MSW MANAGEMENT -Multidisciplinary, Scientific Work and Management Journal
ISSN: 1053-7899
Vol. 36 Issue 2, 2026, Pages 328-332

Role of ESG Disclosure Quality and Internal Governance Mechanisms in Enhancing Corporate Performance

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Abstract
The growing emphasis on sustainability, transparency, and ethical business practices has significantly increased the importance of Environmental, Social, and Governance (ESG) disclosures and internal governance mechanisms in modern organizations. This study examines the role of ESG Disclosure Quality (EDQ) and Internal Governance Mechanisms (IGM) in enhancing Corporate Performance (CP). The research aims to investigate the individual and combined impact of ESG disclosure quality and governance practices on organizational performance outcomes. A quantitative research approach was adopted using a structured questionnaire consisting of 30 measurement items distributed across three constructs: ESG Disclosure Quality, Internal Governance Mechanisms, and Corporate Performance. Primary data were collected from 300 respondents, including compliance officers, governance executives, sustainability managers, internal auditors, and finance professionals. The collected data were analyzed using SPSS software through reliability analysis and regression analysis. The reliability analysis revealed a Cronbach's Alpha value of 0.983, indicating excellent internal consistency and reliability of the measurement scale. The regression findings demonstrated that ESG Disclosure Quality has a significant positive impact on Corporate Performance, with an R^2 value of 0.804 and a standardized beta coefficient of 0.897. Similarly, Internal Governance Mechanisms were found to significantly influence Corporate Performance, with an R^2 value of 0.735 and a beta coefficient of 0.858. Furthermore, multiple regression analysis showed that ESG Disclosure Quality and Internal Governance Mechanisms jointly explain 88.3% of the variation in Corporate Performance, confirming their substantial combined effect on organizational outcomes. The study concludes that organizations emphasizing transparent ESG disclosures and strong governance structures achieve superior financial and operational performance. Effective governance practices enhance accountability, ethical compliance, and decision-making quality, while high-quality ESG reporting strengthens stakeholder trust, corporate reputation, and sustainability performance. The findings provide practical implications for policymakers, corporate managers, governance professionals, and investors by highlighting the strategic importance of ESG integration and governance effectiveness in achieving long-term corporate success and competitive advantage.
Keywords: ESG Disclosure Quality, Internal Governance Mechanisms, Corporate Performance, Sustainability Reporting, Corporate Governance.

1. Introduction

In the contemporary business environment, organizations are increasingly expected to demonstrate not only financial success but also accountability toward environmental, social, and governance (ESG) responsibilities. ESG disclosure quality has emerged as a critical indicator of organizational transparency, ethical conduct, and sustainability commitment. Investors, regulators, customers, and other stakeholders now evaluate companies on the basis of their ESG reporting practices alongside traditional financial measures. As a result, firms are integrating sustainability principles into strategic and operational frameworks to enhance long-term corporate performance. According to Kexin Cai (2026), high-quality ESG disclosure positively influences corporate performance, especially through governance-related transparency that reduces agency conflicts and strengthens stakeholder confidence. The growing significance of ESG disclosure is closely associated with stakeholder theory, signaling theory, and legitimacy theory. Stakeholder theory argues that organizations must satisfy the expectations of multiple stakeholders rather than focusing solely on shareholder wealth maximization. Transparent ESG disclosures help firms communicate sustainability initiatives and social responsibility commitments, thereby improving trust and reputation among stakeholders. Similarly, signaling theory suggests that organizations with strong ESG practices use disclosures as signals of superior management quality and reduced investment risk. Studies by Pratiwi and Edeh (2024) indicate that transparent ESG reporting enhances investor confidence, lowers capital costs, and improves long-term business value. In recent years, internal governance mechanisms have also gained substantial attention as determinants of organizational effectiveness and corporate sustainability. Internal governance mechanisms include board oversight, internal controls, compliance systems, ethical standards, audit mechanisms, and risk management practices. Strong governance structures ensure accountability, transparency, and effective strategic decision-making within organizations. According to Verma (2025), governance quality positively affects ESG integration and corporate financial performance among Indian NIFTY 50 companies. Effective governance systems further strengthen sustainability reporting quality and improve operational efficiency. The relationship between ESG disclosure quality and corporate performance has been widely debated in academic and professional literature. Several empirical studies report a positive association between ESG reporting and financial performance, operational efficiency, and market valuation. Gao et al. (2023) found that ESG practices improve corporate performance across different organizational life cycle stages. Likewise, Xie et al. (2019) concluded that ESG activities generally exhibit a non-negative relationship with financial performance and corporate efficiency. ESG disclosures contribute to enhanced corporate reputation, increased customer trust, and improved access to investment opportunities, thereby strengthening overall organizational performance. However, despite the growing body of research, the findings remain inconsistent across industries and regions. Tamasiga et al. (2024) observed that ESG disclosures positively influence financial performance in some industries, while developing economies may experience weaker or insignificant relationships. Similarly, Agarwala et al. (2023) identified a non-linear relationship between ESG disclosure and corporate performance in Indian firms, indicating that the impact of ESG may vary according to disclosure intensity and organizational characteristics. These inconsistencies highlight the need for further empirical examination, especially in emerging economies where sustainability reporting frameworks are still evolving.

The role of governance mechanisms in enhancing ESG effectiveness has also become an important area of investigation. Albitar et al. (2020) emphasized that governance mechanisms moderate the relationship between ESG disclosure and firm performance. Effective governance structures such as board diversity, sustainability committees, and ownership concentration can strengthen the positive effects of ESG reporting on organizational outcomes. Similarly, Masud et al. (2024) found that governance factors including board size and independent directors significantly enhance ESG performance in emerging markets. Strong governance systems not only improve compliance and accountability but also facilitate strategic alignment between sustainability objectives and business performance. In the context of globalization and increasing regulatory scrutiny, organizations are under pressure to provide accurate, timely, and standardized ESG disclosures. International reporting frameworks such as the Global Reporting Initiative (GRI), Sustainability Accounting Standards Board (SASB), and integrated reporting guidelines encourage firms to maintain transparency and accountability. High-quality ESG disclosures reduce information asymmetry between management and stakeholders and contribute to better investment decisions. Ferdous et al. (2024) argued that ESG performance positively influences financial disclosure quality and enhances organizational accountability. Technological advancements are also transforming ESG reporting practices. Artificial intelligence, digital reporting systems, and data analytics are increasingly being used to improve disclosure quality and sustainability reporting accuracy. Alshareef (2025) demonstrated that AI-enhanced ESG disclosure quality significantly improves financial performance among Saudi-listed companies. These developments indicate that organizations adopting innovative reporting technologies can achieve greater transparency and stronger stakeholder relationships. The present study focuses on examining the role of ESG Disclosure Quality (EDQ) and Internal Governance Mechanisms (IGM) in enhancing Corporate Performance (CP). The study aims to analyze whether transparent ESG reporting and effective governance practices contribute positively to organizational success. Specifically, the research investigates the individual impact of ESG disclosure quality and governance mechanisms on corporate performance, as well as their combined influence on organizational effectiveness. The study is particularly relevant in the current era where sustainability and governance are becoming central to business competitiveness. Investors increasingly prefer organizations with strong ESG credentials, while regulators demand greater accountability and transparency in reporting practices. Therefore, understanding the relationship between ESG disclosure quality, governance mechanisms, and corporate performance can provide valuable insights for policymakers, managers, investors, and researchers.

2. Literature Review

The concept of Environmental, Social, and Governance (ESG) disclosure has gained significant importance in modern corporate management due to increasing stakeholder awareness regarding sustainability, ethical practices, and organizational accountability. ESG disclosure quality refers to the extent to which firms provide accurate, transparent, timely, and comprehensive sustainability-related information to stakeholders. High-quality ESG reporting improves organizational credibility, strengthens stakeholder relationships, and enhances long-term financial performance. Researchers across different countries and industries have extensively examined the relationship between ESG disclosure, governance mechanisms, and corporate performance. Kexin Cai (2026) investigated the differential impact of ESG disclosure quality on corporate performance among Chinese A-share listed companies between 2010 and 2024. The study found that governance disclosure had the strongest positive effect on corporate performance, followed by social disclosure, while environmental disclosure showed limited short-term financial benefits. The research emphasized that governance transparency reduces agency costs and improves stakeholder trust, thereby enhancing organizational performance.

Pratiwi and Edeh (2024) analyzed the role of ESG disclosure in corporate performance and investment decision-making. Their findings revealed that transparent ESG reporting enhances investor confidence, reduces capital costs, and contributes positively to long-term business value. The study also highlighted the importance of regulatory frameworks and standardized ESG reporting systems in improving disclosure quality and sustainability integration. Gao et al. (2023) examined whether ESG practices always improve corporate performance from a firm life cycle perspective. The authors concluded that ESG initiatives positively influence organizational performance at different stages of the corporate life cycle. Financial risk was found to mediate the relationship between ESG practices and corporate performance, particularly during growth and maturity stages. This study supports the argument that sustainability practices contribute to organizational resilience and long-term profitability. Tamasiga et al. (2024) evaluated the role of ESG disclosures in enhancing firm value and performance across various industries. The findings demonstrated that positive ESG disclosures are associated with improved financial performance in sectors such as food and retail, although developing economies showed weaker relationships between ESG and financial outcomes. The study concluded that industry characteristics and regional differences significantly influence the effectiveness of ESG practices.

Verma (2025) conducted an empirical analysis of NIFTY 50 companies to examine the relationship between corporate governance and ESG integration. The study found a strong positive association between governance quality and ESG integration. Governance mechanisms such as board diversity, institutional ownership, and ESG committees were identified as important determinants of sustainability reporting quality and corporate financial performance. Ling Tan (2024) explored stakeholder-based ESG practices and their influence on corporate performance. The study concluded that ESG practices positively impact stakeholders and improve executive behavior, which subsequently enhances corporate performance. This research reinforces stakeholder theory by suggesting that organizations achieving stakeholder satisfaction through ESG initiatives experience stronger organizational outcomes.

Masud et al. (2024) examined the impact of corporate governance on ESG performance in emerging markets, particularly in Bangladesh and India's energy sectors. The study revealed that governance factors such as board size and independent directors significantly improve ESG performance. However, audit committee presence showed no significant influence, indicating that not all governance mechanisms contribute equally to sustainability performance. Lee et al. (2023) investigated whether ESG practices enhance Malaysian public-listed companies' performance. Their findings confirmed that ESG disclosure significantly improves company performance, particularly through social disclosure activities that positively affect financial outcomes. The study emphasized that firms focusing on stakeholder welfare and social sustainability achieve stronger market performance and organizational growth. Ray and Hardi (2024) analyzed the relationship between ESG disclosure, corporate governance, investor engagement, and sustainability performance in India. The study found that ESG disclosures significantly affect sustainability performance transformation, although disclosure alone may not guarantee improved sustainability outcomes. The research highlighted the importance of governance quality and investor participation in maximizing the benefits of ESG practices.

Rahmiyati (2025) examined the impact of ESG factors, governance quality, and financial performance on sustainability reporting and investment decisions in Indonesian firms. The findings indicated that ESG factors positively affect sustainability reporting, while governance quality significantly influences investment decisions and organizational outcomes. The study emphasized integrating ESG considerations into strategic corporate decision-making processes. Agarwala et al. (2023) explored the relationship between ESG disclosures and corporate performance using a non-linear and disaggregated approach in Indian corporations. The study identified a U-shaped relationship between ESG disclosure scores and market performance. Governance and social disclosures positively impacted performance, whereas environmental disclosures exhibited a more complex relationship with financial outcomes.

Ferdous et al. (2024) investigated the impact of firm-level ESG performance on financial disclosure quality. The study found a positive association between ESG performance and financial disclosure quality, suggesting that strong ESG practices enhance transparency, accountability, and reporting readability. Firms with superior accounting practices and organizational culture demonstrated better sustainability disclosure quality. Albitar et al. (2020) examined ESG disclosure and firm performance before and after the implementation of integrated reporting frameworks. Their findings showed a positive relationship between ESG disclosure and firm performance, while governance mechanisms moderated this relationship. Ownership concentration, gender diversity, and board size were found to strengthen the impact of ESG reporting on financial performance. Chaudhary et al. (2025) analyzed the nexus between ESG and corporate performance in Pakistan. The study concluded that ESG practices significantly improve profitability, operational efficiency, and market valuation among firms listed on the Pakistan Stock Exchange. The findings support the argument that sustainable business practices enhance organizational competitiveness in emerging markets.

Xie et al. (2019) examined whether ESG activities improve corporate financial performance and corporate efficiency. Their results indicated that ESG practices generally maintain a non-negative relationship with corporate profitability and operational efficiency. The study suggested that sustainability-oriented firms are capable of achieving both ethical responsibility and financial success simultaneously. Yan et al. (2024) investigated whether internal control systems improve ESG information disclosure in Chinese companies. The findings demonstrated that internal control quality positively affects ESG disclosure, especially governance-related reporting. Effective internal controls enhance transparency, reduce information asymmetry, and improve stakeholder confidence. Overall, the reviewed literature indicates that ESG disclosure quality and internal governance mechanisms play significant roles in enhancing corporate performance. Most studies report positive relationships between ESG practices, governance effectiveness, and financial outcomes. However, variations across industries, countries, and governance structures suggest the need for further empirical research. Therefore, the present study aims to contribute to the existing literature by examining the combined impact of ESG disclosure quality and internal governance mechanisms on corporate performance.

3. Research Objectives

The present study aims to examine the role of ESG Disclosure Quality and Internal Governance Mechanisms in improving Corporate Performance in contemporary organizations. In an increasingly sustainability-driven business environment, organizations are expected to maintain transparency in environmental, social, and governance practices while ensuring effective internal governance structures. This study investigates how ESG disclosure practices contribute to organizational performance by enhancing stakeholder confidence, corporate transparency, and sustainable business operations. Further, the study seeks to analyze the role of internal governance mechanisms such as board effectiveness, compliance systems, ethical management, accountability structures, and internal controls in influencing corporate performance outcomes. Effective governance mechanisms are believed to strengthen organizational efficiency, decision-making quality, and strategic implementation, thereby contributing positively to performance. The study also intends to examine the combined effect of ESG Disclosure Quality and Internal Governance Mechanisms on Corporate Performance. By integrating sustainability reporting and governance practices, organizations may improve financial and non-financial performance indicators. The findings of this research are expected to provide practical insights to compliance officers, governance executives, policymakers, and corporate managers regarding the importance of sustainability disclosure and governance frameworks in achieving long-term corporate success.

- To examine the impact of ESG Disclosure Quality on Corporate Performance.
- To analyze the impact of Internal Governance Mechanisms on Corporate Performance.
- To investigate the combined impact of ESG Disclosure Quality and Internal Governance Mechanisms on Corporate Performance.

4. Research Hypotheses

H1: ESG Disclosure Quality (EDQ) has a significant positive impact on Corporate Performance (CP).
H2: Internal Governance Mechanisms (IGM) have a significant positive impact on Corporate Performance (CP).
H3: ESG Disclosure Quality (EDQ) and Internal Governance Mechanisms (IGM) jointly have a significant positive impact on Corporate Performance (CP).

5. Research Methodology

The present study adopts a quantitative research approach to examine the role of ESG Disclosure Quality and Internal Governance Mechanisms in enhancing Corporate Performance. A descriptive and explanatory research design has been employed to understand the relationships between the study variables and to determine the impact of independent variables on the dependent variable. The target population for this study comprises compliance officers, corporate governance executives, sustainability managers, risk management professionals, internal auditors, finance executives, and other professionals associated with governance and ESG-related practices in organizations. These respondents were selected because of their direct involvement in corporate compliance, sustainability reporting, governance frameworks, and performance evaluation. A structured questionnaire was developed to collect primary data from respondents. The questionnaire contains 30 measurement items, categorized into three constructs: ESG Disclosure Quality (10 items), Internal Governance Mechanisms (10 items), and Corporate Performance (10 items). All items were measured using a five-point Likert scale, ranging from 1 = Strongly Disagree to 5 = Strongly Agree, to ensure consistency and ease of response. The study follows a convenience and purposive sampling technique, considering respondents with professional expertise in governance and compliance-related areas. A total of 300 responses were considered for analysis to ensure statistical adequacy and reliability of findings. For data analysis, Statistical Package for Social Sciences (SPSS)

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ISSN: 1053-7899
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software will be utilized. Reliability analysis using Cronbach's Alpha will be conducted to examine the internal consistency of measurement items. Since the study focuses on examining causal relationships, regression analysis will be performed to assess the impact of ESG Disclosure Quality and Internal Governance Mechanisms on Corporate Performance. Separate regression models will test the individual impact of each independent variable, while multiple regression analysis will assess their combined influence on corporate performance.

6. Data Analysis and Interpretation

6.1 Reliability Analysis

Case Processing Summary			
		N	%
Cases	Valid	300	100.0
	Excluded[a]	0	.0
	Total	300	100.0
a. Listwise deletion based on all variables in the procedure.			

Reliability Statistics		
Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.983	.983	30

The reliability analysis presented in the table indicates a very high level of internal consistency among the variables included in the study. Reliability testing is an essential statistical procedure used to assess the consistency, stability, and dependability of measurement scales. In this study, the reliability statistics were computed using Cronbach's Alpha, which is one of the most widely accepted measures for evaluating scale reliability. The Case Processing Summary table reveals that a total of 300 responses were included in the analysis, representing 100% valid cases, while no cases were excluded from the dataset. This indicates that the dataset was complete, with no missing values affecting the reliability analysis. The use of listwise deletion ensured that all variables were considered simultaneously, thereby improving the accuracy and robustness of the results. The Reliability Statistics table shows a Cronbach's Alpha value of 0.983 for 30 items, which demonstrates an exceptionally high level of reliability. According to commonly accepted benchmarks, a Cronbach's Alpha value above 0.70 is considered acceptable, values above 0.80 indicate good reliability, and values above 0.90 reflect excellent internal consistency. Therefore, the obtained value of 0.983 suggests that the measurement instrument possesses outstanding reliability and that the items are highly consistent in measuring the intended constructs. Additionally, the Cronbach's Alpha Based on Standardized Items is also 0.983, indicating consistency even after standardization of variables. This similarity suggests that the items contribute uniformly to the overall scale and there is minimal variation in item measurement. Overall, the reliability results confirm that the questionnaire or instrument used in the study is highly dependable and suitable for further statistical analysis, including correlation, regression, and hypothesis testing. The exceptionally high reliability score strengthens the credibility of the findings and indicates that the collected responses accurately reflect the constructs under investigation.

6.2 Simple Regression Analysis for Hypothesis 1

Particulars	**Values**
Dependent Variable	Corporate Performance (CP)
Independent Variable	ESG Disclosure Quality (EDQ)
R	0.897
R Square (R^2)	0.804
Adjusted R Square	0.803
Standard Error of Estimate	2.39351
F-value	1222.940
Significance (ANOVA)	0.000
Regression Coefficient (B)	0.826
Standardized Beta	0.897
t-value	34.971
Significance (Coefficient)	0.000
Hypothesis Result	Supported

Equation

$$CP = 5.670 + 0.826(EDQ)$$

The regression equation for Hypothesis 1 indicates that ESG Disclosure Quality (EDQ) positively influences Corporate Performance (CP). The constant value of 5.670 represents the baseline level of corporate performance when ESG disclosure quality is zero. The regression coefficient of 0.826 implies that a one-unit increase in ESG disclosure quality leads to a 0.826-unit increase in corporate performance. The strong positive coefficient demonstrates that transparent, accurate, and timely ESG reporting significantly enhances organizational outcomes. The statistical results further confirm the significance of the relationship, supporting the hypothesis that ESG disclosure quality contributes positively toward corporate growth, stakeholder trust, and business sustainability.The regression analysis results indicate a strong and statistically significant positive relationship between ESG Disclosure Quality (EDQ) and Corporate Performance (CP). The model summary shows an R value of 0.897, which reflects a very high degree of correlation between the independent and dependent variables. The coefficient of determination ($R^2 = 0.804$) suggests that approximately 80.4% of the variation in corporate performance is explained by ESG disclosure quality. This demonstrates that ESG reporting practices play a substantial role in improving organizational outcomes. The ANOVA results further confirm the significance of the regression model, with an F-value of 1222.940 and a significance value of 0.000, which is below the accepted threshold of 0.05. This indicates that the overall regression model is statistically significant and reliable for predicting corporate performance. The coefficient table reveals that ESG Disclosure Quality has a positive regression coefficient (B = 0.826) and a standardized beta value of 0.897, indicating a strong positive influence on corporate performance. The t-value of 34.971 with a significance level of 0.000 confirms that EDQ significantly affects CP. Therefore, the findings support Hypothesis H1, which states that ESG Disclosure Quality has a significant positive impact on Corporate Performance.

6.3 Simple Regression Analysis for Hypothesis 2

Particulars	**Values**
Dependent Variable	Corporate Performance (CP)
Independent Variable	Internal Governance Mechanisms (IGM)
R	0.858
R Square (R^2)	0.735
Adjusted R Square	0.735
Standard Error of Estimate	2.78156
F-value	828.179
Significance (ANOVA)	0.000
Regression Coefficient (B)	0.950
Standardized Beta	0.858
t-value	28.778
Significance (Coefficient)	0.000
Hypothesis Result	Supported

Equation

$$CP = 1.951 + 0.950(IGM)$$

The regression equation for Hypothesis 2 shows that Internal Governance Mechanisms (IGM) have a strong positive impact on Corporate Performance (CP). The intercept value of 1.951 indicates the estimated level of corporate performance in the absence of governance mechanisms. The regression coefficient of 0.950 suggests that a one-unit improvement in internal governance mechanisms increases corporate performance by 0.950 units. This reflects the importance of governance practices such as internal controls, ethical standards, compliance systems, and board oversight in improving organizational effectiveness. The findings confirm that strong governance frameworks enhance accountability, operational efficiency, and strategic decision-making, thereby significantly improving overall corporate performance. The regression analysis results demonstrate a strong and statistically significant positive relationship between Internal Governance Mechanisms (IGM) and Corporate Performance (CP). The model summary indicates an R value of 0.858, reflecting a high positive correlation between governance mechanisms and organizational performance. The coefficient of determination (R^2 = 0.735) reveals that approximately 73.5% of the variation in corporate performance is explained by internal governance mechanisms, indicating substantial explanatory power of the model. The ANOVA results confirm that the regression model is statistically significant, as the F-value is 828.179 with a significance value of 0.000, which is below the acceptable threshold of 0.05. This signifies that internal governance mechanisms are effective predictors of corporate performance. The coefficient analysis further shows that Internal Governance Mechanisms have a positive regression coefficient (B = 0.950), indicating that improvements in governance practices lead to higher corporate performance. The standardized beta coefficient of 0.858 reflects a strong positive influence of governance mechanisms on organizational outcomes. Moreover, the t-value of 28.778 and significance value of 0.000 confirm the statistical significance of the relationship. Therefore, the findings support Hypothesis H2, which states that Internal Governance Mechanisms have a significant positive impact on Corporate Performance.

6.3 Multiple Linear Regression Analysis for Hypothesis 3

Particulars	Values
Dependent Variable	Corporate Performance (CP)
Independent Variables	ESG Disclosure Quality (EDQ), Internal Governance Mechanisms (IGM)
R	0.940
R Square (R^2)	0.883
Adjusted R Square	0.882
Standard Error of Estimate	1.85490
F-value	1117.729
Significance (ANOVA)	0.000
EDQ Regression Coefficient (B)	0.534
EDQ Standardized Beta	0.579
EDQ t-value	19.316
EDQ Significance	0.000
IGM Regression Coefficient (B)	0.469
IGM Standardized Beta	0.423
IGM t-value	14.113
IGM Significance	0.000
Hypothesis Result	Supported

Equation

$$CP = -0.320 + 0.534(EDQ) + 0.469(IGM)$$

The multiple regression equation for Hypothesis 3 demonstrates the combined impact of ESG Disclosure Quality (EDQ) and Internal Governance Mechanisms (IGM) on Corporate Performance (CP). The coefficients indicate that both variables positively contribute to organizational performance. Specifically, a one-unit increase in ESG disclosure quality increases corporate performance by 0.534 units, while a one-unit increase in governance mechanisms improves performance by 0.469 units. The negative constant value (-0.320) represents the baseline condition when both independent variables are absent. The results indicate that organizations integrating sustainability disclosures with effective governance systems achieve stronger operational efficiency, stakeholder trust, transparency, and long-term business success. The multiple regression analysis was conducted to examine the combined impact of ESG Disclosure Quality (EDQ) and Internal Governance Mechanisms (IGM) on Corporate Performance (CP). The results reveal a very strong positive relationship between the independent variables and corporate performance. The model summary indicates an R value of 0.940, which reflects a high degree of correlation between EDQ, IGM, and CP. The coefficient of determination (R^2 = 0.883) shows that approximately 88.3% of the variation in corporate performance is jointly explained by ESG disclosure quality and internal governance mechanisms. This indicates that the regression model possesses substantial explanatory power. The ANOVA results further confirm the significance and reliability of the model. The F-value of 1117.729 with a significance value of 0.000 demonstrates that the overall regression model is statistically significant and suitable for predicting corporate performance. Since the significance level is below 0.05, the combined influence of EDQ and IGM on CP is considered meaningful. The coefficient analysis shows that both ESG Disclosure Quality and Internal Governance Mechanisms positively affect corporate performance. EDQ has a regression coefficient (B) of 0.534 and a standardized beta value of 0.579, indicating that ESG disclosure quality exerts the strongest influence on corporate performance. Similarly, IGM has a regression coefficient of 0.469 and a beta value of 0.423, demonstrating a substantial positive impact on organizational outcomes. The t-values for EDQ (19.316) and IGM (14.113) are statistically significant at the 0.000 level. Therefore, the findings strongly support Hypothesis H3, which states that ESG Disclosure Quality and Internal Governance Mechanisms jointly have a significant positive impact on Corporate Performance.

7. Findings and Conclusion

The present study examined the role of ESG Disclosure Quality (EDQ) and Internal Governance Mechanisms (IGM) in enhancing Corporate Performance (CP). In the modern business environment, organizations are increasingly required to balance financial performance with sustainability, transparency, and governance responsibilities. The findings of the study reveal that both ESG disclosure quality and governance mechanisms significantly contribute to improving organizational performance. The results strongly support all three proposed hypotheses and provide empirical evidence regarding the strategic importance of sustainability reporting and governance practices in corporate management. The reliability analysis demonstrated a Cronbach's Alpha value of 0.983, which indicates excellent internal consistency among the 30 measurement items included in the study. This exceptionally high reliability score confirms that the questionnaire items effectively measured the intended constructs of ESG disclosure quality, governance mechanisms, and corporate performance. The high reliability level further strengthens the credibility and validity of the study findings and suggests that the collected responses are dependable for advanced statistical analysis. The findings related to Hypothesis 1 revealed that ESG Disclosure Quality has a strong positive impact on Corporate Performance. The regression results showed an R value of 0.897 and an R^2 value of 0.804, indicating that approximately 80.4% of the variation in corporate performance is explained by ESG disclosure quality. The standardized beta coefficient of 0.897 and significance level of 0.000 further confirmed the strong influence of ESG reporting practices on organizational outcomes. These findings suggest that organizations maintaining transparent, accurate, and timely ESG disclosures tend to achieve higher operational efficiency, stronger stakeholder trust, and improved business reputation. The results are consistent with the studies conducted by Pratiwi and Edeh (2024), who found that transparent ESG reporting enhances investor confidence and long-term business value. Similarly, Cai (2026) concluded that governance-related ESG disclosures positively influence firm performance by reducing agency conflicts and improving accountability. The present findings also support signaling theory, which explains that firms with high-quality ESG disclosures communicate positive signals regarding organizational credibility and ethical management practices to investors and stakeholders. Improved ESG disclosure quality reduces information asymmetry and strengthens stakeholder relationships, thereby contributing positively to corporate performance. The study findings for Hypothesis 2 indicated that Internal Governance Mechanisms significantly and positively affect Corporate Performance. The regression analysis produced an R^2 value of 0.735, showing that governance mechanisms explain approximately 73.5% of the variation in corporate performance. The standardized beta coefficient of 0.858 and significance value of 0.000 further confirmed the strong relationship between governance practices and organizational success. These results indicate that effective governance systems, including internal controls, compliance mechanisms, board oversight, ethical standards, and risk management systems, substantially improve corporate efficiency and strategic effectiveness. The findings align with the research conducted by Verma (2025), who observed that governance quality positively influences ESG integration and financial performance among Indian firms. Similarly, Masud et al. (2024) emphasized that governance factors such as board independence and internal monitoring systems significantly improve ESG performance and organizational effectiveness. The present study further confirms that organizations with strong governance frameworks achieve better accountability, transparency, and operational performance. Effective governance practices ensure efficient decision-making processes and minimize organizational risks, thereby enhancing overall corporate sustainability and competitiveness. The results related to Hypothesis 3 demonstrated that ESG Disclosure Quality and Internal Governance Mechanisms jointly have a significant positive impact on Corporate

Performance. The multiple regression analysis revealed an R value of 0.940 and an R^2 value of 0.883, indicating that approximately 88.3% of the variation in corporate performance is jointly explained by ESG disclosure quality and governance mechanisms. This exceptionally high explanatory power confirms that sustainability reporting and governance systems collectively play a crucial role in enhancing organizational performance. The coefficient analysis revealed that ESG Disclosure Quality exerts a slightly stronger influence on corporate performance compared to Internal Governance Mechanisms, although both variables were highly significant. The beta coefficient for EDQ was 0.579, whereas the beta coefficient for IGM was 0.423. These findings imply that organizations emphasizing sustainability transparency while simultaneously maintaining strong governance structures are more likely to achieve superior financial and operational outcomes. The results support the findings of Albitar et al. (2020), who argued that governance mechanisms strengthen the relationship between ESG disclosure and firm performance. Similarly, Rahmiyati (2025) emphasized that integrating ESG considerations with governance practices improves sustainability reporting and investment decisions. The combined influence of EDQ and IGM indicates that sustainability initiatives alone may not be sufficient unless supported by strong governance frameworks. Effective governance systems ensure the credibility, reliability, and strategic implementation of ESG disclosures, thereby maximizing their positive impact on organizational performance. The findings of this study also reinforce stakeholder theory and legitimacy theory. Organizations adopting transparent ESG reporting and strong governance practices are more capable of satisfying stakeholder expectations and maintaining social legitimacy. Investors, customers, regulators, and employees increasingly prefer organizations demonstrating accountability, sustainability commitment, and ethical business conduct. Consequently, firms integrating ESG and governance practices into their strategic frameworks achieve improved stakeholder confidence, stronger market reputation, and enhanced business sustainability. The practical implications of the study are highly significant for managers, policymakers, compliance officers, and corporate leaders. Organizations should prioritize the development of comprehensive ESG reporting frameworks aligned with international standards such as GRI and SASB. Additionally, firms should strengthen internal governance systems through effective board oversight, internal audits, compliance mechanisms, and ethical governance policies. The integration of sustainability reporting with governance effectiveness can help organizations achieve long-term competitive advantage and financial stability. Despite its contributions, the study has certain limitations. The research primarily focused on respondents associated with governance and compliance functions, which may limit generalizability across all industries and organizational levels. Additionally, the study adopted a cross-sectional research design, which captures relationships at a single point in time. Future research may consider longitudinal analysis and sector-specific investigations to provide deeper insights into ESG and governance dynamics.

The study concludes that ESG Disclosure Quality and Internal Governance Mechanisms are essential strategic factors in enhancing Corporate Performance. Organizations that emphasize transparency, accountability, sustainability, and governance effectiveness are more likely to achieve superior organizational outcomes, stakeholder trust, and long-term business success.

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