UNDERSTANDING ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) DISCLOSURE AND CORPORATE VALUE IN INDONESIA

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We suggest you to cite this article as:
Sebayang, M.M., Surbakti, A. 2023. Understanding environmental, social and governance (ESG) disclosure and corporate value in Indonesia. *Junior Scientific Researcher*, Vol IX, No. 1-2, pp. 11-20.

Abstract
The purpose of this study is to ascertain how Environmental, Social, and Governance (ESG) Disclosure affects corporate value. The methodology employed in this study was quantitative research using secondary data types and a causal associative approach. Purposive sampling was used to choose the 30 companies from the food and beverage sub-sector that are listed on the Indonesia Stock Exchange as the study's population. These criteria were used to determine the 13 companies that made up the research sample, which had 65 observations in total. The study's findings demonstrate that Environmental, Social, and Governance (ESG) Disclosure has an impact on business value that is both partial and simultaneous, positive, and significant.

Keywords: *Environmental Disclosure, Social Disclosure, Governance Disclosure and Corporate Value.*
JEL Code: G32, L66, 016

INTRODUCTION

Environmental, social, and governance (ESG) investment is becoming increasingly important in the global economy. For example, between 2019 and 2020, the total assets managed by mutual funds focusing in sustainable investing more than doubled (Financial Times, 2022). The term "ESG" first appeared in a financial institution initiative report titled "Who Cares Wins: Connecting Financial Markets to a Changing World" published by the United Nations Global Compact (UN-GC) in 2004. The report aimed to provide guidance and advice on how to better integrate Environmental, Social, and Corporate Governance issues into asset management, securities brokerage services, and related research functions. The United Nations Environment Programme Finance

Initiative (UNEP FI), Freshfields Bruckhaus Deringer, and the UNEP FI Asset Management Working Group (AMWG) co-published the report "A Legal Framework for Integrating Environmental, Social, and Corporate Governance Issues into Institutional Investment" in 2005, with the goal of demonstrating the financial relevance of ESG issues and discussing the legal issues surrounding the use of ESG information in detail.

The development of the business world continues to experience growth every year in line with increasing market demand for the products, both goods and services offered. This will certainly increase the competition between business people increasingly tight. Existing business competition will affect business activities that prioritize company profits regardless of the negative impact resulting from the company's operational activities. The negative impacts that arise can be in the form of environmental pollution when the company carries out its operational activities. Therefore, companies must also care about the security of the community environment. As a manifestation of this concern, companies need to present these activities in a report commonly referred to as environmental social governance disclosure which contains the activities of the company's concern for social performance, governance performance and environmental performance. Disclosure of environmental social governance reports disclosure is one measure in assessing company value (Luqyana, 2020, p.50).

Corporate value is a reflection of a company in carrying out its operational activities, where in carrying out its operational activities the company tries to maximize the profits it earns. Corporate value is a very important benchmark for a company, where when the company's value increases, it can be ascertained that the company is able to carry out its business activities optimally, causing investors to believe in the quality of the company (Hery, 2019, p. 37). According to Cahya and Andini (2022, p. 44), corporate value is an investor's perception of the company's level of success, which is often associated with stock prices. The higher the company's stock price reflects the increasing value of the company.

The following are several companies that have experienced a decrease in company value as assessed by Price to Book Value (PBV):

Table 1 Increase (Decrease) in Corporate value

No	Stock Code	Share Price Per Share	Book Value Per Share	PBV	Years
1	GOOD	4080	4100	1,00	2017
		1890	5500	0,34	2018
		1520	1450	1,05	2019
		1230	5850	0,21	2020
		505	4159	0,12	2021
2	ROTI	1195	2000	0,43	2017
		1300	1395	0,60	2018
		1340	5500	0,93	2019

		1285	3000	0,24	2020
		1195	2000	0,43	2021
3	ALTO	262	653	0,40	2017
		400	582	0,69	2018
		398	122	3,26	2019
		308	167	1,84	2020
		262	653	0,40	2021

Source: www.idx.co.id (2023)

Based on the data above, it is known that the company PT. Garuda Food, Tbk (GOOD) during 2017-2021 experienced a decline in company value, namely in 2017 by 1.00%, down to 0.12% in 2021. At PT. Nippon Indosari, Tbk (ROTI) in 2017 the company's value was 0.43%, experiencing fluctuations during 2017-2021. Then at PT. Tri Banyan Tirta Tbk (ALTO) in 2017-2021 has a company value of 0.40% which continues to fluctuate every year.

The purpose of this research is as follows:

1. To analyze the effect of environmental disclosure on corporate value in manufacturing companies in the food and beverage sub-sector.
2. To analyze the effect of social disclosure on corporate value in manufacturing companies in the food and beverage sub-sector.
3. To analyze the effect of governance disclosure on corporate value in manufacturing companies in the food and beverage sub-sector.
4. To analyze whether environmental, social and governance disclosures jointly affect company value in the food and beverage sub-sector manufacturing companies.

There are several research results that conduct research on the effect of Environmental, Social and Governance disclosure (ESG) on company value, such as according to Brooks and Oikonomou (2018) that environmental, social and disclosure governance affect company value, but according to Irine (2020) and Handini (2022) that environmental, social and governance disclosure has no effect on corporate value.

THEORETICAL BASIS

Signalling Theory

According to Spence (1973, p. 157) signaling theory is a theory which states that the sender (owner of the information) gives a signal or signal in the form of information that reflects the condition of a company that is beneficial to the recipient (investor). The focus of signaling theory is to reduce information asymmetry between internal and external parties of the company (Morris, 2020, p. 66). Environmental, social and governance disclosures signal that companies are not only interested in maximizing shareholder wealth but also contributing to the prosperity of the communities in which they operate. Thus, the disclosure of environmental, social, and governance issues by companies can be a good signal for investors and other stakeholders who can trigger changes in stock trading volume and have a positive impact on corporate value.

Corporate value

Corporate value has a very important position for the company because an increase in company value will be followed by the rise in share price, reflecting an increase in shareholder wealth. For a manager, the value of the company is a benchmark for work performance that has been achieved. Indirectly this is seen as an ability to increase the prosperity of shareholders which is the company's goal. For investors, an increase in the value of the company will make these investors interested in investing in the company (Indrarini, 2019, 125). Corporate value can be measured by the following formula:

$$\text{PBV} = \frac{\text{Share Price}}{\text{Book Value Per Share}} \text{ x } 100\%$$

Source: (Coulter, 2019,81)

Environmental Disclosure

Environmental performance disclosure is the disclosure of information in the company's annual report which is related to the environment (Longoni and Cagliano, 2019, 58). Environmental disclosure is an important element in human life. This greatly affects the quality of life and can guarantee human survival. Therefore, the environment must be protected from balance, sustainability and damage (Hadi, 2019). Environmental disclosure can be measured through the Environmental Disclosure Index (EnDI). The EnDi calculation formula is:

$$\text{EnDI} = \frac{\text{The Number of Items Disclosed in the Annual Report}}{\text{Expected Number of Items}}$$

Source: GRI (2019)

Social Disclosure

Disclosure of performance social disclosure is non-financial information related to company activities and its image in the eyes of the public towards the environment, their employees and consumers as a form of corporate responsibility. Social performance focuses on stakeholders who have an impact on the company. This includes training, public relations, product safety, employment, management, donations, and so on (Revita, 2022, 47). Disclosure of social disclosure can be measured through the Social Disclosure Index (SoDI). The SoDI calculation formula is:

$$\text{SoDI} = \frac{\text{The Number of Items Disclosed in the Annual Report}}{\text{Expected Number of Items}}$$

Source : GRI (2019)

Governance Disclosure

Governance disclosure is a system which regulates and controls companies that create added value for stakeholders. Disclosure of governance can increase the value of the company, because disclosure of good governance will reduce the risks that may be carried out by the board with decisions that benefit themselves, and generally governance can increase investor confidence (Hadi, 2019, 146). Governance disclosure can be measured through the Governance Disclosure Index (GoDI). The GoDI calculation formula is:

$$\text{GoDI} = \frac{\text{The Number of Items Disclosed in the Annual Report}}{\text{Expected Number of Items}}$$

Source : GRI (2019)

RESEARCH METHODS

The research design used is causal associative research by finding out how the influence of Environmental (X1), Social (X2), and Governance (X3) variables on Corporate value (Y) in food and beverage sub-sector companies listed on the Indonesia Stock Exchange in period 2017-2021. The population in this study are all companies in the food and beverage sub-sector which are listed on the Indonesia Stock Exchange, totalling 30 companies in the food and beverage sub-sector. The sample in this study was conducted using a purposive sampling technique with a total sample of 13 listed companies in the food and beverage sub-sector. The data collection technique in this study is the document analysis technique using SPSS v25.

RESULTS AND DISCUSSION

Descriptive Statistical Test Results

Based on the results of the descriptive statistical data that has been tested, it can be concluded as follows:

1. For the variable Y, namely the value of the company has a maximum value of 7.91 and a minimum value of 0.00. The mean value obtained is 1.8040 with a standard deviation value of 2.04218.
2. For variable X1, namely environmental disclosure, it has a maximum value of 29.41 and a minimum value of 2.94. The mean value obtained is 16.0140 with a standard deviation value of 8.18839.
3. For variable X2, namely social disclosure, it has a maximum value of 57.89 and a minimum value of 15.79. The mean value obtained was 37.6477 with a standard deviation value of 12.45553.
4. For variable X3, namely governance disclosure, it has a maximum value of 38.10 and a minimum value of 19.05. The mean value obtained was 28.9377 with a standard deviation value of 6.64421.

Data Normality Test Results With K-S

Based on the results of the Kolmogorov Smirnov (KS) test that has been carried out, a significant value is obtained of 0.000 > 0.05. According to Sugiyono (2019,94), if the Significance value of normality through the Kolmogorov-Smirnov test > 0.05, it can be concluded that the data is normally distributed and vice versa.

Multicollinearity Test Results

Based on the data from the multicollinearity test results that have been carried out, it can be concluded that:

1. Based on the results of the X1 variable, namely the environmental disclosure variable, it obtained a tolerance value of 0.882 and a VIF value of 3.547. So it can be concluded that variable X1, namely environmental disclosure, does not experience multicollinearity problems because the tolerance value is higher than 0.10 and the VIF value is less than 10.
2. Based on the results of the X2 variable, namely the social disclosure variable, it obtained a tolerance value of 0.802 and a VIF value of 3.314. So it can be concluded that the variable X2, namely the social disclosure variable, does not experience multicollinearity problems because the tolerance value is higher than 0.10 and the VIF value is less than 10.
3. Based on the results of the X3 variable, namely the governance disclosure variable, it obtained a tolerance value of 0.702 and a VIF value of 1.425. So it can be concluded that the variable X3, namely the governance disclosure variable, does not experience multicollinearity problems because the tolerance value is higher than 0.10 and the VIF value is less than 10.

Heteroscedasticity Test Results

Based on the data from the Glejser test results that have been carried out, it can be concluded that:

1. Environmental disclosure (X1) has a significance value > 0.05, which is 0.211 > 0.05. Based on these test criteria, it can be concluded that there are no symptoms of heteroscedasticity.
2. Social disclosure (X2) has a significance value of > 0.05, which is 0.984 > 0.05. Based on these test criteria, it can be concluded that there are no symptoms of heteroscedasticity.
3. Governance disclosure (X3) has a significance value of > 0.05, which is 0.201 > 0.05. Based on these test criteria, it can be concluded that there are no symptoms of heteroscedasticity.

Autocorrelation Test Results

Based on the Durbin Watson test using SPSS, the results obtained were 1.811. For DU, a value of 1.6960 was obtained and for DL, a value of 1.5035 was obtained. The DU and DL results were obtained through the Durbin Watson table with a total of n (research sample) of 65 data and k (independent variables) totaling 3 independent variables. Based on the data above, it can be concluded that there are no symptoms of autocorrelation in this study with the following conditions.

1. DU < DW < 4-DU
2. 1.6960 < 1.5035 < 4-1.6960.
3. 1.6960 < 1.5035 < 2.304.

Multiple Linear Regression Analysis Test Results

Following are the results of multiple linear regression analysis as follows:

1. Constant (a) of 10.485 states that if environmental disclosure (X1), social disclosure (X2) and governance disclosure (X3) are considered to have a value of 0, then the value of the company (Y) is 10.485%.
2. The regression coefficient value of environmental disclosure (X1) is 2.787 which shows a positive relationship. This states that, if the environmental disclosure variable increases by 1% then the company value variable (Y) increases by 2.787%.
3. The regression coefficient value of social disclosure (X2) is 4.819 which shows a positive relationship. This states that, if the social disclosure variable (X2) increases by 1%, the company value variable (Y) increases by 4.819%.

Partial Hypothesis Testing Results (t test)

Based on the results of the t test that has been done, it can be concluded as follows:

1. The effect of environmental disclosure on company value.
   Based on the results of the t test that has been done, it is known that the t count > t table is 4.223 > 1.66864 and a significance value of 0.008 <0.05. So it can be concluded that environmental disclosure has a positive and significant effect on company value in food and beverage sub-sector companies.
2. The effect of social disclosure on company value.
   Based on the results of the t test that has been done, it is known that the value of t count > t table is 4.147 > 1.66864 and a significance value of 0.003 <0.05. So it can be concluded that social disclosure has a positive and significant effect on corporate value in food and beverage sub-sector companies.
3. The effect of governance disclosure on corporate value.
   Based on the results of the t test that has been done, it is known that the value of t count > t table is 3.587 > 1.66864 and a significance value of 0.001 <0.05. So it can be concluded that governance disclosure has a positive and significant effect on corporate value in food and beverage sub-sector companies.

Results of Simultaneous Hypothesis Testing (Test F)

Based on the test results of the F test, the calculated F value is 4.463> F table is 2.75 with a significance level of 0.007 <0.05. Based on these results, in accordance with the test rules, it can be concluded that environmental disclosure, social disclosure and governance disclosure have a positive and significant joint effect on company value.

Determination Test Results (R^2)

Based on the results of the determination coefficient test that has been carried out, the determination value is obtained which shows the Adjusted R Square value in this study of 0.140 or 14%. This states that all independent variables namely environmental disclosure, social disclosure and governance disclosure are able to interpret the dependent variable namely company value of 14% and the remaining 86% is influenced by variables not examined in this study such as stock price volatility, return on equity, company size and other related variables.

Discussion

Based on the results of the t test that has been done, it is known that the t count > t table is 4.223 > 1.66864 and a significance value of 0.008 <0.05. So it can be concluded that environmental disclosure has a positive and significant effect on company value in food and beverage sub-sector companies. The signaling theory provides an illustration that a signal or cue is an action taken by company management that gives instructions to investors about how management views the company's prospects. Environmental disclosures signal that companies are not only interested in maximizing shareholder wealth but also contributing to the prosperity of the communities in which they operate.

Based on the results of the t test that has been done, it is known that the value of t count > t table is 4.147 > 1.66864 and a significance value of 0.003 <0.05. So it can be concluded that social disclosure has a positive and significant effect on corporate value in food and beverage sub-sector companies. Good and comprehensive information, such as social disclosure in the company's annual report is needed by investors as a tool for consideration in decision making. This information then becomes a signal and is expected to get a positive response from the market to increase the company's value.

Based on the results of the t test that has been done, it is known that the value of t count > t table is 3.587 > 1.66864 and a significance value of 0.001 <0.05. So it can be concluded that governance disclosure has a positive and significant effect on corporate value in food and beverage sub-sector companies. Information is an important element for business people and investors, such as governance disclosure information in company annual reports because the information obtained is a description of the past, present and future for the continuity of a company and how the company's stock market and governance performance manage the company.

Based on the test results of the F test, the calculated F value is 4.463> F table is 2.75 with a significance level of 0.007 <0.05. Based on these results, in accordance with the test rules, it can be concluded that environmental disclosure, social disclosure and governance disclosure have a positive and significant joint effect on company value. Based on the signaling theory, the company provides information which will then be used by investors as an assessment and the basis for their decisions. Signaling theory (signal theory) underlies Environmental, Social and Governance (ESG) disclosures made by companies.

CONCLUSION

Based on the results of the analysis and discussion that has been carried out, the following conclusions can be drawn:

1. Environmental Disclosure has a positive and significant effect on company value.
2. Social Disclosure has a positive and significant effect on corporate value.
3. Governance Disclosure has a positive and significant effect on company value.
4. Environmental Disclosure, Social Disclosure and Governance Disclosure (ESG) all have a positive and significant effect on company value.

The limitation of the study is the research conduct in public company with specified industry in Indonesia only, then, the result can't generalize the condition of ESG disclosure in all industry in public companies in Indonesia. Another limitation is the period of the research was short, then future research can make longer research period with all industry included in the research.

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