INQUISITIVE

International Journal of Economic

Vol. 6 No. 1
December 2025

Penerbit : UP Press

ISSN : 2775 - 1244

p-ISSN: 2775-1244
e-ISSN: 2774-8634

Inquisitive: International Journal of Economic

PUBLISHER
Pancasila University
Faculty Economic and Business
Telp.: (021) 7873711 / (021) 7270133
Email: inquisitive@univpancasila.ac.id
Website: http://journal.univpancasila.ac.id/index.php/INQUISITIVE

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Inquisitive: International Journal of Economic

p-ISSN 2775 – 1244
e-ISSN 2774 – 8634

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DOES THE QUALITY OF SERVICE AND ACCOMMODATION FACILITIES AFFECT THE CONSUMER SATISFACTION? CASE BUNDA HOUSE SYARIAH PADANG

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Received: May 21, 2025 **Accepted: June 30, 2025** **Published: December 23, 2025**

Abstract: Accommodation is essential for supporting the tourism industry in Padang along with surrounding areas. This study would like to assess how accommodation facilities affect consumer satisfaction at Bunda House Syariah. The population the research projrct surveyed 67 visitors who stayed at Bunda House Syariah throughout 2024. The study identified a substantial positive correlation between service quality and customer satisfaction, meaning that guests at Bunda House Syariah feel comfortable and well-served by the provided services, leading them to make repeat reservations when visiting Padang. On the other hand, the accommodation facility variable was found to be insignificant, which suggests that customers at Bunda House Syariah are already satisfied and find the existing facilities suitable for their needs. Future studies can consider for add other variables that have a more significant impact on customer satisfaction like price perception, Technology Adoption and so on.

Keywords: service quality, accommodation facilites, costumer satisfaction, Hospitality industry, Bunda House Syariah

Abstrak: *Penginapan merupakan pendukung utama sektor pariwisata di suatu daerah, begitu juga di kota Padang. Tujuan dari penelitian ini untuk mengetahui pengaruh fasiltas penginapan terhadap kepuasan konsumen di Penginapan Bunda House. Populasi dari penelitian ini meliputi semua pelanggan yang pernah menginap pada Penginapan Bunda House Syariah. Sedangkan sampel sebanyak 67 responden sepanjang tahun 2024. Metode penelitian memakai analisis regresi bergandaBerdasarkan hasil penelitian didapat bahwa kualitas pelayanan berpengaruh signifikan dan positif terhadap kepuasan pelanggan, ini bearti pelanggan pada Bunda House Syariah sangat nyaman dan terbantu dengan pelayanan yang diberikan serta melakukan reservasi ulang saat mereka berkunjung ke Padang. Variabel fasilitas penginapan diperoleh hasil tidak signifikan, hal ini bearti pada pelanggan Bunda House Syariah dengan fasilitas yang ada sudah merasa nyaman dan sesui dengan keinginan mereka. Selanjutnya dapat ditambahkan variabel lainnya yang lebih signifikan pengaruhnya terhadap kepuasan pelanggan seperti persepsi harga, layanan digital dan lainnya*

Kata Kunci: *kualitas pelayanan, fasilitas penginapan, kepuasan pelanggan, Industri Perhotelan, Bunda House Syariah*

INTRODUCTION

The tourism industry in Indonesia, particularly in Padang, has experienced rapid growth in recent years. One of the sectors that has significantly developed alongside this expansion is the hospitality and lodging sector. In an increasingly competitive market, service quality has become a crucial factor in attracting and retaining customers. High-quality service not only provides a positive experience for consumers but also influences their satisfaction levels, ultimately impacting their decision to return and use the lodging services again.

Although previous studies have examined the effects of service quality and lodging facilities on customer satisfaction, limitations remain in understanding how these factors interact within different customer demographics, individual preferences, and evolving industry trends. A bibliometric analysis of service quality and customer satisfaction using the Scopus database found that these factors play a vital role in maintaining competitive advantage and improving financial outcomes (Utami et al., 2023). Additionally, a systematic literature review of 200 Scopus-indexed publications confirmed that customer satisfaction significantly influences customer loyalty (VO et al., 2020). This study aims to address these gaps by exploring the influence of service quality and lodging facilities on customer satisfaction through a more comprehensive approach.

Bunda House Syariah, as one of the lodging establishments in Padang, strives to provide the best service following Syariah principles to meet the needs of tourists. However, despite offering adequate facilities, further evaluation is required to understand how its service quality influences the satisfaction of guests staying at Bunda House Syariah.

Customer satisfaction is vital, as it serves as the foundation for building a strong business reputation and fostering customer loyalty. Excellent service, ranging from the reservation process to cleanliness, comfort, and staff hospitality, plays a key role in determining whether customers feel satisfied with the services provided. Therefore, this study seeks to assess the impact of service quality on customer satisfaction at Bunda House Syariah. The findings of this research will provide valuable insights into the relationship between service quality and customer satisfaction, offering recommendations to assist Bunda House Syariah's management in enhancing their service standards. Although prior studies have addressed the relationship between service quality and customer satisfaction, few have focused specifically on Syariah-based accommodations like Bunda House Syariah. Furthermore, existing literature often overlooks the influence of demographic factors, current industry trends, and lacks practical managerial recommendations tailored to the religious and cultural context of Syariah hospitality services.

LITERATURE REVIEW

Service Quality in the Hospitality Industry

Quality of Service in the Hospitality Sector In the tourism industry, consumer satisfaction and loyalty have a profound impact by service quality. In 1988, Parasuraman, Zeithaml, and Berry built the SERVQUAL model. outlines the five essential components of high-quality services: tangibles, assurance, responsiveness, empathy, and reliability. According to Tjiptono (2011), the dimensions of service quality include the following: Speed – The time required to serve customers according to the standard timeframe set by the company. Accuracy – Speed alone is insufficient to achieve customer satisfaction without accuracy. Therefore, precision in service delivery is essential to ensure high-quality service. Safety – The sense of security provided by the company when serving customers.

Studies have shown that improving these dimensions leads to higher customer satisfaction and retention. In the hotel industry, service quality is not only about meeting customer expectations but also about exceeding them to create memorable experiences (Abukhalifeh & Mat Som, 2012). The World Tourism Organization (UNWTO) refers to sustainable tourism as tourism that assesses past and future aspects of economy, society, and the environment impact.

The Function of Lodging Facilities in Customer Satisfaction

Lodging facilities, including room quality, cleanliness, amenities, and security, play a significant role in shaping customer perceptions. Research indicates that well-maintained facilities contribute to positive customer experiences and enhance overall satisfaction. A study on hotel service quality management found that tangible aspects, such as modern infrastructure and comfortable accommodations, significantly impact guest satisfaction and their likelihood of returning(Abukhalifeh & Mat Som, 2012).

The Correlation Between Customer Satisfaction and Service Quality

Customer satisfaction refer to influenced by both service quality and lodging facilities. The Expectancy-Disconfirmation Theory (Oliver, 1980) suggests that satisfaction occurs when customer expectations are met or exceeded. Empirical studies confirm that Superior service quality enhances client satisfaction, thereby cultivating customer loyalty.

A conceptual framework analyzing service quality and customer satisfaction consist to hotels found that responsiveness and assurance are the most influential factors in determining guest satisfaction.

The Influence of Syariah Principles on Hospitality Services

In Syariah-compliant hotels, service quality is not only measured by conventional standards but also by adherence to Islamic principles. Research has shown that Syariah-compliant lodging facilities attract a niche market of Muslim travelers who prioritize halal services and ethical business practices (Utami et al., 2023). A study on Syariah hospitality management highlights that integrating religious values into service delivery enhances customer trust and satisfaction.

Conceptual Framework

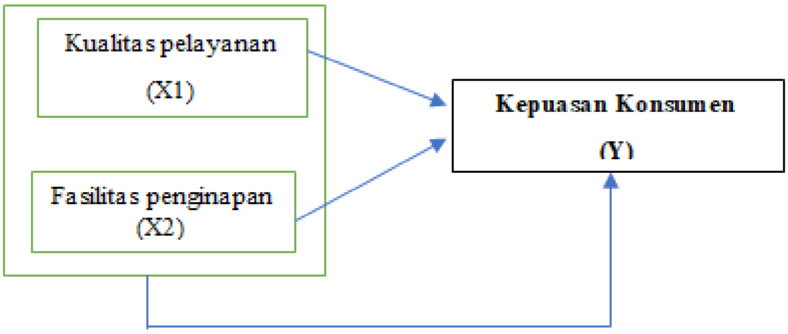

Figure 1. The framework

RESEARCH METHODOLOGY

Base on this study requires quantitative approaches. Which utilizes scientific techniques to collect numerical data, conduct statistical analyses, and derive conclusions based on findings. The implementation of quantitative research methodology enables researchers to objectively test hypotheses, draw broader generalizations about the population, and provide strong empirical data to support their conclusions.

Population and Sample

A population is a huge collection of goods or people that have characteristics defined by researchers to study and draw conclusions from. (Sugiyono, 2018). The population in the research investigated consists for guests who stayed in accommodations throughout the year 2024. Researchers use a sampling technique non-probability samplin using Slovin's formula, a sample size of 67 respondents was determined.

Dataset and collection Procedures

Table 1. Experimental Parameter

Variable	Definition	Indicators	Source
Consumer satisfaction(Y)	Consumer satisfaction refer to result of using goods and services that meets or event exeeds the expectations envisioned by consumers	a. –overall customer satisfaction b. – The dimension itself of c. customers satisfaction d. –repuchase intntion e. –willingness for recomendation f. –consumer satisfaction	(Fandy Tjiptono, 2014)
Service quality (X1)	Service quality is a critical component in a company's success, enabling the creation of positive customer perception and leading to customer satisfaction and loyality	1. -Tangible 2. Realibility 3. Responsiveness 4. Assurance 5. Empathy	(Rahmat Lupi Youdi 2014)
Accomodation fasility (X2)	Accomodation facilities refer to the physical	1. –consideration on planing 2. –space planing.	(Pratama, 2024)

Variable	Definition	Indicators	Source
	elements and atmosphere shape by the exterior provided by service providers to create a sense of security and comfort for consumers	3. –equipment supplies	

Technique Data Analyssis

a. Validity test

The criteria for validity test if the correlation coeficient variable more than the correlation table and positive it is mean valid. But if that value exceeds than the table value and it positive it is mean non valid

b. Reliability test

Reliability can detect by Cronbach Alpha value more than 0.6 indicate strong or reliable dependently. But if that value underneath 0.6 it signifies the test instrument is unreliable reflects inadequate dependability.

c. Test Partial Significant (t test)

Partial significant test are doing for each independent variable to dependent variable, when t statistc over than the table value it is mean significant or we can see from significance value base on output table the value under 0,5 it is mean significant and independent variable influence the dependent variable.

d. F –test (Simultaneous significan test)

Simultance significant test is utilized during F statistic more than F table or we can see for significance level from the output regeression it is mean significant or all variable independence influence the dependent variable.

e. Determination Coefficient (Rsquare)

Coefficient of Determination for value contribution of all independent variables for variable dependent change, and 1- Rquare is influenced by another variable outside models

RESULT AND DISCUSSION

Validity Test

Table 2. Consumer Satisfaction Validity Test Table (Y)

Nomor Item	CITC	Role Of Thumb	Information
Y1	0,864	0,01	Valid
Y2	0,898	0,01	Valid
Y3	0,842	0,01	Valid
Y4	0,789	0,01	Valid

Source: Primary Data Processed SPSS 29, 2025

The table prior to the customer satisfaction variable consist of four question legitimate because each statement had a Corrected Item-Total Corelation (CITC) larger than the Role of Thumb value of 0.01.

Table 3. Service quality (X_1)

Statement	CITC	Role Of Thumb	Conclusion
X1.1	0,765	0,01	Valid
X1.2	0,785	0,01	Valid
X1.3	0,795	0,01	Valid
X1.4	0,773	0,01	Valid
X1.5	0,680	0,01	Valid
X1.6	0,828	0,01	Valid
X1.7	0,744	0,01	Valid
X1.8	0,809	0,01	Valid
X1.9	0,783	0,01	Valid
X1.10	0,872	0,01	Valid

Source: Primary Data Processed SPSS 29, 2025

In accordance with the table previously, the service quality variable, which consisted of 10 statements, was valid because each statement had a Corrected Item-Total Corelation (CITC) greater than the Role Of Thumb value of 0.01.

Table 4. Accomodation fasility (X_2)

Statement	CITC	Role Of Thumb	Conclusion
X2.1	0,819	0,01	Valid
X2.2	0,798	0,01	Valid
X2.3	0,819	0,01	Valid
X2.4	0,815	0,01	Valid
X2.5	0,827	0,01	Valid
X2.6	0,810	0,01	Valid

Source: Data process by SPSS 29, 2025

The table above shown above, the accommodation facility variable, which consisted of six question, was valid because each question have a Corrected Item-Total Corelation (CITC) greater than the Role Of Thumb value of 0.01.

Reliability Test

Table 5. Reliability Test Results

Variabl	Cronbach's Alpha	Role Of Thumb	Conclusion
Consumer Satisfaction (Y)	0,865	0,60	Reliable
Service quality (X1)	0,923	0,60	Reliable
Accomodation fasility (X2)	0,897	0,60	Reliable

Source: Primary Data Processed SPSS 29, 2025

We can see from reliability results of the test, we can see the value for all variable larger 0.6 indicating reliable or under criteria. It is conveys all items in research questiont can generate same for data. And when the question asked again the answer is frequenty same the earlier

Classical Assumption Tests

Normality Test

The normality test verifies whether the residuals of a regression model are regularly distributed. This is important since many statistical tests require normalcy for accurate inference. The Kolmogorov-Smirnov test is a common method for determining if residuals vary heavily from a normal distribution.

Table 6. Normality Test

One-Sample Kolmogorov-Smirnov Test

			Unstandardized Residual
N			67
Normal Parameters[a,b]	Mean		.0000000
	Std. Deviation		3.69603819
Most Extreme Differences	Absolute		.100
	Positive		.100
	Negative		-.065
Test Statistic			.100
Asymp. Sig. (2-tailed)[c]			.096
Monte Carlo Sig. (2-tailed)[d]	Sig.		.095
	99% Confidence Interval	Lower Bound	.088
		Upper Bound	.103

a. test distribution is Normal
b. calculated from data
c. Lilliefors Significance Correction
d. Lilliefors'method based on 10000 Monte Carlo samples with starting srrd 624387341

Source: Primary Data Processed SPSS 29, 2025

The variable's Kolmogorov-Smirnov analysis results indicate an asymp.sig value of 0.96, which is greater than 0.05, indicating that the regression model has a normal distribution.

Multicolinearity

Multicollinearity Test Multicollinearity arises when independent variables are strongly correlated, making it difficult to discern their separate effects on the dependent variable. The Variance Inflation Factor (VIF) is a widely used method to detect multicollinearity. If VIF values exceed 10, it indicates a serious multicollinearity problem.

Table 7. Multicolinearity Test

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.	Collinearity Stratistic	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	.605	1.212		-.499	.619		
	X1	.348	.064	.696	5.399	<.001	.266	3.763
	X2	.115	.087	.171	1.331	.188	.266	3.763

Source: Primary Data Processed SPSS 29, 2025

Based on what is shown of table 7, it is clear that the regression model in this study has a tolerance value larger than 0.10 and a VIF less than 10, implying that the regression model is not multicollinear.

Heteroskedastisity Test

The heteroskedasticity test is accomplished utilizing a Scatter Plot. The heteroskedasticity test using a Scatter Plot generates an output in the form of an image, which can create uncertainty in drawing conclusions. Data is considered to have passed the heteroskedasticity test in a Scatter Plot if Data points are distributed both on top and underneath the 0**.**

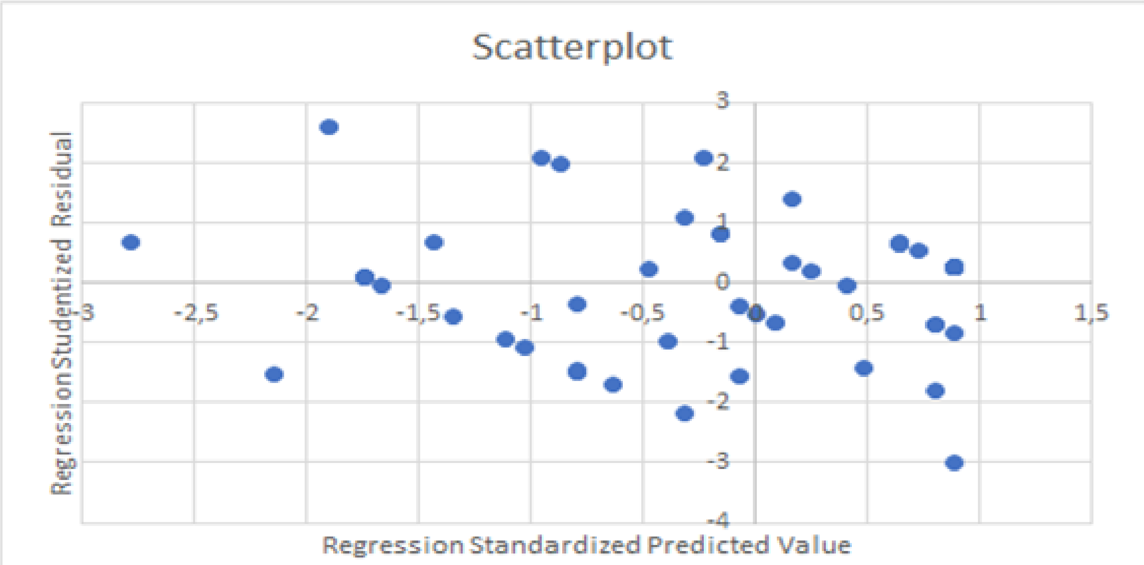

Figure 2. Heteroskedastisity Test
Source: Primary Data Processed SPSS 29, 2025

Figure 2 show, this indicates there is no heteroscedasticity because the points are spread out throughout (they are at every point).

Autocorelation Test

The autocorrelation test is designed to evaluate whether there is a connection in a linear model between the disturbance error in period t (the analysis period) and the error in last period t-1 (in the previously interval). The examine is conducted with examining the **Durbin-Watson statistic.** The Durbin-Watson test is used to do the autocorrelation analysis. If the Durbin-Watson (DW) value exceeds the table value **(4 - du)** or below **du**, it indicates the possibility of autocorrelation the regression model. The test results using **Durbin-Watson** provide insights into whether the model exhibits autocorrelation

Table 8. Autocorelation Test

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.847[a]	.717	.708	.92822	1.960

a. Predictors: (Constant), accomodarion facility, services quality
b. Dependent Variable: consumer satisfaction
Source: Primary Data Processed SPSS 29, 2025

From table 8 above, the DW value is 1.960, This result will be compared to the table value at a 5% significance level. If the number of samples utilized is 67 (n) and the number of independent variables is 2 (k = 2), the value obtained in the Durbin-Watson table is dl = 1.5433, du = 1.6660. Because the DW value of 1.960 is larger than the upper limit (du) of 1.6660 and less than four minus 1.6660 (2.334) based on the decision table du < Dw < 4-du: 1.6660< 1.960< 2.334), it can be concluded that there is no autocorrelation.

Multiple Regression

Table 9. Multiple Regression

Coefficient[a]

Model	Unstandadized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
1 (Constants)	.605	1.212		-.499	.619
Service Quality	.348	.064	.696	5.399	.001
Accomodation Facility	.115	.087	.171	1.331	.188

a. Dependents Variable: Consumers Satisfaction

Source: data source SPSS 29, 2025

$$\mathbf{Y = 0.605 + 0.348\, X_1 + 0.115 X_2}$$

The constants value is 0,65, indicate is no change in the variables service quality, accomodation facility, the consumer satisfaction will be 0,605 percent.

The coefficients value for service qualitys is 0.348, meaning that when service quality increases by 10% while the accommodation facilities remain unchanged or constant, then consumer satisfaction at Bunda House Syariah Kota Padang will increase by 3.48%.

The coefficient value for accomodation fasility is 0.115 meaning that if accomodation fasility increases by 10% while the service quality remain unchanged or constant, then consumer satisfaction at Bunda House Syariah Kota Padang will increase by 3.48%.

Partial Hypothesis Test (Test t)

Table 10. T Test (Results t)

Coefficients[a]

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
1 (Constant)	-.605	1.212		-.499	.619
Service quality	.348	.064	.696	5.399	001
Accomodation fasility	.115	.087	.171	1.331	.188

a. Dependent Variable: Consumer Satisfaction

Source: Primary Data Processed SPSS 29, 2025

Base colum T, the t test is used to reject H0 if the estimated t value exceeds the t table. The t-table value is 1.679, and the significance level is 0.05. The findings from partial hypothesis testing are as follows:

1. Based on the surface of the table a calculated t value of 5,339 > t of table 1.679, resulting in a Sig value of 0.01 < 0.05. As a result, it is possible to conclude that the variable service quality (X1) has a large positive impact on consumer satisfaction.
2. The table yields a calculated t value of 1,331 < t of the table 1.679, and a Sig value of 0.188 > 0.05. As a result, it is possible to conclude that there is no substantial influence on consumer satisfaction based on the variable accommodation fasibility (X2).

Simultaneous Significance Test (F Test)

Table 11. Result of Coefficient of Determination

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.847[a]	.718	.709	.927

a. Predictors: (Constant), Service quality, Accomodation fasility
Source: Primary Data SPSS 29, 2025

Table 12. ANOVA[a]

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	139.702	2	69.851	81.349	<.001[b]
	Residual	54.954	64	.859		
	Total	194.657	66			

a. Dependent Variable: Consumer Satisfaction
b. Predictors: (Constant), Service quality, Accomodation fasility
Source: Primary Data Processed SPSS 29, 2025

Based on the calculation results of table 11, Coefficient of Determination reflect by adjusted R square value was 70.9 percent it's mean 70.9%, meaning that the contribution of service quality and accommodation facilities to the fluctuations in consumer satisfaction accounts for that percentage, while the remaining 29.1% is influenced by variables outside the model. Actually correlation.

The F calculate value of 81,349 was obtained during simultaneous hypothesis testing with the Anova or F test. The value in Ftable for $\alpha = 0.05$ and df 2 = 67-2-1=64 is 10,597. The Fcalculate value (81,349) exceeds the Ftable value (10,597), however the significance value (0.000) is less than the α significance level (0.05). As a result, the null hypothesis (H0) may be rejected.

Discussion

H_1: Service quality has a positive and significant effect on the consumer satisfaction

H_2: Accomodation facility has no significant effect to consumer satisfaction on Bunda House

H_3: Service quality and Accomodation facility has a favorable and noteworthy impact on the consumer satisfaction on Bunda House.

Based on what was found of the second hypothesis test (H_2), it was found that there were accomodation facility variables that did not have a good and meaningful impact on consumer satisfaction at the Bunda House Syariah in Padang City. This is evidenced by a significance value greater than 0.05, which indicates that increasing or decreasing facilities does not directly affect the level of consumer satisfaction. In other words, although facilities such as comfortable rooms, cleanliness, or complete supporting facilities can provide a good experience, other factors such as price and location of the lodging seem to play an important role in determining consumer satisfaction.

Data analysis is the most crucial part of the research. Data analysis summarizes collected data. It involves the interpretation of data gathered through the use of analytical and logical reasoning to determine patterns, relationships or trends. Discussion provides the explanation and interpretation of results or findings by comparing with the findings in prior studies.

CONCLUSION

The implications that can be taken from study data concerning the correlation service quality and accomodation facility ti consumer satisfaction on Bunda House Syariah are as follows:

1. Service quality has a positive and significant effect on customer satisfaction, supporting the first hypothesis. Guests reported a high level of satisfaction with the services provided by staff and operational units. This satisfaction is evident in their behavior, particularly through repeat bookings, which indicate strong loyalty to the service experience.
2. Accommodation facilities, when examined independently, do not show a statistically significant effect on customer satisfaction. However, this finding suggests that guests are already content with the available facilities. When combined with high service quality, these facilities contribute meaningfully to overall customer satisfaction. Therefore, service quality appears to play a mediating role in enhancing the perceived value of accommodation facilities.
3. Taken together, service quality and accommodation facilities have a positive and significant impact on customer satisfaction, confirming the third hypothesis. This underscores the importance of maintaining high service standards while ensuring that physical amenities meet or exceed guest expectations.

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INQUISITIVE Vol 6 (1) (December 2025) page: 13 – 31
e - ISSN 2775 – 1244 p - ISSN 2774 – 8634
e-journal : http://journal.univpancasila.ac.id/index.php/INQUISITIVE/

EXPLORING ACCOUNTANTS' VIEWS ON THE FUTURE OF THE PROFESSION IN THE ERA OF ARTIFICIAL INTELLIGENCE

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Received: October 05, 2025 Accepted: December 01, 2025 Published: December 23, 2025

Abstract: Goldman Sachs has projected that Artificial Intelligence (AI) may potentially replace the equivalent of 300 million full-time jobs worldwide, as many occupational tasks and functions can be automated. AI technologies are particularly useful in accounting-related work, with platforms such as QuickBooks, Xero, Sage Intacct, BlackLine, and AuditBoard already widely applied. The purpose of this study is to examine the attitudes, knowledge, expectations, and concerns of respondents regarding the future of the accounting profession. Adopting a quantitative descriptive approach, this research uses data quality tests, variable descriptions, and crosstab analyses, with data collection through online questionnaires by targeting professional accountants as respondents (excluding accounting educators). The findings indicate generally positive perceptions toward the importance of skills development, training, and readiness to adapt to AI technologies, which are believed to enhance the efficiency and quality of accounting work. However, a portion of respondents expressed concern over ethical implications and the potential replacement of certain routine tasks.

Keywords: Accounting, Artificial, Perception, Profession, Views.

Abstrak: *Bank investasi Goldman Sachs menyatakan bahwa Artificial Intelligence bisa menggantikan setara dengan 300 juta pekerjaan penuh waktu di seluruh dunia, karena tugas dan fungsi pekerjaan tersebut bisa dilakukan secara otomatis. Teknologi AI sangat usefull dalam menyelesaikan pekerjaan yang berhubungan dengan akuntansi, seperti Quicbooks, Xero, Sage intacct, BlackLine, AuditBoard, dll. Tujuan Penelitian ini ialah untuk mengetahui sikap, pengetahuan, harapan, maupun kekhawatiran responden terhadap profesi akuntan di masa depan. Menggunakan pendekatan deskriptif kuantitatif dengan uji kualitas data, deskriptif variabel, dan uji crosstabs, data diperoleh dengan kuesioner yang di sebar via online dengan menetapkan responden para akuntan profesional (selain akuntan Pendidik). Hasil uji menunjukan persepsi positif terhadap pentingnya pengembangan keterampilan, pelatihan, dan kesiapan untuk beradaptasi dengan teknologi AI dan meyakini dapat meningkatkan efisiensi dan kualitas pekerjaan akuntansi. Meskipun terdapat kekhawatiran dari beberapa responden mengenai dampak etis dan potensi penggantian beberapa aspek pekerjaan rutin.*

Kata kunci: *Akuntan, Artificial, Pandangan, Persepsi, Profesi.*

INTRODUCTION

Artificial Intelligence (AI) has recently emerged as one of the most widely discussed phenomena, receiving extensive attention from both the public and the mass media. Although AI was introduced decades ago, the rapid pace of its development in recent years has generated significant interest and debate. Various stakeholders, ranging from scholars to industry practitioners, have increasingly leveraged AI's advanced capabilities, underscoring its transformative potential.

Rantti (2023) defines AI as a technological innovation that enables computer systems and software to "think" like humans and mimic human actions. AI is characterized by its ability to rationalize and determine the best possible actions in pursuit of specific goals.

Multiple scholars have defined AI, including Simon (1996), Rich (1991), Kristanto (2004), and Gaskin (2008). Despite differences in wording, these definitions converge on two main points: AI is computer-based intelligence capable of performing tasks traditionally executed by humans. Simon (1996) describes it as "a field of study, application, and instruction concerned with programming computers to perform functions that are regarded as intelligent by human standards." Similarly, Gaskin (2008) views AI as "intelligence demonstrated by an artificial entity, created and embedded in machines to enable them to perform tasks comparable to human capabilities."

The origins of Artificial intelligence can be traced back to the 1940s with the rise of digital computing. AI is often used to develop systems typically handled by humans. Initially, AI applications were designed to address mathematical and logical problems. Over time, however, AI has evolved and expanded into diverse domains, such as gaming, translation, and robotics.

In 1956, during the Dartmouth Summer Research Project on Artificial Intelligence, John McCarthy, who at the time served as an assistant professor at Dartmouth College, introduced the term 'artificial intelligence' (AI), stating that the main goal of AI is to understand and model human thought processes and design machines so that they can imitate them.

Artificial Intelligence, which continues to advance, certainly provides numerous benefits and supports the progress of human civilization, as many aspects of human life have become easier and faster due to AI. For example, in social media applications such as Facebook, by utilizing AI, users who want to tag someone in a photo no longer need to do it manually because Facebook can perform it automatically and accurately. Similarly, various conveniences are experienced by Android/Smartphone users through the use of Google Assistant. In the automotive sector, robotic technology (autonomous vehicles) applied to cars such as autopilot and the ability to read road signs allows drivers to relax. Likewise, many other conveniences are increasingly being contributed by AI technology today.

An AI research organization was established in 2015, namely OpenAI, with one of the owners being Elon Musk. OpenAI has developed various AI models that can be used for various purposes, and one of the most famous AI models is ChatGPT. This AI shocked the public when it was first released by OpenAI in November 2022. It can even be said that the excitement of reporting and public discussion about ChatGPT for some users became the starting point of recognition of various other AI technologies.

ChatGPT users in January 2023 reached 100 million active users, and in March 2023 its monthly active users exceeded 100 million. This is certainly a very high achievement for an application. ChatGPT operates using deep learning techniques to understand and generate human language. This technology has various applications in many fields, such as education, business, entertainment, and others.

The various capabilities offered by AI certainly provide positive contributions to civilization, but this also raises skepticism from some parties, for example in the world of work, because with AI many jobs no longer need to be carried out by humans. This raises the question of which jobs might be replaced.

Iswara (2023) reported that an investment bank, Goldman Sachs, stated that AI could replace the equivalent of 300 million full-time jobs worldwide, because tasks and job functions could be performed automatically. This is equivalent to a quarter of all jobs performed by humans in the US and Europe in 2023. The report highlighted a number of industries and job types that could be affected, including administration, law, architecture, and management. However, the report also identified significant potential in many sectors, estimating that AI could increase global GDP by 7%.

In health sector, several fields of medicine and science have already utilized AI, such as doctors using this technology to help identify breast cancer. Scientists also use AI to develop new antibiotics.

ChatGPT and other artificial intelligence are known to be technologies capable of generating text, images, sound, or other data based on the input provided. This technology has the potential to transform various fields and professions, including accounting. This is not merely opinion—related accounting institutions such as IAI (Ikatan Akuntan Indonesia) and KPAP (Komite Profesi Akuntan Publik) have in several events, either in webinars or podcasts, discussed themes related to Artificial Intelligence and the accounting profession, such as “The Threat of ChatGPT to the Accounting Profession” (by IAI), “Artificial Intelligence in Accounting and Auditing” (by KPAP), “Will the Accounting Profession Still Survive?” with the Chairman of DPN-IAI (Ardan Adiperdana in the Helmy Yahya Podcast), and in other professional accounting activities.

AI technology is very useful in completing work related to accounting, such as QuickBooks, Xero, Sage Intacct, BlackLine, AuditBoard, etc. Each of these products has its own functions in accounting by utilizing AI technology.

Some benefits in the field of accounting that can be obtained from the use of AI technology include increased efficiency, accuracy, quality, and innovation in accounting work. For example, a study conducted in Saudi Arabia found a positive relationship between AI and perceived usefulness, implying that AI is considered useful for improving accounting and auditing methods in Saudi Arabia (Abdullah & Almaqtari, 2024). Regarding effectiveness and efficiency, Seniutis et al. (2024) concluded that AI technologies, if applied wisely, can streamline information processing and improve client interaction through automation, offering more personalized and efficient services.

However, this technology also poses challenges and threats to the accounting profession, such as reducing the need for human labor, increasing risks related to ethics, security, and data privacy, and requiring adjustments in competencies and regulations.

Based on the research topic, several research questions are formulated and described in accordance with the methodological approach employed, as follows:

1) How do professional accountants perceive the importance of skills development and training in responding to advancements in AI technology?
2) How prepared are professional accountants to adopt automation and artificial intelligence technologies in their work?
3) How do professional accountants view the impact of AI development on the efficiency and quality of accounting tasks?
4) How do professional accountants perceive the ethical implications of using AI in accounting practice?
5) How do professional accountants view the future of the accounting profession in relation to the adoption of AI and automation?
6) Are there differences in accountants' perceptions based on demographic characteristics (gender, age, education, area of expertise, and length of work experience)?

LITERATURE REVIEW

Social Cognitive Theory (Bandura, 1986). This theory explains that an individual's perception is influenced by the interaction between personal factors, behavior, and environment. Bandura argues that learning and changes in perception occur through observation, direct experience, and interaction with the environment, so accountants' perceptions of AI can change as exposure to this technology increases.

Artificial Intelligence

Artificial intelligence (AI) is a field of modern computer science and is the result of developing computer systems capable of performing tasks that are typically only achievable by humans. This includes natural language processing, contextual understanding, image recognition, decision-making, and more. AI's main goal is to enable machines to learn, adapt, and independently develop from experience.

The current development of AI is remarkable, with many tasks capable of being performed automatically in a short time. The application of artificial intelligence (AI) in accounting, for example, has transformed numerous processes and significantly impacted efficiency, accuracy, and analytical capability. Some accounting processes that have already utilized AI include;

a. Automatic Invoice Recognition and Processing: AI can be used to automatically recognize and process invoices. Systems can identify key information such as amounts, dates, and suppliers from invoice images or documents.
b. Data Processing and Transaction Classification: AI can classify transactions into appropriate categories. Machine learning algorithms can understand patterns in transaction data and automatically group them based on certain characteristics.

c. Cost Analysis and Financial Forecasting: AI systems can analyze historical data and identify trends that can be used to predict future costs or make financial forecasts. This helps companies in budgeting and financial strategy.

d. Fraud Detection and Automated Auditing: AI algorithms can detect suspicious patterns or anomalies in financial data, assisting in fraud prevention. Audit processes can also be enhanced through automatic financial data analysis.

e. Cash Management and Liquidity Forecasting: AI can assist in cash management by predicting liquidity needs based on payment and receipt patterns. This helps companies optimize cash allocation and avoid liquidity shortages.

Other applications include Automatic Financial Report Generation, Sentiment and Credit Analysis, Investment Management, and Financial Chatbots and Customer Service.

In addition to increasing operational effectiveness, the use of AI in accounting procedures creates new avenues for in-depth research and more intelligent decision-making in the financial and accounting fields.

Concept of Artificial Intelligence

Scholars have provided various definitions of AI. Among them, McCarthy (1956), a key figure in AI development, defines AI as "the science that makes machines do things that would require intelligence if done by humans."

Andrew Ng (2016), a computer scientist and founder of Coursera from England, describes AI as "a branch of computer science that enables computers to perform tasks that require human intelligence."

Russell & Norvig (2016), in their well-known book Artificial Intelligence: A Modern Approach, define AI as "a field of computer science that aims to create computers that can behave like humans—possessing intelligence."

Elon Musk, founder of Tesla and SpaceX, describes AI as "an artificial intelligence that allows computers to perform tasks that normally require human intelligence."

Kurzweil (1990), a futurist and well-known author, views AI as "the creation of computers or computer programs that can think and learn like humans."

Simon (1996), Nobel Laureate in Economics, describes AI as "research on how to make machines perform tasks that are currently considered human intellectual work."

The definitions provided by these scholars can be summarized in a single sentence: AI is a computer system or machine that possesses intelligence and can perform tasks previously achievable only by humans, with a level of intelligence above average human capabilities.

Branches of AI

AI consists of several main branches, including Machine Learning (ML), a subfield that allows machines to learn from data. There is also Computer Vision, which focuses on image recognition, and

Natural Language Processing (NLP), which enables computers to understand and communicate in human language. These are some examples of the many developing AI subfields.

The Role of Data in AI

Data is the primary resource in AI development. The more data available, the better AI can learn and perform. Data collection, storage, and processing are key to successful AI projects. Additionally, techniques such as deep learning allow AI to uncover complex patterns in data. For example, ChatGPT uses deep learning techniques to understand and generate human language. According to duniaku.idntimes.com, ChatGPT technology has various applications across fields such as education, business, and entertainment. Some examples of ChatGPT applications include;

a. ChatGPT can be used as a personal assistant to answer questions, provide suggestions, remind schedules, and assist with daily tasks.
b. ChatGPT can serve as a learning tool to help students understand subject matter, develop language skills, and produce academic writing.
c. ChatGPT can be used as an entertainment tool to generate engaging content such as stories, poems, songs, jokes, and more.

ChatGPT can also serve as a business tool to assist entrepreneurs in data analysis, report generation, strategy design, and customer communication. Artificial intelligence has been implemented in most industries, where AI models are used to detect fraud with smart suggestions and data protection (Afiqah Zamain & Subramanian, 2024).

Ethics and Challenges of AI

With AI advancement, ethical issues also emerge. Challenges related to privacy, algorithmic bias, unemployment, technology, and AI control are significant societal concerns. Efforts are required to ensure AI is used wisely and responsibly.

Accounting Profession

The accounting profession is a career field involving the analysis, management, and reporting of financial information for organizations, individuals, or other entities. Accountants are responsible for ensuring that financial information is prepared accurately, relevantly, and in accordance with applicable accounting standards.

The accounting profession involves analyzing, managing, and reporting critical financial information for business and financial decisions. Accountants have the responsibility to organize and manage accounting systems, prepare financial statements, audit financial reports, and provide general accounting insights. Accountants can be classified into several types, such as public accountants, educational accountants, government accountants, and corporate accountants. Accountants have at least two important roles;

a) The accounting profession plays a key role in economic development by providing financial information that investors, creditors, governments, and the general public can use to make informed and timely decisions.
b) They also help ensure transparency and accountability in business practices, which is crucial in increasing market trust.

The accounting profession plays a very important role in assisting organizations and individuals in managing their financial aspects. With high ethical standards, strict qualifications, and deep knowledge of accounting and finance, accountants contribute significantly to economic growth and business stability.

In the digital era, the future of the accounting profession is heavily influenced by:

1. The level of AI adoption in accounting practice. AI technology enables process automation such as transaction recording, data-driven auditing, and predictive analysis, which previously required significant human time and effort. This adoption not only increases efficiency but also transforms accountants' roles into more analytical and value-added functions (Kokina & Davenport, 2017). In this context, accountants are no longer merely performing administrative tasks but act as strategic advisors capable of interpreting data generated by intelligent systems (Appelbaum et al., 2017).
2. Changes in Accounting Work are also important indicators in assessing the future of this profession. Automation and technology usage shift responsibilities from mechanical tasks to those requiring critical thinking, professional ethics, and data-driven decision-making. Future accountants must have adequate digital skills and the ability to collaborate with intelligent systems to provide added value to organizations (IFAC, 2019). These changes mark a fundamental transformation in accountants' roles, from mere reporters to strategic partners in business decision-making.

These dimensions can be used to measure factors influencing the future of the accounting profession.

Perception

Perception is how individuals understand and interpret the world around them. It involves complex mental processes where people collect, process, and give meaning to sensory information received from their environment. Perception can also be influenced by personal experiences, values, beliefs, emotions, and social context.

Several scholars have provided concepts of perception or perceptual change, such as Social Cognitive Theory by Bandura (1986) and Selective Perception Theory studied in A Theory of Cognitive Dissonance by Festinger (1957).

Social cognitive theory emphasizes that perceptual changes are influenced by the interaction between personal factors (such as beliefs and attitudes), behavior, and the environment. Social learning processes, observation, and direct experiences play important roles in shaping an individual's perception.

Individual perception can change when they acquire new information or experiences from the environment or when they observe the behavior of others.

In this research, perception refers to accountants' ways of interpreting and understanding information related to technological developments, particularly the adoption of automation applications in accounting. This perception includes accountants' beliefs, risk assessments, and attitudes toward technological change and its impact on their profession. In this study, the following points are used as indicators to measure perception regarding the future of the accounting profession:

1) Relevant Technical Skills (Skills and Training) (IFAC, 2019), such as mastery of information systems, data analysis, and accounting software, as well as participation in continuous training to maintain competence.
2) Readiness for Automation, an important indicator given that accounting tasks are increasingly transferred to systems such as robotic process automation (RPA) and AI. Kokina & Davenport (2017) state that accountants capable of adapting to AI technology can take strategic roles within organizations.
3) Advancement of Artificial Intelligence or Technology Development (AI) opens opportunities to enhance large data processing efficiency, anomaly detection, and financial forecasting (Appelbaum et al., 2017).
4) Upholding Professional Ethics. Principles such as confidentiality, integrity, and objectivity remain fundamental in accounting practice, as emphasized by the IESBA in the Handbook of the Code of Ethics for Professional Accountants (2020).

Several studies have been conducted to assess accountants' perspectives on artificial intelligence, including:

Andani et al. (2022) found that accounting students' perceptions of AI-based curricula provided by universities in Indonesia positively and directly affected students' perceived competence in working with AI.

Mohammad et al. (2020) observed serious concerns among practicing accountants that they could be replaced by automated AI systems. To avoid this fate, accountants need to adapt not only to the use of information technology but also to the continuously changing business environment.

Ernis & Pirdaus (2022) found that the deep integration of emerging technologies such as big data, ML, and AI in accounting has introduced remarkable changes to the accounting profession, such as reengineering accounting procedures, reducing errors and distortions in accounting information, improving accounting efficiency, and promoting transformations in accounting career structures.

Rohmah et al. (2022) stated that technological developments, such as AI, will significantly impact professional accounting services in the future. New skills and knowledge are required to face these changes. Professionals are expected to confront future challenges and seize potential opportunities. They need a new set of skills related to AI systems in input, processing, and output.

RESEARCH METHODOLOGY

This study employs a quantitative descriptive approach using an online questionnaire as the data collection tool. The research population consists of accounting practitioners working as public accountants, government accountants, and management accountants, excluding accounting educators in Indonesia. According to data from web.iaiglobal.or.id, the total population amounts to 55,000 individuals. With the assumption that 10% are accounting educators, the population for this study is 51.554 individuals. The research sample was determined using random sampling with the Slovin formula, resulting in a requirement of 397 completed questionnaires as valid research data.

The questionnaire will be distributed through social media, email, or messaging applications, accompanied by a short narrative inviting accounting practitioners/professionals to take the time to complete it. The data collection period is scheduled for two months (from mid-February to mid-April 2024).

The online questionnaire consists of three sections. The first section contains questions regarding respondent characteristics, such as gender, age, education, occupation, and length of employment. The second section includes statements related to respondents' perceptions of the integration of artificial intelligence into the accounting profession in the future. These questions use a 5-point Likert scale ranging from strongly agree to strongly disagree.

The data obtained from the online questionnaire will be analyzed statistically using SPSS software. The analyses to be conducted include;

a. Validity and reliability tests to examine the quality of the research instrument.
b. Descriptive analysis to present the characteristics of respondents and their perceptions of the future of the profession in relation to the use of artificial intelligence.
c. Analysis of the relationship between respondents' demographic data and their answers across each variable dimension.
d. Crosstab Test

RESULT AND DISCUSSION

After distributing the online research questionnaire to several acquaintances for a period of not less than two months, the researcher was only able to collect data from 35 respondents. However, one of these respondents was identified as an accounting educator and was therefore excluded from the dataset, as this category does not fall within the scope of the research sample.

The following figure presents the results of the descriptive statistical analysis, which have been summarized by the author in the form of a diagram.

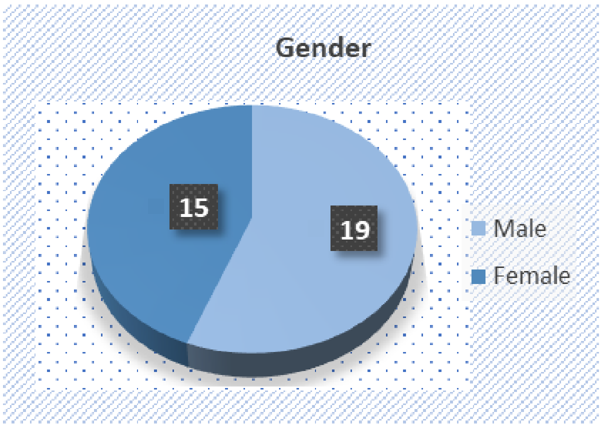

Figure 1. Distribution of Respondents by Gender

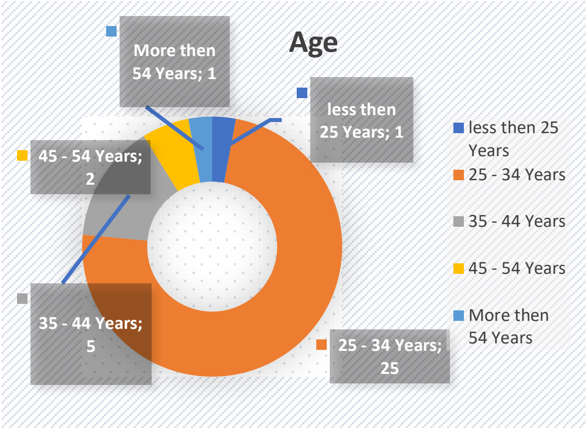

Figure 2. Distribution of Respondents by Age

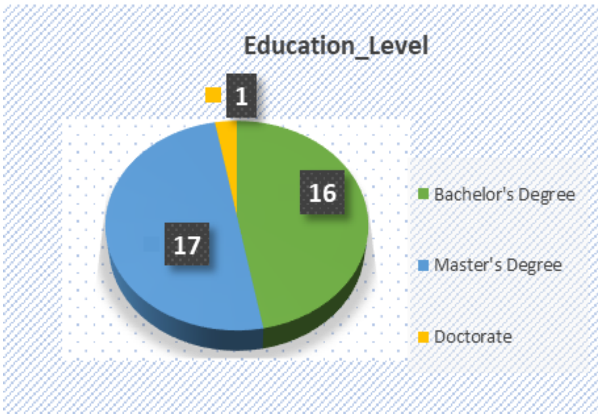

Figure 3. Distribution of Respondents by Education

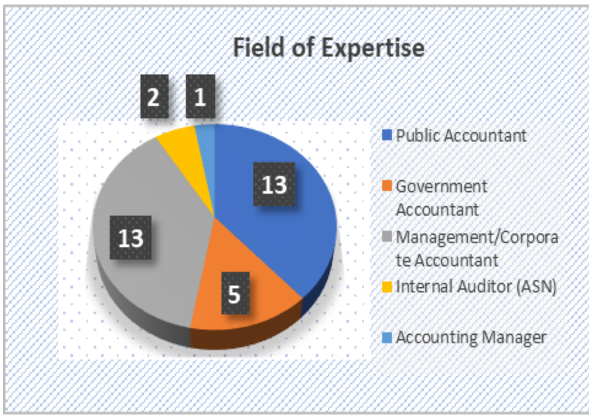

Figure 4. Distribution of Respondents by Expertise

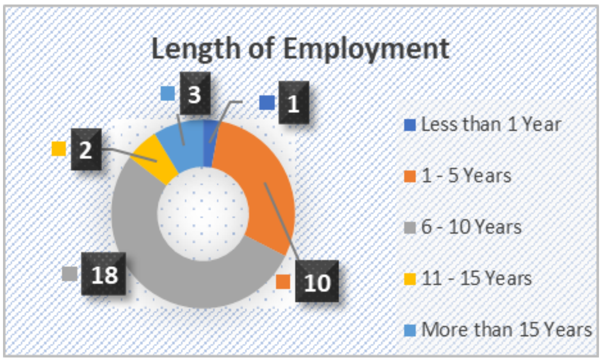

Figure 5. Distribution of Respondents based on Length of Employment

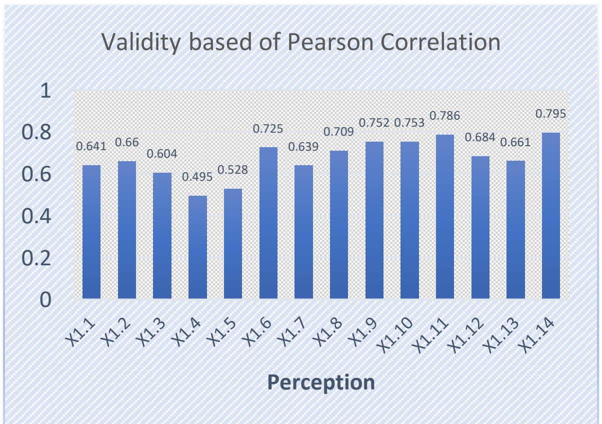

Figure 6. Validity of X-based data values of Pearson Correlations

Source: Primary Data Processed SPSS, 2025

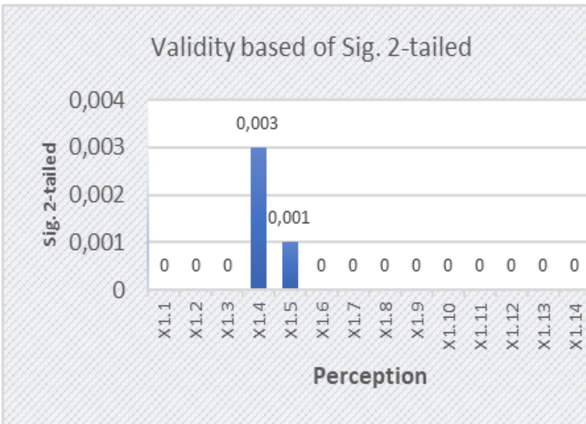

Figure 7. Validity of X-based data Sig. value (2-tailed)

Source: Primary Data Processed SPSS, 2025

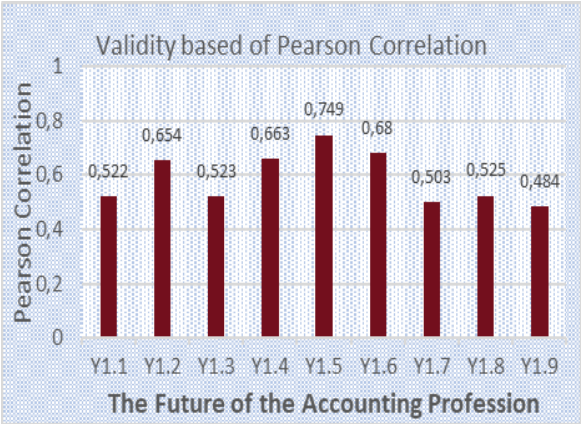

Figure 8. Validity of Y-based data, Personal Correlations value
Source: Primary Data Processed SPSS, 2025

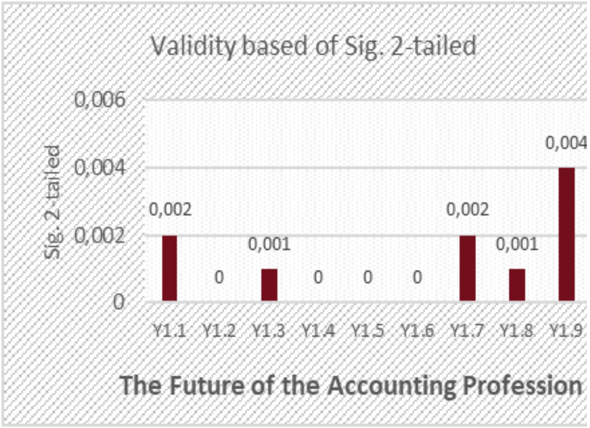

Figure 9. Validity of Y-based data Sig. value (2-tailed)
Source: Primary Data Processed SPSS, 2025

Table 1. Scale: All Variables

Case Processing Summary

		N	%
Cases	Valid	34	100.0%
	Excluded[a]	0	0.0%
	Total	34	100.0%

***Listwise deletion based on all variables in the procedure.**
Source: Primary Data Processed SPSS, 2025

Table 2. Data reliability

Reliablility Statistics

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
,844	,950	25

Source: Primary Data Processed SPSS, 2025

Table 3. Descriptive Perception Variables

	N	Range	Minimum	Maximum	Mean	Std. Deviation	Variance
X1.1	34	1	4	5	4,44	0,504	0,254
X1.2	34	3	2	5	3,88	0,88	0,774
X1.3	34	3	2	5	3,74	1,024	1,049
X1.4	34	4	1	5	3,56	1,078	1,163
X1.5	34	4	1	5	3,56	1,106	1,224
X1.6	34	3	2	5	4,15	0,744	0,553
X1.7	34	2	3	5	4,32	0,589	0,347
X1.8	34	2	3	5	4,06	0,6	0,36
X1.9	34	3	2	5	4,18	0,716	0,513
X1.10	34	3	2	5	4,15	0,784	0,614
X1.11	34	3	2	5	4,18	0,626	0,392
X1.12	34	4	1	5	3,62	1,074	1,152
X1.13	34	4	1	5	3,53	1,107	1,226
X1.14	34	4	1	5	3,82	0,936	0,877
Total.X	34	36	34	70	55,18	7,814	61,059
Valid N (listwise)	34						

Source: Primary Data Processed SPSS, 2025

Table 4. Descriptive Variables of the Future of Profession

Descriptive Statistic

	N	Range	Minimum	Maximum	Mean	Std. Deviation	Variance
Y1.1	34	3	2	5	4,03	0,937	0,878
Y1.2	34	3	2	5	4,32	0,684	0,468
Y1.3	34	3	2	5	4,24	0,741	0,549
Y1.4	34	3	2	5	4,26	0,71	0,504
Y1.5	34	3	2	5	4,06	0,851	0,724
Y1.6	34	4	1	5	3,88	0,913	0,834
Y1.7	34	4	1	5	3,59	1,104	1,219
Y1.8	34	3	1	4	2,59	0,892	0,795
Y1.9	34	4	1	5	2,88	1,149	1,319
Total. Y	34	26	17	43	33,68	5,596	31,316
Valid N (listwise)	34						

Source: Primary Data Processed SPSS, 2025

A. Interpretation of Accountants' Perceptions

1. Perceptions on Skills and Training Dimension

This dimension emphasizes how accountants assess the importance of developing skills in order to keep pace with technological advancements. The average scores are above 3 (on a 1–5 scale), indicating a general tendency toward agreement. This means that the majority of respondents acknowledge the importance of upskilling and training to remain relevant in an AI-driven environment.

The highest average score is found in the statement that accountants actively strive to develop their skills, reflecting a strong commitment to technological adaptation.

This dimension is concerned with how accountants evaluate the value of learning new skills to stay current with technology advancements. On a scale of 1 to 5, statistical test revealed an average score above 3, which suggests a propensity to agree. This indicates that most respondents agree that training and upskilling are essential to stay relevant in an AI-driven environment. Most accountants understand the value of skill improvement and look for AI-related training to stay relevant in their careers. Additionally, the workplace is thought to be quite supportive of these initiatives. These findings are consistent with Almufadda & Almezeini (2022) who stress the importance of AI adoption in the auditing profession and highlight the need for proper training. Hasan (2022) emphasizes the necessity of skill development for accounting professionals. Findings from Tempomona et al. (2023) also point out the demand for training as a means of preparing for technological change. Similarly, Ahmad (2024) states that accountants require new competencies such as digital literacy, AI comprehension, data analytics capabilities, critical thinking, and communication, collaboration, and adaptability skills. Comparable findings by Anomah et al. (2024) reveal a heightened awareness of the importance of mastering data analytics and AI, indicating the necessity for proficiency in skills such as data analytics, AI usage, and data interpretation.

2. Automation Readiness Dimension

   Statements 4–8 evaluate accountants' readiness to adopt automation technologies. The mean scores range between 3 and 4, as shown in X1.4 (mean = 3.56), X1.5 (mean = 3.56), X1.6 (mean = 4.15), X1.7 (mean = 4.32), and X1.8 (mean = 4.06). These results suggest that most respondents feel ready to use AI as an automation tool. However, the relatively high standard deviations for some items indicate variations in confidence and preparedness among accountants. This finding is in line with Grosu et al.(2023) who argue that accounting professionals are committed to transformation but often lack sufficient experience and are uncertain about how to respond to digital technologies. Similarly, Seethamraju & Hecimovic (2022) note that auditors perceive AI as a tool to enhance audit quality and efficiency, though some auditors remain in the adjustment stage.

   Overall, the results indicate that most accountants consider themselves reasonably prepared to adopt AI as a means to improve work quality and efficiency, even though some are still adapting.

3. Technological Development Dimension

   Statements 9–11 explore accountants' views on the impact of AI developments. Respondents generally express optimism regarding AI's benefits for efficiency and positive changes in accounting practices. This is reflected in the relatively high mean scores, all above 4 (X1.9 = 4.18, X1.10 = 4.15, X1.11 = 4.18).

   This positive perception shows that many accountants regard AI as an opportunity to improve the quality of their work. Although there is some variation in levels of confidence, the overall trend indicates optimism about AI's potential in enhancing efficiency and work quality. These findings are consistent with (Chandra & Nugraha, 2024) who report that respondents are generally optimistic about AI's role in improving audit efficiency and outcomes, especially in improving audit quality. Similarly, Ais Sahla & Latif (2023) find that auditors with positive perceptions of AI tend to make more accurate financial statement evaluations, reflecting confidence in AI's contribution to efficiency and audit quality.

4. Trust in Professional Ethics Dimension

   This dimension investigates accountants' beliefs about AI's role in maintaining and enhancing ethical practices in accounting. Although responses vary, most respondents show optimism regarding AI's support for more ethical practices, with an average score of 3.66.

   The descriptive table reveals relatively high standard deviations for the first two items (1.074 and 1.107), suggesting differences in perceptions of AI's ethical implications. This indicates that ethical concerns remain an issue to be carefully managed. Nonetheless, respondents generally maintain optimism about AI's potential to support ethical practices in the accounting profession. These results align with (Nugrahanti et al., 2023; Transformasi Praktik Akuntansi Melalui Teknologi Peran Kecerdasan Buatan, Analisis Data, Dan

Blockchain Dalam Otomatisasi Proses Akuntansi, n.d.) who highlight ethical challenges such as data privacy and change management, while still acknowledging AI's potential to enhance efficiency and support ethical conduct. This is also supported by (Holmes & Douglass, 2022) who argue that despite ethical concerns, AI can strengthen ethical practices by improving accuracy and efficiency. Likewise, Guan et al. (2022) show that with proper mechanisms, AI can assist ethical decision-making in various fields, including accounting. In contrast, the study conducted by Hasiao and Han (2023) reveals that respondents also expressed concerns regarding ethical issues associated with the use of technology.

Overall, accountants demonstrate positive perceptions regarding the importance of skills development and training to keep up with technological change, with the majority acknowledging that upskilling in AI is necessary to remain relevant. Readiness to adopt automation is also relatively high, as accountants generally perceive AI as an opportunity to improve work efficiency and quality, despite differences in confidence levels. Regarding technological development, respondents are largely optimistic about AI's positive impact on efficiency and work quality. Furthermore, although ethical concerns remain, most accountants believe AI can support ethical practices within the profession.

B. Interpretation of the Accounting Profession's Future

1. Adoption of AI in Accounting Practice

This dimension measures accountants' views on the adoption of AI in accounting practices. Most respondents believe that AI will transform the way accountants work and that they need to develop new skills. The mean score is relatively high (4.13), reflecting strong confidence in AI's impact on the profession's future.

Accountants generally acknowledge that AI can replace certain routine tasks, but they regard adaptation to AI as a positive step that can improve accuracy and work quality. This is supported by Apriana & Armiani (2025) who find that AI introduces innovations with both positive and negative implications, presenting challenges and opportunities for academics, practitioners, and policymakers in accounting. Similarly (Guyader, 2020) finds that AI can facilitate the application of complex accounting standards, enhancing accuracy and efficiency in reporting. Al-Obaidy (2024) also highlights that although AI may replace routine tasks, accountants view adaptation as a means to improve accuracy and efficiency.

2. Indicators of Change in Accountants' Work

This dimension focuses on how accountants perceive shifts in their roles as AI adoption increases. The results indicate some concerns that AI may replace aspects of their work, as reflected in mean scores exceeding 3.00 for negatively worded statements.

Despite these concerns, accountants generally remain realistic about the need to adapt to technological change. This highlights the importance of balanced strategies that integrate technological advancements with human skills.

The overall interpretation of the accounting profession's future suggests that most accountants believe AI adoption will significantly transform their work, requiring them to develop new skills. While the high mean scores indicate readiness for adaptation, concerns remain that AI may replace certain routine tasks and raise ethical questions. Nevertheless, accountants show a realistic outlook on the necessity of AI adoption, underscoring the importance of strategies that balance AI technology with human competencies.

C. Interpretation of Crosstab

1. Skills and Training Indicator
   a. Gender; Based on crosstab and Chi-Square tables for X1.1, X1.2, and X1.3, there are no significant differences between male and female respondents regarding their views on skills and training. For instance, the Chi-Square value for X1.1 is 1.266 with a significance level of 0.260, indicating no significant difference.
   b. Age; For this indicator, responses varied across age groups, but the Chi-Square value was not significant, such as for item X1.1 which yielded a value of 5.769 (with a significance of 0.217)."
   c. Educational Background; No significant differences in views on skills and training among respondents with undergraduate, master's, or doctoral degrees.
   d. Field of Expertise & Length of Employment; Overall, these variables show no significant influence on skills and training indicators.

2. Automation Readiness Indicators
   a. Gender; Crosstab results show no significant differences between male and female respondents regarding automation readiness across all indicators (X1.4–X1.8).
   b. Age; For X1.8, a Chi-Square value of 18.998 ($p = 0.015$) suggests that respondents aged 25–34 are more prepared compared to other age groups.
   c. Educational Background; A small but significant difference is observed in X1.8 ($p = 0.024$), indicating that educational attainment influences readiness for automation.
   d. Field of Expertise & Length of Employment; These variables show no significant effects on automation readiness indicators toward the variables of field of expertise and length of employment.

3. Technological Development Indicators
   a. Gender; Chi-Square tables show no significant differences between male and female respondents' views on technological development across all indicators.
   b. Age, Education, Field of Expertise, and Length of Employment; Crosstab and Chi-Square results indicate no significant differences for indicators X1.9–X1.11.

4. Trust in Professional Ethics Indicators
   a. Gender; Crosstab results indicate no significant gender differences in levels of trust regarding professional ethics (insignificant).
   b. Age, Education, Field of Expertise, and Length of Employment; No significant relationships are found between these demographic variables and responses to ethical trust indicators.
5. Adoption of AI in Accounting Practice Indicators
   a. Gender; There are no significant gender differences in views on AI adoption across all indicators.
   b. Age, Education, Field of Expertise, and Length of Employment; All demographic variables show similar responses, with no significant differences regarding AI adoption.
6. Indicators of Change in Accountants' Work
   a. Gender; Gender differences do not significantly influence perceptions regarding changes in accountants' work.
   b. Age, Education, Field of Expertise, and Length of Employment; No significant differences are observed in perceptions of work changes based on these demographic variables.

CONCLUSION

Overall, accountants exhibit positive perceptions toward the importance of skill development, training, and readiness to adapt to rapidly advancing AI technologies, which they believe can enhance the efficiency and quality of accounting work. Although concerns remain regarding ethical implications and the potential replacement of certain routine tasks, accountants remain optimistic and realistic in viewing AI as an opportunity. This highlights the need for balanced adaptation strategies that integrate technological mastery with human skills in order to maintain the relevance and ethical foundations of the profession in the future.

The crosstab analysis further indicates that demographic variables (gender, age, educational background, field of expertise, and length of employment) do not exert significant influence on the tested indicators. Perceptions related to skills, automation readiness, technological development, professional ethics, AI adoption, and changes in work responsibilities are relatively consistent across demographic groups.

Implications

This study provides several important implications for practice, education, and policy.

1. For accounting practitioners, the findings indicate the necessity of enhancing technical competencies, particularly in information technology, accounting information systems, and data analytics. Accountants can no longer rely solely on fundamental accounting skills but must adapt

to digital transformations such as robotic process automation (RPA) and artificial intelligence. Organizations employing accountants are encouraged to invest more in training and continuous professional development to strengthen preparedness for automation.

2. In higher education and accounting curricula, the results emphasize the urgency for institutions to revise curricula to be more responsive to labor market demands increasingly shaped by AI. Integrating materials on AI, data science, and digital ethics into accounting programs is essential to prepare graduates who are not only technically competent but also ethical and adaptive to change. This aligns with Andani et al. (2022), who found that students' positive perceptions of AI-based curricula enhanced their confidence in working with such technologies.
3. From a professional and regulatory standpoint, organizations such as IAI, IFAC, and IESBA must continue to develop ethical standards and professional guidelines relevant to the digital era. Respondents' concerns about ethics and privacy underscore the importance of upholding professionalism and accountability despite increasing digitization. Professional ethics remain a cornerstone in maintaining trust amid AI integration in accounting practices (IESBA, 2020).
4. For public policymakers, the findings highlight the need for supportive regulations and policies that promote inclusive digital transformation in the accounting sector. Governments can play a role in facilitating training, providing incentives for companies that adopt AI responsibly, and ensuring that digital transformation does not exacerbate inequality or lead to severe job displacement.

Finally, at the conceptual level, this study contributes to a deeper understanding of accountants' perceptions of technological disruption, particularly through the lens of Bandura's Social Cognitive Theory, which posits that perceptions evolve through the interaction between individuals and their environments. These findings open avenues for further research, such as testing models of technological adaptation among accountants using broader quantitative approaches or employing qualitative methods to explore the long-term dynamics of perception change.

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INQUISITIVE Vol 6 (1) (December 2025) page: 32 – 41
e - ISSN 2775 – 1244 p - ISSN 2774 – 8634
e-journal : http://journal.univpancasila.ac.id/index.php/INQUISITIVE/

THE EFFECT OF CAPITAL STRUCTURE, PROFITABILITY, AND COMPANY SIZE ON COMPANY VALUE

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Received: October 10, 2025 Accepted: December 03, 2025 Published: December 23, 2025

Abstract: This study aims to examine Capital Structure, Profitability, and Company Size in influencing Company Value in the primary consumer goods sector, especially in the food and beverage sector. This research focuses on companies listed on the Indonesia Stock Exchange (IDX) during 2020-2024. The sample was taken purposively, using a quantitative data approach, and involved a total of 75 firmyears. Data were analyzed using multiple linear regression models with the help of IBM SPSS 26 software for Windows and Microsoft Office Excel. The results obtained show that Capital Structure has a negative effect on Company Value, Profitability has a positive effect, and Company Size does not show a significant influence on Company Value.

Keywords: Capital structure, company size, company value, profitability.

Abstrak: *Penelitian ini bertujuan untuk mengkaji Struktur Modal, Profitabilitas, dan Ukuran Perusahaan dalam memengaruhi Nilai Perusahaan di sektor barang konsumsi primer, khususnya pada bagian makanan dan minuman. Penelitian ini fokus pada perusahaan-perusahaan yang terdaftar di Bursa Efek Indonesia (BEI) selama tahun 2020-2024. Sampel diambil secara purposive, menggunakan pendekatan data kuantitatif, dan melibatkan total 75 firmyears. Data dianalisis memakai model regresi linier berganda dengan bantuan software IBM SPSS 26 untuk windows dan Microsoft Office Excel. Hasil yang diperoleh menunjukkan bahwa Struktur Modal berpengaruh negatif terhadap Nilai Perusahaan, Profitabilitas berpengaruh positif, dan Ukuran Perusahaan tidak menunjukkan pengaruh yang signifikan terhadap Nilai Perusahaan.*

Kata Kunci: *Struktur modal, ukuran perusahaan, nilai perusahaan, profitabilitas.*

INTRODUCTION

Competition in the business sector is becoming increasingly intense every year. This condition requires companies to continue to innovate and devise effective strategies to maintain their existence and develop their businesses amid a competitive market dynamic (Mahanani & Kartika, 2022). The establishment of an entity must be based on clear objectives. One of the main focuses of a company is to generate profits, contribute to the success of its owners, and add value to the company. Companies with high value usually indicate that the business is operating well and has a bright future, making it attractive to investors. In general, an increase in company value can be seen from its share price, as investors' views in assessing the company can influence the increase and decrease in its share price (Shantiani et al., 2023).

Company value is the status obtained by a company after carrying out its operations as an indicator of public trust in the company. An increase in company value is a satisfying result for owners, as it is directly proportional to their increased welfare (Nurdin et al., 2023). Company value is usually seen through the price of its shares. The market price of shares, which is realized through interactions between buyers and sellers during transactions, is known as the market value of the company.

Company Value refers to the amount of money that a prospective buyer must pay to acquire the company (Nurdin et al., 2023). The following is the situation of Company Value in the primary consumer goods industry, particularly in the food and beverage sub-sector listed on the IDX from 2020 to 2024. The assessment of these entities will be carried out using the Price Book Value ratio:

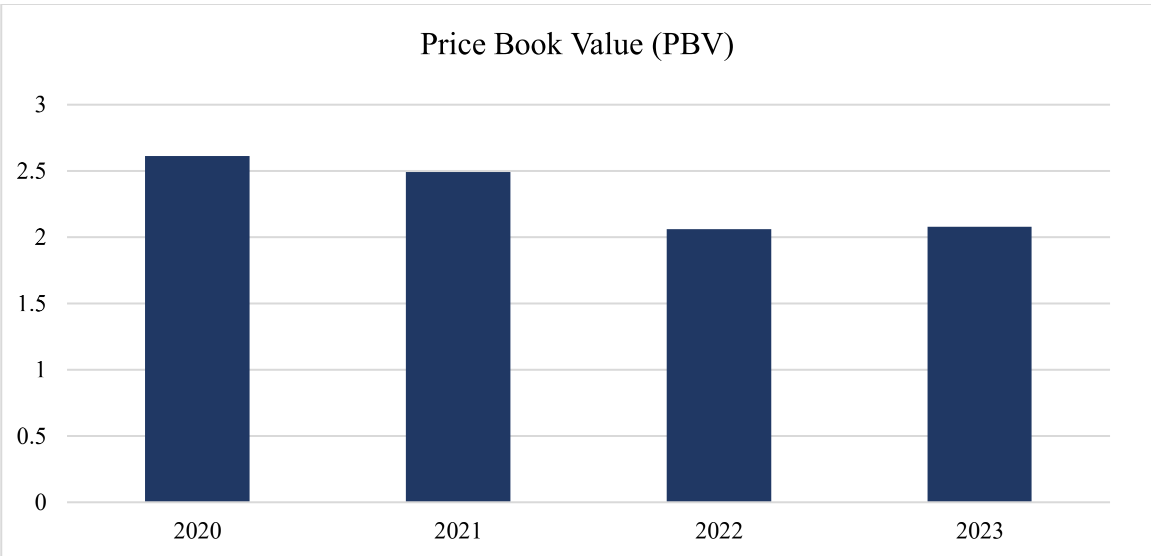

Figure 1. Value of Primary Consumer Goods Companies Food and Beverage Sub-sector 2020-2024
Source : http://www.idx.co.id, 2025

The figure shows Company Values from 2020 to 2024. In each company in the food and beverage sub-sector, there is an interesting phenomenon where 15 companies have experienced a continuous decline in value in recent years. The decline in Company Value indicates that these companies have poor value. This is because the PBV of each company has decreased on average, which can reduce investor confidence to invest. It can be concluded that shareholders are in a less prosperous situation.

Therefore, competition between companies is increasing (Maulana & Mediawati, 2022). Based on this phenomenon, this study attempts to predict the elements that influence Company Value by looking at the variables of Capital Structure, Profitability, and Company Size on Company Value.

Capital Structure is a comparison between businesses that can increase in value and become more competitive in the business world (Suastra et al., 2023). The goal is to increase Company Value by minimizing capital costs. Based on the theory of Capital Structure, when a company's Capital Structure reaches the ideal target, additional debt can potentially reduce Company Value. In studies of Capital Structure, the Debt Equity Ratio (DER) is an indicator that shows the extent to which a company is able to meet its debt payment obligations with the support of its equity.

Profitability shows a company's ability to generate profits from its assets, equity, and sales in a certain period. Therefore, profitability reflects a measure of a company's ability to generate realizable profits (Can & Sovita, 2024). Shares traded by companies with large profits are usually attractive to shareholders. This interest often causes an increase in the value of the company's shares. Therefore, it can be assumed that the profits earned by the company will likely affect the company's value.

Company size indicates the extent to which the entity operates, which can be assessed through various indicators, such as sales, share capital, or total assets (Rossa et al., 2023). Large companies tend to have a broader group of stakeholders, so the decisions they make often have a greater impact on the public interest than the policies implemented by small companies (Rossa et al., 2023). As an entity grows, it becomes easier for it to access funds, both from domestic and international sources. Large size reflects good development, which can attract positive responses from investors (Ristiani & Sudarsi, 2022).

This study is a continuation of the study conducted by Nurdin et al. (2023). The difference from the previous study is the addition of an independent variable, namely Company Size. Company Size indicates the total assets that have the potential to affect Company Value. Businesses that operate with higher added value generally find it easier to access financial resources optimally. Therefore, this study aims to examine the impact of Capital Structure, Profitability, and Company Size on Company Value by incorporating new factors and analyzing data from different samples.

LITERATURE REVIEW

Signaling Theory (*Teori Sinyal*)

Signaling theory was first introduced by Spence (1973) in his work entitled "Job Market Signaling." In his research, Spence (1973) explained how information senders attempt to communicate relevant signals to assist information receivers in their decision-making. This theory was further developed by Ross (1977), who emphasized the importance of information asymmetry in the context of capital markets and investment decisions. Signaling theory provides a framework for understanding how information is communicated in situations of uncertainty, and how the right signals can influence investment decisions and Firm Value. This theory is particularly relevant in the context of finance and business strategy, where effective communication can be key to success.

Signaling theory has a close relationship with Firm Value, especially in the context of management decision-making and market perception. Signaling theory provides a framework for understanding how companies can use available information to influence market perceptions and their value Safitri et al. (2023). By sending the right signals, companies are able to improve their image in the eyes of investors, reduce information asymmetry issues, and create greater confidence in the market.

The Influence of Capital Structure on Firm Value

A healthy capital structure is a key element for a company's success. Having the right Capital Structure not only has a positive impact on the company's financial condition, but can also accelerate growth and overall Company Value (Putu et al., 2021). Signal theory provides important insights into how decisions regarding Capital Structure can be used by management to communicate information and influence market perceptions, as well as how this can affect Company Value. The signals determined must reflect the quality of the company, which is derived from the elements connected to those signals (Suastra et al., 2023). Capital structure decisions can affect company value in the market. Investors may interpret the signals provided by the capital structure to assess risk and potential returns, which will ultimately have a significant impact on the company's stock price and total company value. Based on previous studies conducted by Nopianti & Suparno (2020), Rukiyanti & Mulyani (2023), and Putra & Putra (2021), an optimal capital structure has a positive effect on Company Value. Based on this explanation, the first hypothesis in this study is:

H_1 : It is hypothesized that Capital Structure affects Firm Value.

The Effect of Profitability on Firm Value

Every business wants to prove its ability to make a profit. Profit is a reflection of the financial results managed by the manager of an entity, which shows how successful the company is in generating profits (Oktiwiati & Nurhayati, 2020). This study is based on signaling theory, which explains that profit levels can serve as a positive signal to investors regarding the condition and future of a company. If an entity consistently demonstrates good profitability, there will be an increase in investor confidence and it will be able to attract more capital (Kurniadiantoyo, 2022). Research by Maulana & Mediawati (2022), Azahra et al. (2023), and Wardhani et al. (2021) indicates that there is a positive relationship between Profitability and Company Value. Based on the above statement, the second hypothesis of this study is:

H_2 : Profitability is suspected to have an effect on Company Value.

The Effect of Company Size on Company Value

Based on the opinion of Mahanani & Kartika (2022), company size can affect the overall value of a company's business. Company size can be assessed based on the number of assets it owns. The more total assets owned, the larger the company size (Novitasari et al., 2016). The larger and broader the scale of operations, the easier it is to obtain funds, both from internal and external sources. Based on signaling theory, the function of corporate governance is to direct investors on how management views the company's future prospects. If the total assets are large, the interest of the company's shareholders will increase, and the more interest from investors, the higher the share price will be. These results are in line with the findings of previous studies, namely Wardhani et al. (2021), Putu et al. (2021), and Isnaeni et al. (2021). They mention that company size has a positive impact on company value. Based on this statement, the third hypothesis in this study is:

H_3 : It is hypothesized that Company Size affects Company Value.

The relationship between the three hypotheses above is illustrated in the following conceptual framework:

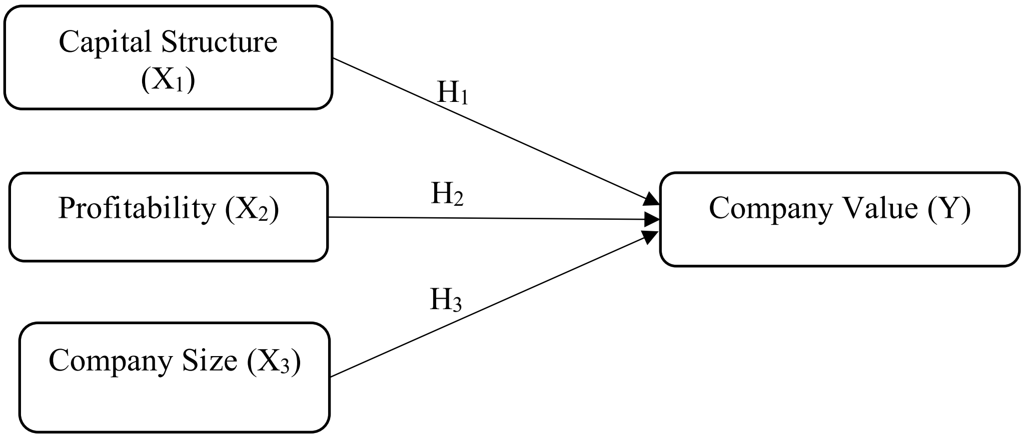

Figure 2. Conceptual Framework

RESEARCH METHODOLOGY

This study observes companies in the food and beverage sub-sector listed on the IDX during 2020-2024. The data analysis methods applied include classical assumption testing, multiple linear regression analysis, coefficient of determination, t-test, and f-test. The sample selection process was carried out selectively using purposive sampling, based on predetermined indicators. The selection of sample companies resulted in 15 companies that met the research criteria for the five-year period. The table below contains operational explanations for the variables used:

Table 1. Operational Definitions of Variables

Research Variables	Operational Definitions	Indicators	Sources
Capital Structure (X1)	Structure refers to all sources of funds used by a company to finance its assets and business operations	$DER = \frac{Total\ Debt}{Total\ Equity} X\ 100\%$	Shantiani et al. (2023), Putu et al., (2021), Noviyanti & Ruslim (2021)
Profitability (X2)	Profitability is a company's capacity to generate profits relative to its revenue, assets, or equity.	$ROA = \frac{Net\ Profit}{Total\ Assets} X\ 100\%$	Mahanani & Kartika (2022), Khatik (2021), Wildan et al. (2024), Safitri et al. (2023)

Company Size (X3)	Company size relates to the level or capacity of an entity in carrying out its operations.	$SIZE = Ln\ (Total\ Asset)$	Ristiani & Sudarsi (2022), Isnaeni et al. (2021), Mahanani & Kartika (2022)

Source: Various references, 2025.

RESULT AND DISCUSSION

Based on descriptive statistical testing of 15 companies and a total of 75 firm-years of observations, descriptive statistical results were obtained as presented in Table 2.

Table 2. Descriptive Statistical Test Results

Variable	Minimum	Maximum	Mean	Std. Deviation
Company Value	0.18	6.73	2.2157	1.49910
Capital Structure	0.10	3.53	0.8908	0.76013
Profitability	0.00	25.80	5.1381	6.33643
Company Size	1.07	937.00	130.0980	249.47011

Source: Processed data, 2025

As shown in Table 2, Company Value as an independent variable with a mean value of 2.2157 and a standard deviation of 1.49910 indicates that the average and deviation of Company Value are low. The independent variable Capital Structure has a mean value of 0.8908 with a standard deviation of 0.76013, indicating that the data is also low. Profitability shows an average value of 5.1381 with a standard deviation of 6.33643, indicating that the level of profitability is fairly low. Company Size has a mean value of 130.0980 and a standard deviation of 249.47011, indicating that Company Size in the company is low.

The results of the classical assumption test show that the regression model has met the data requirements, namely having a normal distribution, no multicollinearity (VIF < 10), no indication of heteroscedasticity, and no autocorrelation. This indicates that the model is suitable for use.

The adjusted R square result shows a figure of 0.174, indicating that the combination of DER, ROA, and SIZE can explain 17.4% of the change in PBV, while the remaining 82.6% is influenced by other variables.

The F test result shows a significance value of 0.001 < 0.05. Therefore, this study can be considered relevant and feasible so that the steps to prove the hypothesis can be continued.

The t-test to determine the significance of the influence or not between the independent variables and the dependent variables has shown the expected test results for H1 and H2. The results of the t-test are presented in Table 3.

Table 3. T-test Results

Hypothesis	Regression Coefficient	*t-value*	*Sig.*	Description
DER → PBV	-.622	-2.787	0.007	Significant (-)
ROA → PBV	.058	2.189	0.032	Significant (+)
SIZE → PBV	-2,59E-02	-.040	0.968	Not significant

Source: Processed data, 2025.

According to the data in Table 3, the Capital Structure (DER) variable has a negative coefficient (-0.622) and a sig. value of 0.007 < 0.05, indicating that DER has a significant negative effect on PBV. The results for the Profitability (ROA) variable show a positive coefficient (0.058) and a sig. value of 0.032 < 0.05. This result means that ROA has a significant positive effect on PBV. The Company Size (SIZE) variable has a coefficient of (-2.59) and a sig. value of 0.968 > 0.05, indicating that SIZE does not have a significant effect on PBV.

Discussion

The Effect of Capital Structure on Company Value

Based on the hypothesis testing results (t-test), hypothesis (H1) is accepted, which means that there is an effect on Capital Structure on Firm Value (negative). In the t-test table, it can be seen that the DER coefficient is -0.622 with a significance value of 0.007 < 0.05, which indicates that an increase in Capital Structure is associated with a decrease in Firm Value. This condition may arise due to an excessive level of Capital Structure, resulting in a decrease in Company Value. This discussion will use signaling theory to explain this phenomenon. In the context of Capital Structure, financing decisions made by management can serve as a signal to the market regarding the company's prospects.

Low debt can reduce financial risk, but it can also have negative consequences related to growth and market perception, which can reduce Company Value. This study is in line with the findings of Agustin (2021), Agatha & Irsad (2021), and Noviyanti & Ruslim (2021), which explain that capital structure has a negative effect on company value.

The Effect of Profitability on Company Value

Based on the results of hypothesis testing (t-test), hypothesis (H2) is accepted, which can be interpreted as a positive effect of Profitability on Firm Value. The ROA coefficient is 0.058 with a p-value of 0.032 < 0.05. These results indicate that the more efficient a company is in generating profits from its assets, the higher the firm value in the eyes of investors. This shows that investors tend to value companies with high profitability because consistent profits reflect strong performance and the possibility of future growth. Profitability theory emphasizes that a company's ability to generate profits is an important aspect of its performance.

Companies with high ROA not only increase their stock value but also reduce their dependence on debt, which in turn supports financial stability and sustainable growth. The findings of this study are consistent with the results obtained by Salsabilla & Rahmawati (2021), Putu et al. (2021), Maulana & Mediawati (2022), and Ristiani & Sudarsi (2022), which indicate that profitability has a positive effect on company value.

The Effect of Company Size on Company Value

According to the results of hypothesis testing (t-test), hypothesis (H3) is rejected, which also means that Company Size does not affect Company Value, with a p-value of 0.968 > 0.05. These results indicate that Company Size, whether large or small, does not affect Company Value. In the context of

Company Size, size itself can serve as a signal, but it is not always received positively by the market. Even though a company's total assets increase, this does not necessarily contribute to an increase in Company Value (Yulianti et al., 2022).

Larger companies may signal to shareholders that they are stable and have higher resources. However, if these large companies do not perform well, this signal can become a negative signal of poor operational efficiency or management. In this case, company size is no longer a positive signal. This study is in line with the findings of Yulianti et al. (2022), which show that company size does not affect company value.

CONCLUSION

Conclusion

Capital Structure has a negative effect on Company Value. This indicates that an increase in Capital Structure is associated with a decrease in Company Value.

Profitability has a positive effect on Company Value. The higher the profitability, the higher the Company Value.

Company Size has no effect on Company Value. These results indicate that the size of a company cannot affect its value.

Recommendations and Limitations

The results of this study indicate limitations in the research, where the variables considered as factors affecting company value only include capital structure, profitability, and company size. This can be seen from the coefficient of determination in this study, which reached 17.4%, while the remaining 82.6% was influenced by other variables. Based on these limitations, the following suggestions can be used as input for future research: a. The need to involve multinational companies and industrial sectors that have received less attention so that the results obtained can be more representative and comprehensive. 2. The need to consider the use of other variables as moderating factors or to apply different models and proxies. Other factors that can influence Company Value, such as dividend policy, ownership structure, and risk management, can be considered for more detailed studies in explaining Company Value.

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INQUISITIVE Vol 6 (1) (December 2025) page: 42 – 60
e - ISSN 2775 – 1244 p - ISSN 2774 – 8634
e-journal : http://journal.univpancasila.ac.id/index.php/INQUISITIVE/

ESG PERFORMANCE AND CARBON DISCLOSURE EFFECTIVENESS: INSIGHTS FROM A SYSTEMATIC REVIEW OF CARBON EMISSION INTENSITY STUDIES

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Received: October 13, 2025 Accepted: December 02, 2025 Published: December 23, 2025

Abstract: This study aims to systematically review empirical evidence on the influence of Environmental, Social, and Governance (ESG) practices and carbon disclosure on carbon emission intensity (CEI). The research problem arises from inconsistent findings across previous studies regarding whether ESG and disclosure effectively reduce emission intensity. Using a systematic literature review (SLR) approach, sixty empirical studies published between 2017 and 2025 were analyzed based on their research design, context, analytical method, and the direction of ESG–CEI relationships. The analysis reveals heterogeneous results: 27% of studies found a negative relationship, 22% a positive relationship, and the rest mixed or insignificant effects. Regression-based methods dominate the empirical approaches, particularly multiple linear regression and panel data analysis. These findings suggest that the impact of ESG and disclosure on CEI varies depending on contextual factors such as regulatory environment, industry characteristics, and disclosure quality. The study concludes that while ESG performance tends to contribute to emission reduction, its effectiveness remains conditional and context-dependent. Future research should focus on causal identification, longitudinal design, and emerging markets to better clarify the decarbonization potential of ESG practices.

Keywords: Carbon Disclosure; Carbon Emission Intensity; Environmental, Social, and Governance (ESG); Sustainability Reporting; Systematic Literature Review

Abstrak: *Penelitian ini bertujuan untuk meninjau secara sistematis bukti empiris mengenai pengaruh praktik Environmental, Social, and Governance (ESG) dan pengungkapan karbon terhadap intensitas emisi karbon (Carbon Emission Intensity/CEI). Permasalahan penelitian muncul dari temuan sebelumnya yang tidak konsisten terkait efektivitas ESG dan pengungkapan dalam menurunkan intensitas emisi. Dengan menggunakan pendekatan Systematic Literature Review (SLR), sebanyak enam puluh studi empiris yang diterbitkan antara tahun 2017 hingga 2025 dianalisis berdasarkan desain penelitian, konteks, metode analisis, serta arah hubungan antara ESG dan CEI. Hasil analisis menunjukkan adanya heterogenitas temuan: 27% studi menemukan hubungan negatif, 22% hubungan positif, dan sisanya menunjukkan hasil campuran atau tidak signifikan. Metode regresi, terutama regresi linier berganda dan analisis data panel, merupakan pendekatan empiris yang paling dominan. Temuan ini menunjukkan bahwa pengaruh ESG dan pengungkapan karbon terhadap CEI bergantung pada faktor kontekstual seperti lingkungan regulasi, karakteristik industri, dan kualitas pengungkapan. Penelitian ini menyimpulkan bahwa meskipun kinerja ESG cenderung berkontribusi terhadap penurunan emisi, efektivitasnya tetap bersifat kondisional dan tergantung konteks. Penelitian selanjutnya disarankan untuk fokus pada identifikasi kausal, desain longitudinal, serta konteks pasar berkembang guna memperjelas potensi dekarbonisasi melalui praktik ESG.*

Kata Kunci: *Lingkungan, Sosial, dan Tata Kelola (ESG); Pengungkapan Karbon; Intensitas Emisi Karbon; Pelaporan Keberlanjutan; Tinjauan Pustaka Sistematis*

INTRODUCTION

In recent years, the global movement toward sustainability and carbon neutrality has intensified the demand for transparent corporate environmental accountability. Environmental, Social, and Governance (ESG) practices have emerged as a comprehensive framework that encourages firms to integrate sustainability objectives into business strategies. Among the various ESG dimensions, the disclosure of carbon emissions has become a focal point of attention, as it reflects a company's commitment to mitigating climate risks and reducing carbon intensity. The increasing number of regulations and investor expectations has further strengthened the role of ESG reporting as a critical instrument for promoting low-carbon corporate transitions.

However, despite the growing emphasis on ESG disclosure, empirical evidence on its effectiveness in reducing carbon emission intensity remains inconsistent. Several studies reveal that ESG implementation and carbon reporting can significantly improve firms' carbon performance by enhancing transparency, promoting energy efficiency, and reducing emission intensity (Yin et al., 2023). In contrast, other research finds that ESG disclosure does not always translate into lower carbon emissions, and in some cases, it merely serves as symbolic compliance rather than substantive environmental action (Lee et al., 2021). Such contradictory findings suggest that ESG performance may not automatically ensure emission reduction, and its impact may depend on contextual factors such as governance quality, institutional enforcement, and firm-level capabilities.

This inconsistency becomes even more apparent in developing countries, where ESG reporting practices are still evolving. Many firms in emerging markets adopt ESG disclosure to meet regulatory or investor pressures, yet their implementation often lacks strategic integration with core operational goals. The absence of standardized frameworks, differences in disclosure quality, and institutional gaps contribute to mixed findings on ESG effectiveness in reducing carbon emission intensity. Moreover, the limited number of longitudinal studies and causal analyses in these regions hinders a clear understanding of how ESG initiatives translate into tangible decarbonization outcomes.

Given these challenges, this study aims to systematically review the empirical literature on the effectiveness of ESG performance and carbon disclosure in influencing carbon emission intensity. Using a Systematic Literature Review (SLR) approach, this paper synthesizes findings from sixty peer-reviewed studies published between 2017 and 2025 to identify patterns, inconsistencies, and research gaps. The review contributes to the ongoing discourse on ESG and sustainability by providing a comprehensive understanding of how ESG disclosure operates across different contexts, especially within developing economies, and by proposing future research directions to strengthen the link between ESG and corporate decarbonization.

LITERATURE REVIEW

ESG Disclosure and Carbon Emission Intensity

ESG disclosure has become an essential mechanism for communicating a firm's sustainability practices, especially regarding climate-related risks and carbon management. Prior studies demonstrate that transparent ESG reporting can help reduce information asymmetry, strengthen corporate accountability, and encourage firms to adopt environmentally responsible strategies. Yin et al. (2023) found that ESG disclosure significantly improves corporate carbon performance in heavy-polluting industries in China, showing that higher disclosure levels are associated with measurable reductions in carbon intensity. Their findings further indicate that external monitoring mechanisms—such as institutional pressure and media attention—strengthen the influence of ESG disclosure on carbon performance. However, the relationship between ESG disclosure and carbon emission intensity remains mixed across empirical studies. Some research suggests that ESG-related transparency enhances legitimacy and corporate reputation without necessarily reducing emissions. Lee et al. (2021) argue that voluntary carbon disclosure often enhances perceived transparency but may not lead to substantive emission reductions, particularly when firms prioritize symbolic compliance over operational environmental improvement. These findings indicate that while ESG disclosure may signal environmental commitment, it may not consistently translate into genuine carbon-reduction outcomes.

Studies from developing countries reinforce these inconsistencies. Putri and Paramita (2025) reported that ESG disclosure had no significant impact on firm value in Indonesia, whereas carbon emission disclosure did. This result suggests that carbon-specific transparency carries more influence in emerging markets than broad ESG reporting, which may be variable in quality and depth. More recently, Li and Xu (2024) showed that ESG ratings in Chinese listed firms can significantly reduce carbon emissions by mitigating financing constraints and lowering agency conflicts. Their findings suggest that ESG can effectively support carbon-reduction efforts when supported by strong governance mechanisms and external stakeholder scrutiny.

Taken together, these studies reveal a context-dependent relationship between ESG disclosure and carbon emission intensity. The effectiveness of ESG disclosure appears to rely on disclosure quality, institutional strength, and the level of external monitoring. These variations explain why empirical results across countries and industries remain inconsistent.

ESG, Carbon Emission Disclosure, and Trends in Developing Countries

The inconsistent findings regarding ESG disclosure and carbon emission intensity are even more pronounced in developing countries, where reporting standards, governance structures, and stakeholder expectations are still evolving. Firms in emerging markets often adopt ESG disclosure to satisfy regulatory signals or investor-driven expectations rather than as part of deeper environmental strategies. This variability in motivation and capacity contributes to differing outcomes across empirical studies.

Research in Indonesia by Putri and Paramita (2025) illustrates this issue clearly. Their results indicate that while carbon emission disclosure significantly affects firm value, ESG disclosure does not. This difference suggests that carbon-related information is perceived as more credible, relevant, and decision-useful than general ESG reporting in emerging economies, where ESG data quality may vary significantly. Such findings imply that some firms may use ESG disclosure primarily to achieve legitimacy or regulatory compliance rather than as evidence of substantive environmental improvement. Yin et al. (2023) similarly highlight the conditional nature of ESG effectiveness in China. Their study shows that ESG disclosure improves carbon performance only in contexts where external monitoring, such as media attention and institutional support, is strong. Meanwhile, Li and Xu (2024) found that ESG ratings reduce carbon emissions primarily through mechanisms that reduce agency problems and strengthen governance efficiency. The effect is more pronounced in high-polluting industries and firms subject to greater public scrutiny.

These findings collectively suggest that in developing countries, ESG disclosure is most effective when supported by strong institutional frameworks, credible reporting standards, and active stakeholder oversight. Where these conditions are weak, ESG disclosure alone may not meaningfully influence carbon emission intensity—reinforcing the need for stronger environmental governance in emerging markets.

Theoretical Perspectives on ESG and Carbon Performance

Several theoretical perspectives help explain why ESG disclosure exhibits inconsistent effects on carbon emission intensity. Stakeholder Theory posits that firms respond to the expectations of various stakeholders, including investors, regulators, and communities. Firms facing strong stakeholder pressure—particularly those in environmentally sensitive industries—are more likely to adopt ESG practices that lead to genuine reductions in carbon emissions. This aligns with findings such as those by Li and Xu (2024), who found that ESG ratings exert stronger effects in high-pollution industries that face heightened public scrutiny.

Signaling Theory suggests that ESG disclosure serves as a mechanism to signal environmental responsibility and long-term sustainability. Firms with strong ESG performance use disclosure to differentiate themselves. However, the credibility of such signals depends on disclosure quality, external verification, and governance strength. Yin et al. (2023) show that ESG disclosure has a stronger influence on carbon performance when firms operate under strong institutional pressure and media oversight, highlighting the importance of credible signal reinforcement.

Legitimacy Theory explains why firms may disclose ESG information without necessarily improving their environmental performance. In environments where regulation is weak and enforcement limited, firms may engage in ESG disclosure primarily to maintain legitimacy rather than implement substantive carbon-reduction strategies. Evidence from Putri and Paramita (2025) suggests that such symbolic practices may be common in developing economies, where ESG disclosure does not always correspond to measurable environmental outcomes.

Agency Theory provides another perspective by suggesting that ESG reporting can reduce information asymmetry and agency conflicts between managers and stakeholders. Li and Xu (2024) argue that ESG ratings enhance governance discipline, enabling stakeholders to monitor environmental behavior more effectively and thereby incentivizing emission reduction.

Together, these theories explain why ESG disclosure yields different outcomes across contexts. Strong institutional environments and credible monitoring mechanisms tend to amplify the positive effects of ESG disclosure, while weak governance environments increase the likelihood of symbolic reporting. These theoretical foundations help illuminate the heterogeneity found in empirical studies.

Research GAP

Although ESG disclosure and carbon emission reporting continue to grow globally, the literature remains fragmented. Studies use different ESG metrics, examine varied industries, and apply different analytical methods, leading to inconsistent results. Evidence from developing countries is still limited, and empirical findings often contradict one another. Furthermore, few studies systematically compare findings across multiple contexts to understand when ESG disclosure effectively reduces carbon emission intensity. Given these gaps, a systematic literature review (SLR) is needed to synthesize existing findings, map inconsistencies, and clarify the mechanisms through which ESG and carbon disclosure influence emission intensity—especially in emerging markets where disclosure practices are evolving.

RESEARCH METHODOLOGY

Research Design

This study employs a Systematic Literature Review (SLR) to synthesize empirical evidence on the relationship between ESG disclosure, carbon emission disclosure, and carbon emission intensity. The SLR method was chosen because it allows for a transparent, rigorous, and replicable procedure in identifying, evaluating, and integrating findings across multiple empirical studies. This review follows the PRISMA 2020 (Preferred Reporting Items for Systematic Reviews and Meta-Analyses) guidelines to ensure methodological clarity and reporting consistency.

Database Selection and Search Strategy

The literature search was conducted across major academic databases known for their comprehensive coverage of peer-reviewed social science and sustainability research, including:

- Scopus
- ScienceDirect
- Web of Science
- Google Scholar

The search focused on studies published from 2017 to 2025, reflecting the period when ESG reporting frameworks and carbon emission disclosure practices began receiving heightened regulatory and academic attention.

Keywords and Boolean Operators

The search keywords were selected to capture variations of ESG and carbon-related terminologies. Boolean operators were used to expand or narrow results as needed. Search terms included combinations of:

- "ESG disclosure" OR "ESG performance"
- "carbon emission disclosure" OR "carbon reporting"
- "carbon emission intensity" OR "carbon performance"
- "corporate carbon emissions" AND "ESG"

Search syntax was adapted to the requirements of each database.

Inclusion and Exclusion Criteria

To ensure the relevance and quality of the selected literature, the following **inclusion criteria** were applied:

1. Empirical studies using quantitative methods
2. Corporate-level or firm-level analysis
3. Examined variables related to ESG disclosure, ESG performance, or carbon emission disclosure
4. Reported carbon-related outcomes (e.g., carbon emission intensity, carbon performance)
5. Published in peer-reviewed journals between 2017–2025
6. Available in full-text

Studies were **excluded** if they:

1. Were conceptual papers, reviews, conference proceedings, or book chapters
2. Did not measure ESG or carbon-related variables
3. Focused on national, household, or non-corporate emission contexts
4. Lacked methodological clarity
5. Used incomplete or unverified data
6. Were not accessible in full-text format

PRISMA-Based Literature Screening Process

The PRISMA flow process ensured that literature selection was carried out systematically and transparently through four stages:

a. Identification

A total of 472 articles were retrieved from the four target databases using the search terms. An additional 17 studies were identified through citation searching.

b. Screening

After removing 103 duplicate records, 386 unique articles remained for screening. Titles and abstracts were reviewed to eliminate articles not relevant to ESG, carbon emissions, or corporate-level analysis. As a result, 282 articles were excluded.

c. Eligibility

The remaining 95 articles underwent full-text review to ensure alignment with inclusion criteria. Articles were excluded for reasons such as lacking empirical analysis, missing carbon outcome variables, or insufficient methodological transparency. A total of 35 articles were excluded at this stage.

d. Inclusion

Finally, 60 empirical studies met all criteria and were included in the Systematic Literature Review. These studies form the basis for the synthesis presented in subsequent sections.

PRISMA Flow Diagram

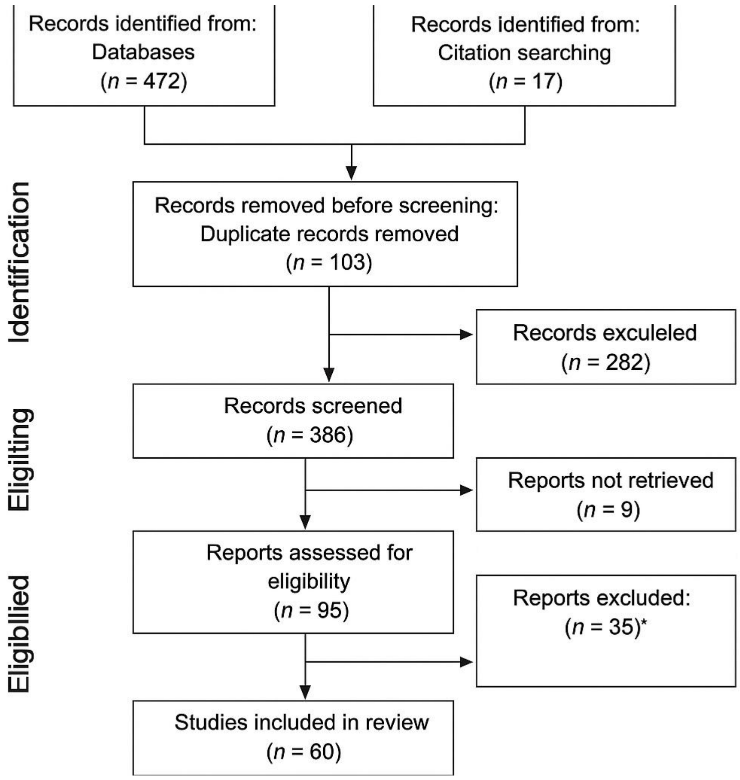

Figure 1. PRISMA Flow Diagram

To visually represent the SLR process, the PRISMA flow diagram summarizes the number of studies identified, screened, excluded, and ultimately selected for final inclusion.

Quality Assessment

Each included study was assessed based on standard SLR quality criteria, including:

- Clarity of research purpose
- Appropriateness of research design
- Transparency of ESG and carbon variable measurement

- Robustness of empirical methods (e.g., panel regression, GMM, SEM)
- Completeness of reporting

Only studies meeting the minimum quality threshold were retained.

Data Extraction and Coding

A structured extraction matrix was used to collect key information from each study, including:

- Author(s) and year
- Journal and publication details
- Country or regional focus
- Sample characteristics
- Variables (ESG disclosure, carbon emission disclosure, carbon emission intensity)
- Analytical methods used
- Main empirical findings (positive, negative, mixed, or insignificant)

The coding and categorization of findings enabled the identification of trends, inconsistencies, and contextual influences across the 60 studies reviewed.

RESULT AND DISCUSSION

The synthesis of 60 empirical studies reveals that the relationship between ESG disclosure and carbon emission intensity is complex, heterogeneous, and largely context-dependent. While ESG disclosure is often expected to promote transparency, improve accountability, and encourage firms to adopt environmentally responsible practices, evidence from prior research shows that its actual impact varies widely across countries, industries, and methodological approaches. This section discusses the major themes emerging from the literature, including the inconsistency of ESG effects, the stronger role of carbon-specific disclosure, institutional dynamics in developing countries, methodological disparities, and the broader conditions under which ESG becomes effective in reducing carbon emission intensity.

Table 1. Article Systematic Literature Review

No	Article	Author	Journal	Year
1	Can ESG enhance the efficacy of emissions trading systems on enterprise productivity: Evidence from China	Qiang Tu, Jianing Wang, Limei Zuo, Ye Yao, Qiang Ji	Research in International Business and Finance	2025
2	The real effects of ESG reporting and GRI standards on carbon mitigation : International evidence	LeLuo, QingliangTang	Wiley Business strategy and Environtment	2022
3	A Sustainable Development Evaluation Framework for Chinese Electricity Enterprises Based on SDG and ESG Coupling	Ruiyu Dong, Chaofeng Shao, Shuqi Xin dan Zhirui Lu	Sustainability	2023

4	Board gender diversity reform and corporate carbon emissions	Raúl Barroso, Tinghua Duan, Siyue (Sarina) Guo Oskar Kowalewski	Journal of Corporate Finance. Tahun	2024
5	Can ESG rating reduce corporate carbon emissions? – An empirical study from Chinese listed companies	Jinlong Li, Xiaoguang Xu	Journal of Cleaner Production	2024
6	Carbon Emission Disclosure: Strategies for Addressing External Pressures in Indonesia	Wiyasto Dwi Handono, Dian Indri Purnamasari , Noto Pamungkas.	Proceeding of internasional conference on accounting and finance	2025
7	Carbon Emissions Disclosure: Financial Performance and Industry Characteristics of companies rated by Morningstar Sustainalytics		Proceedings of the 9th International Conference on Accounting, Management, and Economics (ICAME)	2024
8	Carbon emissions, carbon disclosure and organizational performance	Yang Stephanie Liu, Xiaoyan Zhou, Jessica Hong Yang, Andreas G.F. Hoeper, Nada Kakabadse	International Review of Financial Analysis	2025
9	CARBON FOOTPRINT AND PRODUCTIVITY: DOES THE “E” IN ESG CAPTURE EFFICIENCY AS WELL ASENVIRONMENT?	Gerald T. Garvey, Mohanaraman Iyer and Joanna Nash	Journal Of Investment Management	2018
10	Carbon reduction effect of ESG: empirical evidence from listed manufacturing companies in China	Jian Ye and Wenhua Xu	Frontiers in Ecology and Evoluation	2023
11	Climate change, ESG criteria and recent regulation: challenges and opportunities	Mónica Oliver Yébenes	Eurasian Economic Review	2024
12	Corporate climate scores, carbon emissions, and investment in decarbonisation in the steel industry. What do ratings tell us?	Charlie Cregan, J. Andrew Kelly, J. Peter Clinch	Environmental and Sustainability Indicators	2024
13	Corporate Governance, Green Investment, and Carbon Emission Disclosure	I Made Dwi Kusumajaya, I Gusti Ayu Nyoman Budiasih	E-JURNAL AKUNTANSI	2025
14	Determinants of carbon emission disclosure and the moderating role of environmental performance	I. F. S. Wahyuningrum, M. Ihlashul’amal, S. Utami, H. G. Djajadikerta & S. Sriningsih	Cogent Business & Management	2024

15	Do corporate sustainability initiatives improve corporate carbon performance? Evidence from European firms	Faizul Haque, Collins G.Ntim	Wiley Business strategy and Environment	2022
16	Does Corporate ESG Performance Influence Carbon Emissions?	Ziyang Liu, Baogui Yang, Bernadette Andreosso-O'Callaghan, Xiaoao Zhang	Sustainability	2025
17	Does environmental, social, and governance (ESG) disclosure matter for carbon intensity? Evidence from S&P 500 firms	Rupjyoti Saha, Santi Gopal Maji.	Journal of Environmental Management	2025
18	Does ESG investment reduce carbon emissions in China?	Yingnan Cong, Chen Zhu, Yufei Hou, Shuairu Tian and Xiaojing Cai		
19	Does genetic diversity on corporate boards lead to improved environmental performance?	Renatas Kizysa, Emmanuel C. Mamatzakis, Panagiotis Tzouvanas	Journal of International Financial Markets, Institutions & Money	2023
20	Driving toward sustainable cities: The interplay between Chinese emerging corporate ESG performance and climate finance in achieving low-carbon development	Muxin Liu, Changyou Xia, Hailin Lan, Zhihao Gao, Xiaojie Yu, Li Wang, Xi Liang, Yi Wu	Urban Climate	2024
21	Environmental, social and governance (ESG) disclosure quality in developing countries: evidence from the ASEAN region	Malik Abu Afifa; Nha Minh Nguyen; Duong Van Bui	Corporate Governance	2025
22	ESG Disclosure and Sustainability Transition: A New Metric and Emerging Trends in Responsible Investments	Maurizio Pompella dan Lorenzo Costantino	TalTech Journal of European Studies	2023
23	ESG performance and corporate carbon emission intensity: based on panel data analysis of A-share listed companies	Hanjin Xie, Zilong Qin, Jun Li.	frontiers in Environmental Science	2024
24	ESG Performance and Firm Value: An Empirical Study in Indonesia	Isti Rahayu, Muhammad Isnanda Nurman Sanjaya	Review of Integrative Business and Economics Research	2024
25	ESG performance, board diversity and tax avoidance: empirical evidence from the UK	Elgharabawy Adel, Aladwey, Laila Mohamed Alshawadfy	Journal of Financial Reporting and Accounting	2025
26	ESG Scores, Financial Performance, and Carbon	Eko Putri Setiani, Patriani Wahyu Dewanti, Stefanie Cortez		

	Emissions: Evidence from Southeast Asian Companies			
27	ESG strategic choices under product Innovation Financing	Shuli Yang, Junwu Chai, Zhifeng Qian	Journal of Environmental Management	2025
28	Evaluating Corporate Carbon Emissions Reporting: Assessing Transparency and Completeness with the Carbon Integrity Index	José Traub, Carlos Morillas, Rodrigo Gil, Sergio Álvarez and Sara Martínez	Sustainability	2023
29	Evolution of corporate carbon information disclosure considering the reward and punishment mechanism and new media environment	Tianjiao Jiang, Hua Li, Qiubai Sun	International Review of Financial Analysis	2025
30	Funding sustainable shipping: A Fuzzy Cognitive Mapping approach to the Poseidon Principles	Omer Soner	Transportation Research Part D	2025
31	GHG and Carbon Emission Intensity: Examining Their Impact on Financial Performance	Yamunah Vaicondam, Amira Mas Ayu Amir Mustafa, Siti Nurul Munawwarah Roslan, Kelvin Lee Yong Ming, Malarvilly Ramayah.		
32	Green bond issuance and corporate ESG performance: Steps toward green and low-carbon development	Jinlin Zheng, Yaohui Jiang, Yadong Cui, Yue Shen	Research in International Business and Finance	2023
33	Greenwashing in environmental, social and governance disclosures	Ellen Pei-yi Yua, Bac Van Luub, Catherine Huirong Chen	Research in International Business and Finance	2020
34	Greenwashing, carbon emission, and ESG	Sirimon Treepongkaruna, Hue Hwa AuYong, Steen Thomsen, Khine Kyaw	Wiley Business Strategy and Business Environment	2024
35	How does environmental information disclosure affect carbon emissions? Evidence from China	Shi He, Lulu Xu & Daqian Shi	Environmental Science and Pollution Research	2023
36	How Green Finance Drives the Synergy of Pollution Reduction and Carbon Mitigation: Evidence from Chinese A-Share Firms	Xiaoqing Li, Jingjing Deng	Sustainability	2025
37	Impacts of ESG Disclosure on Corporate Carbon Performance: Empirical Evidence from Listed	Fengxue Yin ,Yanling Xiao, Rui Cao and Jianhua Zhang	Sustainability	2023

	Companies in Heavy Pollution Industries			
38	Is corporate green investment a determinant of corporate carbon emission intensity? A managerial perspective	Sisi Zheng, Shanyue Jin	Heliyon	2023
39	Mandatory environmental disclosure policy in the largest carbon emission country	Wei Cai; Min Bai; Howard Davey	Pacific Accounting Review	2024
40	Research on the impact of the ESG rating divergence of manufacturing firms on carbon emission intensity	Jialu Deng, Wenhe Lin, Jiuzhen Huang, Yunying Cai, Wenbao Wang	PLOS One	2025
41	ROE as A Moderating Influence of ESG, Green Innovation and Carbon Emission Disclosure on Firm Value	Andri Indrawan, Irfan Sophan Himawan, Elan Eriswanto, Salma Amelia Rahmadini	BALANCE : Economic, Business, Management, and Accounting Journal	2025
42	Study on the effect of carbon trading on the carbon emission intensity of enterprises—a mechanism test based on ESG performance. Penulis : Anzi Han, Tinglei Yu, Yihu Ke, Chang Liu, Yunqiang Liu. Penerbit :. Tahun : 2024	Anzi Han, Tinglei Yu, Yihu Ke, Chang Liu, Yunqiang Liu	Front. Environ Sec. Environmental Policy and Governance	2024
43	The effect of carbon regulation initiatives on corporate ESG performance in real estate sector: International evidence	Chyi Lin Lee, Jian Liang	Journal of Cleaner Production	2024
44	The Effect of Environmental, Social and Governance (ESG) Assessment on Firm Value with Profitability as a Mediating Variable	Devi Cheilsa Sumarno, Wuryan Andayani, Yeney Widya Prihatiningtias	Asia-Pacific Management and Business Application	2023
45	The Effect of Environmental, Social, and Governance Disclosure on Firm Value	Thalia Angela, and Nuraini Sari	Jambura Economic Education Journal	2023
46	The Effect of ESG Disclosure, Green Investment, and Carbon Emission Disclosure on the Value of Energy Companies in Indonesia (2019–2023)	Alyssa Aulya Putri, Veronika Santi Paramita	Sinergi International Journal of Accounting & Taxation (Non Scopus)	2025
47	The Effect of Female Personnel on the Voluntary Disclosure of Carbon Emissions Information.	Eunsoo Kim	Sustainability	2022

	Penulis : Eunsoo Kim. Penerbit : Tahun : 2022			
48	THE IMPACT OF ESG ON FIRM VALUE WITH AUDIT COMMITTEE AS VARIABLE MODERATING	Al Dimas Saputra, Eddy Suranta, Lisa Martiah Nila Puspita	Jambura Economic Education Journal	2024
49	The impact of ESG ratings on low carbon investment: Evidence from renewable energy companies	Juan Lu, He Li	Renewable Energy	2024
50	The Impact of ESG Regulation on Environmental Decoupling—An Exploratory Study on Polish Listed Companies	Marco Papa, MonikaWieczorek-Kosmala, Anna Losa and Aleksandra Swałek	Sustainability	2024
51	The influence of institutional contexts on the relationship between voluntary carbon disclosure and carbon emission performance	Le Luo	Accounting and Finance	2017
52	The real effects of ESG reporting and GRI standards on carbon mitigation: International evidence	LeLuo, QingliangTang	Wiley Business Strategy and Business Environment	2022
53	The relationship between ESG, financial performance, and cost of debt: the role of independent assurance	Darsono Darsono, Dwi Ratmono, Abas Tujori & Tiara Yuni Clarisa	Cogent Business & Management	2025
54	Time-frequency connectedness among traditional/new energy, green finance, and ESG in pre- and post-Russia-Ukraine war periods	Wei Jiang, Lingfei Dong, Yunfei Chen	Resources Policy	2023
55	Unveiling the effects of the Corporate Sustainability Reporting Directive (CSRD) on company sustainability reporting practices : a case of German companies	Rabin Sharma	Sustainability Accounting, Management and Policy Journal	2025
56	Voluntary Disclosure of Carbon Emissions and Sustainable Existence of Firms: With a Focus on Human Resources of Internal Control System	Jaehong Lee, Suyon Kim and Eunsoo Kim	Sustainability	2021

Source : data processed by researchers (2025)

Inconsistency of ESG Effects on Carbon Emission Intensity

One of the key findings from this SLR is the notable inconsistency across empirical outcomes. Approximately 27% of the reviewed studies report a significant negative relationship between ESG disclosure and carbon emission intensity, suggesting that ESG transparency can drive firms to reduce emissions by enhancing environmental efficiency and aligning with stakeholder expectations. These effects are particularly evident in studies conducted in high-polluting industries or in countries with strong regulatory and monitoring environments. However, almost half of the studies exhibit **mixed**, **ambiguous**, or **non-significant** results. Several authors argue that ESG disclosure may sometimes serve more as a symbolic act than a substantive environmental commitment. In such cases, firms disclose ESG information to enhance legitimacy and reputation without implementing real carbon-reduction strategies. This aligns with legitimacy theory, where disclosure is used as a tool to signal compliance rather than to demonstrate genuine environmental performance. The findings highlight that ESG disclosure alone does not guarantee emission reductions unless supported by meaningful operational changes.

Stronger and More Consistent Effects of Carbon Emission Disclosure

Across the literature, carbon emission disclosure appears to have a stronger and more consistent impact on carbon performance compared to general ESG disclosure. Carbon-specific information—such as Scope 1 and Scope 2 emissions—is inherently more measurable, comparable, and verifiable. Thus, stakeholders are better able to assess a firm's actual climate performance, creating greater pressure for reduction initiatives.

In contrast, ESG disclosure encompasses broad dimensions (environmental, social, and governance), which may dilute its predictive power for carbon outcomes. Firms may score highly in social or governance categories while still exhibiting poor environmental performance. This heterogeneity contributes to inconsistent empirical findings. Particularly in emerging markets, ESG disclosure is often narrative-based and lacks standardized measurement, further limiting its usefulness in predicting emission intensity.

Institutional Environment and Emerging Market Dynamics

Differences between developed and developing countries are especially prominent. In emerging markets such as Indonesia, Bangladesh, Vietnam, and Pakistan, ESG disclosure frequently fails to demonstrate significant impact on carbon intensity. This is primarily due to:

- weak regulatory enforcement,
- non-standardized ESG reporting frameworks,
- low levels of external monitoring,
- limited sustainability capabilities within firms,
- and the presence of symbolic or compliance-driven reporting.

Studies from China offer more nuanced insights. Research indicates that ESG disclosure can reduce carbon emissions when supported by strong institutional environments, including media scrutiny, analyst coverage, and robust governance mechanisms. ESG tends to be more effective when firms face real economic, reputational, or regulatory consequences for poor environmental performance. These findings reinforce the argument that institutional strength determines whether ESG disclosure functions as a catalyst for sustainability or merely as a symbolic gesture.

Influence of Methodological and Measurement Differences

Inconsistencies across empirical findings also stem from differences in research design, measurement choices, and analytical techniques. While panel regressions are the most common methodological approach, several studies employ GMM, difference-in-differences, mediation frameworks, or structural equation modeling. These methodological variations lead to differences in effect size, direction, and significance.

Key sources of methodological diversity include:

- the type of ESG measurement (ratings vs. disclosure indices),
- carbon intensity measurement (absolute emissions vs. intensity per revenue or assets),
- time periods and sample firm characteristics,
- sectoral differences (high-pollution vs. non-polluting industries),
- treatment of endogeneity (OLS vs. GMM vs. instrumental variables).

These variations underscore why some studies report strong ESG–carbon links while others observe weak or contradictory outcomes. Understanding these methodological differences is critical for interpreting the literature accurately.

When Does ESG Disclosure Reduce Carbon Emissions?

Based on the synthesis of 60 studies, ESG disclosure is most effective in reducing carbon emission intensity under the following conditions:

1. **High-quality, specific, and verifiable environmental disclosure**

   Firms that provide rigorous environmental data—beyond narrative reporting—tend to exhibit stronger carbon performance improvements.

2. **Strong governance structures**

   Independent boards, internal controls, and sustainability committees enhance the ability of ESG initiatives to translate into emission reductions.

3. **Robust institutional and regulatory environments**

   Countries with strict environmental policies and active monitoring bodies show stronger ESG effectiveness.

4. **High stakeholder pressure**

   Media attention, analyst scrutiny, and ESG-sensitive investors compel firms to take ESG commitments seriously.

5. **Industries with high environmental exposure**

   ESG disclosure has the clearest impact in heavy-polluting sectors where environmental risks are more material.

Conversely, ESG disclosure tends to be less effective when:

- institutional environments are weak,
- disclosure quality is low or symbolic,

- stakeholder pressure is minimal,
- ESG is not linked to performance incentives,
- and environmental data is highly aggregated or unverified.

CONCLUSION AND IMPLICATIONS

Conclusion

This study conducted a Systematic Literature Review (SLR) of 60 empirical studies published between 2017 and 2025 to synthesize evidence on the relationship between ESG disclosure, carbon emission disclosure, and carbon emission intensity. The review demonstrates that the impact of ESG disclosure on carbon emission intensity is **inherently inconsistent and highly context-dependent**. While a notable proportion of studies report that ESG disclosure contributes to reducing carbon intensity through enhanced transparency, operational efficiency, and stakeholder accountability, an equally substantial body of literature reveals mixed, insignificant, or even positive associations. A key finding of this review is that **carbon emission disclosure** shows stronger and more consistent predictive power for carbon reduction compared to general ESG disclosure. Carbon-specific information tends to be more credible, measurable, and verifiable, making it more influential in shaping firm behavior and stakeholder decision-making. Meanwhile, ESG disclosure—because of its broad and heterogeneous nature—can produce contradictory effects, especially when firms receive high ESG scores driven by social or governance dimensions rather than environmental performance.

The review also highlights significant contrasts between developed and developing countries. In emerging markets, ESG disclosure often remains symbolic, driven more by legitimacy-seeking motives rather than substantive environmental strategies. Weak governance, insufficient regulatory enforcement, and fragmented ESG frameworks limit the ability of ESG disclosure to reduce carbon intensities meaningfully. Conversely, in contexts with strong institutions and stakeholder pressure, ESG disclosure is more likely to translate into actual carbon reductions.

Overall, the findings underscore that ESG disclosure is **not a standalone mechanism** for reducing carbon emissions. Its effectiveness depends on institutional conditions, disclosure credibility, governance structures, and industry characteristics. These insights highlight the importance of strengthening disclosure practices, regulatory frameworks, and stakeholder oversight to enhance the decarbonization potential of ESG initiatives.

Implications

Theoretical Implications

This review strengthens the relevance of stakeholder theory, legitimacy theory, and signaling theory in explaining why ESG and carbon disclosure produce varying outcomes across contexts. It also highlights the need for more standardized and consistent measurement of ESG components, especially the environmental dimension, to reduce heterogeneity in empirical results.

Practical Implications

For firms, the findings emphasize the importance of improving accuracy, specificity, and verifiability of environmental disclosure rather than relying on broad ESG reporting. Regulators, particularly in emerging markets, should enhance mandatory carbon disclosure standards, monitoring mechanisms, and third-party verification to increase credibility and limit symbolic reporting. Investors are encouraged to focus more closely on environmental metrics instead of relying solely on aggregated ESG scores.

Policy Implications

Governments should establish harmonized carbon reporting frameworks aligned with international standards and strengthen enforcement to ensure compliance. Targeted support for high-pollution sectors—such as incentives for green technology—can accelerate emission reduction. A more transparent institutional environment will amplify the effectiveness of ESG disclosure in promoting decarbonization.

Future Research

The findings of this review suggest several avenues for future scholarship:

- The need for **standardized ESG and carbon emission measurement frameworks** to reduce heterogeneity.
- Expanded exploration of **mediating mechanisms**, such as financing constraints, green innovation, or operational efficiency.
- Deeper investigation into **moderating factors**, particularly institutional quality and regulatory enforcement.
- More longitudinal and cross-country comparative studies in developing regions.
- Utilization of **advanced methods** including text mining, machine learning, and real-time ESG analytics to detect greenwashing.

Together, these implications contribute to a more nuanced understanding of ESG disclosure's role in corporate decarbonization pathways.

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INQUISITIVE Vol 6 (1) (December 2025) page: 61 – 77
e - ISSN 2775 – 1244 p - ISSN 2774 – 8634
e-journal : http://journal.univpancasila.ac.id/index.php/INQUISITIVE/

STRENGTHENING THE IMPACT OF ESG ON FIRM VALUE THROUGH CORPORATE GOVERNANCE: EMPIRICAL EVIDENCE FROM INDONESIA

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Received: November 7, 2025 Accepted: December 6, 2025 Published: December 23, 2025

Abstract: This study aims to examine the effect of Environmental, Social, and Governance (ESG) disclosure on firm value, with corporate governance (CG) serving as a moderating variable, using data from companies listed on the Indonesia Stock Exchange. The research is motivated by the increasing emphasis on sustainability and governance practices as key drivers of long-term corporate value. Data were obtained from annual and sustainability reports over the observation period and analyzed using panel regression with a fixed-effect model. ESG disclosure was measured based on the extent of reporting across environmental, social, and governance dimensions, while CG was assessed through a composite index comprising the proportion of independent commissioners, audit committee existence, institutional ownership, and board size. The findings reveal that ESG disclosure has a negative and significant effect on firm value, proxied by Tobin's Q, suggesting that the Indonesian capital market has not yet fully recognized ESG practices as value-enhancing factors. However, the interaction term between ESG and corporate governance (ESG×CG) exhibits a positive and significant coefficient, indicating that effective governance strengthens the impact of ESG on firm value. Additional analysis using an alternative measure of firm value (Price to Book Value or PBV) and robustness checks confirms the consistency of these results. Overall, the findings emphasize that ESG practices generate economic value only when reinforced by credible and well-functioning corporate governance mechanisms.

Keywords: ESG disclosure, corporate governance, firm value, Tobin's Q, sustainability, PBV

Abstrak: *Penelitian ini bertujuan untuk menganalisis pengaruh pengungkapan Environmental, Social, and Governance (ESG) terhadap nilai perusahaan dengan corporate governance (CG) sebagai variabel moderasi pada perusahaan yang terdaftar di Bursa Efek Indonesia. Kajian ini didasari oleh meningkatnya perhatian terhadap praktik keberlanjutan dan tata kelola yang baik dalam mendorong nilai jangka panjang perusahaan. Data penelitian diperoleh dari laporan tahunan dan laporan keberlanjutan perusahaan selama periode pengamatan tertentu, dengan metode analisis regresi data panel menggunakan model efek tetap (fixed effect model). Pengukuran ESG dilakukan berdasarkan tingkat pengungkapan dalam dimensi lingkungan, sosial, dan tata kelola, sedangkan CG diukur menggunakan indeks komposit yang mencakup proporsi komisaris independen, keberadaan komite audit, kepemilikan institusional, dan ukuran dewan. Hasil penelitian menunjukkan bahwa pengungkapan ESG berpengaruh negatif dan signifikan terhadap nilai perusahaan yang diproksikan dengan Tobin's Q, mengindikasikan bahwa pasar di Indonesia belum sepenuhnya menghargai praktik ESG sebagai faktor peningkat nilai perusahaan. Sebaliknya, interaksi antara ESG dan corporate governance (ESG×CG) berpengaruh positif dan signifikan, yang berarti bahwa tata kelola perusahaan yang efektif mampu memperkuat pengaruh ESG terhadap nilai perusahaan. Uji tambahan dengan proksi nilai perusahaan alternatif (Price to Book Value atau PBV) serta pengujian ketahanan (robustness check) menunjukkan hasil yang konsisten. Temuan ini menegaskan bahwa penerapan ESG baru akan memberikan nilai ekonomi ketika didukung oleh tata kelola perusahaan yang kredibel dan berfungsi secara efektif.*

Kata Kunci: *ESG disclosure, corporate governance, firm value, Tobin's Q, sustainability, PBV*

INTRODUCTION

In recent years, attention to Environmental, Social, and Governance (ESG) practices has increased substantially, particularly among investors, regulators, and corporate stakeholders. ESG is not only viewed as an ethical corporate commitment to sustainability but also as a determinant of a firm’s long-term value (Eccles et al., 2014; Khan et al., 2015). In Indonesia, mandatory sustainability reporting through POJK No. 51/POJK.03/2017 and the issuance of the Green Taxonomy serve as important foundations for promoting more integrated ESG practices. Public companies have begun to recognize ESG as a strategic tool for enhancing reputation, risk management, and financial performance. Quintiliani (2022) finds a positive correlation between ESG scores and firm value—measured using Tobin’s Q and Price-to-Book Value (PBV). Similarly, Zhang and Liu (2022) show that firms with stronger ESG performance tend to have higher financial flexibility, which ultimately contributes to increased firm value.

However, improvements in firm value do not automatically result from ESG adoption alone. ESG initiatives may fail to create value if they are not supported by effective corporate governance (CG) mechanisms. Strong CG ensures that ESG implementation is substantive rather than symbolic or merely a form of greenwashing. According to Hasan et al. (2012), Sprenger and Lazareva (2022), and Utami et al. (2022), CG can reduce information asymmetry and agency conflicts, both of which often hinder firms from achieving optimal value.

In the Indonesian context, empirical studies examining how CG strengthens (moderates) the effect of ESG on firm value remain scarce. Prior research by Anri and Utama (2024), for example, focuses only on the relationship between ESG and investment–cash flow sensitivity, without exploring its implications for firm value. Therefore, this study seeks to fill this gap by investigating how ESG performance influences firm value and how corporate governance reinforces this relationship, using a sample of publicly listed non-financial firms in Indonesia.

The first issue addressed in this study is whether ESG performance has a significant effect on firm value in Indonesia. This question is important because, although ESG has become a strategic agenda for many public companies in Indonesia, empirical evidence on its impact on firm value remains limited and inconsistent. Several international studies, such as Eccles et al. (2014) and Quintiliani (2022), indicate that firms with strong ESG performance tend to exhibit higher firm value. However, in emerging markets like Indonesia, challenges in ESG implementation—such as greenwashing practices, limited disclosure quality, and low investor literacy regarding ESG—may weaken this relationship compared with that found in developed markets. Therefore, it is crucial to examine whether ESG truly contributes to firm value within the Indonesian context, which is characterized by distinct institutional structures and regulatory compliance environments.

The second issue concerns whether corporate governance (CG) is able to strengthen or moderate the effect of ESG on firm value. ESG initiatives implemented without robust corporate governance mechanisms risk becoming merely symbolic or a form of regulatory compliance, rather than an integrated business strategy. Corporate governance plays a pivotal role in ensuring that ESG initiatives are carried out with accountability, transparency, and integrity, thereby contributing meaningfully to firm value creation. In this regard, CG functions as a monitoring mechanism that can enhance the positive signals associated with ESG in the eyes of the market. The presence of independent commissioners, the effectiveness of audit committees, and institutional ownership can all increase the credibility of ESG performance among investors. However, empirical studies examining the moderating role of CG in the ESG–firm value relationship remain scarce in Indonesia, particularly those utilizing quantitative ESG scores from credible sources such as Sustainalytics or Bloomberg.

In contrast to previous studies such as Anri and Utama (2024), which focus solely on the influence of ESG on investment–cash flow sensitivity, the present study seeks to make a broader contribution by linking ESG and CG to firm value. This research also fills an important gap by examining how corporate governance strengthens the ESG–firm value relationship—a topic that has received limited attention in ESG studies within emerging markets. Thus, the study is expected to provide not only theoretical contributions through the enrichment of empirical models but also practical relevance for regulators, investors, and corporate management in understanding the importance of ESG–CG synergy for sustainable value creation.

As an emerging capital market, Indonesia encounters a set of distinctive challenges in the adoption and evaluation of Environmental, Social, and Governance (ESG) principles (Frias-Aceituno, 2023). A key challenge lies in the substantial heterogeneity in ESG reporting quality and the absence of harmonized standards, which hinder investors' ability to accurately assess the implications of sustainability practices for corporate performance and firm value. Although an increasing number of firms recognize the strategic importance of ESG disclosures, uncertainty persists regarding whether such disclosures meaningfully influence investment decisions, long-term operational outcomes, and market valuation.

To address these research problems, this study adopts an explanatory quantitative design and employs panel data regression on non-financial firms listed on the Indonesia Stock Exchange (IDX) over the 2019–2023 period. Specifically, the study seeks to empirically investigate the effect of ESG performance on firm value; and the moderating role of corporate governance in strengthening the ESG–firm value relationship.

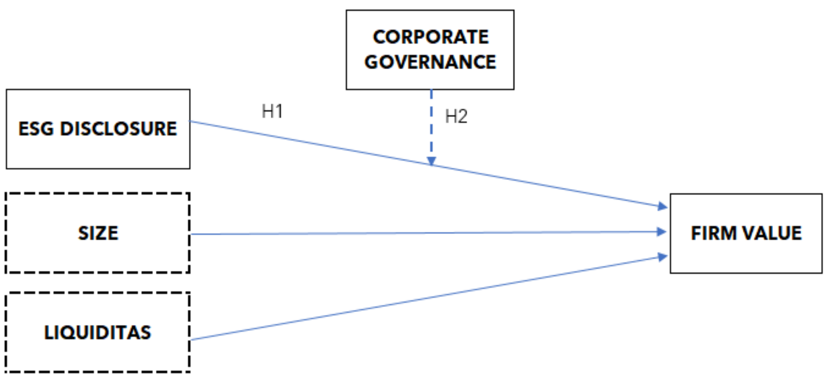
The proposed empirical framework is grounded in an integration of signaling theory and agency theory. ESG performance is conceptualized as a credible signal that conveys a firm's long-term strategic orientation, responsible operational conduct, and commitment to sustainability, thereby enhancing investor confidence. Concurrently, corporate governance is posited to mitigate agency conflicts between managers and shareholders by ensuring that ESG initiatives are executed substantively, transparently, and in alignment with shareholder interests. In doing so, corporate governance reinforces the credibility of ESG disclosures and amplifies their impact on firm value.

LITERATURE REVIEW

Research examining the impact of Environmental, Social, and Governance (ESG) performance on firm value has gained substantial prominence in global finance and accounting literature. Prior studies such as Eccles et al. (2014), Khan et al. (2015), and Quintiliani (2022) consistently document that firms with superior ESG performance tend to exhibit higher firm value, attributable to enhanced sustainability practices, more effective risk management, and greater investor confidence. However, the majority of these studies are situated within the context of developed economies, where governance systems and regulatory enforcement mechanisms are more mature than those in emerging markets. In Indonesia, the implementation of ESG remains challenged by limited disclosure quality, insufficient managerial understanding, and the risk of greenwashing in sustainability reporting. Consequently, it remains an open and critical empirical question whether ESG performance genuinely contributes to firm value enhancement in the Indonesian market.

The key novelty of this study lies in its examination of corporate governance as a moderating variable in the ESG–firm value relationship—an area that has received limited empirical attention in Indonesia. Prior research has largely treated ESG and corporate governance as separate, independent determinants of firm outcomes, without exploring their interactive effects. In reality, ESG initiatives that are not supported by robust governance structures risk being symbolic rather than substantive, thereby failing to generate long-term value. By positioning corporate governance as a moderating mechanism, this study develops an integrative conceptual framework that draws upon both signaling theory and agency theory. ESG performance is conceptualized as a positive signal to investors regarding a firm's long-term commitment and operational responsibility, while corporate governance serves as a control mechanism that ensures such signals are credible, verifiable, and reflective of actual firm performance and prospects.

The following research model is designed to systematically address the core questions of this study. It illustrates the proposed causal relationships between ESG performance, corporate governance, and firm value, as well as the moderating role of corporate governance in strengthening the ESG–firm value linkage.



Note: - - - - - : Control Variable
______ : Independent Variable

Figure 1. Conceptual Framework

Based on the proposed research model, the hypotheses developed in this study are formulated as follows:

H_1: ESG disclosure has a positive and significant effect on firm value.

This hypothesis is grounded in signaling theory and supported by prior empirical evidence showing that strong ESG performance conveys credible sustainability commitments and reduces external risk exposure, thereby enhancing firm valuation (Eccles et al., 2014; Quintiliani, 2022).

H_2: Corporate governance strengthens the positive effect of ESG disclosure on firm value.

This hypothesis is derived from agency theory, which posits that effective governance mechanisms enhance the credibility and substantive implementation of ESG initiatives, thereby amplifying their value-enhancing impact (Hasan et al., 2012; Sprenger & Lazareva, 2022).

RESEARCH METHODOLOGY

This study employs a descriptive method with a quantitative approach. The quantitative analysis is conducted using secondary data obtained from non-financial firms listed on the Indonesia Stock Exchange (IDX). The data collected include annual reports, sustainability reports, and financial statements relevant to the variables examined in this study.

The sample consists of all non-financial companies listed on the IDX over the period 2019–2023. This study investigates the impact of ESG disclosure on financial performance and firm value within the Indonesian market context. The setting is particularly noteworthy because ESG disclosure in Indonesia remains largely voluntary, and Indonesia is categorized as an emerging capital market. Consequently, the findings of this study are expected to provide insights into the challenges of adopting ESG practices and assessing the effectiveness of ESG implementation in such environments.

A total of 39 non-financial firms from various industry sectors are included as the research sample, resulting in 195 firm-year observations for each variable over the five-year period (2019–2023).

Table 1. Distribution of Companies by Industry Sector

Industry Sector	Total	Observasi	%
Basic Materials	8	40	20.51
Consumer Cyclicals	4	20	10.26
Consumer Non-Cyclicals	7	35	17.95
Energy	6	30	15.38
Healthcare	1	5	2.56
Industrials	2	10	5.13
Infrastuctures	7	35	17.95
Properties & Real Estate	4	20	10.26
Total	**39**	**195**	**100%**

Source: Data processed by the author, 2025

Table 1 presents the distribution of sample companies across industry sectors, indicating that all major industries are represented in the dataset. However, during the observation period, only one company in the Healthcare sector and two companies in the Industrials sector consistently disclosed ESG information, resulting in their relatively limited representation. Overall, approximately 20.51% of the sample consists of firms in the Basic Materials sector; 17.95% each from the Consumer Non-Cyclicals and Infrastructure sectors; 15.38% from the Energy sector; and 10.26% each from the Consumer Cyclicals and Property & Real Estate sectors.

Variable Measurement

ESG Disclosure

This study examines the impact of sustainability reporting—captured through ESG disclosure—on financial performance and firm value. ESG disclosure serves as the independent variable and is measured using ESG scores published by Thomson Reuters. Although some prior studies employ ESG scores provided by Bloomberg, these scores primarily focus on the extent of ESG disclosure rather than performance (Fatemi et al., 2018). In contrast, the Thomson Reuters ESG score is designed to assess a firm’s performance, commitment, and effectiveness across the three core ESG dimensions: environmental (resource use, emissions, and innovation), social (workforce, human rights, community, and product responsibility), and governance (management, shareholders, and CSR strategy). This score is considered a comprehensive evaluation of a firm’s sustainability impact and practices, based on publicly disclosed information.

Corporate Governance

Corporate Governance (CG) is measured using a composite Corporate Governance Index (CGI), constructed from several key structural indicators of governance mechanisms. This approach follows Adinegara (2021), who assessed corporate governance quality through indicators such as the proportion of independent commissioners, the presence of an audit committee, institutional ownership, and board size. The construction of this index is also informed by the multidimensional assessment framework of the Corporate Governance Perception Index (CGPI) developed by the Indonesian Institute for Corporate Governance (IICG), as adopted in studies such as Zaidirina and Lindrianasari (2015). CGPI evaluates the implementation of Good Corporate Governance (GCG) principles using a composite scoring system to reflect overall governance quality and credibility.

Each governance indicator is standardized to a uniform scale ranging from 0 to 1 using the following formula:

$$Z_i = \frac{(X_i - Xmin)}{(Xmax - Xmin)}$$

Where represents the actual value of the indicator, i is the minimum value, and is the maximum value across the entire sample. Standardization ensures comparability across indicators with different measurement units. For dummy indicators, a value of 1 is assigned if the governance mechanism exists (e.g., the presence of an audit committee) and 0 otherwise.

After standardization, the Corporate Governance Index is calculated as the simple average of the four indicators:

$$\mathrm{CGI} = \frac{(\mathrm{IND} + \mathrm{AUD} + \mathrm{INST} + \mathrm{BSIZE})}{(4)}$$

Where IND denotes the proportion of independent commissioners, AUD represents the presence of an audit committee, INST measures institutional ownership, and BSIZE captures board size. Higher CGI values indicate stronger governance practices, while lower values reflect weaker governance quality.

Firm Value

Firm value is used as the dependent variable and is measured using Tobin's Q, calculated as the ratio of the market value of equity plus total liabilities to total assets. Tobin's Q is widely used in the literature to capture market-based valuation and investors' expectations of future performance.

Control Variables

Consistent with prior empirical studies, this research includes two control variables known to influence firm value: firm size (SIZE) and liquidity (Current Ratio). Firm size is measured as the natural logarithm of total assets in year *t*. Larger firms are expected to exhibit higher firm value due to greater resource availability for ESG initiatives and non-financial reporting. Liquidity is measured using the Current Ratio, defined as current assets divided by current liabilities in year *t*. Adequate liquidity enables firms to meet short-term obligations, avoid default risk, and maintain stable operations. However, excessively high liquidity may reduce profitability because liquid assets typically generate lower returns compared to productive investments. Therefore, liquidity is expected to have a negative association with firm value.

Research Desain

The research data were obtained from the Refinitiv Eikon DataStream database. The selected time frame allows the study to capture the long-term evolution of ESG practices during both stable and volatile market conditions. Hypothesis testing in this study employs multiple regression analysis using STATA as the analytical tool. The empirical model used in this study is specified as follows:

$$TobinsQ_{it} = \alpha + \beta_1 ESG_{it} + \beta_2 CGI_{it} + \beta_3 ESG\_CGI_{it} + \beta_4 SIZE_{it} + \beta_5 CR_{it} + \varepsilon_{it}$$

Note:

Tobin's Q represents firm value in year *t*,

ESG denotes a firm's ESG disclosure score in year *t*,

CGI refers to the Corporate Governance Index,

SIZE is the natural logarithm of total assets in year *t*, and

CR represents the firm's liquidity ratio in year *t*.

RESULT AND DISCUSSION

Descritive Statistical

Table 2. Descriptive statistics for all variables included in the regression analysis

	N	Mean	SD	Min	Max
Tobin's Q	195	1.749	1,924	0.336	16,263
ESG	195	53,817	21,883	15,638	138,583
CGI	195	0.757	0.179	0.25	1
IND	195	0.373	0.187	0	1
AUD	195	1	0	1	1
INST	195	0.649	0.186	0	1
BSIZE	195	0.388	0.115	0	1
SIZE (Ln Total Assets)	195	17,744	0.875	15,390	19,915
CR	195	3,709	2,343	0.564	13,348
ROA	195	0.074	0.082	-0.185	0.454

Source: Data processed by the author, 2025

Table 2 below presents the descriptive statistics results. Table 2 shows that *TobinsQ* has an average value of 1.749, which means that on average, the market value is slightly greater than the opposite asset value. The independent variable in this study is the *ESG* score, which has an average value of 53.817 with a standard deviation of 21.883, a minimum value of 15.638, and a maximum value of 138.583. Meanwhile, the moderating variable in this study is *CGI,* which has an average value of 0.757 with a standard deviation of 0.179. Table 2 also shows the results for the four CG indicators, namely the proportion of independent commissioners (IND), the existence of an audit committee (AUD), institutional ownership (INST), and the size of the board of directors (BSIZE).

Table 3. *Pearson Correlations* between *TobinsQ, ROA, ESG_Disclosure,* and control variables

	TobinsQ	ESG	CGI	IND	INST	BSIZE	ESG_CGI	ESG_IND	ESG_INST	ESG_BSIZE	SIZE	CR
Tobin's Q	1.000											
ESG	0.110	1,000										
CGI	0.380***	0.092	1.000									
IND	0.410***	0.018	0.660***	1,000								
INST	0.236***	0.062	0.652***	0.029	1.000							
BSIZE	-0.102	0.101	0.361***	0.027	-0.038	1.000						
ESG_CGI	0.262***	0.945***	0.394***	0.231***	0.252***	0.197**	1.000					
ESG_IND	0.480***	0.615***	0.575***	0.752***	0.091	0.062	0.767***	1.000				
ESG_INST	0.286***	0.746***	0.471***	0.062	0.647***	0.025	0.848***	0.516***	1.000			
ESG_BSIZE	0.003	0.788***	0.277***	0.019	-0.008	0.669	0.804	0.499***	0.525***			
SIZE	-0.329***	0.054	-0.041	-0.189**	-0.115	0.391	0.024	-0.129*	-0.049	1.000		
CR	-0.249***	-0.068	-0.092	-0.094	0.048	-0.154	-0.100	-0.134	-0.023	-0.039	1,000	
ROA	0.568***	0.185***	0.258***	0.183**	0.244	-0.048	0.274***	0.300	0.339	-0.219**	-0.126*	1.000

***p-value<0.01,
**p-value <0.05,
*p-value <0.1
Source: Data processed by the author, 2025

The control variable in this study, SIZE, which is proxied by the natural logarithm of total assets, has an average value of 17.744 and a standard deviation of 0.875. The control variable Liquidity, proxied by *CR (Current ratio)*, has an average value of 3.709 and a standard deviation of 2.343, and *ROA* has an average value of 0.074 with a minimum value of -0.185 and a maximum value of 0.454, highlighting the differences in profit levels between companies.

Table 3 shows the results of the Pearson correlation test between company value (Tobin's Q), ESG disclosure, corporate governance mechanisms, and interaction variables between ESG and governance indicators (ESG_CGI, ESG_IND, ESG_INST, and ESG_BSIZE). These correlation results provide an initial overview of the direction and strength of the relationship between variables before regression analysis is performed.

In general, company value (Tobin's Q) has a positive and significant relationship with several key variables. ESG Disclosure correlates positively with Tobin's Q ($r = 0.380$, $p < 0.01$), indicating that the higher the level of sustainability disclosure, the greater the market's perception of company value. Tobin's Q also correlates positively with the proportion of independent commissioners (IND; $r = 0.410$, $p < 0.01$), institutional ownership (INST; $r = 0.236$, $p < 0.01$), and profitability (ROA; $r = 0.568$, $p < 0.01$). This indicates that effective supervision, long-term oriented ownership, and strong financial performance contribute to an increase in company value. Conversely, Tobin's Q's correlation with company size (SIZE) and liquidity (CR) shows a negative direction, although not entirely significant, indicating that larger companies or those with high liquidity do not necessarily reflect higher market value.

The correlation between ESG variables and governance mechanisms (CG) shows a strong and significant relationship. ESG Disclosure is highly correlated with the CG index (CGI; $r = 0.092$), the proportion of independent commissioners (IND; $r = 0.018$), and institutional ownership (INST; $r = 0.062$). This relationship indicates that ESG disclosure tends to be carried out by companies with better governance practices.

Meanwhile, the interaction variables—ESG_CGI, ESG_IND, ESG_INST, and ESG_BSIZE—show a significant positive correlation with both Tobin's Q and the main ESG and CG variables. The correlation between Tobin’s Q and ESG_CGI ($r = 0.262$, $p < 0.01$), ESG_IND ($r = 0.480$, $p < 0.01$), ESG_INST ($r = 0.286$, $p < 0.01$), and ESG_BSIZE ($r = 0.003$, not significant) indicate that the effect of ESG disclosure on company value can be strengthened by effective governance, particularly through board mechanisms and institutional ownership. For example, the high correlation between ESG_IND ($r = 0.848$, $p < 0.01$) and between ESG_INST ($r = 0.745$, $p < 0.01$) indicates synergy between ESG dimensions and oversight structures in supporting company performance.

Table 4. Panel Data Regression Analysis Results

	Model 1 Tobin's Q (Base Model)	Model 2 Tobin'sQ (Alt.1)	Model 3 PBV (Alt.2)	Model 4 Robust (Alt.3)	Model 5 Robust (Alt.4)
	Coefficient	**Coefficient**	**Coefficient**	**Coefficient**	**Coefficient**
ESG	-0.0272**	-0.0202*	-0.2548*	-0.2722	-0.0202**
CGI	-0.9747*		-2.8614	-0.9747	
ESG_CGI	0.0365*		0.5102**	0.0364	
IND		-0.3753			-0.3752**
INST		0.0919			-0.0919
BSIZE		-0.2991			-0.2991
ESG_IND		0.0113			0.0114
ESG_INST		0.0080			0.0081
ESG_BSIZE		0.0081			0.0164**
SIZE	-0.8064***	-0.7932***	-3.8458***	-0.8064***	-0.7932***
CR	-0.2833	-0.3422	-5/1824**	-0.2832	-0.3422
ROA	6.0184***	6.1949***	24.1536**	6.0184**	0.021***
Constant	17.0370***	16.6539***	77.1342***	17.0370***	16.6539***
Adj. R^2	0.3562	0.3774	0.2670	0.3562	0.3774
Wald chi^2	66.65	69.13	36.52	48.79	58.00
Probability > Chi-Square ^{2}	0.0000	0.0000	0.00	0.00	0.000
Observ	195	195	195	195	195

***p-value<0.01,
**p-value <0.05,
*p-value <0.1
Source: Data processed by the author, 2025

These results show that moderating variables (interactions between ESG and CG) play an important role in strengthening the relationship between ESG disclosure and company value. Positive and significant correlations between ESG and its interaction variables (e.g., ESG with ESG_CGI or ESG_IND) reflect that companies with better governance tend to be able to utilize ESG disclosure more effectively to increase market value. Thus, these correlation findings support the conceptual hypothesis that corporate governance strengthens the influence of ESG on firm value, although regression analysis is needed to empirically confirm its moderating effect.

Regression Results

The following are the results of the regression analysis with panel data shown in Table 4 in this study. Table 4 presents the results of multiple regression analysis to test the effect of ESG disclosure on firm value with the moderating role of corporate governance (CG), as well as a series of alternative tests and robustness checks to ensure the consistency of the results. The analysis was conducted using a fixed effect model, which was shown to be significant overall based on the Wald chi^2 value and Chi^2 probability of 0.0000 in all models.

Model 1 (Base Model-Moderated CG)

In model 1, the testing was conducted in accordance with the main hypothesis of the study. The results show that the ESG disclosure variable has a negative effect on company value (Tobin's Q) with a coefficient of -0.0272 and significant at the 5% level ($p < 0.05$). This indicates that increased ESG disclosure has not directly increased company value. These results may reflect conditions in which the market has not yet fully appreciated sustainability practices as a factor that increases company value, or ESG disclosure in Indonesia is still symbolic (ceremonial).

Meanwhile, the Corporate Governance Index (CGI) variable also shows a negative and significant effect on Tobin's Q (coefficient -0.9747; $p < 0.1$), indicating that corporate governance mechanisms in general are not yet optimal in creating value perceptions in the capital market. However, the ESG_CGI interaction variable has a positive coefficient of 0.0365 and is significant at the 10% level ($p < 0.1$). This result indicates that corporate governance strengthens the positive influence of ESG disclosure on company value. This means that in companies with better governance, ESG disclosure is considered more credible by investors, thereby increasing company value.

Thus, the first hypothesis (H1), namely that ESG disclosure has a positive effect on company value, is not supported, because the direction of the effect is negative. However, the second hypothesis (H2), namely that corporate governance strengthens the effect of ESG disclosure on company value, is empirically supported, given that the interaction between ESG and CGI is significantly positive at the 10% level.

Model 2 (Alternative Model – CG Indicator Moderation)

Model 2 is an alternative test that aims to evaluate the moderating effect of each corporate governance (CG) indicator on the relationship between ESG disclosure and company value. The results show that the direzction and significance of the effect of ESG disclosure on Tobin's Q remain negative and significant at the 10% level (coefficient -0.0202; $p < 0.1$), consistent with the results in Model 1. This reinforces the finding that, in general, ESG disclosure does not directly increase the perception of value in the market.

The results show that the direction of the coefficients of all interaction variables is consistent with the findings of Model 1 (positive coefficient direction for interactions expected to strengthen the influence of ESG), but none of the indicator interactions reached statistical significance. In other words, although in terms of direction it appears that governance indicators tend to strengthen the effect of ESG on firm value, the empirical evidence at the indicator level in Model 2 is not yet strong enough to confirm this moderating effect. These findings indicate that the moderating effect of CG may be weak or require a more sensitive sample size, variable size, or measurement quality to be detected at the indicator level.

Model 3 (Alternative Model – PBV as a Measure of Company Value)

Model 3 uses Price to Book Value (PBV) as an alternative measure of company value to test the consistency of the results. The ESG disclosure coefficient continues to show a negative and significant direction at the 10% level (coefficient -0.2548; $p < 0.1$), reinforcing previous findings that ESG disclosure is not yet fully appreciated by the market as a driver of company value. However, the moderation results between ESG and CGI (ESG_CGI) again show a significant positive coefficient (0.5102; $p < 0.05$), confirming that strong corporate governance aspects can increase the effectiveness of ESG disclosure in creating market value. The results in Model 3 also show consistency with Model 1, providing additional evidence that the relationship between ESG and corporate value is conditional, depending on the inherent quality of corporate governance.

Model 4 (Robustness Check – Alt. 3)

Model 4 was conducted as the first robustness test to confirm the stability of the results against potential extreme influences or estimation biases. The results show a similar direction and level of significance to Model 1. ESG disclosure still shows a negative coefficient (-0.2722) with a similar level of significance, while the ESG_CGI interaction is positive (0.0364) but not statistically significant. This indicates that the main results of the study are relatively stable against variations in model specifications. Thus, the main findings regarding the negative effect of ESG and the potential moderating role of corporate governance remain consistent after model robustness testing.

Model 5 (Robustness Check – Alt. 4)

Model 5 is a further robustness test by including CG indicators separately to test the consistency of the moderating effect at the indicator level. The results show a similar pattern to Models 2 and 3, where the ESG disclosure variable remains negative and significant at the 10% level (coefficient -0.0202; $p < 0.1$), while the ESG_BSIZE interaction shows a positive coefficient (0.0164; $p < 0.1$). These findings indicate that a larger board size can strengthen the influence of ESG on company value, possibly because a broader board capacity allows for a division of supervisory tasks and more diverse views on the implementation of sustainability strategies.

Overall, the results of Model 4 and Model 5 show that the research findings are robust to various model specifications and company value measures used. Thus, it can be concluded that although ESG disclosure alone has not been able to increase company value, the existence of strong governance mechanisms, particularly board size, can significantly strengthen this relationship.

Discussion

The results of this study indicate that ESG disclosure is directly negatively related to company value—in contrast to theoretical frameworks such as Signaling Theory (Chen et al., 2023; W.-A. Li et al., 2025). This theory states that transparent ESG disclosure should serve as a positive signal to investors regarding long-term prospects and non-financial risk management, thereby increasing company value (Aboud & Diab, 2018; Y. Li et al., 2018). These negative results can be explained through the perspective of Neoclassical Theory or Trade-off Theory, which views ESG investment and disclosure as additional costs (agency costs) that are not always offset by equivalent profits in the short term, thereby damaging shareholder value (Fatemi et al., 2018; Mishra et al., 2024). Furthermore, these findings are consistent with research in developed countries that found ESG disclosure can lower company valuations. In the context of emerging markets such as Indonesia, this sentiment is reinforced by market skepticism regarding the potential for greenwashing or the perception that ESG spending is a costly diversion of resources (Malik & Kashiramka, 2024, 2025).

Hypothesis 2 in this study is supported, showing that Corporate Governance (CG) positively and significantly moderates the relationship between ESG disclosure and company value, providing an in-depth understanding of how internal mechanisms can bridge the gap between ESG practices and market valuation. These findings strongly support the integration of Agency Theory and Signaling Theory. According to Agency Theory, strong CG plays an important role in reducing agency conflicts, where managers may be motivated to overinvest in ESG activities for personal gain (e.g., reputation) to the detriment of shareholders (Jensen & Meckling, 1976). With effective CG, ESG disclosure becomes more credible and substantial, rather than merely symbolic, prompting a positive market response (Aboud & Diab, 2018; Y. Li et al., 2018).

The positive moderating role of CG can be explained through two main mechanisms: increased commitment and risk mitigation. First, high-quality CG, reflected in high CGI, acts as a signal enhancer. Investors interpret ESG disclosures from companies with strong governance as evidence of greater strategic commitment to sustainability. This mechanism is similar to the findings of Li et al. (2018) where high CEO power strengthens the positive relationship between ESG disclosure and company value. Second, CG functions as a reputation shield. Fatemi et al. (2018) explain that more intensive disclosure can mitigate the negative effects of ESG concerns or weaknesses on company valuation.

This study shows that strong CG provides assurance to the market that the company is capable of managing risks and addressing existing ESG weaknesses, thereby reducing the negative impact of ESG disclosure observed in H1. These consistent results confirm that CG is not only a supporting variable but also an important contingency factor that determines the success of ESG strategies in creating value, especially in environments characterized by high information asymmetry, such as emerging markets. This phenomenon is also supported by literature showing that ESG disclosure has a stronger impact on companies with lower financial reporting quality (FRQ), where ESG disclosure serves as a substitute for the lack of traditional transparency.

In summary, this study makes a significant contribution by confirming that in Indonesia, ESG disclosure must be supported by a strong corporate governance framework in order to generate positive market value. Although ESG without strong CG can be seen as a cost or greenwashing that actually depresses valuation (negative H1), the synergy between ESG and CG (positive H2) transforms this narrative into an opportunity for value creation. Therefore, the policy implications underscore the need for regulators in emerging markets to not only encourage mandatory ESG disclosure, but more importantly, to improve CG standards (e.g., through board independence and effective oversight mechanisms) so that companies' ESG commitments are considered credible by investors, which will ultimately promote sustainable development and enhance corporate value resilience amid uncertaint.

CONCLUSION

This study shows that although ESG disclosure independently has a negative relationship with Firm Value, indicating that in the Indonesian context, the market may view ESG spending as agency costs or costs that are not justified in the short term, the role of Corporate Governance (CG) has been proven to significantly and positively moderate this relationship. This finding is supported by the results of robustness testing using Price to Book Value (PBV) as an alternative proxy for firm value, which shows consistent results (Yin et al., 2025). These results reinforce the argument of Agency Theory that strong governance mechanisms are essential to credit (validate) ESG signals in the eyes of investors, thereby transforming negative perceptions (or market skepticism) into increased value. In other words, ESG disclosure only increases company value in the Indonesian market when supported by high CG quality (Aydoğmuş et al., 2022; Bukari et al., 2024).

The theoretical implications of these findings are significant because they enrich the literature examining the relationship between ESG and Firm Value in the context of emerging markets (Global South), where results are often divergent or mixed. Partial support for the negative ESG findings (H1 rejected) is consistent with the findings of Fatemi, Glaum, & Kaiser (2018), which show that disclosure can lower valuation, or studies in India that find a negative relationship between ESG and performance. However, the results of H2 emphasize the need for contingency analysis, in line with the findings of Li, Gong, Zhang, & Koh (2018), which highlight the moderating role of CEO power (as an aspect of CG) in enhancing the positive relationship between ESG disclosure and company value. Practically, these findings imply that for managers in Indonesia, the allocation of resources for ESG must be accompanied by increased transparency and quality of board oversight (CG mechanisms) so that ESG initiatives can be recognized by the market and contribute to long-term value creation. Policymakers and regulators, such as capital market regulators, should focus not only on encouraging the quantity of disclosure (e.g., mandatory disclosure) but also on strengthening the CG framework that oversees ESG practices, as solid CG is a determining factor in whether ESG will provide financial benefits.

The results of this study provide opportunities for further research to expand understanding of ESG dynamics in emerging markets, namely (1) Exploration of Disclosure Quality: This study is limited to measuring the level of disclosure (quantity), so future research should analyze the impact of the quality of ESG disclosure (e.g., using textual analysis) on company value, which may yield more positive results than pure quantity. (2) Expanding the Sample and Context Variation: Although this study focuses on Indonesia, cross-country studies in Sub-Saharan Africa or the Global South with different institutional frameworks are recommended to test the external validity of the moderating role of CG. (3) Identifying Other Moderators and Mediators: In addition to CG, other moderating or mediating factors such as ownership structure, leverage, or industry competition should be examined in more detail, as these factors have been shown to moderate the ESG-performance relationship in various markets. (4) Addressing Causality and Endogeneity Issues: Although robustness testing has been conducted, future studies should use more sophisticated methodologies, such as natural experiments or Difference-in-Differences (DID) with heterogeneity effects to isolate causality and reduce the endogeneity bias inherent in corporate finance research.

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