

## THE EFFECT OF ENVIRONMENTAL, SOCIAL, AND GOVERNANCE PERFORMANCE ON FIRM VALUE WITH FIRM SIZE AS A MODERATING VARIABLE

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### ABSTRACT

*This study aims to examine the effect of Environmental, Social, and Governance (ESG) Performance on Firm Value with Company Size as a moderating variable in companies listed on the Indonesia Stock Exchange (IDX). This study uses an associative quantitative method with a sample consisting of 22 companies selected by purposive sampling from 2019 to 2021. The data was analyzed using multiple linear regression with classical assumption tests. The results showed that Environmental, Social, and Governance Performance had a positive and significant influence on Firm Value. Company size also acts as a moderating variable that strengthens the relationship between ESG Performance and Company Value. These results indicate the importance of implementing ESG principles to improve the competitiveness and sustainability of the company in the long term.*

**KEYWORDS** ESG Performance, Firm Value, Firm Size, Indonesia Stock Exchange



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### INTRODUCTION

The problems that arise from the social and environmental impacts of the company cause criticism from the community even though the company has achieved economic and technological progress. There are social and environmental responsibilities that must be fulfilled in order to gain public support so that the company can continue to operate properly, this is because profit (financial performance) is not the only aspect that must be considered but there are ethical aspects and fulfillment of corporate social obligations (Ainy and Barokah, 2019). In addition, lately stakeholders have also demanded a form of corporate responsibility for the environment and social and how business is managed in it, where this will affect the long-term sustainability conditions in a company.

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The sustainability trend, which has become a demand of stakeholders, was responded by the Indonesian government by issuing Law No. 40 of 2007 (Article 74 paragraph 1a) concerning Limited Liability Companies which requires companies engaged in and/or related to natural resources to carry out corporate social and environmental responsibility. Then the Environmental Protection and Management Law No.32 of 2009 stipulates the company's obligation to disclose environmental protection and management activities. With these regulations, it can be established that companies in Indonesia are required to protect the environment, budget for environmental maintenance costs and disclose the implementation of social and environmental responsibility.

ESG is a concept that emphasizes business activities, investment and sustainable development through three main aspects, namely environmental, social and governance aspects. Good ESG disclosure indicates that the company has successfully fulfilled the non-financial aspects. This is done by several companies as a way to get a good reputation or value in social life and to gain legitimacy from stakeholders by focusing attention on social and environmental issues of business and communication with stakeholders (Melinda and Wardhani, 2020).

Companies need to make various efforts to constantly increase the value of their business in order to attract the interest of the wider community, especially investors who want to invest in the business. Because it represents the performance and condition of the company, which can affect the way investors view the company, company value is an important factor to consider.

Because it shows the extent to which a company can generate profits for investors, firm value is crucial. If said correctly, businesses that want to maximize profits will usually concentrate their efforts on increasing the value of the company until it reaches maximum revenue, which serves as a measure of business success. The more valuable a business is, the more prosperous its owners are (Situmeang & Wiagustini, 2018).

For investors, how the company can run smoothly both in the present and in the future can be reflected by the existence of good corporate value. As an effort to increase company value, companies can update their business models and sustainability reporting systems. Therefore, sustainability reporting practices must be able to produce management actions and thoughts towards sustainability (Adiasih and Lianawati, 2019).

The main objective of the company is to generate as much profit as possible. The second company goal is to improve the welfare of shareholders or business owners. The third company goal is to increase the value of the company as reflected in the stock price. The objectives of the three companies are not much different from each other. Simply put, every organization has a different emphasis that it wants to achieve (Harjito & Martono, 2010).

The corporate landscape is increasingly being shaped by demands for environmental and social responsibility alongside financial performance. Despite economic and technological achievements, companies face public criticism if they neglect social and environmental obligations. Stakeholders, including the Indonesian government, have begun to impose legal frameworks to ensure companies prioritize environmental and social responsibility, as seen with laws requiring natural

resource-based businesses to disclose environmental protection efforts. This shift reflects a broader movement towards ESG (Environmental, Social, Governance) practices, which emphasize sustainable development and long-term value creation. ESG disclosure has emerged as a key performance indicator, helping companies earn legitimacy and attract investors by addressing environmental and social concerns.

PT Jaya Agra Wattie Tbk (JAWA), a major player in Indonesia's consumer goods sector, is struggling financially despite the growing importance of sustainability. Mounting losses and increased debt, coupled with declining capital, have placed the company in a precarious position. A weak demand for crude palm oil (CPO), aggravated by the impact of El Niño, has further worsened the company's financial health, leading to continued losses over the last five years. Despite efforts to manage costs and increase revenue, JAWA's financial performance remains poor, with negative margins and a heavy debt burden, signaling a need for strategic realignment.

The palm oil industry faces global challenges, particularly from the European Union, which has imposed restrictions on CPO imports due to environmental concerns such as deforestation and habitat destruction. Indonesia, a leading exporter of palm oil, is directly affected by these restrictions, which have led to declining export values and price drops for fresh fruit bunches (FFB). In response, Indonesia is seeking alternative markets and reinforcing its position that palm oil is a renewable energy source, while emphasizing the need for improved sustainability practices in the industry.

ESG investment has gained traction globally, though it remains underutilized in Indonesia. Companies that adopt ESG practices can potentially unlock new markets, improve profitability, and attract long-term investments. The integration of ESG principles into corporate strategies is increasingly seen as a way to boost firm value, as investors now factor in sustainability alongside financial performance when making decisions. Consequently, companies that successfully implement ESG frameworks can enhance their competitiveness and contribute to broader economic and environmental goals.

Some previous research conducted by Didi Firmansyah and Ni Ketut Su-rasni (2019) as well as Ryan Edriansyah and Nur Cahyonowati (2023) indicates that company size can moderate the influence of CSR and ESG disclosure on firm value, based on the argument that the larger the company, the more ESG information is disclosed to gain stakeholder support and enhance firm value. However, other research by Astari et al. (2019) and Mudjijah et al. (2019) suggests that company size weakens the relationship between capital structure and firm value. Several studies have also found varying results regarding the relationship between ESG performance and firm value, such as research by Melinda and Wardhani (2020) and Behl et al. (2022). This study is a replication of Melinda & Wardhani (2020) but focuses on companies in Indonesia, using stakeholder and market efficiency theories while adding company size as a moderating variable. Previous research in Asia showed different results regarding the influence of ESG on firm value, thus requiring further research in Indonesia with different variables, locations, and periods.

The reason for the author's re-research is due to differences in the results of research that has been conducted by previous researchers. Researchers add the company size variable as a moderating variable whether it will strengthen or weaken the firm value variable, differences in the use of different research location theories, and differences in different analysis year periods so that of course it will produce different research so that it is necessary to conduct a re-research.

Based on this background, researchers are interested in knowing how Environmental, Social, and Governance Performance affects firm value with Company Size acting as a moderating variable. A summary and understanding of the relationship between Environmental, Social, and Governance Performance and firm value is anticipated from the findings of this study. Based on the description above, the researcher will conduct research with the title "The Effect of Environmental, Social, and Governance Performance on Firm Value with Company Size as a Moderating Variable".

### RESEARCH METHOD

This research is associative quantitative research. The population used in this study are all companies whose shares are listed on the Indonesia Stock Exchange (IDX) capital market and publish ESG. Companies on the Indonesia Stock Exchange were selected through consideration of easily accessible report data. The sampling technique used in this study is purposive sampling. This study uses observation years starting from 2019 to 2022 based on the availability of ESG score data for companies listed on the IDX. There are 860 companies listed on the IDX and publish ESG. A total of 791 did not publish annual reports and sustainability reports. A total of 47 companies did not publish ESG score data, therefore 22 companies were used from 2019 to 2021 with a total sample of 66 (22 companies x 3 years of observation). The research strategy for collecting data involves secondary data collection. Data is collected from various sources relevant to the research, including books, journals, theses, sustainability reporting and annual reports on companies listed on the IDX from 2019 to 2022 which can be downloaded from the official website of the Indonesia Stock Exchange (IDX) or each individual company. The data analysis techniques used in this study are multiple linear regression analysis, classical assumption test, f test, t test and coefficient of determination to test the hypothesis.

### RESULT AND DISCUSSION

#### Descriptive Statistical Analysis

**Table 1. Descriptive Statistics**

	N	Minimum	Maximum	Mean	Std. Deviation
ENVIRONMENTAL	66	16.11	84.38	55.1035	19.39036
SOCIAL	66	25.79	95.17	66.9583	20.65474
GOVERNANCE_PERFORMANCE	66	20.82	91.2	60.0403	20.34294
SIZE	66	21.48	34.96	30.3205	3.63809

TOBINS_Q	66	0.21	2.63	1.2568	.5417
Valid N (listwise)	66				

Based on the results of the descriptive statistical analysis test, it can be concluded that:

- 1) Environmental Performance or environmental performance obtained a minimum value of 16.11 and a maximum value of 84.38. The 66 environmental performance variables have an average value of 55.10, which means that in general the level of environmental performance in the data used is at 55.10%. The standard deviation value is 19.39 (below average), meaning that environmental performance has low data variation.
- 2) Social Performance or social performance obtained a minimum value of 25.79 and a maximum value of 95.17. The 66 social performance variables have an average value of 66.95, which means that in general the level of social performance in the data used is at 66.95%. The standard deviation value is 20.65 (below average), meaning that social performance has low data variation.
- 3) Governance Performance or governance performance obtained a minimum value of 20.82 and a maximum value of 91.2. The 66 governance performance variables have an average value of 60.04, which means that in general the level of Governance Performance in the data used is at 60.04. The standard deviation value is 20.34 (below average), meaning that governance performance has low data variation.
- 4) Company Size obtained a minimum value of 21.48 and a maximum value of 34.96. The 66 Company Size variables have an average value of 30.32, which means that in general the level of Company Size in the data used is at 30.32. The standard deviation value is 3.63 (below average), meaning that the Company Size has low data variation.
- 5) The Company Value obtained a minimum value of 0.21 and a maximum value of 2.63. The 66 Company Value variables have an average value of 1.25, which means that in general the level of company value in the data used is at 1.25. The standard deviation value is 0.54 (below average), meaning that the Company Value has low data variation.

### Multiple Linear Regression

**Table 2. Multiple Linear Regression Output**

Coefficients <sup>a</sup>						
Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	2.048	.640		3.198	.002
	ENVIRONMENTAL	.411	.005	.036	2.215	.030
	SOCIAL	.307	.006	.251	2.271	.009
	GOVERNANCE_PERFORMANCE	.400	.005	.007	3.040	.008
	SIZE	.511	.019	.082	2.607	.046

a. Dependent Variable: TOBINS\_Q

Based on the analysis results in the Unstandardized Coefficients table above, the multiple linear regression equation is as follows:

$$T\_Q = 2.048 + 0.411 E + 0.307 S + 0.400 GP + 0.511 Siz$$

- α= Constanta
- Y= Tobins\_q
- X1= Environmental Performance
- X2 = Social Performance
- X3 = Governance Performance
- X4= Company Size

Description:

- 1) The regression coefficient of Environmental (X1) = 0.411 means that if it is assumed that the Social, Governance Performance, and Company Size variables are constant, then every 1 point increase in Environmental will affect Tobins\_q by 0.411.
- 2) The regression coefficient of Social (X2) = 0.307 means that if it is assumed that the Environmental, Governance Performance, and Company Size variables are constant, then every 1point increase in Social will affect Tobins\_q by 0.307.
- 3) The regression coefficient of Governance Performance (X3) = 0.400 means that if it is assumed that the Environmental, Social, and Company Size variables are constant, then every 1point increase in Governance Performance will affect Tobins\_q by 0.400.
- 4) The regression coefficient of Company Size (Z) = 0.511 means that if it is assumed that the Environmental, Social, and Governance Performance variables are constant, then every 1 point increase in Company Size will affect Tobins\_q by 0.511.

### Classical Assumption Test Results

#### Normality Test Results

**Table 3. Normality Test Output**

<b>One-Sample Kolmogorov-Smirnov Test</b>		Unstandardized Residual
N		66
Normal Parameters <sup>a,b</sup>	Mean	.0000000
	Std. Deviation	.60215649
Most Extreme Differences	Absolute	.147
	Positive	.147
	Negative	-.086
Test Statistic		.147
Asymp. Sig. (2-tailed)		.088 <sup>c</sup>
a. Test distribution is Normal.		
b. Calculated from data.		
c. Lilliefors Significance Correction.		

The results of the normality test above using the One-Sample Kolmogorov-Smirnov Test obtained a Significant value or Asymp. Sig. (2-tailed) of 0.088 which

is above 0.05 so it can be concluded that the data is normally distributed and suitable for use in regression models.

**Heteroscedasticity Test**

**Table 4. Heteroscedasticity Test Output**

Model	Coefficients <sup>a</sup>				
	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	1.101	.372		2.958	.004
ENVIRONMENTAL	.305	.003	.266	1.793	.078
SOCIAL	.410	.003	.522	2.952	.084
GOVERNANCE_PERFORMANCE	.402	.003	.107	2.722	.473
SIZE	.505	.011	.058	1.482	.632

a. Dependent Variable: Abs\_Res

Based on the table above, it shows that the Environmental Performance variable has a significance value of 0.078 > 0.05, the Social Performance variable has a significance value of 0.084 > 0.05, the Governance Performance variable has a significance value of 0.473 > 0.05, the Company Size variable has a significance value of 0.632 > 0.05. So it can be concluded that the regression model of all the variables of this study does not occur heteroscedasticity.

**Multicollinearity Test**

**Table 5. Multicollinearity Test Output**

Model	Coefficients <sup>a</sup>					Collinearity Statistics	
	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Tolerance	VIF
	B	Std. Error	Beta				
1 (Constant)	2.048	.640		3.198	.002		
ENVIRONMENTAL	.411	.005	.036	2.215	.030	.558	1.791
SOCIAL	.307	.006	.251	2.271	.009	.392	2.553
GOVERNANCE_PERFORMANCE	.400	.005	.007	3.040	.008	.553	1.808
SIZE	.511	.019	.082	2.607	.046	.834	1.199

a. Dependent Variable: TOBINS\_Q

The results of the multicollinearity test above show that all independent variables have a tolerance value greater than 0.1 and the tolerance inflation factor (VIF) value is below 10, which means that there are no multicollinearity symptoms in this regression model.

The variable, namely Environmental Performance, has a tolerance value of 0.558 and a VIF value of 1,791. The Social Performance variable has a tolerance value of 0.392 and a VIF value of 2,553. The Governance Performance variable has a tolerance value of 0.553 and a VIF value of 1,808. The Company Size variable has a tolerance value of 0.834 and a VIF value of 1,199. So it can be concluded that

the regression model of all the variables in this study does not have multicollinearity symptoms.

**Autocorrelation Test**

**Table 6. Autocorrelation Test Output**

Model Summary <sup>b</sup>					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.560 <sup>a</sup>	.668	.506	.62159	1.967

a. Predictors: (Constant), SIZE, GOVERNANCE\_PERFORMANCE, ENVIRONMENTAL, SOCIAL  
b. Dependent Variable: TOBINS\_Q

Based on the results of the autocorrelation test, the table above shows that the Durbin-Watson test obtained a DW value of 1.967, compared to the Durbin-Watson table value using a significant 5% using a sample of 22 companies, and the number of independent variables is 4 ( $k = 4$ ), then in the Durbin-Watson table the  $dU$  (upper limit) = 1.7974 and  $dL$  (lower limit) = 0.9578. Because Durbin-Watson 1.967 is greater than the limit ( $dU$ ) 1.7974 and less than  $4 - 1.7974 = 2.206$  ( $1.7974 < 1.967 < 2.206$ ), it can be concluded that there is no autocorrelation in the regression model used in this study.

**Hypothesis Test**

**Multiple Regression Test Results**

**Determination Coefficient Test**

**Table 7. Output of Determination Coefficient Test**

Model Summary <sup>b</sup>				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.560 <sup>a</sup>	.668	.506	.62159

a. Predictors: (Constant), SIZE, GOVERNANCE\_PERFORMANCE, ENVIRONMENTAL, SOCIAL  
b. Dependent Variable: TOBINS\_Q

Based on the table above, the coefficient of determination R Square is 0.668, which means that the variation or ability of a model to explain Tobins\_q is 0.668 or 66.8%, while the remaining 33.2% is explained by other variables not discussed in this study.

**Simultaneous Significant Test (F Statistical Test)**

**Table 8. Simultaneous Significant Test Output (F Statistical Test)**

ANOVA <sup>a</sup>						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	1.708	4	.427	61.105	.032 <sup>b</sup>
	Residuals	23.569	61	.386		
	Total	25.276	65			

a. Dependent Variable: TOBINS\_Q



b. Predictors: (Constant), SIZE, GOVERNANCE\_PERFORMANCE, ENVIRONMENTAL, SOCIAL

In the table above, it can be explained that the Fcount value is 61.105 with a significant level of 0.032. Based on the results of calculations assisted by the SPSS program, the Sig value = (0.032) is obtained, which is at a significance  $< \alpha = 0.05$ , then  $H_0$  is rejected or there is a match between the model and the data. So it can be stated that all variables directly have a real effect on the tobins\_q model is declared valid and can be used for further analysis.

**Partial Significance Test (t Statistical Test)**

**Table 9. Partial Significance Test Output (t Statistical Test)**

		Coefficients <sup>a</sup>		
		Standardized		
Model		Beta	t	Sig.
1	(Constant)		3.198	.002
	ENVIRONMENTAL	.036	2.215	.030
	SOCIAL	.251	2.271	.009
	GOVERNANCE_PERFORMANCE	.007	3.040	.008
	SIZE	.082	2.607	.046

a. Dependent Variable: TOBINS\_Q

The results of the table above can be explained that the influence of the Enviromental, Social, Governance performance, and Company Size variables on Tobins\_q is seen from the significant value of all variables  $< \alpha 0.05$ . then it means partially that Enviromental, Social, Governance performance, and size have a positive and significant effect on Tobins Q.

**Moderated Regression Analysis (MRA) Test Results**

The MRA (Moderated Regression Analysis) test is a test model to determine whether the moderating variable can strengthen or weaken the influence between the independent variable and the dependent variable.

**Table 10. Moderated Regression Analysis (MRA) Test Output**

Model Summary <sup>b</sup>				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.643 <sup>a</sup>	.618	.511	3.62014

a. Predictors: (Constant), X3M, ENVIRONMENTAL, SIZE, SOCIAL, GOVERNANCE\_PERFORMANCE, X1M, X2M

It is known that the R Square value is 0.618, so the effect of the Environmental, Social, Governance, Company Size variables on Tobins\_q is 61.8%%. while the remaining 38.2% is explained by other variables not discussed in this study.

**Table 11. Multiple Regression Analysis Test Output**

Model	Coefficients <sup>a</sup>				
	Unstandardized Coefficients		Standardized Coefficients		Sig.
	B	Std. Error	Beta	t	
1 (Constant)	4.046	2.906		1.392	.169
ENVIRONMENTAL	.026	.048	.866	.538	.002
SOCIAL	.058	.052	1.977	1.123	.026
GOVERNANCE_PERFORMANCE	.051	.033	1.835	1.550	.027
SIZE	.075	.095	.544	2.791	.032
X1M	.501	.002	.905	2.575	.038
X2M	.302	.002	1.939	1.003	.020
X3M	.402	.001	1.861	1.554	.026

a. Dependent Variable: TOBINS\_Q

Based on the table above, the Multiple Regression Analysis equation can be arranged as follows:

$$Z = 4.046 + 0.026X1 + 0.058X2 + 0.051X3 + 0.501X1.Z + (0.302 X2.Z) + (0.402 X3.Z) + e$$

Where the constant ( $\alpha$ ) of 4.046 means that if Environmental Performance, Social Performance, Governance Performance, Company Size are constant, then Tobins\_q is 40.4%.

- 1) It is known that the significance value of the interaction variable between environmental performance and company size is  $0.038 < 0.05$ , so it is concluded that the company size variable (M) is able to moderate the effect of environmental performance variables on firm value.
- 2) It is known that the significance value of the interaction variable between social performance and company size is  $0.020 < 0.05$ , so it is concluded that the company size variable (M) is able to moderate the effect of the social performance variable on firm value.
- 3) It is known that the significance value of the interaction variable between governance performance and company size is  $0.026 < 0.05$ , it is concluded that the company size variable (M) is able to moderate the effect of the governance performance variable on firm value.

## Discussion

### *The Effect of Environmental Performance on Company Value*

Based on the results of the calculation of the hypothesis test individually (t-test), it is obtained that the environmental performance variable has a regression coefficient value of 0.411 with a positive value and has a t-count value of  $2.215 > t$ -table 1.670 and has a significance value of  $0.030 < 0.05$ , which means that the environmental performance variable has an influence on firm value, so the hypothesis in this study is accepted.

Environmental performance is the performance of a company that cares about the surrounding environment. Environmental performance in companies listed on the IDX reflects the company's performance in creating a good environment.

Environmental responsibility means that companies must be willing to accept the environmental burdens that arise from their operations, as well as commit to producing goods and services that are environmentally friendly. The company must be active to take action for improvement, especially the negative impact on the surrounding environment (Hadi, 2018).

In accordance with the theory that has been explained such as stakeholder theory, that companies are not only responsible for what is done within the company, but also for the environment around the company. Consumers increasingly prefer environmentally friendly companies, therefore more and more companies are taking the opportunity to maximize their profits while reducing costs by investing in environmentally friendly projects. The way investors perceive a company's environmental performance is an important factor in determining their evaluation through their reactions in the stock market.

This makes the company when it has a good environmental performance rating, it will be an added value for the company because the community or stakeholders consider companies that carry out social responsibility well and have good environmental performance so that the company value will increase.

This is in line with research conducted by Safriani & Utomo (2019), Zhenghui et al., (2019), and Melinda & Wardhani (2020) which state that environmental performance affects firm value.

#### ***The Effect of Social Performance on Company Value***

Based on the results of the calculation of the hypothesis test individually (t-test), it is obtained that the social performance variable has a regression coefficient value of 0.307 with a positive value and has a t-count value of  $2.271 > t\text{-table } 1.670$  and has a significance value of  $0.009 < 0.05$ , which means that social variables affect firm value.

Social performance plays a significant role in increasing the value of the company. Social performance should be considered as a long-term strategy that will benefit the company, not as a harmful activity. The company must provide disclosure of its social activities that will ensure the survival of the company and to make the company acceptable to the community.

Companies that improve their social performance will have better company value. This is in line with stakeholder theory because the company also contributes to society instead of focusing only on profits, so that it can generate trust in the company's stakeholders. So with this, the company's profit will increase with increased investment (Gregory et al., 2016).

Social performance disclosure is non-financial information related to the company's activities and its image in the eyes of society towards the environment, their employees and consumers. The negative contribution of companies to the surrounding environment has led to a loss of public trust. With the loss of trust from society, companies need to disclose their social performance as a corporate responsibility (Mohamed & Faozi, 2014).

The results of this study are in line with research conducted by Aboud & Diab (2018); Brooks & Oikonomou (2018); Fatemi et al., (2018); Yiwei Li et al., (2018);

Safriani & Utomo (2019); Zhenghui et al., (2019); Melinda & Wardhani (2020) which state that social performance affects firm value.

#### ***The Effect of Governance Performance on Firm Value***

Based on the results of the calculation of the hypothesis test individually (t-test), it is obtained that the governance performance variable has a regression coefficient value of 0.400 with a positive value and has a t-count value of 3.040 > t-table 1.670 and has a significance value of 0.008 < 0.05, which means that the governance performance variable has an influence on firm value, so the hypothesis in this study is accepted.

Governance performance is a system that is used to regulate, direct and control a company. the application of governance is not only useful for increasing company value, but also useful in managing resources and risks effectively, increasing the responsibility of company organs, increasing the company's contribution to the national economy and so on.

Attributed to stakeholder theory, the theory will support the results of this study. Investors will show their appreciation for the company's excellence in governance performance by investing in the company. The increase in the value of the investment in addition to increasing the value of the company will also certainly have an impact on the value of the company.

Governance is a framework used to manage and control the company in order to achieve the desired goals, while considering the interests of the various parties involved or referred to as stakeholders. The influence of governance performance on firm value can be related to stakeholder theory, which emphasizes that companies are not only responsible to shareholders, but also to all parties who have an interest (stakeholders) in the company, such as employees, customers, suppliers, communities, and others.

This is in line with research conducted by Aboud & Diab (2018); Brooks & Oikonomou (2018); Fatemi et al., (2018); Yiwei Li et al., (2018); Safriani & Utomo (2019); Zhenghui et al., (2019); Melinda & Wardhani (2020) which states that governance affects firm value.

#### ***The Effect of Environmental Performance on Company Value Moderated by Company Size***

The results of this study indicate that the interaction between environmental performance and company size has a positive t count of 2.575 with a significant level of 0.038. This shows that the significant level < 0.05. So that the hypothesis that reads "company size can strengthen the influence between environmental performance on firm value" supports the fourth hypothesis (H4). Then H4 is accepted.

Based on the test results above, company size is able to strengthen the relationship between Environmental Performance and Firm Value. This means that the size of the company can provide the necessary disclosure items, especially in environmental aspects, which is impossible for small companies that have limitations in terms of disclosure, especially environmental disclosure. In this study, company size is proxied by the natural logarithm of the company's total assets. It

can also be interpreted that, the greater the assets owned by the company, the greater the company's resources to make environmental disclosures, so that this can help achieve the company's goal of increasing company value or in other words, achieving company value through Environmental Performance will be easier when done by companies that are categorized as large.

The larger the size of the company, the more information available to investors in making decisions regarding stock investment, which will also improve the company's image. Therefore, environmental performance is needed to reduce information asymmetry and through the annual report, the actual size of the company can be known which is usually used by investors to invest.

This is in line with research conducted by Tanti Hardianti and Susi Dwi Mulyani (2023) stating that company size moderates environmental performance on firm value.

#### ***The Effect of Social Performance on Firm Value Moderated by Firm Size***

The results of this study indicate that the interaction between social performance and company size has a positive t count of 1.003 with a significant level of 0.020. This shows that the significant level  $<0.05$ . So that the hypothesis that reads "company size can strengthen the influence between social performance on firm value" supports the fifth hypothesis (H5). Then H5 is accepted.

Company size is able to strengthen the influence of social performance on firm value, because the size of the company is large, the more social performance will be disclosed, besides that large companies can sell their shares, which will provide opportunities for management to own company shares, so that it will affect company value. Partially, the interaction of social performance with company size has a dominant contribution to firm value. Large companies will disclose more information because they face greater political risk than small companies. Larger companies will have shareholders who pay attention to social programs made in the annual report, which is a medium for disseminating information about social performance. These results are in accordance with research conducted by Putri, et. al. (2016) and Puspaningrum (2017).

Large companies consume more resources than small companies, which significantly affects their social performance. Large companies get a lot of attention from various parties. The size of the company shows the development and competitiveness of the company which is the main attraction for investors. The size of the company indicated by the total asset value is a consideration for investors to invest. This is in line with research conducted by Sakiyah et al., (2018), Wijayanti, (2016) stating that company size moderates social performance on firm value.

#### ***The Effect of Governance Performance on Firm Value Moderated by Company Size***

The results of this study indicate that the interaction between governance performance and company size has a positive t count of 1.554 with a significant level of 0.026. This shows that the significant level is  $<0.05$ . So that the hypothesis that reads "company size can strengthen the influence between governance

performance on firm value" supports the sixth hypothesis (H6). Then H6 is accepted.

Fulfillment of responsibilities transparently and responsibly with the implementation of governance, where the demands of these stakeholders will make stakeholders seek a positive response to the company. A good response affects the formation of the company's image in a positive direction, hence consumer loyalty (Wiratno & Yustrianthe, 2022). This form of response is by providing funding for the company for the trust that the company builds itself which will be operationalized to achieve increased production and sales so that it can improve and even increase company value (Wahyuni & Cipta, 2022). The better the implementation of governance, the greater the influence on increasing company value. In this study, the role of governance has been well implemented so that it states that the proxies of governance have carried out supervisory work optimally so that they can affect firm value.

Company size is a size scale that is described through the total assets of each company. The size of the company determines the level of investor confidence in the company. In that sense, the larger the company will make it easier for investors to obtain information that will increase company value (Novari & Lestari, 2016). With this influence, the internal company has a greater sense of responsibility to achieve transparency in its managerial performance by implementing good governance. This activity is one of the benchmarks for investors that there are no investor rights covered by the company. The company's responsibility to shareholders and stakeholders is getting bigger when the company's total assets are slowly increasing because a large company indicates that the activities in the company are getting more complex. Thus, company size strengthens the influence of governance performance on firm value. The large size of the company increases the size of the area that must be supervised, therefore the company must implement good governance such as the existence of a board of directors, an independent board of commissioners and an audit committee that can facilitate company management so that external party funding remains stable (Puspaningrum, 2017).

This means that company size is able to moderate the relationship between governance and firm value or in other words governance can increase firm value when company size is high, so H6 is accepted. This is because a large company, of course, the need for funding also increases, one of which comes from external funding. External funding of the company can be done through the issuance of bonds, shares and debt, where investors to provide this funding certainly need to make assessments of the company, one of which is by looking at the quality of corporate governance. One of them is through the audit committee, where it is hoped that the audit committee can provide confidence to investors that they will receive funds for the returns they provide so that investors want to invest in the company. With an increase in the number of investors interested in owning shares of a company, there will be an increase in the company's share price and an increase in company value. This is in line with research conducted by Devi et al., (2017) which states that company size moderates governance performance on firm value.

## CONCLUSION

Referring to the results of the research and discussion that has been presented, the researchers draw several conclusions as follows: First, Environmental Performance has a positive and significant effect on firm value, as evidenced by the significant level value of  $0.030 < 0.05$ , so hypothesis 1 (H1) which states that Environmental Performance has a positive and significant effect can be accepted. Second, Social Performance also has a positive and significant effect on firm value, with a significant level value of  $0.009 < 0.05$ , so hypothesis 2 (H2) which states that Social Performance has a positive and significant effect can be accepted. Third, Governance Performance has a positive and significant effect on firm value, as evidenced by the significant level value of  $0.008 < 0.05$ , so hypothesis 3 (H3) which states that Governance Performance has a positive and significant effect can be accepted. Fourth, company size is able to moderate the relationship between Environmental Performance and firm value, as evidenced by the significant level value of  $0.038 < 0.05$ , so hypothesis 4 (H4) is accepted which states that company size can strengthen the influence between Environmental Performance on firm value. Fifth, company size is also able to moderate the relationship between Social Performance and firm value, with a significant level value of  $0.020 < 0.05$ , so hypothesis 5 (H5) is accepted which states that company size can strengthen the influence between Social Performance on firm value. Finally, company size is able to moderate the relationship between Governance Performance and firm value, as evidenced by the significant level value of  $0.026 < 0.05$ , so hypothesis 6 (H6) is accepted which states that company size can strengthen the influence between Governance Performance and firm value.

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