
Integration of ESG, Profitability, and *Good Corporate Governance*: Strategy for Increasing Firm Value

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Abstract

This study aims to determine the effect of ESG disclosure, profitability, and governance (GCG) on firm value proxied by Tobins'Q. This study falls into the category of quantitative research. A total of 67 non-financial companies listed on the IDX were included in the sample for 2019 to 2023. The sampling method used was purposive sampling. Data analysis was carried out using multiple regression methods. The results showed that ESG, institutional ownership, independent board of commissioners and audit committee have an effect on firm value. While financial performance has no effect on firm value. These findings are deepened by including profitability and governance (GCG) variables, with a concentration on non-financial companies listed on the IDX. The theoretical framework applied includes legitimacy theory and agency theory.

Keywords

Keyword: ESG 1, profitability 2, good corporate governance 3, company value 4.

Abstrak

Penelitian ini bertujuan untuk mengetahui pengaruh pengungkapan ESG, profitabilitas, dan tata kelola (GCG) terhadap nilai perusahaan yang diproksikan dengan Tobin's Q. Penelitian ini termasuk dalam kategori penelitian kuantitatif. Sebanyak 67 perusahaan non-keuangan yang tercatat di BEI dimasukkan dalam sampel untuk tahun 2019 hingga 2023. Metode pengambilan sampel yang digunakan adalah purposive sampling. Analisis data dilakukan dengan menggunakan metode regresi berganda. Data diolah menggunakan software SPSS 25. Hasil penelitian menunjukkan bahwa ESG, kepemilikan institusional, dewan komisaris independen dan komite audit berpengaruh terhadap nilai perusahaan. Sedangkan profitabilitas tidak berpengaruh terhadap nilai perusahaan. Temuan ini diperdalam dengan memasukkan variabel kinerja keuangan dan tata kelola (GCG), dengan konsentrasi pada perusahaan non-keuangan yang tercatat di BEI. Kerangka teori yang diterapkan meliputi teori legitimasi dan teori keagenan.

Kata Kunci: ESG 1, profitabilitas 2, good corporate governance 3, nilai perusahaan 4.

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INTRODUCTION

Sustainability aspect become the firm's focus, because it is a factor that determines the company's business continuity. The company not only focuses on short-term profits but also considers long-term profits so that it has the potential to increase the company's value optimally. The main purpose of establishing a business is to increase the value of the company in order to realize the welfare of shareholders (Rukmana, 2022). According to Christy & Sofie (2023), company value reflects the extent to which a company can manage its operations, which can shape stakeholder perception of the company's performance and capabilities.

Investors' opinions about a company's achievements can be seen from the value of the company, which is usually shown through its share price (Susanto & Suryani, 2024). Before making an investment or providing significant funds for expansion, investors assess how much a company is worth because its high value describes the success achieved by the shareholder. The high value of a company correlates with its stock price, so it is an important element in determining investment (Murniati & Ingra, 2023). Companies can utilize sustainability strategies to build investor trust and maximize company value, which reflects the company's performance and shareholder welfare through controlling financial and non-financial aspects in support of long-term sustainability (Hapsari, 2023).

Some of the factors that affect company value are profitability, Good Corporate Governance (GCG), and ESG (Environmental, Social, and Governance). Profitability is the ability of a business to generate profits when using its resources (Ambarwati & Vitaningrum, 2021). Based on research by Ambarwati & Vitaningrum (2021), profitability is measured by Return on Asset (ROA).

A system designed to ensure optimal company management which will later have an impact on increasing the company's value is called Good Corporate Governance (Sari & Pratiwi, 2023). In this research, good corporate governance is used, namely institutional ownership, independent commissioners, and audit committees.

ESG is a non-financial indicator that evaluates governance, social, and sustainability aspects in a company (Mudzakir & Pangestuti, 2023). In this research, ESG is measured using the Bloomberg Score, with values ranging from 0 to 100. With 882 sustainability reports submitted in 2023, which include 94% of companies listed on the IDX, there has been a significant increase. This number increased from 661 reports (80% filed in 2021) to 842 reports (90%) in 2022 (Ramadhani, 2025). The Financial Services Authority Regulation (POJK) No. 51/POJK.03/2017 concerning the obligation to implement sustainable finance in the Financial Services, Issuers, and Public Companies sector which requires sustainability performance reporting from listed companies, has provided benefits in the form of increased compliance.

The dedication to follow this regulation shows the increasing awareness among Indonesian

business people, and Indonesia is committed to realizing the Sustainable Development Goals (SDGs) through the implementation of ESG in the company's business strategy, in order to achieve a stable and sustainable economy.

Based on data from Databoks in 2024 of 162 public companies, the majority (95%) implement ESG because of their company principles, followed by environmental and social contribution reasons (91%), regulatory compliance (86%), maintaining reputation (80%), and business strategy (70%). Although fewer companies are implementing ESG, many companies still face implementation challenges such as difficulty in achieving performance indicators, cost constraints, and inadequate understanding of issues (Ahdiat, 2024).

Currently, the Indonesia Stock Exchange (IDX) is partnering with Morningstar Sustainalytics to conduct an ESG evaluation. Sustainalytics uses the ESG risk assessment method through the concept of risk decomposition which assesses two main aspects of ESG issues, namely exposure and managements. Exposure to the level of insecurity of a company in the face of significant ESG risks can impede the assessment of the overall quality. Seid, management shows the dedication of the company, and the implementation of real policies and initiatives aimed at overcoming ESG-related challenges. The listed companies are divided into five categories according to the ESG score assessment: companies with a risk score of 0-10 are categorized as Negligible (negligible ESG risk), 10-20 categorized Low (ESG risk restored), 20-30 categorized Medium (moderate ESG risk), 30-40 categorized High (high ESG risk), and > score 40 categorized as companies with significant ESG risks (Vauzi, 2023).

Data analysis from 9 non-financial companies in March 22, 2025, by IDX shown in Figure 1, indicating an interesting pattern between ESG and ROA values. PT Pertamina Geothermal Energy Tbk (PGEO) from the infrastructure sector recorded an ESG score of 7.11 which is included in the Negligible category, with a moderate ROA of 5.52%. PT Unilever Indonesia Tbk (UNVR) from the Primary Consumer Goods sector has an ESG score of 18.21 (Low category) but the results recorded the highest ROA of 27.5%, showing excellent operational efficiency despite the higher ESG risk compared to PGEO. PT Industri Jamu dan Pharmacy Sido Muncul Tbk (SIDO) from the health sector has an ESG score of 21.97 (category Medium) with ROA which is also very good, which is 25.27%, indicating that the company is able to mitigate ESG risks while generating high profits.

PT Astra International Tbk (ASII) from Industry sector recorded the highest ESG score of 34.49 (category High) but was still able to produce a positive ROA of 10%. Similarly, two companies with ESG scores that were actually low experienced improvements, namely PT Elang Mahkota Teknologi Tbk (EMTK) from the Technology sector with an ESG score of 14.17 with a low ROA of 0.6%, and PT Chandra Asri Pacific Tbk (TPIA) from the Raw Goods sector with an ESG score of 16.28, with ROA of 0.6%. These indicate that there is no direct correlation between ESG risk and corporate

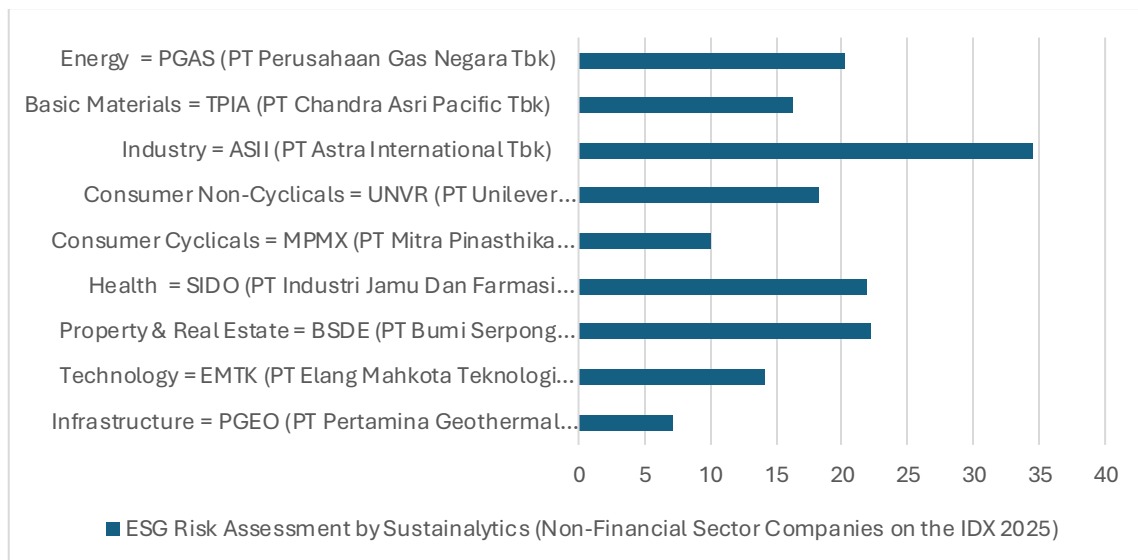


Figure 1. ESG Risk Assessment according to Sustainalytics for Non-Financial Sector Companies Listed on the IDX

Source: IDX (2025)

profitability, where some companies with ESG risks actually record poor profitability, while some companies with high ESG risks are still able to generate satisfactory profits, so that to optimize the value of the company we must align several factors including profitability, corporate governance, and corporate governance. It is good to apply the aspect of continuation.

Based on previous research on ESG impact on firm's value, there are a significant result in research of Raheillameilinda & Handoko (2024) and Mudzakir & Pangeistuti (2023). Whereas results show that there is no significant impact on the research from (Paramitha & Deivi, 2024). Research conducted by Ambarwati & Vitaningrum (2021) and Elisa (2021) revealed that the profitability of the company is positive to firm value. Different result in research by Farizki et al. (2021) which states that profitability does not have to be based on the value of the company.

The results of research by P. P. Sari & Pratiwi (2023) and Prabawati et al. (2021) reveal that Good Corporate Governance affect the firm's value. According to research by Sri Utami & Wulandari (2021), that Good Corporate Governance does not have impact on firm's value. Various factors that affect firm value in non-financial companies are analyzed in this study. The formulation of research problem is formulated according to the background that has been explained:

1. How Environmental, Social, and Governance (ESG) affects the firm's value
2. How profitability affects the firm's value
3. How institutional ownership affects the firm's value
4. How the independent board of commissioners affects the firm's value
5. How the audit committee affects the firm's value.

LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT

Legitimacy Theory

Legitimation theory was first described by Dowling and Pfeffer (1975) as a basic idea that is still growing. This theory states that the community is involved in supporting the firm's sustainability development. Legitimacy theory is also developed by the latest research by Aruan et al. (2021) states that the legitimacy theory is focused on social equality which requires each company to convince the public that the operation and its results are in line with public goals.

Hence, firms are trying to impede legitimacy and develop strong relationships with the social community in the business environment. If the public feels that the business does not comply with the rules, then the business can lose its legitimate status. Therefore, the company is obliged to comply with the regulations in the community so that its operations can be carried out sustained and smoothly.

Agency Theory

Jensen and Meckling (1976) view that, agency relationship consists of shareholders who bears the funds to supervise agent performance. In the agency theory, management has the responsibility to prioritize the interests of shareholders as principals. According to Sirait & Fuad (2024), two aspects of agency theory are shareholder (principal) and management (agent). In accordance with the principal's wishes, the shareholder impedes the management to supervise the power supply and carry out the daily business operation.

In essence, managers and stockholders are rational individuals who have personal desires or motivations. This situation oftentimes encourages the management to take decisions that are beneficial for them self, even if it can sacrifice the interest of the stockholders. Management also realizes that they know and keep a lot of secret information so that it does not have transparency to the principal which causes information asymmetry (Sirait & Fuad, 2024). Lack of supervision can open the door for management to misuse their authority or mislead the company's resources, which can harm the firm's long-term interest. This phenomenon is known as the Agency Problem (Josua & Seiptiani, 2024).

The Influence of Environmental, Social, dan Governance (ESG) on Firm Value

ESG performance disclosure is very important to do it in a transparent way to the public, this needs to be understood by the firm. The sustainability report continues to serve as a communication tool between firms and stakeholders in the context of their initiative in monitoring environmental, social and governance issues. ESG provides a framework for evaluating and monitoring the effectiveness of firms in those three key areas (Sadiq et al., 2023)

Based on the perspective of legitimacy theory, the firm tries to harmonize the operation and their presence in accordance with the social norms and values recognized by public (Panjaitan & Suranta,

2024). Practice of ESG principles in firm is a sign of strong dedication to sustainable practices and social accountability, so it will be legitimate by the public, investors and other stakeholders. If the public rate that the firm does not comply with the rules, then the firm can lose its legitimacy status (Puspitaningrum & Indriani, 2021). The more optimize the performance of the company in the field of ESG, it is usually tended to increase the value of investment for investors and the public. Research by Raheillameilinda & Handoko (2024) and Mudzakir & Pangeistuti (2023) shows that ESG is positively impact firm value.

H1: Environmental, Social, and Governance (ESG) positively impact Firm Value

The Influence of Profitability on Firm Value

The ability of the firm to generate profits from the assets used. The profitability ratio used in this research are Return on Asset, is considered to be able to reflect the ability of firm to achieve margins (Ambarwati & Vitaningrum, 2021). Broadly speaking, companies with a high level of profitability are usually more open in conveying information, because they have a greater capacity to access and present information than companies with low profitability (Sidik & Yuneline, 2022).

According to the perspective of agency theory, the manager (agent) has an opportunistic nature that gives priority to personal attention. Their focus on increasing company profit (ROA) and achieving targets that have been set. Oftentimes the manager makes an effort to achieve this for personal gain, like salary increase and promotion. However, an opportunistic nature can encourage managers to focus on achieving targets that increase the profitability of the company and generate high profits to align with the goal of the stock holder, which is to increase the firm value. The results of this research are in line with the research by Ambarwati & Vitaningrum (2021) which shows that the increase in profitability implies the value of the business as a whole.

H2: Profitability positively impact Firm Value

The Influence of Institutional Ownership on Firm Value

Institutional ownership refers to the ownership of shares controlled by the ownership of the firm's external holdings. These shareholders can come from various type of institution, including government agencies, financial institutions, legal institutions, private companies and other institutions (Pratomo & Rana, 2021). With the existence of institutional investors, it can reflect complete governance, where the role as a supervisor to the course of firm management (Paulina et al., 2020).

According to agency theory, there is a collaborative relationship between the entity that transmits authority (principal) and the party that receives authority (agent). This relationship must have been

through a covenant which was known as the nexus of contract. The essence of this relationship is the existence of information inequality, where managers have a wider access to the detail of the firm's condition than the stockholder (Baha, 2021). Research conducted by Baha (2021) and Azharin & Ratnawati (2022) suggests that institutional ownership contributes positively to the growth of firm values.

H3: Institutional Ownership positively impact Firm Value

The Influence of Independent Board of Commissioners on Firm Value

The independent board of commissioners is a board member who is free from interesting relationships with internal parties of the company. This ensures that they can carry out their duties independently without any influence and always prioritize the interests of the company (Hidayat et al., 2021). The independent board of commissioners' functions to create control and supervision functions over management, so that good management is realized and the company's value increases (Laksana & Handayani, 2022).

According to the perspective of the agency theory, the independent board of commissioners who have the main responsibility to monitor the policies implemented by top-level management, are considered the highest monitoring mechanism in the management structure. In addition, the agency theory also states that a larger composition of independent commissioners can optimize the quality of supervision of management activities (Rahmawati, 2021). According to research conducted by Laksana & Handayani (2022) and Hidayat et al. (2021), it is indicated that the existence of an independent board of commissioners has a role in significantly increasing the company's value.

H4: Independent Board of Commissioners positively impact Firm Value

The Influence of Audit Committee on Firm Value

By emphasizing the principles of governance such as accountability, transparency of information, responsibility, and fairness. The audit committee plays an important role in corporate governance by preventing manipulation and fraud in financial statements (Hidayat et al., 2021). The audit committee plays a role in supervising company activities, such as overseeing the internal control system (Laksana & Handayani, 2022).

From the perspective of agency theory, the audit committee is very important to enforce corporate responsibility. Its main tasks include supervision and monitoring of the evaluation or financial reporting process, including internal and external audits. This is done to reduce the possibility of information asymmetry, an important issue highlighted in agency theory (R. Sari & Sayadi, 2020).

The independence of the audit committee will arise from the increasing number of audit committees. As a result, the existence of an independent audit committee has the potential to reduce the risk of conflicts of interest and encourage increased financial transparency. This is in line with research and indicates that the existence of an audit committee has a positive influence on increasing the company's value.

H5: Audit Committee positive impact on Firm Value

RESEARCH METHODS

Based on the type of data, including quantitative analysis. ESG, Profitability, institutional ownership, independent board of commissioners, and audit committee refer to secondary data as the main source of analysis, which are obtained through annual reports and firm financial condition on the Indonesia Stock Exchange and Bloomberg. The external and independent variables used in this study are detailed as follows in table 1.

This study took samples from non-financial companies because they have characteristics and activities faced by non-financial companies as well as different from the financial sector. Likewise, non-financial companies tend to be more sensitive to issues related to ESG (Environmental, Social, and Governance) because the impact is more direct on daily operations and corporate reputation.

The purposive sampling method was used to determine the research sample. The research subjects included 67 non-financial companies listed on the Indonesia Stock Exchange for five years (2019-2023) that met the sample criteria. You can see in table 2.

The research model can be formulated as follows:

$$Y_{it} = \alpha + \beta_1 ESG_{it} + \beta_2 ROA_{it} + \beta_3 KI_{it} + \beta_4 DKI_{it} + \beta_5 KA_{it} + \varepsilon$$

Description:

Y= Company Value (Tobin's Q)

α = Constant

β = Coefficient

ε = Other factors outside the model

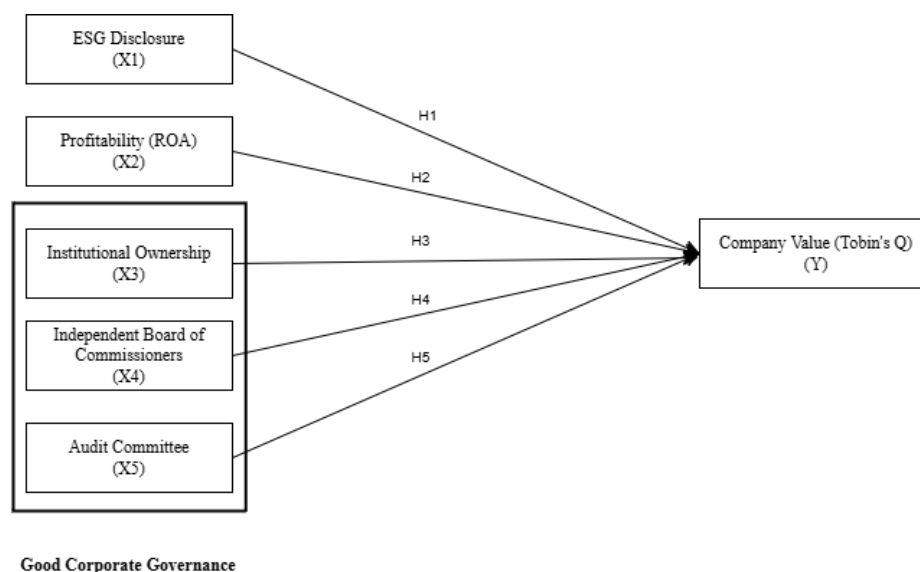
Table 1. Operational Description of Variables

Variable	Measurement
Company Value (Tobin's Q)	Tobin's Q is a proxy for company value which uses the following formula: $\text{Tobin's Q Ratio} = \frac{\text{Market equity value} + \text{Total Debt}}{\text{Total Asset}}$
ESG (SEG)	ESG disclosure is measured by the Bloomberg score. The Bloomberg ESG score is a percentage of the number of items disclosed by a company based on the Bloomberg standard disclosure. The ESG score ranges from 0 to 100, consisting of three main elements, namely environmental, social and governance.
Profitability (ROA)	The Return on Asset (ROA) indicator is used to measure profitability. $\text{ROA} = \frac{\text{Net Profit}}{\text{Total Assets}} \times 100\%$
Institutional ownership (KI)	Institutional ownership is measured using the following formula: $\text{KI} = \frac{\text{Total number of shares held by institutions}}{\text{Number of shares in circulation}}$
Independent Board of Commissioners (DKI)	The calculations of the independent board of commissioners are formulated as follows: $\text{DKI} = \frac{\text{Number of independent board of commissioners}}{\text{Number of members of the board of commissioners}}$
Audit Committee (KA)	The audit committee is calculated using the following formula: $\text{KA} = \text{Number of audit committee members}$

Table 2. Sample formation process

No	Description	Number of companies
1	Non-Financial Companies listed on the Indonesia Stock Exchange	845
2	Non-financial companies that are not listed on the IDX since 2019	(285)
3	Does not have ESG completeness for the period 2019 - 2023	(490)
4	Does not have complete institutional ownership data 2019 - 2023	(0)
5	A company that is currently suspended	(3)
	Research Sample	67
	Total Samples (Company x Year)	335
	Outlier Data	(3)
	Total sample after outlier data (335-3)	332

Source: Data processed, 2025

**Figure 3. Conceptual Framework**

RESULT, DISCUSSION, AND MANAGERIAL IMPLICATION

Descriptive Statistical Analysis

Table 3. Descriptive Statistical Test Results

	N	Minimum	Maximum	Mean	Std. Deviation
ESG Disclosure (X1)	335	18,43	74,85	45,1207	11,28484
Profitability (X2)	335	0,00	0,20	0,0662	0,04707
Institutional ownership (X3)	335	0,01	92,13	34,9360	29,92428
Independent Board of Commissioners (X4)	335	0,20	0,70	0,4218	0,10455
Audit Committee (X5)	335	2,00	4,00	3,0806	0,42674
Company Value (Y)	335	-0,11	2,36	1,0473	0,47264
Valid N (listwise)	335				

Source: Data processed, 2025

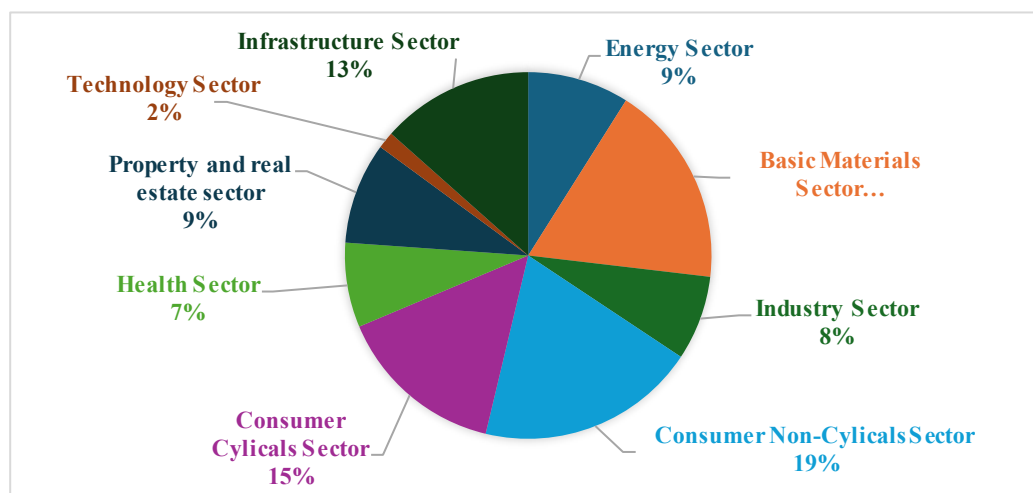


Figure 4. Diagram of non-financial companies disclosing ESG by sector

Source: Data processed, 2025

In Table 3, the results of the descriptive statistical analysis show that ESG has the best value of 18.43. While the highest value is 74.85. The ESG variable in non-financial companies has an average value of 45.1207, which shows that the disclosure of ESG indicators carried out by non-financial companies in Indonesia is included in the medium or medium category. It can be concluded that non-financial companies in Indonesia have begun to integrate ESG principles in carrying out their performance.

In Figure 4, it can be seen that the largest percentage of non-financial corporate sectors that have implemented ESG is the Consumer Non-Cyclicals sector, which is 19% of the 67 companies studied in this study. This sector is basically engaged in the field of basic needs such as food, beverages, household products, and medicines that are routinely consumed by the community every day. Therefore, the implementation of ESG is an important factor in ensuring the sustainability of company

operations.

Based on Table 4, in the normality test, there were outlier data including Siloam International Hospitals Tbk (data 242), PP Peirseiro Tbk (data 258), and Timah Tbk PT (data 288). Then retesting showed the Asymp. Sig. (2 tailed) value was 0.200. It can be concluded that the data used in the analysis was normally distributed or spread evenly because this value is more than the significance of 0.05.

The multicollinearity test, all independent variables show a tolerance value above 0.1 and a VIF value below 10. Thus, the regression model is declared free from indications of multicollinearity. In the Heterocedasticity test, the significance level for the ESG variable (ESG) is 97.3%. The significant level of the Profitability variable (ROA) is 94.2%. The significance level of the Institutional Ownership variable (KI) is at 5.6%. The Independent Board of Commissioners variable (DKI) has a significant value of 98.2%. The Audit Committee variable (KA) has a significant value of 77.5%. It can be concluded that there is no indication of heteroscedasticity in the independent variables.

While in the Autocorrelation test with 332 observations (N) and a significance level of 5% (0.05), based on the results of the Durbin-Watson (D-W) value is 2.063. The value of 4 d U is 2.156 based on these criteria, with a lower limit (dL) value of 1.79495 and an upper limit (dU) of 1.84400. Because the D-W value is between dU and 4-dU ($1.8440 < 2.063 < 2.156$), it can be said that this regression model does not show any indication of autocorrelation.

Based on Table 5, the F statistical test shows the F-count value of 15.796 and a significance of 0.001 (<0.05). ESG, Profitability, Institutional Ownership, Independent Board of Commissioners, and Audit Committee are proven to have a significant influence simultaneously on firm value. Based on Table 5, in the determination coefficient test, the Adjusted R Square value of 0.287 listed indicates that the model has a fairly good explanation capability with a positive direction. So, it can be concluded that 28.7% of the variation in company performance can be explained through the independent variables analyzed in this study. While 71.3% is influenced by other external factors not included in this research model.

Based on Table 6, in the t-test, ESG shows a regression coefficient with a significance value of 0.039 (<0.05) and a positive direction of 0.087. Thus, the first hypothesis (H1) can be accepted, which means that ESG has a significant effect on company value (Tobin's Q). The regression coefficient for Profitability (ROA) is 0.015 with a positive direction and has a significant level of 0.247 (>0.05). So, it can be said that Profitability has a positive and insignificant effect on company value, or the second hypothesis (H2) is rejected. Institutional ownership (KI) shows a significant value of 0.001 (<0.05) and a regression coefficient with a positive direction of 0.048. So, it can be concluded that the third hypothesis (H3) is accepted, or institutional ownership (KI) has a significant effect on company value (Tobin's Q).

Classical Assumption Test

Table 4. Results of the Classical Assumption Test

Panel A. Normality Test				
Model		Sig. Kolmogorov-Smirnov	Number of samples	
Y = α + β ₁ ESG + β ₂ ROA + β ₃ KI + β ₄ DKI + β ₅ KA + ε		0, 200	335	
Panel B. Multicollinearity Test				
Variables		Tolerance	VIF	Conclusion
ESG		0.966	1,035	There is no multicollinearity
Profitability (ROA)		0.993	1,007	There is no multicollinearity
Institutional ownership (IP)		0.989	1,011	There is no multicollinearity
Independent board of commissioners (DKI)		0.972	1,028	There is no multicollinearity
Audit Committee (AC)		0.981	1,019	There is no multicollinearity
Panel C. Autocorrelation Test				
You		DW	4-DU	Conclusion
1.8440		2,068	2,156	No autocorrelation
Panel D. Heteroscedasticity Test				
Variables		Sig. Spearma's Rho	Conclusion	
ESG		0.973	There is no heteroscedasticity	
Profitability (ROA)		0.942	There is no heteroscedasticity	
Institutional ownership (IP)		0.56	There is no heteroscedasticity	
Independent board of commissioners (DKI)		0.982	There is no heteroscedasticity	
Audit Committee (AC)		0.775	There is no heteroscedasticity	

Source: Data processed, 2025

Hypothesis Test

Table 5. Results of F Test and Determination Coefficient

Panel A. F-Test Results					
Model	Sum of Squares	Df	Mean	F	Significance
Regression	3,076	5	0.615	15,796	< 0.001
Residual	12,698	326	0.039		
Total	15,774	331			
Panel B. Results of Determination Coefficient					
Model	R	R Square	Adjusted R Square		
$Y = \alpha + \beta_1 \text{ESG} + \beta_2 \text{ROA} + \beta_3 \text{KI} + \beta_4 \text{DKI} + \beta_5 \text{KA} + \varepsilon$	0.548	0.300	0.287		

Source: Data processed, 2025

Table 6. Hypothesis Testing Results

	Variable Coefficient (Beta)	T-value count	Significance (Probability Value)	Conclusion
Constant	-682	-3,764	0.001	
ESG	0.087	2,073	0.039	H1 Accepted
Profitability (ROA)	0.015	1,160	0.247	H2 Not Accepted
Institutional ownership (IP)	0.048	6,777	0.001	H3 Accepted
Independent board of commissioners (DKI)	0.149	3,401	0.001	H4 Accepted
Audit Committee (AC)	0.310	3,966	0.001	H5 Accepted

Source: Processed data, 2025

The independent board of commissioners (DKI) has a significance value of 0.001 (<0.05) and a regression coefficient with a positive direction of 0.149. So, it can be concluded that the fourth hypothesis (H4) is accepted, or the independent board of commissioners (DKI) has a significant effect on company value (Tobin's Q). The audit committee (AC) has a significant value of 0.001 (<0.05) and a regression coefficient with a positive direction of 0.310. So, it can be concluded that the fifth hypothesis (H5) is accepted, or the audit committee (AC) has a significant effect on company value (Tobin's Q).

The influence of ESG (Environmental, Social, and Governance) on company value

The value of non-financial companies listed on the IDX is significantly positively influenced by the relationship between ESG and company value (Tobin's Q), as shown in Table 9. ESG (X1) produces a positive regression coefficient of the ESG variable of 0.087 and a significant level of 0.039 (<0.05). ESG has a significant positive impact on company value. This finding shows that the higher the ESG disclosure score, the more it will have an impact on increasing company value. The research results produced are in accordance with Mudzakir & Pangeistuti (2023) which shows that ESG has a significant positive effect on company value. Increasing company value is influenced by transparency and accountability.

This is proven in this study, in non-financial companies in Indonesia in 2019 - 2023 that apply ESG principles including the middle or middle category, meaning that non-financial companies in Indonesia have begun to be aware of and apply ESG principles in carrying out company performance.

This result is in line with the theory of legitimacy, where companies ensure that their activities must be in accordance with the regulations in force in society, so that their operations can run smoothly and sustainably. The implementation of ESG principles in companies shows a strong commitment to sustainability and social responsibility is considered more legitimate (legitimacy) in

the eyes of society.

The Influence of Profitability on Company Value

The results of the analysis show that Return on Asset (ROA) has a positive and insignificant effect on company value, so H2 is rejected. Profitability (X2) produces a significant value of 0.247 (> 0.05) and a positive regression coefficient of 0.015. According to this study, a high ROA ratio does not affect the value of the companies included in the research sample. During the Covid-19 pandemic, Profitability decreased because economic activity was limited so that all sectors of the company were directly affected. Therefore, the company was unable to increase its company value.

Based on the agency theory, managers (agents) tend to want to maximize profits or high returns. On the other hand, return on assets (ROA) only provides a general picture of the level of return on all company assets. However, agents do not always make ROA the main benchmark in assessing the performance or value of the company. Agent pays more attention to other indicators such as Return on Equity (ROE), Net Profit Margin (NPM) and Gross Profit Margin (GPM) in an effort to increase the overall value of the company.

The Influence of Institutional Ownership on Company Value

Based on the results of the analysis, institutional ownership has a positive and significant effect on company value, so H3 is accepted. Institutional ownership (X3) has a significance level of 0.001 (< 0.05) with a positive regression coefficient of 0.048. Thus, institutional ownership has a positive effect on company value. The results of this study are supported by Baha (2021) and Azharin & Ratnawati (2022) who state that the existence of institutional ownership can significantly maximize company value. This study shows how institutional ownership by institutions affects the increase or decrease in company value. The greater the institutional ownership, the more effectively the company's assets are used, thereby minimizing the potential for waste by management (Rukmana, 2022).

According to agency theory, there is a contractual relationship between the party that establishes the principal and the party that establishes the principal in the form of cooperation, which highlights the influence of information imbalance on the company's valuation. This shows that the control function of shareholders is very important to increase the value of the company (Baha, 2021).

The Influence of the Independent Board of Commissioners on Company Value

Hypothesis H4 is accepted because the test results show that the independent board of commissioners has a positive and significant effect on the company's value. The independent board of commissioners (X4) produces a significant value of 0.001 (< 0.05) and a positive regression

coefficient of 0.149. Thus, the independent board of commissioners has a positive effect on the company's value. This is supported by research by Laksana & Handayani (2022) and Hidayat et al. (2021) indicating that the existence of an independent board of commissioners can encourage an increase in company value.

This study shows that the independent board of commissioners is thought to create a control and supervisory function over management, so that good management can be realized and the company's value can be increased (Laksana & Handayani, 2022). According to agency theory, the independent board of commissioners is seen as the main supervisory body in corporate governance, which is tasked with overseeing the policies taken by top management. A large number of independent commissioner members can increase management supervision, which leads to increased supervisory and governance functions which ultimately increase the company's value (Rahmawati, 2021).

The Influence of the Audit Committee on Company Value

Based on the test results, H5 is accepted because the results of the audit committee test have a positive and significant effect on company value. The audit committee (X5) produces a positive regression coefficient of 0.310 and a significant value of 0.001 (<0.05). Thus, the audit committee increases the value of the company. This is in accordance with the research conducted by Khoirunnisa & Aminah (2022) and Saragih & Tampubolon (2023) which states that the audit committee has a positive and significant effect on company value.

This shows how important the audit committee is in strengthening managerial oversight of financial reporting. Not only that, the audit committee contributes to the prevention of fraud and manipulation in financial reporting. The implementation of optimal corporate governance principles, such as information transparency, responsibility, fairness, and accountability (Hidayat et al., 2021). According to the agency theory, it states that the audit committee's responsibilities include overseeing the business financial reporting system and internal and external audit procedures to prevent information asymmetry (R. Sari & Sayadi, 2020). As the number of audit committees increases, it will affect the independence of the audit committee. Thus, the existence of an independent audit committee can reduce the risk of conflict of interest, increase financial transparency, and support the increase in corporate value.

CONCLUSION, SUGGESTION, AND LIMITATIONS

The purpose of this study is to determine the impact of ESG, financial performance, and good corporate governance (GCG) on company value in the non-financial sector listed on the IDX in 2019-2023. This finding reveals that ESG (Environmental, Social, and Governance) and good corporate governance (GCG) principles measured by institutional ownership, independent board of

commissioners, and audit committees have a positive and significant impact on company value. Companies can demonstrate their dedication to environmental, social, and good corporate governance obligations by implementing ESG and corporate governance practices. This will help build a positive image of the company, which will ultimately increase its value in the long term. Meanwhile, financial performance has a negative and insignificant effect on company value.

The limitation in this research lies in the approach used to assess profitability indicators that only rely on Return on Asset (ROA), so it has not been widely covered in measuring the company's value. With this limitation, suggestions for further research include the use of various profitability measurement methods such as Return on Equity (ROE), Net Profit Margin (NPM) and Gross Profit Margin (GPM).

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