THE INFLUENCE OF ESG PERFORMANCE REPORTING ON FIRM VALUE IN INDONESIA

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ABSTRACT

The implementation of strong Environmental, Social, and Governance (ESG) practices can improve efficiency, lower costs, increase productivity, and drive innovation, thus encouraging companies to expand into sectors with high growth potential. This is due to the increased efficiency, cost reduction, productivity boost, and innovation driven by robust ESG practices. This study aims to evaluate the impact of ESG performance on corporate value in Indonesia. The methodology employed in this research includes purposive sampling for sample selection, classical assumption tests, and multiple linear regression analysis for hypothesis testing. The research sample consists of companies listed on the Indonesia Stock Exchange (IDX) from 2019 to 2023 that have ESG scores. The main findings of this study indicate that ESG performance has a positive effect on corporate value. The conclusions drawn from this research provide valuable insights for companies in Indonesia regarding the implementation of ESG practices in their business operations to enhance corporate value.

Keywords: *Environmental Social and Governance; Return on Asset; Price to Book Value; Sustainability*

ABSTRAK

Penerapan praktik *Environmental*, *Social*, *and Governance* (ESG) yang kuat dapat meningkatkan efisiensi, menurunkan biaya, meningkatkan produktivitas, dan mendorong inovasi, sehingga mendorong perusahaan untuk berekspansi ke sektor-sektor yang memiliki potensi pertumbuhan yang tinggi. Hal ini dikarenakan adanya peningkatan efisiensi, pengurangan biaya, peningkatan produktivitas, dan inovasi yang didorong oleh praktik ESG yang kuat. Penelitian ini bertujuan untuk mengevaluasi efek kinerja ESG terhadap nilai perusahaan di Indonesia. Metode yang diterapkan dalam penelitian ini mencakup purposive sampling untuk pemilihan sampel, uji asumsi klasik, dan analisis regresi linier berganda untuk pengujian hipotesis. Sampel penelitian terdiri dari perusahaan yang terdaftar di Bursa Efek Indonesia (BEI) dari tahun 2019 hingga 2023 yang memiliki skor ESG. Temuan utama penelitian ini menunjukkan bahwa kinerja ESG memiliki dampak positif terhadap nilai perusahaan. Kesimpulan dari penelitian ini memberikan wawasan yang signifikan bagi perusahaan-perusahaan di Indonesia mengenai penerapan praktik-praktik ESG dalam operasi bisnis mereka untuk meningkatkan nilai perusahaan.

Kata kunci: *Environmental Social and Governance; Return on Asset; Price to Book Value; Keberlanjutan*
Ratio.

INTRODUCTION

The utilization of the internet, particularly social media, is undergoing swift advancement, facilitating the rapid dissemination of information. A company's image is a sort of information that is disseminated rapidly due to its widespread accessibility to the general public and investors (Arofah and Khomsiyah, 2023). Dissemination of inaccurate information about a firm will lead to investors and the general public forming an unfavorable evaluation of the company. This has a direct influence on the fluctuation of share prices, which subsequently impacts the overall worth of a company. The primary objective of a corporation is to enhance the financial well-being of stakeholders by optimizing the value of the company. Once an investor allocates their capital, the primary factor considered is the valuation of the company. If firms grasp the significance of firm value, it becomes crucial for management to be aware of the elements that contribute to the increase or decrease in firm value, one of which is influenced by Environmental Social Governance (ESG).

In this modern era, society is plagued by prevalent environmental and social issues, including environmental degradation, moral decline, and corporate fraud. The consequences of environmental degradation, foster awareness among society to safeguard the environment and undertake social accountability. Increasing societal awareness has a significant impact on individuals' investment decisions. Investors are increasingly taking incorporation of ESG (Environmental, Social, and Governance) criteria in investment decision-making, along with economic factors. ESG-based investment has gained popularity in recent years. ESG is a commonly used investment approach in which firm policies align with the principles of environmental sustainability, social responsibility, and effective corporate governance (Qodary and Sihar Tambun, 2021).

The implementation of ESG elements in Indonesia is currently experiencing continuous growth, indicated due to the ongoing development of sustainable investment. Effective implementation of ESG by a firm leads to a deep understanding of long-term strategic concerns, enabling the organization to effectively pursue its long-term objectives. Syafrullah and Muharram, as stated in Jeanice and Kim's study (2023), have elucidated that Indonesian companies listed on the Indonesia Stock Exchange (IDX) and practicing Environmental, Social, and Governance (ESG) principles are, in reality, engaging in extensive resource exploitation, leading to significant environmental harm solely for financial profit during their growth. Regarding instances of environmental harm, the government enacted RI Law No. 40 of 2007, Article 74 about Limited Liability Companies. This law mandates that any company engaged in business operations within the natural resources (SDA) sector must fulfill social and environmental responsibilities. The objective of ESG disclosure is to establish an equilibrium between economic advancement and the conservation of the environment (Arofah and Khomsiyah, 2023).

In a study conducted by Melinda and Wardhani (2020), it was proven that a company's strong environmental, social, and governance (ESG) performance had a positive effect on enhancing its overall value. The adoption of robust ESG standards can enhance operational efficiency, lower expenses, boost productivity, and foster innovation by motivating organizations to go into high-growth industries. In contrast, additional research conducted by Fatemi in Jeanice and Kim (2023) demonstrates a detrimental correlation between ESG factors and corporate valuation. The market can see incremental disclosure of ESG information as a company's way of rationalizing its substantial expenditure in ESG operations. A substantial amount of literature examines the impact of environmental, social, and governance (ESG) factors on the value of companies, although it fails to demonstrate consistent research findings. Therefore, in this research, the company's valuation will be assessed by utilizing the metrics of Return on Assets (ROA) and Price-to-Book Value (PBV) ratio. ESG will be assessed using the ESG Score value between the years 2019 and 2023. This research aims to investigate the impact of

Environmental, Social, and Governance (ESG) performance on the value of companies in Indonesia from 2019 to 2023.

LITERATURE REVIEW AND HYPOTHESES

Environmental, Social, and Governance

The practice of sharing sustainability reports has grown rapidly worldwide, and this trend shows no signs of slowing down. Environmental, Social, and Governance (ESG) is a phrase commonly employed within the realm of Corporate Social Responsibility (CSR) and is typically seen in sustainability reports. ESG has recently become the main focus of attention. In addition to the financial considerations that investors priorities, ESG factors also have substantial long-term potential and influence on investment. This impact extends beyond only shareholders and encompasses all stakeholders (Jeanice and Kim, 2023). Refinitiv (2022) states that ESG scores are customized to assess the degree of transparency in ESG information for certain industrial sectors. By employing this approach, only data that is pertinent to the specific industry is utilized while evaluating each organization. Theoretical foundations for ESG are primarily based on corporate social responsibility (CSR) theory, sustainable development theory, and economic externality theory. Nevertheless, the lack of a comprehensive and robust theoretical framework specifically focused on environmental, social, and governance (ESG) factors impedes researchers from investigating company-related issues (Huang, 2021).

The company's financial reports play a crucial role and serve as a guidance for shareholders. This report can serve as the primary factor in evaluating and making decisions regarding investments. Providing detailed information about the firm may encourage shareholders to communicate this understanding with prospective investors, ultimately leading to an increase in the company's stock price (Moeljadi & Supriyati, 2014.

Firm Value

Pasaribu et al. (2019) argue that the value of the company is determined by investors' view of the company's achievements, typically associated with share prices. Publicly traded corporations typically make efforts to preserve or enhance their corporate value as it serves as a measure of their performance and may affect the perspectives of stakeholders, particularly investors. In the meantime, investors have included ESG performance, green innovation, and ecological efficiency into their evaluation criteria for enterprises (Adhi & Cahyonowati, 2023). Although corporate value metrics typically prioritise investor concerns, it is important to note that public opinion also plays a significant role in shaping value. By transmitting signals to other parties using dependable financial data, the worth of a company can be enhanced and the imbalance of information can be diminished. This aids in mitigating ambiguity related to the company's prospective growth (Brigham & Houston, 2021; Tirta Wangi & Aziz, 2023).

ESG Performance on Firm Value

Companies that exhibit strong environmental, social, and governance (ESG) performance are more inclined to provide comprehensive disclosure of their ESG-related activities. This phenomenon arises from the aim of high-performing organizations to showcase their achievements to stakeholders. The company's proactive involvement in promoting environmental sustainability and community well-being may have a significant impact on the company's overall worth. Furthermore, the company's tangible and beneficial impact on society, which includes initiatives to conserve the environment, plays a crucial role in establishing the credibility required for the long-term viability of the company's operations. This legitimacy encourages companies to cultivate a more favorable reputation, hence potentially augmenting their corporate worth and profitability (Lola and Hersugondo, 2023). ESG issues take the stage in this setting. Investors who prioritise sustainability and social responsibility are typically more drawn to companies that have strong ESG policies. Implementing effective ESG procedures can mitigate risks associated with regulatory compliance and legal disputes, while also enhancing a company's reputation. A high firm valuation not only facilitates obtaining finance on more favourable terms,

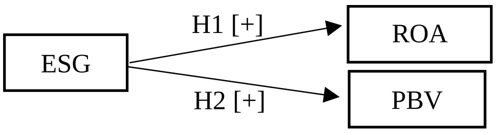
but also plays a crucial role in the process of acquiring and merging with other companies.
The objective of this research is to demonstrate that the adoption of ESG practices has a beneficial impact on the value of a company. Specifically, it aims to establish a correlation between a high ESG score and superior corporate performance.

H1: ESG performance has a positive effect on Return on Assets
H2: ESG performance has a positive effect on Price-to-Book Value

Research Framework

Based on the aforementioned explanation, it is feasible to construct the following research framework:

Figure 1: Research Framework



METHOD

Research Type

Research can be classified into various categories based on its purpose and methodology. Some common forms of research include experimental research, observational research, qualitative research, quantitative research, and applied research. This research use quantitative methodologies. Ali et al (2022) define quantitative research as a method of analysing social issues by empirically evaluating a theoretical framework. This study entails the measurement of variables using numerical values, followed by the analysis of the data using statistical techniques to assess the validity of the projected generalisation of the theory.

Data Types and Data Sources

This study utilizes secondary data sourced from ESG scores acquired through the Thomson Reuters Eikon terminal. The financial records of firms listed on the Indonesia Stock Exchange (IDX) from 2019 to 2023 were collected and analyzed using IBM SPSS 25. The research in the hypothesis testing utilized multiple linear data regression and numerous formulas like ESG Score, PBV, ROA, and Assumption Test Classic.

Multiple Linear Regression Analysis

Multiple linear regression analysis examines the relationship between two dependent variables and independent variable (Jusmansyah, 2020). The formulation of the multiple linear regression equation for this research is as follows:

$$Y1 = a + bx + e$$
$$Y2 = a + bx + e$$

Description :
Y1 = ROA
Y2 = PBV
a = Coefficient
b = Regression Coefficient
x = ESG
e = Error

Definition of Variables

ESG *Score* measures a company's performance in environmental, social, and governance areas using verified data that is recorded and publicly available. The ESG Score can be calculated using a formula according to Revinitiv (2022).

Price to Book Value (PBV) is a financial metric that measures the ratio between the market value of a share and the value of that share as recorded in the financial reports of the company. Put simply, PBV is a measure of the amount investors spend for each unit of assets listed in a company's financial reports (Dharma, 2023). PBV can be determined by utilizing the following formula:

$$\text{PBV} = \frac{\textit{Market Price per Share}}{\textit{Book Value per Sahre}}$$

The net profit to total assets ratio quantifies the return on total assets (ROA) by taking into consideration interest and taxes. It demonstrates the level of effectiveness with which a corporation utilizes its assets to generate net income, taking into account all expenses, such as interest and taxes, that have been settled. The calculation of ROA can be determined by utilizing the subsequent formula:

$$ROA = \frac{Net\ Income\ available\ to\ common\ stockholders}{Total\ assets}$$

Data Collection

The sample for this research was selected using the purposive sampling method, which involved selecting subjects based on predetermined criteria:

a. Companies that did not undergo data delisting between 2019-2023.
b. Companies with ESG scores between 2019-2023.

Table 1. Selection of Sample Companies

Criteria	Total
Companies listed on the Indonesia Stock Exchange	**886**
Companies that do not have a complete ESG score for the 2019-2023 period	**(800)**
Total Company	**86**
Total Observations (5 year periods x 86 companies)	**430**

Source: Processed Data, 2024

RESULT

Descriptive Statistics

Table 2. Descriptive Statistics Result

Descriptive Statistics					
	N	**Min**	**Max**	**Mean**	**Std. Dev**
ESG	430	0,00	87,15	34,47	28,18
ROA	430	-114,78	72,16	4,58	12,44
PBV	430	-15,89	42,54	2,7	4,80
Valid N (listwise)	430				

Source: SPSS 25 Processed Data, 2024

The descriptive statistics table above provides the minimum value, maximum value, average, and standard deviation of the variables examined in this study. In 2020, BBCA (PT Bank Central Asia Tbk) attained the highest Environmental, Social, and Governance (ESG) score of 87.15. The mean ESG score for the time frame from 2019 to 2023 is 34.47, with a standard deviation of 28.18. In 2019, the GOTO firm (PT GOTO Gojek Tokopedia Tbk) had the lowest Return on Assets (ROA) value of -114.78. In 2022, the BYAN company (PT Bayan Resources Tbk) had the highest ROA value of 72.16. The mean return on assets (ROA) for the period from 2019 to 2023 is 4.58, with a standard deviation of 12.44. In 2020, ABBA (PT Mahaka Medika Tbk) reported the PBV ratio at its lowest figure of -15.89. In 2019, UNVR (PT Unilever Indonesia Tbk) achieved the maximum score of 42.54. The mean PBV (Price-to-Book Value) for the time frame from 2019 to 2023 is 2.7, with a standard deviation of 4.80. The mean return on assets (ROA) for the time frame from 2019 to 2023 is 4.58, with a standard deviation of 12.44.

Normality Test

Table 3. Normality Test Result Model I

One-Sample Kolmogorov-Smirnov Test	
	Unstandardized Residual
Asymp. Sig. (2-tailed)	.000

Source: SPSS 25 Processed Data, 2024

Referring to the given table, the normality test for my model indicates that the data does not conform to a normal distribution. The data does not follow a normal distribution, as evidenced by the Asymp Sig. (2-tailed) value of 0.000, which is less than 0.05.

Table 4. Normality Test Result Model II

One-Sample Kolmogorov-Smirnov Test	
	Unstandardized Residual
Asymp. Sig. (2-tailed)	.000

Source: SPSS 25 Processed Data, 2024

In accordance to the presented table, the normality test II indicates that the data does not conform to a normal distribution. The data does not follow a normal distribution, as seen by the Asymp Sig. (2-tailed) value of 0.000, which is below the significance level of 0.05.

Multicollinearity Test

Table 5. Multicollinearity Test Result Model I

Coefficients		
	Collinearity Statistics	
	Tolerance	**VIF**
ESG	1,000	1,000

Dependent Variable: ROA

Source: SPSS 25 Processed Data, 2024

Opting for a higher VIF (Variance Inflation Factor) number and a lower tolerance value enhances the likelihood of encountering multicollinearity. Multicollinearity does not arise if the Tolerance number is > 0.1 and the Variance Inflation Factor (VIF) is < 10. According to the model output table I, the ESG variable tolerance value is 1,000, which exceeds the tolerance requirement of 0.1. The ESG variable is 1,000 units less than the VIF value of 10. Thus, it may be inferred that the regression model is not affected by multicollinearity.

Table 6. Multicollinearity Test Result Model II

Coefficients		
	Collinearity Statistics	
	Tolerance	VIF
ESG	1,000	1,000

Dependent Variable: PBV

Source: SPSS 25 Processed Data, 2024

Selecting a higher VIF (Variance Inflation Factor) number and a lower tolerance value enhances the likelihood of encountering multicollinearity. Multicollinearity does not arise if the Tolerance number is > 0.1 and the Variance Inflation Factor (VIF) is < 10. According to the model II output table, the tolerance value for the ESG variable is 1,000, which exceeds the required tolerance of 0.1. The ESG variable is 1,000 units less than the VIF value of 10. Thus, it may be inferred that the regression model is not affected by multicollinearity.

Heteroscedasticity Test

Table 7. Heteroscedasticity Test Result Model I

Coefficients		
	t	sig
(Constant)	8,043	0,000
ESG	0,225	0,822

Source: SPSS 25 Processed Data, 2024

According to the provided table, the results of my heteroscedasticity test indicate that there is no indication of heteroscedasticity. This is corroborated by a p-value of 0.822, which is greater than the significance level of 0.05. Thus, it may be inferred that there is no presence of heteroscedasticity in the regression model.

Table 8. Heteroscedasticity Test Result Model II

Coefficients		
	t	sig
(Constant)	5,687	0,000
ESG	2,631	0,009

Source: SPSS 25 Processed Data, 2024

Based to the provided table, the model II heteroscedasticity test indicates the presence of heteroscedasticity. This is backed by a significance value that is less than the hetero value of 0.009, which is smaller than 0.05. Thus, it can be inferred that heteroscedasticity is present in the regression model.

Autocorrelation Test

Table 9. Autocorrelation Test Result Model I

Model Summary				
R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
.178	0,032	0,029	12,25526	0,891

Source: SPSS 25 Processed Data, 2024

The Durbin-Watson (DW) model I test result is 0.891, as determined by the conducted tests. Next, this value is compared to the values of dl and du. The dl number represents the lower Durbin-Watson statistic, while du represents the upper Durbin-Watson statistic. The dl and du values can be obtained using the Durbin-Watson table using a significance level of 5%. In this case, the total number of data points is 86 and the number of variables is 2. Therefore, the calculated DU value is 1.69 and the DL value is 1.56. Therefore, it can be inferred that there is a positive autocorrelation as the DW < DL < DU.

Table 10. Autocorrelation Test Result Model II

Model Summary				
R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
.097	0,009	0,007	4,78394	0,767

Source: SPSS 25 Processed Data, 2024

The Durbin-Watson (DW) model II test value is 0.767, as determined by the conducted tests. Subsequently, this value is contrasted with dl and du. The dl number represents the lower Durbin-Watson statistic, while du represents the upper Durbin-Watson statistic. The dl and du values can be obtained using the Durbin-Watson table using a significance level of 5%. In this case, the total data size is 86 and the number of variables is 2. Therefore, the calculated DU value is 1.69 and the DL value is 1.56. Therefore, it can be inferred that there is a positive autocorrelation as the DW < DL < DU.

Multiple Linear Regression Analysis

Table 11. Multiple Linear Regression Model I

Coefficients					
	Unstandardized Coefficients		Standardized Coefficients		
	B	Std. Error	Beta	t	Sig.
(Constant)	1,872	0,934		2,004	0,046
ESG	0,079	0,021	0,178	3,742	0,000

Source: SPSS 25 Processed Data, 2024

Model I Equation

ROA = 1,872 + 0,079 ESG

Assuming the ESG variable is held at a constant value of 0, the ROA variable in the following equation is equal to 1.872 units. The regression coefficient for the ESG variable is 0.079, meaning that a one-unit rise in the ESG level, assuming all other independent variables remain constant, will result in a 0.079 increase in ROA.

Table 12. Multiple Linear Regression Model II

Coefficients					
	Unstandardized Coefficients		Standardized Coefficients		
	B	Std. Error	Beta	t	Sig.
(Constant)	2,130	0,365		5,838	0,000
ESG	0,017	0,008	0,097	2,018	0,044

Source: SPSS 25 Processed Data, 2024

Model II Equation

PBV = 2,130 + 0,017 ESG

In line with the test results presented in Table 12, the derived constant value is positive, specifically 2.130 (β). When the ESG variable is held constant at 0, the PBV variable has a value of 2,130 units in the above equation. The regression coefficient value for the ESG variable, which is 0.017, indicates that if the ESG level increases by one unit while keeping the other independent variables fixed, the PBV will increase by 0.017.

Hypotheses Test

Table 13. Hypotheses Test

	ROA		PBV	
	Beta	t	Beta	t
Model I				
(Constant)		2,004**		
ESG	0,178	3,742***		
Model II				
(Constant)				5,838**
ESG			0,097	0,044***

Source: SPSS 25 Processed Data, 2024
Description: *** Significant 1%,
** Significant 5%

The table presents the outcomes of hypothesis testing, which provide a study of the impact of ESG variables on the company's Return on Assets (ROA) and Price-to-Book Value (PBV). Two regression models, Model I for ROA and Model II for PBV, were used in this test. In Model I, the constant has a t value of 2.004, indicating statistical significance at the 5% level ($p < 0.05$). This indicates that the constant is considerably distinct from zero at a 95% confidence level, suggesting the existence of a substantial base effect in this model. In Model I, the ESG variable has a beta coefficient of 0.178, with a t-value of 3.742, indicating statistical significance at the 1% level ($p < 0.01$). These findings indicate that environmental, social, and governance (ESG) factors have a favorable and substantial impact on return on assets (ROA). Each incremental rise of one unit in the ESG score will result in a corresponding gain of 0.178 units in the company's ROA. A significance level of 1% implies a 99% degree of confidence in this outcome, thus allowing us to conclude that ESG has a substantial impact on the company's ROA.

In Model II, the constant has a t-value of 5.838, indicating statistical significance at the 5% level ($p < 0.05$). Similar to Model I, this demonstrates that the constant in this model is similarly significantly different from zero at a 95% confidence level. In Model II, the ESG variable has a beta coefficient of 0.097, with a t-value of 0.044. This t-value is statistically significant at the 1% level ($p < 0.01$). These findings suggest that environmental, social, and governance (ESG) factors have a beneficial and substantial impact on price-to-book value (PBV). Each incremental gain of one unit in the ESG score will result in a corresponding increase of 0.097 units in the company's PBV. A significance level of 1% shows a high level of confidence, specifically 99%, in the outcome. This suggests that ESG has a significant impact on raising the company's PBV.

Coefficient of Determination

Table 14. Coefficient of Determination Model I

Model Summary		
R	R Square	Adjusted R Square
.178	0,032	0,029

Source: SPSS 25 Processed Data, 2024

The table presents the test findings, which indicate that the corrected r-square value is 0.029. According to this analysis, ESG problems accounted for 2.9% of the impact on ROA, while other factors not included in the study contributed to the remaining 97.1%.

Table 15. Coefficient of Determination Model II

Model Summary		
R	R Square	Adjusted R Square
.097	0,009	0,007

Source: SPSS 25 Processed Data, 2024

As indicated by the test results shown in Table 16, the corrected r-square value is 0.007. The study determined that ESG concerns accounted for a 0.7% influence on PBV, with the remaining impact of 99.3% being attributed to factors that were not examined in this study.

DISCUSSION

The Impact of ESG on Return on Assets in Indonesia 2019-2023

The regression coefficient for the ESG variable is 0.079, signifying a positive value. The ESG variable has a t-value of 3.742 and a significance value of 0.000, which is statistically significant at a level of 0.05. The data analysis reveals that environmental, social, and governance (ESG) characteristics have a favorable and substantial impact on return on assets (ROA). As a result, enhancing the understanding of Environmental, Social, and Governance (ESG) elements can augment the predicted firm value as determined by Return on Assets (ROA) estimates. Conversely, a decline in the recognition of environmental, social, and governance (ESG) concerns can diminish the estimated worth of a corporation as determined by return on assets (ROA) estimates.

Stakeholder theory asserts that corporations must not exclusively prioritize shareholders or any single entity when conducting their economic activities. Instead, firms should cultivate commercial relationships and alliances with all of their stakeholders, such as employees, communities, environmental organizations, governments, and others. By cultivating positive relationships with these stakeholders, firms can establish a more cohesive operational ecosystem and attain continuous growth. Consequently, this will enhance the company's performance and facilitate the attainment of its primary objectives, specifically, creating profits and increasing the company's worth in the future. An ESG score evaluates a company's performance in three key areas: environmental, social, and corporate governance. Investors, stakeholders, and corporations are increasingly concerned with ESG scores due to growing awareness of the significance of sustainable and ethical business practices. Return on assets (ROA) is a financial metric that quantifies a company's profitability concerning its total assets. Return on assets (ROA) is a metric that measures the effectiveness of a corporation in utilizing its assets to create profits. In general, organizations that have high ESG scores tend to be more adept atrisk management, operationally efficient, own a favorable reputation, and enjoy improved access to financial and human resources. Each of these characteristics has the potential to enhance the return on assets (ROA). The results of this study align with prior research undertaken by Fajri Yudha and Rahman (2024), which concluded that there is a positive and substantial correlation between ESG Score and ROA.

The Impact of ESG on Return Price to Book Value in Indonesia 2019-2023

Sustainability reporting and sustainable development have a significant impact on a nation's economic advancement. This is exemplified by the growing body of research that examines the influence of ESG performance on several aspects, particularly its effect on corporate value, to promote the worldwide adoption of sustainability reporting (Junius et al., 2020). The primary aim of this research is to illustrate the positive impact of ESG performance on firm value using PBV as a measure.

The empirical findings from model II demonstrate a strong and statistically significant relationship between ESG factors and PBV. The acceptance of Hypothesis 2 in this study was supported by the positive regression coefficient value of 0.017. The ESG variable has a t-value of 2.018 and a significance value of 0.000, which is less than the threshold of 0.05. This demonstrates that environmental, social, and governance (ESG) factors exert influence on the valuation of a firm, as evidenced by their impact on the company's stock prices. The Corporate Sustainability Report (CSR) of the corporation outlines its direct efforts to enhance community welfare by implementing Environmental, Social, and Governance (ESG) principles. Companies that adopt environmental, social, and governance (ESG) practices are regarded as financially robust since they allocate resources to non-profit programs, make good contributions, and demonstrate accountability for their actions. This is considered a reliable indicator that the company's worth will consistently and steadily rise. Consequently, investment in the company will generate higher public trust, leading to an increase in the value of corporate shares (Putri et al., 2020).

These findings align with the results of studies conducted by Jeanice and Kim (2023), Triyani et al. (2020), Rossi et al. (2021), and Maftuchah (2018), which investigated the positive influence of ESG performance on corporate value as measured by PBV. Prior research findings provide empirical evidence highlighting the significance of evaluating the impact of ESG practices on the financial worth of corporations, particularly when it comes to the adoption of sustainability and ESG reporting in developing nations.

CONCLUSION

This research aims to analyze the impact of Environmental, Social, and Governance (ESG) performance on firm value, specifically evaluated by Return on Assets (ROA) and Price-to-Book Value (PBV). The empirical results from our initial model indicate that ESG has a notable and beneficial impact on ROA. Enhanced focus on environmental, social, and governance (ESG) concerns has the potential to augment the predicted value of a corporation as determined by the return on assets (ROA) calculations. On the other hand, if ESG aspects are not given enough attention, it can result in a decrease in the predicted firm value as calculated through Return on Assets (ROA). The actual findings from the second model demonstrate a strong and statistically significant relationship between ESG factors and PBV. This demonstrates that environmental, social, and governance (ESG) factors have an impact on the overall worth of a firm, as evidenced by their influence on the company's stock price. The Corporate Sustainability Report (CSR) outlines the company's direct efforts to enhance societal well-being by implementing Environmental, Social, and Governance (ESG) practices.

Based on our findings, this research aligns with all of our hypotheses, and the results can provide valuable insights to

Indonesian companies on implementing ESG practices to enhance corporate value. In addition, our research can offer valuable insights to academics regarding the impact of sustainability knowledge on the business chain. While our findings validate all predictions, it is important to acknowledge the limits of this study. Primarily, this research relied on a five-year dataset spanning from 2019 to 2023. Furthermore, our analysis solely relies on a single independent variable, specifically the ESG score. In addition, the utilization of panel data results in non-normal distribution and the presence of autocorrelation.

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