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The Influence of Environmental Social Governance, Green Investment, and Profitability on Firm Value: Study on the SRI-KEHATI Index (2019-2023)

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ABSTRACT: The purpose of this study is to analyse the factors that affect the value of companies in the SRI-KEHATI index for the 2019-2023 period. Researchers suspect that ESG, GI, and Profitability factors affect the firm's value. The leading indicator used to assess how a firm is performing and valued by investors is the stock price. Stock prices on the SRI-KEHATI index fluctuated from 2019-2023. From 2022 to 2023, the stock price of the SRI-KEHATI index tended to increase in line with public awareness of the environment, but the firm's value in both years decreased. The development of eco-friendly industries has now become a global trend, so companies that have implemented ESG and GI principles are believed to be able to grow and attract the interest of many investors. The quantitative method with descriptive analysis of causality is the method used in this study; the data source is secondary, and the type of data is the panel. The researcher used the purposive sampling technique to determine 15 companies selected as a sample. Researchers analyse the data using quantitative analysis. The findings of the study show that ESG has a negative impact on firm value, GI does not affect firm value, and firm value is positively affected by ROE. Meanwhile, ESG, GI, and ROE simultaneously affect a firm's value.

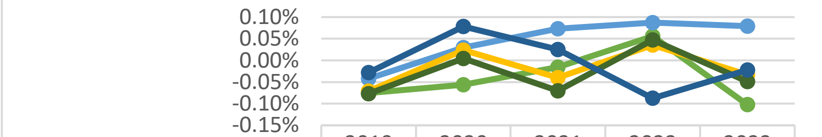
Keywords: Environmental Social Governance, Green Investment, Return on Equity, Price to Book Value, Index SRI-KEHATI

INTRODUCTION

The global developments that continue to occur today cannot be separated from the occurrence of changes and new dynamics in various fields of life, including social, political, and economic. In addition, competition in the business sector is also increasing. Increasing the competitiveness of the industry is very important, along with the development of business practices in Indonesia. Therefore, at the individual and corporate level, businesses must have more innovative alternative strategies to maintain their success (Aziz & Widati, 2023). In line with the firm's main objective, which is to maximise the firm's value, the firm will continue to strive to carry out various strategies to stay ahead of business competition. The stock price is one of the multiple indicators of a firm's value. The firm's higher value is reflected in its high share price. A high firm value indicates that the welfare of its shareholders is also high (Kolamban et al., 2020).

Figure 1. Comparison of Stock Price Growth

Figure 1 shows the movement of the SRI-KEHATI stock index, which is marked with a blue line, and the LQ45 stock index, which is marked with a pink line. The firm's share price in the SRI-KEHATI index is superior to the LQ45 index. This indicates that companies that focus on other aspects, such as environmental, social, and governance, can maximise the firm's value. According to Saretha (2023), investors choose the SRI-KEHATI index as an option to invest because SRI-KEHATI is the only ESG-focused index in the Indonesian capital market.



	2019	2020	2021	2022	2023
Nikkei 225	-0.08%	-0.06%	-0.02%	0.06%	-0.10%
Hang Seng Index	-0.04%	0.03%	0.07%	0.09%	0.08%
S&P/ASX 200	-0.07%	0.02%	-0.04%	0.04%	-0.03%
Dow Jones Industrial Average	-0.08%	0.00%	-0.07%	0.05%	-0.05%
Indeks SRI-KEHATI	-0.03%	0.08%	0.02%	-0.09%	-0.02%

Figure 2. Comparison of Stock Prices in Overseas and Indonesian Indices

Figure 2 shows that all five indices have fluctuated over the past 5 years. In 2022, foreign index stock prices increased compared to 2021, in contrast to the SRI-KEHATI Index which in 2022 experienced a fairly drastic decline in stock prices. Even so, investors prefer environmentally friendly stocks. Law Number 32 of 2009 concerning Environmental Protection and Management (UUPLH) regulates regulations that include the determination of policies, planning, and supervision of activities that have the potential to damage the environment, where this Law also regulates the right of the public to obtain information related to the environment and the impact of certain activities. With this regulation, investors around the world tend to choose environmentally friendly stocks. Thus, this study examines the use of ESG as an indicator of environmental performance, PROPER as a GI indicator, and ROE as an indicator of profitability.

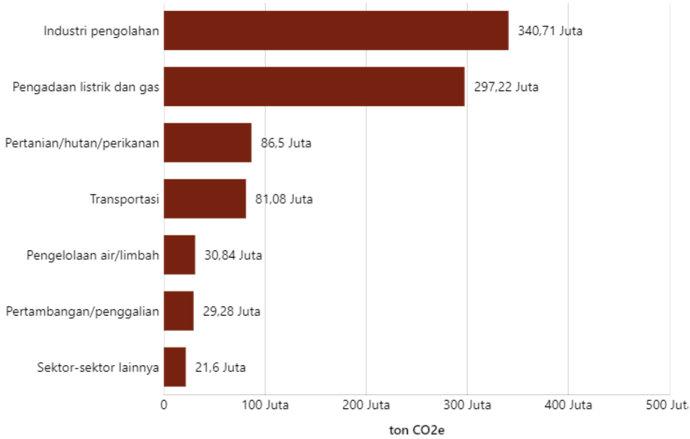


Figure 3. Volume of Indonesian Industrial GHG Emissions by Sector (2022)

According to the graph in figure 3, the processing industry (manufacturing sector) is the largest emitter of greenhouse gases with 340.71 million tons of CO2e or 38% of total national industrial emissions. In addition, the electricity and gas procurement sector produces greenhouse gas emissions of 33%, followed by the agriculture, forestry, and fisheries sectors which also produce greenhouse gas emissions of 10%. As for the other sectors, each produces greenhouse gas emissions below 10% according to the details seen in figure 3 (Ahdiat, 2024).

Saputra (2024) states that this significant carbon footprint is the result of modernization over the past hundred years. Indonesia has the largest tropical forests in the world, especially in Kalimantan, Sumatra, and Papua. These forests serve as natural carbon sinks, store most of the carbon, and can help reduce greenhouse gas (GHG) emissions. However, deforestation due to logging, forest fires, and land conversion for oil palm plantations is one of the causes of the increase in greenhouse gas emissions globally.

Therefore, developing an eco-friendly industry has become a global trend. Indonesia is attractive to investors who are interested in green investment because it has abundant natural resources. Companies that have implemented ESG principles and green investment are believed to grow and attract the interest of many investors (Alfaruq, 2021). The increasing interest of investors in green investment will provide benefits for companies and support the country's economy in the future. That way, companies that implement ESG and green investment are believed to be able to increase firm value.

The value of the companies in this study is proxied by Price to Book Value (PBV). PBV can describe the potential price movement of a stock so that PBV can indirectly affect the stock price. The figure below shows the growth of the firm's value in the SRI-KEHATI index in 2019-2023 as follows:

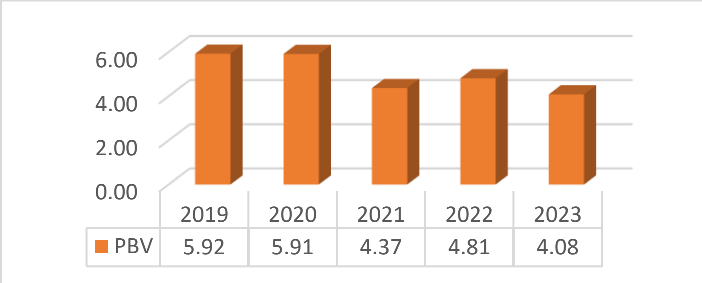


Figure 4. Average Firm Value in the SRI-KEHATI Index for the 2019-2023 Period

Figure 4 shows that in the SRI-KEHATI index, the value of companies has fluctuated over the past five years. Data shows that the market value is greater than the firm's book value. These findings mean that the firm's value is considered good. Thus, the condition of the firm's value can be affected by the high PBV value (Wira et al., 2022).

The findings of this study show that the value of companies is influenced by Environmental Social Governance (ESG), Green Investment, and Profitability. ESG can be proxied by utilising the GRI (Global Reporting Initiative) assessment. With GRI's assessment, companies that make ESG disclosures are believed to comply with laws and ethics by being responsible for environmental, social, and corporate governance. The researcher established several previous studies as comparison and learning materials in this study. Rahelliamelinda & Handoko (2024), Chang & Lee (2022), Aydoğmuş et al. (2022), and Nasution et al. (2024) in their research stated that the value of companies is positively influenced by ESG performance. Other research by Xaviera & Rahman (2023), Wangi & Aziz (2023), and Rohendi et al. (2024) shows that the firm's value is not affected by ESG performance. While the research Angir & Weli (2024) and Prayogo et al., (2023) found that ESG disclosures negatively impact a firm's value.

Furthermore, the researcher established a PROPER assessment for GI proxies, which is a program that assesses a firm's performance in terms of environmental management. This program is a government policy developed by the Ministry of Environment and Forestry (KLHK) to increase companies' interest in managing their environment. The PROPER assessment consists of five grades: gold, green, blue, red, and black. Research by Paramita & Ali (2023) and Murwaningsari & Rachmawati (2023) stated that GI positively influences the firm's value. However, there are different results from the research conducted by Agatha & Aryati (2024), Larasati et al. (2024), and Gunawan et al. (2024) that indicate that the firm's value is not affected by GI.

The latter is profitability. Information related to the profits obtained by the firm can be shown by profitability. Investors are more daring to invest their capital in companies with high profitability because their value will also be high (Aziz & Widati, 2023). This study proximates profitability with Return on Equity (ROE). ROE was chosen because it can measure how much a firm's capital can generate profits for its investors. Research conducted by Wangi & Aziz (2023), Munzir et al., (2023), Aziz & Widati (2023), Lestari et al., (2024), Nugoho & Nugroho (2023), and Sari & Sedana (2020) states that profitability affects the value of the firm. On the other hand, different findings were obtained by Kolamban et al. (2020) and Rahayu & Paramita (2023) state that the firm's value is not affected by profitability.

Using the SRI-KEHATI index as a measure, the purpose of this study is to examine whether or not a firm's value from 2019 to 2023 is affected by ESG, GI, and profitability. Furthermore, the researcher hopes that this research can be an input, additional information, reference, tool, and initial basis for future researchers as a contribution to developing and applying the knowledge gained by researchers in higher education regarding the influence of ESG, GI, and profitability on firm value. For companies, the results of this research can help provide more benefits, ideas, or information for firm management regarding firm values in seeing whether a firm is performing well or poorly. The researcher hopes that with these findings, investors can pay more attention to many factors before investing, as well as additional information and input for potential investors regarding effective and efficient investment decision-making.

Stakeholders Theory

Freeman introduced stakeholder theory in 1984. In this theory, there is a statement that explains that stakeholders have the right to know the firm's business activities (Lestari et al., 2024). A firm's activities can change the perception and expectations of stakeholders if the firm discloses financial, social, and environmental information. Corporate sustainability in improving corporate performance and value requires support from stakeholders (Widiyaningsih & Jati, 2024; Xaviera & Rahman, 2023).

Legitimacy Theory

Legitimacy theory suggests that a firm seeks to prove that its activities and actions are in accordance with applicable social values and norms. In this case, the firm wants to be considered a legitimate entity and has the right to operate in society. In addition, the community expects companies to have value in environmental, social, and governance activities (Monica & Sulfitri, 2023; Munzir et al., 2023; Rahelliamelinda & Handoko, 2024).

Agency Theory

Jensen & Meckling, in their agency theory developed in 1976, explains the contractual dynamics between owners and management in an effort to maximize the profitability of the firm. In this case, management is expected to be able to maximise profits. However, management does not always report the actual state of affairs to hide its performance weaknesses. To explain the value of a firm, the theory of agency is critical because poor governance has a negative impact on the achievement of the firm's value, so the firm's management must be responsible and strive to meet the interests of shareholders (Aziz & Widati, 2023; Xaviera & Rahman, 2023).

Signalling Theory

For the first time in 1973, in a study titled Job Market Signallings, Michael Spence introduced the signalling theory. Signalling theory explains how the sender of the signal (usually the management of the firm), who has more information, relays the information to the receiver of the signal (such as an investor), who is less informed. This information can be either a positive or negative signal, where both signals can influence the decision of the signal receiver. A firm can increase investor confidence and strengthen its position in the market if it provides the right signals. This theory also explains that companies send signals to financial report users and non-financial users (Munzir et al., 2023; Wangi & Aziz, 2023; Christy & Sofie, 2023).

Firm Value

The firm's value can be used as an investor's perception of the firm's performance and prospects in the future. The value of the firm will be high if investors feel confident that the firm can continue to grow and generate profitability. Conversely, the value of a firm will drop if investors doubt the firm's performance (Wangi & Aziz, 2023; Munzir et al., 2023). The firm's value ratio to be used is PBV. The formula that can be used is as follows (Kolamban et al., 2020):

$$PBV = \frac{Price\ Per\ Share}{Book\ Value\ Per\ Share}$$

Determinants of Firm Value

Several studies show that there are several determinants of a firm's value. This study assesses the factors that affect the firm's value. Research Utami & Paramita (2024) determining institutional ownership variables and investment opportunities, research Gunawan et al. (2024) establishing CSR and GCG measured by independent commissioners, managerial ownership, and institutional ownership, research Rahayu & Paramita (2023) determining leverage and firm size variables, as well as research Suhendar & Paramita (2024) determine the variables of investment decisions and funding decisions. These variables are defined as variables that affect the value of the firm. While the research Utami & Paramita (2024), with the variables of managerial ownership, independent board of commissioners, size of the board of directors, size of the board of commissioners, and firm size, research Gunawan et al. (2024) with GI variables, research Rahayu & Paramita (2023) with profitability variables, as well as research Suhendar & Paramita (2024) with variable firm size and dividend policy. These studies show that these variables cannot influence the value of the firm. Referring to the explanation above, the researcher determined the variables ESG, GI, and profitability as factors that affect the firm's value because there has been no previous study that combines these three variables in one study, so this study is a novelty.

Environmental Social Governance

ESG is a way for companies to integrate environmental, social, and governance factors into their business operations and has now become the new standard in the business world, which is increasingly aware of its impact on the environment and society (Wangi & Aziz, 2023; Nasution et al., 2024). The value of a firm can increase if the firm discloses ESG. ESG disclosure has been used as a guideline from the GRI standard (Yordudom & Suttipun, 2020). The formula that can be used is as follows (Wangi & Aziz, 2023):

$$ESG = \frac{ESG\ Disclosure\ Item\ Value}{Maximum\ Total\ Disclosure}$$

In line with the stakeholder theory, stakeholders are an essential resource for the sustainability and growth of the firm. Therefore, companies need to build strong relationships with stakeholders to increase the firm's value. In agency theory, it is also explained that to be able to reduce information asymmetry, companies can carry out activities in the form of disclosure related to how the firm treats its employees, society, and environment so that it will result in growth in financial performance which will also increase the firm's value. These findings are consistent with Rahelliamelinda & Handoko (2024), Chang & Lee (2022), Aydoğmuş et al. (2022), and Nasution et al. (2024) in their research, which found that a firm's value is positively influenced by ESG performance. Thus, this study examines the influence of ESG disclosure on firm value.

H1: Firm value positively impacted by ESG.

Green Investment

GI is a fund provided by a firm to maintain the legitimacy of the environment, which can affect the firm's value and the smooth running of its business. To ensure that life on Earth is sustainable in the future, GI primarily aims to achieve economic sustainability while preserving the environment. GI is also a preventive measure chosen by business entities to minimise the negative impact of the firm's operational activities by implementing financing that supports environmental sustainability (Agatha & Aryati, 2024; Paramita & Ali, 2023; Dani & Harto, 2022). GI can be measured by a PROPER (Public Disclosure Program for Environmental Compliance) assessment. There are five levels in the PROPER ranking: the first rank is marked with gold (score = 5), the second rank is marked with green (score = 4), the third rank is marked with blue (score = 3), the fourth rank is marked with red (score = 2), and the fifth rank is marked with black (score = 1) (Kementerian Lingkungan Hidup dan Kehutanan, 2019).

Legitimacy theory explains that companies strive to follow societal and environmental standards in order to provide legitimacy to companies that can increase the firm's value by demonstrating a strong commitment to sustainability and environmental protection (Wijayanti & N, 2024). These results are in accordance with those presented by Paramita & Ali (2023) and Murwaningsari & Rachmawati (2023), who state that the firm's value is positively affected by GI. Thus, this study examines whether a firm's value is affected by GI.

H2: Firm value positively impacted by GI.

Profitability

A firm's ability to generate profits with respect to its sales, total assets, and equity can be referred to as profitability. Investors assume that the firm's prospects will be better if the firm's profitability is also good (Sari & Sedana, 2020; Nugoho & Nugroho, 2023; Wangi & Aziz, 2023). The profitability ratio can be measured using ROE. ROE can measure how much a firm's capital can generate profits for investors. A high ROE value also means that the firm's profit level is significant. This will lead to better firm performance and attract investors to invest in the firm in question. This increases the demand for shares, so the price rises (Wulandari & Paramita, 2017). The formula that can be used is (Kolamban et al., 2020):

$$ROE = \frac{EAT}{Total\ Equity}\ x\ 100\%$$

Based on signalling theory, companies tend to act towards maximum profitability to provide clear and precise signals to investors and potential investors about positive firm performance. This statement is in accordance with research by Wangi & Aziz (2023), Munzir et al., (2023), Aziz & Widati (2023), Lestari et al., (2024), Nugoho & Nugroho (2023), and Sari & Sedana (2020) which states that the value of the firm is positively influenced by profitability. Thus, this study examines whether a firm's value is affected by ROE.

H3: Firm value positively impacted by ROE.

METHOD

This study uses a quantitative method because it uses data in the form of numbers and descriptive analysis of causality, which is a method used to examine causal relationships between two or more variables. The data relied on is secondary data with the type of panel data. The researchers established 41 companies as populations. The researcher uses a purposive sampling technique with the consideration of companies listed in the SRI-KEHATI index for the 2019-2023 period. The following is a sample that has been sorted based on the criteria that the researcher has compiled:

Table 1 Sample Criteria

No.	Sample Criteria	Violating the Criteria	Sum
1.	Companies included in the SRI-KEHATI Index in the 2019-2023 period	-	41
2.	Companies that publish complete financial statements in the period 2019-2023	-	41
3.	Companies whose ESG value can be calculated in accordance with GRI standards in the 2019-2023 period	-	41

4.	Companies that publish sustainability reports in the 2019-2023 period	(6)	35
5.	Companies that received consecutive PROPER awards in the 2019-2023 period	(20)	15
	Research sample		15
	Unit of analysis (15 x 5 years)		75

Source: Secondary data processed, 2024

The data analysis technique uses quantitative analysis based on numbers and generated data. This analysis is carried out using E-views 13 software.

RESULT AND DISCUSSION

Descriptive Statistical Analysis

Table 2. Results of Descriptive Statistical Analysis

	X1_ESG	X2_GI	X3_ROE	Y_PBV
Mean	0.522000	3.893333	19.71907	5.018533
Median	0.530000	4.000000	10.05000	1.540000
Maximum	0.960000	5.000000	145.0900	60.67000
Minimum	0.140000	3.000000	-11.62000	0.500000
Std. Dev.	0.206286	0.745678	33.18949	11.82471
Skewness	0.219649	0.172522	3.101083	3.655645
Kurtosis	2.304169	1.835066	11.53076	15.22276
Jarque-Bera	2.116132	4.612896	347.6275	633.9086
Probability	0.347126	0.099614	0.000000	0.000000
Sum	39.15000	292.0000	1478.930	376.3900
Sum Sq. Dev.	3.149000	41.14667	81514.11	10346.97
Observations	75	75	75	75

Source: Data processing results with Eviews 13, 2024

Based on the table above, the following explanation is obtained:

1. The descriptive analysis showed that 75 data were observed on each of the variables studied. In the PBV variable, the mean value is 5.018533, the median value is 1.540000, the highest value (maximum) is 60.67000, the lowest value (minimum) is 0.500000, and the standard deviation value is 11.82471.
2. The ESG variable displays a range of values: 0.522000 for the average, 0.530000 for the median, 0.960000 for the maximum, 0.140000 for the minimum, and 0.206286 for the standard deviation.
3. The GI variable displays a range of values: 3.893333 for the average, 4.000000 for the median, 5.000000 for the maximum, 3.000000 for the minimum, and 0.745678 for the standard deviation.

4. Standard deviations of 33.18949, maximum 145.0900, minimum -11.62000, median 10.05000, and average 19.71907 are all shown by the ROE variable (X3).

Panel Data Regression Model Selection Test

Chow Test

Table 3. Chow Test Results

Effects Test	Statistic	d.f.	Prob.
Cross-section F	4.017777	(14,57)	0.0001
Cross-section Chi-square	51.490243	14	**0.0000**

Source: Data processing results with Eviews 13, 2024

The probability value is set at 0.0000. The result was below 0.05 (prob < 0.05), indicating the acceptance of alternative hypotheses. As a result, FEM is the model of choice. So it is necessary to continue with a hausman test.

Hausman Test

Table 4 Hausman Test Results

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	25.703753	3	**0.0000**

Source: Data processing results with Eviews 13, 2024

Based on Table 3, the random Cross-section value is 0.0000 where the result is less than 0.05 (prob < 0.05), meaning that H0 is rejected and Ha is accepted, so the model chosen in the Hausman test is FEM. Because in the Chow test and Hausman test, the model chosen is FEM, the most appropriate method to use is FEM.

Classical Assumption Test

Classical assumption tests, including evaluations for heteroscedasticity and multicollinearity, are essential in the context of Ordinary Least Squares (OLS) panel data regression. In addition, if the model selected is a Common Effect Model (CEM) or a Fixed Effect Model (FEM), a classical assumption test will be carried out (Basuki & Prawoto, 2015).

Multicollinearity Test

Table 5. Multicollinearity Test Results

	X1_ESG	X2_GI	X3_ROE
X1_ESG	1.000000	**0.146360**	**-0.160737**
X2_GI	0.146360	1.000000	**-0.274204**

X3_ROE	-0.160737	-0.274204	1.000000

Source: Data processing results with Eviews 13, 2024

It is known that the correlation coefficients of ESG and GI are 0.146360 < 0.8, ESG and ROE are -0.160737 < 0.8, and GI and ROE are -0.274204 < 0.8. Thus, multicollinearity does not exist in the relationship between independent variables.

Heteroscedasticity Test

Table 6 Heteroscedasticity Test Results

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	1.984459	1.196502	1.658551	0.1027
X1_ESG	-1.485759	0.894259	-1.661441	**0.1021**
X2_GI	-0.022104	0.317388	-0.069643	**0.9447**
X3_ROE	0.001957	0.026411	0.074097	**0.9412**

Source: Data processing results with Eviews 13, 2024

From the data above, it is evident that the ESG prob is 0.1021 > 0.05, the GI prob is 0.9447 > 0.05, and the ROE prob is 0.9412 > 0.05, which means that the three variables are avoided from heteroscedasticity.

Panel Data Regression

Table 7. Panel Data Regression Results

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	5.220743	2.841164	1.837536	0.0357
X1_ESG	-5.525977	2.123471	-2.602332	0.0059
X2_GI	0.139470	0.753658	0.185058	0.4269
X3_ROE	0.108491	0.062716	1.729893	0.0446

Source: Data processing results with Eviews 13, 2024

The regression equation based on the output results in table 6 is as follows:

$$PBV = 5.220743 - 5.525977*ESG + 0.139470*GI + 0.108491*ROE + \varepsilon it$$

1. The constant value is 5.22, indicating that the PBV variable will increase by 522% without the ESG, GI, and ROE variables.
2. The value of the ESG variable coefficient is -5.53. When ESG increases by 1%, PBV decreases by 553%, with other variables considered constant.
3. The value of the GI variable coefficient is 0.14. When the GI increases by 1%, the PBV will increase by 14%, with the other variables considered constant.
4. The value of the variable coefficient of ROE is 0.11. When ROE increases by 1%, it will increase PBV by 11% with other variables considered constant.

Hypothesis Testing

Partial Test (t-Test)

The following are the results of hypothesis testing for t-test and f-test using a one-way test:

Table 8. t-Test Results

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	5.220743	2.841164	1.837536	0.0357
X1_ESG	-5.525977	2.123471	-2.602332	**0.0059**
X2_GI	0.139470	0.753658	0.185058	0.4269
X3_ROE	0.108491	0.062716	1.729893	**0.0446**

Source: Data processing results with Eviews 13, 2024

The output in the table above shows the following results:

1. The value of the negative coefficient is -5.525977, and the value of the probability is 0.0059 <0.05, indicating the acceptance of H0. This means that the value of companies in the SRI-KEHATI index for the 2019-2023 period is positively influenced by ESG.
2. A positive coefficient value of 0.139470 and a probability value of 0.4269 > 0.05 indicate H0 acceptance. These findings prove that GI does not affect the value of companies in the SRI-KEHATI index for the 2019-2023 period.
3. The value of the positive coefficient is 0.108491, and the value of the prob. is 0.0446 <0.05, thus reflecting the acceptance of Ha. These findings show that the value of companies in the SRI-KEHATI index for the 2019-2023 period is positively influenced by ROE.

Simultaneous Test (Test f)

Table 9. f-Test Results

F-statistic	**80.53544**
Prob(F-statistic)	**0.000000**

Source: Data processing results with Eviews 13, 2024

The F-statistic value is set at 80.53544, accompanied by a Prob value (F-statistic) of 0.0000, which is less than 0.05. These findings indicate the acceptance of alternative hypotheses and that firm values are simultaneously affected by ESG, GI, and ROE.

Coefficient of Determination Test (R^2)

Table 9. Determination Coefficient Test Results (R^2)

Adjusted R-squared	**0.948110**

Source: Data processing results with Eviews 13, 2024

The table above shows that the Adjusted R Squared value is 0. 948110. This indicates that the ESG, GI, and ROE variables can explain the PBV variable by 94. 8%.

The Effect of ESG on Firm Value

The findings of the study show that between 2019 and 2023, the value of companies in the SRI-KEHATI index was negatively affected by ESG variables. In agency theory, it is explained that to be able to reduce information asymmetry, companies can carry out activities in the form of disclosure related to how the firm treats employees, society, and its environment so that it will result in growth in financial performance which will also increase the firm's value. However, the opinion expressed by Prayogo et al. (2023) and Angir & Weli (2024) states that disclosure of non-financial information such as ESG can lead to agency conflicts caused by demands from stakeholders charged to companies. In addition, investors think that ESG disclosure is an activity that requires high costs and is detrimental to investors. These high ESG costs result in inaccurate and complicated disclosures, which can reduce investor confidence. This finding is in accordance with what was expressed by Prayogo et al. (2023) and Angir & Weli (2024), which indicates that the firm's value is negatively affected by ESG and leads to the rejection of hypothesis 1 but not in line with research by Xaviera & Rahman (2023), Wangi & Aziz (2023), and Rohendi et al. (2024), which shows that the firm's value is not affected by ESG performance.

The Effect of GI on Firm Value

The results of the tests carried out so far show that, from 2019 to 2023, the value of the SRI-KEHATI index companies is not affected by GI. This can be due to the fact that the existing conditions in Indonesia are still limited, so not many investors have a more profound interest in environmental issues. In addition, investors tend to make decisions based on the firm's financial performance, so GI is not the primary role that investors will consider when deciding to invest in a firm. The findings of this study are in accordance with those given by Agatha & Aryati (2024), Larasati et al. (2024), and Gunawan et al. (2024) in their study, which stated that the value of the firm was not affected by GI and led to the rejection of hypothesis 2. However, it is not in accordance with the research revealed by Paramita & Ali (2023) and Murwaningsari & Rachmawati (2023). ClickClick or tap here to enter text. Which states that the firm's value is positively affected by GI.

The Effect of ROE on Firm Value

The test results prove that the firm's value in the SRI-KEHATI index for the 2019-2023 period is positively influenced by ROE. Signalling theory explains that companies tend to act towards maximum profitability to provide clear and precise signals to investors and potential investors regarding positive firm performance. In addition, a firm can increase investor confidence and strengthen its position in the market if it can provide the right signals to signal recipients (such as investors). The findings of this study are in accordance with those given by Wangi & Aziz (2023), Munzir et al. (2023), Aziz & Widati (2023), Lestari et al. (2024), Nugoho & Nugroho (2023), and Sari & Sedana (2020) which shows that the firm's value is positively influenced by profitability. Thus, this leads to the exception of hypothesis 3. However, it is not in line with the research by Kolamban et al. (2020) and Rahayu & Paramita (2023), so click, which states that the value of the firm is not affected by profitability.

The Simultaneous Effect of ESG, GI, and ROE on Firm Value

The firm's value is influenced by ESG, GI, and ROE simultaneously, with an F-statistic value of 80. 53544 and a Prob value (F-statistic) of 0. 0000 <0. 05. This figure shows the acceptance of Ha. The adjusted R squared value is 0. 948110. From these findings, it was determined that ESG, GI, and ROE accounted for 94. 8% of PBV variations, with the remaining 5. 2% explained by factors not considered in this analysis. These findings support the fourth hypothesis that ESG, GI, and ROE collectively influence corporate values. Thus, the fourth hypothesis proved valid.

CONCLUSION

This study presents the results that firm value is negatively affected by ESG, firm value is not affected by GI, and firm value is positively affected by ROE. Another result of the study is that ESG, GI, and ROE simultaneously influence firm values.

The next suggestion for researchers is to use new research objects with a wider scope, such as all companies listed on the IDX. It is also recommended that other variables or factors that are not present in this study be used. Meanwhile, the advice for companies is to focus on continuing to improve the firm's profitability so that returns for investors also increase. Along with the high profits earned, the rate of return shared will trigger an increase in the firm's stock price, which will also increase the firm's value. The advice for stakeholders is to reinvest profits for long-term growth to maintain competitiveness and increase the value of the firm sustainably.

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