



The Effect Of Esg Disclosure, Asset Turnover, And Working Capital Turnover On Financial Performance In Industrial Goods Companies Listed On The Indonesian Stock Exchange From 2021 To 2024

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ABSTRACT

This study aims to analyze the effect of Environmental, Social, and Governance (ESG) disclosure, Asset Turnover (TATO), and Working Capital Turnover (WCTO) on the financial performance of Industrial Goods companies listed on the Indonesia Stock Exchange (IDX) during the period 2021–2024. This study uses a quantitative approach with a comparative causal research design. The data used is secondary data obtained from companies' annual financial reports and sustainability reports. Sampling was determined using purposive sampling, resulting in 135 observations that met the research criteria. The analysis method used was multiple linear regression to test the effect of independent variables on financial performance, which was proxied by Return on Assets (ROA). The results showed that asset turnover had an effect on the financial performance of industrial companies, while working capital turnover and ESG disclosure showed varying effects. This study contributes to enriching the financial accounting literature by integrating aspects of sustainability and operational efficiency, as well as providing practical implications for company management, investors, and regulators in making sustainability-oriented decisions.

INTRODUCTION

Global trade tensions between the United States and China have changed the structure of the global supply chain and encouraged the relocation of industries to developing countries, including Indonesia. Increased import tariffs on Chinese products have not only put pressure on bilateral trade between the two countries, but also opened up opportunities for Indonesia to attract foreign investment and strengthen its industrial sector as an alternative production base.

Nationally, the industrial sector plays a strategic role with a stable contribution to Indonesia's Gross Domestic Product during the 2021-2024 period, while also being the mainstay of employment and non-oil and gas exports. However, these opportunities are also accompanied by challenges in the form of production cost pressures, global demand fluctuations, and a decline in export competitiveness due to new tariff policies.

Operational efficiency issues are also important, particularly in relation to low Asset Turnover (TATO) and Working Capital Turnover (WCTO) in a number of industrial companies. Low TATO reflects suboptimal asset utilization, while inefficient WCTO indicates weak working capital management, especially in capital-intensive sectors. The implementation of ESG disclosure adds to the challenges as it requires adequate investment, data infrastructure, and human resources. Lack of preparedness in these aspects has the potential to exacerbate uncertainty in company financial performance.

Previous studies have shown inconsistent results regarding the impact of ESG and efficiency ratios on financial performance. Several studies have found that ESG disclosure has a positive effect on the ROA of companies in Indonesia (Sari & Maryama, 2024; Syafira & Rokhayati, 2025; Wahdan Arum Inawati & Rahmawati, 2023), while other studies show that ESG has no significant effect, especially when compared to neighboring countries (Dian Pramitya Khairunnisa & Erna Widiastuty, 2023; Era Vivianti Husada, 2021). On the other hand, findings regarding the influence of TATO and WCTO on financial performance also vary, where TATO tends to have a positive effect, while WCTO shows inconsistent results (Andi et al., 2022; Aprillah et al., 2025; Handayani & Arrozi, 2023; Lestari, 2020). These differing results indicate a research gap, particularly regarding the integration of ESG disclosure and operational efficiency in a single empirical model.

In addition to inconsistent empirical findings, recent studies indicate that the effectiveness of ESG disclosure in improving company performance is highly dependent on sectoral characteristics and internal governance readiness. Research by Handayani & Ulpah (2025) shows that the implementation of risk management and governance mechanisms in Indonesian industrial companies does not always result in improved financial performance, particularly when firms face efficiency pressures and volatile external conditions. Similarly, Putra et al., (2025) emphasize that sustainability disclosure often functions as a long-term legitimacy tool rather than a short-term driver of profitability. These findings strengthen the research gap regarding whether ESG disclosure, when combined with operational efficiency indicators, is able to significantly influence the financial performance of industrial companies in Indonesia.

Based on these conditions, this study aims to analyze the effect of ESG disclosure, asset turnover, and working capital turnover on the financial performance of industrial companies listed on the Indonesia Stock Exchange during the period 2021–2024. This study uses a quantitative approach with multiple linear regression analysis based on secondary data from companies' financial reports and sustainability reports. In general, the results show that sustainability and operational efficiency play an important role in explaining variations in the financial performance of industrial companies.

This study contributes to a more comprehensive understanding of the integration of sustainability and operational efficiency in determining financial performance, particularly in the context of Indonesia's industrial sector post-pandemic and amid global trade dynamics. These findings are expected to serve as a reference for the development of financial accounting literature and support strategic decision-making by company management, investors, and regulators in promoting sustainable and competitive industrial growth.

LITERATURE REVIEW

Signaling Theory

Signaling Theory was first introduced by Spence (1973) and later widely adopted in the field of finance by Brigham & Houston, (2007) to explain how company management conveys information to investors in order to reduce information asymmetry. In this context, management, as the party with superior information, seeks to send credible signals through the disclosure of financial and non-financial information, including financial ratios and sustainability reports.

Signals that are considered positive by the market, such as asset efficiency or profit consistency, tend to increase investor confidence and drive an increase in company value. Conversely, negative signals such as operational inefficiency or working capital instability can increase risk perception and reduce investment interest (Brigham & Houston, 2007). However, the effectiveness of signals is highly dependent on the credibility and consistency of the information conveyed, as biased or manipulative signals have the potential to mislead investors in the short term (Andi et al., 2022).

In this study, ESG, TATO, and WCTO disclosures are viewed as forms of signals that represent the managerial quality, business sustainability, and operational efficiency of industrial companies in Indonesia for the period 2021–2024.

Environmental, Social, and Governance (ESG) Disclosure

ESG disclosure reflects a company's transparency in reporting the impact of its operations on the environment, society, and governance. From the perspective of stakeholder theory, ESG disclosure plays an important role in meeting stakeholder expectations and building corporate legitimacy (Freeman & McVea, 2005). Meanwhile, in signaling theory, ESG disclosure functions as a signal of sustainability and long-term risk management.

Empirical research shows mixed results. Syafira & Rokhayati, (2025) and Sari & Maryama, (2024) found that ESG disclosure has a significant positive effect on ROA, indicating that investors respond positively to sustainability signals. Conversely, Khairunnisa & Widiastuty, (2023) and Era Vivianti Husada, (2021) found that ESG disclosure does not always have a significant impact on financial performance, especially in Indonesia, indicating the existence of contextual factors such as the level of ESG adoption and disclosure quality.

Empirical evidence in emerging markets, including Indonesia, suggests that ESG disclosure does not universally translate into improved financial performance. Azizah & Prastiwi, (2025) found that while ESG-related governance practices positively affect firm value, their impact on accounting-based performance measures remains limited. Furthermore, Putra et al., (2025) argue that environmental and sustainability disclosures tend to be effective only when supported by strong corporate governance structures. This indicates that ESG disclosure in industrial companies may serve more as a reputational and governance signal rather than a direct determinant of short-term profitability, reinforcing the need to integrate ESG variables with operational efficiency indicators in empirical analysis.

Asset Turnover (TATO)

Asset Turnover measures a company's ability to utilize its assets to generate sales and reflects operational efficiency. In signaling theory, a high TATO is a positive signal of management's ability to optimize assets and increase productivity (Brigham & Houston, 2007).

Andi et al., (2022) found that TATO has a significant positive effect on financial performance, indicating that asset efficiency is appreciated by investors. However, Lestari, (2020) found that TATO does not always have a significant effect on ROA, especially in certain sectors. This inconsistency indicates that the effectiveness of TATO as a performance signal depends on industry characteristics and company asset structure.

Working Capital Turnover (WCTO)

Working Capital Turnover reflects the efficiency of working capital management in supporting operational activities. In the context of signaling theory, an excessively high WCTO can be a negative signal because it indicates liquidity pressure and operational risk, while an excessively low WCTO reflects inefficient use of funds (Andi et al., 2022). Empirical results show findings that tend to be negative. Andi et al., (2022) and Handayani & Arrozi, (2023) found that WCTO has a significant negative effect on financial performance, mainly due to liquidity risk. However, (Aprillah et al., 2025) found that WCTO does not have a significant effect on ROA, indicating that the effect of working capital is contextual and influenced by the company's operational strategy.

The Effect of ESG Disclosure on Financial Performance

Environmental, Social, and Governance (ESG) disclosure reflects a company's commitment to sustainability, transparency, and responsible business practices. Good ESG disclosure sends a positive signal to stakeholders about the quality of corporate governance and sustainability, in line with signaling theory. Companies that disclose ESG information more extensively tend to improve internal governance quality, risk management, and operational discipline. These improvements may reduce operational inefficiencies, regulatory risks, and unexpected costs, which in turn can enhance a company's ability to generate profits from its assets and ultimately improve financial performance. Several previous studies have shown that ESG disclosure affects a company's financial performance.

H1: ESG disclosure affects financial performance.

The Effect of Asset Turnover on Financial Performance

Asset Turnover (TATO) describes a company's ability to utilize all of its assets to generate sales. The higher the asset turnover ratio, the more efficient the company is in managing its assets. Efficient use of assets reflects good operational performance and management's ability to optimize the company's resources. Based on efficiency theory, companies with high asset turnover tend to have better financial performance. Previous studies have shown that asset turnover affects financial performance.

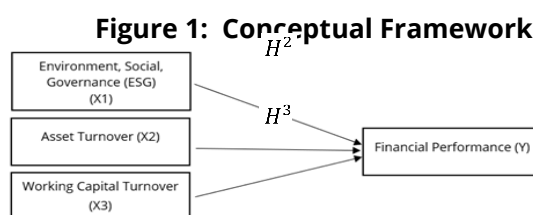
H2: Asset turnover affects financial performance.

The Effect of Working Capital Turnover on Financial Performance

Working Capital Turnover (WCTO) indicates a company's effectiveness in managing working capital to support operational activities. Efficient working capital management allows companies to maintain liquidity while increasing profitability. A high working capital turnover rate indicates that working capital is being optimally utilized to generate income. From a financial management perspective, working capital efficiency contributes to improving a company's financial performance. Previous studies have shown that working capital turnover has an effect on financial performance, although the results may vary between companies.

H3: Working capital turnover affects financial performance.

Based on the discussion above with the development of hypotheses, the formulation of the framework of this research is as follows: H^1



Processed Data, 2026

METHODS

This study uses a quantitative approach to analyze the effect of Environmental, Social, and Governance (ESG) disclosure, Asset Turnover (TATO), and Working Capital Turnover (WCTO) on the financial performance of Industrial Goods companies listed on the Indonesia Stock Exchange (IDX) during the period 2021–2024. The research population includes all Industrial Goods sector companies listed on the IDX during the observation period.

Sample selection was conducted using purposive sampling, with the following criteria: (1) Industrial Goods sector companies consistently listed on the IDX during 2021–2024; (2) companies that published complete annual financial reports for the observation period; (3) companies that disclosed sustainability or ESG-related information required to measure ESG disclosure; and (4) companies with complete data to calculate Asset Turnover (TATO), Working Capital Turnover (WCTO), and Return on Assets (ROA). Based on these criteria, a total of 135 firm-year observations were obtained and used as the research sample. However, after handling outliers to improve data quality, the number of valid observations became 113 observations. This study uses secondary data obtained from companies annual financial reports and sustainability reports published on the IDX official website and the official websites of each company. Financial performance is measured using Return on Assets (ROA) as a proxy for a company's ability to generate profits from total assets. The independent variables consist of ESG disclosure, which is measured using an ESG disclosure score based on content analysis; Asset Turnover (TATO), which is measured by the ratio of net sales to total assets; and Working Capital Turnover (WCTO), which is measured by the ratio of net sales to working capital.

Data analysis was performed using descriptive statistics, classical assumption tests, and multiple linear regression analysis with the help of SPSS version 26. The regression model was used to test the effect of independent variables on financial performance, both simultaneously and partially. The regression equation used in this study is:

$$ROA = \alpha + \beta_1 ESG + \beta_2 TATO + \beta_3 WCTO + \varepsilon$$

Description:

- ROA = Return on Assets
- ESG = ESG Disclosure Score
- TATO = Asset Turnover
- WCTO = Working Capital Turnover
- α = Constant
- $\beta_1, \beta_2, \beta_3$ = Regression coefficients
- ε = Error

RESULTS

Descriptive Statistical Analysis

Table 1. Descriptive Statistical Test Results

Descriptive Statistics					
	N	Minimum	Maximum	Mean	Std. Deviation
ESG_X1	113	.00	.76	.4314	.14537
TATO_X2	113	.13	1.52	.6481	.33406
WCTO_X3	113	-228.34	188.20	2.2459	28.68516
ROA_Y	113	-.09	.18	.0309	.05988
Valid N (listwise)	113				

Source: Data processed with SPSS 26 (2026)

Based on the descriptive statistics in Table 1, the ESG variable has a minimum value of 0.00 and a maximum value of 0.76, with an average value of 0.4314 and a standard deviation of 0.14537. The Asset Turnover (TATO) variable shows a minimum value of 0.13 and a maximum value of 1.52, with an average of 0.6481 and a standard deviation of 0.33406. Furthermore, the Working Capital Turnover (WCTO) variable has a value range from -228.34 to 188.20, with an average value of 2.2459 and a standard deviation of 28.68516. Meanwhile, the financial performance variable proxied by Return on Assets (ROA) has a minimum value of -0.09 and a maximum value of 0.18, with an average value of 0.0309 and a standard deviation of 0.05988.

Classical Assumption Test

Classical assumption tests covering normality, multicollinearity, heteroscedasticity, and autocorrelation are conducted to ensure that the regression model meets the validity requirements.

Table 2. Normality Test

One-Sample Kolmogorov-Smirnov Test		
		Unstandardized Residual
N		113
Normal Parameters ^{a,b}	Mean	.0000000
	Std. Deviation	.05279955
Most Extreme Differences	Absolute	.090
	Positive	.090
	Negative	-.040
Test Statistic		.090
Asymp. Sig. (2-tailed)		.026 ^c
a. Test distribution is Normal.		
b. Calculated from data.		
c. Lilliefors Significance Correction.		

Source: Data processed with SPSS 26 (2026)

Previously, the Kolmogorov-Smirnov normality test showed an Asymp. Sig. (two-tailed) value of 0.00 (< 0.05), indicating that the data were not normally distributed. After removing outliers, the sample size decreased from 135 to 113, and the normality test showed an Asymp. Sig. (two-tailed) value of 0.026 (> 0.05), indicating that the data was still not normal. However, the distribution of the sample from the parameter estimate will approach normal at a sufficiently large sample size, even if the original data is not normal. Therefore, with a final sample size of 113, the assumption of normality of residuals in this analysis remains valid for inferential purposes, as shown in Table 2. (Ali Memon et al., 2020; Ghasemi & Zahediasl, 2012; Lumley et al., 2002)

Table 3. Multicollinearity Test Results

Coefficients ^a							
Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
	B	Std. Error	Beta			Tolerance	VIF
(Constant)	-.029	.018		-1.631	.106		
ESG_X1	.015	.035	.036	.418	.677	.970	1.031
TATO_X2	.083	.015	.466	5.477	.000	.987	1.013
WCTO_X3	.000	.000	-.067	-.790	.431	.980	1.021

a. Dependent Variable: ROA_Y

Source: Data processed with SPSS 26 (2026)

Based on Table 3, the multicollinearity test results show that all variables have tolerance values > 0.10 and $VIF < 10$, so it can be concluded that there is no multicollinearity in the regression model.

Table 4. Heterocedasticity Test Results

Coefficients ^a					
Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	.017	.011		1.559	.122
ESG_X1	.030	.022	.131	1.386	.169
TATO_X2	.017	.009	.166	1.768	.080
WCTO_X3	1.781E-5	.000	.015	.163	.871

a. Dependent Variable: ABS_RES

Source: Data processed with SPSS 26 (2026)

Based on Table 4, the results of the heteroscedasticity test using Glejser test show that all sig. values are > 0.05 , so it can be concluded that the regression model does not experience heteroscedasticity.

Table 5. Autocorrelation Test Results

Model Summary ^b					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.472 ^a	.223	.201	.05352	1.865

a. Predictors: (Constant), WCTO_X3, TATO_X2, ESG_X1

b. Dependent Variable: ROA_Y

Source: Data processed with SPSS 26 (2026)

Based on Table 5, the Durbin-Watson value of 1.865 is within the range of $dU < dW < 4-dU$ ($1.7480 < 1.8650 < 2.2520$). Thus, the regression model is free from autocorrelation, both positive and negative, so the model is considered good and suitable for use.

Table 6. Multiple Linear Regression Test Results

Coefficients ^a						
Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	
	B	Std. Error	Beta			
1 (Constant)	-.029	.018		-1.631	.106	
ESG_X1	.015	.035	.036	.418	.677	
TATO_X2	.083	.015	.466	5.477	.000	
WCTO_X3	.000	.000	-.067	-.790	.431	

a. Dependent Variable: ROA_Y

Source: Data processed with SPSS 26 (2026)

The results were then entered into a multiple linear regression equation to obtain the following equation:

$$Y = -0.029 + 0.015 \text{ ESG} + 0.083 \text{ TATO} + 0.00 \text{ WCTO}$$

Based on Table X, the constant value (α) of -0.029 indicates that when ESG disclosure, Asset Turnover (TATO), and Working Capital Turnover (WCTO) are constant, the company's ROA is at a level of -0.029 . The t-test results show that the ESG variable has a coefficient of 0.015 with a significance value of $0.677 > 0.05$, so it does not have a significant effect on ROA. The TATO variable has a significant effect on ROA with a coefficient of 0.083 and a significance value of $0.000 < 0.05$, indicating that increased asset efficiency can improve a company's financial performance. Meanwhile, the WCTO variable has a coefficient of 0.000 with a significance value of $0.431 > 0.05$, so it does not have a significant effect on ROA even though it shows a negative relationship.

Hypothesis Testing

Table 7. Overall Regression Significance Test

ANOVA ^a						
	Model	Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.089	3	.030	10.404	.000 ^b
	Residual	.312	109	.003		
	Total	.402	112			

a. Dependent Variable: ROA_Y

b. Predictors: (Constant), WCTO_X3, TATO_X2, ESG_X1

Source: Data processed with SPSS 26 (2026)

Based on Table 7, the F-test results show an F-count value of 10.404 with a significance of $0.000 < 0.05$, so that the regression model is declared significant and meets the goodness of fit criteria. This indicates that the simultaneous disclosure of ESG, TATO, and WCTO has an effect on financial performance (ROA). Thus, the regression model is suitable for predicting ROA.

Table 8. Coefficient of Determination Test (R2)

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.472 ^a	.223	.201	.05352

a. Predictors: (Constant), WCTO_X3, TATO_X2, ESG_X1

Source: Data processed with SPSS 26 (2026)

Based on the results of the coefficient of determination test in the Model Summary table, the Adjusted R Square value of 0.201 indicates that the ESG disclosure, Asset Turnover (TATO), and Working Capital Turnover (WCTO) variables are able to explain 20.1% of the variation in financial performance (ROA). Thus, the regression model used has moderate explanatory power, while 79.9% of the variation in ROA is influenced by other factors outside the research model.

Table 9. Partial Test (t-test)

Coefficients ^a					
Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	-.029	.018		-1.631	.106
ESG_X1	.015	.035	.036	.418	.677
TATO_X2	.083	.015	.466	5.477	.000
WCTO_X3	.000	.000	-.067	-.790	.431

a. Dependent Variable: ROA_Y

Source: Data processed with SPSS 26 (2026)

Based on the t-test results in Table 9, the Asset Turnover (TATO) variable was proven to have a positive and significant effect on financial performance (ROA) with a significance value of 0.000 (< 0.05). Meanwhile, ESG disclosure and Working Capital Turnover (WCTO) do not have a significant effect on ROA because they have significance values of 0.677 and 0.431 (> 0.05), respectively, even though ESG shows a positive direction of influence and WCTO shows a negative direction of influence.

DISCUSSION

The Effect of ESG Disclosure (X_1) on Financial Performance (Y)

The results of the first hypothesis test (H_1) show that ESG disclosure does not have a significant effect on the financial performance of industrial companies listed on the Indonesia Stock Exchange. This is indicated by a regression coefficient value of 0.015 with a significance level of 0.677 (> 0.05), so the first hypothesis is rejected. Although the direction of the effect is positive, ESG disclosure has not been able to have a real impact on increasing Return on Assets (ROA).

This finding can be explained through Signaling Theory Spence, (1973), in which ESG disclosure should be a positive signal for investors. However, the moderate level of ESG disclosure and the high dependence of the industrial sector on imports of raw materials and production components cause investors to focus more on operational efficiency factors. External pressures such as trade wars and import tariff policies have also increased production costs and operational risks, so that the economic benefits of ESG disclosure have not been reflected in financial performance. These results are in line with the findings of Khairunnisa & Widiastuty, (2023) Husada, (2021)

The insignificant effect of ESG disclosure on Return on Assets (ROA) is consistent with previous studies conducted in the Indonesian context. Azizah & Prastiwi, (2025) reveal that ESG and governance initiatives tend to influence firm value and investor perception rather than short-term financial performance. In addition, Handayani & Ulpah, (2025) highlight that in industrial and capital-intensive sectors, sustainability initiatives often require substantial investment and compliance costs, which may suppress short-term profitability. Therefore, ESG disclosure in Indonesian industrial companies is more likely to function as a long-term strategic and reputational signal rather than an immediate driver of financial performance, explaining its insignificant relationship with ROA in this study.

The Effect of Asset Turnover (TATO) (X_2) on Financial Performance (Y)

The results of the second hypothesis test (H_2) show that Asset Turnover (TATO) has a positive and significant effect on the financial performance of companies in the industrial sector. The regression coefficient value of 0.083 with a significance level of 0.000 (< 0.05) indicates that the more efficient a company is in utilizing its assets, the higher the ROA it will generate. Thus, the second hypothesis is accepted.

This finding is consistent with Signaling Theory, in which asset utilization efficiency becomes a positive signal to investors regarding management's ability to manage company resources productively. In conditions of external pressure, such as rising import costs and global economic volatility, companies with high TATO are considered more capable of surviving and maintaining financial performance stability. The results of this study are in line with the findings of Andi et al., (2022) and Handayani & Arrozi, (2023), which confirm that TATO is an important indicator in assessing a company's operational efficiency and prospects.

The Effect of Working Capital Turnover (WCTO) (X_3) on Financial Performance (Y)

The results of the third hypothesis (H_3) test show that Working Capital Turnover (WCTO) does not have a significant effect on the financial performance of companies in the industrial

sector. This is indicated by a regression coefficient value of 0.000 with a significance level of 0.431 (> 0.05), so the third hypothesis is rejected. The negative direction of the coefficient indicates that an increase in WCTO tends to be followed by a decrease in ROA, although the effect is not significant.

Based on Signaling Theory, excessively high WCTO can be perceived as a signal of liquidity risk and potential cash flow instability. In industrial sectors facing production cost pressures and global economic uncertainty, overly strict working capital management can actually increase operational risk. The results of this study are not in line with the findings of Andi et al., (2022) and Firdayani et al., (2022), which show that the effect of WCTO is contextual and highly dependent on industry conditions and the research period.

CONCLUSION

This study analyzes the effect of Environmental, Social, and Governance (ESG) disclosure, Asset Turnover (TATO), and Working Capital Turnover (WCTO) on financial performance proxied by Return on Assets (ROA) in Industrial Goods sector companies listed on the Indonesia Stock Exchange for the period 2021–2024. The test results show that ESG disclosure has a positive but insignificant effect on financial performance. This finding indicates that the improvement in the quality of ESG disclosure during the study period has not been able to provide a statistically significant impact on company profitability, so the first hypothesis cannot be accepted.

Furthermore, Asset Turnover (TATO) was found to have a positive and significant effect on ROA, indicating that asset utilization efficiency is an important factor in improving the financial performance of Industrial Goods sector companies. This variable was also the most dominant predictor in the research model, thus supporting the second hypothesis. Conversely, Working Capital Turnover (WCTO) showed a negative but insignificant effect on ROA, indicating that an increase in working capital turnover is not necessarily followed by an increase in company profitability, thus the third hypothesis is not supported.

Simultaneously, ESG, TATO, and WCTO disclosures have a significant effect on company financial performance, with an Adjusted R^2 value of 0.201, indicating that these three variables can explain 20.1% of ROA variation. However, the explanatory power of the model is still moderate, so there are limitations in capturing other factors that affect financial performance. Therefore, further research is recommended to add other variables, expand the research sector, and use a longer observation period to obtain more comprehensive results and increase the validity of the findings.

LIMITATION

This study has limitations in terms of the scope of objects, which only covers Industrial Goods sector companies listed on the Indonesia Stock Exchange during the period 2021–2024. The focus on one sector means that the results of the study cannot be generalized to other sectors with different operational characteristics and cost structures. These differences have the potential to affect the relationship between the research variables and financial performance.

Another limitation relates to the selection of research variables and data sources. The research model only uses ESG, TATO, and WCTO disclosures, which is reflected in an Adjusted R^2 value of 0.201, meaning that most of the variation in financial performance remains unexplained. In addition, the use of secondary data limits the research's ability to capture internal managerial and strategic factors within companies.

Based on these limitations, future research is recommended to expand the scope of the research sector and add other independent variables such as company size, capital structure, leverage, and sales growth. The addition of variables and expansion of the sample are expected

to increase the explanatory power of the model and produce more comprehensive findings regarding the factors that affect financial performance.

These limitations are in line with prior empirical studies which emphasize that ESG-related research in Indonesia requires broader variable integration and longer observation periods to fully capture its financial implications. Azizah & Prastiwi, (2025) and Putra et al., (2025) suggest that future studies should incorporate governance quality, firm value indicators, and cross-sector comparisons to better explain the economic consequences of sustainability disclosure. Expanding the research scope and variables is expected to improve the explanatory power of the model and provide more comprehensive insights into the determinants of financial performance.

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