

ABSTRACT

This research is motivated by the high public demand for disclosure of the company's non-financial performance and the incompatibility of financial performance in determining the company's value. The purpose of this study is to examine the effect of ESG performance on firm value in Indonesia. According to Aboud and Diab (2018), there are still few studies that discuss the impact of ESG performance on firm value. Therefore, this study intends to examine every firm regardless of sector (sector-agnostic) from all companies listed on the IDX as issuers for three years, from 2020 to 2022.

This type of research is quantitative research using secondary data with the documentation method from Bloomberg Laboratory and the IDX website. The population used in this study are companies listed on the Indonesia Stock Exchange in 2020-2022. The sample criteria used are issuers that have been listed for a maximum of 2016 and published financial reports and annual reports for 2020, 2021, and 2022. The variables analyzed are ESG performance as the independent variable, firm value as the dependent variable, and size, profitability, and leverage as control variables. These variables will be tested with a number of analytical methods, namely descriptive statistical analysis, classical assumption test, multiple linear regression analysis, and hypothesis testing with simultaneous test, partial test, and coefficient of determination test.

The results showed that ESG performance has a significant positive effect on firm value. The better the ESG performance of a company, which is represented by the company being a member of the ESG index, the more the value of a company increases. Companies that implement ESG practices are considered responsible and contribute to the external environment and the continuity of the company is more secure. The competitive advantage obtained by companies involved in ESG practices accompanied by IDX recognition as a stock market authority is also considered to trigger an increase in company value.

Keywords: ESG performance, environmental, social, governance, firm value, ESG index