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The Impact of ESG Program Implementation on Company Performance in the Hospital Sector of Companies Listed on the IDX in 2021–2024

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ABSTRACT

Amid growing scrutiny of environmental, social, and governance (ESG) practices, hospitals face the unresolved question of whether—and which—ESG pillars enhance firm performance. This study addresses that problem by testing the differential effects of the E, S, and G dimensions on company performance in Indonesia's hospital sector. Using purposive sampling, we analyzed 10 IDX-listed hospitals over 2021–2024 and applied PLS-SEM (SmartPLS) to estimate the relationships among constructs. The results show that the environmental pillar has a significant positive effect on performance, while the social and governance pillars each have significant negative effects. These findings suggest that environmentally focused initiatives (e.g., energy efficiency, waste reduction) may generate tangible operating and reputational gains, whereas certain social and governance practices—depending on design and execution—can impose costs or create complexity that dampens near-term returns. Short-term implications are that hospital managers should prioritize high-yield environmental programs and rigorously evaluate the cost–benefit logic, scope, and timing of social and governance initiatives; investors should avoid treating ESG as monolithic and instead assess pillar-level impacts; and regulators can calibrate guidance to encourage environmental upgrades while clarifying standards that reduce compliance burdens. Future work should expand beyond hospitals, incorporate mediators/moderators (e.g., size, leverage, digital maturity), and use longer panels to probe mechanisms behind the mixed S and G effects.

Keywords: ESG, Corporate Performance, Hospitals.

INTRODUCTION

Advances in technology and health science have impacted hospitals as providers of public health services. With adequate hospitals, many lives threatened by delays or inaccurate medical treatment can be handled quickly and appropriately. The Decree of the Minister of Health of the Republic of Indonesia defines a hospital as a place that provides all health services for a person, including emergency care, inpatient care, and outpatient care. The primary essence of a hospital is to meet all the needs and requests of patients who expect a quick resolution to their health problems. The public always expects to receive the best, most comfortable, fastest, and most responsive service during their time as patients. The public also often assumes that hospitals are the only place that provides medical services for recovery and healing of illnesses. Hospital performance measurements now generally focus on the financial aspect. Management is considered successful if it has generated high revenue profits, followed by increasing appreciation for employee service (Riwu & Wibowo, 2021).

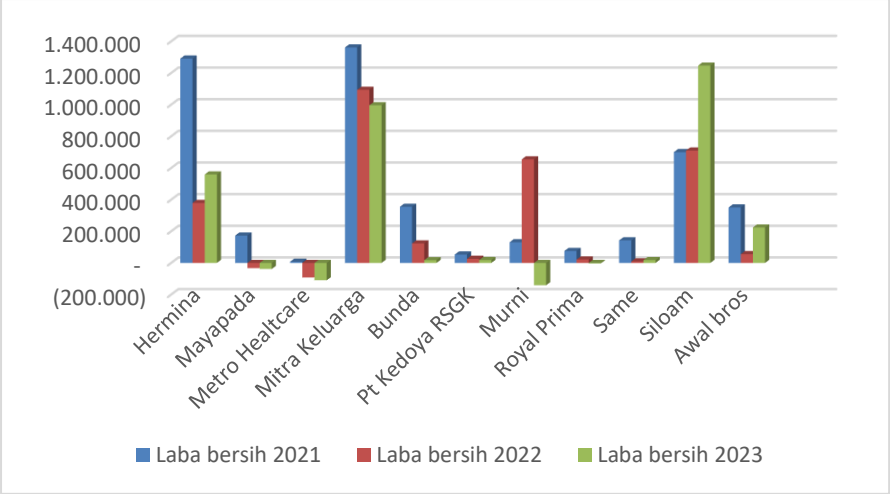

Figure 1. Net Profit of Healthcare Sector Companies

Figure 1 shows that the financial performance of hospitals listed on the IDX has fluctuated in recent years. Of the 11 healthcare companies listed on the IDX, 10 experienced a decline in net profit, while only one hospital, Siloam Hospital, experienced an increase in net profit in 2023.

In running a business, an institution must ensure that all its operational activities run smoothly and cannot focus solely on profit-making. The phenomenon of climate change is increasingly apparent and has significant impacts. Given its significant impacts and dangers, especially to the existence of living things and future generations, climate change must be taken into account. Therefore, special attention is needed to mitigate climate change across all levels of society. Many stakeholders, especially local and international investors, have been driven by this global issue to recognize the crucial importance of implementing environmental, social, and governance (ESG) strategies into all company operations and development. This is due to growing public awareness of global warming and the severity of climate change. (Durlista & Wahyudi, 2023)

Implementing an ESG program for an issuer or company is an investment that has no direct correlation with revenue. Investment in ESG is not a direct cost-to-revenue component. Obliged to implement an ESG program, companies must allocate a budget for the program and then publish it in their annual reports. This publication will provide the public and stakeholders with information regarding the implementation of the issuer's commitment to sustainable development, particularly with regard to the environment and public life in general. The implementation of this program is thought to have the potential to impact the public's positive perception of the capital market.

From an environmental perspective, hospitals generate hazardous medical waste, emit gases from medical equipment, and consume high levels of energy and water. Improper management of these aspects can lead to environmental pollution and negatively impact the surrounding community. Therefore, the implementation of effective environmental policies, such as waste management and energy conservation, is a critical component in measuring hospital sustainability performance. The social aspects of a hospital play a crucial role in maintaining the safety of patients and healthcare workers. The comfort of healthcare workers, fairness of services, patient rights, and hospital participation in social activities are essential

components of a hospital's social responsibility. Good social performance will positively impact patient satisfaction, employee commitment, and the institution's public reputation. Hospital governance is subject to strict oversight by various institutions, including the Ministry of Health, hospitals accredited by accreditation bodies, and international organizations like the Joint Commission International (JCI). Therefore, effective governance involves reporting transparency, managerial accountability, and adherence to medical ethics, all of which are essential for maintaining public trust. Implementing strong governance and meeting established regulatory standards builds a positive image among investors and can enhance informed decision-making regarding patient safety, finances, and company operations. Companies with good governance also have easier access to funding.

Dowling dan Pfeffer reveals the legitimacy theory that organizations need to examine behavior related to decisions taken and related to the environment. According to Subroto (2024) an implicit agreement between an organization and society is necessary for a corporation to have the right to operate in that society. An organization can lose its operating license if it ignores societal standards and expectations. According to legitimacy theory, all corporate actions must comply with the social contract to be socially accepted by external parties or to legitimize corporate actions (Durlista & Wahyudi, 2023). Ketika perilaku beserta tindakan yang berjalan dianggap bisa diterima, diinginkan, ataupun sesuai dalam sistem normatif yang terbentuk secara sosial, maka legitimasi tercapai (Minggu, Aboladaka, & Neonufa, 2023). Companies can survive and thrive if their actions and practices are legitimated.

The implementation of ESG by companies is a path to gaining legitimacy from the public and stakeholders. Achieving legitimacy from the public and stakeholders will enhance the company's reputation. To maintain and contribute to corporate sustainability, organizations must seek support from stakeholders regarding their activities. This support can be sought through the sharing of information about the company's financial and non-financial operations.

The phrase "ESG" (Economic Governance) has become the inspiration for the global ESG movement. It was first coined by the United Nations Principles of Responsible Investment in a corporate social responsibility report (Antonius & Ida, 2023). According to Durlista and Wahyudi (2023), is a guideline for investment strategies that integrate and implement corporate policies to align with environmental, social, and governance principles.

The IDX's integration into the SSE also embodies the implementation of Presidential Regulation No. 59 of 2017 concerning the Implementation of Sustainable Development Goals and Financial Services Authority Regulation (POJK) No. 51/POJK.03/2017 concerning the Implementation of Sustainable Finance for Financial Services Institutions, Issuers, and Public Companies. Through these two fundamental regulations, companies or institutions within their scope must implement sustainable programs, particularly those focused on environmental, social, and governance (ESG). By becoming part of the global community committed to sustainable development, Indonesian companies are participating in a global community committed to sustainability (Minggu et al., 2023).

Regulators and the government have mandated a number of companies to implement these three investments. These investments are part of the effort to achieve sustainability. In addition to requiring issuers to implement awareness and investment programs in these three sectors,

the Indonesia Stock Exchange also requires issuers to present ESG scores, which serve as a barometer for measuring the quality of ESG implementation over a specific period.

One of the main indicators for measuring a company's success is its performance. Financial reports are one of the instruments that can be used as a guide for evaluating a company's performance (Antonius & Ida, 2023).

Hospital performance measurement currently generally focuses on financial aspects. Management is considered successful if it has generated high profits and revenue, followed by increased appreciation for employee service (Riwu & Wibowo, 2021). Financial performance information demonstrates a company's financial capabilities and productivity in utilizing its resources to generate revenue and profit (Hindasah & Nuryakin, 2020). In the healthcare industry, particularly hospitals, financial and non-financial performance information is often used as an important performance parameter, as presented below.

Table 1. Company Performance Measures

No	Company Performance Indicators	Company Performance Definition	Description
1	ROA	ROA is an indicator of the return generated from the use of all company assets.	Financial Performance
2	BOR	ROA = Net Profit / Total Assets	
3	LOS	Bed Occupancy Rate (BOR) is the percentage of bed occupancy in a given period. This indicator provides an overview of the level of hospital bed utilization.	Bed Occupancy Rate

Previous reseach by Inawati and Rahmawati (2023) demonstrated that the financial performance of non-financial companies is positively influenced by environmental, social, and governance factors. Hartomo and Adiwibowo (2023) also demonstrated that ESG disclosure influences company performance. This is in line with Prabasari et al. (2022), who found that companies benefit from ESG implementation because it provides added value in attracting investors concerned with environmental, social, and good governance aspects. Research by Mubin et al. (2023) indicates that ESG implementation in companies will not result in losses. Instead, implementing ESG can increase profits for companies in the long term. This demonstrates that many companies are implementing ESG into their accounting practices. However, research by Ghazali and Zulmaita (2020) found that profitability, as proxied by ROA and ROIC, was not affected by the independent variable governance, either partially or individually. However, all three variables had a moderate significant effect on company profitability simultaneously. Similarly, research by Minggu et al. (2023) showed that financial performance was negatively influenced by environmental factors, but positively and significantly influenced by social factors and governance.

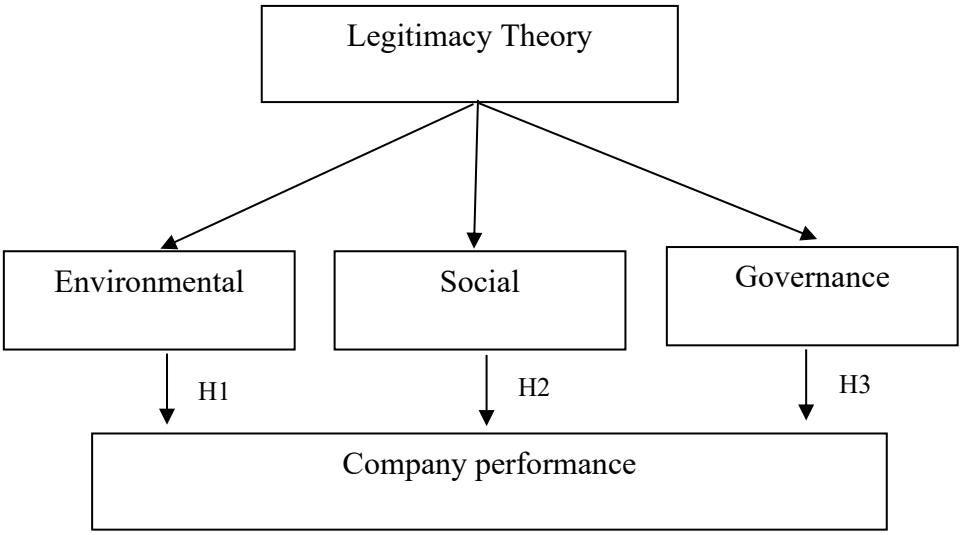

Figure 2. Theoretical Framework

This study aims to analyze and assess ESG practices in the healthcare sector to create companies with integrity by utilizing healthcare companies listed on the Indonesia Stock Exchange (IDX) as research subjects. This is crucial for hospital businesses, which view ESG as crucial for business sustainability, survival under any circumstances, and gaining stakeholder trust. According to a 2022 BNP Paribas Global survey, investor interest in ESG-based products has increased by 20% since the COVID-19 pandemic. Furthermore, 79% of respondents agreed that long-term investment and risk management would be better if social factors were considered. The expectation that businesses and operations can manage natural resources in an environmentally friendly manner and prioritize human resource welfare has attracted investors, especially the younger generation, to sustainable investments.

This study focuses on the healthcare sector because, despite fluctuating performance, healthcare services in Indonesia are developing rapidly in line with customer satisfaction and improving the highest possible quality for the community. This is based on the findings of other studies evaluating business success from a financial perspective. Researchers were inspired to conduct research on the impact of implementing ESG principles on hospital performance, measured through three proxies: financial performance measured through ROA, and operational performance measured through bed occupancy rate (BOR) and length of stay (LOS).

METHOD

Based on the research to be conducted, this research is quantitative, namely research based on numbers applied to the observed phenomenon, and usually uses numerical data (Rachman, 2024). This study uses secondary data from company annual reports. This research data was collected through a documentation methodology released by the health sector company. One method of collecting data and information for research is through documentation, including books, archives, notes, written figures, or images in the form of reports along with supporting information (Sugiyono, 2018).

The population of this study was all hospitals listed on the Indonesia Stock Exchange (IDX) for the 2021-2024 period. Eleven hospitals were listed on the Indonesia Stock Exchange (IDX)

for the 2021-2024 period. The sample was selected using a purposive sampling method. After selecting the sample based on the established criteria, 10 hospitals were selected, each listed on the Indonesia Stock Exchange (IDX) for the four years of the study. The details of the sample selection are as follows:

Table 2. Sample Selection Criteria

No	Criteria	amount
1.	Number of hospitals listed on the IDX in 2021-2022	11
3	Companies that did not publish annual reports consecutively in 2021-2024	(1)
4	Financial reports not presented in Rupiah	(0)
5	Companies that meet the criteria	10
	Number of samples used (11 companies x 4 years)	**40**
	Final sample size	**40**

Source: Processed secondary data, 2025

The operational definitions and measurement of variables can be summarized as follows:

Table 3. Definition and Measurement of Variables

Environmental Variables	Operational Definition	Measurement	Scale
Social	Environmental criteria relate to a company's energy consumption, waste, pollution, natural resource conservation, and treatment of flora and fauna (Minggu et al., 2023).	GRI 300, 32 indicators	Ratio
Governance		• 1 (one) if the indicator is disclosed	
Company Performance	Social criteria address the company's relationship with external parties, such as the community, suppliers, community groups, buyers, and other legal entities related to the company (Minggu et al., 2023).	• 0 (zero) if the indicator is not disclosed	Ratio
Environmental Variables		E-ratio: (number of E-indicators disclosed) / (total number of relevant E-indicators) x 100%	

The technical analysis in this study employed Partial Least Squares Structural Equation Modeling (PLS-SEM), processed using SmartPLS software version 4.1.1.2. PLS-SEM is a tool for measuring, testing, and understanding the correlation between variables in a conceptual model. PLS-SEM is also defined as a soft modeling technique with less stringent requirements

than SEM, for example, regarding sample size, residual distribution, and measurement scale (Duryadi, 2021).

RESULTS AND DISCUSSION

Descriptive Statistical Analysis

Descriptive statistics is a type of statistical analysis that analyzes data by describing or presenting the collected data as it is, without attempting to draw conclusions or generalizations applicable to the general public (Amruddin et al., 2022).

Table 4. Descriptive Statistics

Descriptive Statistics					
	N	Minimum	Maximum	Mean	Std. Deviation
E	40	6.25	46.88	22.5030	10.61971
S	40	7.50	50.00	20.6875	12.10249
G	40	10.00	57.50	25.4375	10.84399
ROA	40	-2.68	19.84	4.6042	5.81608
BOR	40	36.10	72.90	50.5550	9.13463
LOS	40	2.43	10.08	3.9847	1.95711
Valid N (listwise)	40				

Source: Processed secondary data, 2025

Based on the descriptive statistics table, 40 research samples were analyzed, with company performance variables (ROA, BOR, LOS) as the dependent variable, and environmental (E), social (S), and governance (G) as the independent variables.

Table 4 shows the data distribution for the environmental variable (E). The environmental variable (E) has an average value of 22.50, with a minimum value of 6.25 and a maximum value of 46.88, and a standard deviation of 10.62. This indicates that the implementation of environmental aspects among the sample companies varies considerably. A higher environmental aspect value indicates a greater company's attention to environmental issues such as waste management, energy efficiency, and responsible use of natural resources.

Table 4 shows the data distribution for the social variable (S), showing an average value of 20.69, with a minimum value of 7.50 and a maximum value of 50.00, and a standard deviation of 12.10. The high standard deviation indicates significant differences in the implementation of social aspects across companies, including aspects such as employee relations, workplace safety, community involvement, and diversity.

Table 4 shows that the data distribution for the governance variable (G) has the highest average value compared to environmental and social aspects, at 25.44, with a minimum value of 10.00 and a maximum of 57.50, and a standard deviation of 10.84. This value indicates that corporate governance aspects tend to be given greater attention by most companies in the sample, although significant variation remains.

Table 4 shows the distribution of data for the financial performance variable, measured by Return on Assets (ROA), with an average value of 4.60%, with a minimum value of -2.68% and a maximum of 19.84%, and a standard deviation of 5.82. A negative ROA value indicates a company experienced a loss during the observation period, while a relatively high standard deviation indicates significant variation in financial performance across companies.

Table 4 shows the distribution of data for the Bed Occupancy Rate (BOR) variable, with an average of 50.56%, with a minimum value of 36.10% and a maximum of 72.90%, and a standard deviation of 9.13. This reflects that bed occupancy rates at the hospitals in the sample are moderate, with reasonable variability.

Table 4 shows the distribution of data for the Length of Stay (LOS) variable, which has an average value of 3.98, with a minimum value of 2.43 and a maximum of 10.08, and a standard

deviation of 1.96. This value is relatively low and indicates greater consistency across companies, which can be interpreted as indicating a tendency for stable operational sustainability.

Overall, these descriptive statistics indicate diversity in the application of ESG principles and in financial and operational performance across companies. Governance variables rank highest in the average ESG score, while ROA and LOS variables provide insights into the level of efficiency and sustainability of a company's operations. This information provides an important basis for further analysis of the impact of ESG on company performance.

Partial Least Squares (PLS) Analysis Results

Measurement Model Evaluation (Outer Model)

The test criteria for the data analysis technique using SmartPLS software to assess the outer model of the formative model are Convergent Validity and Collinearity between indicators. Convergent validity of the measurement model with formative indicators is assessed based on the correlation between item scores/component scores estimated using PLS software. An individual formative measure is considered valid if its factor loading is greater than 0.70 or has a p-value less than 0.05 with the construct being measured. In this study, a p-value limit of 0.05 will be used. The second measurement used to assess the outer model of the formative model is the Multicollinearity value. Multicollinearity is measured using the VIF (Variable Interval Intensity Index). The test results are considered to have no multicollinearity if the VIF is <5.

Convergent Validity

Table 5. Outer Weight Stage 1

	Environmental	Governance	Company performance	Social
BOR			0.858	
E	1.000			
G		1.000		
LOS			-0.706	
ROA			0.401	
S				1.000

Source: Data processing with SmartPLS (2025)

Table 5 illustrates the factor loading values (convergent validity) of each indicator. A factor loading value >0.7 is considered valid. From this table, using the BOR performance indicator, all factor loading values for the environmental, social, and governance indicators are greater than 0.7 or have p-values less than 0.05. This indicates that these indicators are valid. However, for the company performance indicators, ROA and LOS, the values are less than 0.7, necessitating elimination. The outer weight results after elimination are as follows:

Table 6. Outer Weight Stage 2

	Environmental	Governance	Company performance	Social
BOR			1.000	
E	1.000			
S				1.000
G		1.000		

Source: Data processing with SmartPLS (2025)

Table 6 illustrates the factor loading values (convergent validity) of each indicator. A factor loading value >0.7 is considered valid. This table shows that all factor loading values for the Environmental, Social, and Governance indicators, and the BOR, are greater than 0.7 or have a p-value less than 0.05. This indicates that these indicators are valid.

Multicollinearity Test

Table 7. Multicollinearity Test Results

	VIF
Environmental	1.000
Social	1.000
Governance	1.000
BOR	1.000

Source: Secondary data processed 2025

Based on Table 7, the following are the results of the multicollinearity test conducted by comparing the VIF (Variance Inflation Factor) value with the number 5. If the VIF value is > 5, multicollinearity occurs. From these test results, it can be concluded that there is no multicollinearity between the variables in the indicator because it has a VIF value < 5.

Structural Model Evaluation (Inner Model)

Coefficient of Determination (R2)

Evaluation of the inner model or structural model is conducted by assessing the R-squared results, which is a test of the model's goodness of fit.

Table 8. R-Square Values

	R-square	R-square adjusted
Company performance	0.256	0.194

Source: Data processing with PLS, 2025

Table 8 shows the adjusted R2 value of company performance of 0.194, this proves that the company performance variable is influenced by environmental, social and governance variables by 19.4%, and other variables outside the variables studied have an influence of 80.6%.

Predictive Relevance (Q^2)

The formula for predictive relevance is as follows

Mark $Q^2 = 1 – (1 – R^2) \times (1 – R^2)$.

Mark $Q^2 = 1 – (1 – 0.256) \times (1 – 0.256)$

$= 1 – 0{,}553536$

$= 0{,}446$

Information:

Q^2 : Predictive Relevance value
R_1^2 : R-Square value of company performance variables

The Q2 value evaluation result was 0.446, indicating that the model has strong predictive relevance, indicating that the exogenous constructs in this model are substantially able to predict the endogenous constructs studied.

Hypothesis Testing

Hypothesis testing in this study was conducted by assessing the significance of the estimated parameters to obtain relevant information regarding the relationships between variables in the model. In the PLS approach, statistical testing of the hypothesized relationships is conducted through a simulation procedure, namely using bootstrapping techniques on sample data. This bootstrapping method is also used to address potential issues of non-normality in the data distribution. The results of the hypothesis testing through bootstrapping analysis are presented as follows:

Table 9. Hypothesis Testing Results

	Original sample (O)	Sample mean (M)	Standard deviation (STDEV)	T statistics (|O/STDEV|)	P values
Environmental ->	0.548	0.546	0.181	3.028	0.002
Corporate Performance	-0.428	-0.424	0.151	2.827	0.005
Social ->	-0.336	-0.335	0.148	2.272	0.023

Source: Data processing with PLS, 2025

Table 9 shows the results of the hypothesis testing, presented using the t-statistic as the basis for evaluation. The test was conducted by comparing the calculated t-value to the t-table value. Based on 40 observations, the t-table value was 1.960. Another alternative in the test is to use the p-value, where the test decision is based on a significance level (α) of 5%.

Discussion

Based on the research findings regarding the impact of ESG program implementation on company performance in hospital companies listed on the Indonesia Stock Exchange (IDX) from 2021 to 2024, further analysis was conducted to explain the influence of each variable in detail, as outlined in the following explanation:

The Impact of Environmental Factor Implementation on Company Performance

Based on the results of the t-test hypothesis testing, the path coefficient of environmental factors on company performance was 0.548, with a p-value of 0.002. Since the p-value (0.002) is smaller than the significance level (<0.05), this indicates that environmental variables have a positive and significant effect on company performance. The results of this study align with the hypothesis that environmental factors have a positive and significant effect on company performance. Therefore, the first hypothesis (H_1) is accepted.

The findings of this study align with legitimacy theory, which supports the positive and significant influence of environmental factors on company performance. This theory explains

that every company's activities should align with the prevailing social contract to be accepted by the wider community and gain legitimacy from external parties for its actions (Durlista and Wahyudi 2023).

The environmental aspect relates to a company's energy consumption, pollution, waste, natural resource conservation, and the treatment of flora and fauna (Qodary and Tambun 2021). An environmental perspective indicates that hospitals produce hazardous medical waste, emit gases from medical equipment, and consume high amounts of energy and water. Improper management of these aspects can lead to environmental pollution and negatively impact the surrounding community. Therefore, the implementation of effective environmental policies, such as waste management and energy conservation, is a crucial component in measuring hospital sustainability performance.

The findings of this study are consistent with the results of studies conducted by Inawati & Rahmawati (2023); Antonius and Ida (2023); and Hartomo and Adiwibowo (2023), which found that environmental factors positively influence a company's financial performance. However, these results are inconsistent with previous research by Minggu et al. (2023); Tarigan and Semuel (2015) showed that financial performance was negatively influenced by environmental factors.

The Effect of Social Factors on Company Performance

Based on the results of the t-test hypothesis testing, the path coefficient for the social variable on company performance was -0.428, indicating a negative relationship. This means that an increase in social aspects is accompanied by a decrease in company performance of 0.428. The p-value obtained was 0.005, and because this value is less than the 0.05 significance level, the social variable is proven to have a negative and significant influence on company performance. The results of this study are inconsistent with the hypothesis that social factors have a positive and significant influence on company performance. Therefore, the second hypothesis (H2) cannot be accepted or rejected.

These results are inconsistent with the predictions of legitimacy theory, which should indicate a positive and significant influence between social factors and company performance. This is because the theory emphasizes the importance of a company's relationships and interactions with its external environment as the basis for gaining social legitimacy. When behavior and actions are deemed acceptable, desirable, or appropriate within a socially established normative system, legitimacy is achieved (Minggu et al. 2023). A company can survive and thrive if its actions and practices are legitimate.

Social criteria describe how a business interacts with other parties, including the community, suppliers, community organizations, customers, and other legal entities related to the company. Investments in CSR programs, community development, or employee welfare require significant costs that do not always yield short-term benefits. In financial statements, these social expenditures are recorded as expenses, not investments. Many companies implement social programs solely for image purposes or to meet external obligations. If they are not integrated with the core business strategy, these social programs do not make a tangible contribution to the company's performance. When companies publicize social activities, this often raises higher expectations from the community or employees. If these expectations are not met, this can lead to backlash or even a negative reputational risk.

The findings of this study are consistent with those of studies conducted by Tarigan and Semuel (2015), who found that financial performance was negatively influenced by social factors. However, these findings are inconsistent with previous research by Inawati and Rahmawati (2023); Antonius and Ida (2023); Hartomo and Adiwibowo (2023); and Minggu et al. (2023), who stated that social factors positively influenced corporate financial performance.

The Effect of Governance Implementation on Corporate Performance

Based on the results of the t-test, the path coefficient between governance and corporate performance was -0.336, indicating a negative relationship. This means that an increase in governance is accompanied by a decrease in corporate performance of 0.336. The p-value obtained is 0.023, which is less than the significance level of 0.05. Thus, the governance variable is proven to have a negative and significant influence on company performance, and the results of this study do not align with the hypothesis that governance factors have a significant positive effect on company performance. Therefore, the second hypothesis (H3) cannot be accepted or rejected.

This study's results are inconsistent with the predictions of legitimacy theory, which should indicate a positive and significant influence between governance factors and company performance. This is because, according to legitimacy theory, organizations must continuously maintain their legitimacy from stakeholders, including investors, employees, customers, and authorities. Perceptions of company legitimacy are influenced by effective governance practices, which include ethical behavior, accountability, and transparent decision-making (Durlista and Wahyudi 2023).

Governance is a combination of processes and structures established by the board of directors through the process of conveying information, directing, managing, and monitoring all activities within the company in order to achieve predetermined goals de Francesco and Levy. Companies that implement good governance principles, such as high transparency, strict regulatory compliance, and strict board oversight, often incur high compliance and oversight costs. These costs can reduce a company's efficiency or profit margins, especially if not offset by increased revenue. Furthermore, many governance policies are merely formalities (merely to fulfill regulatory obligations) rather than being effectively implemented to improve operational performance. Consequently, existing governance becomes an administrative burden, rather than a tool for improving performance.

This research confirms previous research conducted by Ghazali and Zulmaita (2020), who found that profitability, as proxied by ROA and ROIC, was not influenced by the independent variable of governance, either partially or individually. However, this study's findings differ from those of Inawati and Rahmawati (2023); Antonius and Ida (2023); Hartomo and Adiwibowo (2023); and Minggu et al. (2023), who found that corporate financial performance is positively influenced by governance factors.

CONCLUSION

This study assessed how ESG programs affect the performance of IDX-listed hospitals (2021–2024) and finds that the environmental pillar has a positive, significant association with performance (H1 accepted), while the social and governance pillars each have negative, significant associations (H2 and H3 accepted but in adverse directions), implying that

environmentally focused initiatives may yield operational and reputational gains, whereas social and governance efforts—as currently designed—appear to add cost and complexity without near-term payoff. Going forward, hospitals should prioritize high-ROI environmental upgrades (energy efficiency, waste management) and redesign social initiatives to be material, targeted, and outcome-based (e.g., measurable community-health impacts) with staged budgeting; streamline governance by shifting from rule proliferation to risk-based controls, clarifying roles, digitizing compliance, and tying ESG to executive KPIs; and adopt pillar-level dashboards to track cost–benefit. Future research should expand samples beyond hospitals, extend the panel horizon, test mediators/moderators (size, leverage, digital maturity), use alternative performance metrics (ROA, Tobin's Q, operating indicators), and address endogeneity with panel GMM or 2SLS, enabling stronger causal claims and practical guidance on which ESG designs create value in healthcare settings.

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