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The Mediating Role of Financial Performance on the Effect of ESG Disclosure and Board Gender Diversity on Firm Value of SRI-KEHATI Stock Index

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Abstract--- *This study aims to obtain empirical evidence of the effect of ESG disclosure and board gender diversity on firm value, with financial performance as a mediator, in companies listed in the SRI-KEHATI stock index on the Indonesia Stock Exchange from 2019 to 2023. The sample was determined using a purposive sampling method, resulting in 50 firm-year observations. The collected data were analyzed using path analysis with SPSS software and the Sobel test. The results indicate that ESG disclosure has no significant impact on financial performance or firm value. Board gender diversity, however, has a positive effect on both financial performance and firm value. Additionally, financial performance has a positive effect on firm value. Furthermore, financial performance is able to mediate the effect of board gender diversity on firm value. Conversely, financial performance is not able to mediate the effect of ESG disclosure on firm value. These findings provide insights for companies listed in the SRI-KEHATI stock index on the Indonesia Stock Exchange in making business decisions by implementing gender-diverse boards and managing their assets effectively to attract investors to make investment decisions.*

Keywords--- *Board Gender Diversity, ESG Disclosure, Financial Performance, Firm Value, SRI-KEHATI.*

Introduction

The highly competitive business era encourages companies to continuously increase their firm value. Brigham & Daves (2019) explain that corporate value indicates a company's ability to generate cash flow now and in the future. Firm value reflects the wealth of a company's shareholders (Thanh et al., 2024). The higher the firm value, the greater the shareholder wealth. Increased shareholder welfare can be reflected through a company's stock market price (Iswajuni et al., 2018). Firm value, as an important indicator of shareholder welfare, is an important research topic (Akhmadi & Januarsi, 2021). Companies can sell their shares to the public through capital markets to obtain effective and efficient funding sources (Setiawanta et al., 2019). Companies are then continuously encouraged to make efforts to increase firm value by attracting investors to make investment decisions by providing funding. High firm value is associated with an organization's financial performance, as information from the company's operational results, and this information acts as a signal to investors regarding a company's prospects (Keter et al., 2024). Information related to firm value is important for investors in the investment decision-making process, and for companies, high firm value indicates the company is getting closer to its main goal of improving stakeholder welfare (Pangestuti et al., 2022).

Freeman & McVea (2001) explain that the stakeholder theory states that organizations aim to produce many benefits for different stakeholders, namely groups or individuals who can influence or be impacted by the organization. When a company can provide value to stakeholders, this can be reflected in the firm's value, as

measured by the Tobin's Q ratio. The Tobin's Q ratio can effectively serve as a proxy for firm value because it reflects market perceptions of a company's growth potential and financial stability (Wahyono et al., 2024). Firm value is influenced by how investors view the company's management performance through financial and non-financial reports. Non-financial reports are comprehensive documents intended to provide information on a company's performance and practices in relation to sustainability factors (Di Chiacchio et al., 2024). Disclosure of non-financial information plays a crucial role in investor decision-making and contributes to attracting investors to invest (Mohammad et al., 2024). Investors are increasingly interested in businesses that are not only financially successful but also socially viable in the long term (Zainuddin et al. (2024).

ESG (environmental, social, and governance) practices are part of a company's non-financial indicators, encompassing sustainability and corporate governance issues. These sustainability practices are one effort that can be implemented in companies to benefit stakeholders. Stakeholders currently prioritize ESG issues as a manifestation of sustainable development (Khamisu et al., 2024). ESG is a set of guidelines for company operations used by socially and environmentally conscious investors to evaluate potential investments (Prabawati & Rahmawati, 2022). ESG development in Indonesia may be an attractive prospect for businesses which rely heavily on stakeholder support to help access new markets, while investors are increasingly seeking sustainable investment opportunities (Budhianto & Fatimah, 2024).

In Indonesia, the implementation of ESG in companies is regulated by Financial Services Authority Regulation No. 51/POJK.03/2017, which requires public listed companies to implement sustainable finance in their business activities. Under this regulation, all companies in the capital market are required to publish corporate sustainability reports. Companies can communicate ESG practices in their business operations through ESG disclosure, or sustainability reporting. ESG information should be disclosed because the majority of organizational stakeholders perceive such efforts as leading to improved future company performance, risk management, and reputation (Samy El-Deeb et al., 2023). ESG disclosure can increase stakeholder trust and, ultimately, firm value (Mohammad & Wasuzzaman, 2021).

Research conducted by Desai (2024), on companies in India shows ESG disclosure has a positive effect on firm value where ESG disclosure allowing shareholders to use this non-financial information to better evaluate company performance and properly assess the company. ESG disclosure can be an effective tool to communicate and meet stakeholder expectations (Li et al., 2024). These research results are supported by research conducted by (Kim & Kim, 2024; Propheta et al., 2025; Thahira & Mita, 2021). Different research results were found by Rohendi et al. (2024), who found ESG disclosure had no effect on firm value because stakeholders first assess whether ESG disclosure can make a company superior to its competitors before directly responding to information related to ESG disclosure. Research conducted by Dincă et al. (2022), on the automotive sector showed during the 2015-2020 period, the results of ESG's influence on firm value varied due to the lack of standardized ESG ratings. Angir & Weli (2024) found ESG disclosure negatively impacted firm value in companies listed on the Indonesia Stock Exchange in 2019-2021, because high ESG costs can lead to inaccurate and complex disclosures, potentially reducing investor confidence.

The implementation of gender diversity on boards is one of the initiatives taken by businesses to add value for stakeholders. The inclusion of women on the boards of public listed companies that are dominated by men is an attempt to establish gender equality in support of the Sustainable Development Goals (SDGs) program. One of the targets of SDG No. 5 on gender equality and women's empowerment is to ensure women's full and effective participation and equal opportunities for leadership at all levels of decision-making in political, economic, and public life. Brieger et al. (2019) found strong empirical evidence across various countries that emancipatory power plays a major role in creating more gender-balanced boards. There is a positive correlation between gender diversity on boards of directors and firm value, so policymakers should encourage its implementation through regulations or incentives (Bukari et al., 2024).

Board gender diversity improves board quality and effectiveness due to the unique characteristics of women Dewi et al. (2023). The presence of female members in the boardroom brings diverse skills, information, and experience, which promotes a more effective monitoring function and expected to provide the best benefits for the company to all stakeholders through sound business decisions. Company who maintains a higher proportion of female directors on their boards report superior financial performance and generate greater economic returns (Chatterjee & Nag, 2023). Bedeir (2024), explains based on the frequency of board meeting attendance, women are more likely to attend than men, further emphasizing women's effective role in controlling.

Research conducted by Huang (2024) in 116 countries shows female representation on boards of directors' results in improved decision-making, more diverse perspectives, and better corporate governance, which in turn impacts firm value. The results of this study are supported by the research of Salem et al. (2019) which shows board gender diversity influences firm value in both developing countries (Egypt) and developed countries (USA). The

results of this study are supported by (Syamsudin et al., 2017; Handayani & Panjaitan, 2019; Subhani et al., 2024). Different research results were found by Aladwey & Alsudays (2023), where the presence of women on the board of directors has a negative effect on firm value, because the cultural context in Saudi Arabia is related to the traditional idea that masculinity plays a significant role. Research conducted by Nugroho et al. (2020) and Saputra et al. (2023) found gender diversity on the board does not affect firm value because the presence of women in public companies in the manufacturing sector in Indonesia is still very low and therefore unable to influence firm value.

The differences in previous research findings show a research gap and the need to re-examine by including variables suspected of mediating the relationship between ESG disclosure and board gender diversity on firm value, namely, financial performance. Financial performance indicates how effectively and efficiently an organization is in achieving its goals, and improving a company's financial performance is a requirement for attracting investors (Suhadak et al., 2019). High company financial performance provides benefits to stakeholders, especially investors. Financial performance serves as a signal to investors about the company's ability to use its resources to generate more revenue and manage the assets, liabilities, and financial interests of its stakeholders and shareholders (Keter et al., 2024).

When good ESG implementation, as disclosed in ESG disclosure, improves a company's financial performance compared to other companies, it will encourage investor interest in investing, which will then impact firm value. Research by Prayitno et al. (2024) and Nurahman et al. (2024) indicate that ESG disclosure has a positive effect on financial performance. There is a better appreciation from the public, stakeholders, and consumers for sustainable business, Pulino et al. (2022). ESG activities can provide a competitive advantage and strengthen a company's public image, thereby attracting support from potential investors and policymakers, which then increases the company's profitability and valuation (Marie et al., 2024). A good implementation of ESG in a company will improve company's financial performance, which in turn will increase firm value.

Gender diversity on the board impacts financial performance (Biduri et al., 2023; Putri et al., 2024; Rahma & Mawardi, 2023). Boards containing at least two women or at least 20 percent of board members being women have been shown to have a positive impact on financial performance in Portuguese public companies (Carmo et al., 2022). Chijoke-Mgbame et al. (2020) explain that a gender-diverse board possesses a diverse set of resources, such as knowledge, skills, and experience, which contribute to stronger oversight, thus improving company performance. Gender diversity on a company's board impacts better decision-making and monitoring, which can improve financial performance, which in turn drives increased firm value.

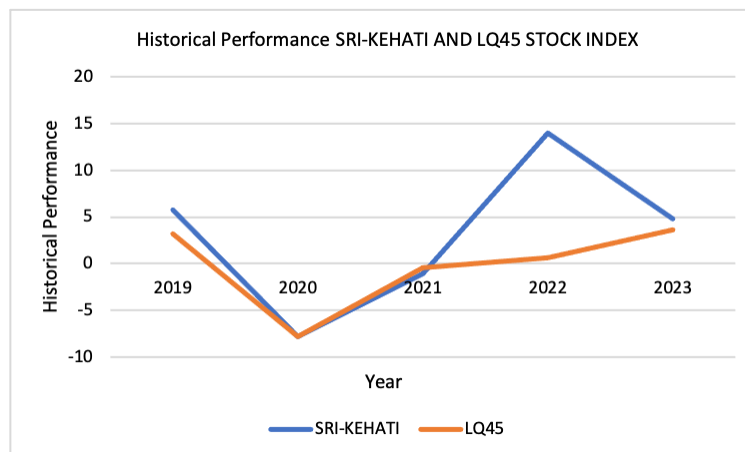


Figure 1. Historical performance SRI-KEHATI compared to LQ 45 (source: fact sheets SRI-KEHATI stock index, 2023)

This research was conducted in companies listed in SRI-KEHATI stock index in Indonesia Stock Exchange from 2019-2023. Figure 1 shows the historical performance of SRI-KEHATI compared to LQ45 where SRI-KEHATI fluctuated compared to LQ45 who managed to increase from 2020 to 2023.

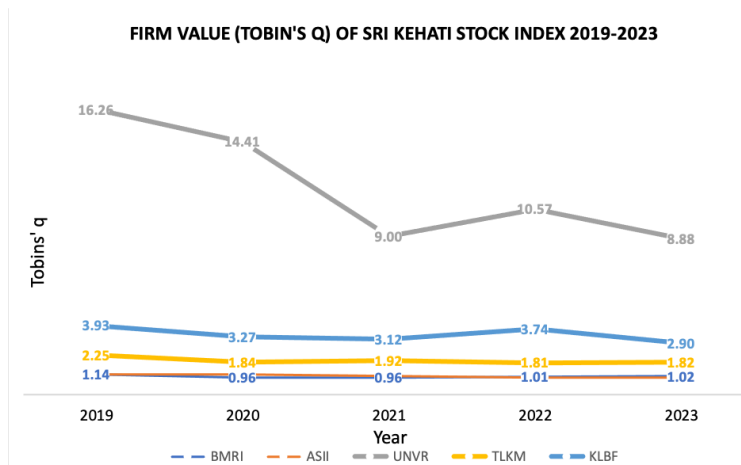


Figure 2. Tobin's q of 5 top constituents in SRI-KEHATI stock index 2019-2023
(Source: Data processed, 2025)

Figure 2 shows the firm values of five companies categorized as top constituents of the SRI-KEHATI stock index, which exhibit fluctuations with an overall downward trend. These five companies represent their respective sectors: BMRI for the financial sector, UNVR for the non-cyclical consumer sector, ASII for the industrial sector, TLKM for the infrastructure sector, and KLBM for the healthcare sector.

This study aims to obtain empirical evidence of the effect of ESG disclosure and board gender diversity on firm value, with financial performance as a mediator, in companies listed in the SRI-KEHATI stock index on the Indonesia Stock Exchange in 2019-2023. Based on the research background, stakeholder theory and empirical studies, the hypotheses of this study are formulated as follows:

- 1) ESG Disclosure positively affects firm value
- 2) Board gender diversity positively affects firm value
- 3) ESG Disclosure positively affects financial performance
- 4) Board gender diversity positively affects financial performance
- 5) Financial performance mediates the effect of ESG disclosure on firm value
- 6) Financial performance mediates the effect of board gender diversity on firm value

Research Methods

This study uses an associative quantitative approach and was conducted on companies listed in the SRI-KEHATI stock index on the Indonesia Stock Exchange in 2019-2023 by accessing IDX's website and the websites of each company. The sample of this study were companies listed in the SRI-KEHATI stock index on Indonesia Stock Exchange (IDX) in 2019-2023 selected using a purposive sampling method with the following criteria: 1) the company was consecutively listed in the SRI-KEHATI stock index in 2019-2023; 2) the company published a sustainability report based on the GRI Standard with a total of 50 firm-year observations. This study uses secondary data as a data source derived from the company's annual report by accessing the respective company's website and ESG Intelligence to obtain data related to ESG disclosure. Table 1 shows the measurement of variables in this study.

Table 1
Measurement of Variables

Variable	Measurement
Firm Value	Tobin's q: $\frac{(Total\ outstanding\ shares\ x\ stock\ price) + Total\ Debt}{Total\ Assets}$
ESG Disclosure	$\frac{Total\ disclosed\ items}{Total\ disclosure\ items}$
Board Gender diversity	$\frac{Total\ of\ female\ board\ members}{Total\ board\ memberd}$
Financial Performance	$ROA = \frac{Net\ Income}{Total\ Asset}$

Data was analyzed using SPSS 30. This study uses path analysis to analyze the role of financial performance in mediating the effect of ESG disclosure and board gender diversity on firm value. The equation for the path analysis is as follows:

Equation model 1:

$$ROA = \beta_{11}ESGD + \beta_{12}BGD + e_1$$

Equation model 2:

$$FV = \beta_{21}ESGD + \beta_{22}BGD + \beta_{23}ROA + e_2$$

Information:

- FV = Firm Value
- ESG = Environmental, Social and Governance Disclosure
- BGD = Board gender diversity
- ROA = Financial performance
- β_{12345} = Regression coefficients
- E = error

Research Framework

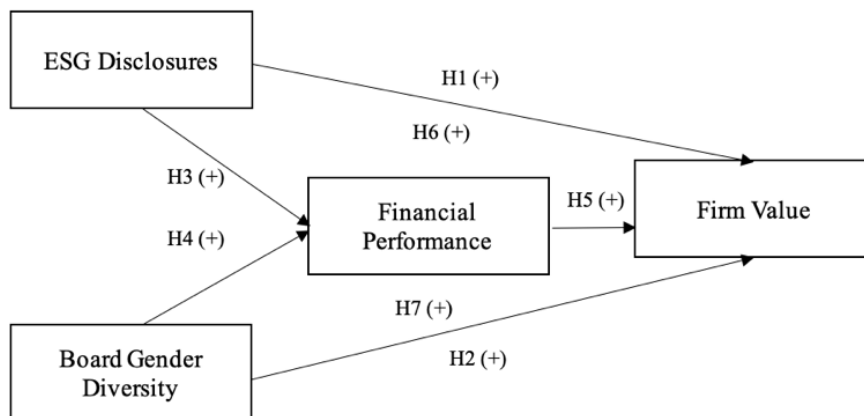


Figure 3. Research framework
(Source: research data, 2025)

Result and Discussions

Result

Table 2 shows the percentage of industries observed in the study. The financial industry has the largest percentage, at 40%, equivalent to four companies observed in this study. The basic materials and healthcare industry is the smallest percentage, at only 10% or equivalent to one company observed in this study.

Table 2
Industries Observed

No.	IDX-IC Sector	N	Percentage (%)
1	<i>Basic Materials</i>	1	10
2	<i>Consumer Non-Cyclicals</i>	2	20
3	<i>Healthcare</i>	1	10
4	<i>Financials</i>	4	40
5	<i>Infrastructure</i>	2	20
Total		10	100

Source: Data processed, 2025.

Descriptive statistics

Firm value measured by Tobin's q has an average of 2.395 with a standard deviation of 3.395. The minimum value of Tobin's q is 0.77. A value less than 1 indicates that the company is undervalued or classified as low. The maximum of firm value in this study is 16.26. A maximum value greater than 1 indicates that the company is overvalued or classified as expensive.

Financial performance measured by ROA has an average value of 0.062 with a standard deviation value of 0.095. The minimum value of financial performance measured by ROA is -0.12. This minimum value indicates that the company is unable to generate profits from its resources in the form of assets. The maximum value of ROA is 0.36.

ESG disclosure or ESGD has an average of 0.602 with a standard deviation of 0.204. The minimum value of ESG disclosure is 0.28 or as many as 23 of the 81 items specified in the GRI. The maximum value of ESG disclosure is 1.00, or the company discloses all items based on the GRI.

Board gender diversity measure by average percentage of women on the board showed an average of 0.176 and a standard deviation of 0.109. The average board gender diversity of 17.6% indicates a relatively high result. The minimum BGD value is 0, indicating the board is 100 percent male, or a homogeneous board. This value is found in four observations in this study, representing 8% of the total research observations. The maximum BGD value is 0.47, indicating that 47 percent of the board members are women. Table 3 shows the descriptive statistics of this study.

Table 3
Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
ESGD (X1)	50	0,28	1,00	0,602	0,204
BGD (X2)	50	0,00	0,47	0,176	0,109
ROA (Z)	50	-0,12	0,36	0,062	0,095
Tobins Q	50	0,77	16,26	2,395	3,395
Valid N (Listwise)	50				

Source: Data Processed, 2025.

Path analysis result

The classical assumption test is the required first step taken before conducting a regression analysis with the aim that the model can be used as a good prediction tool. The normality tests show a significance value of 0,080, which is more than 0,05, meaning all the data is normally distributed. Autocorrelation tests by run-tests show the significance of 0,775, which is greater than 0,05, meaning that there is no autocorrelation in this study. Multicollinearity and

heteroscedasticity tests for all variables show values of tolerance that are greater than 0,10, VIF lower than 10, and significance more than 0,05. Table 4 shows that equation 1 of this study has passed all classical assumptions.

Table 4
Classical assumption results for Equation 1

Normality Test	Autocorrelation test	Variable	Multicollinearity Test		Heteroscedasticity
Sig: 0,080	Sig: 0,775	ESGD	0,980	1,021	0,999
		BGD	0,980	1,021	0,653

Source: Data Processed, 2025.

Table 5 shows the results of the path analysis for equation 1. Based on this table, the following structural equation can be formed for this study:

$$Y1 = \beta_1 ESGD + \beta_2 BGD + e1$$

$$Y1 = -0.046ESGD + 0.786BGD + e1$$

The adjusted R2 results for equation 1 are used to indicate variance when there is more than one independent variable. The adjusted R-squared value for equation 1 is 0.614, or 61.4 percent. This value indicates that 61.4 percent of the variance in financial performance can be explained by ESG disclosure and board gender diversity, while the remaining 38.6 percent is explained by other factors not included in this study's equation model. Table 5 also shows the calculated F-value for structural equation 1, which is 40.022, with a significance level of 0.001. A significance value less than 0.05 indicates that the equation model in structural equation 1 is suitable for use. A significance value less than 0.05 also indicates that the independent variables in this study, namely ESG disclosure and board gender diversity, have a simultaneous effect on financial performance.

Table 5
Summary of Regression Testing Result for Equation 1

Model	Unstandardized Coefficients		Standardized Coefficients		Sig.
	B	Std. Error	Beta	t	
1 (Constant)	-0,046	0,032		-1,460	0,151
ESGD	-0,022	0,042	-0,046	-0,518	0,607
BGD	0,685	0,078	0,786	8,767	0,001
R ²	0,630				
Adjusted R ²	0,614				
F	40,022				
Sig. F	0,001				

Source: Data Processed, 2025.

Table 6 shows equation 2 of this study has passed all classical assumption. The normality tests show a significance value of 0,200 which are more than 0,05 means all the data normally distributed. Autocorrelation tests by run-tests shows the significance of 0,253 which are greater than 0,05 means that there is no autocorrelation in this study. Multicollinearity and heteroscedasticity tests for all variable shows value of tolerance greater than 0,10, VIF lower than 10 and significance more than 0,05.

Table 6
Classical assumption results for Equation 2

Normality Test	Autocorrelation test	Variable	Multicollinearity Test		Heteroscedasticity
Sig: 0,200	Sig: 0,253	ESGD	0,974	1,027	0,461
		BGD	0,372	2,690	0,413
		ROA	0,370	2,703	0,923

Source: Data Processed, 2025.

Table 7 shows the results of the path analysis on equation 2. Based on this table, the equation for model 2 in this study can be formed as follows:

$$Y2 = \beta_1 \text{ESGD} + \beta_2 \text{BGD} + \beta_3 \text{ROA} + e_2$$

$$Y2 = -0.004 \text{ESGD} + 0.205 \text{BGD} + 0.773 \text{ROA} + e_2$$

The adjusted R square value for equation 2 is 0.885, or 88.5%. This value indicates that 88.5% of the variance in firm value can be explained by ESG disclosure, board gender diversity and financial performance, while the remaining 11.5% is explained by other factors not included in this research equation model. Table 7 also shows the calculated F-value for equation structure 2, which is 126.440, with a significance level of 0.001. A significance value less than 0.05 shows the equation model for structure 2 is suitable for use. A significance value less than 0.05 also shows the independent variables in this study, namely ESG disclosure, board gender diversity, and financial performance, have simultaneous effect on the firm value.

Table 7
Summary of Regression Testing Result for Equation 2

Model	Unstandardized Coefficients		Standardized Coefficients		Sig.
	B	Std. Error	Beta	t	
1 (Constant)	-0,225	0,145		-1,547	0,129
ESGD	-0,017	0,189	-0,004	-0,089	0,929
BGD	1,474	0,573	0,205	2,573	0,013
ROA	6,386	0,658	0,773	9,699	0,001
R ²	0,892				
Adjusted R ²	0,885				
F	126,440				
Sig. F	0,001				

Source: Data Processed, 2025.

Hypothesis test

Based on Table 5, the individual significance yielded the following results:

- 1) The Effect of ESG Disclosure (X1) on Financial Performance (Y1)
Based on the results of the t-statistical test, the significance value of the ESG disclosure variable was 0.607. This value is greater than 0.05, indicating ESG disclosure did not affect the financial performance of companies listed in the SRI-KEHATI stock index on the Indonesia Stock Exchange in 2019-2023.
- 2) The Effect of Board Gender Diversity (X2) on Financial Performance (Y1)
Based on the results of the t-statistical test, the significance value of the board gender diversity variable was 0.001. This value is less than 0.05, indicating that board gender diversity positively affects the financial performance of companies listed in the SRI-KEHATI stock index on the Indonesia Stock Exchange in 2019-2023.

Based on Table 7, the individual significance yielded the following results:

- 1) The Effect of ESG Disclosure (X1) on Firm Value (Y2)
Based on the results of the t-statistical test, the significance value of the ESG disclosure variable was 0.929. This value is greater than 0.05, indicating ESG disclosure had no effect on firm value for companies listed in the SRI-KEHATI stock index on the Indonesia Stock Exchange from 2019 to 2023.
- 2) The Effect of Board Gender Diversity (X2) on Firm Value (Y2)
Based on the results of the t-statistical test, the significance value of the board gender diversity variable was 0.013. This value is less than 0.05, indicating that board gender diversity positively affects firm value for companies listed in the SRI-KEHATI stock index on the Indonesia Stock Exchange from 2019 to 2023.
- 3) The Effect of Financial Performance (Y1) on Firm Value (Y2)

Based on the results of the t-statistical test, the significance value of the financial performance variable was 0.001. This value is less than 0.05, which means financial performance positively affects firm value in companies listed in the SRI-KEHATI stock index on the Indonesia Stock Exchange in 2019-2023.

Table 8
Result for Mediation Variable with the Sobel Test

Variable	A	B	SE(a)	SE(b)	T Sobel	Prob.
ESGD → FP → FV	-0,022	6,386	0,042	0,658	-0,523	0,600
BGD → FP → FV	0.685	6,386	0,078	0,658	6.512	0.000

Source: Data Processed, 2025.

The results of the Sobel test for the mediating variables, namely, financial performance, are calculated using the Sobel test calculator for the significance of mediation by Daniel Soper and are shown in Table 8. Based on the result, the conclusions are as follows:

- 1) Based on the Sobel test calculation, the calculated Z is -0.0523 with a probability value of 0.600, which is smaller than the standard Z value of 1.96. It can be stated that financial performance is not able to mediate the effect of ESG disclosure on firm value in companies listed in the SRI-KEHATI stock index on the Indonesia Stock Exchange in 2019-2023.
- 2) Based on the calculation of the Sobel test, the calculated Z is 6.512 with a probability value of 0.000, which is greater than the standard Z value of 1.96. It can be stated that financial performance is able to mediate the influence of board gender diversity on firm value in companies listed in the SRI-KEHATI stock index on the Indonesia Stock Exchange in 2019-2023.

Discussions

The Effect of ESG Disclosure on Firm Value

ESG disclosure measured by dividing the total number of disclosed items by the total number of disclosure items based on GRI has a negative and insignificant effect on firm value for companies listed in the SRI-KEHATI stock index on the Indonesia Stock Exchange from 2019 to 2023. The high or low number of ESG disclosure items in a company's annual sustainability report does not affect firm value. The results of this hypothesis test indicate that the first hypothesis of this study is rejected.

The average ESG disclosure by companies listed in the SRI-KEHATI index is 60.2%. This relatively high average result shows companies listed in the SRI-KEHATI stock index have disclosed ESG implementation in their operations, reflecting a strong awareness of environmental, social, and corporate governance. This high average disclosure rate suggests that all companies are adequately disclosing their ESG practices, thus not considering ESG disclosure as a consideration in making investment decisions. Dewi et al. (2023) explain that investors use fundamental information as a basis for making investment decisions, thus tending to overlook the benefits of sustainability report disclosure. This study's findings align with Nanda & Ratnadi (2024), which also found ESG disclosure had no impact on firm value because ESG disclosure is often seen as fulfilling demands from various parties or stakeholders other than shareholders. Similar findings were also found by Negara et al. (2024) and Wahyuni et al. (2024).

The Effect of Board Gender Diversity on Firm Value

Board gender diversity, measured by the percentage of women on boards, has a positive and significant effect on firm value among companies listed in the SRI-KEHATI stock index on the Indonesia Stock Exchange from 2019 to 2023. A higher proportion of female board members will result in higher firm value. The results of this hypothesis testing indicate that the second hypothesis of this study is accepted (Apriani & Gayatri, 2022).

These results support stakeholder theory, a high number of female board members can provide valuable benefits to all stakeholders, which is positively responded to by investors, which in turn will increase firm value. The presence of women on boards provides the perspective that companies can provide advantages by implementing better business practices and improving the quality and quantity of information disclosed by the company. Board diversity allows more diverse perspectives to shape the business by understanding stakeholder interests and offering

creative solutions to challenging problems (Yilmaz et al., 2023). The results of this study are in line with research conducted by (Dewi et al., 2023; Issa et al., 2019; Ullah et al., 2019; Handayani & Panjaitan, 2019; Agyemang-Mintah & Schadewitz, 2019).

The effect of ESG Disclosure on Financial Performance

ESG disclosure has a negative and insignificant effect on the financial performance of companies listed in the SRI-KEHATI stock index on the Indonesia Stock Exchange from 2019 to 2023. This means that the high or low number of ESG disclosure items in the sustainability report does not affect the company's financial performance. The results of this hypothesis test indicate that the third hypothesis in this study is rejected and does not support stakeholder theory.

The results of a study conducted by Zainuddin et al. (2024) on environmentally friendly companies in Malaysia indicate that ESG implementation has no impact on financial performance as measured by ROA, possibly due to diverse industry impacts or measurement challenges which make it difficult to accurately measure the impact of ESG on financial performance. These results align with the findings of this study, which shows that the SRI-KEHATI Index contains companies operating in 45% of the sectors on the Indonesia Stock Exchange. Companies from various industries will have varying impacts on ESG implementation, making it unable to serve as an indicator of a company's financial performance.

Research conducted by Firmansyah et al. (2023) in Saudi Arabian companies shows that early ESG implementation and reporting encourages companies to incur significant capital expenditures, impacting short-term financial performance. A lack of ESG understanding leads to ineffective strategy implementation. This means that ESG implementation reported in ESG reports impacts short-term financial performance, encouraging companies to invest heavily in ESG activities. These investments may only improve financial performance or profitability in the long term. ESG implementation disclosed through sustainability reports is not integrated with or directly impacts company financial performance over the same period. These research findings align with those of Nurdiati et al. (2024) and Hansen & Xie (2025).

The Effect of Board Gender Diversity on Financial Performance

Board gender diversity has a positive and significant impact on the financial performance of companies listed in the SRI-KEHATI stock index on the Indonesia Stock Exchange from 2019 to 2023. A higher proportion of female board members will lead to improved financial performance, as measured by profitability. The results of this hypothesis testing indicate that the fourth hypothesis in this study is accepted.

These results align with stakeholder theory, where board gender diversity and the presence of female representation encourage improved relationships between the company and all stakeholders, both internal and external, which can impact financial performance through better decision-making. Gender diversity on boards encourages innovation (Chu, 2024; García-Sánchez et al., 2023), more active monitoring (Varouchas et al., 2023), and provides a wealth of options for decision-making, including problem-solving that supports innovation (Harymawan & Nismara, 2022), which in turn encourages companies to manage their resources to generate profits. The findings of this study align with research conducted by (Duppatti et al., 2020; Biduri et al., 2023; Simionescu et al., 2021), which also found board gender diversity positively affect financial performance.

The Effect of Financial Performance on Firm Value

Financial performance positively affects firm value for companies listed in the SRI-KEHATI stock index on the Indonesia Stock Exchange from 2019 to 2023. A higher return on assets will result in higher firm value. The results of this hypothesis testing indicate that the fifth hypothesis of this study is accepted.

These research findings support stakeholder theory, stating that a company's strong financial performance reflects its ability to effectively balance the interests of all stakeholders. Kurniasari & Anggraini (2019) explain that a company's success depends on its ability to balance multiple stakeholder interests. High financial performance, indicated by high profitability, indicating the company is effectively utilizing its assets to generate profits. A higher ROA indicates a company's greater ability to distribute dividends and self-finance its assets (Akbar et al., 2022). Investors are then encouraged to invest in the company, which in turn increases the company's value in the capital market. A high level of company financial performance benefits stakeholders. The results of this study align with those conducted by Nafasati & Hilal (2021); Rahman et al. (2021), also found financial performance positively affect firm value.

The Mediating Role of Financial Performance on The Effect of ESG Disclosure on Firm Value

Financial performance is unable to mediate the effect of ESG disclosure on firm value in companies listed in the SRI-KEHATI stock index on the Indonesia Stock Exchange from 2019 to 2023. ESG implementation disclosed by companies through sustainability reports did not impact financial performance. This finding is due to the high capital costs involved in implementing ESG, which do not directly impact short-term profitability. Similar research findings were found by (Dinarjito, 2024), who explained that the costs incurred to implement ESG have not yet yielded optimal results or have not yet reached the break-even point.

ESG disclosure also has no impact on firm value, indicating that investors do not consider ESG disclosure when making investment decisions. Research conducted by Rohendi et al. (2024) states that stakeholders and investors do not immediately respond positively to ESG disclosure because they first assess whether ESG makes a company superior to its competitors. The results of this study also indicate that investors in Indonesia still use financial information, such as financial performance as a consideration for investment decision.

The Mediating Role of Financial Performance on The Effect of Board Gender Diversity on Firm Value

Financial performance mediates the effect of board gender diversity on firm value in companies listed in the SRI-KEHATI stock index on the Indonesia Stock Exchange from 2019 to 2023. This study demonstrates that high levels of gender diversity on the board can increase firm value through high financial performance. The results of this hypothesis test indicate that the hypothesis seventh of this study is accepted. This type of mediation indicates that financial performance is a complementary or partial mediator in the effect of board gender diversity on firm value. This study supports stakeholder theory, which suggests that the presence of women on a company's board provides a diverse perspective on business decision-making, which is expected to benefit all stakeholders and increase the effectiveness of boards resulting in improved financial performance. This improved financial performance, in turn, increases the company's value in the capital market.

Research conducted by Dwaikat et al. (2021), conducted in Palestinian companies showed that companies with at least one woman on the board of directors had better ROA performance. These results are also supported by research by Sahu et al. (2025), which explains that greater female representation on company boards positively influences company performance in Malaysia. Increased profits or high profitability of a company can then attract investors to invest, thereby increasing firm value. The results of this study are consistent with research conducted by Setiawanta et al. (2019); Keter et al. (2024), which states that financial performance has a positive influence on firm value.

Conclusion

This study aims to obtain empirical evidence of the effect of ESG disclosure and board gender diversity on firm value, with financial performance as a mediator, in companies listed in the SRI-KEHATI stock index on the Indonesia Stock Exchange in 2019-2023. The analysis revealed that ESG disclosures has no effect on financial performance and firm value, board gender diversity has a positive and significance influence on both financial performance and firm value and financial performance has a positive and significance effect on firm value.

The theoretical implication of this study contributed to the development of stakeholder theory by confirming the board gender diversity affect firm value directly and through financial performance as mediator. From practical point of view, this study provided an overview for companies listed in SRI-KEHATI in Indonesia Stock Exchange in management and decision-making in terms of determining the company's business strategy to increase firm value, namely by implementing gender-diverse boards and manage its resources, specifically assets effectively and efficiently. The results of this study can be used as input for investors to determine investment decisions by paying attention to information related to board gender diversity and financial performance in increasing firm value, the high firm value will then provide benefits for investors.

Companies listed in SRI-KEHATI are advised to continue implementing ESG in their business operations and increase the intensity of ESG disclosure in their sustainability reports, even though sustainability disclosure is mandatory as stipulated in Financial Services Authority Regulation Number 51/POJK.03/2017. Government can issue guidelines regarding ESG disclosure, so that all companies in Indonesia can adhere to the same disclosure standards. Future research can expand this study by expanding the sample, add other variables suspected to influencing firm value, utilize other ESG disclosure measures provided by institutions such as Bloomberg and Refinitiv Eikon.

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