

**ESG DISCLOSURE AND INVESTMENT DECISIONS OF STATE-OWNED ENTERPRISES (SOEs) LISTED IN
INDONESIA STOCK EXCHANGE**

Sila Ninin Wisnantiasri¹, Yeni Widiastuti², Dwirini³, Yudhi Prasetyo⁴

^{1,2,3,4}Accounting Study Program, Universitas Terbuka, Indonesia

E-mail: sila.wisnantiasri@ecampus.ut.ac.id

ABSTRACT

This study aimed to investigate the influence of Environmental, Social, and Governance (ESG) disclosure on investment in state-owned enterprises (SOEs) listed on the Indonesia Stock Exchange (IDX). The independent variables consisted of the ESG disclosure, quantified using the ESG Score and Financial Reporting Quality (FRQ), which proxied with earning management. The dependent variable is measured by total investment. We control the estimation model by firm size, age, and leverage. The study was conducted using quantitative methods. Furthermore, the population included state-owned enterprises that were listed on the Indonesia Stock Exchange (IDX). The data collection technique employed purposive sampling, with a total of 104 firm years of the sample meeting the specified criteria. The sample was selected for a duration of 7 years. Moreover, the data included corporations' annual and sustainability reports from 2016 to 2022, mostly retrieved from the ESGI dataset. In addition, the data analysis technique employed was panel regression using Eviews 12. The data analysis involved doing conventional assumption tests, including normality and multicollinearity. The findings indicated that neither FRQ nor ESG Disclosure significantly influences investment. We suspect that state-owned enterprise business strategy, including investment, depends on government assignment and national policy.

Keywords: ESG Disclosure; Financial Reporting Quality; Investment Decisions; State-Owned Enterprise

REFERENCES

Baltagi, B. H. (2005). *Econometric Analysis of Panel Data*. In John Wiley & Sons.
<https://doi.org/10.3109/00498257509056115>

- Barth, M. E., Cahan, S. F., Chen, L., & Venter, E. R. (2017). The economic consequences associated with integrated report quality: Capital market and real effects. *Accounting, Organizations and Society*, 62(2017), 43–64. <https://doi.org/10.1016/j.aos.2017.08.005>
- Biddle, G. C., Hilary, G., & Verdi, R. S. (2009). How does financial reporting quality relate to investment efficiency? *Journal of Accounting and Economics*, 48(2–3), 112–131. <https://doi.org/10.1016/j.jacceco.2009.09.001>
- Ellili, N. O. D. (2022). Impact of ESG disclosure and financial reporting quality on investment efficiency. *Corporate Governance (Bingley)*, 22(5), 1094–1111.
- Grossman, S. J., & Hart, O. D. (1980). Disclosure Laws and Takeover Bids. *The Journal of Finance*, 35(2), 323. <https://doi.org/10.2307/2327390>
- Gujarati, D. N. (2003). *Basic Econometrics*. In Mc Graw Hill. <https://doi.org/10.2307/2230043>
- Harymawan, I., Nasih, M., Agustia, D., Putra, F. K. G., & Djajadikerta, H. G. (2022). Investment efficiency and environmental, social, and governance reporting: Perspective from corporate integration management. *Corporate Social Responsibility and Environmental Management*, 29(5), 1186–1202. <https://doi.org/10.1002/csr.2263>
- Huang, K. (2020). Management forecast errors and corporate investment efficiency. *Journal of Contemporary Accounting and Economics*, 16(3). <https://doi.org/10.1016/j.jcae.2020.100208>
- Penjelasan atas Undang-undang Republik Indonesia Nomor 19 Tahun 2003 tentang Badan Usaha Milik Negara, 1 (2003). <https://jdih.kemenkeu.go.id/FullText/2003/19TAHUN2003UUPenj.htm> 1/22
- Jensen, M. C., & Meckling, W. H. (1976). Theory of the firm: Managerial behavior, agency cost and ownership structure. *Journal of Financial Economic*, 3, 305–360. <https://doi.org/10.1177/0018726718812602>
- Kementerian Keuangan Republik Indonesia. (2022). *Launching ESG Framework dan Manual Kementerian Keuangan*. <https://kpbu.kemenkeu.go.id/>.
- Kementerian Sekretaris Negara Republik Indonesia. (2024). *Pembentukan Regulasi ESG Sebagai Visi Masa Depan Ibu Kota Nusantara*. www.setneg.go.id.
- KPMG. (2019). *Impact of ESG disclosures*. September 2019, 1–20. <https://assets.kpmg/content/dam/kpmg/xx/pdf/2019/09/impact-of-esg-disclosures.pdf>
- Lai, S. M., Liu, C. L., & Wang, T. (2014). Increased disclosure and investment efficiency. *Asia-Pacific Journal of Accounting and Economics*, 21(3), 308–327. <https://doi.org/10.1080/16081625.2012.741791>
- Lev, B., & Gu, F. (2016). *The End of Accounting and the Path Forward for Investors and Managers*. NJ: Wiley & Son.
- Otoritas Jasa Keuangan. (2021). *Sustainable Investment in Indonesia Capital Market Webinar*. <https://www.ojk.go.id/Ojk-Institute/Id/Home>.

PwC Indonesia. (2023). Membuka peluang melalui peningkatan rating ESG. <https://www.pwc.com/id/en/media-centre/press-release/2023/indonesian/membuka-peluang-melalui-peningkatan-rating-esg.html>

Roychowdhury, S., Shroff, N., & Verdi, R. S. (2019). The effects of financial reporting and disclosure on corporate investment: A review. *Journal of Accounting and Economics*, 68(2–3), 101246. <https://doi.org/10.1016/j.jacceco.2019.101246>

Tobin, J. (1969). Equilibrium Approach To Monetary Theory. *Journal of Money, Credit and Banking*, 1(1), 15–29.