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The Effect of ESG and GCG on Financial Performance: The Moderating Role of Firm Size and *Leverage* Control

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A B S T R A C T

This study aims to examine and synthesize the effect of Environmental, Social, and Governance (ESG) disclosure and Good Corporate Governance (GCG) on financial performance and firm value, considering the moderating role of firm size and leverage control. The inconsistency in prior empirical findings motivates the application of a Systematic Literature Review (SLR) method based on PRISMA protocol standards. Through strict inclusion and exclusion criteria, 16 reputable scientific articles published between 2021 and 2026 examining listed companies on the Indonesia Stock Exchange (IDX) were selected for synthesis. The results indicate that implementing ESG and GCG generally yields a positive impact on long-term profitability and corporate reputation. However, initial implementation costs pose a risk of depressing short-term earnings if not managed prudently. Firm size is proven to strengthen this positive relationship due to greater resource availability, while leverage acts as a control mechanism that restricts budgetary flexibility when debt levels are excessive. The study concludes that integrating ESG and GCG requires a balance between sustainability allocation, asset scale capacity, and capital structure discipline. Practical implications provide strategic guidance for management and regulators to design efficient sustainability policies without compromising financial stability.

Key word: ESG, GCG, Financial Performance

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INTRODUCTION

The modern business world is currently experiencing a fundamental shift in focus in measuring corporate success. While in the past the primary benchmark for a business entity was solely net profit, today the demands of society and investors have shifted drastically. Stakeholders are no longer simply dazzled by high profit figures in financial reports, but also pay close attention to *Social* and *Environmental* responsibility. Companies are required to publish their *Environmental*, *Social*, and *Governance* (ESG) activities and implement *Good Corporate Governance* (GCG) transparently. Implementing these two principles is believed to be a core strategy for businesses to survive sustainably amidst intense global competition.

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To understand how sustainability and *Governance* practices impact financial performance, researchers draw on three fundamental theories. Stakeholder Theory explains that a company's survival depends heavily on harmonious support from both internal and external parties. Legitimacy Theory emphasizes the importance of public recognition for legitimate business operations and the avoidance of *Social* disapproval. Agency Theory ensures effective oversight and prevents self-serving actions by company management. The integration of these three theories confirms that adherence to ethical and *Social* rules has the potential to significantly improve financial performance.

The dynamics of the impact of GCG and ESG on financial performance have been tested by various previous researchers with varying findings (Hadyan & Andhaniwati, 2021) confirmed that the implementation of GCG jointly influences banking financial performance, where managerial ownership is the main determining factor. Similar findings are supported by (Titania & Taqwa, 2023) which proves that GCG indicators such as audit committees and boards of commissioners are effective in increasing profitability. (Firdaus et al., 2025) found that GCG was proven to improve bank financial performance, although the CSR variable in their study did not show a significant influence. On the other hand (Fitria & Mariana, 2025) shows that ESG disclosure on *Environmental* and *Social* aspects is closely related to the performance of energy companies. (Kholifah et al., 2025) In fact, it was found that GCG did not have a significant effect on financial performance, but rather the company size and *leverage* variables played a positive role.

The varying results from the various studies above show that the impact of ESG and GCG on financial performance does not always show a uniform response. Some researchers believe that transparency of sustainability information can attract capital investors and significantly increase stock prices. However, other groups argue that spending on ESG and GCG standards can actually burden companies' budgets in the short term. High additional operational costs risk eroding net profit levels if not managed with careful budgeting. This disparity in conclusions among researchers indicates the presence of other explanatory factors that moderate or control the relationship between these variables.

One explanatory factor thought to influence the strength of this relationship is company size. According to the Resource-Based View, large companies are generally equipped with far more financial, technological, and human resources. The availability of substantial funds makes it easier for large entities to cover the initial costs of implementing sustainability programs without jeopardizing their financial health. Large companies are constantly under intense scrutiny from the public and regulators, thus increasing the incentive to maintain their reputation. The sheer scale of their assets is thought to strengthen the positive influence of GCG and ESG on corporate profitability.

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Funding structure, or the level of *leverage* used, also plays a vital role. *Leverage* reflects the extent to which a company's operations depend on loans from creditors or banks. Excessively high *leverage* ratios can result in heavy interest expenses, draining cash flow that should be allocated for ESG investments. Conversely, strict oversight by lending institutions can force management to operate more efficiently and with discipline. Controlling *leverage* variables is crucial to objectively measure the net impact of ESG and GCG disclosures on financial performance.

While this topic has been widely discussed, a comprehensive synthesis of the existing literature reveals a significant research gap. Most previous studies tend to be siloed, focusing on a single industry sector or region. This fragmentation makes it difficult for practitioners and academics to draw comprehensive conclusions about how ESG and GCG work together when examined alongside factors like company size and *leverage*. Few studies have systematically synthesized these conflicting findings into a comprehensive analytical framework. This lack of integrated mapping limits our understanding of the effectiveness of sustainable investing.

This study simultaneously integrates ESG and GCG variables into a single, comprehensive synthesis model. Unlike conventional exploratory studies, this study specifically positions company size as a moderating variable and *leverage* as a control variable. The integration of four key theoretical perspectives: Stakeholder, Legitimacy, Agency, and Resource-Based Views provides a much sharper analytical tool. This approach allows the study to elaborate on the reasons behind the inconsistencies in previous research findings. The resulting scientific mapping offers a new, clearer perspective for the development of accounting and finance.

This research aims to deeply analyze and synthesize the influence of ESG and GCG on financial performance, considering the moderating effects of company size and *leverage* control. Theoretically, the results of this study are expected to enrich the scientific body and fill gaps in the fragmented literature. Practically, this research provides valuable references for company management and regulators in making strategic decisions. Policymakers can formulate efficient sustainability budget allocations without sacrificing the company's financial stability. Ultimately, this research serves as a comprehensive reference for creating a transparent, responsible, and profitable business ecosystem.

METHOD

This study adopts a *Systematic Literature Review* (SLR) approach based on the Preferred Reporting Items for Systematic Reviews and Meta-Analyses (PRISMA) 2020 protocol to synthesize empirical evidence on the influence of *Environmental*, *Social*, and *Governance* (ESG) and *Good Corporate Governance* (GCG) on financial performance, moderated by firm size and controlled by *leverage*. The literature search was systematically conducted across high-reputation databases,

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primarily Google Scholar, covering the publication period from 2021 to 2026 to capture the most recent developments. The inclusion criteria specified peer-reviewed empirical articles written in English or Indonesian that examine Indonesian publicly listed companies (IDX), explicitly analyze ESG/GCG alongside financial performance metrics, and incorporate firm size or *leverage* variables. Conversely, non-peer-reviewed papers, incomplete manuscripts, duplicate entries, and studies lacking quantitative metrics were excluded. Data analysis was performed through qualitative content analysis and narrative synthesis, integrating four foundational theoretical frameworks Stakeholder Theory, Legitimacy Theory, Agency Theory, and the Resource-Based View to resolve empirical inconsistencies and evaluate structural patterns across various industry sectors.

RESULTS AND DISCUSSION

Mapping and Characteristics of Literature

The literature collection and selection process for this study was conducted systematically, adhering to the PRISMA protocol standards to ensure data transparency and accountability. Based on a search of the Google Scholar database for the publication period 2021 to 2026, 16 primary scientific articles were selected that met the eligibility criteria and were relevant to the study topic. All of these referenced articles specifically examine the dynamics of the interaction between *Environmental*, *Social*, and *Governance* (ESG) disclosure and *Good Corporate Governance* (GCG) on improving a company's financial performance and market value. The selected literature also explores the strategic role of firm size as a moderating factor and *leverage* ratio as a control factor in funding structure. This mapping covers various industrial sectors in the Indonesian capital market, ranging from banking, manufacturing, energy, mining, to business entities based on sustainability indices. A detailed summary of the characteristics, variable focus, and key findings of each of these previous studies is presented in Table 1 below:

Table 1. Detailed Summary

No	Author & Year	Research Title	Journal Name	Focus Variable	Summary of Key Findings
1	Mayla Hadyan and Erry Andhaniwati (2021)	The Influence of *Good Corporate Governance* on the Financial Performance of Banking Companies	Jurnal Aktansi Kompetif	GCG, Financial Performance (ROA)	GCG simultaneously influences financial performance, while partially only managerial ownership has a significant influence.
2	Princess Mirinda Dwi Damayanti	The Influence of Corporate *Social* Responsibility	E-journal Field of Economics, Business,	GCG, Financial Performance	CSR, GCG, and company size have a

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No	Author & Year	Research Title	Journal Name	Focus Variable	Summary of Key Findings
	and Ratna Septiyanti (2022)	(CSR), *Good Corporate Governance* (GCG), and Company Size on Financial Performance in Manufacturing Companies Listed on the IDX	and Entrepreneurship (EFEBE)	(ROA)	positive influence on the company's financial performance.
3	Helin Titania & Salma Taqwa (2023)	The Influence of *Good Corporate Governance* on Company Financial Performance	Jurnal Eksplorasi Akuntansi (JEA)	GCG, Financial Performance (ROA)	The implementation of GCG indicators (such as audit committees and boards of commissioners) has been proven to significantly increase profitability.
4	Anhar Firdaus and Mariana (2025)	The Influence of GCG and CSR in Improving the Financial Performance of Banks on the IDX	Owner: Riset dan Jurnal Akuntansi	GCG, Financial Performance (ROA)	GCG has a positive and significant effect on financial performance, while CSR does not have a significant effect.
5	Husna, Yuhertiana, & Susilowati (2023)	The Influence of *Good Corporate Governance* on ESG Disclosure and Company Performance in State-Owned Enterprises	Jurnal Sosial dan Sains	GCG, ESG Disclosure, Corporate Performance	GCG acts as a key driver of ESG disclosure, which in turn creates a positive image and improves financial performance.
6	Arofah and Khomsiyah (2023)	The Influence of *Good Corporate Governance* and *Environmental Social Governance* on Company Value with Financial	Jurnal Informatika Ekonomi Bisnis	GCG, ESG, Financial Performance, Company Value	Financial performance has been shown to strengthen the positive impact of GCG and ESG on market

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No	Author & Year	Research Title	Journal Name	Focus Variable	Summary of Key Findings
		Performance as a Moderator			confidence and company value.
7	Annisa Nur Fitria and Mariana (2025)	The Impact of *Environmental*, *Social*, and *Governance* (ESG) Disclosure on the Performance of Energy and Mining Companies	GEMILANG: Jurnal Manajemen dan Akuntansi	GCG, ESG, Financial Performance, Company Value	ESG disclosure on *Environmental* and *Social* aspects is related to company performance, while *Governance* aspects do not show a significant relationship.
8	Siska Daud, Desak Nyoman Sri Werastuti, and Ni Wayan Yulianita Dewi (2026)	The Influence of *Environmental* Performance, Corporate *Social* Responsibility Disclosure and Corporate *Governance* on Company Value	Jurnal Ilmiah Akuntansi dan Humanika	GCG, ESG, Financial Performance, Company Value	*Environmental* performance and corporate *Governance* have a significant negative effect on company value, while CSR disclosure has no significant effect.
9	Luh Pande Eka Setiawati, Ni Putu Ayu Mirah Mariati, and Kadek Indah Kusuma Dewi (2023)	The Influence of Financial Performance and Size on Firm Value	Jurnal Riset Dan E-Jurnal Manajemen Informatika Komputer (Remik)	Financial Performance, Company Size, Company Value	Company size acts as a value updater that reinforces investors' positive perceptions of financial efficiency.
10	Linda Fransisca, Helma Malini, Anwar Azazi, and Anggraini Syahputri (2025)	The Impact of CSR and ESG on Corporate Financial Performance and Sustainability Mediated by Green Finance	Jurnal Akutansi Manajemen Ekonomi Kewirausahaan (JAMEK)	ESG/CSR, Sustainability & Financial Performance	CSR improves financial performance, while ESG improves sustainability, and green finance only mediates the effect of CSR on financial performance.

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No	Author & Year	Research Title	Journal Name	Focus Variable	Summary of Key Findings
11	Haryono and Wirianata (2025)	The Impact of ESG Performance on Corporate Financial Performance: The Mediating Role of Green Innovation and Moderating Financial Constraints	Journal of Economics and Business UBS	ESG, Green Innovation, Financial Performance	ESG performance drives *Environmental*ly friendly innovation, but its success rate is influenced by financial constraints.
12	Revelation Widiyanti (2025)	The influence of *Environmental*, *Social*, and *Governance* (ESG), green innovation, and eco-efficiency on company value with financial performance as a moderating factor	AKURASI : Jurnal Riset Akuntansi dan Keuangan	ESG, Green Innovation, Financial Performance	Green innovation and *Environmental* efficiency increase firm value, while ESG disclosure decreases it; ROA only negatively moderates the green innovation relationship.
13	Rofiu Nur Kholifah, LMS Kristiyanti, and Suhesti Ningsih (2025)	The Influence of *Good Corporate Governance*, Company Size and *Leverage* on Financial Performance	JIKAB: Jurnal Ilmiah Keuangan Akuntansi Bisnis	GCG, CSR, SDGs, Financial Performance	GCG does not have a significant effect on financial performance, while company size and *leverage* have a positive and significant effect.
14	Syahwallistian a Yusuf (2025)	The Influence of Financial *Leverage*, Financial Performance, and ESG on Company Value	Jurnal Nusa Akuntansi	*Leverage*, Financial Performance, ESG, Firm Value	Excessive financial *leverage* tends to be a burden, while ESG and financial performance together increase market value.
15	Mirathus Shafirah and Suwandi (2024)	The Influence of *Good Corporate Governance*, Company Size	Jurnal Akuntansi Dan Keuangan (JAK)	GCG, *Leverage*, Company Size,	GCG, company size, and *leverage* have a

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No	Author & Year	Research Title	Journal Name	Focus Variable	Summary of Key Findings
		and *Leverage* on Financial Performance.		Financial Performance	significant influence on the company's financial performance.
16	Fitri & Amalia (2026)	The Effect of GCG Implementation, *Leverage*, and Financial Performance on Company Value	SINERGI: Jurnal Riset Ilmiah	GCG, *Leverage*, Financial Performance, Company Value	Solid *Governance* and a measurable *leverage* ratio are a crucial combination in maintaining financial stability and performance.

Source: Processed Data (2026)

Based on the mapping results in the table above, a significant shift in research focus has been identified, moving from conventional corporate *Governance* to fully integrating global sustainability issues and achieving the Sustainable Development Goals (SDGs). The dominant research sample in the literature focuses on companies listed on the Indonesia Stock Exchange (IDX), encompassing the banking, manufacturing, energy, mining, state-owned enterprises (SOEs), and companies included in sustainability-based stock indices. This diversity is clearly reflected in the research. (Hadyan & Andhaniwati, 2021) as well as (Firdaus et al., 2025) which examines the banking sector on the IDX, and is strengthened by studies (Damayanti & Septiyanti, 2022) which focuses its sample on the manufacturing sector. Through this broad sector coverage, the literature provides a rich empirical picture of how *Governance* and sustainability implementation are tested across various industry characteristics in the Indonesian capital market.

Researchers in the selected literature use comprehensive indicators to evaluate firm performance and market value. Financial performance is mostly measured using accounting profitability proxies such as Return on Assets (ROA) and Return on Equity (ROE), while firm value is assessed through Tobin's Q or market price. The firm size variable is consistently operationalized using the natural logarithm transformation of total assets, as used in the study.(Kholifah et al., 2025) as well as (Shafirah, 2024) On the other hand, capital structure variables such as Debt to Asset Ratio (DAR) or Debt to Equity Ratio (DER) are positioned as controls or direct independent variables to see the influence of funding risk, as studied by (Fitri & Amalia, 2025) as well as (Syahwallistiana & Yusuf, 2025). Consistent use of these proxies facilitates the process of synthesizing findings across studies even when publication years vary.

Despite using a well-established measurement framework, a synthesis of the overall literature

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reveals a dynamic and diverse empirical findings regarding the direct influence of GCG and ESG. A number of studies, such as those conducted by (Titania & Taqwa, 2023) proves that GCG indicators such as audit committees and boards of commissioners significantly boost profitability. This positive finding aligns with research.(Husna et al., 2023) which found that GCG encourages ESG disclosure in state-owned companies, as well as studies (Arofah & Khomsiyah, 2023) which shows that financial performance can strengthen the positive impact of GCG and ESG on company value. In contrast, variations in findings were reported by (Fitria & Mariana, 2025) which found that *Governance* aspects in ESG do not necessarily show a significant relationship in energy companies, as well as (Daud et al., 2026) which noted a significant negative relationship on certain *Environmental* performance due to the initial cost burden.

The dynamics and inconsistencies of these findings are further enriched by the inclusion of innovative mediating and moderating variables in other groups of literature. (Fransisca et al., 2025) found that green finance mediates the relationship between CSR and financial performance, while (Haryono & Wirianata, 2025) as well as (Widiyanti, 2025) examined the role of green innovation and financial constraints which proved that *Environmental* efficiency has a direct impact on firm value. (Setiawati et al., 2023) highlights the importance of company size in strengthening investors' positive perceptions of financial efficiency. Mapping this literature confirms that the interaction between ESG, GCG, company size, and *leverage* is not a simple linear relationship, but rather a financial ecosystem that is highly dependent on a company's scale and capital structure discipline.

The Impact of *Environmental*, *Social*, and *Governance* (ESG) Disclosure on Financial Performance and Company Value

Companies in the modern business world can no longer focus solely on achieving financial returns for their shareholders. Today, the public, investors, and governments are increasingly concerned about how companies preserve the environment, treat employees fairly, and enforce transparent regulations. This dual concern concept has become widely known as *Environmental*, *Social*, and *Governance* (ESG) disclosure. The relationship between ESG activities and corporate profitability is typically explained through Stakeholder Theory and Legitimacy Theory. Based on these two theories, companies that actively protect the environment and *Social* well-being will gain significantly greater public trust.

The reality on the ground shows varied and not entirely consistent research results. Most studies find that ESG implementation reports have a direct positive impact on a company's business progress and stability. For example, a study conducted by (Fitria & Mariana, 2025), it was revealed that ESG disclosure, particularly regarding *Environmental* and *Social* aspects, is closely linked to improved corporate performance in the energy and mining sectors. This finding is also strongly supported by

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research from (Fransisca et al., 2025) which states that the application of sustainability principles is very helpful for companies in maintaining long-term business continuity, because *Environmental*ly friendly companies are proven to be easier to get support from financial institutions through green financing schemes.

Research results do not always demonstrate consistent results or immediate profitability. Several studies have found that ESG disclosures sometimes fail to boost profits immediately, or even show different results. Research from (Daud et al., 2026) noted that in the early stages of implementation, the large costs incurred to improve *Environmental* and *Governance* performance actually became an additional burden that depressed the company's market value. Similar findings were also reported in the research (Widiyanti, 2025) as well as (Haryono & Wirianata, 2025), which reminds us that companies' efforts to implement *Environmental*ly friendly innovation are highly dependent on the availability of internal funds. This means that if management doesn't manage its budget wisely, good intentions to comply with ESG standards can actually temporarily burden the company's financial health.

Through various perspectives and analyses of various studies, it can be concluded that ESG disclosure is essentially a form of long-term investment that is highly beneficial for building a positive public image for a company. Nevertheless, company management must remain meticulous and cautious in calculating its operational budget. This careful calculation is necessary to ensure that commitments to *Environmental* and *Social* sustainability do not undermine the company's short-term financial stability. Striking a balance between sustainability program spending and achieving financial returns is key to today's business success.

The Influence of *Good Corporate Governance* (GCG) on Company Financial Performance

Capital owners and day-to-day management of a large company often have different interests in running the organization. To prevent fraud and ensure that every decision is truly in the public interest, a strict and sound set of oversight rules and regulations are required. These rules and oversight systems are known as *Good Corporate Governance* (GCG). The relationship between the implementation of *Good Corporate Governance* and corporate profitability is usually explained through agency theory. Based on this theory, effective oversight by an independent party can reduce the risk of abuse of authority by company management.

The implementation of *Good Corporate Governance* typically involves various supervisory elements, such as the board of commissioners, audit committee, and even share ownership by management itself. Most previous research has shown that these oversight and *Governance* mechanisms have a significant positive impact on increasing corporate profits. For example, a study by (Hadyan & Andhaniwati, 2021) It has been proven that the implementation of *Governance* has a joint impact on

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the financial performance of banking companies, where management ownership plays a significant role. This is reinforced by research results. (Titania & Taqwa, 2023) which confirms that the existence of an active audit committee and board of commissioners has been proven to significantly increase the company's level of profit or profitability.

These positive findings were further confirmed by further research in various industrial sectors in the Indonesian capital market. In research conducted by (Firdaus et al., 2025), it was concluded that good *Governance* has a strong positive impact on improving the financial performance of banking institutions. A study from (Husna et al., 2023) found that good *Governance* doesn't stand alone but acts as a key driver for public disclosure of company information. When a company is managed transparently and honestly, investors feel much more secure in investing their capital, which ultimately boosts the company's value and positive image in the eyes of the public.

While most studies show encouraging results, some studies also note different dynamics or outcomes in the field. For example, in the findings (Kholifah et al., 2025), it is stated that under certain conditions or periods, the implementation of corporate *Governance* may not necessarily have a significant impact on short-term profits if oversight is not optimal. Nevertheless, in general, the principles of transparency and accountability remain an important foundation for companies to avoid significant losses due to mismanagement. Drawing a line between these various expert views, it is revealed that the effectiveness of corporate *Governance* is largely determined by the management's consistency in adhering to applicable business ethics regulations.

The Moderating Role of Firm Size and *Leverage* Control in the Relationship between ESG/GCG and Financial Performance

Examining the relationship between *Governance* compliance, sustainability reporting, and corporate profitability, experts recognize that these interactions do not occur in a vacuum. The effectiveness of strategic policy implementation is largely determined by the internal characteristics inherent in each organization in the capital market. One key internal factor determining the strength or weakness of this influence is the company's scale or size, as measured by total assets under management. Based on resource-based theory, companies with larger assets have a much more mature foundation of facilities, capital, and expertise to finance sustainability programs.

The availability of these abundant resources makes large-scale entities better equipped to bear the initial costs of implementing *Environmental Governance* and reporting. Research from (Damayanti & Septiyanti, 2022) Research demonstrates that organizational size provides a significant positive impact on strengthening the relationship between *Governance* and increased profitability. When an entity possesses substantial total assets, the level of public, media, and government attention

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automatically increases dramatically. This heightened public scrutiny triggers a legitimacy drive that compels management to act more transparently and accountably to maintain its business reputation in the public eye.

The role of company size as a market value enhancer is also emphasized in empirical studies conducted by (Setiawati et al., 2023) Their findings suggest that asset scale acts as an efficiency driver, reinforcing investors' positive perceptions of long-term financial stability. Larger business entities are perceived as more resilient in the face of economic turmoil, making investments in *Social* programs and *Governance* more easily converted into market returns. This aligns with the view (Fadhilah & Darto, 2026) which confirms that the impact of implementing *Governance* on increasing market value is very dependent on the size of the company's asset capacity.

Implementing complex sustainability reporting standards for businesses with limited or small assets often presents a financial challenge. Although small entities have more agile bureaucratic structures for decision-making, limited operational funds make the allocation of costs for *Social* programs seem skyrocketing. Expenditures on meeting sustainability standards in small companies sometimes actually drain a portion of net profit that could otherwise be used for core business expansion. The presence of company size is crucial, positioned as a moderating variable to explain why the impact of sustainability policies can differ between large and small companies.

A company's funding structure, reflected in its *leverage* level, also plays a vital role. The *leverage* level reflects the extent to which a business's operations and assets are secured by third-party loans, such as from banks or corporate creditors. In financial analysis, the *leverage* structure acts as a control tool that limits or directs management's use of the company's cash. The presence of creditors automatically creates an additional external oversight function, requiring management to be more disciplined and careful in executing each operational budget.

Strict oversight by these lending institutions, on the one hand, prevents management from wasting funds on unproductive projects. This is in line with research findings (Fitri & Amalia, 2025) This demonstrates that the combination of solid *Governance* and a measurable *leverage* ratio is key to maintaining financial stability. When *leverage* obligations are within safe limits, management is encouraged to manage assets optimally to achieve business efficiency. Under these conditions, disciplined use of borrowed funds indirectly strengthens the positive impact of *Governance* on achieving a company's net profit.

The use of *leverage* can also create a serious threat if the company's *leverage* exceeds its capacity or becomes too high. Periodic maturities of interest and principal will drain the company's cash flow. This phenomenon is reflected in research. (Aurelia & Tjakrawala, 2026) which confirms that excessive

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leverage consistently suppresses the positive relationship between sustainability compliance and financial performance. When a significant portion of revenue is used to pay off *leverage*, the funds remaining to finance waste management programs, employee welfare improvements, and green innovations are severely limited.

The impact of *leverage* pressure on declining performance and market value is also reinforced by the findings (Syahwallistiana & Yusuf, 2025) The research concluded that uncontrolled *leverage* tends to be a heavy burden that erodes investor confidence, even as sustainability disclosures attempt to build a positive image. These findings align with studies (Kholifah et al., 2025) as well as (Shafirah, 2024) which tested these variables simultaneously. Both studies demonstrated that *leverage* levels and organizational size significantly influence the direction and magnitude of financial performance fluctuations on the stock exchange.

The influence of *leverage* is closely related to the company's ability to create *Environmental*ly friendly technology. (Haryono & Wirianata, 2025) revealed that although the implementation of sustainability standards stimulates green innovation, its success rate is severely limited by the availability of internal funding, or financial constraints. In line with this, (Widiyanti, 2025) found that *Environmental* efficiency can indeed increase company value, but sustainability costs that are not balanced with capital adequacy can actually reduce profitability levels in the short term.

CONCLUSION

The implementation of *Environmental*, *Social*, and *Governance* (ESG) and *Good Corporate Governance* (GCG) plays a crucial role in influencing a company's financial performance and value, although its impact is not always uniform and is often influenced by specific circumstances. In general, good *Governance* practices and *Environmental* awareness have been shown to build a positive image and increase investor confidence in the long term. However, in the early stages of implementation, the substantial costs incurred to meet sustainability standards can become an additional burden that depresses profits if not balanced by prudent financial management. Therefore, company size has proven to be a reinforcing factor, making entities with large assets more prepared to absorb these initial costs, while *leverage* acts as an important control tool that must be maintained to prevent interest expenses that drain operational cash flow. The success of ESG and GCG integration in boosting financial performance depends heavily on the balance between sustainability cost allocation, company capacity scale, and disciplined capital structure management.

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