ISSN: 2338-8412 e-ISSN : 2716-4411

Ekombis Review – Jurnal Ilmiah Ekonomi dan Bisnis
Available online at : https://jurnal.unived.ac.id/index.php/er/index
DOI: https://doi.org/10.37676/ekombis.v14i3

The Effect Of Sustainable Investment On Company Value In The LQ45 Index In The Indonesian Capital Market

Suchi Fausia Tenda [1]; Muhammad Yunus Kasim [2]; Erwan Sastrawan [3]; Fera [4]

[1] **Students of the Management Study Program, Faculty of Economics and Business, Tadulako University, Indonesia**

[2,3,4] **Lecturer in the Management Study Program, Faculty of Economics and Business, Tadulako University, Indonesia Email: [1] suchifausiatenda@gmail.com ; [2] yunuskasim75@yahoo.com [3] erwansastrawanfeb@gmail.com ; [4] feranayoan.fr@gmail.com**

How to Cite:

Tenda, S, F., Kasim, M ,Y., Sastrawan , E., Fera. (2026). The Effect Of Sustainable Investment On Company Value In The LQ45 Index In The Indonesian Capital Market. EKOMBIS REVIEW: Journal of Economics and Business, 14(3). DOI: https://doi.org/10.37676/ekombis.v14i3

ARTICLE HISTORY
Received [31 December 2025]
Revised [14 July 2026]
Accepted [18 July 2026]

KEYWORDS
Environmental Performance, Social Responsibility, Governance, Firm Value, LQ45 Index, Sustainable Investment.

ABSTRACT

Sustainable investment based on environmental, social, and governance (ESG) principles is increasingly influencing global capital markets. In Indonesia, research on ESG, especially for companies in the LQ45 index, is still limited. This study analyzes the impact of governance, environment, and social factors on company value for 29 companies that have been consistently listed in the LQ45 index from 2020 to 2024. Using panel data and purposive sampling, secondary data were collected from annual reports, sustainability reports, and IDX publications. Firm value was measured using Tobin's Q, while ESG was measured through governance (shareholder rights, board independence, transparency), environment (waste management, carbon emissions, energy), and social (CSR contributions, community relations). Data analysis used panel regression in E-Views 12 to process data from several companies over several time periods and to examine differences between companies and changes over time.

INTRODUCTION

Environmental, Social, and Governance (ESG) issues have become a global concern in the last decade. Sustainable investing is growing rapidly. Many investment funds and asset managers are now incorporating Environmental, Social, and Governance (ESG) factors into their corporate strategies. This change did not happen overnight; ESG-focused funds are growing significantly and now account for a significant portion of total Assets Under Management (AUM). In the study (Hasan et al., 2025) it was shown that "green" and ESG-themed assets are increasingly being chosen because they are considered capable of providing protection from long-term risks while opening up new growth opportunities for companies. This confirms that for modern investors, ESG is no longer just an ethical issue, but has become an important economic consideration in managing portfolios.

As market demand for comparable and reliable sustainability information increases, various international institutions are beginning to strengthen ESG reporting standards. One major step came from the International Sustainability Standards Board (ISSB), which published two global standards, namely IFRS S1 and IFRS S2. IFRS stands for International Financial Reporting Standards, which are a set of international financial reporting standards designed to present high-quality, transparent, and comparable information between companies in various countries. The presence of IFRS S1 and S2 signifies that ESG reporting is no longer considered a supplement to Corporate Social Responsibility (CSR). These standards emphasize that sustainability information is material economic information, i.e., information that directly influences investors' economic decisions. Thus, companies are required to integrate sustainability into their governance and business strategies, not just into narrative reports.

At the regional level, the European Union has also implemented stricter regulations through the Corporate Sustainability Reporting Directive (CSRD). This policy requires large companies to report sustainability information in greater detail and have it independently audited. The existence of regulations such as the CSRD shows that the quality and accountability of sustainability reports are now a serious concern, not only for regulators but also for the market. According to (Baumüller & Grbenic, 2021), these regulations encourage companies to improve the quality of their reports and make ESG part of a more transparent and measurable business strategy.

In Indonesia, the Financial Services Authority (OJK) policy requiring public companies to submit sustainability reports as a form of transparency regarding sustainability practices has made the urgency of ESG even clearer. The implementation and understanding of ESG in Indonesia still faces many difficulties. Many companies view sustainability reports as an administrative task rather than an important strategy to increase company value. Furthermore, most studies only look at public companies as a whole, without paying much attention to companies listed on the LQ45 index. Globally, ESG has transformed from a moral issue into a business strategy that affects competitiveness and investor preferences. In Indonesia, the harmonization of national regulations with international standards (IFRS S1/S2, CSRD) has increased pressure for ESG disclosures to be more meaningful and comparable. However, preliminary evidence suggests that implementation in the field has not always been consistent. Some companies, including large issuers, tend to present disclosures as administrative compliance rather than as a strategic tool for creating value (Luque-Vílchez et al., 2023).

A number of studies have examined the relationship between ESG and company value. Most studies in Indonesia analyze samples of all issuers on the Indonesia Stock Exchange (IDX) or broad sectors, without paying particular attention to companies included in the LQ45 index, even though this group has important characteristics in the dynamics of the Indonesian capital market. The LQ45 is the liquidity 45 index, which contains the 45 stocks with the highest liquidity on the IDX, selected based on the ease of trading the stocks, large market capitalization, and strong company fundamentals. Due to their high liquidity and large capitalization, companies in this index often serve as a benchmark for institutional investors and reflect a more stable and measurable market condition (Mahmood et al., 2025). Therefore, the sustainability performance of LQ45 companies has the potential to send a stronger signal to the market and have a more tangible impact on company value. Thus, the selection of the LQ45 index as the object of research provides a logical basis for examining how ESG truly plays a role in creating value in the group of companies that investors pay the most attention to.

This study aims to analyze the effect of ESG disclosure on company value among issuers listed on the Indonesia Stock Exchange's LQ45 index. Using an associative quantitative method and panel data from 29 companies that were consistently listed on the LQ45 from 2020 to 2024 ( ), this study contributes to the theoretical literature on sustainable finance in Indonesia and provides practical benefits for investors in developing ESG- based investment strategies.

LITERATURE REVIEW

Signaling Theory & Stakeholders

Signal Theory explains that markets are often in a state of asymmetric information, where management knows more about the company's performance and prospects than investors. To reduce this uncertainty, management needs to send positive signals to the market through various forms of disclosure. These signals can take the form of dividend policies, a healthy capital structure, high profitability, and credible and consistent ESG disclosures (Nurvita, 2022). When the signals provided are credible, investors will perceive the company as more stable, more responsible, and having better long-term prospects. As a result, investor confidence increases, demand for shares rises, and the company's value is reflected in rising share prices and indicators such as Tobin's Q. Therefore, signaling theory is an important foundation in explaining how ESG disclosures can influence market valuation.

On the other hand, Stakeholder Theory asserts that the sustainability of a company depends not only on shareholders, but also on various stakeholders such as consumers, the government, creditors, employees, local communities, and the environment. Each group has certain expectations of corporate practices, particularly in relation to social responsibility, employment, and environmental impact. ESG disclosure serves as a form of accountability and a communication mechanism for companies to inform stakeholders that they are managing risks and impacts effectively. When stakeholders perceive a company as committed to sustainable practices, they are more likely to provide greater support in the form of consumer loyalty, good relations with regulators, creditor trust, and a stronger reputation in the eyes of the public (Marsuki, 2024).

This supports legitimacy, which can provide a framework for understanding the role of ESG in corporate value. The opinion expressed by (Nabila & Wahyuningtyas, 2023) states that legitimacy is a system managed by companies that are oriented towards individuals, the government, and community groups. Companies need social acceptance from the community in order for their business activities to continue. To obtain this legitimacy, companies must operate in accordance with the values and norms that apply in society. With strong legitimacy, companies will find it easier to maintain their existence and improve their reputation, thereby having a positive impact on company value.

Thus, signal theory and stakeholder theory complement each other. Signal theory explains how ESG serves as a communication tool to reduce information uncertainty for investors, while stakeholder theory explains why ESG is important for social legitimacy and external support. When these two perspectives are combined, ESG disclosure can be understood as a signal that is not only important for the capital market, but also for meeting the expectations of a wider range of stakeholders. It is this combination of investor and stakeholder support that ultimately drives an increase in company value.

Company Value

Company value reflects how the market assesses a company's performance and future prospects. In the context of financial research, company value reflects investors' perceptions of the company's ability to generate profits, manage risk, and maintain operational sustainability in the future. The higher the market valuation, the greater the investor confidence in the company's growth prospects (Yunus Kasim, 2019).

Among the various measures of company value, Tobin's Q is considered the most comprehensive indicator because it includes all components of a company's wealth, both assets recorded in financial statements and market expectations of its future value. This indicator is widely used in academic research because it captures market responses more comprehensively than other measures such as PBV or single stock prices. Tobin's Q was first introduced by James Tobin to describe the ratio between a company's market value and the replacement cost of its assets. The Tobin's Q formula is simplified using the market value of equity and the book value of the company's total assets.

Tobin's Q formula is:

$$\frac{Total\ Market\ Value + Total\ Book\ Value\ of\ Liabilities}{Total\ Book\ Value\ of\ Assets}$$

With the definition:
Market Value of Equity = Share price × Number of shares
outstanding Total Debt = Total short-term + long-term liabilities
Total Assets = Total assets based on financial statements

Interpretation

If Tobin's Q > 1, then the market assesses that the company has good growth prospects; the market value is higher than its asset value. If Tobin's Q < 1, then the market assesses that the company's assets are less productive or that its growth prospects are lower than its asset value. Because Tobin's Q combines *market expectations* and *asset fundamentals*, this ratio is considered the most relevant for assessing whether ESG disclosure can improve market perception of a company. Thus, Tobin's Q is used as a proxy for company value in this study to assess whether the market gives a value premium to companies with better ESG disclosure (Dwiastuti & Dillak, 2019).

Environment

The environmental aspect assesses how companies manage the impact of their operational activities on nature. This factor includes waste management, emissions control, energy efficiency, water use, resource conservation, and climate change mitigation policies. The literature shows that environmental disclosure is a concern for investors because it is considered to reflect a company's ability to manage long-term risks, particularly regulatory risks, physical climate change risks, and reputational risks. Companies with good environmental performance tend to receive positive responses from the market because they are considered better prepared to face future sustainability pressures (Mudzakir & Pangestuti, 2023). In addition, environmental commitment also enhances reputation and reduces *the cost of capital*, as investors view such companies as more responsible and long-term oriented. Environmental measurement (E-Score) is measured through indicators such as: carbon emission reduction, waste management and recycling, energy efficiency, and renewable energy use.
H1: There is a positive influence between environmental disclosure and company value.

Social

The social aspect covers how companies treat their workforce, communities, and consumers, as well as their impact on public welfare. The social aspect is measured using the S-Score, which includes occupational health and safety, employee training, diversity and inclusion, protection of workers' rights, and social contributions. Literature shows that companies with good social performance are able to build strong relationships with stakeholders, especially employees and the community. These relationships reduce reputational risk, increase customer loyalty, and reduce the potential for social conflict. Research (Jeanice & Kim, 2023) shows that strong social performance correlates with increased stakeholder and customer support. In addition, research (Triyani et al., 2021) found that good social performance signals that a company is able to protect shareholder value through effective social risk management.
H2: There is a positive influence between social disclosure and company value.

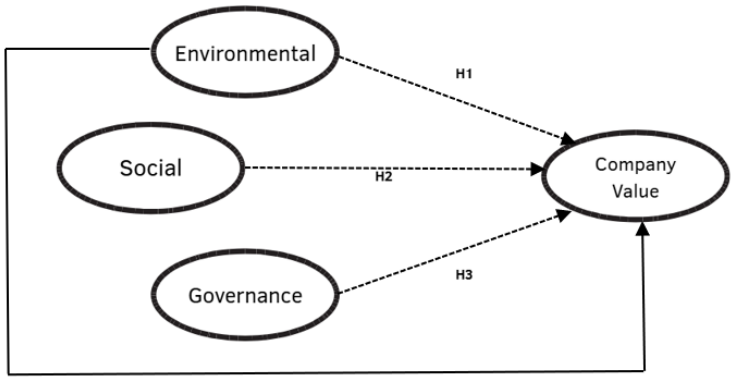
Corporate Governance

The governance aspect assesses the company's management system, structure, and processes. This factor relates to the effectiveness of the board, the independence of commissioners,

shareholder rights, transparency of reports, internal controls, and business ethics, which are measured using the G-Score. In the study (Durlista & Wahyudi, 2023), it is emphasized that strong governance increases accountability and reduces managerial risks such as fraud, report manipulation, and insider trading. With good governance, companies demonstrate their commitment to transparency and risk management, which ultimately increases investor confidence. Strong governance also affects a company's access to capital and improves market valuation because investors view the company as a stable and trustworthy entity.

H3: There is a positive influence between corporate governance and company values.

Figure 1



METHODS

This study uses a quantitative method with an associative approach, which aims to examine the relationship between independent variables (*environment, social, and governance*) and dependent variables in the form of company value. Quantitative research was chosen because it is able to provide objective empirical evidence through numerical measurements and statistical testing, so that the relationship between variables can be analyzed in a measurable and replicable manner. The type of data used in this study is secondary data, because all information was obtained from official company documents and publications from related institutions, without collecting data directly from respondents.

The research data sources came from *annual reports*, *sustainability reports*, Indonesian Stock Exchange (IDX) publications, and IDX ESG *Disclosure* data containing sustainability disclosure indicators. The population in this study was all companies included in the LQ45 index for the 2020–2024 period. Since the composition of the LQ45 index changes every six months, this study applied a *purposive sampling* method, which is a technique for determining samples based on specific criteria relevant to the research objectives. The criteria used were companies that were consistently included in the LQ45 index during 2020–2024 and had complete sustainability reports or ESG disclosures. Based on these criteria, 29 companies were found to be eligible and became the research sample. The selection of companies that consistently remained in the LQ45 index was done to ensure that the sample analyzed consisted of companies with high liquidity, stable performance, and clear market governance, thereby increasing the validity of the research results.

The research variables were measured using ESG indicators that refer to sustainability disclosure standards. The *environment* variable was measured through indicators of waste management, carbon emissions, and energy efficiency. The *social* variable was measured based on the company's contribution to CSR activities, community involvement, and social programs for employees and the surrounding environment. The *governance* variable is measured through shareholder rights, the existence of an independent board of commissioners, and transparency of information and governance practices. Meanwhile, company value is measured using Tobin's Q ratio, as this ratio is able to capture comprehensive market assessments by comparing the market value of a company with the book value of its assets.

The collected data was analyzed using panel data regression with the E-Views 12 application. Panel data analysis is used to observe companies and time simultaneously, thereby increasing the accuracy of the estimates. To determine the most appropriate estimation model, this study uses the Chow test to compare the *common effect* and *fixed effect* models, as well as the Hausman test to determine whether the *fixed effect* or *random effect* model is more appropriate to use. Through this series of tests, this study aims to determine the simultaneous and partial effects of *environment, social,* and *governance* on company value in LQ45 issuers during the research period.

RESULTS

In order to understand the characteristics of the data possessed by each variable to be studied, a descriptive analysis is necessary. This analysis includes the mean (average value of a data set), median (middle number of a data set), maximum value, minimum value, and standard deviation (measure of data dispersion) possessed by each variable. The following table presents the distribution of data from the Environmental (X1), Social (X2), Governance (X3), and Tobin's Q (Y) variables:

Table 1. Descriptive Analysis Results

	TOBINS'Q	ENV	SOC	GOV
Mean	0.525964	0.561430	0.555967	0.918519
Median	0.476199	0.586207	0.555556	1.000000
Maximum	1.264088	1.000000	1.000000	1.000000
Minimum	0.035662	0.000000	0.083333	0.000000
Std. Dev	0.260567	0.267622	0.213176	0.274592
Skewness	0.604076	-0.354095	-0.049034	-3.059647
Kurtosis	2.667441	2.364381	2.325169	10.36144
Jarque-Bera	8.832526	5.093686	2.615706	515.4553
Probability	0.012079	0.078329	0.2704	0.000000
Sum	71.00510	75.79310	75.05556	124.00
Sum Sq. Dev	9.097923	9.597270	6.089483	10.10370
Observations	145	145	145	145

Source: Output from data processing using Eviews 12

Based on Table 1, the following is an interpretation of the descriptive test results for each variable:

a) Company Value (TOBINS'Q)
The company value measured by Tobin's Q has a mean of 0.526 and a median of 0.476. A mean value higher than the median indicates a slight tendency toward positive skewness in the data distribution, which is confirmed by a skewness coefficient of 0.604. This shows that some companies in the sample have Tobin's Q values above the average, although in general the values are still below 1. The maximum value of 1.264 and the minimum value of 0.036 reflect considerable variation among the sample companies. The standard deviation of 0.261 reinforces this finding. The Jarque-Bera normality test result with a probability of 0.012 (< 0.05) concludes that the Tobin's Q data is not normally distributed. The kurtosis of 2.667 indicates a flatter distribution (platykurtic) than a normal distribution.

b) Environmental Disclosure (ENV)
The level of environmental disclosure (ENV) shows an average of 0.561 (or 56.1%) with a median of 0.586. This average indicates that, in general, the companies in the sample have disclosed more than half of the expected items related to environmental performance. The

median value is higher than the mean, coupled with negative skewness (-0.354), indicating that most of the environmental disclosure data is clustered at higher values, with the distribution tail extending towards low values (minimum 0.000). Although there are companies that do not disclose at all (min=0), there are also companies with perfect disclosure (max=1). The data distribution is relatively wide (std. dev. = 0.268). The Jarque-Bera probability of 0.078 (> 0.05) indicates that the ENV data can be considered normally distributed.

c) Social Disclosure (SOC)
Social disclosure (SOC) has characteristics that are closest to a normal distribution compared to other variables. The identical mean value of 0.556 and median of 0.556, as well as a skewness coefficient very close to zero (-0.049), describe an almost perfectly symmetrical distribution. This means that the data is evenly distributed around its mean value. The average disclosure rate of 55.6% indicates a commitment equivalent to environmental disclosure. The data range from 0.083 to 1.000 and the standard deviation of 0.213 (which is the smallest among all variables) indicate that the variation in social disclosure levels between companies is relatively more homogeneous. The Jarque-Bera probability of 0.270 (> 0.05) statistically confirms the normality of the SOC data distribution.

d) Governance Disclosure (GOV)
The governance disclosure (GOV) variable displays the most extreme statistical profile. The very high mean value of 0.919 (91.9%) and the perfect median of 1.000 reveal a crucial fact: most companies in the sample have complied with or disclosed almost all expected governance items. The very sharp negative skewness (-3.060) and very high kurtosis (10.361) describe a distribution that is highly negatively skewed and leptokurtic. This means that the data is highly concentrated at high values (close to 1), with very few observations having low values. This is reinforced by the minimum value of 0.000, which is an outlier in this distribution. The Jarque-Bera test with a probability of 0.000 definitively states that the GOV data is not normally distributed.

Chow Test

In this study, the Chow test was used to select the best model between the Common Effect Model (CEM) and the Fixed Effect Model (FEM). The following table shows the results of the Chow test using Eviews 12.

Table 2. Chow Test Results

Effect Test	Statistic	d.f	Prob.
Cross-section F	47.964208	(26,105)	0.0000
Cross-section Chi-square	344.983218	26	0.0000

Source: Output from data processing using Eviews 12

Based on Table 1, the Chow test results show a probability value of 0.0000 < 0.05. This indicates that the selected model, namely the Fixed Effect Model (FEM), is better to use than the Common Effect Model (CEM). Based on the Chow test, the appropriate model to use is the Fixed Effect Model (FEM).

Hausman Test

In determining the model selection between REM or FEM, the Hausman test was conducted.

Table 3. Hausman Test Results

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	1.172852	3	0.7595

Source: Output from data processing using Eviews 12

Based on Table 2, the Hausman test results show a probability value of 0.7595 > 0.05. This indicates that the selected model, namely the Random Effect Model (REM), is better to use than the Fixed Effect Model (FEM). Based on the Hausman test, the appropriate model to use is REM.

Table 4. Panel Data Regression Results for the Random Effect Model (REM)

Variable	Coefficient	Std. Error	t-Statistic	Prob
C	0.517050	0.060207	0.587847	0.0000
ENV?	-0.611764	0.044303	-1394150	0.1656
SOC?	-0.008270	0.048269	-0.171324	0.8642
GOV?	0.052462	0.031417	1.669870	0.0973
Effect Specification				
			S.D	Rho
Cross-section random			0.257471	0.9125
Idiosyncratic random			0.079738	0.0875
Weighted Statistics				
R-squared	0.0305	Mean dependent variable		0.072158
Adjusted R-squared	0.008339	S.D. dependent variable		0.079512
S.E. of regression	0.7918	Sum of squared residuals		0.821297
F-statistic	1.375616	Durbin-Watson statistic		1.763816
Probability of F-statistic	0.253101			
Unweighted Statistics				
R-square	0.030309	Mean dependent variable		0.525964
Sum of squared residuals	8.822173	Durbin-Watson statistic		0.164202

Source: Output from data processing using Eviews 12

DISCUSSION

This study aims to examine the effect of sustainable investment disclosure, measured through three pillars environment (ENV), social (SOC), and governance (GOV) on company value (Tobin's Q) in the Indonesian capital market. The main contribution of this study lies in providing contextual empirical evidence on the effectiveness of Environmental, Social, and Governance (ESG) practices in emerging markets such as Indonesia, where market characteristics and investor behavior differ significantly from those in developed markets (Friede et al., 2015).

The Impact of Environmental Disclosure (ENV)

The analysis results show that environmental disclosure has a negative coefficient (-0.612) but is not statistically significant (p-value = 0.166). This finding does not support the research hypothesis assuming a significant positive influence between environmental performance and company value. These results contrast with studies in developed markets, such as those reported by(et al.., 2018) , which found the environmental pillar to be the main driver of Tobin's Q improvement. However, these findings are consistent with the study (Suhartini et al., 2024) in Indonesia, which also reported the insignificance of the environmental-firm value relationship at the 5% significance level.

The Effect of Social Disclosure (SOC)

The social disclosure variable shows a small negative coefficient (-0.008) with the highest level of insignificance (p-value = 0.864). This result indicates that corporate social activities such as corporate social responsibility (CSR) programs, community involvement, and worker rights

protection are not valued by the Indonesian capital market in its assessment of companies. This finding is in line with the Global Sustainable Investment Alliance (2022) report, which notes that the integration of social factors in investment decisions is still low in Southeast Asia, including Indonesia.

The Influence of Governance Disclosure (GOV)

Among the three ESG pillars, governance disclosure showed the closest result to significance with a positive coefficient of 0.052 (p-value = 0.097). Although it did not reach statistical significance at the 5% level, this finding suggests that investors are beginning to recognize the importance of corporate governance. The characteristics of GOV data, which show a very high average (0.919) and a distribution that is heavily skewed towards high values, indicate that compliance with governance standards has become the norm (compliance- driven) among Indonesian public companies, although this has not yet been consistently translated into value premiums.

The relatively high average ESG disclosure rates (ENV: 56.1%; SOC: 55.6%; GOV: 91.9%) are not directly proportional to their impact on company value. This phenomenon can be explained through signaling theory modified for the emerging markets context. In Indonesia, high disclosure levels do not reflect actual ESG performance, but rather compliance with Financial Services Authority (OJK) regulations on mandatory sustainability reporting. Investors who are aware of the potential for greenwashing are skeptical of reported ESG data and therefore do not respond significantly in terms of pricing (Osuji, et al., 2023).

The profile of Indonesian investors, which is dominated by retail investors (71.3%) with a short-term investment horizon (58% have a horizon of less than 1 year), is a crucial explanation for the findings of this study (IDX, 2023). Retail investors tend to focus on traditional factors such as potential capital gains and dividend yields, rather than long-term sustainability considerations. Herding behavior and reliance on soft information rather than in-depth fundamental analysis (Aminarty et al., 2025) have resulted in ESG factors not being integrated into the stock pricing process.

The low R-squared value of the model (3.05%) reflects the weak explanatory power of ESG variables on corporate value variation. These findings support the concept of emerging market efficiency in its limited form. The Indonesian capital market has not yet reached a semi-strong efficiency level where non-financial information such as ESG is fully reflected in prices (Naftali Ben Zion, 2024). This market mechanism imperfection creates an institutional void where the benefits of sustainable investment are not optimally internalized.

A comprehensive analysis by (Friede et al., 2015) covering 2,200 studies found that 63% of studies reported a significant positive relationship between ESG performance and financial performance, with an average ESG premium of 0.5-1.0% in developed markets. The insignificance of these research results does not refute global findings, but rather confirms that the relationship between ESG and company value is contextual and depends on institutional conditions, market maturity, and investor characteristics (Goh et al., 2024).

These findings are consistent with studies in other emerging markets that report mixed or insignificant results. identified four institutional voids in emerging markets that hinder the effectiveness of ESG: (1) weak regulatory enforcement, (2) low investor sophistication, (3) poor data quality, and (4) a culture of short-termism. These four factors are reflected in the Indonesian context, explaining why sustainable investment has not yet become a value driver.

The results of this study are consistent with the findings of (Suhartini et al., 2024), which also reported a low R- squared (18.3%) and the insignificance of most ESG pillars in Indonesia. This consistency reinforces the validity of the findings and indicates that the phenomenon of ESG ineffectiveness is not a methodological artifact, but rather a systemic characteristic of the Indonesian capital market.

CONCLUSION

This study examines the effect of sustainable investment disclosure on company value in the Indonesian capital market. Empirical analysis shows that the three ESG dimensions of environment (ENV), social (SOC), and governance (GOV) do not have a significant effect on company value using Tobin's Q. Environmental disclosure has a negative coefficient of -0.612 with a p-value of 0.166, social disclosure shows a coefficient of 0.008 with a p-value of 0.864, and governance disclosure records a positive coefficient of 0.052 but remains insignificant at the 5%

level (p-value 0.097). Simultaneously, the ESG model only explains 3.05% of the variation in company value (R^2 = 0.0305) with an F-statistic probability of 0.253, confirming collective insignificance. These findings are not the result of methodological errors or validity issues, but rather a reflection of the reality of the Indonesian market, which is still in a transitional phase towards sustainable finance.

The results of this study reveal a gap between theory and practice in emerging markets, where Indonesian investors still focus on traditional financial fundamentals and ESG practices are not yet integrated into stock pricing mechanisms. The study successfully identified *the boundary conditions* of ESG theory, which has been dominated by the perspective of advanced markets. In Indonesia, the relationship between ESG and company value is moderated by factors such as the dominance of short-term-oriented retail investors, the priority of economic growth over sustainability, and the developing maturity of the market

Companies need to develop more effective ESG communication strategies, not just fulfill reporting obligations. Given that Indonesian investors still focus on fundamental factors, companies must explicitly link ESG investments with increased operational efficiency, cost reduction, or increased revenue in the medium term. Materiality assessment is critical to identifying ESG aspects that are truly relevant to the business model and expectations of local stakeholders.

Institutional investors have an important role in educating the market about the long-term value of sustainable investments. Developing investment products that integrate ESG with traditional factors that retail investors already understand (such as dividend yield and price stability) can be a transition strategy towards a more mature market in assessing sustainability factors.

Capital market authorities need to improve ESG reporting standards and oversight to reduce greenwashing practices. Standardization of ESG metrics and independent audits can enhance data credibility. In addition, investor education programs on the importance of ESG analysis in long-term investment decision- making need to be intensified.

LIMITATIONS

This study has several limitations that affect the interpretation of results. The observation period is limited and does not capture the long-term effects of ESG investments, which take longer to materialize, especially in emerging markets such as Indonesia. Measurement aspects are also a constraint, namely the use of Tobin's Q as a proxy for company value, which is prone to bias because stock prices in the Indonesian market are often influenced by speculative factors, while ESG data sourced from independent reports has the potential to contain greenwashing without independent verification (Summers, 2019) .

Furthermore, research models that do not include moderating variables such as industry type and ownership structure limit the ability of the analysis to reveal the heterogeneity of the relationship between ESG and company value, which is significant in certain subgroups even though it is not apparent in aggregate. The findings of the study are also limited in their generalizability because they focus only on public companies, so they cannot be applied to SMEs or private companies that have different characteristics.

REFERENCES

Aminarty, F., Amina, N., Indrijawati, A., & Ferdiansah, M. I. (2025). Interaksi Antara Perilaku Investor Dan Tren Pasar Modal. Advances In Management & Financial Reporting, 3(3), 335–362. Https://Doi.Org/10.60079/Amfr.V3i3.531

Baumüller, J., & Grbenic, S. O. (2021). Moving From Non-Financial To Sustainability Reporting: Analyzing The Eu Commission's Proposal For A Corporate Sustainability Reporting Directive (Csrd). Facta Universitatis, Series: Economics And Organization, 1, 369. Https://Doi.Org/10.22190/Fueo210817026b

Durlista, M. A., & Wahyudi, I. (2023). Pengaruh Pengungkapan Environmental, Social Dan Governance (Esg) Terhadap Kinerja Perusahaan Pada Perusahaan Sub Sektor Pertambangan Batu Bara Periode 2017-2022. Jurnal Ilmiah Manajemen, Ekonomi, & Akuntansi (Mea), 7(3), 210–232. Https://Doi.Org/10.31955/Mea.V7i3.3327

Dwiastuti, D. S., & Dillak, V. J. (2019). Pengaruh Ukuran Perusahaan, Kebijakan Hutang, Dan Profitabilitas Terhadap Nilai Perusahaan. Jurnal Aset (Akuntansi Riset), 11(1), 137–146. Https://Doi.Org/10.17509/Jaset.V11i1.16841

Friede, G., Busch, T., & Bassen, A. (2015). Esg And Financial Performance: Aggregated Evidence From More Than 2000 Empirical Studies. Journal Of Sustainable Finance & Investment, 5(4), 210–233. Https://Doi.Org/10.1080/20430795.2015.1118917

Goh, T. S., Elidawati, E., Syawaluddin, S., & Cynthia, C. (2024). Pengaruh Corporate Social Responsibility, Kepemilikan Manajerial, Green Banking, Likuiditas, Rentabilitas, Dan Aktivitas Perusahaan Pada Perusahaan Sektor Perbankan Yang Terdaftar Di Bei. Owner, 8(4), 4745–4756. Https://Doi.Org/10.33395/Owner.V8i4.2339

Hasan, I., Singh, S., & Kashiramka, S. (2025). Exploring The Financial Performance Of Esg Investing In India: Evidence Using Asset-Pricing Models. China Accounting And Finance Review, 27(3), 421–466. Https://Doi.Org/10.1108/Cafr-12-2023-0153

Jeanice, J., & Kim, S. S. (2023). Pengaruh Penerapan Esg Terhadap Nilai Perusahaan Di Indonesia. Owner, 7(2), 1646–1653. Https://Doi.Org/10.33395/Owner.V7i2.1338

Luque-Vílchez, M., Cordazzo, M., Rimmel, G., & Tilt, C. A. (2023). Key Aspects Of Sustainability Reporting Quality And The Future Of Gri. Sustainability Accounting, Management And Policy Journal, 14(4), 637–659. Https://Doi.Org/10.1108/Sampj-03-2023-0127

Mahmood, A., Mehmood, A., & Terzani, S. (N.D.). The Effect Of Esg Disclosure On Firm Value In The European Context.

Marsuki, M. A. (2024). Pengaruh Environmental Social Governance Dan Profitabilitas Terhadap Nilai Perusahaan. 13.

Mudzakir, F. U., & Pangestuti, I. R. D. (N.D.). Pengaruh Environmental, Social And Governance Disclosure Terhadap Nilai Perusahaan Dengan Roa Dan Der Sebagai Variabel Kontrol.

Nabila, R. F. H., & Wahyuningtyas, E. T. (2023). Analisis Kinerja Keuangan Dan Sustainability Reporting Terhadap Return Saham. 11(2).

Naftali Ben Zion, Y. (2024). Ethical Investments. Ssrn Electronic Journal. Https://Doi.Org/10.2139/Ssrn.4829623

Nurvita, T. (2022). Pengaruh Financial Sustainability, Kebijakan Dividen, Keputusan Investasi Dan Profitabilitas Terhadap Nilai Perusahaan Pada Perusahaan Manufaktur Yang Terdaftar Di Bursa Efek Indonesia Pada Tahun 2015-2019. 25(3).

Osuji, A. A. (N.D.). Firm Size As A Moderator Of The Relationship Between Sustainability Practices And Organizational Performance In Banks.

Suhartini, D., Tjahjadi, B., & Fayanni, Y. (2024). Impact Of Sustainability Reporting And Governance On Firm Value: Insights From The Indonesian Manufacturing Sector. Cogent Business & Management, 11(1), 2381087. Https://Doi.Org/10.1080/23311975.2024.2381087

Triyani, A., Setyahuni, S. W., & Makwuna, F. D. (2021). Pengaruh Kinerja Non Keuangan (Environmental, Social, Governance) Terhadap Resiko Investasi Perusahaan. Jurnal Akuntansi Dan Bisnis : Jurnal Program Studi Akuntansi, 7(2), 155–165. Https://Doi.Org/10.31289/Jab.V7i2.5602

Yunus Kasim, A. K. D. (2019). Pengaruh Rasio Leverage Dan Profitabilitas Terhadap Nilai Perusahaan Industri Makanan Dan Minuman Yang Terdaftar Di Bursa Efek Indonesia. Jurnal Ilmu Manajemen Universitas Tadulako.