

Implementation of Green Economy: The Influence of Environmental, Social, Governance (ESG) in Business Strategy on Company Performance

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ABSTRACT

This study aims to analyze the effect of Environmental, Social, and Governance (ESG) scores on company performance, particularly in the financial sector. In this research, ESG scores are used as the independent variable, while company performance, measured by Return on Equity (ROE), serves as the dependent variable. ESG is a crucial component of the green economy, which seeks to balance economic growth, environmental sustainability, and social responsibility. This study focuses on financial companies listed on the Indonesia Stock Exchange (IDX) in 2022-2023, with ESG scores published by the Katadata ESG Index. A purposive sampling method was employed, resulting in a final sample of 26 companies over two years, producing a total of 52 data points. The data were obtained from company financial statements and ESG reports. The analysis techniques used include descriptive statistics, classical assumption tests, and simple linear regression.

The findings reveal that ESG scores do not have a significant effect on company performance, with a regression significance value greater than 0.05. This suggests that changes in ESG scores may not directly influence profitability in the financial sector within the observed period. The study provides insights into the relationship between sustainability practices and financial performance, highlighting the need for a longer observation period or additional moderating variables to better capture ESG's impact. These results are relevant for investors, policymakers, and financial institutions seeking to integrate sustainability into business strategies.

Keywords: ESG, ROE, Corporate Performance, Green Economy