

How Do Foreign Ownership, Financial Performance, and Green Innovation Relate to ESG Disclosure?

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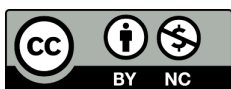
Abstract. ESG disclosure is increasingly gaining importance as a tool for informing stakeholders and assessing companies' contributions to sustainable development. The level and quality of such disclosure can be influenced by factors ranging from ownership characteristics and financial performance to a company's focus on implementing "green" innovations. This research investigates whether financial performance and foreign ownership influence ESG disclosure and evaluates the moderating role of green innovation. A total of 84 observations were analyzed, originating from companies in the ESG Leaders Index and SRIKEHATI Index categories between 2021 and 2024. The proposed relationships were estimated using multiple regression and moderated regression analysis. The findings reveal that financially stronger firms tend to provide broader ESG disclosure, whereas foreign ownership does not influence disclosure practices. Thus, the presence of overseas shareholders alone does not necessarily encourage firms to expand sustainability-related disclosures. Green innovation reinforces the positive association between financial performance and ESG disclosure but does not alter the relationship between foreign ownership and ESG reporting. Practically, the findings suggest that firms can strengthen ESG transparency by leveraging financial resources to support green innovation. At the same time, investors should remember that companies with healthy financial performance and strong green innovation programs tend to be more committed to implementing and disclosing ESG. These results emphasize that financial capability, supported by innovation, plays a more influential role in promoting ESG transparency than ownership structure does, while also providing evidence from an emerging market setting. Theoretically, this study contributes to the ESG disclosure literature by providing empirical evidence relevant to Agency, Stakeholder, and Legitimacy theories in explaining firms' disclosure practices.

Keywords: ESG disclosure, foreign ownership, financial performance, corporate transparency, green innovation.

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Як іноземна власність, фінансові результати та «зелені» інновації пов'язані з ESG-розкриттям?

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Анотація. Системне розкриття нефінансових даних компанії про її екологічний вплив, соціальну відповідальність та управлінські практики набуває дедалі більшого значення як інструмент інформаційного забезпечення зацікавлених сторін та оцінювання внеску компанії у сталий розвиток. На рівень і якість такого розкриття можуть впливати як характеристики власності та фінансові результати підприємств, так і їхня орієнтація на впровадження «зелених» інновацій. Мета цієї статті – дослідити, чи впливають фінансові результати та іноземна власність на ESG-розкриття, та оцінити пом'якшувальну роль зелених інновацій. Загалом було проаналізовано 84 спостереження, отримані від компаній у категоріях Індексу лідерів ESG та Індексу SRIKEHATI у період з 2021 по 2024 рік. Досліджувані взаємозв'язки були оцінені за допомогою множинної регресії та пом'якшуваного регресійного аналізу. Результати дослідження показують, що фінансово сильніші компанії, як правило, ширше розкривають ESG-аспекти своєї діяльності, тоді як іноземна власність не впливає на практику ESG-розкриття. Отже, сама по собі присутність іноземних акціонерів не обов'язково заохочує компанії розширювати розкриття інформації, пов'язаної зі сталим розвитком. Зелені інновації підсилюють позитивний зв'язок між фінансовими результатами та ESG-розкриттям, але не змінюють зв'язку між іноземною власністю та ESG-розкриттям. Практично, компанії можуть посилити свою корпоративну прозорість, використовуючи фінансові ресурси для підтримки зелених інновацій. Водночас інвесторам слід пам'ятати, що компанії зі стабільними фінансовими показниками та сильними програмами зелених інновацій, як правило, більш віддані звітування про сталий розвиток. Ці результати підкреслюють, що фінансові можливості, підкріплені інноваціями, відіграють більш впливову роль у просуванні корпоративної прозорості щодо ESG-показників, ніж структура власності. Таким чином, це дослідження поглиблює розуміння взаємозв'язку факторів, що впливають на ESG-розкриття, надаючи відповідні емпіричні докази.

Ключові слова: ESG-розкриття, іноземна власність, фінансові результати, корпоративна прозорість, зелені інновації.

INTRODUCTION

Recently, corporate sustainability issues have become a major focus, as stakeholders, particularly investors, regulators, and the public, have become increasingly aware of the impacts of business activities (Ovais et al., 2025). Market behavior has shifted from a focus solely on financial performance to a paradigm focused on social and sustainability aspects (Tamasiga et al., 2024). As global investors place greater emphasis on transparency and responsible corporate conduct, many companies have responded by expanding their Environmental, Social, and Governance (ESG) practices within companies (Bolognesi et al., 2025). Furthermore, regulations and sustainability reporting standards continue to evolve to improve ESG quality as a means of legitimacy and accountability to stakeholders. Thus, ESG disclosure is considered not only a social responsibility but also a strategy for building reputation (Du Toit, 2024), enhancing investor confidence, improving competitiveness, and maintaining long-term sustainability.

In Indonesia, ESG implementation has continued to advance significantly lately (Kossay et al., 2025). This growth is reflected in the growing attention of stakeholders to sustainable investment and sustainable business practices within capital market mechanisms (Oliveros Fontaine et al., 2024). For example, the ESG Leaders Index and the SRI-KEHATI Index are

instruments that encourage companies to increase their awareness and commitment to sustainability. Indonesia has strengthened its sustainable finance agenda through Financial Services Authority Regulation No. 51/POJK.03/2017, which guides the integration of sustainability principles into corporate business practices. This regulation mandates that companies fulfill their obligations related to sustainability reporting. Consequently, companies face simultaneous pressure from various parties, including institutions, regulators, and the market.

Financial performance is widely believed to be a key factor influencing ESG disclosure, both theoretically and empirically (Velte, 2023). According to stakeholder theory, firms that generate stronger financial returns generally have greater financial capacity to support strategic and sustainability-related initiatives (Luo et al., 2024). Meanwhile, signaling theory asserts that companies with good financial performance tend to provide better ESG disclosures (Carnini Pulino et al., 2022). This is a company's effort to send a positive signal to the market by highlighting the quality of management through long-term sustainability prospects. Besides, foreign ownership is also theoretically linked to increased ESG disclosure (Fuadah et al., 2022). Based on agency theory, the presence of foreign investors strengthens oversight of management policies, thereby reducing information asymmetry and, in turn, increasing

transparency (Han et al., 2022). Furthermore, foreign investors generally have stricter governance standards than domestic investors (Temiz et al., 2026), motivating companies to align their governance with global disclosure standards.

However, empirical evidence on the factors influencing ESG disclosure is mixed. Some studies indicate that companies with better financial performance have higher levels of ESG disclosure (Zhou et al., 2024). This means that financial strength, demonstrated by high profitability, provides companies with greater opportunities to implement and disclose sustainability practices. However, other studies show that financial performance has no significant effect on disclosure (Tripathi & Gautam, 2024), making this finding controversial. Inconsistencies in previous study results were also found regarding foreign ownership, with some studies reporting a positive and significant effect (Zhang & Wu, 2024), while others reported no effect (Hafni et al., 2026). Therefore, differences in results across previous studies indicate that the relationship between financial performance and foreign ownership and ESG disclosure is indirect and may be influenced by other variables not yet accounted for in prior research.

One factor that is theoretically believed to explain the inconsistency of previous research results is green innovation. Green innovation is a company's ability to develop products and services, production processes, or operational systems that reduce environmental impact and support sustainability programs (Xiang et al., 2022). However, previous studies have largely focused on the direct influence of financial performance and foreign ownership on ESG disclosure, while research analyzing the moderating role of green investment remains very limited. Meanwhile, most previous studies still consider green innovation as an explanatory variable (Asadi et al., 2020), thus under-exploring its role as a variable that strengthens or weakens the relationship between internal and external company factors and ESG disclosure. Therefore, this limitation indicates a shallow understanding of this relationship and necessitates further, more comprehensive research.

Drawing on the identified research gap and the current development of ESG reporting, this research investigates how financial performance and foreign ownership shape corporate ESG disclosure. In addition, the study evaluates whether green innovation alters the strength of these relationships by acting as a contingency factor. The empirical analysis focuses on companies included in the ESG Leaders Index and the SRI-KEHATI Index over the 2021–2024 period. By examining these relationships simultaneously, the study seeks to expand current knowledge of the determinants of ESG disclosure and provide additional empirical evidence on the role of green innovation in explaining variation in corporate sustainability reporting.

LITERATURE REVIEW AND DEVELOPMENT OF RESEARCH HYPOTHESES

Financial performance reflects how a company generates profits through efficient business management

(Rahi et al., 2024). According to stakeholder theory, firms with stronger performance are better able to meet stakeholder expectations, including maintaining transparency through ESG disclosure (Kashyap et al., 2020). Meanwhile, signaling theory emphasizes that companies with strong financial performance tend to provide environmental information as a positive signal of management quality and the company's sustainability commitment (Carnini Pulino et al., 2022).

Prior evidence asserts that financially stronger firms are more likely to engage in broader ESG disclosure (Habib & Mourad, 2023). Greater financial capacity enables companies to support sustainability initiatives and report them more comprehensively. Accordingly, the following hypothesis is proposed: **H1:** Financial performance positively affects ESG disclosure.

Foreign ownership is an external governance mechanism aimed at increasing transparency and accountability (Gayatri et al., 2025). According to agency theory, a higher proportion of foreign ownership will increase oversight of company management, which in turn reduces information asymmetry and improves reporting quality. Furthermore, investors generally come from market environments with stricter ESG standards, thus creating greater pressure to improve ESG quality.

Previous studies suggest that firms with higher foreign ownership generally provide more extensive ESG disclosure (Qian & Yang, 2023). The participation of foreign shareholders may encourage firms to improve disclosure quality because these investors typically expect greater transparency, stronger governance, and reporting practices that are consistent with international norms. Therefore, the following hypothesis is formulated: **H2:** Foreign ownership positively affects ESG disclosure.

Green innovation represents an organization's capability to integrate environmental considerations into product development, operational processes, and long-term strategic decision-making (Guinot et al., 2022). The effectiveness of the relationship between company performance and organizational goals is influenced, among other things, by corporate innovation (Yang & Han, 2024). Companies with green innovation can use financial resources more effectively, allocating them to sustainability practices, thereby strengthening the relationship between financial performance and ESG disclosure. Companies capable of developing GI will have a better system for implementing environmental activities and disclosing them in ESG reporting.

Several prior studies have shown that green innovation strengthens the relationship between financial performance and corporate sustainability practices (Khanchel et al., 2023). Based on this explanation, the research hypothesis is as follows: **H3:** Green innovation strengthens the influence of financial performance on ESG disclosure.

The presence of foreign investors in a company's ownership structure can encourage increased transparency and the implementation of sustainable practices (Ellili, 2022). In general, foreign investors have a higher level of awareness of sustainability issues and demand more transparent reporting standards in line with

international practice (Meqbel et al., 2025). Stakeholder theory emphasizes that companies with a high proportion of foreign ownership face pressure from global shareholders to disclose non-financial information, including ESG disclosures (Liou et al., 2023). Furthermore, foreign investors generally bring global norms, governance practices, and reporting standards, motivating companies to improve the quality of ESG disclosures as a form of legitimacy (Adesina et al., 2023). The presence of foreign investors is also associated with monitoring management, thus encouraging companies to reduce information asymmetry through ESG disclosure (Sánchez et al., 2020). Therefore, higher foreign ownership may increase a company's ESG disclosure.

Empirically, studies show that environmentally-based innovation can strengthen the impact of external governance mechanisms on increasing sustainability transparency (Fahad & K.B., 2020). Referring to the theoretical basis and results of previous research, the research hypothesis is formulated as follows: **H4**: Green innovation strengthens the influence of foreign ownership on sustainability transparency.

Existing theories and empirical findings suggest that financial performance and foreign ownership influence ESG disclosure. This study further examines whether green innovation strengthens or weakens these relationships. Figure 1 presents the relationships between the variables analyzed in this study.

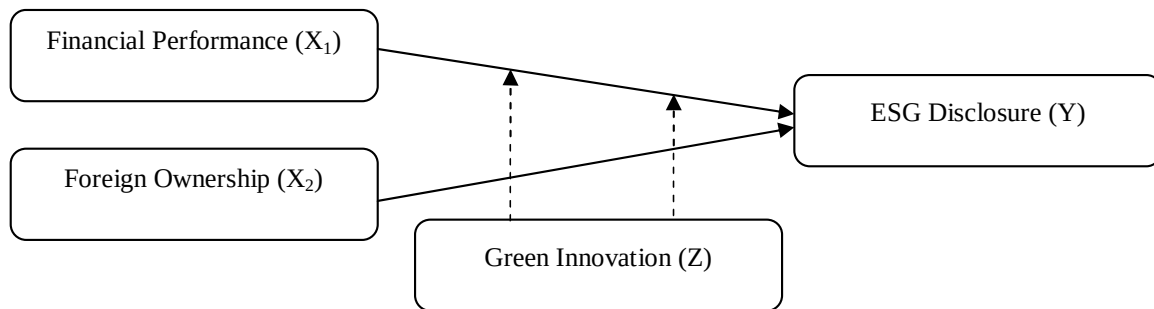


Figure 1. Conceptual Research Model

RESEARCH METHODOLOGY

This study uses an explanatory research design employing quantitative methods to assess the relationships between financial performance, foreign ownership, ESG disclosure, and the moderating role of green innovation. For the analysis, the researchers used secondary data from the annual and sustainability reports of firms included in the ESG Leaders Index and the SRI-KEHATI Index over the 2021–2024 period. Sample selection followed purposive criteria established to

address the objectives. Specifically, firms were required to remain continuously listed in both indices, disclose complete financial and sustainability information, and provide sufficient data for all variables included in the empirical model. Following this screening process, 14 companies representing 73 firm-year observations were retained for further analysis.

Table 1 explains how researchers will observe, manipulate, or measure each variable during a study.

Table 1. Operationalization of Research Variables

Variable	Operational Definition	Indicator	Measurement
ESG Disclosure (Y)	The degree of ESG-related information disclosed by a company in its annual and/or sustainability reports based on the disclosure requirements established by the Global Reporting Initiative (GRI).	1. Environmental 2. Social 3. Governance	GRI Index 2016 or GRI 2021. Number of items disclosed ÷ total GRI items
Financial Performance (X1)	The company's ability to create market value for shareholders.	Firm's value	Tobin's Q = (Market value of equity + total debt) ÷ total assets
Foreign Ownership (X2)	Foreign ownership is defined as the percentage of a company's issued shares that non-domestic investors hold.	Percentage of foreign shares	(Number of shares owned by foreigners ÷ total shares outstanding) × 100%
Green Innovation (Z)	Corporate green innovation refers to the development and adoption of environmentally sustainable products, production methods, and technological solutions designed to minimize adverse environmental impacts	1. Green product innovation 2. Green process innovation 3. Energy efficiency 4. Reduction of emissions or waste	Green Innovation Index = sum of indicator scores ÷ maximum indicator score

ESG disclosure is measured using an ESG disclosure index compiled through content analysis of ESG information in companies' sustainability reports. Each indicator is scored 1 if disclosed and 0 if no disclosure is present (Ignatov & Rudolf, 2023).

The ESG index was calculated using the formula:

$$ESG_Disc = \frac{\sum_{i=1}^N X_i}{N}$$

This study applies Moderated Regression Analysis (MRA) to test the role of moderating variables in the relationship between variables. After the most appropriate model was identified, the Classical Assumption Test was conducted based on the selected model's characteristics. The regression equation with moderating variables is as follows:

$$ESG_Disc = \alpha + \beta_1*FO + \beta_2*FP + \beta_3*FO*GI + \beta_4*FP*GI + \varepsilon$$

Where:

ESG_Disc: Environmental, Social, and Governance Disclosure;

FO: Foreign Ownership;

FP: Financial Performance;

GI: Green Innovation;

α : Constant;

β_1 - β_4 : Regression Coefficients;

ε : Residual or Error.

RESULTS AND DISCUSSION

Analysis results

Descriptive Statistics

Table 2. Descriptive Statistics of Research Variables

Variable	N	Mean	Std. Dev.	Min	Max
ESG_Disc	84	0.571	0.162	0.156	0.871
FO	84	0.281	0.127	0.071	0.611
FP	84	2.881	2.436	0.613	12.823
GI	84	0.805	0.041	0.741	0.922

Source: Eviews statistical output (2026).

Table 2 summarizes the distribution of the study variables. ESG disclosure records a mean score of 0.571, with values ranging from 0.156 to 0.871. The variability of ESG disclosure across the sampled firms is moderate, with a standard deviation of 0.162. Foreign ownership averages 0.281, indicating that foreign investors hold approximately 28.1% of corporate equity. The observed values range from 0.061 to 0.611, with a dispersion of 0.127. Financial performance reports a mean of 2.881, ranging from 0.613 to 12.823, with a standard deviation of 2.436, indicating substantial differences in profitability among the firms. Green innovation exhibits the highest

average score (0.805), while its relatively small standard deviation (0.041) indicates that the level of green innovation is fairly consistent across the companies included in the sample.

Correlation Analysis

Correlation analysis aims to identify relationships between research variables and provide an initial indication of potential multicollinearity. The correlation matrix between variables used in this study is presented in Table 3.

Table 3. Corelation Matrix

	ESG_Disc	FO	FP	GI
ESG_Disc	1.000			
FO	0.083	1.000		
FP	0.056	0.118	1.000	
GI	0.047	0.162	0.081	1.000

Source: Eviews statistical output (2026).

The estimated coefficients reveal moderate associations, with no pairwise correlation reaching the critical value of 0.80. This pattern suggests that the explanatory variables are sufficiently independent of one another.

Multicollinearity Test

To assess multicollinearity among independent variables, this study uses two indicators: the Variance Inflation Factor (VIF) and the tolerance value. Following the criterion suggested by Yadav et al. (2023), the absence of multicollinearity is indicated by a VIF below 10 and a tolerance value exceeding 0.10.

Table 4. Multicollinearity Test

Variable	VIF	Tolerance
FO	1.16	0.565
FP	2.24	0.395

Source: Eviews statistical output (2026).

Table 4 shows that the foreign ownership and financial performance variables each have Variance Inflation Factor values of 1.16 and 2.24, respectively, far below 10. Meanwhile, the tolerance values of 0.565 for the foreign ownership variable and 0.395 for the financial performance variable are both greater than 0.10, indicating no multicollinearity.

Regression Results

Main Effect Model

To examine both the magnitude and statistical significance of the proposed relationships, the researchers estimated a multiple regression model with ESG disclosure as the dependent variable. This approach allows the assessment of whether financial performance and foreign ownership are associated with variations in corporate ESG reporting. Table 5 presents the estimation results for the baseline model.

Table 5. Results of Regression Analysis

Variable	Coefficient	P-value	Conclusion
FO	0.356	0.184	Positive and no significant
FP	0.027	0.017	Positive and significant
Constant	0.151	0.006	

Source: Eviews statistical output (2026).

Based on the regression results, the foreign ownership variable has a coefficient of 0.356 with a p-value of 0.184 (>0.05). Although the relationship is positive, the effect of foreign ownership on ESG disclosure is not statistically significant. Thus, Hypothesis 1 is rejected. On the other hand, the financial performance variable has a coefficient of 0.027 with a p-value of 0.017 (<0.05), indicating a positive and significant effect on ESG disclosure, so hypothesis 2 is accepted.

Moderating Effect of Green Innovation

The analysis of the role of green innovation as a moderating variable aims to determine whether it can alter the influence of foreign ownership and financial performance on ESG disclosure, either by strengthening or weakening the relationship.

Table 6. Results of the Moderating Effect Analysis

Variable	Coefficient	P-value	Conclusion
FO	0.356	0.184	Positive and significant
FP	0.027	0.017	Positive and significant
FO x GI	0.496	0.096	No moderates
FP x GI	0.033	0.026	Moderates
Constant	0.163	0.263	

Source: Eviews statistical output (2026).

Table 6 shows that the interaction term between foreign ownership and green innovation has a positive coefficient of 0.496 but a p-value of 0.096 > 0.05 . This means that green innovation does not have sufficient influence on the relationship between foreign ownership and ESG disclosure. The results of this study confirm that changes in the level of green innovation do not significantly affect the effectiveness of the foreign ownership structure in increasing ESG disclosure. Thus, Hypothesis 3 is rejected. Furthermore, the interaction between financial performance and green innovation has a positive coefficient of 0.033 and a p-value of 0.026, which is < 0.05 . This means that green innovation strengthens the relationship between financial performance and ESG disclosure. Companies with high levels of green accounting tend to maximize the

contribution of financial performance in increasing ESG disclosure, so hypothesis 4 is accepted.

Discussion

The Effect of Foreign Ownership on ESG Disclosure

This study found no empirical evidence to support a significant relationship between foreign ownership and ESG disclosure. Thus, a higher proportion of foreign shareholders does not necessarily encourage firms to expand the disclosure of sustainability-related information. Accordingly, the evidence does not support the expectation derived from stakeholder theory that foreign investors exert stronger pressure on companies to improve the transparency of ESG reporting. However, this study's results have not provided concrete evidence.

Differences in foreign investors' orientations toward balancing short-term performance and sustainability aspects could be a contributing factor; foreign investors in the sample companies may be more focused on short-term financial performance. Furthermore, transparency in ESG disclosure practices is still largely influenced by internal company factors or regulatory pressure rather than demands from foreign shareholders.

This research aligns with several prior findings (Yu & Van Luu, 2021), indicating that foreign ownership does not always encourage companies to disclose environmental information. In contrast, Lestari et al. (2025) and Mukti et al. (2025) found a positive relationship between foreign ownership and ESG or sustainability disclosure. These mixed results suggest that the role of foreign shareholders may depend on their level of involvement and sustainability orientation, rather than ownership presence alone.

The Effect of Financial Performance on ESG Disclosure

The results of this study confirm that companies with stronger financial performance tend to report ESG information more comprehensively because they have greater capacity and motivation to support sustainability initiatives and communicate them to stakeholders. Companies with strong financial conditions have greater flexibility in allocating necessary resources, including funding sustainability programs and communicating this information to stakeholders. This aligns with the stakeholder theory perspective, which holds that companies with strong financial resources will strive to meet stakeholder expectations, including those regarding environmental, social, and governance information. The results of this study also align with legitimacy theory, which posits that companies with strong financial resources are better able to implement sustainability practices. The implementation of these sustainability programs is then communicated comprehensively to stakeholders as a matter of responsibility.

Furthermore, ESG disclosure is not only seen as a form of responsibility to stakeholders. However, it can also be used by companies as a strategy to maintain and build their reputation among them. This result is consistent with Abdelal (2023), but it differs from Nadia & Septiani (2027), who found no significant effect of profitability on sustainability disclosure. Putra (2025) also shows that the relationship between financial performance and ESG disclosure can vary across countries. These differences suggest that financial strength may encourage ESG disclosure, but its effect can also depend on the institutional setting and reporting practices of each market.

Green Innovation as a Moderator of the Foreign Ownership and ESG Disclosure Relationship

The empirical analysis provides no evidence that green innovation changes the association between foreign ownership and ESG disclosure. Based on stakeholder theory, foreign investors are generally considered a stakeholder group with high demands for transparency

and sustainability accountability. Therefore, the presence of foreign investors should encourage companies to improve ESG disclosure, especially when companies actively implement GI programs.

However, the results of this study indicate that green innovation has not strengthened the influence of foreign ownership on ESG disclosure. This means that foreign investors do not always consider sustainability issues in their investment decisions. Although foreign investors are generally associated with high governance standards and transparency in sustainability practices, some are still focused on improving financial performance, company value, and operational efficiency. Consequently, the presence of foreign investors does not necessarily encourage companies to improve ESG disclosure, even if their green innovation activities are high. Companies implement various green innovations as part of strategies to reduce operational costs and improve efficiency, which discourages them from disclosing these activities in sustainability reports. The results of this study support the findings of Sun et al. (2022). They are also in line with Astari et al. (2025), who found that green innovation did not strengthen the relationship between foreign ownership and ESG disclosure. Sartika Putri and Aji (2025) similarly showed that green innovation does not necessarily lead to greater environmental disclosure. In contrast, Do (2024) found that foreign ownership can encourage green innovation, suggesting that implementing green practices and disclosing them are not always driven by the same considerations.

Green Innovation as a Moderator of the Financial Performance and ESG Disclosure Relationship

Statistical test results show that green innovation moderates the relationship between financial performance and ESG disclosure. This finding indicates that companies with strong financial performance supported by high levels of green innovation implementation will make more extensive ESG disclosures than companies with low levels of green innovation. This finding underscores that the availability of financial resources alone does not necessarily motivate companies to increase ESG transparency. Green innovation implementation encourages companies to use financial resources effectively to support sustainability practices (Sun et al., 2022). Companies that actively implement green innovation programs generally have higher environmental and sustainability activities, which are, in turn, disclosed to stakeholders.

According to stakeholder theory, companies face pressure from various groups regarding their information needs. Companies with strong financial performance can implement various sustainability programs, and green innovation provides a tangible way to demonstrate their commitment to environmental issues. Therefore, the combination of strong financial performance and high levels of green innovation encourages companies to increase transparency through ESG disclosure. This finding is consistent with Rauf et al. (2026), who highlight the close connection between financial performance, green innovation, and ESG reporting.

However, Srouji et al. (2023) found that green innovation did not significantly moderate the relationship examined in their study. These differences suggest that the role of green innovation as a strengthening factor may depend on the specific relationship and institutional context considered.

CONCLUSIONS

This study provides evidence that foreign ownership was not associated with the extent of ESG reporting, suggesting that the presence of overseas shareholders alone does not necessarily encourage firms to expand sustainability-related disclosures. This result implies that ownership structure may be insufficient to influence disclosure practices without complementary governance or strategic mechanisms. In contrast, financial performance emerged as an important predictor of ESG disclosure. Firms generating stronger financial results appear to possess greater organizational capacity and financial resources to undertake sustainability initiatives and communicate those activities through ESG reporting. Accordingly, profitable firms are more likely to integrate sustainability considerations into their corporate reporting practices.

The results of the moderation analysis indicate that green innovation has not altered the influence of foreign ownership on ESG disclosure. This finding suggests that the presence of foreign investors, while potentially encouraging corporate transparency, has not been made more effective by the implementation of environmentally oriented innovations—conversely, green innovation yields different results when associated with financial performance. Companies with strong financial performance and consistently developing green innovations tend to disclose ESG information more widely. Thus, green innovation strengthens the contribution of financial performance to encouraging ESG disclosure practices.

Theoretical Implications

The present findings extend current knowledge on ESG disclosure by providing additional evidence regarding the roles of ownership structure, corporate financial capacity, and environmentally oriented innovation. The positive association between financial performance and ESG reporting is consistent with the stakeholder perspective, which argues that firms with stronger economic performance are better positioned to address stakeholder expectations through broader sustainability disclosure.

The analysis also indicates that green innovation reinforces the positive contribution of financial performance to ESG disclosure, lending support to legitimacy theory. This pattern suggests that organizations that combine sound financial results with

environmental innovation are more likely to communicate their sustainability commitments. By contrast, no moderating effect of green innovation was observed in the relationship between foreign ownership and ESG disclosure. This outcome implies that the influence of foreign investors on corporate disclosure practices is likely to depend on institutional settings, governance arrangements, or other contextual conditions rather than on firms' green innovation activities alone.

Practical Implications

Companies can take the results of this study into account when developing strategies to improve financial performance and increase corporate transparency. Good financial performance provides an opportunity to increase sustainability activities and disclosure. Additionally, integrating green innovation into business strategy will strengthen the contribution of financial performance to ESG disclosure.

Investors should remember that companies with healthy financial performance and strong green innovation programs tend to be more committed to implementing and disclosing ESG.

For regulators, the results of this study provide a basis for further developing regulations that encourage companies to implement GI and improve sustainability reporting standards.

Research Limitations

This study has several limitations. First, it only used a sample of companies and a specific observation year, making it impossible to generalize to other companies and periods. Second, the measurement of green innovation and ESG disclosure relied on content analysis, which introduces an element of subjectivity into the coding process. To address these limitations, future research should incorporate a more diverse sample of companies and a longer observation period to provide more comprehensive empirical evidence. Furthermore, research should consider other variables, such as corporate governance, institutional ownership, board characteristics, environmental performance, and regulatory pressure, that may influence ESG disclosure.

Declaration of Conflicting Interests

The authors declared no potential conflicts of interest with respect to the research, authorship and/or publication of this article.

CRedit Author Statement

Arik Susbiyani: Conceptualization, Methodology, Supervision; **Ari Sita Nastiti:** Data Curation, Investigation, Formal analysis, Writing – Review & Editing; **Astrid Maharani:** Writing – Original Draft Preparation, Visualization.

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