

ABSTRACT

This study aims to analyze the effect of Environmental, Social, and Governance (ESG) on corporate financial distress with firm value as a moderating variable. The research was focused on infrastructure and energy sector companies listed on the Indonesia Stock Exchange (IDX) during the 2021-2023 period. These sectors were chosen due to their vulnerability to economic fluctuations and their significant environmental and social impacts.

A quantitative research method was employed using secondary data obtained from annual reports, sustainability reports, and ESG Scores from Bloomberg. The sample was selected using purposive sampling, resulting in 81 observations from 27 companies that met the criteria during the study period. Financial distress was measured using the Altman Z-Score, ESG was measured using the ESG Score, and firm value was proxied by the Price to Book Value (PBV) ratio. Data were analyzed using moderated regression analysis with IBM SPSS 27.

The findings reveal two main results. First, ESG does not have a statistically significant effect on financial distress. This relationship can be explained by the fact that ESG benefits often require a longer time to materialize, and social legitimacy through ESG practices does not necessarily align with a company's financial condition. Second, firm value is found to significantly moderate the relationship between ESG and financial distress. A higher firm value can weaken the negative impact of ESG on the Altman Z-Score. These findings are consistent with stakeholder and legitimacy theory, suggesting that strong firm value reflects investor confidence and provides greater financial capacity to bear ESG related costs, thereby reducing financial risk.

Keywords: *Environmental, Social, and Governance (ESG), Financial Distress, Firm Value, Altman Z-Score, Price to Book Value (PBV).*