

THE EFFECT OF ENVIROMENTAL, SOCIAL, AND GOVERNANCE (ESG) SCORES ON FIRM VALUE WITH FIRM SIZE MODERATING VARIABLE

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Abstrak

Penelitian ini bertujuan untuk menelaah bagaimana skor *Environmental, Social, and Governance (ESG)* memengaruhi nilai perusahaan dengan memasukkan ukuran perusahaan sebagai variabel moderasi. ESG artinya indikator krusial pada menilai keberlanjutan serta tanggung jawab sosial perusahaan, yang semakin menjadi perhatian investor dan pemangku kepentingan. Penelitian ini memakai metode kuantitatif menggunakan data sekunder berupa laporan keuangan serta laporan keberlanjutan perusahaan yang terdaftar pada Bursa efek Indonesia periode 2021–2023. Pemilihan sampel dilakukan memakai *purposive sampling* sehingga diperoleh 45 perusahaan yang memenuhi kriteria pengungkapan ESG berdasarkan *records Bloomberg*. Nilai perusahaan diprosikan memakai rasio *Tobin's Q*, sedangkan skor ESG diukur melalui 3 dimensi yaitu *environmental, social, dan governance*. Analisis data menggunakan regresi linier berganda serta *Moderated Regression Analysis (MRA)* memakai bantuan SPSS versi 30. Hasil penelitian menunjukkan bahwa *environmental, social, serta governance score* secara parsial tidak berpengaruh signifikan terhadap nilai perusahaan. Namun, ukuran perusahaan terbukti memoderasi efek *governance score* terhadap nilai perusahaan. Temuan ini menegaskan bahwa implementasi ESG membutuhkan dukungan asal daya yang memadai sehingga perusahaan besar cenderung lebih mampu memperoleh manfaat dari penerapan ESG dalam menaikkan nilai perusahaan.

Kata kunci: *ESG Score*, nilai perusahaan, ukuran perusahaan, *Tobin's Q*, Bursa Efek Indonesia.

Abstract

This research seeks to analyze how Environmental, Social, and Governance (ESG) scores effect firm value, incorporating firm size as a moderating aspect. ESG is an crucial indicator in assessing company sustainability and social responsibility, which has more and more attracted

the attention of investors and stakeholders. This research employed a quantitative technique the usage of secondary information from financial and sustainability reports of groups listed at the Indonesia inventory trade (IDX) for the period 2021–2023. The sample changed into selected the use of purposive sampling and consisted of forty five companies that met the ESG disclosure criteria based totally on Bloomberg information. company value turned into measured the usage of Tobin's Q ratio, whilst ESG rankings were divided into three dimensions: environmental, social, and governance. statistics analysis changed into performed the usage of a couple of linear regression and Moderated Regression analysis (MRA) with SPSS model 30. The effects suggest that environmental, social, and governance scores haven't any good sized partial impact on company value. but, employer size is verified to slight the effect of governance score on firm value. these findings spotlight that effective ESG implementation calls for ok assets, that are more likely available to huge groups, consequently allowing them to gain more benefits from ESG adoption in improving firm fee.

Keywords: *ESG Score, firm value, company size, Tobin's Q, Indonesia Stock Exchange*

A. INTRODUCTION

In these days's globalized world, company sustainability has received significant interest as awareness of environmental, social, and governance practices keeps to rise. nowadays, investors and stakeholders examine corporations no longer completely on their monetary outcomes however also on their commitment to social responsibilities. The Environmental, Social, and Governance (ESG) framework has come to be a essential benchmark for assessing a organization's position in lengthy-term sustainability. imposing ESG initiatives is concept to reinforce a organization's recognition, public photograph, and attractiveness to investors. In Indonesia, the implementation of ESG started out receiving regulatory assist in 2019 through mandatory sustainability reporting, later improved to public agencies. nonetheless, ESG adoption stays tremendously low. information from the Indonesia stock change (2023) suggests that most effective about 8.7% of listed companies have ESG scores, indicating that ESG implementation is still in its early improvement stage. this situation offers each demanding situations and possibilities for Indonesian companies to enhance ESG disclosure first-rate to draw investors and create delivered fee. Previous studies

on the impact of ESG on firm value have produced mixed results. Some research indicates a positive effect, as ESG can enhance legitimacy, reputation, and reduce risk. However, other studies show insignificant or even negative effects, primarily due to high implementation costs that may burden short-term performance. These divergent findings highlight an important research gap, particularly in the context of Indonesia's emerging capital market.

Building on this context, the look at examines the impact of ESG scores on firm value, considering firm size as a moderating aspect. The findings are expected to enrich the body of know-how in accounting and finance and offer sensible insights for companies and buyers on leveraging ESG practices to enhance firm cost.

B. LITERATURE REVIEW

Legitimacy Theory

Legitimacy theory posits that businesses have to reap legitimacy from society to sustain their operations. ESG disclosure serves as a means for companies to demonstrate their commitment to environmental, social, and right governance practices, thereby enhancing public legitimacy.

Stakeholder Theory

Consistent with stakeholder theory, groups must be accountable now not most effective to their investors but also to all parties tormented by their operations. The implementation of ESG is regarded as a manifestation of a organization's situation for each internal and external stakeholders.

Environmental, Social, and Governance (ESG) and Firm Value

Numerous previous studies have located a fine dating among ESG and company fee. Alves & Ferreira (2021) argued that ESG disclosure enhances a enterprise's popularity and draws investors. Conversely, Wau (2023) observed that ESG has no big effect on company rate in Indonesia due to restricted implementation.

Firm Size as a Moderating Variable

Firm size is believed to affect the linkage between ESG and firm value. Companies with greater scale typically have more resources to support ESG initiatives, which can send favorable signals to investors. According to Khatamy (2023), firm size enhances the connection between ESG disclosure and firm value.

HYPOTHESES

Based totally at the literature review and former studies, the hypotheses of this have a look at are formulated as follows:

H1: Environmental Score affects firm value.

The environmental score reflects the extent to which a company addresses environmental issues such as emissions, energy, and waste management. Companies with environmentally friendly practices are expected to gain public legitimacy and attract investors, thereby increasing firm value.

H2: Social Score affects firm value.

The social dimension focuses on a company's relationships with employees, customers, and the community. Companies that pay attention to social aspects, such as employee welfare and social responsibility, are more likely to earn stakeholder trust, which ultimately can positively impact firm value.

H3: Governance Score affects firm value.

Good corporate governance is the foundation of business continuity. A high governance score indicates transparency, accountability, and shareholder protection, potentially enhancing firm value.

H4: Company length moderates the effect of Environmental rating on firm value.

Large groups have more resources to implement environmentally pleasant packages as compared to smaller companies. consequently, company size is anticipated to bolster the impact of the environmental rating on company value.

H5: Firm size moderates the effect of Social Score on firm value.

Company length is associated with a agency's ability to carry out social projects. large corporations are generally extra able to investment social activities that positively affect public legitimacy, therefore firm size is anticipated to strengthen the impact of the social score on firm price.

H6: Firm size moderates the effect of Governance Score on firm value.

Large firms typically have more complex governance structures and stronger internal control systems. This reinforces the role of governance in boosting investor confidence, so firm length is anticipated to bolster the impact of the governance score on firm value.

C. METHOD

This have a look at employs a quantitative technique with an associative research format, aiming to have a study the connection and feature an impact on amongst independent and established variables with a moderating variable.

Population and Sample

This study's populace accommodates companies that have been publicly listed at the Indonesia stock alternate (IDX) between 2021 and 2023. The pattern became decided on the usage of a purposive sampling technique with the subsequent criteria:

1. Companies that disclosed ESG scores in the Bloomberg database,
2. Companies with complete annual financial reports for the period 2021–2023, and
3. Companies with available data on the research variables.

Based on these criteria, a total of forty five organizations were selected as the research sample.

Research Variables and Measurement

- **Dependent variable:** Firm value, proxied by Tobin's Q ratio.
- **Independent variables:**
 - Environmental Score (X1)
 - Social Score (X2)
 - Governance Score (X3)
- **Moderating variable:** company length, proxied via the natural logarithm of general belongings.

Type and Source of Data

The observe uses secondary facts in the shape of economic statements, annual reports, and ESG ratings acquired from the Bloomberg database and the Indonesia inventory alternate.

Data Analysis Techniques

Data analysis was conducted in several stages:

1. **Descriptive statistics** to describe the characteristics of the studies statistics.
2. **Classical assumption tests**, which include normality, multicollinearity, heteroscedasticity, and autocorrelation tests, to make certain the records meet regression analysis necessities.
3. **Multiple linear regression analysis** to examine the impact of every ESG size on company value.
4. **Moderated Regression Analysis (MRA)** to assess the function of firm size as a moderating variable within the courting among ESG and company value. All data were processed using SPSS version 30.

D. RESULTS AND DISCUSSION

Descriptive Statistics

Descriptive statistics have been used to illustrate the traits of the research variables. A precis of the processed facts is presented within the desk underneath:

Table. Descriptive Statistics After Outlier Removal

	N	<i>Minimum</i>	<i>Maximum</i>	<i>Mean</i>	<i>Std, Deviation</i>
ES (X1)	135	0,85	78,41	26,9662	17,84326
SS (X2)	135	13,78	63,15	31,2864	10,14001
GS (X3)	135	50,87	96,81	73,2882	11,52899
Size (Z)	135	12,81	24,52	18,3118	2,56141
NP (Y)	135	0,24	3,78	1,1136	0,59226
Valid N (listwise)	135				

Source: Processed Data (2025)

- The average firm value (NP) of 1.11 indicates that most companies have a market value slightly above their book value.
- The average Environmental Score (ES) of 26.97 with high variation (SD 17.84) suggests significant differences among companies in implementing environmental policies.
- The average Social Score (SS) of 31.29 with moderate variation (SD 10.14) indicates relatively uniform implementation of social aspects.
- The average Governance Score (GS) of 73.29 with low variation (SD 11.53) implies that governance practices are relatively consistent across companies.
- The average firm size (Size) of 18.31 (Ln Total Assets) reflects the dominance of medium to large-sized firms in the research sample.

Classical Assumption Tests

Normality Test

Table. Normality Test Results After Outlier Removal

Unstandardized Residual				
N		135		
Normal Parameters ^{a,b}		Mean	0,0000000	
		Std. Deviation	0,44529104	
Most Extreme Differences	Extreme	Absolute	0,094	
		Positive	0,082	
		Negative	-0,094	
Test Statistic		0,094		
Asymp. Sig. (2-tailed) ^c		0,64		
Monte Carlo Sig. (2-tailed) ^e	Sig. (2-tailed) ^e	Sig.		
		99% Confidence Interval	Lower Bound	0,57
			Upper Bound	0,70

Source: Processed Data (2025)

The significance value of $0.640 > 0.05$ indicates that the data are normally distributed. Thus, the regression model satisfies the normality assumption.

Multicollinearity Test

Table. Multicollinearity Test Results

Model	Tolerance	VIF	Explanation
ES (X1)	0,522	1,914	No Multicollinearity
SS (X2)	0,508	1,969	No Multicollinearity
GS (X3)	0,636	1,573	No Multicollinearity
Size (Z)	0,780	1,283	No Multicollinearity

Source: Processed Data (2025)

Tolerance values above 0.1 and VIF values underneath 10 for all variables suggest no excessively high correlation a few of the independent variables. this means the model is free from multicollinearity symptoms.

Heteroscedasticity Test

Table. Heteroscedasticity Test Results

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std, Error	Beta		
1	(constant)	-1,034	1,549		-0,667	0,506
	ES (X1)	0,001	0,047	0,004	0,028	0,978
	SS (X2)	-0,094	0,145	-0,101	-0,648	0,519
	GS (X3)	0,394	0,264	0,207	1,492	0,140
	Size (Z)	-0,005	0,281	-0,002	-0,019	0,985

Source: Processed Data (2025)

The significance values for all variables are > 0.05 , indicating no signs of heteroscedasticity. Thus, the residual variance in the model is constant (homoscedastic).

Autocorrelation Test

Table. Autocorrelation Test Results

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	0,273 ^a	0,074	0,046	1,32478	1,989

Source: Processed Data (2025)

The Durbin-Watson (DW) cost of one.989 falls between d_u (1.seventy five) and $4-d_u$ (2.25), indicating that the regression version is unfastened from autocorrelation.

Multiple Linear Regression Results

Table. Multiple Linear Regression Test Results – Equation I

Model		Unstandardized coefficients		Standarized coefficients
		B	Std, Error	Beta
1	(Constant)	3,007	1,450	
	ES (X1)	-0,039	0,064	-0,081
	SS (X2)	-0,377	0,201	-0,255
	GS (X3)	-0,379	0,378	-0,125

Source: Processed Data (2025)

The three ESG dimensions do not have a giant effect on firm fee. This indicates that the Indonesian capital market has not but regarded ESG elements as key determinants of company fee, prioritizing monetary overall performance as a substitute.

Moderated Regression Analysis (MRA)

Table. MRA Test Results – Equation II

Model		Unstandardized coefficients		Standarized coefficients
		B	Std, Error	Beta
1	(Constant)	4,369	2,291	
	ES (X1)	-0,020	0,069	-0,041
	SS (X2)	-0,432	0,214	-0,292
	GS (X3)	-0,451	0,390	-0,149
	Size (Y)	-0,319	0,415	-0,090

Source: Processed Data (2025)

Interpretation:

1. **ES:** An increase of 1 unit in ES decreases firm value by 0.020 points.
2. **SS:** An increase of 1 unit in SS decreases firm value by 0.432 points.
3. **GS:** An increase of 1 unit in GS decreases firm value by 0.451 points.
4. **Size:** An increase of 1 unit in Size decreases firm value by 0.319 points.

These results indicate that Size is not directly significant and has not been able to strengthen the relationship between ESG and firm value.

Table. MRA Test Results – Equation III

Model		Unstandardized coefficients		Standarized coefficients
		B	Std, Error	Beta
1	(Constant)	-34,316	49,383	
	ES (X1)	-0,074	2,361	-0,153
	SS (X2)	7,981	6,243	5,389
	GS (X3)	2,054	14,403	0,680
	Size (Y)	12,959	17,115	3,644
	X1Z	0,014	0,812	0,085

	X2Z	-2,853	2,150	-5,502
	X3Z	-0,887	5,012	-1,182

Source: Processed Data (2025)

Interpretation:

1. **ES** has a negative coefficient (-0.074), indicating that an increase in ES decreases firm value (NP) by 0.074.
2. **SS** has a large positive coefficient (7.981) but is not significant, indicating a weak effect.
3. **GS** has a positive coefficient (2.054) but is also not significant.
4. **Size** has a positive coefficient (12.959) but is not significant.
5. **ES*Size** is positive (0.014) but not significant → Size does not moderate ES.
6. **SS*Size** is negative (-2.853) but not significant → Size does not moderate SS.
7. **GS*Size** is negative (-0.887) but not significant → Size does not moderate GS.

Hypothesis Testing

Coefficient of Determination (R^2)

Table. R^2 Test Results

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0,449 ^a	0,201	0,128	0,45411

Source: Processed Data (2025)

The low Adjusted R^2 value indicates that 87.2% of the variation in firm price is stimulated via factors other than ESG and firm size, such as profitability, capital structure, and macroeconomic conditions.

T-Test

The t-test aims to verify the effect of unbiased variables at the dependent variable within the regression version. The consequences of the hypothesis test are presented in table 4.9 underneath:

Table. T-Test Results – Equation I

Model		Unstandardized coefficients		Standarized coefficients	t	Sig
		B	Std, Error	Beta		
1	(Constant)	3,007	1,450		2,073	0,041
	ES (X1)	-0,039	0,064	-0,081	-0,610	0,544
	SS (X2)	-0,377	0,201	-0,255	-1,874	0,065
	GS (X3)	-0,379	0,378	-0,125	-1,002	0,319

Source: Processed Data (2025)

Details:

- **ES:** Does not affect firm value because environmental issues are not yet considered strategic factors by Indonesian investors.
- **SS:** Not significant because companies' social activities are still perceived as mere formalities.
- **GS:** Not significant because corporate governance practices in Indonesia remain mostly normative and have not become strong market signals.

Discussion

This examine finds that Environmental, Social, and Governance (ESG) rankings do now not have a giant effect on company price in Indonesia. those outcomes advocate that buyers in Indonesia have yet to treat sustainability and social obligation projects as foremost elements whilst assessing corporation performance. The environmental and social dimensions have a tendency to be carried out as compliance with policies as opposed to as lengthy-time period commercial enterprise strategies. in the meantime, true corporate governance by myself has no longer been enough to persuade the marketplace to provide additional price. furthermore, firm length does no longer support the connection between

ESG and company price, in contrast to in numerous other developing countries. these findings advocate that the great and requirements of ESG disclosure in Indonesia need to be advanced to function credible advantageous signals for buyers and different stakeholders.

E. Conclusion and Recommendations

Primarily based on the analysis and discussion, it may be concluded that Environmental, Social, and Governance (ESG) ratings don't have any vast impact on firm price. This locating means that ESG practices in Indonesia are still now not a number one attention in investment selection-making with the aid of investors. similarly, firm size has now not been validated to mild the connection among ESG ratings and company cost, that means that a organisation's size does no longer make stronger or weaken the effect of ESG on firm cost. standard, this study emphasizes that ESG implementation in Indonesia remains in large part perceived as regulatory compliance and social obligation as opposed to a business method able to improving competitiveness and firm cost inside the eyes of buyers.

Primarily based on these findings, numerous hints are offered to relevant events. For companies, it's far advocated to improve the fine and consistency of ESG disclosure to make it extra credible and strategically valuable in attracting traders. ESG practices ought to now not simply be formalities however integrated into long-time period enterprise planning and implementation. For traders, it's far crucial to begin considering non-financial aspects such as ESG in investment decision-making, consistent with international developments emphasizing the importance of sustainability in assessing a agency's lengthy-time period potentialities. For destiny researchers, it is cautioned to consist of manipulate variables including profitability, leverage, and capital shape to deepen the expertise of factors affecting company value. research could also be multiplied by using the usage of samples from exclusive enterprise sectors to increase generalizability. ultimately, for regulators and the government, it's far expected to reinforce regulations and enhance ESG

reporting requirements so that company disclosures become greater transparent, comprehensive, and beneficial as a foundation for choice-making for stakeholders.

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