

ABSTRACT

This study was conducted to determine how much influence ESG performance has on investment efficiency in nonfinancial companies listed on the Indonesia Stock Exchange for the 2021-2022 period. ESG performance is measured by ESG score which includes three main pillars, namely, environment, social, and governance. Investment efficiency is measured based on the residual value from the regression of total investment on income growth.

The research population was taken from 840 nonfinancial companies listed on the IDX, but using purposive sampling method, 64 companies were left that fit the research criteria, with a total sample of 102 samples. The analysis method used is descriptive analysis, classical assumption test, and hypothesis testing with linear regression.

The results showed that ESG performance has a positive and significant influence on investment efficiency. Companies with good ESG performance tend to gain higher trust from stakeholders, reduce operational and financial risks. Furthermore, companies can allocate resources more efficiently and obtain lower costs by incorporating ESG principles into their business operations.

Keywords: ESG Performance, Investment Efficiency, ESG Score