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Analysis of Empirical Study on the Impact of Esg Risk Score and Dividend Payout Ratio on Issuer Valuation

Bayu Ramadhan[1], Dini Rosdini[2], Indri Yuliafitri[3]

[1,2,3]Department of Accounting, Faculty of Economics and Business
Universitas Padjadjaran
Corresponding author: *bayu.sygma@gmail.com

Abstract

This study investigates the influence of ESG Risk Score (ESGR) and Dividend Payout Ratio (DPR) on the valuation of companies listed on the Indonesia Stock Exchange (IDX) that have consistently received ESG Risk Ratings from 2019-2022 by Morningstar Sustainalytics. Sustainability Financial & ESG are being the main activities for development of the Sharia capital market and achieving the Sustainability Development Goals (SDGs). The research method is descriptive and verification research through purposive sampling of 53 companies that implemented early regulations related to Sustainable Finance. This study identifies ESGR and DPR as factors influencing valuation. The results show that neither ESGR nor DPR affect company valuation. The variable simultaneously test results indicate no collective impact on company valuation. The conclusion is that ESGR and DPR have not impacted valuation and shown that the implementation of ESG in Indonesia still on the early stages that have a lot potential for development (i.e literacy, information technology, infrastructure and regulations for implementation of ESG program)

Keywords: *ESG Risk Score; Dividend Payout Ratio; Tobins Q ratio; Indonesia Roadmap Shariah Capital Market; Sustainability Development Goals.*

INTRODUCTION

One of the strategies for developing Islamic capital market products in Indonesia, detailed in the Islamic Capital Market Roadmap issued by the Financial Services Authority (Otoritas Jasa Keuangan - OJK), is the Development of Islamic Capital Market Products Based on Socially Responsible Investment (SRI) (Otoritas Jasa Keuangan, 2020). Furthermore, the Islamic Capital Market Roadmap outlines a strategy that includes two main programs: the Development of Islamic Capital Market Products Based on Productive Waqf and the Integration of ESG (Environmental, Social, and Governance) into Stocks Listed on the Sharia Securities List (Roadmap Keuangan Berkelanjutan Tahap II (2021-2025), 2021). The roadmap further elaborates on global issues surrounding SRI, positioning it as a strategic aspect of Islamic investment product innovation. This innovation is carried out by integrating the values found in SRI with sharia principles in Islamic investment products in the capital market through issuers listed on the Sharia Securities List issued by the OJK. For instance, ESG has a positive and significant relationship with the issuance of green bonds (Dan & Tiron-Tudor, 2021), issuance both sovereign and retail Green Sukuk for part of Indonesia SDG's (Musari, 2022) and the development of Islamic capital markets derived from the Islamic Sustainable and Responsible Investment (Haji Wahab & Mohamed Naim, 2022). A higher ESG Risk Score requires higher investment, and green bonds are a way to fund projects that will reduce those risks.

The direction of the Sharia Securities List development in the Islamic Capital Market Roadmap for the 2020-2024 period explains in greater detail that by incorporating SRI values, the Sharia Securities List can encourage the formation of other Islamic investment products such as Islamic mutual funds with an environmental preservation theme and Islamic stock indices based on ESG. ESG (Environmental, Social, and Governance) is a set of three criteria used by issuers and investors to evaluate the practical impact of a business based on environmental aspects, social responsibility, and corporate governance (Bursa Efek Indonesia, 2024). Furthermore, the assessment of ESG performance and measurement of ESG risk can use an analysis known as the ESG Risk Score. The ESG Risk Score measures how well a company manages environmental, social, and governance risks. It considers various factors, including carbon emissions, labor practices, and board diversity (Sustainalytics, 2021). A good ESG practices can enhance a company's

valuation by increasing brand value and reputation value (Eccles et al., 2014). In recent years, many global investors have begun to consider ESG factors in their investment decisions. Companies that focus on good ESG practices can attract long-term oriented investors and provide returns to shareholders through long-term value.

As an initial contribution to providing guidelines for implementing SRI and ESG, the OJK issued Regulation No. 51/POJK.03/2017 on July 18, 2017. This regulation pertains to the Implementation of Sustainable Finance for Financial Institutions, Issuers, and Public Companies (POJK 51/POJK.03/2017). Based on this regulation, the OJK sets a timeline for the mandatory submission of Sustainability Reports (SR) between 2019-2025, according to the specific criteria of each company. Meanwhile, the Indonesia Stock Exchange has also collaborated with Morningstar Sustainalytics, an independent ESG rating agency, to provide the public with information on the residual risks in the business processes of issuers after adequate risk management has been implemented, in accordance with international guidelines from the GRI and OJK regulations. Furthermore, the Global Reporting Initiative (GRI) holds a dominant position in establishing sustainability reporting standards related to providing information about the impact of reporting organizations on society and the natural environment (de Villiers et al., 2022)

This study conducts an ESG Risk Score test to assess ESG management in relation to valuation, and tests the Dividend Payout Ratio to measure sustainable finance in relation to valuation. The research results show that the ESG Risk Score does not affect company valuation. This differs from previous research by (Ademi & Klungseth, 2022), which used the S&P Index as the basis for evaluating the ESG Risk Score, and (Rawal et al., 2022), which used data from Thomson Reuters. There are several differences in the implementation of the ESG Risk Score in this study compared to previous studies, which will be discussed in the next section. In addition, the role of ESG analysis in identifying potential risks and opportunities in investment decision-making (Krosinsky & Robins, 2018). This section emphasizes that investors can use ESG factors to evaluate a company's sustainability performance, and that ESG analysis can help identify potential risks and opportunities not covered by traditional financial analysis.

The Dividend Payout Ratio (DPR) test differs from Oji & Andrew (2021) and Carolin Simorangkir (2020) as this study tests the DPR on companies listed

on the Indonesia Stock Exchange that have already implemented early Sustainability Report/ESG Report submissions. There are differences in the purposive sampling approach and data range used, which will be discussed in the next section.

The limitations of this research include several critical aspects that may affect the validity of the results obtained. First, the ESG Risk Score data sourced from Morningstar Sustainalytics ratings is based on the Sustainability Reports submitted no later than April after the business period ends. Second, Dividend Payout Ratio data comes from financial performance data used to determine dividend distributions for the following business period. Third, valuation data is obtained from financial reports published after the ESG Risk Score and dividend announcements mentioned earlier. The different time ranges for collecting these three variables may be a key factor that causes the ESG Risk Score and Dividend Payout Ratio to have no significant influence on valuation. These time range variations suggest that the data used may not be synchronized, making it difficult to accurately identify relationships between variables and potentially influenced by other relevant information such as The National Long-Term Development Plan (RPJMN) of Indonesia, including the development of the New Capital City (IKN), carbon market development programs, and other strategic national programs.

The 2020-2024 National Medium-Term Development Plan (RPJMN) outlines the Sustainable Development Goals (SDGs), describing how Indonesia's development should maintain economic well-being, social sustainability, quality of life, and justice, as well as governance that can sustain quality of life from generation to generation (Ministry of National Development Planning of the Republic of Indonesia/National Development Planning Agency, n.d.). The Indonesian government has set 17 sustainable development goals, some of which include poverty management, hunger management, clean water & sanitation management, ecosystem management, and other management areas. Therefore, the findings of this study need to be interpreted with caution, considering potential time biases and data limitations.

Furthermore, the limitations also involve data collection during the early implementation phase of the Financial Services Authority Regulation of Sustainable Finance, where the data used in this study comes from the period before the Financial Services Authority Regulation on sustainable finance was enforced, which will begin in 2025. During this early implementation period,

it is possible that issuers' disclosure of Sustainability Reports (SR) may not fully comply with POJK sustainable finance guidelines and the Global Reporting Initiative (GRI) standards. Most issuers at this time had not committed to the Principles for Responsible Investment (PRI), indicating that they had not fully adhered to their ESG risk management commitments. These limitations suggest that the data used may not fully reflect compliance with applicable regulations and standards, so the research results should be interpreted with caution, taking into account the regulatory context and commitment still in its early stages.

Based on the information detailed earlier, the researcher intends to use issuer valuation analysis through the Tobin's Q Ratio approach to determine the value of issuers in implementing ESG values in business practices. Tobin's Q Ratio analysis is a valuation analysis using a ratio approach that can measure the company's value through tangible and intangible asset parameters. Therefore, the researcher intends to title the study **'Analysis Of Empirical Study On The Impact Of Esg Risk Score And Dividend Payout Ratio On Issuer Valuation (Study On Companies Which Reporting Sustainable Financial Statements and Listed On The Indonesia Stock Exchange For The Years 2019-2022).**

Literature Review

Regulation Theory

The implementation of ESG in companies listed on the IDX has become a requirement regulated by the government or supervisory institutions. Issuers' compliance with OJK Regulations and GRI Guidelines forms the basis for ESG implementation, in accordance with Regulation Theory, where companies respond to regulations by adopting sharper strategies to align corporate behavior with the law and respect social interests (Manacorda & Centonze, 2021).

Signaling Theory

The implementation of sustainable finance signals to investors that the company is growing by indicating an increase in the company's value or valuation, in line with Signaling Theory. This theory suggests that investors react to good financial performance as a positive signal of business prospects, leading them to avoid selling shares and instead pursue alternative strategies for raising capital, such as using debt outside of the capital structure (Brigham & Ehrhardt, 2017).

Shariah Enterprise Theory

The implementation of sustainable business practices and compliance with ESG regulations align with Shariah Enterprise Theory, where a company's primary responsibility is to Allah-God, which is then extended to accountability towards humanity and the natural environment (Triyuwono, 2015).

ESG Risk Score

The ESG Risk Score is one of the measurements used to assess ESG implementation in listed companies. The evaluation of the ESG Risk Score can enhance a company's transparency and accountability in managing governance, materials related to ESG issues, and idiosyncratic ESG issues (Morningstar, 2023). The ESG Risk Score also used for measurement that evaluates the impact of incidents on a company, stakeholders, and/or the environment, determined by assessing relevant Environmental, Social, and Governance (ESG) parameters (S&P Global, 2024). Therefore, the ESG Risk Score is categorized into five groups: (1) negligible / score between 0 and 10, (2) low / score between 10 and 20, (3) medium / score between 20 and 30, (4) high / score between 30 and 40, and (5) severe / score above 40. These risk categories are absolute, meaning that a high-risk rating indicates an unmanaged ESG risk level that is consistent across all sub-industries.

Principles for Responsible Investment (PRI)

PRI (Principles for Responsible Investment) is an independent organization that oversees Responsible Investment. The organization plays a key role in understanding the impact of investments on environmental, social, and governance (ESG) factors and supports a network of international investor signatories in integrating these factors into their investment and ownership decisions (Principles for Responsible Investment, 2017). PRI acts to support the responsible investment management of organizations that have signed on to follow six core principles in Responsible Investment, which include (1) incorporating ESG issues into investment analysis and decision-making processes, (2) being active owners and incorporating ESG issues into ownership policies and practices, (3) seeking appropriate disclosure on ESG issues by the entities in which they invest, (4) promoting the acceptance and implementation of the principles within the investment industry, (5) working together to enhance the effectiveness of applying the principles, and (6) reporting on activities and progress in applying the principles.

Dividend Payout Ratio

Financial statement analysis primarily aims to gain an understanding of the company's financial position for the company's owners and the board of directors. Furthermore, a comprehensive analysis of the financial statements through Financial Ratio Analysis is conducted to provide an overview of whether the company has achieved or not achieved the previously set targets (Kasmir, 2017).

One of the financial ratios that can be used to measure sustainable financial performance is the Dividend Payout Ratio. The Dividend Payout Ratio (DPR) is a financial analysis ratio that measures the proportion of earnings distributed as dividends, calculated by dividing the total dividends by net income (Higgins et al., 2023). The dividend determination mechanism begins with assessing revenue and expenses, followed by calculating net profit or net loss. If a company has net profit and determines that there are no better uses for the earnings, it may decide to distribute dividends to its owners (shareholders).

Company Valuation

Investors utilize a company's financial information to evaluate its performance and assess its value. The concept of company valuation aligns with the previously mentioned signaling theory, where financial valuation using Tobin's Q Ratio is beneficial for measuring management's performance in managing the company's assets. The ESG rating score influences the return on capital, which is used as an indicator of financial performance, and Tobin's Q serves as a useful financial analysis tool for measuring the company's value (Ademi & Klungseth, 2022). Tobin's Q also a proper financial analysis process because it helps measure the performance and quality of asset management in a company (Sudiyatno & Puspitasari, 2010)."

METHODOLOGY

The scientific research methods to be used are descriptive and verificative research. The descriptive approach helps researchers explain the stock valuation of companies listed on the IDX, and includes the ESG Risk Score assessment published by Morningstar Sustainalytics for the period 2019-2022, which is the object of this research. The verificative approach is used to explain the relationship between the ESG Risk Score and Dividend Payout Ratio through hypothesis testing. This research tests secondary data, specifically ESG Risk Scores based on ratings assessed by Morningstar Sustainalytics, and Dividend Payout Ratio data from audited financial statements reported by issuers and disclosed on the Indonesia Stock Exchange website. The selection of the ESG Risk Score from Morningstar Sustainalytics is based on the consideration that Morningstar Sustainalytics is a rating agency that has collaborated with the Indonesia Stock Exchange to assess ESG risk management and measure SDG performance.

Therefore, Purposive sampling is the process of selecting a specific type of sample that can provide the desired information, either because the chosen objects are the only ones that meet the criteria or because several objects match certain criteria set by the researcher (Sekaran & Bougie, 2016). The purposive sample for this research was selected based on the following criteria:

1. Listed Companies that had their ESG Risk Score assessed by Morningstar Sustainalytics from 2019 to 2022.
2. Listed Companies that had their ESG Risk Score assessed consistently from 2019 to 2022.
3. Listed Companies that consistently distributed dividends to investors from 2019 to 2022.

Based on these criteria, there are 53 out of 212 issuers that consistently distributed dividends and consistently received ESG Risk Ratings from Morningstar Sustainalytics. In this research, the dependent variables used are ESG Risk Score (X1) and Dividend Payout Ratio (X2), while the independent variable is valuation, measured using Tobin's Q Ratio (Y). An independent variable is a variable that has the ability to change or influence the outcome in an experimental study, while a dependent variable is a variable that depends on the independent variable in scientific research (Creswell & Creswell, 2018).

RESULTS AND DISCUSSION

T-Test

The purpose of the t-statistic testing process is to assist the research in measuring the scale of partial significance for each independent variable in describing the dependent variable. If the P-Value is less than 0.05, the result is that the null hypothesis is rejected, meaning the alternative hypothesis can be accepted, which indicates that the independent variable has a significant effect on the dependent variable. If the P-Value is greater than 0.05, the result is that the null hypothesis is accepted, meaning the alternative hypothesis is rejected, and thus the independent variable does not have a significant effect on the dependent variable. Based on data processing using STATA 14 and significance levels of 1%, 5%, and 10%, the findings are as follows:

Table 1. T Test Result

Variable	T-Statistic	Prob.	t table			
			Result	α = 1%	α = 5%	α = 10%
Constanta	2,04	0.041		±2,576	±1,96	±1,645
X1	- 0,16	0.869	Accepted at significance levels of 1%, 5%, and 10%	±2,576 *	±1,96*	±1,645 *
X2	0,58	0.565	Accepted at significance levels of 1%, 5%, and 10%	±2,576 *	±1,96*	±1,645 *

Source: Stata 14. (data processed, 2024)

The Effect of ESG Risk Score (ESGR) on Valuation

This study foun The hypothesis drawn is that the test results indicate the ESG Risk Score does not have a significant effect on valuation at significance levels of 1%, 5%, or 10%. This hypothesis is based on the information reflected in Table 1, where the t-value for the ESG Risk Score variable is -0.16, which falls within the acceptance zone for significance levels of 1% (between -2.576 and 2.576), 5% (between -1.96 and 1.96), and 10% (between -1.645 and 1.645), leading to the acceptance of H0. Therefore, the probability level is 0.869, which is higher than the significance levels of 1%, 5%, and 10%, at 86.9%. The information reflected

in these test results indicates that the high probability suggests ESG Risk Score does not have an effect on the valuation variable.

Furthermore, the descriptive statistical analysis of ESG Risk Score for issuers listed on the Indonesia Stock Exchange during the period 2019-2022 provides an overview of the ESG risk management occurring in companies' businesses. First, the measurement of ESG Risk Score shows a minimum risk value of 11.31, a maximum value of 63.25, an average value of 31.74, and a standard deviation of 10.59. The ESGR value is quite good, reflected in an average value approaching the Medium Score (Score 20-30) at 31.73552. The implementation of ESG risk management in companies is reflected reasonably well through both approaches, with the average value approaching the Medium Score (Score 20-30). Some issuers that have reported Sustainability Reports during the relaxation reporting period (year 2025) have made efforts to ensure their business aligns with ESG responsibilities with Medium risk control quality. However, this ESG Risk Score value has not yet managed to provide a positive signal to investors, according to Regulation Theory, where a low ESG Risk Score should give investors confidence that the company's ESG risk control quality is adequate according to regulations and ESG principles, which should contribute to the company's value or valuation. This is inconsistent with previous findings by Ademi & Klungseth (2022) and Rawal et al. (2022), who used data from S&P Index and Thompson Reuters, respectively. The research result as well not consistent with previous finding by Aboud & Diab (2018) which stated that ESG Risk Score have the effect or impact to the company size or Chouaibi, S., Chouaibi, J., & Rossi, M. (2022) which stated that ESG Risk Score have the positive impact on company's financial performance. The research result also not consistent with (Gholami et al., 2022) which stated that corporate ESG performance disclosure is contribute in reducing a company's idiosyncratic risk, thereby affecting the company's access to cheaper funding sources. Therefore (Rastogi & Singh, 2022) also stated that there are positive effect of ESG and ICT (Information and Communication Technology) on bank valuation, without considering ICT.

OJK, IDX and Indonesia Listed Companies need to improve the effort or achieving SDGs through ESG implementation. The company's efforts to address ESG risks should be a significant variable affecting valuation. According to research by Singhania & Saini (2022), the

disclosure of ESG Risk Scores in Indonesia falls into the classification of countries with ESG frameworks at the development stage (similar to countries such as Russia, Thailand, Nigeria, and Vietnam). Thus, the implementation of ESG Risk Scores in Indonesia can be classified as a group of countries with ESG frameworks in the early stages, with room for further implementation to achieve SDGs or sustainable financial goals. The efforts to improve the standard of Brokerage Office System could be a good improvement program in Indonesia when the system able to provide ESG information to the public should be a significant variable affecting valuation, as research by Rastogi & Singh (2022) indicates that high Information and Communication Technology (ICT) values lead to a positive impact of ESG on valuation. Current research findings differ from previous studies, which showed that both ESG Risk Scores and ICT simultaneously have a positive impact on company valuation.

The Effect of Dividend Payout Ratio (DPR) on Valuation

The Muhammadiyah The test results shown in Table 1 indicate that the Dividend Payout Ratio does not have a significant effect on valuation at significance levels of 1%, 5%, or 10%. This hypothesis is based on the information reflected in Table 4.11, where the t-value for the Dividend Payout Ratio variable is 0.58, which falls within the acceptance zones for significance levels of 1% (between -2.576 and 2.576), 5% (between -1.96 and 1.96), and 10% (between -1.645 and 1.645), leading to the acceptance of H0. The probability level is 0.565, which is higher than the significance levels of 1%, 5%, and 10%, at 56.5%. The information reflected in these test results indicates that the high probability suggests the Dividend Payout Ratio does not have an effect on the valuation variable.

Furthermore, the descriptive statistical analysis of Dividend Payout Ratio for issuers listed on the Indonesia Stock Exchange during the period 2019-2022 provides a comprehensive view of financial performance and company valuation resulting from their business through two approaches. First, the measurement of DPR shows a minimum value of 0%, a maximum value of 103.16%, an average value of 32.63%, and a standard deviation of 28.68%. A DPR of 0% reflects that there are issuers who do not distribute dividends, indicating that these companies do not have sufficient confidence to distribute dividends and prioritize other business strategies based on their financial performance. On average, these issuers distribute 32.63% of their earnings as dividends. The

standard deviation of 28.68% reflects a relatively low dispersion of the average dividends distributed by issuers. A high Dividend Payout Ratio should reflect a sustainable business relationship and provide a positive signal to investors that the company will return investments to shareholders. From the perspective of Signalling Theory, dividend distribution should be a financial analysis benchmark to assess the sustainability of a business in the future.

The test results shown in Table 1 indicate that the Dividend Payout Ratio does not have a significant effect on valuation at significance levels of 1%, 5%, or 10%. This hypothesis is based on the information reflected in Table 4.11, where the t-value for the Dividend Payout Ratio variable is 0.58, which falls within the acceptance zones for significance levels of 1% (between -2.576 and 2.576), 5% (between -1.96 and 1.96), and 10% (between -1.645 and 1.645), leading to the acceptance of H0. The probability level is 0.565, which is higher than the significance levels of 1%, 5%, and 10%, at 56.5%. The information reflected in these test results indicates that the high probability suggests the Dividend Payout Ratio does not have an effect on the valuation variable. The research result is not consistent with previous research that (Oji & Andrew, 2021) stated that Retained earnings and the Dividend Payout Ratio (DPR) have a positive effect on the Tobin's Q value of listed manufacturing companies, while earnings per share and dividend yield also have a positive effect on Tobin's Q value.

Furthermore, the descriptive statistical analysis of Dividend Payout Ratio for issuers listed on the Indonesia Stock Exchange during the period 2019-2022 provides a comprehensive view of financial performance and company valuation resulting from their business through two approaches. First, the measurement of DPR shows a minimum value of 0%, a maximum value of 103.16%, an average value of 32.63%, and a standard deviation of 28.68%. A DPR of 0% reflects that there are issuers who do not distribute dividends, indicating that these companies do not have sufficient confidence to distribute dividends and prioritize other business strategies based on their financial performance. On average, these issuers distribute 32.63% of their earnings as dividends. Additionally, the standard deviation of 28.68% reflects a relatively low dispersion of the average dividends distributed by issuers. A high Dividend Payout Ratio should reflect a sustainable business relationship

and provide a positive signal to investors that the company will return investments to shareholders. From the perspective of Signalling Theory, dividend distribution should be a financial analysis benchmark to assess the sustainability of a business in the future.

F-Test

F-statistic testing is used to determine whether all the independent variables in the regression equation collectively influence the dependent variable. The hypotheses for this test are as follows:

H0 : There is no effect of ESG Risk Score and Dividend Payout Ratio on the dependent variable.

H1 : There is an effect of ESG Risk Score and Dividend Payout Ratio on the dependent variable.

The test results will conclude that if the Prob (F-statistic) is less than 0.05, the null hypothesis is rejected, and the alternative hypothesis is accepted, meaning the independent variables collectively influence the dependent variables. Conversely, if the Prob (F-statistic) is greater than 0.05, the alternative hypothesis is rejected, and the null hypothesis is accepted, meaning the independent variables do not collectively influence the dependent variables.

The simultaneous test results in this study use regression analysis processed through STATA 14. The regression is conducted using the Random-Effects GLS Regression method with the following details:

Table 2. Simultaneous Regression Test (F-Test)

Wald Chi2(2)	= 0.42
Prob > Chi2	= 0.8104

Source: STATA 14 (data processed, 2024)

The results in Table 2 show that the value Prob > chi2 = 0.8104 indicates that the simultaneous test results are not significant at the 5% significance level. Therefore, the independent variables collectively do not have a significant effect on the dependent variable. This indicates that, together, the ESG Risk Score (ESGR) and Dividend Payout Ratio (DPR) do not significantly affect valuation. From the perspective of Shariah Enterprise Theory, this information suggests that the combination of these

variables does not effectively represent the company's efforts in fulfilling its responsibilities to God and the public in managing ESG impacts. From the perspective of Signalling Theory, the combination of these variables does not provide a positive signal to influence changes in the company's valuation. From the perspective of Regulatory Theory, this combination of variables does not impact the company's value in terms of compliance with regulations.

Coefficient of Determination (R2)

Analysis or testing process is a tool to measure the extent to which the research model explains the variation in the dependent variable. The following are the results of the coefficient of determination test conducted using STATA 14:

Table 3. Coefficient of Determination Test Results

Random-effects GLS regression		Number of obs =	212
Group variable: saham1		Number of groups =	53
R-sq:		Obs per group:	
within	= 0.0024	min =	4
between	= 0.0601	avg =	4.0
overall	= 0.0410	max =	4
		Wald chi2(2) =	0.42
corr(u_i, X) = 0 (assumed)		Prob > chi2 =	0.8104

Sources: (STATA 14, processed 2024)

The coefficient of determination (R-squared or R^2) is used to measure the extent to which variation in the dependent variable can be explained by the regression model. Generally, R^2 ranges from 0 to 1, where a higher result indicates that the model is able to explain a greater amount of variation in the data.

Based on Table 3, it is noted that R-squared Overall is not always a direct sum of R-squared Within and R-squared Between. This is due to the interaction between these groups. With the given values, it can be interpreted that the model test for the 53 samples overall explains approximately 4.10% of the variation in the dependent variable. From the R-sq Within and R-sq Between values, we can conclude that most of the variation occurs within specific groups or categories (Within), and there is a small amount of variation between groups (Between).

CONCLUSION

From the discussion on the effect of ESG Risk Score (ESGR) and Dividend Payout Ratio (DPR) on issuers that had their ESG Risk Score assessed consistently from the 2019 to 2022 business periods, the relevant conclusions referring to the problem formulation proposed in this study are as follows:

1. Effect of ESG Risk Score on Valuation: Descriptive statistical analysis shows diverse valuations among companies. Some companies, during the relaxation period of the OJK regulations related to sustainable financial reporting, have shown that many companies are responding by contributing to Sustainability Programs and setting an example for companies that have not yet reported Sustainability Reports before 2025. Partial testing results indicate that ESGR has not yet affected company valuation. This study, using ESGR, yields different results from previous research by Rawal (2022) and Ademi & Klungseth (2022), where each study found that ESGR had an impact on valuation.
2. Effect of Dividend Payout Ratio on Valuation: Descriptive statistical analysis shows varied levels of company returns to investors as a strategy in sustainable finance. In this study, a high Dividend Payout Ratio actually reflects companies with low valuations. Partial testing results demonstrate that DPR has not yet influenced the value or valuation of the company, which is the main goal of implementing Sustainable Finance Programs in the capital market. Compared to previous research, the results differ from studies by Rehman (2016) and Odum et al. (2019), which indicated that DPR reflects the company's ability to distribute dividends and that this ability impacts the company's valuation.
3. It appears that ESGR and DPR have not yet had a significant effect on company valuation. Further research is needed to test other variables that are major contributors to sustainable finance development in accordance with the SDGs programs implemented in Indonesia.

Author's Contribution

Bayu Ramadhan: Collected research data and prepared manuscript drafts. Dini Rosdini and Indri Yuliafitri: Director and final coordinator of the manuscript.

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Declaration of Competing Interest

There are no competing interests or conflicts of interest in this research.

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