

## ANALYSIS OF THE INFLUENCE (ENVIRONMENTAL, SOCIAL, AND GOVERNANCE) OF ESG ON COMPANY VALUES IN ESG LEADERS OVER THE LAST THREE YEARS

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### ABSTRACT

This study aims to analyze the influence of environmental (X1), social (X2), and governance (X3) components on company value (Y) in companies included in the ESG leaders index for the 2022-2024 period. The study sample includes 17 issuers that are consistently included in the ESG leaders index and have ESG leaders and ESG risk [1]. The analysis method uses panel data regression with a random effects model approach as used in research [2] and [1]. The results show that environmental, social, and governance variables have a positive but insignificant effect on company value, in line with [3] findings that ESG is not yet considered to add value to investors in Indonesia [3]. Thus, this study contributes as empirical evidence in the analysis of ESG implementation in the sustainable corporate sector in Indonesia.

**Keywords:** governance, social, environmental, dan company value.

### INTRODUCTION

The issue of sustainability and ESG is increasingly gaining global attention, including in Indonesia. The Financial Services Authority (OJK) issued POJK 51/2017 concerning Sustainable Finance, which requires public companies to prepare sustainability reports [2]. ESG is considered a strategic factor in enhancing a company's reputation and influencing investor decisions. Previous research has shown varying results:

- ESG has no effect on company value in the banking sector [2]
- ESG has a positive effect on company value in the agro-industry sector [4]
- ESG has a positive but insignificant effect on the KOMPAS100 index [3]
- ESG risk ratings do not always affect company value on the ESG Leaders Index [1]

These inconsistencies in previous findings underscore the need for further research, particularly on companies included in the ESG Leaders Index for the 2022-2024 period. This is why this study was conducted.

### Headings

- Environment (X1)

This aspect covers energy use, carbon emissions, waste management, and conservation [5]

- Social (X2)

This includes occupational safety, employee rights, public relations, and social responsibility [6]

- Governance (X3)

This relates to governance, board structure, audit committee, and anti-corruption [7]

**Second-Level Heading**

Firm Value (Y)

Projected using Tobin's Q and PBV, as used by:

⊖ The KOMPAS100 index [3]

⊖ The energy sector [6]

⊖ The agro-industry [4]

**Third-Level Heading**

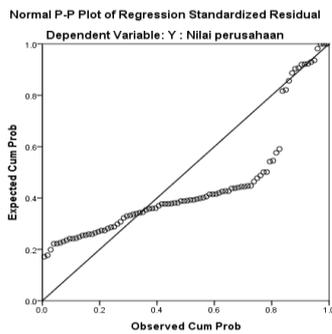
- **Theoretical framework**

**Theorem 1 - signaling theory**

ESG disclosure is a signal of company quality to investors" [2]

**RESEARCH METHOD**

**Figure and Table**



**Figure 1.** Data Distribution Compared Against Theoretical Normal Distribution

The results of the normality test using the Normal P-P Plot indicate that the residuals of the regression model are approximately normally distributed. This is evident from the fact that most of the data points are spread along and around the diagonal line. However, there are several outliers or extreme data detected, especially in the upper right part of the plot, causing slight deviations from the normal line. However, because the majority of data points remain close to the line, the assumption of residual normality is considered met (or there are no significant violations of normality) for the regression analysis.

And for the table,

**Table 1.** hasil uji hipotesis

| Model |                       | Unstandardized Coefficients  |                         | Standardized Coefficients | t      | Sig. | Collinearity Statistics |       |
|-------|-----------------------|------------------------------|-------------------------|---------------------------|--------|------|-------------------------|-------|
|       |                       | B                            | Std. Error              | Beta                      |        |      | Tolerance               | VIF   |
| 1     | (Constant)            | 8569993392<br>1819.050       | 9780228503<br>9434.750  |                           | .876   | .383 |                         |       |
|       | X1 :<br>environmental | -<br>1289773356<br>17346.230 | 1159283009<br>35942.620 | -.166                     | -1.113 | .269 | .501                    | 1.997 |
|       | x2 : social           | -<br>3612013801<br>1014.950  | 1454092855<br>25399.660 | -.039                     | -.248  | .804 | .442                    | 2.261 |
|       | x3 : governance       | 1511562108<br>10997.440      | 1148320275<br>86803.750 | .157                      | 1.316  | .192 | .787                    | 1.271 |

## **RESULTS AND DISCUSSION**

### **Theorem and Lemma**

#### **Theorem 1.**

If companies increase ESG disclosure, the market responds with a lower perception of risk, so the company's value tends to increase.

#### **Lemma 1**

If ESG - reducing risk - increases investor confidence [1]

then:

Tobin's  $Q \uparrow$

## **CONCLUSION**

This study concludes that environmental (X1), social (X2), and governance (X3) do not significantly influence company value, in line with the findings of [2], [3] and [7]. However, in some sectors, such as agroindustry, ESG has been shown to increase company value [4]

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