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# Financial Performance Analysis of Companies Listed in the Environmental, Social, and Governance Leaders Index

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## ABSTRACT

**Study's aim:** This study aims to analyze the financial performance of companies consistently included in the ESG Leaders Index on the Indonesia Stock Exchange (IDX) during the period 2021–2023. The study focuses on evaluating whether ESG-oriented firms demonstrate strong financial performance across different sectors. **Design/Methodology/Approach:** This study employs a quantitative descriptive approach using secondary data obtained from published financial statements. The sample consists of 16 companies selected through purposive sampling. Financial performance is analyzed using financial ratio analysis, covering liquidity, solvency, and profitability ratios. **Findings:** The results indicate that financial performance among ESG Leaders companies is heterogeneous. Most companies demonstrate adequate liquidity, reflecting their ability to meet short-term obligations. In terms of solvency, companies, particularly in the financial sector, tend to rely on debt financing, although leverage levels remain within acceptable limits. Profitability shows the greatest variation across sectors, indicating that not all ESG-oriented firms achieve consistent financial outcomes. **Theoretical Contribution/Originality:** This study contributes to the literature by providing empirical evidence from an emerging market context, highlighting that ESG inclusion does not necessarily lead to uniform financial performance. It also supports the argument that the relationship between ESG practices and financial performance remains complex and context-dependent. **Practitioner/Policy Implication:** The findings provide insights for investors and managers in evaluating ESG-based investments, emphasizing the importance of balancing sustainability initiatives with effective financial and operational strategies. **Limitation/Implication:** This study is limited to a descriptive analysis of 16 ESG Leaders Index companies and does not capture causal relationships or broader market conditions. The findings imply that ESG inclusion alone is not sufficient to ensure strong financial performance, highlighting the need to consider firm-specific and industry factors.

**Keywords:** ESG Leaders Index; Financial Performance; Liquidity; Solvency; Profitability; Indonesia Stock Exchange



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## Introduction

The growing global emphasis on sustainability has significantly transformed how corporate performance is evaluated. Beyond traditional financial metrics, stakeholders increasingly consider non-financial dimensions, particularly Environmental, Social, and Governance (ESG) factors, as integral components of long-term value creation (Eccles et al., 2014; Friede et al., 2015). In response to this shift, stock exchanges worldwide, including the Indonesia Stock Exchange (IDX), have introduced ESG-based indices to guide responsible investment decisions. One such initiative is the ESG Leaders Index, which comprises companies demonstrating superior ESG performance alongside relatively stable financial conditions.

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From a theoretical perspective, ESG practices are closely associated with the concept of sustainable development, where firms are expected not only to generate profits but also to contribute to environmental preservation and social welfare (Elkington & Rowlands, 1999). The integration of ESG principles is believed to enhance corporate reputation, reduce risk exposure, and improve access to capital (Eccles et al., 2014; Goss & Roberts, 2011). Consequently, companies included in ESG indices are often perceived as having better governance quality and long-term resilience. However, the extent to which strong ESG performance aligns with favorable financial performance remains an ongoing debate in the literature (Margolis et al., 2009; Velte, 2017).

Financial performance itself reflects a firm's ability to manage its resources effectively, typically measured through financial ratios such as liquidity, solvency, and profitability (Hutabarat, 2021; Febriyani, 2021). These indicators provide insights into a company's operational efficiency, risk structure, and profit-generating capacity. While ESG-oriented firms are expected to perform better due to enhanced stakeholder trust and strategic sustainability practices, empirical evidence suggests mixed results (Friede et al., 2015; Velte, 2017). Variations in financial performance across firms, even within the same ESG index, indicate that ESG compliance does not automatically guarantee superior financial outcomes.

In the Indonesian context, the ESG Leaders Index presents an interesting empirical setting. Although companies included in this index are selected based on strong ESG ratings and relatively low controversy levels, recent observations indicate fluctuations in ESG risk ratings and financial performance indicators. This phenomenon raises critical questions regarding the consistency between sustainability performance and financial outcomes. Moreover, prior studies have predominantly focused on individual firms or specific sectors, rather than examining a group of firms consistently included in an ESG-based index.

Therefore, this study aims to fill this gap by analyzing the financial performance of companies consistently listed in the ESG Leaders Index on the Indonesia Stock Exchange during the period 2021–2023. Using a financial ratio approach that covers liquidity, solvency, and profitability, this research seeks to provide a comprehensive evaluation of how ESG-oriented firms perform financially across industries. Unlike previous studies that focus on isolated cases, this study offers a broader perspective by examining multiple firms within a sustainability-based index.

The contribution of this study is threefold. First, it enriches the empirical literature on the relationship between ESG practices and financial performance in emerging markets. Second, it provides practical insights for investors in assessing whether ESG-based investment aligns with financial returns. Third, it offers managerial implications for companies in optimizing the integration of sustainability strategies with financial performance objectives.

## Literature Review

### Financial Statements

Financial statements are the final output of the accounting process and function as a primary medium for communicating financial information to stakeholders. They provide essential data used to evaluate a company's financial position and performance (Permana et al., 2022; Kurniasari et al., 2023). Generally, financial statements consist of several main components, including the balance sheet, income statement, statement of changes in equity, cash flow statement, and notes to the financial statements (Nathan, 2024). Each component plays a significant role in presenting a comprehensive overview of a company's financial condition.

### Environmental, Social, and Governance (ESG)

ESG is a framework used to assess corporate sustainability based on three main aspects: environmental responsibility, social relationships, and governance structure (Jayanti et al., 2024).

The environmental aspect evaluates how a company manages its impact on the environment. The social aspect focuses on the company's relationship with stakeholders, including employees and communities. Meanwhile, governance relates to the corporate structure, policies, and management systems applied by the company. The ESG Leaders Index is developed to measure the performance of companies that demonstrate high ESG ratings and are not involved in significant controversies. Companies included in this index are also required to disclose sustainability reports, ensuring transparency and accountability (Warsini, 2024).

## Financial Performance

Financial performance reflects a company's ability to manage its financial resources effectively and efficiently in achieving its objectives (Hutabarat, 2021). It is commonly evaluated by comparing actual financial outcomes with predetermined standards. The assessment of financial performance aims to measure profitability, liquidity, solvency, and operational stability (Hutabarat, 2020). Therefore, financial performance not only indicates the company's ability to generate profit but also its capability to fulfill obligations and maintain long-term stability.

## Financial Ratio Analysis

Financial ratio analysis is a method used to evaluate a company's financial condition by analyzing data derived from financial statements (Febriyani, 2021). This analysis enables stakeholders, such as investors and management, to assess financial performance and make informed decisions. Financial ratios are generally classified into liquidity, solvency, activity, profitability, and market ratios (Fadila et al., 2023). However, this study focuses on liquidity, solvency, and profitability ratios, as they are considered the most relevant in evaluating financial performance.

### Liquidity Ratios

Liquidity ratios measure a company's ability to meet its short-term obligations using current assets (Shabrina, 2019; Wynadla & Jati, 2024).

$$\text{Current Ratio} = \frac{\text{Current Assets}}{\text{Current Liabilities}}$$

The current ratio indicates the extent to which current assets can cover current liabilities, reflecting the company's short-term financial strength (Shabrina, 2019).

$$\text{Quick Ratio} = \frac{\text{Current Assets} - \text{Inventory}}{\text{Current Liabilities}}$$

The quick ratio measures the company's ability to meet short-term obligations without relying on inventory, which is considered less liquid (Shabrina, 2019).

### Solvency Ratios

Solvency ratios are used to evaluate a company's ability to meet its long-term obligations and assess its financial structure (Wynadla & Jati, 2024).

$$\text{Debt to Asset Ratio} = \frac{\text{Total Debt}}{\text{Total Assets}}$$

This ratio shows the proportion of total assets financed by debt (Oktavia, 2023).

$$\text{Debt to Equity Ratio} = \frac{\text{Total Debt}}{\text{Total Equity}}$$

This ratio indicates the proportion of debt relative to equity, reflecting the company's capital structure (Adzhari & Oktaviani, 2024).

### Profitability Ratios

Profitability ratios measure the company's ability to generate profits from its operations (Yusnita, 2022; Suhendro, 2019).

$$\text{Profit Margin} = \frac{\text{Net Income}}{\text{Sales}}$$

Profit margin indicates the proportion of profit generated from sales (Suhendro, 2019).

$$\text{Return on Assets} = \frac{\text{Net Income}}{\text{Total Assets}}$$

ROA measures how efficiently a company uses its assets to generate profit (Yusnita, 2022).

$$\text{Return on Equity} = \frac{\text{Net Income}}{\text{Total Equity}}$$

ROE evaluates the return generated on shareholders' equity (Shabrina, 2019).

$$\text{Gross Profit Margin} = \frac{\text{Gross Profit}}{\text{Sales}}$$

Gross profit margin measures the efficiency of production and cost control (Shabrina, 2019).

Previous studies show that financial performance varies across companies and industries. Some firms demonstrate strong liquidity and solvency but weak profitability, indicating inefficiencies in operations (Mimung et al., 2023). Other studies reveal fluctuations in financial performance influenced by asset utilization, leverage, and industry characteristics (Iqbal et al., 2020; Kurniasari et al., 2023). These findings indicate that financial performance should be evaluated comprehensively using multiple financial ratios.

## Method

### Research Design

This study employs a quantitative descriptive approach to analyze the financial performance of companies included in the ESG Leaders Index. The descriptive method is used to provide a systematic and accurate description of financial conditions based on financial ratio analysis. The study does not aim to test causal relationships but focuses on evaluating and interpreting financial performance indicators derived from financial statements.

### Population and Sample

The population of this study consists of all companies listed in the ESG Leaders Index on the Indonesia Stock Exchange (IDX). The sampling technique used in this study is purposive sampling, with the following criteria:

1. Companies consistently included in the ESG Leaders Index during the period 2021–2023.
2. Companies that publish complete financial statements for the observed period.

Based on these criteria, a total of 16 companies were selected as the research sample. These companies represent various sectors, including banking, retail, infrastructure, and telecommunications. Table 1 shows a list of companies

**Table 1.** List of companies

No	Kode Perusahaan	Nama Perusahaan	Keterangan
1.	ACES	Ace Hardware Indonesia Tbk	Tahun 2021 – 2023
2.	AKRA	AKR Corporindo Tbk.	Tahun 2021 – 2023
3.	BBCA	Bank Central Asia Tbk.	Tahun 2021 – 2023
4.	BBNI	Bank Negara Indonesia (Persero) Tbk	Tahun 2021 – 2023
5.	BMRI	Bank Mandiri (Persero) Tbk	Tahun 2021 – 2023
6.	BSDE	Bumi Serpong Damai Tbk.	Tahun 2021 – 2023
7.	CTRA	Ciputra Development Tbk.	Tahun 2021 – 2023
8.	ERAA	Erajaya Swasembada Tbk	Tahun 2021 – 2023
9.	JSMR	Jasa Marga (Persero) Tbk.	Tahun 2021 – 2023
10.	MAPI	Mitra Adiperkasa Tbk.	Tahun 2021 – 2023
11.	MNCN	Media Nusantara Citra Tbk.	Tahun 2021 – 2023
12.	PWON	Pakuwon Jati Tbk.	Tahun 2021 – 2023
13.	SCMA	Surya Citra Media Tbk.	Tahun 2021 – 2023
14.	TBIG	Tower Bersama Infrastructure Tbk.	Tahun 2021 – 2023
15.	TLKM	Telkom Indonesia (Persero) Tbk.	Tahun 2021 - 2023
16.	UNVR	Unilever Indonesia Tbk	Tahun 2021 - 2023

Source: Data processed by the author, 2025

### Data Type and Source

This study uses secondary data obtained from published financial statements of companies listed in the ESG Leaders Index. The data were collected from official sources such as the Indonesia Stock Exchange (IDX) and company websites. The data used is quantitative, specifically financial statement data covering the period from 2021 to 2023.

### Data Collection Method

The data collection method used in this study is documentation. Financial statements and related reports were collected, reviewed, and analyzed to obtain relevant financial data required for calculating financial ratios.

### Data Analysis Technique

The data analysis technique used in this study is financial ratio analysis. The analysis focuses on three main categories of financial ratios, namely liquidity, solvency, and profitability.

### Liquidity Ratios

Liquidity ratios are used to measure the company's ability to meet its short-term obligations.

$$\text{Current Ratio} = \frac{\text{Current Assets}}{\text{Current Liabilities}}$$

$$\text{Quick Ratio} = \frac{\text{Current Assets} - \text{Inventory}}{\text{Current Liabilities}}$$

### Solvency Ratios

Solvency ratios are used to evaluate the company's ability to meet its long-term obligations.

$$\text{Debt to Asset Ratio} = \frac{\text{Total Debt}}{\text{Total Assets}}$$

$$\text{Debt to Equity Ratio} = \frac{\text{Total Debt}}{\text{Total Equity}}$$

### Profitability Ratios

Profitability ratios are used to measure the company's ability to generate profit from its operations.

$$\text{Profit Margin} = \frac{\text{Net Income}}{\text{Sales}}$$

$$\text{Return on Assets} = \frac{\text{Net Income}}{\text{Total Assets}}$$

$$\text{Return on Equity} = \frac{\text{Net Income}}{\text{Total Equity}}$$

$$\text{Gross Profit Margin} = \frac{\text{Gross Profit}}{\text{Sales}}$$

## Results

This study analyzes the financial performance of 16 companies consistently included in the ESG Leaders Index on the Indonesia Stock Exchange during the period 2021–2023. The analysis is conducted using financial ratio analysis, covering liquidity, solvency, and profitability dimensions to provide a comprehensive evaluation of financial conditions across sectors.

### Liquidity Performance

Liquidity performance is evaluated using the Current Ratio and Quick Ratio to assess the ability of companies to meet short-term obligations. Table 2 and Table 3 show that liquidity performance varies significantly across companies and sectors.

Based on Table 2, the values range from a minimum of 0.11 (banking sector) to a maximum of 8.03 (media sector, PT Media Nusantara Citra Tbk.). Companies in the retail and property sectors generally demonstrate higher liquidity. For example, PT Ace Hardware Indonesia Tbk. consistently maintains a very high current ratio (7.19–8.01–7.42), while PT Pakuwon Jati Tbk. shows a steady increase from 3.79 to 5.16, both exceeding the industry standard of 2 times. Similarly, property companies such as PT Bumi Serpong Damai Tbk. and PT Ciputra Development Tbk. maintain ratios above or close to the industry benchmark.

In contrast, companies in the banking sector, including PT Bank Central Asia Tbk., PT Bank Negara Indonesia (Persero) Tbk., and PT Bank Mandiri (Persero) Tbk., show significantly lower current ratios, ranging from 0.11 to 0.14. Infrastructure and telecommunications companies such as PT Tower Bersama Infrastructure Tbk. (0.18–0.34) and PT Telkom Indonesia (Persero) Tbk. (0.18–0.34) also fall below the industry standard.

For the Quick Ratio (Table 3), similar patterns are observed. The values range from 11% to 494%, with the highest value recorded by PT Media Nusantara Citra Tbk. (494% in 2023). Retail and media companies such as PT Ace Hardware Indonesia Tbk. (above 380%) and PT Surya Citra Media Tbk. (above 270%) demonstrate strong liquidity positions. In contrast, banking sector companies again show low quick ratios (11%–14%), far below the industry benchmark of 150%.

Overall, these findings indicate that non-financial companies tend to have stronger liquidity positions, while lower ratios in the banking sector reflect industry-specific characteristics rather than weak financial conditions. Additionally, liquidity ratios across most companies remain relatively stable over the 2021–2023 period, with only minor fluctuations.

**Table 2.** Current ratio calculation results for ESG Leaders companies

Company Name	Current Ratio			Industry Standards
	2021	2022	2023	
<b>Retail Sector Companies</b>				
PT Ace Hardware Indonesia Tbk	7,19	8,01	7,42	2
PT Erajaya Swasembada Tbk	1,55	1,24	1,26	2
PT Mitra Adiperkasa Tbk	1,23	1,42	1,36	2
<b>Distribution Company (BBM) and basic chemicals</b>				
PT AKR Corporindo Tbk	1,29	1,40	1,45	2
<b>Banking &amp; Finance Sector Companies</b>				
PT Bank Central Asia Tbk	0,11	0,13	0,12	2
PT Bank Negara Indonesia (Persero) Tbk	0,11	0,14	0,13	2
PT Bank Mandiri (Persero) Tbk	0,13	0,14	0,12	2
<b>Property Sector Companies</b>				
PT Bumi Serpong Damai Tbk	2,59	2,61	2,47	2
PT Ciputra Development Tbk	2,00	2,19	2,42	2
PT Pakuwon Jati Tbk	3,79	4,65	5,16	2
<b>Infrastructure and Transportation Sector Companies</b>				
PT Jasa Marga (Persero) Tbk	0,86	1,03	0,35	2
PT Tower Bersama Infrastructure Tbk	0,34	0,25	0,18	2
<b>Media Sector Companies</b>				
PT Media Nusantara Citra Tbk	3,13	4,72	8,03	2
PT Surya Citra Media Tbk	3,92	3,66	3,26	2
<b>Telecommunication Sector Companies</b>				
PT Telkom Indonesia (Persero) Tbk	0,34	0,25	0,18	2
<b>Consumer Goods Sector Companies</b>				
PT Unilever Indonesia Tbk	0,61	0,61	0,55	2

Source: Data processed by the author, 2025

**Table 3.** Quick Ratio Calculation Results for ESG Leader Companies

Company Name	Quick Ratio			Industry Standards
	2021	2022	2023	
<b>Retail Sector Companies</b>				
PT Ace Hardware Indonesia Tbk	391%	381%	393%	150%
PT Erajaya Swasembada Tbk	63%	57%	48%	150%
PT Mitra Adiperkasa Tbk	67%	80%	62%	150%

Company Name	Quick Ratio			Industry Standards
	2021	2022	2023	
<b>Distribution Company (BBM) and basic chemicals</b>				
PT AKR Corporindo Tbk	81%	94%	107%	150%
<b>Banking &amp; Finance Sector Companies</b>				
PT Bank Central Asia Tbk	11%	14%	12%	150%
PT Bank Negara Indonesia (Persero) Tbk	11%	14%	14%	150%
PT Bank Mandiri (Persero) Tbk	13%	14%	13%	150%
<b>Property Sector Companies</b>				
PT Bumi Serpong Damai Tbk	151%	150%	127%	150%
PT Ciputra Development Tbk	94%	111%	128%	150%
PT Pakuwon Jati Tbk	248%	322%	360%	150%
<b>Infrastructure and Transportation Sector Companies</b>				
PT Jasa Marga (Persero) Tbk	85%	102%	34%	150%
PT Tower Bersama Infrastructure Tbk	33%	34%	31%	150%
<b>Media Sector Companies</b>				
PT Media Nusantara Citra Tbk	220%	293%	494%	150%
PT Surya Citra Media Tbk	346%	314%	273%	150%
<b>Telecommunication Sector Companies</b>				
PT Telkom Indonesia (Persero) Tbk	88%	77%	76%	150%
<b>Consumer Goods Sector Companies</b>				
PT Unilever Indonesia Tbk	42%	40%	34%	150%

Source: Data processed by the author, 2025

### Solvency Performance

Solvency performance is measured using the Debt to Asset Ratio (DAR) and Debt to Equity Ratio (DER) to evaluate capital structure and long-term financial stability. Table 4 show that DAR values range from a minimum of 8% (PT Media Nusantara Citra Tbk.) to a maximum of 100% (banking sector). Companies in the media sector, such as PT Media Nusantara Citra Tbk. (8% in 2023), and retail sector companies like PT Ace Hardware Indonesia Tbk. (20% in 2023), demonstrate relatively low DAR values, indicating lower reliance on debt financing. These values are well below the industry standard of 35%, reflecting a more conservative capital structure.

In contrast, companies in the banking sector show extremely high DAR values, ranging from 76% to 100%, indicating heavy reliance on debt. Similarly, infrastructure companies such as PT Jasa Marga (Persero) Tbk. (70% in 2023) and PT Tower Bersama Infrastructure Tbk. (74% in 2023) also exceed the industry benchmark.

For the DER (Table 5), the variation is more pronounced, ranging from 9% to 777%. Media sector companies such as PT Media Nusantara Citra Tbk. (9% in 2023) and PT Surya Citra Media Tbk. (30% in 2023) show very low DER values, indicating strong equity positions. Retail companies such as PT Ace Hardware Indonesia Tbk. also maintain low DER (25% in 2023), well below the industry standard of 90%.

Conversely, banking sector companies exhibit extremely high DER values, such as PT Bank Mandiri (Persero) Tbk. (578%), PT Bank Negara Indonesia (Persero) Tbk. (602%), and PT Bank Central Asia Tbk. (581%) in 2023. Infrastructure companies also show high DER values above 200%, while PT Unilever Indonesia Tbk. records a significantly high DER of 393% in 2023. Overall, the solvency results indicate that leverage levels vary widely across sectors. While non-financial companies tend to adopt more conservative financing structures, financial institutions rely heavily on debt as part of their operational model. Despite this variation, most companies maintain relatively stable solvency ratios over time.

**Table 4.** Debt to Total Asset Ratio Calculation Results for ESG Leader Companies

Company Name	Debt To Asset Ratio			Industry Standards
	2021	2022	2023	
<b>Retail Sector Companies</b>				
PT Ace Hardware Indonesia Tbk	23%	18%	20%	35%
PT Erajaya Swasembada Tbk	43%	58%	60%	35%
PT Mitra Adiperkasa Tbk	58%	54%	55%	35%
<b>Distribution Company (BBM) and basic chemicals</b>				
PT AKR Corporindo Tbk	52%	52%	54%	35%
<b>Banking &amp; Finance Sector Companies</b>				
PT Bank Central Asia Tbk	100%	83%	100%	35%
PT Bank Negara Indonesia (Persero) Tbk	87%	86%	86%	35%
PT Bank Mandiri (Persero) Tbk	100%	77%	76%	35%
<b>Property Sector Companies</b>				
PT Bumi Serpong Damai Tbk	42%	41%	38%	35%
PT Ciputra Development Tbk	52%	50%	49%	35%
PT Pakuwon Jati Tbk	34%	32%	30%	35%
<b>Infrastructure and Transportation Sector Companies</b>				
PT Jasa Marga (Persero) Tbk	75%	72%	70%	35%
PT Tower Bersama Infrastructure Tbk	77%	75%	74%	35%
<b>Media Sector Companies</b>				
PT Media Nusantara Citra Tbk	18%	11%	8%	35%
PT Surya Citra Media Tbk	25%	21%	23%	35%
<b>Telecommunication Sector Companies</b>				
PT Telkom Indonesia (Persero) Tbk	48%	46%	45%	35%
<b>Consumer Goods Sector Companies</b>				
PT Unilever Indonesia Tbk	77%	78%	80%	35%

Source: Data processed by the author, 2025

**Table 5.** Debt to Equity Ratio Calculation Results for ESG Leader Companies

Company Name	Debt to Equity Ratio			Industry Standards
	2021	2022	2023	
<b>Retail Sector Companies</b>				
PT Ace Hardware Indonesia Tbk	30%	22%	25%	90%
PT Erajaya Swasembada Tbk	76%	137%	151%	90%
PT Mitra Adiperkasa Tbk	137%	116%	122%	90%
<b>Distribution Company (BBM) and basic chemicals</b>				
PT AKR Corporindo Tbk	108%	107%	115%	90%
<b>Banking &amp; Finance Sector Companies</b>				
PT Bank Central Asia Tbk	606%	492%	581%	90%
PT Bank Negara Indonesia (Persero) Tbk	663%	635%	602%	90%
PT Bank Mandiri (Persero) Tbk	777%	612%	578%	90%
<b>Property Sector Companies</b>				
PT Bumi Serpong Damai Tbk	71%	71%	62%	90%
PT Ciputra Development Tbk	110%	100%	95%	90%
PT Pakuwon Jati Tbk	51%	48%	43%	90%

<b>Infrastructure and Transportation Sector Companies</b>				
PT Jasa Marga (Persero) Tbk	297%	256%	232%	90%
PT Tower Bersama Infrastructure Tbk	328%	295%	280%	90%
<b>Media Sector Companies</b>				
PT Media Nusantara Citra Tbk	22%	13%	9%	90%
PT Surya Citra Media Tbk	33%	26%	30%	90%
<b>Telecommunication Sector Companies</b>				
PT Telkom Indonesia (Persero) Tbk	91%	84%	83%	90%
<b>Consumer Goods Sector Companies</b>				
PT Unilever Indonesia Tbk	341%	358%	393%	90%

Source: Data processed by the author, 2025

### Profitability Performance

Profitability performance is measured using Profit Margin, which reflects the company's ability to generate profit from sales. Table 6 show significant variation across companies and sectors. Companies in the banking sector demonstrate exceptionally high profitability. For example, PT Bank Central Asia Tbk. shows a consistent increase from 141% (2021) to 196% (2023), while PT Bank Mandiri (Persero) Tbk. increases from 105% to 148%. These values significantly exceed the industry standard of 20%, indicating strong earnings performance.

**Table 6.** Profit Margin Calculation Results for ESG Leader Companies

Company Name	Profit Margin			Industry Standards
	2021	2022	2023	
<b>Retail Sector Companies</b>				
PT Ace Hardware Indonesia Tbk	11%	10%	10%	20%
PT Erajaya Swasembada Tbk	3%	2%	1%	20%
PT Mitra Adiperkasa Tbk	23%	10%	2%	20%
<b>Distribution Company (BBM) and basic chemicals</b>				
PT AKR Corporindo Tbk	4%	5%	7%	20%
<b>Banking &amp; Finance Sector Companies</b>				
PT Bank Central Asia Tbk	141%	174%	196%	20%
PT Bank Negara Indonesia (Persero) Tbk	68%	99%	94%	20%
PT Bank Mandiri (Persero) Tbk	105%	131%	148%	20%
<b>Property Sector Companies</b>				
PT Bumi Serpong Damai Tbk	20%	26%	20%	20%
PT Ciputra Development Tbk	21%	22%	21%	20%
PT Pakuwon Jati Tbk	27%	31%	38%	20%
<b>Infrastructure and Transportation Sector Companies</b>				
PT Jasa Marga (Persero) Tbk	6%	14%	32%	20%
PT Tower Bersama Infrastructure Tbk	26%	26%	24%	20%
<b>Media Sector Companies</b>				
PT Media Nusantara Citra Tbk	27%	25%	14%	20%
PT Surya Citra Media Tbk	23%	10%	2%	20%
<b>Telecommunication Sector Companies</b>				
PT Telkom Indonesia (Persero) Tbk	24%	19%	22%	20%
<b>Consumer Goods Sector Companies</b>				
PT Unilever Indonesia Tbk	15%	13%	12%	20%

Source: Data processed by the author, 2025

In the property sector, companies such as PT Pakuwon Jati Tbk. also demonstrate strong profitability, with profit margins increasing from 27% to 38%, consistently above the industry benchmark. Similarly, PT Ciputra Development Tbk. maintains stable margins around 21–22%.

In contrast, companies in the retail sector show weaker profitability performance. PT Ace Hardware Indonesia Tbk. records relatively stable but lower margins (10–11%), while PT Erajaya Swasembada Tbk. experiences a decline from 3% to 1%. PT Mitra Adiperkasa Tbk. shows a significant drop from 23% (2021) to 2% (2023), indicating declining profitability.

Infrastructure companies show mixed results. PT Jasa Marga (Persero) Tbk. improves significantly from 6% to 32%, while PT Tower Bersama Infrastructure Tbk. maintains stable margins around 24–26%. Overall, profitability is identified as the most variable dimension of financial performance. While some companies achieve strong and increasing profitability, others experience fluctuations or declines, indicating that financial performance among ESG Leaders companies is not uniform.

## Discussions

The findings of this study indicate that financial performance among companies included in the ESG Leaders Index is not uniform across sectors. This result highlights that, although ESG integration is associated with sustainability and improved corporate reputation, its impact on financial performance remains heterogeneous. Previous studies also support this notion, suggesting that the relationship between ESG performance and financial outcomes is complex and influenced by multiple internal and external factors (Friede et al., 2015; Velte, 2017).

From a liquidity perspective, most companies demonstrate an adequate ability to meet short-term obligations, indicating relatively stable financial conditions. This finding suggests that companies included in the ESG Leaders Index tend to maintain sound working capital management and financial discipline. ESG-oriented firms are often associated with better risk management practices and transparency, which can enhance stakeholder trust and improve access to short-term financing (Eccles et al., 2014). However, the relatively lower liquidity ratios observed in the banking sector reflect industry-specific characteristics rather than poor financial performance. Financial institutions typically operate with different liquidity structures due to their intermediary role, which explains the lower ratio values compared to non-financial firms.

In terms of solvency, the results show that companies, particularly in the financial sector, tend to rely on debt financing. This finding is consistent with capital structure theory, which suggests that firms optimize their financing decisions based on industry characteristics and cost of capital considerations (Modigliani & Miller, 1958). In the case of banking institutions, high leverage is a common practice as it supports lending activities and profitability generation. Although higher leverage may increase financial risk, it remains within acceptable limits and is often managed through regulatory frameworks and risk management systems. Furthermore, ESG-compliant firms are generally perceived as lower-risk entities, which may allow them to access debt financing more easily and at lower costs (Goss & Roberts, 2011).

Regarding profitability, the variation in results indicates that ESG inclusion does not guarantee consistent financial performance. While some companies demonstrate strong profitability, others face challenges related to operational efficiency and competitive pressures. This finding aligns with previous empirical studies showing mixed results regarding the ESG–financial performance relationship (Margolis et al., 2009; Velte, 2017). On one hand, ESG practices can enhance profitability through improved reputation, innovation, and stakeholder engagement. On the other hand, the implementation of ESG initiatives may involve significant costs, particularly in the short term, which can reduce profit margins.

Furthermore, the differences in profitability across sectors suggest that industry dynamics play a crucial role in shaping financial outcomes. For instance, companies in the banking sector may benefit from stable revenue streams and economies of scale, while firms in retail and media sectors face higher operational costs and market competition. This indicates that financial performance is not solely determined by ESG practices but also by operational efficiency, cost management, and market positioning.

Overall, these findings suggest that financial performance is influenced not only by ESG practices but also by internal managerial efficiency and external industry conditions. ESG implementation contributes to long-term sustainability, risk mitigation, and corporate reputation (Eccles et al., 2014; Friede et al., 2015), but it does not automatically lead to superior financial outcomes. Therefore, companies need to balance sustainability initiatives with efficient resource management to achieve optimal financial performance.

## Conclusion

This study aims to analyze the financial performance of companies consistently included in the ESG Leaders Index during the period 2021–2023 using liquidity, solvency, and profitability ratios. The findings indicate that financial performance among ESG Leaders companies is heterogeneous across sectors and financial dimensions.

From the liquidity perspective, most companies demonstrate an adequate ability to meet short-term obligations, reflecting relatively stable financial conditions. In terms of solvency, companies—particularly in the financial sector—tend to rely on debt financing; however, their leverage levels remain within acceptable limits and reflect industry-specific characteristics. Meanwhile, profitability shows the greatest variation among companies, indicating that not all ESG-oriented firms achieve consistently strong financial outcomes.

Overall, the results suggest that inclusion in the ESG Leaders Index does not automatically guarantee superior financial performance. While ESG practices contribute to corporate sustainability, improved reputation, and better risk management, financial performance is also significantly influenced by internal managerial efficiency and external industry dynamics.

This study contributes to the literature by providing empirical evidence from an emerging market context, highlighting that the relationship between ESG and financial performance is not uniform. The findings also offer practical implications for investors and managers, emphasizing the importance of combining sustainability initiatives with effective financial and operational strategies to achieve optimal performance.

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## Conflict of Interest

The authors declare no conflict of interest. The founders had no role in the design of the study, the collection, analysis, or interpretation of data, the writing of the manuscript, or the decision to publish the results.