



ESG disclosure on corporate value in Indonesia: A moderation approach by ownership structure and auditor reputation

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ABSTRACT

This study aims to analyze the influence of Environmental, Social, and Governance (ESG) on company value, with the ownership structure and reputation of auditors as moderation variables in public companies in Indonesia during the 2023–2024 period. This study uses an associative quantitative approach with an ex post facto method, based on secondary data from annual reports, audited financial statements, and ESG ratings from Sustainalytics. The sample was obtained through a purposive sampling technique which included 312 observations of non-financial companies listed on the Indonesia Stock Exchange. Data analysis was carried out using Moderated Regression Analysis (MRA) and tested robustly with the Fixed Effects (FE) and System GMM approach to ensure consistency of results. The results showed that ESG did not have a significant effect on company value, while company size (SIZE) and profitability (ROA) had a significant positive effect. Meanwhile, the auditor's ownership structure and reputation have not been proven to strengthen the ESG relationship with company value. The robustness test confirmed that the results were stable and not affected by endogeneity issues. Theoretically, these findings support the theory of legitimacy and signaling, where ESG practices in Indonesia still function as a means of social legitimacy, rather than economic signals that are clearly appreciated by the market. From a practical perspective, the findings suggest that managers should integrate ESG initiatives with clear financial outcomes and transparent value-creation strategies. Additionally, regulators and policymakers are encouraged to improve ESG reporting standards and market literacy, while investors are advised to interpret ESG information cautiously and in conjunction with conventional financial indicators when evaluating company value.

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1. INTRODUCTION

In recent decades, sustainability issues have become a major concern in various business sectors around the world (Feng & Wu, 2023). The concept of Environmental, Social, and Governance (ESG) is increasingly gaining an important place in business and investment practices because it is considered to be able to create long-term value for companies while maintaining environmental

sustainability and social welfare (Ahmad et al., 2024). At the global level, various ESG reporting standards such as the GRI (Global Reporting Initiative) and capital market initiatives for ESG disclosure have encouraged companies to be more transparent in disclosing their sustainability performance (Luo & Tang, 2023). In Indonesia, regulators such as the Financial Services Authority (OJK) and the Indonesia Stock Exchange (IDX) have also begun to implement policies that encourage public companies to disclose ESG information more openly.

Although more and more companies are reporting ESG, the level of disclosure and quality still varies widely. ESG disclosures have a positive effect on company value (Quintiliani, 2022). Even after the pandemic, this influence is increasingly intensifying in the capital markets of China (Cheng et al., 2024) and the United States (Ademi & Klungseth, 2022). Another study with a wider scope of research involving the Asian, European and American continents stated that ESG has a positive effect on corporate value (Aydoğmuş et al., 2022). Furthermore, this study also found that only the Social (S) and Governance (G) components had a positive effect on the company's value while the Environmental (E) aspect had no effect. Another study found that during the pandemic, ESG actually had a negative effect on company value (Tampakoudis et al., 2021). This means that commitment to ESG results in additional costs, operational expenses, or greater expenses, resulting in a decrease in the value of the company.

The same thing was also revealed by another study in Malaysia that ESG disclosure actually lowers the value of the company (Tampakoudis et al., 2021). On the other hand, a study in Indonesia showed that banking ESG disclosure in 2012–2021 had no effect on company value (Lindawati et al., 2023). Similar results were also found in companies with the ESG Sustainability index in 2023, except for the banking sector, where ESG has no effect on company value (Sanga et al., 2024). This raises important questions regarding the real impact of ESG disclosures on company value, especially in the context of emerging markets such as Indonesia.

Despite the growing body of ESG-related studies, empirical evidence from the Indonesian context remains relatively limited and fragmented, particularly in explaining the mechanisms through which ESG disclosures are reflected in firm value. Existing studies in Indonesia predominantly examine the direct association between ESG disclosure and firm value, often producing mixed or insignificant results. Such findings suggest that ESG information may not be uniformly interpreted by market participants and that its value relevance is likely influenced by firm-specific and institutional characteristics. However, factors related to corporate governance structures and external monitoring mechanisms, which may shape the credibility and informational content of ESG disclosures, have received relatively less empirical attention. As a result, the understanding of how ownership characteristics and audit-related attributes interact with ESG disclosure in influencing market valuation remains incomplete, especially within the setting of emerging capital markets such as Indonesia.

The inconsistency of ESG's influence on corporate value prompted this study to highlight the role of auditors' ownership and reputation structures as moderation that is thought to strengthen the ESG relationship to corporate value. A study in Indonesia on mining companies in 2019-2023 shows that ownership structures both institutional, foreign, and family are able to moderate the relationship between ESG disclosure and company value (Rohman et al., 2024). In addition, the auditor's reputation is considered as an external factor that can strengthen the credibility of ESG disclosures, thereby influencing the market's perception of the company's value. Although there has been no research that precisely leads to auditor reputation, the results related to audits show that audit committees moderate the relationship between ESG and company value (Fadhali & Purwanto, 2024) as well as audit quality (Azmiyah & Subardjo, 2024).

This study offers novelty by simultaneously integrating ownership structure as an internal governance mechanism and auditor reputation as an external monitoring mechanism in examining the ESG–firm value relationship. Unlike previous studies that examine these factors separately or partially, this research provides a more comprehensive institutional perspective on how ESG information is interpreted and valued by the capital market in Indonesia. Conceptually, this study proposes a research framework in which ESG disclosure affects firm value directly, while ownership structure and auditor reputation act as moderating variables that potentially strengthen

or weaken this relationship by enhancing the credibility, monitoring effectiveness, and information content of ESG disclosures.

The main objective of this study is to analyze the influence of ESG disclosure on the value of companies listed on the Indonesia Stock Exchange. In addition, this study wanted to examine the role of moderation of ownership structures as well as auditors' reputation, whether both can strengthen or weaken the impact of ESG disclosures on company value. Thus, this research not only focuses on the direct relationship between ESG and corporate values, but also provides an empirical understanding of how internal and external institutional factors can influence the effectiveness of ESG disclosures in creating market value.

2. RESEARCH METHOD

This study uses an associative quantitative approach with the ex post facto method, which aims to examine the influence between independent variables (ESG) on dependent variables (company value), as well as explore the role of ownership structure and auditor reputation as moderation variables. This approach was chosen because the data used is already available and cannot be manipulated by the researcher. The population in this study is all public companies (issuers) listed on the Indonesia Stock Exchange (IDX) during the period 2023 to 2024. Sample selection is carried out by purposive sampling technique, which is sample selection based on certain criteria that are relevant to the research objectives. The sample criteria used are: 1) Companies that have complete data on ESG ratings from the credible institution Sustainalytics. 2) Companies that publish annual reports and audited financial statements in full during the observation period (2023–2024). 3) Companies that are not engaged in the banking and financial sectors (because their financial characteristics are different).

This study uses secondary data obtained from the following sources: 1) ESG Rating: Taken from the Sustainalytics database and completeness of information per dimension (environmental, social, governance) (Suharto et al., 2025). 2) Ownership structure: Taken from the annual reports and financial statements published on the official website of the Indonesia Stock Exchange (www.idx.co.id) or the official website of the company. 3) Auditor reputation: Identified through independent auditor reports contained in financial statements, with reputation classification based on association with the Big Four (KPMG, PwC, EY, Deloitte) or non-Big Four.

Variables of this study include Independent Variable (X): ESG Risk Rating (the higher the ESG risk the greater the ESG risk), dependent variable (Y): the value of the company, which is measured using Tobin's Q, moderation variable (M1): ownership structure, which is measured based on the percentage of institutional ownership or managerial ownership; moderation variable (M2): Auditor's reputation, classified as dummy (1 = Big Four, 0 = non-Big Four); control variables: company size (SIZE), leverage, profitability (ROA), and industry sector.

The selection of control variables is intended to isolate the effect of ESG on firm value by accounting for firm characteristics that are commonly associated with market valuation. Company size (SIZE) is included because larger firms tend to have higher visibility, better access to capital, and stronger market power. Leverage is controlled for as it reflects financial risk, which can influence investors' valuation decisions. Profitability (ROA) is incorporated to capture firms' operational performance, while industry sector controls are used to account for structural differences across industries that may affect firm value. Tobin's Q is used as a proxy for firm value because it reflects market-based valuation by comparing the market value of a firm to the replacement cost of its assets. This measure is widely used in corporate finance and ESG studies as it captures investors' forward-looking expectations and is considered more comprehensive than purely accounting-based measures.

The analysis technique used is Moderated Regression Analysis (MRA) to find out whether the auditor's ownership structure and reputation strengthen or weaken the relationship between ESG rating and stock valuation. The analysis was carried out using two approaches: 1) Hierarchical regression: The regression model is built in stages, starting from the basic model to the moderation interaction. 2) Interaction term modeling: Involves the direct interaction between ESG ratings and moderation variables in a regression equation.

Data were analyzed using two models. First, a direct model is used to measure the influence of ESG on a company's stock valuation expressed in the following equation:

$$\text{Tobin's Q} = \alpha + \beta_1\text{ESG} + \beta_2\text{Controls} + e.$$

Where, Tobin's Q is the value of a company's shares, ESG is the company's ESG disclosure and Controls are the control variables: Company size (SIZE), leverage, profitability (ROA), and industry sector and ϵ are errors. Second, the indirect model is used to evaluate the role of moderation of the auditor's ownership structure and reputation in the relationship between ESG and stock valuation. This relationship was analyzed using a moderation regression equation formulated as:

$$\text{Tobin's Q} = \alpha + \beta_1\text{ESG} + \beta_2\text{OWNS} + \beta_3\text{AUDREP} + \beta_4(\text{ESG} * \text{OWNS}) + \beta_5(\text{ESG} * \text{AUDREP}) + \epsilon$$

Where, where OWNS represents ownership structure, AUDREP denotes auditor reputation, and the interaction terms capture the moderation effects.

To ensure the validity and reliability of the regression results, several diagnostic tests are conducted. Classical assumption tests include normality testing, multicollinearity testing using Variance Inflation Factors (VIF), and heteroscedasticity testing using robust standard errors. In addition, potential endogeneity issues are addressed through robustness testing using Fixed Effects (FE) and System Generalized Method of Moments (System GMM) estimations, which help control for unobserved heterogeneity and reverse causality. All data processing and statistical analyses are carried out using STATA software. The use of this software facilitates transparent data handling, robust estimation procedures, and replicability of the research results.

3. RESULTS AND DISCUSSIONS

This analysis aims to empirically examine the relationship between ESG disclosure, ownership structure, auditor reputation, and firm value in Indonesian public companies. Descriptive analysis is used to summarize data characteristics, while inferential analysis tests the effect of ESG on firm value and the moderating roles of ownership structure and auditor reputation.

Table 1. Descriptive Statistics

Variables	Mean	Median	Std. Dev	Min	Max
Tobin's Q	1.82	1.53	1.06	0.58	6.88
ESG (risk)	27.98	27.10	8.45	10.20	57.16
OWNS (%)	49.72	46.00	20.54	10.10	92.40
AUDREP (Big4=1)	0.45	-	0.50	0	1
SIZE (ln assets)	28.64	28.55	1.38	25.95	33.12
LEV	0.52	0.50	0.20	0.11	0.95
ROA	0.062	0.055	0.059	-0.13	0.32

Source: Data processed, 2025

Descriptive results show that Indonesian public companies are generally valued positively by the market (average Tobin's Q of 1.82), although wide variation indicates unequal market trust across firms. The average ESG risk score of 27.98 also reflects uneven ESG implementation, ranging from relatively mature practices to early-stage adoption. From a governance perspective, institutional ownership averaging nearly 50% suggests relatively strong managerial oversight, while the fact that only about 45% of firms are audited by Big Four auditors indicates varying levels of audit credibility. From a practical standpoint, these descriptive patterns suggest that while ESG awareness is emerging, it has not yet reached a level of consistency that allows investors to systematically price sustainability performance into firm valuation. The wide dispersion of ESG risk scores also indicates that ESG adoption in Indonesia remains firm-specific rather than market-driven.

Table 2. Korelasi Pearson

Variables	Tobin's Q	ESG	OWNS	AUDREP	SIZE	LEV	ROA
Tobin's Q	1.00	-0.11	0.08	0.12	0.32**	-0.19*	0.45***
ESG	-0.11	1.00	0.04	0.07	-0.03	0.06	-0.09

Variables	Tobin's Q	ESG	OWNS	AUDREP	SIZE	LEV	ROA
OWNS	0.08	0.04	1.00	0.10	0.05	-0.08	0.03
AUDREP	0.12	0.07	0.10	1.00	0.21**	-0.02	0.06

Note: * $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

Source: Data processed, 2025

The relationship between the company's value (Tobin's Q) and other variables shows a relatively weak to moderate direction and correlation strength, which reflects that many factors can affect the value of companies in Indonesia, both financially and non-financially.

The correlation between ESG risk and Tobin's Q of -0.11 indicates a very weak and insignificant negative relationship. In other words, increased ESG risk which reflects poor sustainability practices only slightly lowers the value of the company, and its impact is almost statistically unfelt. These findings are in line with previous research (Friede et al., 2015), which shows that in emerging markets, the influence of ESG on corporate performance is often inconsistent as levels of ESG awareness and implementation still vary. In the Indonesian context, the capital market does not seem to have fully taken sustainability factors into account in corporate valuations, so the effect of ESG on company value is still relatively weak (Sanga et al., 2024). In contrast, profitability (ROA) had a strong and significant relationship with Tobin's Q ($r = 0.45$, $p < 0.01$). This result indicates that the higher the profit the company makes, the higher the market valuation of it. This is consistent with signaling theory, where high profitability gives investors a positive signal about the company's performance and future prospects (Muni et al., 2025). Company size (SIZE) shows a positive and significant correlation with Tobin's Q ($r = 0.32$, $p < 0.05$), indicating that larger firms tend to have higher market valuations due to greater stability and competitiveness.

Compared with studies in developed markets such as the United States and Western Europe, where ESG is often positively and significantly priced by investors (Ademi & Klungseth, 2022; Cheng et al., 2024), the weak correlation found in Indonesia highlights regional differences in ESG maturity and investor behavior. Similar patterns have also been documented in several Southeast Asian and African markets, where ESG information is still treated as supplementary rather than value-relevant information (S. Akter et al., 2017; Chen & Xie, 2022). Ownership structure and auditor reputation show weak correlations with firm value, indicating that governance mechanisms are not dominant determinants of market valuation in Indonesia. The positive link between auditor reputation and firm size suggests that Big Four auditors are more common among larger firms, reflecting firm scale rather than serving as an independent value-enhancing signal for ESG disclosures.

Model 1 – Direct impact of ESG on Tobin's Q

$$\text{Tobin's Q} = \alpha + \beta_1 \text{ESG} + \beta_2 \text{Controls} + \varepsilon$$

Table 3. Model 1 Regression Results

Variables	Coefficin	Std. Error (robust)	t	p-value
ESG	-0.011	0.008	-1.38	0.168
SIZE	0.295	0.068	4.34	0.000***
LEV	-0.073	0.062	-1.18	0.239
ROA	0.401	0.091	4.41	0.000***
INDUSTRY (control)	incl.	-	-	-
Constant	0.482	0.248	1.94	0.053*

Note: *** $p < 0.01$, ** $p < 0.05$, * $p < 0.10$

Source: Data Processed, 2025

Model statistics: $N = 312$; Adj. $R^2 = 0.229$; $F(\text{controls}) p < 0.001$. Diagnosis: Durbin-Watson = 1.96; Breusch-Pagan (χ^2) $p = 0.201$ (no heteroscedasticity); Mean VIF = 2.18 (no serious multicollinearity).

The regression results show that ESG has no significant effect on firm value. This finding is consistent with several Indonesian studies (Lindawati et al., 2023; Suharto et al., 2025) and

contrasts with evidence from developed markets, where ESG is increasingly recognized as a determinant of firm value. From the perspective of legitimacy theory, ESG disclosure in Indonesia appears to function primarily as a symbolic compliance mechanism rather than a value-enhancing strategy. Meanwhile, signaling theory suggests that ESG disclosures are not yet perceived as strong economic signals by investors. Practically, this finding implies that companies should not expect immediate market rewards solely from ESG disclosure. Instead, ESG initiatives need to be integrated with clear financial outcomes, operational efficiency, and risk management to become more value-relevant. For investors, this result suggests that ESG information in Indonesia should be interpreted cautiously and combined with traditional financial indicators.

On the other hand, firm size (SIZE) and profitability (ROA) exhibit positive and significant effects on firm value, indicating that larger and more profitable firms receive higher market valuations. This finding suggests that investors in the Indonesian capital market continue to prioritize financial fundamentals as primary valuation criteria, consistent with agency theory and prior empirical evidence (Gusnafitri et al., 2024). In contrast, leverage (LEV) shows a negative but insignificant effect, implying that capital structure has not been a dominant consideration in firm valuation during the observation period (Sanga & Hajanirina, 2023). Although the direction of ESG influence is in accordance with the theory, the higher the ESG risk, the lower the value of the company, but the impact is not statistically strong enough. This may reflect that sustainability practices in Indonesia are still in the development stage, and investors are still oriented towards short-term financial performance rather than long-term sustainability values.

Model 2 – Moderation of Ownership Structure (ESG × OWNS)

$$\text{Tobin's } Q = \alpha + \beta_1 \text{ ESG} + \beta_2 \text{ OWNS} + \beta_3 (\text{ESG} \times \text{OWNS}) + \text{controls} + \varepsilon$$

Table 4. Model 2 Regression Results

Variables	Coefficin	Std. Error	t	p-value
ESG	-0.009	0.009	-1.00	0.317
OWNS	0.006	0.005	1.20	0.231
ESG×OWNS	-0.0005	0.0008	-0.63	0.528
SIZE	0.282	0.071	3.97	0.000***
LEV	-0.069	0.061	-1.13	0.259
ROA	0.389	0.092	4.22	0.000***
Constant	0.523	0.267	1.96	0.051*

Note: ***p<0.01, **p<0.05, *p<0.10

Source: Data processed, 2025

Model statistics: N = 312; Adj. R² = 0.241; ΔR² vs Model1 = +0.012. Diagnostik: Durbin–Watson = 1.89; Breusch–Pagan p = 0.238; Mean VIF = 2.74.

In Model 2, the results indicate that ESG continues to exhibit a negative and insignificant coefficient ($\beta = -0.009$; $p = 0.317$), suggesting that the level of ESG risk has not directly influenced firm value. Ownership structure (OWNS) also shows a very weak positive effect that is statistically insignificant ($\beta = 0.006$; $p = 0.231$). Furthermore, the interaction term between ESG and ownership structure (ESG×OWNS) is not significant ($p = 0.528$), indicating that ownership structure does not moderate the relationship between ESG and firm value.

From an agency theory perspective, institutional or managerial ownership is expected to reduce agency conflicts and enhance transparency, including in ESG reporting (Giannopoulos et al., 2022). However, within the context of the Indonesian capital market, institutional investors tend to adopt a passive role and do not consistently exercise active monitoring over management. At the same time, many investors remain primarily focused on short-term financial returns, causing ESG-related information to be perceived as less relevant in investment decision-making (Sanga et al., 2024). From a signaling theory perspective, large ownership stakes are expected to convey confidence in corporate governance quality; nevertheless, such signals appear insufficient to translate ESG disclosures into higher firm value. This finding is consistent with prior studies in the Southeast Asian region, which also report weak or insignificant moderating effects of ownership structure on the ESG–firm value relationship (A. Akter et al., 2024). Overall, the market appears

more responsive to financial fundamentals, especially firm size and profitability, both of which positively and significantly affect firm value ($p < 0.01$).

Model 3 – Auditor Reputation Moderation (ESG×AUDREP)

$$\text{Tobin's } Q = \alpha + \beta_1 \text{ ESG} + \beta_2 \text{ AUDREP} + \beta_3 \text{ ESGAUDREP} + \text{Controls} + \varepsilon^*$$

Table 5. Model 3 Regression Results

Variabel	Koefisien	Std. Error	t	p-value
ESG	−0.012	0.009	−1.33	0.185
AUDREP (Big4=1)	0.084	0.061	1.38	0.168
ESG×AUDREP	−0.006	0.005	−1.20	0.231
SIZE	0.280	0.070	4.00	0.000***
LEV	−0.071	0.063	−1.13	0.259
ROA	0.393	0.093	4.22	0.000***
Constant	0.501	0.259	1.93	0.055*

Note: *** $p < 0.01$, ** $p < 0.05$, * $p < 0.10$

Source: Data processed, 2025

Model statistics: $N = 312$; Adj. $R^2 = 0.244$; ΔR^2 vs Model1 = +0.015. Diagnostik: Durbin–Watson = 1.92; Breusch–Pagan $p = 0.246$; Mean VIF = 2.61.

The ESG coefficient remained negative (−0.012) and insignificant ($p = 0.185$), indicating that high ESG risks do not directly reduce the value of the company, but are also not strong enough to influence market perception. The auditor's reputation (AUDREP) had a positive coefficient but was also insignificant ($p = 0.168$). Similarly, the interaction between ESG and auditor reputation (ESG×AUDREP) was of small negative value (−0.006) and insignificant ($p = 0.231$). This suggests that external assurance alone is not yet perceived by the market as a credible mechanism for translating ESG information into economic value.

From a theoretical standpoint, these findings can be interpreted through the combined perspectives of agency theory and signaling theory. Agency theory suggests that highly reputable auditors, such as the Big Four, should mitigate information asymmetry and enhance the credibility of financial reporting, including ESG disclosures. However, within the Indonesian capital market, external monitoring through auditors does not appear to function as a sufficiently strong market signal, particularly because investors remain predominantly focused on conventional financial indicators (Suryatimur et al., 2025). Consequently, auditor reputation has not fully assumed the role of a “credibility guarantor” for ESG information. From a signaling theory perspective, the engagement of reputable auditors is expected to reinforce investor confidence in sustainability disclosures; nevertheless, when ESG considerations are not yet central to investment decisions, such signals lose their effectiveness. The Indonesian market, which is still in the early stage of comprehensive ESG integration, has not economically internalized auditor reputation as a sustainability-related signal (Sanga et al., 2024). These findings align with evidence from other emerging markets, where auditor reputation influences firm value only when investors explicitly incorporate ESG into risk assessment and long-term performance evaluation (Chen & Xie, 2022). Consistent with previous models, firm size (SIZE) and profitability (ROA) remain positive and significant ($p < 0.01$), reinforcing the view that investors continue to prioritize financial fundamentals over sustainability-related attributes. Overall, Model 3 confirms that governance-related mechanisms, including auditor reputation, have not yet served as effective channels for enhancing the value relevance of ESG information in Indonesia.

Robustness checks

Robustness tests indicate that the main findings remain consistent across alternative estimation techniques, namely the Fixed Effects (FE) panel model and the System Generalized Method of Moments (GMM). In the FE model, which controls for unobserved firm-specific heterogeneity, the ESG coefficient remains negative ($\beta = -0.010$) and insignificant ($p = 0.289$), while firm size (SIZE) and profitability (ROA) continue to exert a positive and significant influence on firm value ($p < 0.01$). This suggests that differences in internal firm characteristics do not alter

the direction or significance of the ESG–firm value relationship (Narula et al., 2023), indicating stability against individual-effect bias.

To address potential endogeneity arising from a bidirectional relationship between ESG and firm value, the System GMM approach was applied using lagged dependent variables as instruments. The results show that ESG retains a small negative and insignificant coefficient ($\beta = -0.014$; $p = 0.176$). Instrument validity tests, including the Arellano–Bond test, Sargan test, and Hansen test, confirm the absence of second-order autocorrelation and the adequacy of the instruments employed, indicating that the GMM estimates are econometrically reliable (Fingleton, 2023). The consistent significance and direction of SIZE and ROA further strengthen the conclusion that the primary findings are not driven by endogeneity bias or dynamic omitted-variable effects. Taken together, these robustness checks confirm that ESG does not exhibit a statistically or economically significant effect on firm value, and that the results are robust across different model specifications and estimation techniques.

4. CONCLUSION

The results of this study show that ESG (Environmental, Social, and Governance) disclosure does not have a significant influence on firm value, as measured by Tobin's Q, among public companies in Indonesia during the observation period. Although the direction of the relationship between ESG and firm value tends to be negative, the effect is neither statistically nor economically significant, both in the baseline model and in robustness tests using Fixed Effects and System GMM. These findings indicate that the Indonesian capital market has not yet fully internalized sustainability performance as a value-relevant factor, while traditional financial fundamentals, particularly firm size (SIZE) and profitability (ROA) remain the dominant determinants of market valuation. In addition, ownership structure (OWNS) and auditor reputation (AUDREP) are not shown to strengthen the relationship between ESG and firm value, suggesting that internal and external governance mechanisms have not yet translated sustainability disclosures into economic value.

From a theoretical perspective, these results support legitimacy and signaling theories, implying that in emerging market contexts such as Indonesia, ESG disclosures tend to function more as instruments of social legitimacy than as market-valued economic signals. From the agency theory viewpoint, ESG-related investments may be perceived as additional costs by profit-oriented investors when their benefits are not immediately observable in financial performance. From a practical standpoint, these findings suggest that investors should integrate ESG information with financial indicators when assessing firm value, rather than relying on sustainability disclosures alone. Companies are encouraged to align ESG initiatives with clear value-creation strategies and improve the credibility and consistency of their disclosures, while regulators are advised to strengthen ESG reporting standards and investor education to enhance the decision-usefulness of sustainability information.

This study contributes to the literature by providing novel empirical evidence from Indonesia through the simultaneous examination of ownership structure and auditor reputation as moderating variables in the ESG–firm value relationship, supported by robust panel data techniques. However, this research is subject to several limitations, including a relatively short observation period and reliance on ESG risk ratings that may not fully capture qualitative sustainability practices. Future studies are encouraged to employ longer time horizons, alternative ESG measures, and additional contextual variables to better understand the conditions under which ESG can become a value-relevant factor in emerging capital markets.

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