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Structural ownership and ESG disclosure: Unveiling their impact on corporate financial performance

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Abstract
Research aims: This study aims to provide empirical evidence on the crucial role of ownership structure in encouraging or hindering the transparency of environmental, social, and governance (ESG) information in Indonesian companies and the effect of ESG on corporate financial performance.
Design/Methodology/Approach: This study's sample consists of 64 non-financial companies listed on the Indonesia Stock Exchange in 2023. The data were collected from financial reports and corporate sustainability reports, the Indonesia Stock Exchange database, Bloomberg, and Google search results. In addition, multiple linear regression tests were used to test the hypothesis parameters.
Research findings: The results showed a positive and significant relationship between management, foreign, institutional, public, and state ownership with ESG disclosure. On the other hand, family ownership with ESG disclosure. In addition, the study noted that ESG disclosure is positively correlated with ROE and ROIC but negatively correlated with ROA, indicating that companies that focus on ESG may face a decrease in short-term profitability but tend to be more sustainable in the long term.
Theoretical contribution/ Originality: This study is one of the few that examines the influence of ownership structures such as managerial, foreign, institutional, public, state, and family ownership on ESG disclosure in Indonesia non-financial companies. This study uses ROIC as an underutilized financial performance indicator. It offers relevant empirical insight in the Indonesian context, which has not been explored in global studies on ESG and ownership structure.
Practitioner/Policy implication: Diverse ownership structures affect ESG disclosures and financial performance, urging management to prioritize transparency and policymakers to incentivize robust ESG practices, especially in family ownership firms.
Research limitation/Implication: The study is limited by its focus on Indonesia, and future research can expand by conducting cross-country analyses of ownership structures on ESG disclosure and corporate financial performance.
Keywords: ESG disclosure; Financial performance; Ownership Structure

Introduction

Environmental, social, and governance (ESG) disclosure has attracted attention in modern business. In an era where consumers, investors, and society are increasingly aware of sustainability issues, companies are required to focus not only on financial returns but also on the social and environmental impacts of their operations (Alareeni & Hamdan, 2020; Lutfirrahman et al., 2024). In addition, ESG disclosure is one of the company's indicators to create transparency and accountability (Hillman & Keim, 2001). Companies can build trust with stakeholders, including investors, customers, and communities, by providing clear information about environmental practices, social policies, and good governance. This trust, in turn, can have an impact on company performance.

A company's ownership structure plays a crucial role in determining a company's commitment to ESG disclosure practices. Different types of ownership, such as managerial ownership, foreign ownership, institutional ownership, public ownership, state ownership, and family ownership, have different influences on a company's approach to social and environmental responsibility Al Amosh et al., 2022; Iwasaki et al., 2022). Managerial ownership refers to the proportion of shares owned by management. It often encourages more attention to sustainability, as managers are incentivized to maintain the company's long-term value (Paramita & Dewi, 2024). On the other hand, foreign ownership can bring a global perspective and high standards of sustainability practices. Still, there is a risk of uncertainty if foreign shareholders do not have a long-term commitment. In addition, institutional ownership, which includes shares held by institutions such as pension funds and asset management companies, has a significant influence in encouraging companies to adopt sustainability practices and increase transparency in ESG disclosure.

Companies with extensive public ownership are often more affected by pressure from stakeholders to disclose ESG-related information, so they should consider public expectations in their decision-making. State ownership, where companies are owned or controlled by the government, is usually mandated to fulfil greater social and environmental responsibilities, driving the adoption of more stringent sustainability practices. Finally, family ownership, which family members manage, often has a strong long-term vision, creating a commitment to sustainability. However, there is a risk that vested interests may influence decisions.

Although ESG disclosure is an interesting concept, few studies have examined the impact of ownership structure, including managerial ownership, foreign ownership, institutional ownership, public ownership, state ownership, and family ownership. Some studies, such as those of Martínez-Ferrero and Lozano (2021) on public companies operating in Africa, Latin America, North America, Asia Pacific, Europe, and Oceania, have shown a positive effect of foreign ownership and institutional ownership on ESG disclosure. However, more in-depth literature found that ownership structure plays a crucial role in driving the quality and quantity of ESG disclosure. For example, research by Velte (2020) uses foreign ownership and higher institutional ownership, which are substantially associated with more comprehensive ESG disclosures. This finding is reinforced by Wu et al. (2022), who found that companies with a high percentage of institutional ownership tend to have better financial performance. This indicates that good ESG practices can create long-term value for the company.

ESG disclosure is often associated with company performance. Measurement of the company's financial performance, which includes profitability, liquidity, and operational efficiency ratios, is one of the main indicators of the company's success. Several studies reveal a positive influence between ownership structure and ESG implementation and its impact on ROA company performance (Boulhaga et al., 2023; Brogi et al., 2019; Kumar and Firoz, 2022). With effective ESG disclosure, companies can manage investment capital optimally, which leads to increased investment returns, as studied by Cherian et al. (2019). However, research by Alareeni and Hamdan (2020) revealed that corporate social and environmental responsibility is negatively related to profitability (ROA and ROE).

This study analyzes all non-financial corporate sectors in Indonesia in 2022, including manufacturing, trading, and services, to identify specific ESG disclosure trends and challenges. The study aims to provide empirical evidence regarding the role of ownership structure as managerial, family, institutional, public, foreign, or state ownership in promoting or hindering the transparency of environmental, social, and governance (ESG) information and its impact on corporate financial performance (Fuadah et al., 2022; Rusli & Surjadi, 2021; Saputra et al., 2023). The findings are expected to provide recommendations for policymakers, investors, and businesses to improve ESG practices in Indonesia, as well as enrich the existing literature with new insights into the interactions between ownership structure, ESG disclosure, and firm performance Bermejo et al. (2021). The results of this study are expected to help companies formulate more effective sustainability strategies and provide guidance for investors in evaluating company performance based on commitment to ESG principles.

Literature Review and Hypotheses Development

Stakeholder Theory

The classic definition of stakeholder’s states, "any entity that can impact or be impacted by an organization's ability to achieve its objectives, such as customers, suppliers, employees, investors, government agencies, or communities" (Freeman & Reed, 1983). This theory gives all stakeholders the right to obtain transparent information about how the organization's activities affect the bottom line. This right includes both positive and negative impacts and applies regardless of the level of stakeholder involvement in organizational decision-making.

The main objective of stakeholder theory is to equip corporate management with a comprehensive understanding of their stakeholder environment and the skills to manage relationships with various stakeholders effectively. This theory emphasizes that the level of stakeholder influence on management decisions is strongly influenced by the extent to which these stakeholders control resources crucial to the organization's survival Watts and Zimmerman (1978). The validation of this theory can be tested through content analysis of corporate financial reports (Guthrie et al., 2006). They argue that financial reports are the most efficient way for organizations to provide information to stakeholders who want to take control of certain strategic aspects of the company.

Legitimacy Theory

The concept of legitimacy, as defined by Dowling and Pfeffer (1975), refers to the positive social perception of the existence and activities of an organization. This legitimacy is built based on aligning organizational values, goals, and practices with prevailing societal norms and expectations. The reciprocal relationship between an organization and its social Environment is often likened to a 'social contract' (Conway et al., 2012). This social contract implicitly defines the roles, responsibilities, and obligations expected of an organization in the social context, enabling it to gain stakeholders' support, resources, and trust. This legitimacy is built through a dynamic process and involves various dimensions, including cognitive, practical, and normative legitimacy. Empirical studies show that companies that successfully build legitimacy often adopt effective communication strategies, transparency, and good sustainability practices.

The Effect of Managerial Ownership on Environmental, Social, and Governance (ESG) Disclosure

Manager ownership, which is the ownership of company shares by top decision-makers, creates an alignment of interests between management and other shareholders (Al Amosh et al., 2022); Iwasaki et al., 2022). By owning shares, managers are motivated to make decisions that benefit the company in the long run because their shares will increase. This incentivises managers to maintain the company's reputation and long-term performance.

An interesting influence exists between managers' shared ownership and disclosure of environmental, social, and governance (ESG) information. Previous research by Fuadah et al. (2022) shows that managers with significant share ownership tend to be more transparent in disclosing ESG information. This is supported by findings from other studies, such as those conducted by Atif et al. (2022), which indicate that managers who own shares have a stronger incentive to maintain a positive image of the company and business sustainability. Agency theory explains that managers' share ownership can reduce conflicts of interest between management and shareholders, thus encouraging managers to be more proactive in disclosing ESG information. Therefore, the hypothesis is proposed as follows:

***H_1**: Managerial ownership has a positive effect on environmental, social, and governance (ESG) disclosure.*

The Effect of Foreign Ownership on Environmental, Social, and Governance (ESG) Disclosure

Foreign ownership, according to Al Amosh et al. (2022); Fuadah et al. (2022), Guo and Zheng (2021), refers to the portion of company shares owned by foreign investors. The presence of foreign investors indicates a high level of trust and transparency in a company. Legitimacy theory explains that foreign ownership can pressure management to improve environmental, social, and governance (ESG) information disclosure. This is done to maintain the company's legitimacy in the eyes of the public and attract more foreign investment (Yavuz et al., 2024). In other words, foreign ownership can catalyze companies to adopt more sustainable business practices.

Previous research, as conducted by Fuadah et al. (2022) and Khan et al. (2013), has shown a positive correlation between foreign ownership and ESG information disclosure. The more significant the portion of shares owned by foreign investors, the more likely the company will proactively disclose information related to environmental, social, and good governance practices. This is in line with the findings of Amidjaya and Widagdo (2020), which concluded that a high percentage of foreign share ownership contributes to increasing ESG disclosure. In other words, foreign investors bring capital and encourage companies to improve the quality of corporate governance and information transparency. Therefore, the following hypothesis is proposed:

***H*$_2$*: Foreign ownership has a positive effect on environmental, social, and governance (ESG) disclosure.*

The Effect of Institutional Ownership on Environmental, Social, and Governance (ESG) Disclosure

Institutional ownership refers to the ownership of company shares by large institutions such as pension funds, investment funds, and insurance companies. These institutions, with significant financial resources, often represent many individual investors. The presence of institutional investors encourages companies to increase transparency and accountability in business practices, especially regarding ESG. Legitimacy theory explains that the presence of institutional investors can create pressure for management to be more open in disclosing ESG information in an effort to maintain reputation and legitimacy in the eyes of the public (Baba & Baba, 2021; Wu et al., 2022). Previous research, as conducted by Arslan et al. (2021), also shows a positive effect between institutional ownership and ESG information disclosure. The greater the portion of shares owned by institutional investors, the more likely the company will proactively disclose information related to environmental, social, and good governance practices. Therefore, the following hypothesis is proposed:

***H*$_3$*: Institutional ownership has a positive effect on environmental, social, and governance (ESG) disclosure.*

The Effect of Public Ownership on Environmental, Social, and Governance (ESG) Disclosure

Public ownership, where company shares are owned by individual investors in the capital market, is important in promoting corporate transparency and accountability. Through mechanisms such as the General Meeting of Shareholders (GMS) and proxy voting, individual investors can actively engage in corporate oversight and encourage adopting sustainable business practices. While institutional investors are also important in driving ESG disclosure, individual investors are often more focused on long-term issues and sustainability. The combination of public and institutional ownership can create positive synergies and encourage sustainable business practices.

Previous research, as conducted by Khan et al. (2013), and Fuadah et al. (2022) shows that public ownership contributes to improving the quality of ESG disclosure. This is supported by findings from Wu et al. (2022), which indicate that individual investors with a direct interest in the company tend to demand more transparency and accountability from management. Research by Fuadah et al. (2022) also shows that the involvement of public investors in the company's decision-making process can encourage better disclosure of environmental, social, and governance issues. Therefore, the following hypothesis is proposed:

***H*$_4$*: Public ownership has a positive effect on environmental, social, and governance (ESG) disclosure.*

The Effect of State Ownership on Environmental, Social, and Governance (ESG) Disclosure

State participation as a shareholder in a company is positively correlated with an increase in the company's level of ESG information disclosure. Previous research, such as Rudyanto and Review (2017), has shown a correlation between state ownership and sustainability reporting. This can be explained through the lens of legitimacy and stakeholder theory (Deegan, 2002). As the majority shareholder, the government often encourages companies to adopt sustainable and transparent business practices to maintain the country's reputation and meet public demands (Qian and Yang, 2023). In addition, companies with state ownership tend to be more responsive to pressures from various stakeholders, such as civil society, investors, and regulations. They thus are encouraged to disclose more comprehensive ESG information (Fuadah et al., 2022).

Several mechanisms explain how state ownership can improve ESG disclosure. First, as a majority shareholder, the government can directly influence corporate policies and encourage transparency (Haddad et al., 2015). Second, state ownership increases corporate accountability as it needs to account for its performance to the government and the public. Third, companies with state ownership often have broad goals, such as achieving sustainable development and community welfare. These broader goals encourage companies to disclose relevant information. Research by Al Amosh et al. (2022) supports these findings, showing a positive correlation between state ownership and ESG disclosure. Then, the hypothesis is stated as follows:

***H*$_5$*: State ownership has a positive effect on environmental, social, and governance (ESG) disclosure.*

The Effect of Family Ownership on Environmental, Social, and Governance (ESG) Disclosure

Stakeholder theory highlights the importance of companies establishing good relationships with various interested parties, and Amidjaya and Widagdo (2020) assert that companies must be responsive to stakeholders' needs. Research by Bouslah, Kryzanowski, M'zali, and Finance (2013) found that companies that pay attention to social responsibility are more resilient to external shocks. Family firms, for example, often have strong relationships with stakeholders and are proactive in disclosing non-financial (Salvato & Melin, 2008). This is in line with the findings of (Chauhan & Kumar, 2018), which show that voluntary disclosure of ESG information can increase positive perceptions from stakeholders and investors. Thus, stakeholder theory provides a strong foundation for companies, especially family companies, to be more open about matters relating to non-financial information.

Family ownership encourages companies to be more proactive in ESG disclosure. The primary motivation is to protect the family's reputation and ensure long-term business sustainability. Amidjaya and Widagdo (2020) found that family firms are more effective in sustainability reporting. Unlike public companies, family companies have a longer time horizon, allowing them to invest in long-term relationships with stakeholders. Then, the hypothesis is stated as follows:

***H_6**: Family ownership has a positive effect on environmental, social, and governance (ESG) disclosure.*

The Effect of Environmental, Social, and Governance (ESG) Disclosure on Company Performance

Stakeholder theory highlights the complexity of the relationship between environmental, social, and governance (ESG) disclosure practices and firm performance. While some studies suggest that ESG can enhance corporate reputation and attract investors, the results of other studies are not always consistent. Carlos and Lewis (2018) Revealed that the impact of ESG on firm performance can be asymmetric, with companies that perform well tending to get more favorable ratings. Benefit from ESG practices, but underperforming companies may feel a small impact. Previous studies, such as (Alareeni & Hamdan, 2020; Buallay, 2019); Kumar and Firoz (2022), generally show return on assets (ROA), return on equity (ROE), and return on invested capital (ROIC) are metrics used to measure company performance.

Several studies show a positive correlation between ESG disclosure and firm performance. Brogi et al. 2019; Mohammad & Wasiuzzaman, 2021) found empirical evidence favoring better financial performance, as measured by ROA. These studies used diverse samples, covering companies from different countries and sectors.

In addition, research conducted by Kim and Li (2021) found that comprehensive ESG disclosure can increase investor and shareholder confidence, which in turn has a positive impact on the company's equity value. This is reflected in an increase in ROE, where companies with good ESG practices tend to attract greater support from investors, resulting in increased capital and higher returns on equity Bermejo et al. (2021).

Adequate ESG disclosure encourages companies to manage investment capital more optimally. By implementing responsible ESG policies, companies can optimize the use of capital, reduce risk, and increase long-term competitiveness Jang (2019). This is reflected in the increase in ROIC, where ESG disclosure supports wiser investment and more efficient resource management, thereby increasing the development of invested capital Cherian et al. (2019). The results of this study are consistent with the view that good ESG practices can create long-term value for the company. Then, the hypothesis is stated as follows:

***H_{7a}**: Environmental, Social, and Governance (ESG) disclosure positively affects Return on Assets (ROA).*

***H_{7b}**: Environmental, Social, and Governance (ESG) disclosure positively affects Return on Equity (ROE).*

***H_{7c}**: Environmental, Social, and Governance (ESG) disclosure positively affects Return on Invested Capital (ROIC).*

Based on the previous hypothesis, Figure 1 explains the conceptual framework of this study:

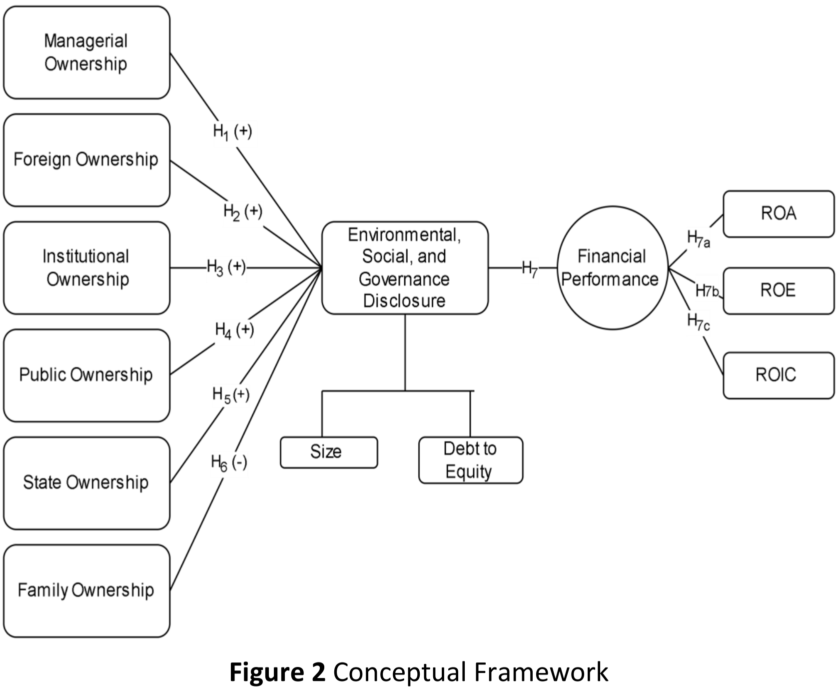

Figure 2 Conceptual Framework

Research Method

This study examined the influence of ownership structure on Environmental, Social, and Governance (ESG) disclosure and its impact on financial performance. The ownership structure was measured through several variables that influence ESG disclosure Al Amosh et al. (2022); Fuadah et al. (2022); (K. Kumar et al., 2022). The analysis used multiple linear regression and principal component analysis to test hypotheses H1 to H6. The research sample consisted of 64 non-financial companies listed on the Indonesia Stock Exchange in 2023, focusing on the manufacturing sector that significantly impacts the environment.

The purposive sampling method was used to select the sample without limiting it to only companies with the largest market capitalization to provide a more comprehensive picture of ESG disclosure. The selection of 2023 as the research period was based on the availability of the latest and relevant data. Data was collected from financial reports, corporate sustainability reports, and databases from the Indonesia Stock Exchange, Bloomberg, and Google search results to support the analysis. Table 1 presents the sample selection using purposive sampling.

Table 1 Purposive Sampling

Purposive Sampling	Total
Entities listed on the Indonesia Stock Exchange (UDX) in 2023 (Active)	901
Entities with Financial Sector Type Criteria	(155)
Entities that do not publish Sustainability Report	(497)
Entities that do not publish Annual Report	(143)
Entities with the Largest Market Capitalization	(42)
Total Sample (N)	64

Table 2 present the measurement of the independent variable of this study. The independent variable is the ownership structure consisting of manager ownership, foreign ownership, institutional ownership, public ownership, state ownership, and family ownership, which is measured from a quantitative aspect Fuadah et al. (2022). The size of ownership concentration is expressed by the company in the form of a ratio of share ownership with a type of more than 5%, Directors or commissioners, controlling and non-controlling shares, treasury shares, and script and non-script communities.

Table 2 Measurement of The Independent Variables

Variable	Measurement
Managerial Ownership	Proportion of managerial ownership in the company’s capital structure.
Foreign Ownership	The proportion of foreign ownership in the company’s capital structure.
Institutional Ownership	Proportion of institutional ownership in the company’s capital structure.
Public Ownership	The proportion of public ownership in the company’s capital structure.
State Ownership	Proportion of state ownership in the company’s capital structure.
Family Ownership	Proportion of family ownership in the company’s capital structure.

Furthermore, the measurement of the dependent variable is represented in Table 3. The dependent variable in this study is company performance, which is evaluated through three main financial indicators, namely Return on Assets (ROA), Return on Equity (ROE), and Return on Invested Capital (ROIC). Return on Assets (ROA) reflects the profitability and efficiency of the company in using assets to generate profits in the short term (Muttakin et al., 2020; Veltri et al., 2020). Return on Equity (ROE) shows the company's effectiveness in generating profits from the capital shareholders' investments. A high ROE reflects good equity management and provides added value to shareholders. Return on Invested Capital (ROIC) is used to assess the efficiency of capital utilization and the company's ability to create value from each unit of invested capital.

Table 3 Measurement of The Dependent Variables

Variable	Measurement
Financial Performance	Return on Asset = Earnings Before Interest and Taxes (EBIT)/Total Assets Where: Earnings Before Interest and Taxes = Total Revenue-Cost of Goods Sold (COGS)-Operating Expenses ROE = Earnings After Tax (EAT)/ Total Equity Where: Earnings After Tax = Net Income ROIC = Net Operating Profit After Tax (NOPAT)/Invested Capital Where: Net Operating Profit After Tax= EBIT x (1- Tax Rate)

Furthermore, the measurement of the ESG is represented in Table 4. The measurement ranges from 0.1 to 100, with the highest score indicating good disclosure openness and transparency in the context of Environmental, Social, and Governance (ESG) reporting. In this study, ESG disclosure is treated as the dependent variable, encompassing various aspects such as impacts on the physical environment, natural resource management, and adaptation to climate change. The items used to measure ESG disclosure are sourced from the Global Reporting Initiative (GRI) guidelines, which provide a comprehensive framework for sustainability reporting.

Table 4 Measurement of ESG

Variable	Measurement
Environmental (E)	GHG emission, Energy consumption and efficiency, Air pollutants, Water usage and recycling, Waste production and management, Impact and dependence on biodiversity, Impact and dependence on ecosystems, and Innovation in environmentally friendly products and services.
Social (S)	Workforce freedom of association, Child labor, Forced and compulsory labor, Workplace health and safety, Customer health and safety, Discrimination, diversity and equality, Opportunity, Poverty and community impact, Supply chain management, Training and education, Customer privacy, Community impacts.
Governance (G)	Codes of conduct and business principles, Accountability, Transparency and disclosure, Executive pay, Board diversity and structure, Bribery and corruption, Stakeholder engagement, and Shareholder rights.

Control variables use company size (Size) (Nguyen et al., 2022) and debt to equity rasio (presented in Table 5). Company size was chosen because it can influence the complexity, pressure, and ability faced by companies in managing environmental, social, and governance disclosures. By controlling for company size, researchers can more accurately measure the effect of other independent variables on the dependent variable. Debt to Equity Ratio (DER) describes how much the company depends on debt compared to equity to finance its operations. By controlling DER, researchers can understand how capital structure affects company performance.

Table 5 Measurement of The Control Variables

Variable	Measurement
Size	Logaritma natural (total assets)
Debt to Equity	Total Liabilities/Total Equity

Four models, Models 1, 2, 3, and 4, were used in this study. Model 1 examined the effect of ownership structure (manager, foreign, institutional, public, state, and family ownership) on ESG Disclosure. Model 2 examined the effect of ESG Disclosure on ROA. Model 3 examined the impact of ESG Disclosure on ROE. Model 4 examined the effect of ESG Disclosure on ROIC. The four research models were expressed as the following mathematical equations:

ESG Disclosure = $\alpha + \beta_1 MO + \beta_2 FO + \beta_3 IO + \beta_4 PO + \beta_5 SO + \beta_6 FO + \beta_7 DER + \beta_8 Size + e$................. (i)
ROA = $\alpha + \beta_1 ESG + \beta_2 DER + \beta_3 Size + e$................. (ii)
ROE = $\alpha + \beta_1 ESG + \beta_2 DER + \beta_3 Size + e$................. (iii)
ROIC = $\alpha + \beta_1 ESG + \beta_2 DER + \beta_3 Size + e$................. (iv)

Result and Discussion

Descriptive Statistics

Table 6 shows descriptive statistics consisting of maximum, minimum, mean, and SD. The results of this analysis have unique characteristics, characterised by the dominance of foreign ownership (27.46%), large company size (average total assets of 7.72 million rupiahs), and high leverage level (0.82). Such an ownership structure indicates the potential for significant influence from foreign investors on the company's business decisions and strategies. Meanwhile, large firm size and high leverage levels may improve operating efficiency but also carry higher financial risks.

Table 6 Descriptive Statistics

Variable	N	Minimum	Maximum	Mean	SD
ESG Disclosure	60	0.57	0.91	0.76	0.06
Managerial ownership	64	0.00	0.77	0.09	0.20
Foreign Ownership	64	0.00	0.92	0.17	0.27
Institusional Ownership	64	0.00	0.92	0.36	0.31
Public Ownership	64	0.00	0.78	0.27	0.16
State Ownership	64	0.00	0.64	0.01	0.08
Family Ownership	64	0.00	0.52	0.02	0.08
Return on Asset	64	0.03	0.19	0.06	0.02
Return on Equity	64	0.06	0.18	0.10	0.02
Return on Invested Capital	64	0.04	0.37	0.13	0.05
Size	64	4.27	13.17	7.72	2.36
Debt to Equity	64	0.00	4.39	0.78	0.82

Source: compiled based on company data for the period 2023. Analysis using descriptive statistics using Stata 16 software.

Table 7 shows the result of the testing of factor analysis with principal component analysis. Factor analysis identifies two main components that dominate the company's ownership structure. Comp 1, with an eigenvalue of 1.55, explains 25.87% of the variance, dominated by the Foreign Ownership variable (loading 0.59). This emphasizes that Foreign Ownership has a significant correlation with the ownership structure. Comp 2, with an eigenvalue of 1.32 and explains 22.10% of the variance, presents the contrast between Institutional Ownership (loading -0.72) and Foreign Ownership (loading 0.59).

Table 7 Test Principal Component Structure Ownership Variable.

Component	Eigenvalue	Proportion	Cumulative
Comp 1	1.55	0.25	0.25
Comp 2	1.32	0.22	0.47
Comp 3	1.17	0.19	0.67
Comp 4	1.01	0.16	0.84
Comp 5	0.83	0.13	0.98
Comp 6	0.10	0.01	1.00
Rho Score	0.25		
	Scoring Coefficients		
Variable			Comp 1
Managerial ownership			0.24
Foreign Ownership			0.59
Institutional Ownership			-0.72
Public Ownership			-0.10
State Ownership			-0.01
Family Ownership			0.22

Source: compiled based on company data for the period 2023. Principal component analysis (PCA) was conducted using Stata 16 with varimax rotation.

Table 8 is a factor analysis conducted on the sample companies, identifying three main components of financial performance. The first component (eigenvalue 1.48; 49.56% variance), dominated by Return on Equity (0.65), emphasizes the entity's ability to generate profits from its capital. The second component (32.95%) shows the trade-off between profitability and efficient use of capital, with Return on Invested Capital (-0.70) as the leading indicator. This result indicates that these companies face a trade-off between growth and profitability.

Table 8 Principal Component Test Financial Performance Variable (ROA, ROE, ROIC).

Component	Eigenvalue	Proportion	Cumulative
Comp1	1.48	0.49	0.49
Comp 2	0.98	0.32	0.82
Comp 3	0.52	0.17	1.00
Rho Score	0.49		
Scoring Coefficients			
Variable			Comp 1
Return On Asset			-0.28
Return On Equity			0.65
Return On Invested Capital			-0.70

Source: compiled based on company data for the period 2023. Principal Component Analysis (PCA) was conducted using Stata 16 with varimax rotation.

Table 9 The normality test for error variables was conducted using skewness analysis, kurtosis, and chi-square test. The test results show that the skewness value of 0.05 and the kurtosis of 0.92 are not statistically significant ($p > 0.05$). In addition, the chi-square test also indicates that the data distribution is not significantly different from the normal distribution ($p = 0.13$). Thus, it can be concluded that the error variables follow a normal distribution.

Table 9 Skewness/Kurtosis Test for Normality

Variable	Obs	Pr (Skewness)	Pr (Kurtosis)	Adj chi (2)	Prob>chi^2
error	64	0.05	0.92	3.99	0.13

Regression Test

Table 10 presents the regression results of ownership structure (managerial ownership, foreign ownership, institutional ownership, public ownership, and state ownership) on ESG disclosure. In this study, these variables significantly influence ESG disclosure ($F=61.91<0.01$). This model can explain about 56.58% of the variability in ESG disclosure.

Table 10 Robust Regression Test of Ownership Structure on ESG Disclosure

Variable	Coefficient	T	p-value
Managerial ownership	0.28	4.76	0.00***
Foreign Ownership	0.26	4.95	0.00***
Institutional Ownership	0.19	3.73	0.00***
Public Ownership	0.15	2.26	0.02**
State Ownership	0.44	8.67	0.00***
Family Ownership	0.06	0.76	0.44
Debt Equity Ratio	0.00	-1.01	0.31
Size	0.00	-0.04	0.96
Constant	0.57	-10.69	0.00***
F (8.55) (0.00)***			
R-Squared= 0.56			
Note: *** significance at 0.01 level; ** significance at 0.05 level; * significance at 0.1 level			

Source: compiled based on company data for the period 2023. The analysis uses multiple linear regression with robust tests using the M-estimation method. Robust standard errors were calculated using White's method in Stata 16.

Table 11 is the result of regression analysis, which indicates that this model I is able to explain 33.37% of the variability in ESG disclosure. The coefficient of -0.19 indicates that a one-unit increase in ESG disclosure is associated with a decrease in ROA of 0.19 and this relationship is statistically significant (p-value= 0.00). That is, there is a tendency for companies with higher levels of ESG disclosure to have lower profitability-to-assets (ROA) ratios. The control variable, the debt-to-equity ratio, shows a significant negative relationship with the level of ESG disclosure (coefficient = - 0.00; p = 0.03), while firm size shows no significant relationship (coefficient = 0.00; p = 0.70).

Table 11 Robust Regression Test of ESG Disclosure on ROA

Independent Variable	Coefficient	t	p-value
ESG disclosure	-0.19	-6.24	0.00
Debt to Equity Ratio	-0.00	-2.14	0.03
Size	0.00	0.37	0.70
Constant	0.20	12.56	0.00
F (3.60) (0.00)***			
R-Squared = 0.33			
Note: *** significance at 0.01 level; ** significance at 0.05 level; * significance at 0.1 level.			

Source: compiled based on company ROA data for the period 2023. The analysis uses multiple linear regression with robust tests using the M-estimation method. Robust standard errors were calculated using White's method in Stata 16.

The regression analysis results in Table 12 show that ESG disclosure has a positive and significant correlation with Return on Equity (ROE) (F= 6.93; p<0.01). ESG disclosure is associated with an increase in ROE by 0.11 units. This indicates that an increase in ESG disclosure level can increase the company's profitability.

Table 12 Robust Regression Test of ESG Disclosure on ROE

Variables	Coefficient	t	p-value
ESG disclosure	0.11	4.12	0.00***
Debt to Equity Ratio	0.00	0.28	0.77
Size	0.00	-1.36	0.17
Constant	0.02	1.01	0.31
F (3.60) (0.00)***			
R-Squared = 0.14			
Note: *** significance at 0.01 level; ** significance at 0.05 level; * significance at 0.1 level.			

Source: compiled based on company ROE data for the period 2023. The analysis uses multiple linear regression with robust tests using the M-estimation method. Robust standard errors were calculated using White's method in Stata 16.

The regression analysis results in Table 13 indicate that the model can explain 31% of the variability in ESG disclosure. The coefficient of 0.43 indicates that a one-unit increase in ESG disclosure is associated with increasing ROIC by 0.43, and this relationship is statistically significant (F=14.76; p<0.01).

Table 13 Robust Regression Test of ESG Disclosure on ROIC

Independent Variable	Coefficient	t	p-value
ESG disclosure	0.43	6.45	0.00***
Debt to Equity Ratio	0.00	0.36	0.72
Size	-0.00	-2.55	0.01**
Constant	-0.16	-3.17	0.00***
F (3.60) (0.00)***			
R-Squared = 0.31			
Note: *** significance at 0.01 level; ** significance at 0.05 level; * significance at 0.1 level.			

Source: compiled based on company ROIC data for the period 2023. Analysis using multiple linear regression with robust tests carried out using the M-estimation method in Stata 16.

The Effect of Managerial Ownership, Foreign Ownership, Institutional Ownership, Public Ownership, State Ownership and Family Ownership on Environmental, Social, and Governance (ESG) Disclosure

Hypothesis 1 (H_1) shows that managerial ownership positively influences ESG disclosure. The result of (H_1) shows that the value ($p<0.05$). This means that the higher the proportion of managerial ownership, the higher the level of ESG disclosure. Thus, the first hypothesis is accepted. In this case, companies with a significant portion of managerial ownership tend to be more encouraged to disclose ESG transparently due to the interest in maintaining the reputation and sustainability of the company in the long term. The direct involvement of management in share ownership motivates them to be more open in disclosing ESG information, which in turn can increase stakeholder trust Wu et al. (2022). In developing countries such as Indonesia, the influence of ESG disclosure on firm performance is more pronounced than in more developed markets due to investors' limited access to public information, making ESG disclosure necessary for evaluating firm performance Fuadah et al. (2022). Therefore, managerial ownership plays a vital role in encouraging better ESG disclosure and strengthening long-term firm performance Kim and Li (2021).

Hypothesis 2 (H_2) predicts a correlation between foreign ownership and ESG disclosure. The results show that the p-value (0.00) indicates a strong influence of the proportion of foreign ownership on ESG disclosure. Thus, the second hypothesis is accepted. This finding suggests that companies with greater foreign ownership tend to be more open in conveying ESG information. This aligns with foreign investors who generally focus more on sustainability and corporate governance practices Kim and Li (2021). Foreign investors pressure company management to meet international standards and improve ESG transparency to remain competitive in the global market Amidjaya and Widagdo (2020). Companies with foreign investors are usually more proactive in carrying out sustainability initiatives to strengthen their image in the eyes of global shareholders. This makes ESG disclosure an essential strategy for maintaining a competitive international market reputation.

The third hypothesis (H_3) states a positive correlation between institutional ownership and ESG disclosure. The hypothesis testing results found a p-value of (0.00), which confirms a significant relationship between institutional ownership and ESG disclosure. Thus, this hypothesis is accepted. Institutional ownership encourages increased corporate transparency because institutional investors generally demand more detailed and structured information regarding non-financial performance, including ESG Al Amosh et al. (2022). In addition, institutional ownership serves as an effective monitoring mechanism, motivating companies to be more open in ESG disclosure to maintain positive relationships with investors Khan et al. (2013). Therefore, companies with higher levels of institutional ownership usually exhibit better ESG disclosures, which further contribute to improving the company's reputation and long-term performance Velte (2020)

The fourth hypothesis (H_4) states a positive correlation between public ownership and ESG disclosure. The hypothesis testing results found a p-value of 0.028, which confirms a significant relationship between public ownership and ESG disclosure. With these results, this hypothesis is accepted. Public ownership is important in improving corporate transparency as public investors usually demand more detailed reports on non-financial performance, including ESG aspects Fuadah et al. (2022). In addition, public ownership may influence companies to be more transparent regarding ESG disclosure as pressure from a broader range of stakeholders Baba and Baba (2021). As a result, companies with a broader proportion of public ownership generally exhibit better ESG disclosures, leading to more transparent ESG disclosures. Strengthen the company's reputation Bermejo et al. (2021)

The fifth hypothesis (H5) states a positive correlation between state ownership and ESG disclosure. The hypothesis testing results found a p-value of (0.00), which confirms a significant relationship between state ownership and ESG disclosure. This result reveals that state-owned companies are more likely to disclose ESG-related information than state-owned companies Qian and Yang (2023). This factor may be influenced by the obligation to comply with government standards and regulations and to increase transparency and accountability (Jiang et al., 2024). However, it should be kept in mind that an increase in ESG disclosure does not necessarily reflect real improvements in ESG practices, as companies may report formally without any substantial changes in their actions.

The sixth hypothesis (H6) predicts a positive correlation between family ownership and ESG disclosure. The results of hypothesis testing found a p-value of (0.44). A P-value greater than 0.05 indicates insufficient statistical evidence to support the positive correlation between family ownership and ESG disclosure. Thus, the sixth hypothesis is rejected. Family ownership is usually associated with various corporate priorities and strategies that may influence ESG disclosure decisions differently Alsaadi (2022). Some studies show that family ownership does not always directly impact the level of ESG disclosure, and other factors, such as strategic objectives or individual preferences of family owners, may play a significant role (Koji et al., 2020). Therefore, the relationship between family ownership and ESG may be more complex and requires further analysis.

The Effect of Environmental, Social, and Governance (ESG) Disclosure on Return on Asset

Hypothesis seven a ($H7_b$) predicts a positive correlation between ESG disclosure and ROA. The hypothesis testing results found a p-value (0.00) with a coefficient of 0.00. -0.1971336. This indicates a significant relationship between the negative coefficient and ROA. The results of testing hypothesis 7a show that there is no empirical evidence to support the hypothesis that increasing the level of ESG disclosure will increase ROA Alareeni and Hamdan (2020). This is in line with research showing that ESG disclosure can have varying effects depending on the context and its implementation within the company Almeyda and Darmansya (2019). For example, companies that focus on ESG disclosure without regard to a solid financial strategy may experience a decline in short-term financial performance Carlos and Lewis (2018). Therefore, these results underscore the importance of understanding the context in which ESG disclosures are implemented and their impact on financial performance.

The Effect of Environmental, Social, and Governance (ESG) Disclosure on Return on Equity

Hypothesis seven b ($H7_b$) predicts a positive correlation of ESG disclosure to ROE. The hypothesis testing results found a p-value (0.00) with a coefficient of 0.11. this indicates a significant relationship between a positive coefficient and ROE. Adequate ESG disclosure demonstrates a company's commitment to sustainability and social responsibility, which can strengthen stakeholder trust Kim and Li (2021). In addition, transparency in ESG can influence investors' views regarding the long-term potential of the company, potentially improving financial performance such as ROE (Bermejo et al. (2021). Therefore, hypothesis seven b is accepted, confirming that ESG disclosure significantly impacts corporate ROE.

The Effect of Environmental, Social, and Governance (ESG) Disclosure on Return on Invested Capital

Hypothesis seven c (H7c) predicts a positive correlation between ESG disclosure and ROIC. The hypothesis testing results found a p-value (0.00) with a coefficient of 0.43, indicating that ESG disclosure significantly impacts ROIC. ESG disclosure illustrates the company's efforts in addressing environmental, social, and governance issues that can improve the company's financial performance in the long run Bermejo et al. (2021). Transparency and attention to ESG aspects can attract investors and improve the company's reputation in the market, which positively impacts financial performance, such as ROIC Jang (2019). Companies that manage and report ESG aspects well tend to show more stable and superior financial performance over time Cherian et al. (2019). Therefore, hypothesis seven c is accepted as ESG disclosure is shown to have a significant positive effect on ROIC.

Conclusion

The results of this study indicate that ownership structure plays a vital role in determining the level of environmental, social, and governance (ESG) disclosure in Indonesia. There is a positive relationship between managerial ownership, foreign ownership, and institutional ownership with increased ESG disclosure, which emphasizes the importance of ownership diversity in promoting transparency and sustainability. However, the data analysis does not support the hypothesis that family ownership encourages companies to be more open on ESG issues, which may be because family ownership is the primary driver of ESG disclosure. Shows that traditional ownership structures should be more focused on such initiatives.

These results support stakeholder theory, highlighting the importance of companies maintaining relationships with various stakeholders, including investors and regulators, by increasing transparency of ESG practices. The findings also guide regulators and policymakers to implement more supportive policies to encourage greater ESG disclosure, particularly by encouraging diversification of ownership structures.

This study has a limited scope, such as the sample limitation, which only covers non-financial companies in Indonesia. In addition, this study has not differentiated between different forms of ESG reporting, so the results may not reflect differences in disclosure practices across sectors.

Future research could expand the analysis of the influence of ownership structure on ESG disclosure in more diverse industry sectors, including the financial sector, which was not examined in this study. In addition, cross-country studies can provide deeper insights into the dynamics of ownership and ESG disclosure in different economic and cultural contexts. A distinction between forms of ESG reporting is also needed to understand its impact on firm performance in more depth.

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