 (0.0528)**	**0.560353 (0.4541)**	**4.311908 (0.0378)**

Source: Processed Data (2025)

Based on the results of the Lagrange Multiplier Test in the Breusch-Pagan Table, the Cross Section value is greater than 0.05, namely 0.0528 > 0.05. The interpretation of the Lagrange Multiplier Test results is that the common effect model (CEM) is valid. Therefore, from the results of the Chow Test and the LM Test, it can be concluded that the selected model is CEM.

Basic Classical Assumption Test

1. Multicollinearity Test
   Aims to detect the existence of relationships or correlations between independent variables in panel data models. If there is a correlation between independent variables, this can affect the relationship between independent and dependent variables. Multicollinearity is the existence of an exact linear relationship between explanatory variables. Multicollinearity is suspected when the R2 value is high, the t-value of all explanatory variables is not significant, and the F-value is high. (Widarjono, 2005). The following results were obtained in the multicollinearity test:

Table 4. Results Multicolinearity Test

	X1	X2	X3
X1	1	0.67406720...	**0.42662217...**
X2	0.67406720...	1	**0.35471214...**
X3	**0.42662217...**	**0.35471214...**	**1**

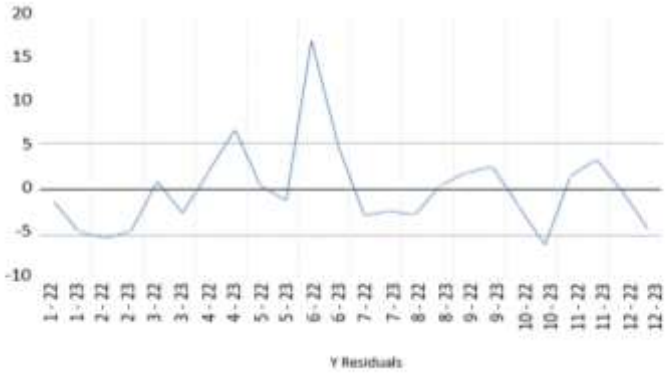
Source: Processed Data (2025)

The correlation coefficient between X1 and X2 is 0.67406720 < 0.85, between X1 and X3 is 0.42662217 < 0.85, and between X2 and X3 is 0.35471214 < 0.8. Therefore, it can be concluded that there is no multicollinearity or that the multicollinearity test has been passed (Basuki & Yuliadi, 2014).

2. Heteroscedasticity Test
   This test aims to determine whether there is a difference in the variance of the residuals from one observation to another in a regression model. One method to detect the presence of heteroscedasticity in a multiple linear regression model is to use to test Breusch-Pagan (Widarjono, 2005). In addition to , another method to detect heteroscedasticity is to examine the regression model. The model is

considered good if the graph does not show any particular pattern or value. If the graph does not show a clear pattern, it can be concluded that there is no heteroscedasticity in the model. In the heteroscedasticity test, the following results were obtained:

Picture 1. Results Heteroscedasticity Test



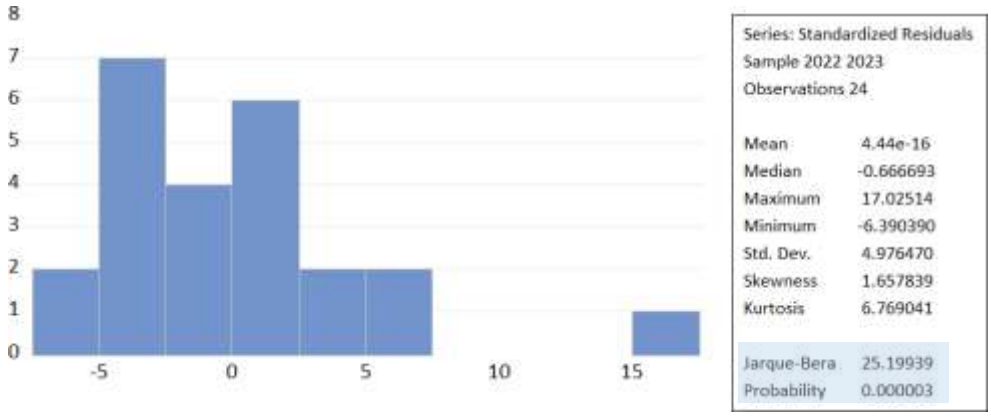
Source: Processed Data (2025)

From the residual graph (blue), it can be seen that it does not exceed the limit. Residual fluctuations rise and fall irregularly, and the variation does not increase or decrease systematically over time. Therefore, it can be concluded that there are no symptoms of heteroscedasticity or passing the heteroscedasticity test (Widarjono, 2005).

3. Normality Test

This normality test is used to determine whether the residuals are normally distributed or not. A good regression model is one that has normally distributed residual values. Therefore, the normality test is not performed for each variable, but for the residual values. If the probability value of Jargue-Bera (JB) is greater than 0.05, then the model is declared normal (Widarjono, 2005). The following are the results of the normality test :

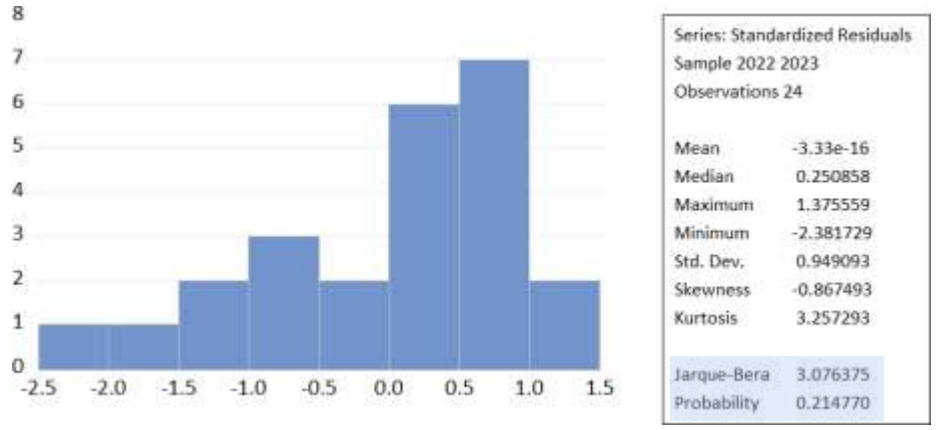
Picture 2. Normality Test



Source: Processed Data (2025)

From the results above, it can be seen that the Jarque-Bara value is 25.19939 > 0.05 and the probability value is 0.214 < 0.05. Because the probability value is lower, it can be concluded that the data is not normally distributed. To overcome this problem, the data is transformed using logarithmic transformation. The results are as follows:

Picture 3. Normality Test



Source: Processed Data (2025)

Based on the results of the normality test that has been transformed using logarithmic transformation, a Jarque-Bara value of 3.076 > 0.05 and a probability value of 0.214 > 0.05 were obtained. Therefore, it can be concluded that the regression model meets the normality assumption (Widarjono, 2005).

4. Autocorrelation Test

Autocorrelation only occurs in time series data. Testing for autocorrelation in data that is not time series (cross-section or panel) is futile or meaningless (Widarjono, 2005). Therefore, based on this statement, no autocorrelation test was conducted in this study.

Panel Data Regression Analysis

Panel data regression analysis is used to determine the extent to which independent variables influence dependent variables, as follows in the general research formation.

$$\mathbf{Y = \alpha + \beta 1.\ X1 + \beta 2.\ X2 + \beta 3.\ X3 + e}$$

Y = 1.33366115533 - 8.4518333993*X1 + 18.9943439518*X2 - 1.98578155643*X3

Based on the above output, the multiple linear regression equation can be described as follows :

1. Nilai The constant value (α) of the regression model is 1.33, indicating that ROA has no value without being influenced by its independent variables. The positive sign indicates that there is a direct relationship between the independent and dependent variables. This shows that if the independent variables, which include E *score* (X1), S *score* (X2), and G *score* (X3), are 0 percent or unchanged, the ROA value is 1.33.
2. The beta coefficient value of the E *score* (X1) variable has a coefficient value of -8.45, which indicates a negative result between the independent and dependent variables. This means that for every 1% increase *in* E *score,* ROA (Y) will decrease by -8.45%, assuming that other independent variables remain constant.

3. The beta coefficient value of the S *score* variable (X2) has a coefficient value of 18.99, which indicates a positive result between the independent and dependent variables. This means that for every 1% increase *in* S *score,* ROA (Y) will increase by 18.99%, assuming that other independent variables remain constant.
4. The beta coefficient value of the G *score* variable (X3) has a coefficient value of -1.98, which indicates a negative relationship between the independent variable and the dependent variable. This means that for every 1% increase *in* G *score,* ROA (Y) will decrease by -1.98%, assuming that other independent variables remain constant.

Hyphotesis Testing

1. Partial Testing (T test)

Partial testing (T test) measuring how each independent variable affects the dependent variable. The hypothesis used in this test is that if the significance value of the T test is greater than 0.05, then H_0 is accepted and Ha is rejected, which means that there is no effect between the independent variable and the dependent variable. Conversely, if the significance value of the t-test is less than 0.05, then H_0 is rejected and Ha is accepted, indicating that there is an effect between the independent variable and the dependent variable. In the T-test, the following results are obtained :

Table 5. Results T-Test

Variable	Coefficient	Std. Erorr	t-Statistic	Prob
C	1.333661	5.162277	0.258347	0.7988
X1	-8.451833	5.986452	-1.411827	0.1734
X2	18.99434	6.006640	3.162225	0.0049
X3	-1.985782	5.934943	-0.334592	0.7414

Source: Processed Data (2025)

Based on the test results output table above, the results can be described as follows:

A. Based on the data processing performed on the E score variable (X1), a t-value of -1.441827 < t-table of 2.073873 and a profitability value of 0.1734 > 0.05 were obtained. Those, Ha1 is rejected and Ho1 is accepted, meaning that E Score does not have a significant effect on ROA (company financial performance).

B. Based on data processing conducted on the S score variable (X2), a t-value of 3.162225 was obtained, which is greater than the table t-value of 2.073873, and a profitability value of 0.0049, which is greater than 0.05. Those, Ha2 is accepted and Ho2 is rejected, meaning that the S Score has a significant effect on ROA (company financial performance).

C. Based on data processing conducted on the G score variable (X3), a t-value of - 3.334592 was obtained, which is less than the t-table value of 2.073873, and a profitability value of 0.7414, which is greater than 0.05. Those, Ha3 is rejected and Ho3 is accepted, meaning that the G Score does not have a significant effect on ROA (company financial performance).

2. Simultaneous Testing (F Test)

To test whether the independent variables jointly (simultaneously) affect the dependent variable. The decision is made by looking at the F value in the ANOVA table, using a significance level of 0.05. If the F significance value is less than 0.05, then Ha is accepted and Ho is rejected, meaning that all independent variables have a significant effect on the dependent variable. Conversely, if the F significance value is greater than 0.05, then Ho is accepted and Ha is rejected, indicating that all independent variables do not have a significant effect on the dependent variable. In the F Test, the following results are obtained from the table:

Table 6. Results F-Test

F Statistic	3.523728
Prob (F-statistic)	0.033757

Source: Processed Data (2025)

Based on the test results output table above, the results can be described as follows: The calculated F value of 3.523728 > 3.098391 was obtained, as well as a profitability value of 0.033757 < 0.05. Therefore, Ha4 is accepted and Ho4 is rejected, meaning that *the* E *score*, S *score*, and G *score* simultaneously have a significant effect on ROA (company financial performance).

3. Coefficient Of Determination Test (R^2)

This test aims to measure how well the independent variables influence the dependent variable. The *coefficient of determination* is an indicator of the magnitude of the actual measurement results. The higher the correlation coefficient, the lower the measurement error (Fauzi et al., 2022). In the Coefficient of Determination Test, the following results were obtained from the table :

Table 7. Results Coefficient Of Determination Test

R-squared	0.345789
Adjusted R-squared	0.247658

Source: Processed Data (2025)

Based on the test result output table above, the results can be described as follows :
The adjusted R-squared value is 0.247658 or 24.7658%. This coefficient of determination value indicates that the independent variables consisting of E *score*, S *score*, and G *score* are able to explain 24.7658% of the company's ROA variable, while the remaining 75.2342% is explained by other variables not included in this research model.

Discussion

1. **The Effect of Environmental Score (E Score) on Company Financial Performance (ROA)**

Based on the results of the T-test (partial) on *the* E *Score*, the test results show that environmental performance (E *Score*) has a negative and insignificant effect on company financial performance (ROA). The results of this study are in line with the studies by (Putri & Arsjah, 2023) and (Zahroh & Hersugondo, 2021).

There are several factors that cause environmental disclosure represented by E *Score* to have no impact on company financial performance, and even tend to have a negative influence. The first factor concerns investment in environmental activities

such as energy efficiency, waste management, and green certification, which require considerable costs in the early stages, but the economic benefits generated from such environmental disclosure are long-term.

Therefore, they cannot be immediately seen in short-term financial reports such as *Return on Assets* (ROA). Meanwhile, in practice, companies often have a greater possibility of causing negative impacts such as damage caused by irresponsible corporate activities (Zahroh & Hersugondo, 2021).

During the pandemic and post-pandemic period from 2022 to 2023, companies faced many problems that forced them to streamline their operational costs. This became another factor that led to a decline in the performance of green investment and environmental disclosure programs, which also had an impact on the company's financial performance.

The second factor is that stakeholders, the market, and local governments have not fully appreciated and rewarded companies through incentives that could help increase their profitability through revenue. In addition, ROA more emphasizes on how efficiently a company utilizes its assets to generate profits, rather than how effective its sustainability strategies are. Therefore, even if a company has good environmental performance, this does not necessarily have a direct impact on asset efficiency as reflected in the ROA value.

The lack of interest and literacy among the public or potential consumers regarding environmental issues is another reason why environmental disclosure has not significantly affected companies' financial performance. Indonesia has great potential because it has natural resources that, if utilized and managed properly, will have a positive impact. Given its large population and rapid economic growth potential, green- based investments are attractive to investors. If companies are able to influence market response and investor behavior, then the environmental dimension in *sustainability reports* will affect a company's financial performance (Handoyo., et al. 2022). This is considered contrary to *stakeholder theory*, whereby companies are considered to have not fulfilled their obligations to embrace and provide information to all stakeholders, so that environmental disclosure has not affected financial performance in the short term.

2. The Influence of *Social Score* (S *Score*) on Company Financial Performance (ROA)

Based on the results of the T-test (partial) on *the* S *Score*, the test results show that social performance (S *Score*) has a positive and significant effect on company financial performance (ROA). The results of this study are in line with the studies by Astuti et al. (2023) and Farhati et al. (2024)**.**

Social disclosure will help attract socially responsible consumers, increase returns to investors, satisfy stakeholder needs, and ultimately lead to better company performance (Abdi., et al. 2020). A company's efforts to provide social disclosure are attractive to stakeholders and the relevant community. Corporate social disclosure that includes information related to social responsibility, community empowerment, and employee welfare programs has a positive impact on the company's financial performance, both directly and indirectly. This impact can be seen in both the short and long term, as reflected in ratios such as ROA.

Social disclosure is also key for companies in increasing investor confidence. This is in line with *Signaling* theory, which explains that companies convey information about management's efforts to fulfill the wishes of stakeholders, namely potential investors. In addition, good social disclosure can also increase loyalty from both employees and workers, which can have an impact on operational budget efficiency and increased revenue. Companies that are socially active tend to comply

with the law and are more sensitive to social responses, thereby reducing the negative impact of social and regulatory risks.

During the pandemic and pre-pandemic periods, many social problems were discovered. Although many companies are still struggling and surviving in the midst of the pandemic, one of them is by focusing on ESG-related issues, especially social issues such as social inequality and mass layoffs. So during these times, companies are competing to improve social services that can attract the attention of stakeholders, employees and the community, so as to attract institutional investors, especially those oriented towards sustainable investment principles.

3. The Influence of Governance Score (G Score) on Company Financial Performance (ROA)

Based on the results of the T-test (partial) on *the* G Score, the test results show that social performance (G Score) has a negative and insignificant effect on the company's financial performance (ROA). The results of this study are in line with the study by Wahyudi (2023) but contradict the study by Astuti et.al (2023).

These results contradict *stakeholder theory*. This theory argues that companies must manage relationships with all stakeholders who can influence or be influenced by the company's activities (Ratmono and Yolanda, 2024).Which states that a company's success is not only measured by financial profits but also includes the company's ability to meet the needs of various stakeholder groups, such as employees, customers, local communities, the government, and the environment. The majority of companies only disclose corporate governance (*Good Corporate* Governance/GCG) as a formality to fulfill regulatory obligations, not as a real strategic management practice. Therefore, this operational practice is considered to be merely administrative in nature, but does not provide any real added value to the company's operational efficiency or financial performance (ROA).

In many cases in developing countries, including Indonesia, many investors only focus on financial indicators such as increasing company profitability, but pay less attention to corporate governance practices. As a result, GCG disclosure has not yet had a short-term impact on increasing ROA or ROE. Comprehensive governance disclosure requires a strong internal control system and significant operational costs. Independent audits and transparent reporting systems are needed to support good governance practices. Risk management training often incurs costs, which can reduce company revenue. The more structured and complex the governance disclosure system, the greater the administrative burden on the company. The efficiency and effectiveness required to achieve organizational goals, such as in the reporting and auditing processes, are considered too time-consuming and resource- intensive, which can hinder productive operational activities.

4. The Effect of Environmental, Social, and Governance Score (ESG *Score*) on Company Financial Performance (ROA)

Based on the results of the F-test (simultaneous) on *E, S, and G Scores*, the test results show that ESG performance has a positive and significant effect on company financial performance (ROA). The results of this study support the research by (Anggraini and Sari, 2024), (Prameswari and Wijaya, 2023) , and (Benedict and Hadiprajitno, 2024).

These results support *Signaling Theory*, whereby companies provide information related to sustainability reports needed by investors and stakeholders. In the concept of ESG reporting (*Sustainability Report*), the higher the value generated by a company, the higher the company's commitment to responsible and sustainable

business practices.

As time goes by, the majority of investors choose companies that are not only able to provide short-term prospects but can also generate profitability and maintain long-term financial performance, one of which is through the concept of sustainable investment. By fulfilling their environmental responsibilities properly, companies will create a good and environmentally friendly corporate image from the perspective of investors (Prameswari and Wijaya, 2023).

Companies that implement ESG factors increase their value, making it easier for them to obtain funding from funding institutions, banks, and relevant government agencies. The Indonesian government has begun to initiate the implementation of ESG by releasing a framework through the Ministry of Finance. The Ministry of Finance then launched the ESG framework and encouraged the implementation of ESG in G20 countries during Indonesia's presidency of the G20 (Setyawati Fitrianggraeni., et al 2023). The implementation of ESG is also supported by its implementation in State- Owned Enterprises (BUMN). These guidelines were published by the Financial and Development Supervisory Agency (BPKP) regarding the Assessment of ESG Factor Implementation in BUMN. The guidelines contain measurements of the implementation of environmental, social, and governance indicators on 33 company of BUMN.

In the pandemic and pre-pandemic era, ESG reporting values are considered crucial by investors. A recent survey shows that 72% of investors conduct structured reviews of ESG performance, up from 32% two years ago (IRMAPA, 2025). Government intervention and public pressure are also major factors for companies in disclosing ESG reports. The Covid-19 pandemic has forced companies to adapt and has signaled the need for companies to adjust to challenges. The focus of companies on ESG-related issues is considered to be in line with the urgency of stakeholders and adds to the company's advantages. This focus also provides a comprehensive picture for companies in the long term.

Companies with high ESG scores are considered to have strong risk management, including in the areas of health, supply chain resilience, and workplace safety. This enables companies to respond more quickly to crises during the pandemic by maintaining operational stability and minimizing disruptions to productivity. Amidst the uncertainty during the pandemic and pre-pandemic periods, companies with high ESG disclosure scores are considered to be able to maintain credibility and trust among investors by maintaining company value through stock value and liquidity. Companies are also considered to be able to attract financial institutions in terms of financing to maintain cash flow and business continuity, thereby enabling them to survive during the pandemic and pre-pandemic periods.

CONCLUSION

Based on the results of the study Analysis of the Influence of Environment, Social, Governance Score on Company Financial Performance in the IDX-MES BUMN-17 Index for the 2022-2023 Period, which aims to examine the short-term and long-term relationships between variables. From this study, the following conclusions were drawn:

1. The test results for the Environment Score (E Score) variable partially showed a probability of 0.1734 > 0.05, which means it is not significant for company financial performance (ROA).

2. The partial test results for the Social Score (S score) variable show a probability of 0.0049 < 0.05, which means it is significant for company financial performance (ROA).
3. The results of the test variables Governance Score (G Score) partially showed a profitability result of 0.7414 > 0.05, which means it is not significant to the company's financial performance (ROA).
4. The results of the simultaneous Environment, Social, and Governance (ESG) score test show a profitability result of 0.033757 0.05, which means it is significant to the company's financial performance (ROA).

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