

ABSTRACT

This study is motivated by the inconsistency in previous research findings and the low flow of sustainable investment funds in developing countries, such as Indonesia. This research aims to examine the effect of Environmental, Social, and Governance (ESG) disclosure, both holistically and by dimension, on firm value, and to analyze the role of audit quality in moderating this relationship.

The population of this study comprises non-financial companies consistently listed on the SRI-KEHATI index of the Indonesia Stock Exchange (IDX) during the 2021-2023 period. Using a purposive sampling method, a total sample of 54 observations was obtained. Hypothesis testing was conducted using panel data regression analysis with the Fixed Effect Model (FEM) approach and Moderated Regression Analysis (MRA) using EViews 13 software.

The results indicate that holistic ESG disclosure, as well as separate environmental and social dimension disclosures, have a significant negative effect on firm value. Conversely, governance dimension disclosure was found to have no effect on firm value. Furthermore, this study demonstrates that audit quality is unable to moderate the relationship between ESG disclosure and firm value. These findings conclude that in the Indonesian capital market, stakeholders tend to be oriented toward short-term financial aspects and view sustainability practices as factors that have not yet provided significant strategic added value.

Keywords: Environmental, Social, Governance (ESG), Firm Value, Audit Quality, Non-financial Companies, SRI-KEHATI Index.