ABSTRACT

This study aims to investigate the impact of ESG disclosure practices on corporate financial distress risk and to determine the role of firm value in mediating the relationship between ESG disclosure practices and corporate financial distress risk. The dependent variable in this study is corporate financial distress risk, represented by the Altman Z-score. The independent variable is ESG disclosure practices, using ESG disclosure scores from the Bloomberg Database. The mediating variable used is firm value, measured by Tobin's Q.

This empirical study utilizes secondary data obtained from annual reports and financial statements of companies listed on the Indonesia Stock Exchange (IDX) and the Bloomberg Database. The study employs purposive sampling to select the sample, resulting in 87 non-financial companies listed on the IDX during 2019-2022 as the final sample. Additionally, the study uses ordinal logistic regression analysis to investigate the impact of ESG disclosure practices on corporate financial distress risk and multiple linear regression analysis to explore the impact of ESG disclosure practices on firm value. All analyses are conducted using IBM SPSS 27 software.

The empirical findings reveal that ESG disclosure practices have a significantly negative impact on financial distress risk, as measured by the Altman Z-Score. Another finding indicates that ESG disclosure practices have a significantly positive impact on firm value, as measured by Tobin's Q. This empirical study also finds that firm value does not mediate the relationship between ESG disclosure practices and financial distress risk.

Keywords*: ESG Disclosure Practices, Firm Value, Financial Distress Risk*