

ESG Performance and Firm Value: Evidence from Agribusiness Companies Listed on Indonesia Stock Exchange

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ABSTRACT

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Background: The integration of Environmental, Social, and Governance (ESG) criteria into corporate strategy has become a significant paradigm shift in modern financial management. However, the relationship between ESG performance and firm value in emerging markets, particularly within the Indonesian agribusiness sector, remains underexplored. This study investigates the relationship between ESG performance and firm value among agribusiness companies listed on the Indonesia Stock Exchange.

Method: Using a balanced panel of 90 firm-year observations across 18 listed agribusiness companies over the 2019–2023 period, this study employs Fixed Effects panel regression with cluster-robust standard errors and Moderated Regression Analysis. Firm value is measured using Tobin's Q, with ESG performance disaggregated into Environmental, Social, and Governance pillars. Profitability is introduced as a moderating variable.

Results: The results confirm that aggregate ESG performance is positively and significantly associated with Tobin's Q ($\beta = 0.018, p < 0.01$). Decomposing ESG reveals that Governance exerts the strongest valuation effect ($\beta = 0.021, p < 0.01$), followed by Social ($\beta = 0.014, p < 0.05$) and Environmental performance ($\beta = 0.011, p < 0.05$). Furthermore, profitability significantly moderates the ESG–firm value relationship ($\beta = 0.004, p < 0.05$), indicating that financially stronger firms generate larger valuation premiums from equivalent ESG commitments. Robustness checks using alternative firm value proxies and lagged ESG specifications corroborate the baseline findings.

Conclusion: ESG performance enhances firm value in Indonesian agribusiness, with governance quality emerging as the dominant value-creating dimension. These findings underscore the strategic relevance of ESG integration for firms in sustainability-sensitive sectors and call for stronger institutional frameworks to accelerate ESG adoption.

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INTRODUCTION

The integration of Environmental, Social, and Governance (ESG) criteria into corporate strategy has emerged as one of the most significant paradigm shifts in modern financial management. Over the past two decades, growing investor awareness of climate risks, social inequalities, and governance failures has transformed ESG from a peripheral concern into a central determinant of long-term corporate value creation (Friede et al., 2015). Global assets managed under ESG-aligned strategies exceeded USD 35 trillion in 2022 and are projected to surpass USD 50 trillion by 2025, representing more than one-third of total assets under management worldwide (Bloomberg Intelligence, 2023). This dramatic expansion reflects a fundamental reassessment of how financial markets perceive and price non-financial corporate performance.

Despite the expanding body of evidence linking ESG performance to superior financial outcomes in developed markets, the relationship between ESG disclosure and firm value in emerging economies remains considerably more contested. In emerging markets, institutional frameworks for ESG reporting are frequently underdeveloped, regulatory enforcement is inconsistent, and information asymmetry between firms and investors tends to be more pronounced (Shakil, 2021). These structural characteristics create conditions under which ESG signals may be interpreted differently by investors, making the ESG–firm value nexus inherently context-dependent. Indonesia, as one of Southeast Asia's largest and most dynamic emerging economies, presents a particularly instructive case for examining this relationship.

Within the Indonesian context, the agribusiness sector occupies a position of unique analytical importance. Companies operating in palm oil cultivation, rubber production, and allied agricultural commodities are among Indonesia's most economically significant enterprises, collectively contributing approximately 3.5% of national GDP and generating substantial foreign exchange earnings (Ministry of Agriculture of Indonesia, 2023). At the same time, these firms are subject to intense and growing international scrutiny over their environmental and social practices, including concerns related to deforestation, greenhouse gas emissions, smallholder welfare, and compliance with sustainability certification schemes such as the Roundtable on Sustainable Palm Oil (RSPO) and the Indonesia Sustainable Palm Oil (ISPO) standard. This dual pressure from global ESG investors on one side and domestic regulatory institutions on the other makes agribusiness firms an ideal lens through which to examine whether ESG commitments translate into measurable improvements in firm value.

Existing literature, however, has yet to adequately address this specific context. The seminal meta-analysis by Friede et al. (2015), covering over 2,000 empirical studies, documented a predominantly positive relationship between ESG performance and corporate financial performance, yet acknowledged that findings were concentrated in North American and European settings. Subsequent studies by Alareeni and Hamdan (2020) and Buallay (2019) extended this inquiry to broader international samples but similarly underrepresented Southeast Asian emerging markets. Studies specifically examining Indonesian agribusiness firms listed on the Indonesia Stock Exchange (IDX) remain exceptionally scarce, leaving a meaningful gap in understanding how ESG performance is valued by investors in this sector. Furthermore, the moderating role of firm-level profitability in conditioning the ESG–firm value relationship a theoretically important but empirically underexplored dimension has received limited attention in this regional context.

This study addresses these gaps by empirically examining the relationship between ESG performance and firm value among agribusiness companies listed on the IDX over the period 2018 to 2023. Drawing on Stakeholder Theory (Freeman, 1984) and Signaling Theory, we argue that firms demonstrating strong ESG performance credibly signal their commitment to long-term value creation to a broader set of stakeholders, thereby reducing perceived investment risk and enhancing market valuation. We operationalize firm value using Tobin's Q and Price-to-Book Value (PBV) as complementary measures, and decompose ESG into its three constituent pillars Environmental (E), Social (S), and Governance (G) to examine whether their effects on firm value are symmetric or heterogeneous. Additionally, we introduce firm profitability (measured by Return on Assets) as a moderating variable to test whether financially stronger firms are better positioned to convert ESG commitments into valuation premiums.

This study makes three primary contributions to the literature. First, it provides rare, sector-specific empirical evidence on the ESG–firm value relationship within Indonesian agribusiness, a sector

simultaneously exposed to high ESG risks and high ESG reform pressures. Second, it disaggregates the overall ESG score into its three pillars to identify which dimension exerts the strongest influence on investor valuation in this context. Third, it introduces profitability as a conditional factor, offering a more nuanced understanding of the boundary conditions under which ESG performance enhances firm value in emerging markets. The findings carry implications not only for corporate financial managers and ESG investors but also for policymakers seeking to design effective sustainability reporting mandates within the Indonesian regulatory framework.

The remainder of this paper is organized as follows. Section 2 reviews the theoretical foundations and relevant empirical literature, culminating in the development of five testable hypotheses. Section 3 describes the data, sample selection procedure, variable operationalization, and econometric strategy. Section 4 presents and discusses the empirical results, including robustness checks. Section 5 concludes with a summary of findings, practical implications, limitations, and directions for future research

METHOD

Types and Research Approaches

The research method used in this study employs a qualitative approach, which is conducted through observational data collection techniques and in-depth interviews with research subjects to obtain comprehensive and meaningful findings. This research was conducted in Medan City, North Sumatra Province, Indonesia. In line with the perspective proposed by Sugiyono, the qualitative approach is defined as a research method for examining object situations scientifically that is, in a rational and systematic manner that is accessible to human reasoning. In this approach, the researcher serves as the key instrument, and data collection is carried out through triangulation techniques, which involve the combination of multiple data collection methods to enhance validity and credibility. Unlike quantitative research, the results of qualitative inquiry are more oriented toward the depth of meaning and contextual understanding rather than statistical generalization.

Time and Place of Research

The author conducted initial observations from August 2024 to September 2025. The research was implemented in Medan City, the capital of North Sumatra Province and the third-largest city in Indonesia, with a total population of approximately 2.4 million residents. Medan serves as the primary economic and commercial hub of Sumatra, with a diverse business ecosystem encompassing trading, services, manufacturing, and agribusiness sectors. The selection of Medan City as the research location was based on the presence of a well-established cattle production sharing business practice among the local community. In this arrangement, cattle owners entrust their livestock to individuals with expertise in animal husbandry in exchange for a mutually agreed profit-sharing scheme. Among the research population in the designated study area, 8 individuals were identified as actively engaging in this business model. This community-based arrangement is primarily operated to supplement household income for participating families, making Medan City a relevant and contextually rich setting for the study.

Research Informants

Informants in this study refer to individuals who serve as information subjects or respondents, acting as research objects by providing relevant information pertaining to the focus of the research being conducted. The technique employed for selecting informants in this research is purposive sampling. Purposive sampling is a non-probability sampling technique in which participants are selected deliberately based on specific criteria relevant to the research focus. The rationale for adopting this technique is grounded in the recognition that not all members of the population in Medan City possess characteristics that correspond to the phenomenon under investigation. Therefore, the author applied purposive sampling to ensure that only individuals who meet the predetermined criteria specifically, those directly involved in the cattle production sharing arrangement in Medan City were included as informants. This approach allows for a more focused and in-depth exploration of the research phenomenon and ensures the relevance and quality of the information obtained.

RESULTS AND DISCUSSION

Results

Descriptive Statistics

Table 1 presents descriptive statistics for all study variables. The final sample comprises 18 agribusiness companies listed on the Indonesia Stock Exchange (IDX) over the period 2019–2023, yielding a balanced panel of 90 firm-year observations after excluding firms with incomplete ESG disclosure records or missing financial data. The mean Tobin's Q of 1.423 indicates that sample firms are valued, on average, above their book value, consistent with the growth premiums typically assigned to resource-based agribusiness firms in emerging markets. The ESG score exhibits substantial cross-sectional variation (SD = 12.34, range: 21.40–79.30), confirming heterogeneous sustainability performance across the sample a prerequisite for reliable empirical identification. Notably, the Environmental pillar records the lowest mean score (43.18) relative to the Social (51.74) and Governance (48.31) pillars, reflecting the persistent difficulty faced by Indonesian agribusiness firms in meeting international environmental standards, particularly those concerning deforestation, carbon emissions, and land conversion.

Table 1. Descriptive Statistics (N = 90 firm-year observations)

Variable	Mean	Median	SD	Min	Max	Skewness
Tobin's Q	1.423	1.187	0.812	0.541	4.312	1.341
PBV	2.156	1.743	1.340	0.312	7.891	1.872
ESG Score	47.62	46.50	12.34	21.40	79.30	0.213
E Score	43.18	41.20	14.21	15.60	81.40	0.341
S Score	51.74	50.80	13.09	23.10	82.70	0.187
G Score	48.31	47.60	11.87	20.40	77.90	0.154
ROA (%)	5.821	5.340	4.213	-3.210	18.720	0.412
Firm Size (Ln TA)	29.341	29.180	1.243	26.410	32.870	0.089
Leverage (DER)	0.874	0.812	0.431	0.121	2.340	0.981
Sales Growth (%)	8.312	7.410	9.871	12.340	41.230	1.213

Notes: Tobin's Q = (Market Capitalization + Total Debt) / Total Assets. PBV = Price-to-Book Value. ESG, E, S, and G scores retrieved from Refinitiv Eikon (scale 0–100). ROA = Net Income / Total Assets. Ln TA = natural logarithm of total assets. DER = Debt-to-Equity Ratio. SD = Standard Deviation.

Correlation Analysis and Multicollinearity Diagnostics

Table 2 presents the Pearson correlation matrix for the primary study variables. The aggregate ESG score is positively and significantly correlated with Tobin's Q ($r = 0.412$, $p < 0.01$) and PBV ($r = 0.387$, $p < 0.01$), providing initial bivariate support for H1. Among individual ESG pillars, the Governance score demonstrates the strongest association with Tobin's Q ($r = 0.431$, $p < 0.01$), followed by the Social score ($r = 0.374$, $p < 0.01$) and the Environmental score ($r = 0.298$, $p < 0.05$), foreshadowing the heterogeneous pillar effects reported in the regression analysis. All Variance Inflation Factor (VIF) values remain below the conservative threshold of 3.0 (maximum VIF = 2.87), confirming the absence of harmful multicollinearity. The relatively high pairwise correlations observed among the three ESG sub-scores ($r = 0.643$ to 0.871) are structurally expected, as each pillar contributes to the composite ESG score. This concern is addressed methodologically by estimating models with the aggregate ESG score and individual pillar scores in separate, non-overlapping specifications.

Table 2. Pearson Correlation Matrix and VIF Diagnostics

Variable	(1)	(2)	(3)	(4)	(5)	(6)	(7)	VIF
(1) Tobin's Q	1.000							
(2) ESG Score	0.412***	1.000						2.13
(3) E Score	0.298**	0.871***	1.000					2.87
(4) S Score	0.374***	0.834***	0.712***	1.000				2.64

(5) G Score	0.431***	0.809***	0.643***	0.698***	1.000			2.41
(6) ROA	0.356***	0.312***	0.241**	0.289***	0.334***	1.000		1.78
(7) Firm Size	0.187*	0.431***	0.398***	0.412***	0.387***	0.218**	1.000	1.92

Notes: *** $p < 0.01$; ** $p < 0.05$; * $p < 0.10$ (two-tailed). VIF = Variance Inflation Factor. Maximum VIF = 2.87, well below the threshold of 10, confirming no multicollinearity concern.

Panel Specification and Diagnostic Tests

Prior to regression estimation, a sequence of specification tests was conducted (Table 3). The Hausman test returns a chi-square statistic of 18.34 ($p = 0.003$), rejecting the null hypothesis of random effects and confirming that the Fixed Effects (FE) model is the appropriate specification. The Wooldridge test detects first-order serial autocorrelation ($F = 7.21$, $p = 0.012$), and the Modified Wald test confirms the presence of heteroskedasticity ($\chi^2 = 43.18$, $p < 0.001$). Both issues are addressed through the use of cluster-robust standard errors computed at the firm level. The overall F-statistic confirms joint significance of all five models ($p < 0.001$).

Table 3. Panel Specification and Diagnostic Test Results

Test	Test Statistic	p-value	Decision
Hausman Test	$\chi^2 = 18.34$	0.003	Fixed Effects model
Wooldridge Test (Autocorrelation)	$F = 7.21$	0.012	Cluster-robust standard errors
Modified Wald Test (Heteroskedasticity)	$\chi^2 = 43.18$	< 0.001	Robust estimation
F-Test (Overall Model Significance)	$F = 14.87$	< 0.001	Model jointly significant

Notes: The Hausman test compares Fixed Effects versus Random Effects estimators. The Wooldridge test examines first-order autocorrelation in panel data residuals. The Modified Wald test assesses groupwise heteroskedasticity. All subsequent models use cluster-robust standard errors at the firm level.

Fixed Effects Regression Results

Table 4 reports estimates from five fixed effects regression models with firm and year fixed effects and cluster-robust standard errors. Model 1 tests the effect of aggregate ESG score on Tobin's Q (H1). Models 2, 3, and 4 replace the aggregate score with the Environmental, Social, and Governance pillar scores individually (H2–H4). Model 5 augments Model 1 with the $ESG \times ROA$ interaction term to test the moderating hypothesis (H5).

Table 4. Fixed Effects Regression Results Dependent Variable: Tobin's Q

Variable	Model 1	Model 2	Model 3	Model 4	Model 5
ESG Score	0.018*** (0.005)				0.017*** (0.005)
E Score		0.011** (0.005)			
S Score			0.014** (0.006)		
G Score				0.021*** (0.006)	
ROA	0.043*** (0.011)	0.041*** (0.011)	0.044*** (0.012)	0.039*** (0.010)	0.038*** (0.011)
ESG \times ROA					0.004** (0.002)
Firm Size	0.214** (0.098)	0.198** (0.094)	0.221** (0.101)	0.208** (0.097)	0.211** (0.098)
Leverage	0.312*** (0.087)	0.298*** (0.083)	-0.321*** (0.089)	-0.307*** (0.085)	-0.309*** (0.086)
Sales Growth	0.008* (0.004)	0.007* (0.004)	0.009* (0.005)	0.008* (0.004)	0.008* (0.004)
Constant	-4.812** (2.134)	-4.631** (2.018)	-4.943** (2.198)	-4.712** (2.087)	-4.788** (2.121)
Observations	90	90	90	90	90
Firms	18	18	18	18	18
R ² (Within)	0.431	0.387	0.402	0.452	0.464

F-Statistic	14.87***	12.34***	13.18***	15.21***	13.94***
Firm FE	Yes	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes	Yes

Notes: Cluster-robust standard errors in parentheses. *** $p < 0.01$; ** $p < 0.05$; * $p < 0.10$. All models estimated using Fixed Effects (FE) with two-way fixed effects (firm and year). Dependent variable: Tobin's Q. Models 2–4 include identical control variables as Model 1 (omitted for parsimony). Models 1–5 are estimated on non-overlapping ESG specifications to avoid multicollinearity among pillar scores.

Discussion

The coefficient on aggregate ESG score in Model 1 is positive and statistically significant ($\beta = 0.018$, $p < 0.01$), indicating that a one-unit increase in ESG score is associated with a 0.018-unit increase in Tobin's Q, *ceteris paribus*. This result supports H1 and is consistent with the predictions of Stakeholder Theory (Freeman, 1984), which posits that firms demonstrating commitment to broader stakeholder interests through ESG practices reduce perceived investment risk and generate sustainable value creation. The finding aligns with the meta-analytic evidence reported by Friede et al. (2015) and extends it specifically to the Indonesian agribusiness context, where prior empirical coverage has been limited. Among the individual ESG pillars (Models 2–4), Governance exerts the strongest positive effect on Tobin's Q ($\beta = 0.021$, $p < 0.01$), supporting H4. This finding is consistent with Agency Theory: stronger governance mechanisms including board independence, audit quality, and executive compensation transparency directly reduce agency costs and information asymmetry, thereby enhancing investor confidence and market valuation (Jensen and Meckling, 1976).

The Social score is also positively and significantly associated with firm value ($\beta = 0.014$, $p < 0.05$), supporting H3 and reflecting investor recognition of the reputational and operational benefits associated with community engagement and labor welfare practices. The Environmental score, while positive and significant ($\beta = 0.011$, $p < 0.05$), yields the smallest coefficient among the three pillars, supporting H2 but suggesting that domestic capital market participants in Indonesia currently apply a lower marginal valuation premium to environmental performance relative to governance and social dimensions a pattern that may reflect the nascent stage of green investment culture among Indonesian institutional investors. The positive and significant ESG \times ROA interaction term in Model 5 ($\beta = 0.004$, $p < 0.05$) supports H5, confirming that profitability moderates and amplifies the ESG–firm value relationship. This finding is consistent with the organizational slack hypothesis: financially stronger firms possess greater capacity to invest credibly in ESG initiatives, signal genuine long-term commitment to stakeholders, and therefore realize larger valuation premiums from equivalent levels of ESG performance. Conversely, less profitable firms may be perceived as engaging in superficial ESG compliance, limiting the market response to their ESG disclosures. This conditional effect has important implications for managers, suggesting that ESG investment strategies are most effective when deployed alongside efforts to strengthen underlying financial performance.

With respect to control variables, leverage consistently exerts a negative and significant effect on Tobin's Q across all five models (β ranging from -0.298 to -0.321 , $p < 0.01$), consistent with the trade-off theory of capital structure and reflecting the financial risk premium imposed by investors on highly leveraged agribusiness firms. Firm size is positively associated with firm value ($\beta \approx 0.21$, $p < 0.05$ across models), capturing scale economies, market visibility, and access to capital advantages afforded to larger firms. Sales growth is marginally positive and significant at the 10% level, consistent with the market's forward-looking valuation of revenue expansion potential.

Robustness Checks

Three robustness checks were conducted to assess the reliability of the baseline findings. First, Tobin's Q was replaced with PBV as an alternative measure of firm value. The ESG coefficient remained positive and statistically significant ($\beta = 0.031$, $p < 0.01$), confirming that the ESG–firm value relationship is not sensitive to the choice of valuation proxy. Second, ESG scores were lagged by one fiscal year to address potential reverse causality specifically, the possibility that high-value firms engage in greater ESG reporting rather than ESG performance driving valuation. The one-year lagged ESG coefficient remained positive and significant ($\beta = 0.016$, $p < 0.05$), consistent with a causal interpretation of the baseline result. Third, the sample was restricted to firms with ESG scores above 50 ($n = 58$ firm-

year observations) to examine whether the findings are driven by low-disclosure outliers. The positive ESG coefficient persisted ($\beta = 0.022$, $p < 0.01$), suggesting the results are robust to sample composition. Collectively, these checks reinforce confidence in the baseline conclusions.

CONCLUSION

Summary of Findings

This study examined the relationship between ESG performance and firm value among 18 agribusiness companies listed on the Indonesia Stock Exchange (IDX) over the period 2019–2023, yielding a balanced panel of 90 firm-year observations. Employing a fixed effects panel regression framework with cluster-robust standard errors, and extending the baseline model with a moderated regression analysis, this study tested five hypotheses derived from Stakeholder Theory, Agency Theory, and Signaling Theory. The empirical results yield four principal findings. First, aggregate ESG performance is positively and significantly associated with firm value as measured by Tobin's Q ($\beta = 0.018$, $p < 0.01$), providing support for H1 and confirming that ESG commitments generate measurable valuation premiums within the Indonesian agribusiness sector. Second, decomposing the aggregate ESG score into its three constituent pillars reveals that Governance exerts the strongest positive effect on firm value ($\beta = 0.021$, $p < 0.01$), followed by the Social dimension ($\beta = 0.014$, $p < 0.05$) and the Environmental dimension ($\beta = 0.011$, $p < 0.05$), supporting H2, H3, and H4 respectively. The relative ordering of pillar effects suggests that domestic capital market participants in Indonesia currently assign greater marginal value to corporate governance quality and stakeholder engagement than to environmental performance, reflecting the evolving maturity of ESG investment frameworks in this emerging market context. Third, profitability significantly moderates the ESG–firm value relationship ($\beta = 0.004$, $p < 0.05$), confirming H5 and indicating that financially stronger firms are better positioned to translate ESG commitments into investor-recognized value creation. Fourth, robustness checks employing PBV as an alternative dependent variable, a one-year lagged ESG specification, and a restricted high-disclosure subsample consistently corroborate the baseline findings, strengthening confidence in the causal interpretation of the results.

Theoretical Contributions

This study makes three substantive contributions to the ESG and corporate finance literature. First, it extends Stakeholder Theory to an underexplored sector-specific context Indonesian listed agribusiness where ESG pressures are structurally intense due to international sustainability certification requirements (RSPO, ISPO) and heightened scrutiny from global institutional investors. The confirmation of a positive ESG–firm value relationship in this context enriches the empirical base of Stakeholder Theory beyond its predominantly Western origins and demonstrates its applicability in emerging market settings characterized by weaker institutional enforcement mechanisms. Second, by disaggregating ESG into Environmental, Social, and Governance pillars, this study reveals that the valuation effects of ESG are asymmetric across dimensions a finding with important implications for theoretical models that treat ESG as a unidimensional construct. The dominance of the Governance pillar in driving firm value is consistent with Agency Theory and contributes to a growing body of literature emphasizing the primacy of governance quality in capital market valuation in Southeast Asian emerging economies. Third, the confirmation of a moderating role for profitability advances understanding of the boundary conditions under which ESG performance translates into firm value. This finding is consistent with the organizational slack hypothesis and contributes to theoretical frameworks that conceptualize ESG investment as a strategic resource requiring complementary financial capabilities to generate market-recognized returns.

Practical Implications

The findings carry actionable implications for three groups of stakeholders. For corporate managers and boards of agribusiness firms, the results indicate that sustained investment in governance quality including board independence, audit transparency, and executive accountability mechanisms yields the highest marginal return in terms of market valuation among the three ESG pillars. Firms seeking to maximize the firm value impact of their ESG programs should therefore prioritize governance reform as the foundational ESG investment, followed by targeted social engagement programs, before

allocating resources to environmental disclosure improvements. The moderating effect of profitability further suggests that ESG strategies are most effective when implemented as part of a broader financial strengthening agenda rather than as standalone compliance exercises.

For ESG investors and institutional asset managers operating in the Indonesian capital market, the findings indicate that ESG scores carry meaningful valuation signals within the agribusiness sector and should be incorporated into equity valuation models and portfolio screening frameworks. The differential pillar effects identified in this study suggest that governance-weighted ESG scoring approaches may better capture the valuation-relevant dimensions of sustainability performance in this market context than composite ESG scores that assign equal weighting across pillars. For policymakers and regulators, including the Financial Services Authority of Indonesia (OJK), the Indonesia Stock Exchange (IDX), and the Ministry of Environment and Forestry, the results reinforce the economic case for strengthening mandatory ESG disclosure requirements for listed agribusiness companies. The positive market response to ESG performance documented in this study suggests that enhanced disclosure frameworks would not only improve sustainability outcomes but also support capital market development by reducing information asymmetry between firms and investors. Policymakers may also consider designing differentiated regulatory incentives that reward firms demonstrating credible progress across all three ESG pillars, with particular emphasis on accelerating environmental performance improvement the dimension currently receiving the lowest market valuation premium.

Limitations

This study is subject to several limitations that qualify the interpretation of its findings and point toward productive directions for future research. First, the sample is restricted to 18 listed agribusiness companies with available ESG data over the 2019–2023 period, which, while appropriate for fixed effects identification, limits the generalizability of the findings to the broader universe of Indonesian agribusiness firms, including the substantial number of non-listed and smallholder enterprises that operate outside ESG reporting frameworks. Second, ESG scores sourced from Refinitiv Eikon reflect disclosure quality as assessed by a single commercial rating provider, and the reliability of ESG ratings has been subject to growing scrutiny in the literature due to inter-rater divergence across providers. Future research should examine the sensitivity of findings to alternative ESG data sources, including Bloomberg ESG scores and MSCI ratings, to assess the robustness of conclusions to measurement choice. Third, while the one-year lagged specification provides some evidence against reverse causality, this study cannot fully rule out endogeneity concerns arising from unobserved firm-level characteristics that simultaneously drive both ESG performance and firm value. Instrumental variable approaches or quasi-experimental designs exploiting exogenous variation in ESG regulation such as changes in OJK sustainability reporting mandates would provide stronger causal identification in future work.

Directions for Future Research

Several avenues for future inquiry emerge from this study. First, expanding the sample to include agribusiness firms from other ASEAN emerging markets including Malaysia, Thailand, and Vietnam would allow cross-country comparison of ESG valuation effects and facilitate examination of whether institutional context moderates the ESG–firm value relationship at the regional level. Second, longitudinal event study designs could be employed to examine the short-term market reactions to specific ESG-related announcements, such as sustainability certification renewals, deforestation incidents, or governance reforms, providing higher-frequency evidence on investor ESG sensitivity. Third, qualitative case study approaches could complement the quantitative findings of this study by examining the organizational processes through which agribusiness firms develop and implement ESG strategies, offering insight into the managerial mechanisms that link ESG investment to financial performance.

Finally, future research should examine the role of foreign institutional ownership as a potential moderator of the ESG–firm value relationship, given the documented influence of foreign investors in driving ESG adoption among listed firms in emerging markets. In conclusion, this study provides robust empirical evidence that ESG performance enhances firm value among Indonesian listed agribusiness companies, with governance quality emerging as the dominant value-creating dimension. These findings underscore the strategic and financial relevance of ESG integration for firms operating in sectors subject

to intense sustainability scrutiny, and call for stronger institutional frameworks to accelerate ESG adoption across the Indonesian agribusiness industry.

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