

## **ENVIRONMENTAL, SOCIAL, AND GOVERNANCE AND FIRM VALUE**

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### **ABSTRACT**

*This systematic literature review aims to comprehensively summarize, analyze, and synthesize empirical evidence regarding the relationship between Environmental, Social, and Governance (ESG) performance and corporate value, while identifying causal mechanisms and contextual factors that moderate their impact. Using the PRISMA protocol-based Systematic Literature Review (SLR) methodology, an extensive literature search was conducted on major academic databases for articles published between 2016-2025, with a systematic process of selection, data extraction, and quality assessment. We anticipate the findings will demonstrate the consistency of the positive relationship between ESG and corporate values, while acknowledging inconsistencies caused by differences in methodology or market context, as well as clarifying key mechanisms and moderation factors (e.g., industry characteristics, governance). The results of this review are expected to provide practical insights for managers in integrating ESG authentically, investors in developing advanced investment models, and regulators (OJK, IDX) in standardizing ESG reporting to improve market transparency. The originality and value of this research lies in a comprehensive synthesis of the diverse research landscape, clarifying findings, and formulating a directed future research agenda, particularly highlighting the need for studies in emerging markets such as Indonesia.*

**Keywords:** Environmental, Social, and Governance (ESG); Firm Value; Systematic Literature Review (SLR)

### **INTRODUCTION**

*In the global era, companies operate in an increasingly complex context, where social and environmental responsibility is an integral part of corporate value creation. Companies are not only expected to comply with regulations, but also to proactively integrate ESG (Environmental, Social, and Governance) principles in their business strategies to increase long-term value.*

*Effective ESG integration not only contributes to a company's reputation, but can also improve the company's competitiveness and sustainability. The implementation of the right ESG principles helps companies achieve sustainability goals and increase overall company value. Strong ESG implementation serves as a key driver in improving company performance, creating positive impacts on society and the*

*environment, and supporting good governance. The effective implementation of ESG principles also helps companies overcome challenges in an ever-changing business environment, including pressure from stakeholders and increasingly stringent regulations.*

*The influence of ESG performance on Firm Value is a diverse topic in the literature, with results varying depending on several factors such as market context, company size, and profitability (Friede et al., 2015; Gillan et al., 2021). ESG performance generally aims to improve a company's reputation, stakeholder trust, and long-term sustainability, which can positively impact the company's value. However, the impact of ESG on a company's value is not universally positive and can be influenced by external economic conditions as well as the company's internal characteristics. The next section explores these dynamics in detail.*

*The aim of this literature review was to explore the relationship between ESG principles and corporate performance, focusing on how effective implementation can improve long-term value and sustainability. The application of good ESG principles not only benefits the company, but also has a broad positive impact on society and the environment, supporting the overall sustainable development goals. The effective application of ESG principles is a key factor in improving a company's reputation and attracting investors, while making a positive contribution to long-term financial performance. The application of strong ESG principles is believed to increase the attractiveness of companies in the capital market, as well as help overcome the challenges faced in a dynamic business environment.*

## **METHODS**

*The methodology of this study adopts the Systematic Literature Review (SLR) approach, which is a comprehensive method for identifying, evaluating, and synthesizing all relevant evidence regarding a particular research question (Kitchenham & Charters, 2007). The SLR approach ensures objectivity, minimizes bias, and provides a solid basis for generalization of findings. The SLR process in this study will follow three main phases: Planning, Conducting, and Reporting (Moher et al., 2009).*

### **1. Planning (Planning)**

*The planning phase is a crucial step in SLR to ensure the transparency and replicability of the study.*

#### **Research Questions (RQ)**

*The formulation of specific and measurable research questions will guide the entire search and analysis process. Here are the questions:*

*RQ1: How Does Environmental, Social and Governance (ESG) Affect Company Value?*

*RQ2: What are the determinants that are suitable to be integrated with Environmental, Social and Governance (ESG) to affect Company Value?*

*RQ3: What variables are suitable for mediating the relationship between Environmental, Social and Governance (ESG) Influence on Company Value?*

*RQ4: What are the variables that are suitable for moderating the relationship between Environmental, Social and Governance (ESG) Influence on Company Value?*

### **Inclusion and Exclusion Criteria Inclusion Criteria**

*This research will include quantitative empirical journal articles that have gone through a peer-review process, focusing on explicitly testing the relationship between Environmental, Social, and Governance (ESG) variables both in aggregate and their pillars (Environmental, Social, Governance) and the Firm Value variable. The proxy variables used should be generally accepted in the financial and accounting literature, such as ESG scores from Refinitiv/Bloomberg/MSCI, Sustainalytics, or Thomson Reuters, as well as Tobin's Q, Market-to-Book Value, ROA, and ROE for Firm Value (Chen & Wang, 2017; Friede et al., 2015). The context of the research is limited to public companies listed on the stock exchange. Articles under consideration must be in English or Indonesian, and published between 1 January 2016 and 31 December 2025, in order to capture research developments post-Paris Agreement (2015) and the era of increasing global ESG awareness (Gillan et al., 2021).*

#### **Inclusion Criteria**

*This study will exclude the types of conceptual articles, narrative reviews, editorials, and book reviews, as such publications do not provide the empirical data necessary for quantitative synthesis. In addition, studies that focus only on one dimension of ESG without mentioning the broader ESG context or without linking it to the company's value variables (e.g., studies that only address energy efficiency without linking it to general financial performance) will also be excluded from the scope of this study*

## **2. Implementation**

*The implementation phase involves the application of a systematic search strategy and selection procedure to identify and select articles that meet the criteria.*

### **Search Strategy**

*Literature searches will be conducted on leading bibliographic databases relevant to the fields of business, economics, and social sciences, including **Google Scholar** and **Publish or Perish**, to ensure comprehensive coverage. Careful keyword combinations will be applied using Boolean operators (AND, OR) to maximize the relevance of results and minimize noise. The search strings used are: ("ESG" OR "Environmental, Social, Governance" OR "sustainability performance" OR "corporate social responsibility") AND ("company value" OR "company value" OR "Tobin's Q" OR "market value" OR "financial performance" OR "ROA" OR "ROE") AND ("listed company\*" OR "public company\*"). The use of asterisks (\*) on "company" and "firm\*" serves as a wildcard to include variations of words such as "company," "companies," "firm," or "firms," so these strings are designed to include synonyms and related concepts of key variables (ESG, company value, and company type).*

### **Article Selection Process (Screening)**

*The article selection process will be carried out in stages, starting with Stage 1: Title and Abstract Filtering. At this stage, the initial search results from the entire database will be consolidated and duplicates will be removed using the reference management software. The researcher will independently screen the article by title and abstract to assess its relevance to the research question and*

*inclusion criteria, where irrelevant articles will be excluded. Next, Stage 2: Full-Text Filtering will be performed on articles that successfully pass Stage 1. The two researchers will then independently read the full text of each article to ensure compliance with all established inclusion criteria.*

**Referral Management**

*The use of reference management software is essential to manage a large number of references and ensure the accuracy of citations i.e. Mendeley.*

**3. Reporting (reports)**

*The reporting phase involves the synthesis of findings and the transparent presentation of the SLR process in the form of a PRISMA Flowchart.*

**Results and Synthesis**

*This section presents the results of a systematic literature review, beginning with a descriptive analysis of the selected literature, followed by a thematic synthesis that answers the research questions (RQ).*

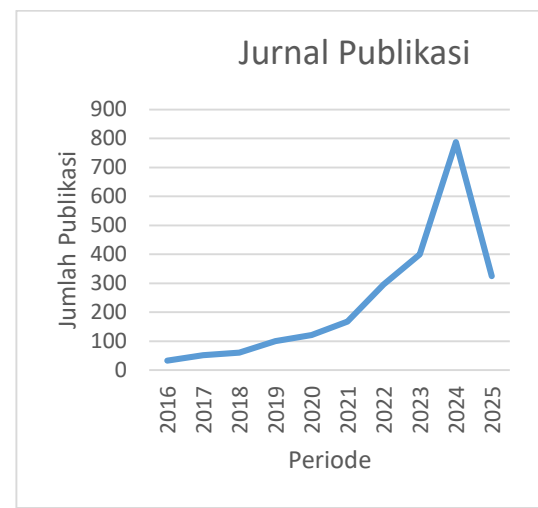
**Descriptive Analysis of Selected Literature**

**Publication Distribution**

**a. By Year**

*The following are the publication trends for 10 years (2016-2025):*

<b>Period</b>	<b>Number of Publications</b>
2016	33
2017	52
2018	61
2019	101
2020	121
2021	168
2022	296
2023	400
2024	788
2025	325



**Figure 1. Journal of Publications**

*This graph effectively illustrates a clear and substantial increase in publication over the years, culminating in a significant "explosion" of research activity in 2024. This trend is well in line with the hypothesis of increased research interest in ESG after the post-Paris Agreement global events. A sharp decline in 2025 will require further investigation, most likely due to incomplete data for the current year.*

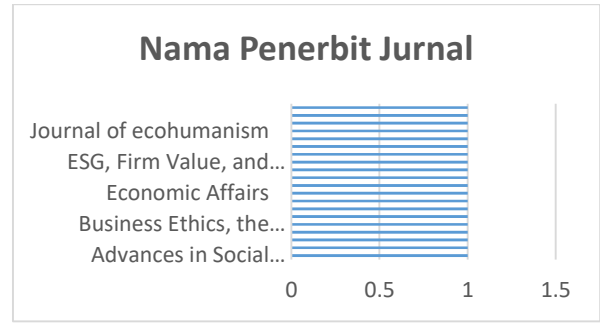
**Table 1. Number of Publications**

**b. Based on the Journal**

*Identify the leading journals that publish research in this area most frequently, identify centers of research excellence and validate the credibility of the sources used.*

**Table 2. Journal Publisher Name**

Number	Journal Publisher Name	Total
1	Advances in Social Science Research Journals	1
2	Asian Marketing Journal	1
3	Binus business overview : management management, accounting and hospitality	1
4	UK Accounting Review	1
5	Business Ethics, Environment and Res...	1
6	Business and research perspectives	1
7	Business and Environmental Strategy	1
8	Corporate Social Responsibility and Environmental Management	1
9	Economic Affairs	1
10	Economic Modeling	1
11	Economics and Business of Udayana University (e-journal)	1
12	Environment, Development and Sustainability	1
13	ESG, Corporate Value, and Lifecycle	1
14	International Journal of Management and Applied Business	1
15	International journal of research and innovation in the social sciences	1
16	Journal of Ecohumanism	1
17	Journal of Real Estate Finance and Economics	1
18	Journal of Research Accounting : Assets	1
19	Journal of Business Economics Informatics	1
20	Sustainability	1



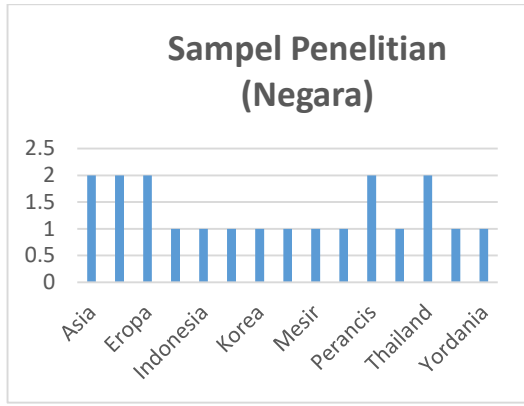
**Figure 2. Journal Publisher Name**

**c. By Country/Region**

*Map the geographical distribution of studies used as research samples. It is important to understand the regulatory and cultural contexts that may affect the ESG-value relationship of companies (Köse & Koç, 2021).*

**Table 3. Research Sample**

Number	Research Sample (Country)	Total
1	Asia	2
2	Chinese	2
3	Europe	2
4	India	1
5	Indonesia	1
6	English	1
7	Korea	1
8	Malaysia	1
9	Egypt	1
10	Nigeria	1
11	France	2
12	Southeast Asia	1
13	Thailand	2
14	Turkey	1
15	Jordan	1



**Figure 3.** Research Sample (Country)

**d. By Industry Sector**

Identify the industrial sectors that are most often the focus of research such as: manufacturing, finance, technology, energy and aviation.

**e. Most Frequently Used Research Methodology**

The dominant empirical research methods are panel data regression, cross-sectional regression, GMM, SEM-PLS. This analysis will also cover commonly applied estimation techniques and how researchers address endogeneity problems with the use of control variables, instrumental variables, or fixed/random effects models)

**f. Identify the Most Dominant ESG and Firm Value Proxies**

This section will detail the ESG proxies most commonly used by the included studies, i.e. aggregate ESG scores from Refinitiv/Bloomberg/MSCI, specific indices, or self-reported data based on the GRI framework, SASb, etc.

**Table 4. Identify ESG Proxies**

Number	ESG Proxy Measurement	Researchers
1	Bloomberg	Sadiq et al (2020), Yoon et al (2018)
2	Refinitiv Eikon	Abdi & Li (2023),
3	MSCI	Bush & Legun (2020)
4	GRESB	Feng & Wu, 2021
5	Thomson Reuters	Konstantinuscu et al (2021)
6	ESG Indices	Melina & Wardhani (2020)
7	S&P/EGX ESG Index	Aboud & Diab (2018)
8	Korean Corporate Governance Service (KCGS)	Yoon et al (2018)
9	GRI Standard	Yordudom & Suttipun (2020), Li et al (2017)

Similarly, the most commonly applied corporate value proxies such as Tobin's Q, Market-to-Book Value, ROA, ROE, etc.

**Table 5. Proxy Measurement of Company Value**

Number	Measurement of Company Value	Researchers
1	Tobin Q Ratio	Behl et al. (2021), Putra & Ginting (2021), Sadiq et al (2020). Melina & Wardhani (2020), Aboud & Diab (2018), Li et al (2017)
2	Market-to-Book Ratio	Abdi & Li (2023)
3	Market Value Equity (MVE)	Li et al (2017)

**g. Relevant theories**

*This section details the various theoretical perspectives used in this area of research, covering different aspects of the relationship between ESG and corporate value.*

**Table 6.** Relevant theories

Number	Relevant theories	Total
1	Agency Theory	1
2	Information Asymmetry Theory	1
3	Resource-Based Theory	1
4	Affordability theory	1
5	Legitimacy Theory	1
6	Stakeholder Theory	1
7	Sustainable Development Theory	1
8	Signaling Theory	1
9	Slack Resource Theory	1

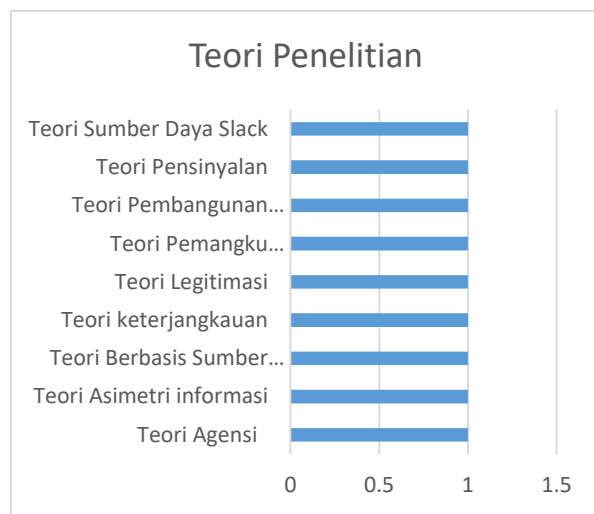
*internal decisions and resource availability. Meanwhile, the market's response to ESG performance is examined through **Information Asymmetry Theory** and **Signaling Theory**, highlighting how ESG information affects investor perception. The long-term value creation of ESG is explained by **Resource-Based Theory**, **Stakeholder Theory**, and **Sustainable Development Theory**, which emphasize strategic benefits and sustainability. Finally, the role of society and the institutional environment in the implementation of ESG is discussed within the framework of **Legitimacy Theory**. The existence of these diverse theories reflects the researchers' efforts to comprehensively capture all dimensions of the ESG-corporate value relationship.*

**Thematic synthesis**

*Thematic synthesis is at the heart of a systematic review, in which findings from various studies are consolidated and interpreted to answer established research questions (Popay et al., 2006).*

**ESG and Corporate Value Direct Relationship (RQ1)**

*The first research question focuses on the direct relationship between ESG performance and company value. This synthesis will identify common patterns and anomalies in the literature.*



**Figure 4.** Relevant Research Theories

*The table above shows that this study adopts a **multidisciplinary perspective** to understand the complexity of the relationship between ESG performance and company value, with each theory offering a unique lens. Companies' motivations in adopting ESG are analyzed through **Agency Theory** and **Slack Resource Theory**, which explain*

**Table 7. Research Findings**

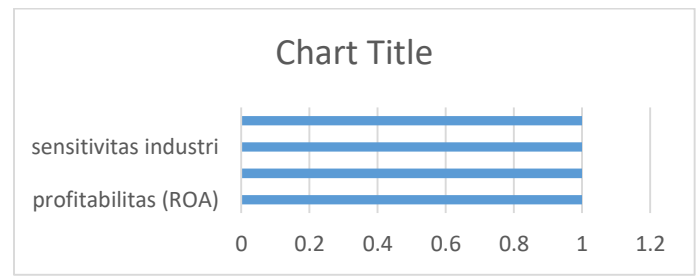
Number	Influence	Researchers	Total
1	Influential (+)	Abdi & Li (2023), Feng & Wu, 2021, Putra & Ginting (2021), Buallay et al. (2021), Hastalona & Sadalia (2021), Kim & Li (2021), Mohammad & Wasiuzzaman (2021), Cornejo et al. (2021), Wong et al. (2021), Şeker & Şengür (2021), Yordudom & Suttipun (2020), Sadiq et al (2020), Zainon et al. (E)(2020), Albitar et al. (2020), Aboud & Diab (2018), Yu, et al. (2018), Li et al. (2017).	16
2	Influential (-)	Behl et al. (2021), Saygili et al. (2021), Zainon et al.(S)(G)(2020)	3
3	Not Influential	Junius et al.(2020), Muslichah (2020), Atan et al.(2018).	3
4	Moderate	Fatemi et al. (2018), Chairani & Siregar (2021).	2

**Mediation Mechanism (RQ2)**

The second research question focuses on the mechanisms or pathways in which ESG affects a company's value. This section will map the most commonly identified mediation variables in the literature.

**Table 8. Mediation Variables**

Number	Mediation Variables	Total
1	Profitability (ROA)	1
2	Company reputation	1
3	Industry sensitivity	1
4	Financial Performance	1



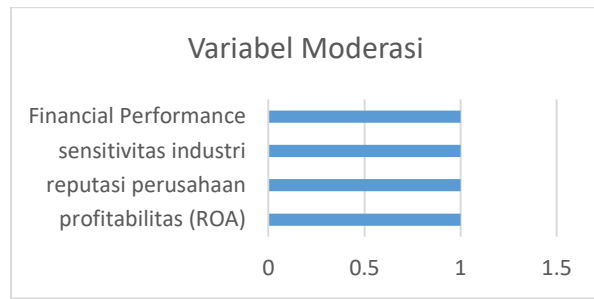
**Figure 5. Mediation Variables**

**Moderation Factor (RQ3)**

The third research question analyzes the factors that influence the strength or direction of the relationship between ESG and corporate values.

**Table 9. Moderation Variables**

Number	Moderation Variables	Total
1	CEO Strengths	1
2	ESG disclosures	1
3	Green innovation	1
4	Company Characteristics: size and age of the company	1
5	Financial Performance	1
6	Business Ethics Disclosure (BED)	1
7	Profitability	1



**Figure 6.** Moderation Variables

## DISCUSSION

*This section interprets the findings of the descriptive analysis and thematic synthesis presented earlier. Discussions will focus on why there is diversity of findings, integrate findings with relevant theoretical frameworks, and identify research gaps in the literature on the relationship between ESG and corporate value.*

### Interpretation of Findings

*The interpretation of the findings aims to give a deeper meaning to the patterns and anomalies found in the literature, connecting them to theoretical and practical contexts.*

*The diversity of findings regarding the relationship between ESG and corporate value can be explained by three main factors: differences in theory, methodology, and context. Theoretically, positive outcomes are often aligned with Stakeholder Theory which emphasizes long-term value creation through the fulfillment of stakeholder demands, while negative or insignificant findings can be explained by Agency Theory or traditional financial views that look at ESG as cost. Methodologically, variations arise from the use of proxies of different ESG variables and company values (e.g., aggregate scores vs. individual pillars, Tobin's  $Q$  vs. ROA), diverse econometric techniques in dealing with endogeneity issues, and different data periods and samples between studies. Finally, specific contexts such as the level of*

*market development (developed vs. developing), industry characteristics (pollution sensitive vs. services), and the institutional and regulatory environment between countries also play a crucial role in moderating the impact of ESG on company value.*

*This discussion explicitly identifies gaps in the existing literature, which are important to demonstrate the potential contribution of research. Conceptual gaps include a lack of studies on the negative or "cost" of ESG implementation, as well as a lack of in-depth understanding of the role of investor expectations and ESG capital allocation. From a methodological perspective, the major challenges lie in the unresolved problem of endogeneity, the dominant reliance on third-party ESG rating data that often has limitations (Chatterji & Fineman, 2008), and the lack of standardization of variable measurements. Meanwhile, the contextual gap highlights the dominance of studies from developed markets and the need for further research in emerging markets (including Indonesia specifically), on specific underrepresented industries (e.g., fintech, creative economy, startups), as well as on the role of specific ownership structures (e.g., family companies, SOEs) in moderating ESG-corporate value relationships.*

## CONCLUSION

*This systematic literature review concluded that Environmental, Social, and Governance (ESG) performance in general has a positive relationship with company value, suggesting that good ESG investments and practices are consistently associated with increased valuation. While there are some negative or insignificant findings that can be explained by specific contexts such as emerging markets or industry characteristics, the Governance (G) pillar*

often shows more direct impacts. These relationships are mediated through a variety of pathways, including reputation enhancement, innovation drive, increased risk management efficiency, and reduced cost of capital, which synergistically create multifaceted value. In addition, the strength of the ESG-Firm Value relationship is moderated by factors such as industry characteristics, R&D intensity, and the quality of corporate and state governance, suggesting that ESG impacts are not universal. The evidence gathered strongly supports the view of ESG as an increasingly crucial determinant of corporate value, although its complexity demands a more nuanced understanding of the mechanisms and contexts involved.

The findings of this literature review offer valuable practical guidance for a wide range of stakeholders. For corporate managers, it's important to prioritize ESG as a core business strategy that creates long-term value, not just a compliance burden. It also means communicating ESG efforts authentically and transparently, avoiding greenwashing (Eccles et al., 2016), and focusing on the ESG pillars that are most material and relevant to their industry (Khan et al., 2016). For investors, these findings emphasize the need to integrate ESG factors into investment decision analysis and models to identify more sustainable and profitable opportunities (Friede et al., 2015), as well as be critical of the quality of ESG data. Meanwhile, regulators such as OJK and IDX need to encourage standardization of ESG reporting to improve the comparability and reliability of data (CDSB, 2015), as well as develop policies that increase market transparency and accountability, including education on the importance of ESG.

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