



Factors Influencing Company Value on the Indonesian Stock Exchange: Insights from LQ45 Companies (2019-2023)

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ABSTRACT: This study examines the variables affecting the firm value (Tobin's Q) of the Indonesian Stock Exchange's LQ45 Index between 2019 and 2023. We assess sustainability scores (ESG Score) and some financial performances ratios i.e. return on assets (ROA), return on equity (ROE), and debt to equity ratio, whether each respective of these factors influence the firm value (Tobin's Q) using quantitative analytical data obtained from the Indonesian Stock Exchange website. 41 of the 45 businesses that meet the study's requirements are the subject of our analysis, yielding 205 samples in total. Eviews version 11 software was used to do multiple linear regression analysis on the data. All the independent factors (X1, X2, X3, and X4) have statistically significant individual effects on the dependent variable, according to our findings, which are based on the t-test results. The probability values for each of these variables are below 0.05. Furthermore, the F-test indicates that the independent factors taken together significantly affect the dependent variable, with a probability value of 0.000. Based on the determination coefficient test, the adjusted R square value is 63.12% which indicates that the independent variable significantly influences the dependent variable.

KEYWORDS: Firm Value, Tobins' Q, ESG, ROA, ROE, DER

1. INTRODUCTION

A crucial factor in financial decision-making is corporation valuation. It provides a systematic approach to assess a company's value. To evaluate a company's capacity for sustained growth and profitability, it is essential to analyze various elements, including its financial indicators, market dynamics, and internal management efficacy (Irwan Djaja, 2019). In the stock market, companies intend to attract the investors by pushing themselves to maintain their financial health and promote development potential. As a result, it is important to assess the firm value. Djaja underscored the significance of contextual factors that directly influence a company's valuation in the capital market, such as market developments, industry-specific challenges, and economic conditions. These variables are crucial for companies listed on the Indonesian Stock Exchange (IDX), particularly those in the LQ45 index, as they represent some of the most liquid and high-capitalization equities in the market. These variables are essential for companies listed on the Indonesian Stock Exchange (IDX), particularly those in the LQ45 index, since they represent some of the market's most liquid and high-capitalization equities.

In recent years, various variables both internal and external have impacted the valuations of Indonesian companies such as macroeconomic factors, including fluctuations in GDP growth, inflation, and currency rates. Those elements have significantly impacted market performance and investor sentiment. In addition, a company's valuation is greatly influenced by the organization's intrinsic variables, such as corporate governance, profitability, and leverage. The LQ45 index, comprising the highest-performing companies on the IDX, provides a distinctive perspective for analyzing many industries, useful to both domestic and international investors.

The purpose of this study is to investigate the variables affecting LQ45 firms' values between 2019 and 2023. Despite its progress and resilience over the years, the Indonesian economy remains susceptible to global economic shocks. The COVID-19 pandemic and the subsequent global economic disruptions significantly influenced stock market performance from 2019 to 2023. Companies in the LQ45 index were not immune to these challenges, since their values reflected broader market trends. Zulfa et. al (2024) indicated that during the Covid-19 outbreak profitability affects company performances and has positive and significant impact on firm value. Previous studies have shown a strong association between corporate value and profitability ratios such as ROA and ROE. Return on assets (ROA) is a sign of operational success, meaning that the higher ROA ratio, the higher the ability of the Company to create profit from utilizing its assets. Similarly, ROE evaluates the ability of the company to provide the return to the shareholders. According to Irwan Djaja (2019), enterprises that consistently produce elevated ROA and ROE are more inclined to



attract investors and enhance their market valuation. This assertion aligns with findings from both national and international studies, highlighting the significance of certain profitability metrics in assessing business value.

The Debt-to-Equity Ratio (DER) is one of the financial ratio to evaluate a company's financial leverage. This financial risk ratio able to assesses the debt ratio to shareholder equity within the capital structure of the company. The more the company able to maintain its balance DER, the more the company can boost its value. Sari and Saputra (2021) found that if there is a higher probability of financial loss, investors may be reluctant to rely too much on loans. Accordingly, it is suggested to assess all the related financial ratio to understand the company value in a comprehensive manner. Further, Utami et al. (2021) emphasized that companies with strong asset utilization and operational efficiency are more resilient and attain better market values during recovery phases. By proactively mitigating risks and strategically using these financial ratios, the company may better to pass through the difficult economic conditions and seize growth possibilities during recovery periods.

Irwan Djaja (2019) emphasizes the intricate structure of corporate valuation, highlighting the interplay between financial performance, risk management, and market perception of a company. This study seeks to investigate the distinct impacts of ROA, ROE, and DER on the valuation of enterprises within the LQ45 framework. This study enhances the understanding of corporate value in Indonesia and offers pragmatic insights for business executives and politicians. The selection of LQ45 firms for this research is intentional, since they represent some of Indonesia's most distinguished and reliable organizations. Sari and Saputra (2021) highlighted that LQ45 enterprises frequently establish criteria for financial performance and governance in Indonesia, therefore confirming their relevance to this research.

The approaches used in this study are based on best standards in corporate finance and valuation. Combining quantitative approaches with theoretical perspectives using the frameworks developed by Irwan Djaja (2019) and modern academics results in a strong and consistent assessment. Panel data regression models help to investigate cross-sectional and temporal fluctuations, therefore providing a complex knowledge of the basic dynamics.

2. LITERATURES REVIEW

2.1 Stakeholder Theory

The stakeholder theory emphasizes the maximization of business value via the alignment of multiple stakeholder interests, as shown by study on Indonesian LQ45 enterprises. Recent study (2019–2023) indicates that corporate social responsibility (CSR) activities and sustainability policies positively influence a firm's value by bolstering stakeholder trust and market confidence. Effective corporate social responsibility (CSR) initiatives often result in elevated Tobin's Q ratios, a market-based valuation metric. These programs fulfill the ethical and environmental requirements of stakeholders (Singh et al., 2018; Buallay, 2019). Stakeholder-focused activities like as environmental governance and ethical transparency enhance financial stability and reputation. Stakeholder engagement reduces operational risks that lower efficiency and increase corporate value (Rakhiemah & Agustia, 2012; Saidat et al., 2019). Transparency and stakeholder engagement, especially with investors, will increase the trust and alignment of corporate objectives with stakeholder interests.

2.2 Legitimacy Theory

Legitimacy theory states that companies are representing the shareholders in carrying out the their needs and interests and hope that the company will sustain. To attain these, the company must comply with social norms. The Indonesia Stock Exchange's 2019–2023 study of LQ45 businesses showed that the company which apply good societal and corporate practices will build the reputation of the company and accordingly increase the company value. Often assessed by the Sustainalytics by Morningstar, these disclosures demonstrate a dedication to social and environmental well-being and help to build public and investor confidence (Rakhiemah & Agustia, 2012; Singh et al., 2018).

In addition, legitimacy theory is useful for connecting CSR to financial results for companies. Stakeholders are more likely to support the brands of LQ45 firms that prioritize corporate social responsibility (CSR) initiatives including ethical governance and community participation. Research linking these principles to improved market-based valuations (e.g., Tobin's Q and EPS) demonstrates that companies that adhere to social values mitigate threats to their reputation and boost public support.



2.3 HYPHOTESIS DEVELOPMENT

2.3.1. ESG Score and Firm Value

Corporate valuations are significantly influenced by environmental, social, and governance (ESG) factors. Research indicates that market valuations and interest from socially aware investors tend to rise for companies with high ESG ratings, according to the research. Djaja's research (2019) illustrates that integrating ESG components into valuation models enables organizations to respond to global demand changes, therefore creating long-term value. Furthermore, Fatemi et al. (2018) emphasize that ESG integration mitigates risks and enhances business reputation, significantly influencing the corporate or firm value.

Hypothesis (H1): High ESG scores positively impacting the firm value.

2.3.2. Return on Assets (ROA) and Firm Value

A key performance ratio is the return on assets (ROA) ratio, which compute how efficient the firm utilize the assets to earn profit. A greater return on assets (ROA) ratio is indicative of successful asset management and has a positive association with company value, according to empirical research (e.g., Djaja, 2019). The return on assets (ROA) ratio significantly affected value indices, particularly the price-to-earnings and market-to-book ratios, according to research by Suranta and Joni (2020) which focuses on IDX-listed businesses.

Hypothesis (H2): ROA ratio positively impacting the Firm Value

2.3.3. Return on Equity (ROE) and Firm Value

Return on Equity (ROE) measures a company's ability to generate profits from shareholders' equity, serving as a key performance indicator for investors. Studies such as Utami et al. (2021) revealed a robust positive relationship between ROE and firm value, particularly in the context of LQ45 companies. Djaja (2019) emphasized that sustained high ROE levels enhance investor trust, leading to higher stock valuations.

Hypothesis (H3): ROE ratio positively impacting the Firm Value

2.3.4. Debt to Equity Ratio (DER) and Firm Value

The Debt to Equity Ratio (DER) is a crucial indicator of a company's capital structure and financial leverage. While moderate levels of leverage can enhance firm value by funding growth, excessive debt may lead to financial distress. Research by Djaja (2019) underscored that firms with optimal DER levels balance risk and return effectively, thereby maximizing value. A study by Setiawan and Ramadhani (2022) on IDX companies concluded that DER has a nuanced impact, depending on industry norms and market conditions.

Hypothesis (H4): DER ratio positively impacting the Firm Value

2.3.5. Hypothesis Model

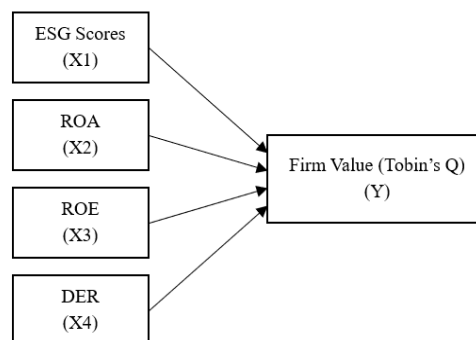


Figure 1: Hypothesis Model

H1: ESG Score positively impacting the Firm Value

H2: ROA ratio positively impacting the Firm Value

H3: ROE ratio positively impacting the Firm Value

H4: DER ratio positively impacting the Firm Value



3. RESEARCH METHODS

3.1 Population and Samples

This study focused on companies on the Indonesian Stock Exchange (IDX) from 2019 to 2023. The companies included in the sample met several criteria, they were: LQ45 indexed as per 2023 data and has ESG scores provided on the IDX websites within 2019-2023 time frame. The selection of the companies list refer to the announcement of IDX No. Peng-00190/BEI.POP/07-2023 dated July, 25th 2023 stipulating 45 companies as the most liquid companies and had ESG scores provided in the IDX website within 2019-2023 period.

Table 1. Sampling Results

Criteria	Total
Companies listed on the Indonesia Stock Exchange as LQ45 within 2019-2023 period.	45
IDX LQ45 and do not have an ESG assessment conducted by Morningstar Sustainalytics within 2019-2023 period	(4)
Total samples companies	41
Total observed data (41 x 5 years)	205

The sampling selection methods are using purposive sampling. Arikunto (2006) stated that purposive sampling is a technique for collecting data based on certain considerations rather than by event to achieve certain goals. These 45 companies represents several sectors. Append in below table the compositions of the companies per sectors:

Table 2. Sectors of Sampling Companies

Sectors	Total	
	Companies	Percentage
Basic Industry and Chemicals	6	14,63%
Consumer Goods Industry	5	12,20%
Finance	7	17,07%
Infrastructure, Utilities, And Transportation	6	14,63%
Mining	9	21,95%
Miscellaneous Industry	1	2,44%
Trade, Services & Investment	7	17,07%
Total	41	100%

3.2. Data Types and Sources

This quantitative research utilized secondary data through archival researches sourced from the IDX website, focusing on financial data and Environmental, Social, and Governance (ESG) scores. The financial data provided key performance metrics for the companies including the ROA, ROE and DER of which calculated from the financial statements of the sampling companies. The ESG scores refers to the published score from the Sustainalytics Morningstar.

3.3 Operational Definition and Measurement

3.3.1. Dependent Variables

Firm value reflects a company's performance, which is represented by its stock price, shaped by the forces of supply and demand in the capital market, and ultimately reflects how the public or investors perceive the company. In this research, Tobin's Q was used as a measure of firm performance, particularly in terms of asset management and overall firm value. According to Chung & Pruitt (1994), Tobin's Q is calculated using the formula: $(\text{Market Value of Equity} + \text{Total Liabilities}) / \text{Total Assets}$. To break it down, Market Value of Equity (MVE) is the share price at the end of the period multiplied by the number of shares outstanding, Total Liabilities represents the company's total liabilities value, and Total Assets is the total value of the company's assets.



Figure 2. Tobin’s Q Formula

$$Tobin's\ Q = \frac{(Share\ price\ at\ the\ end\ of\ the\ period\ \times\ number\ of\ shares\ outstanding) + Total\ Liabilities}{Total\ Assets}$$

3.3.2. Independent Variables

Table 3. Independent Variables Formula

Variables	Measurements
ESG Score	ESG Risk Rating issued by Morningstar Sustainalytics and connected to IDX Website
Return on Assets	$ROA = \frac{Net\ Income}{Total\ Assets}$
Return on Equity	$ROE = \frac{Net\ Income}{Total\ Equity}$
Debt to Equity Ratio	$DER = \frac{Total\ Liabilities}{Total\ Equity}$

3.3.3. Data Analysis Technique

The data were examined using multiple linear regression analysis methods with statistical tool Eviews 11. Also, a regression model selection test was performed using the Chow and Hausman tests.

4. RESULTS AND DISCUSSION

4.1 Descriptive Statistics

Table 4. Descriptive Statistics

	TOBINSQ	ESG	ROA	ROE	DER
Mean	6255.534	25.92732	0.108146	0.305193	1.632780
Median	1.760000	25.34000	0.073000	0.185400	0.923000
Maximum	80896.27	41.32000	0.407000	1.450900	4.589000
Minimum	0.370000	16.28000	-0.199000	-0.208100	0.044000
Std. Dev.	17946.32	6.701647	0.123616	0.425831	1.359884
Observations (N)	205	205	205	205	205

The aforementioned table indicates that the dataset consisted of five financial and ESG performance indicators for 41 corporations, resulting in 205 samples. Tobin's Q exhibits a wide range of values, with a mean of 6255.53, which suggests a substantial disparity in the market valuations of firms in relation to their asset values. The median is 1.76, which is considerably lower than the mean, suggesting that most companies have values near 1, with a few outliers contributing to the disproportionately high mean. The maximum value of 80896.27 and the minimum value of 0.37 further substantiate this substantial variability. The dispersion in this variable is further determined by the standard deviation of 17946.32, indicating that there is a significant difference between companies in terms of the market-to-asset ratio. The distribution of ESG scores is more striking, with a mean of 25.93 and a median of 25.34. This implies that many companies register around 25 points on the ESG scale. The minimum ESG score is 16.28, indicating that some companies have relatively lower scores, while the maximum ESG score is 41.32, indicating that some companies have exceptionally high ESG ratings. The sample companies exhibit moderate variation in ESG scores, as indicated by the standard deviation of 6.70. However, the range is not as extreme as that observed for Tobin's Q's. The sample firms have an overall positive return, as evidenced by the mean ROA of 0.108. The median of 0.073 is lower, indicating that many firms have modest returns on assets. The minimum value of -0.199 indicates that some firms experience negative returns, while the maximum value of 0.407 reflects that some firms are earning strong returns. The sample firms show varying efficiency in utilizing their assets to generate profits, as evidenced by the standard deviation of 0.124, revealing significant variation in asset profitability. Firms earn an average



return of about 30% on their equity, as indicated by the mean of 0.305 and median of 0.185 for ROE. The significant difference between the mean and median indicates an asymmetric distribution, with a small number of firms performing very well, as indicated by the maximum value of 1.4509. The minimum value of -0.2081 indicates that some firms will experience negative returns. The significant variability in return on equity, as indicated by the standard deviation of 0.426, highlights varying levels of financial performance and profitability among firms. Finally, DER has a mean of 1.633 and a median of 0.923, indicating that, on average, firms in the sample rely more on debt than equity to fund their operations. The minimum value of 0.044 indicates that some firms rely very little on debt, while the maximum value of 4.589 indicates that some firms have a highly leveraged capital structure. The diversity in financing strategies in the sample is indicated by the standard deviation of 1.360, which underlines the significant differences in leverage among firms. Overall, these descriptive statistics show substantial variation across all variables, indicating that firms in the sample have a variety of financial strategies, performance levels, and sustainability practices.

4.2. Chow Test

Table 5. Chow Test

Redundant Fixed Effects Tests
Equation: Untitled
Test cross-section fixed effects

Effects Test	Statistic	d.f.	Prob.
Cross-section F	6.105796	(8,28)	0.0001
Cross-section Chi-square	41.393752	8	0.0000

The Chow Test results provide strong evidence that the inclusion of cross-sectional fixed effects is necessary for this model. The Cross-section F-statistic of 6.1058, with a p-value of 0.0001, leads to the rejection of the null hypothesis that there are no cross-sectional fixed effects, indicating that the data requires separate intercepts for each cross-sectional unit. Additionally, the Cross-section Chi-square statistic of 41.3938, with a p-value of 0.0000, further reinforces this conclusion, rejecting the null hypothesis and confirming the presence of significant cross-sectional variation. These results strongly suggest that the use of fixed effects is appropriate, as it accounts for individual variations within the dataset, providing more accurate and reliable estimates.

4.3. Hausman test

Table 6. Hausman test

Correlated Random Effects - Hausman Test
Equation: Untitled
Test cross-section random effects

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	12.790153	4	0.0465

The Hausman test results suggest that the fixed effects model is more suitable for this analysis than the random effects model. With a Chi-square statistic of 12.7902 and a p-value of 0.0465, which is below the 0.05 significance threshold, we reject the null hypothesis that the random effects model is appropriate. This indicates that the random effects model may not be consistent or efficient for this dataset, and the fixed effects model provides more reliable estimates. Therefore, based on the test's findings, it is recommended to use the fixed effects model as it accounts for individual variations within the dataset more effectively.



4.4. Classic Assumption Test

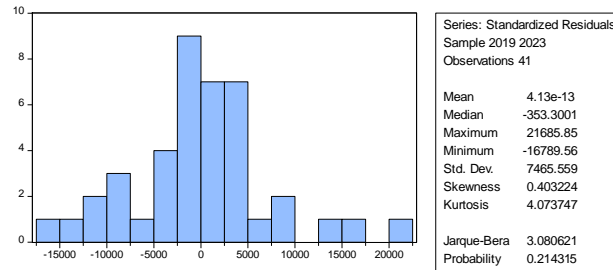


Figure 3. Classic Assumption Test

Based on the classical assumption test for normality as shown in the Figure 3 above, the data follows a normal distribution as the probability value is greater than 0.05, indicating that the data passes the normality test without any issues.

4.5. Hypothesis Testing of Panel Data Regression Analysis

Table 7. T-Test

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	1.070039	0.522975	2.046059	0.0415
ESG	0.468120	0.117893	3.970720	0.0001
ROA	0.166347	0.038670	4.301655	0.0000
ROE	1.844134	0.447810	4.118119	0.0000
DER	0.348490	0.132550	2.629109	0.0096

Effects Specification			
Cross-section fixed (dummy variables)			
R-squared	0.631256	Mean dependent var	6.829591
Adjusted R-squared	0.590337	S.D. dependent var	9.808257
S.E. of regression	6.649850	Akaike info criterion	6.751715
Sum squared resid	15919.38	Schwarz criterion	7.294307
Log likelihood	1348.357	Hannan-Quinn criter.	6.966254
F-statistic	9.869718	Durbin-Watson stat	1.992799
Prob(F-statistic)	0.000000		

Based on the results of multiple linear regression analysis as shown in table 10 above the regression model equation is **Tobin's Q=1.07+0.46ESG+0.16ROA+1.84ROE+0.34DER.**

5. DISCUSSION

The results of the t-test in Table 7 show the effect of independent variables (ESG, ROA, ROE, and DER) on the dependent variable (e.g., firm value) using linear regression. When all independent variables are zero, the value of the dependent variable is estimated at 1.070039. The T-Statistic: 2.046059 shows statistical significance with a probability value (Prob.) of 0.0415 (<0.05). This means that the constant has a significant effect on the dependent variable. The ESG coefficient is 0.468120 means that assuming all other variables are constant, the 1 unit increases in ESG will increase the dependent variables by 0.468120. The probability of ESG is 0.0415 meaning that ESG has positive impact towards the firm value. This finding is consistent with Melinda and Wardhani (2020)



where they found that there was a positive effect of ESG scores on Firm Value. The same result come from the research findings of Fatemi et al (2019) who stated that having the ESG practices will lead into the reduction cost linked with the reputational risk and thereby can increases the firm value. By focusing on the ESG practices, the Company improve market perception towards the Company. The findings also was in line with Friede et al. (2015)'s finding who was highlighted that there as a positive relationship between ESG factors and financial performance, further supporting the assertion that sustainable practices contribute to firm value creation.

The ROA coefficient is 0.166347 means that assuming all other variables are constant, the 1 unit increases in ROA will increase the dependent variables by 0.166347. The probability of ROA is 0.0001 meaning that ROA has positive impact towards the firm value. This emphasizes that the efficient asset utilization will increase profitability and accordingly enhance market valuation. This finding is consistent with Suranta and Joni (2020)'s findings that ROA play an important role in firm value, especially in emerging market, where asset efficiency is a key factor of financial performance. Research by Utami et al. (2021) further supports this finding who revealed a strong correlation between ROA and stock performance in firms listed on the Indonesian Stock Exchange (IDX). Their finding showed that that companies with higher ROA ratio will lead the Company into a better operational efficiency and accordingly creating high profit and that is the thing that investor is looking to. Firms that exhibit a higher return on assets (ROA) are perceived as more effectively managed, which indicates operational excellence and the deployment of assets. This positive impact of ROA on firm value is also consistent with global studies, such as those conducted by Harrison and Wicks (2013), which contend that operational efficiency directly correlates with stakeholder value, thereby increasing the market valuation of such firms.

The ROE coefficient is 1.844134 means that assuming all other variables are constant, the 1 unit increases in ROE will increase the dependent variables by 1.844134. The probability of ROE is 0.0000 meaning that ROE has positive impact towards the firm value. Companies that able to generate returns to their shareholders are frequently treated more effective when they have high ROE. This finding is in accordance with Utami et al (2021) who found that ROE is a critical factor of market valuation and indicator of financial performances, notably for firms in the LQ45 index. Additionally, Biddle, Bowen, and Wallace (2020) also emphasized that ROA is a critical profitability ration in equity valuation. Investor and market interpret the ROA as an indicator of management effectiveness which in turn able to increase the stock price and enhance firm value. The positive collection between ROE and Firm Value is also align with the Corporate Finance Theory that signify the ROE is play significant roles in shaping market perception. Thus, the investor will consider ROE as a critical metric as it will determine their returns expectation on the investments, thereby contributing to the firm's overall market valuation.

The DER coefficient is 0.348490 means that assuming all other variables are constant, the 1 unit increases in DER will increase the dependent variables by 0.348490. The probability value for DER is 0.0096, which means that DER has a significant impact towards the firm value. This result is also similar the result of Setiawan and Ramadhani (2022)'s result in which stated that DER will bring beneficial effect towards the Firm Value. The samples of their study was the companies listed on the Indonesian Stock Exchange (IDX). Furthermore, Myers (2001) found that a balanced capital structure, by employing debt to optimize value without deepening default risk, can result in a higher market valuation. The investors perceive a moderate increase in debt. Additionally, Liu and Hu (2020) discovered that the Debt-to-Equity Ratio, which is a measure of financial leverage, plays a substantial role in the formation of firm value. In industry, this is particularly true that debt financing can contribute to development while preserving the firm's operational capacity.

The cross-section fixed (dummy variables) is taken to control the unobserved variation between the groups to improve estimation accuracy. The model is statistically significant (Prob(F-statistic) = 0.000000), indicating that the independent variables jointly influence the dependent variable. With an R-squared of 63.13% and an adjusted R-squared of 59.03%, the model is able to explain more than half of the variation in the dependent variable, indicating quite good results. The Durbin-Watson value is close to 2 indicating that the residuals do not have autocorrelation problems.

6. CONCLUSION AND SUGGESTION

6.1. CONCLUSION

Out of the 45 LQ45 Companies, only 41 of them were met the requirements of this scope study to analyse whether the ESG scores, ROA, ROE and DER were affecting the firm value. Based on the regression test, it showed that all the independent factors positively affected the firm value (Tobin's Q). These data show that when you combine high ESG scores with good financial success measures



like ROA, ROE, and DER, the value of the company goes up. This supports the idea that both long-term longevity and good financial health are important for a company's success.

The t-test results revealed that all independent variables i.e. ESG, ROA, ROE, and DER has a positive impact to firm value with p-values of <5%. The ESG coefficient of 0.468120 showed that a 1-unit increase in ESG scores will increase of 0.468120 in firm value. This aligns with prior research that emphasizes the positive impact of sustainable business practices on a company's financial performance. Similarly to the other independent variable, the ROA, ROE, and DER coefficients indicates that higher asset utilization, return on equity, and a balanced capital structure will increase the firm value. The significance of all these variables indicate the importance of both financial health and sustainability in enhancing company growth and market valuation.

This study evaluated the factors influencing the firm value by assessing the impact both financial performance ratios and sustainability scores. The statistical results showed that there was significance and positive coefficients for ESG, ROA, ROE, and DER towards the firm value (Tobin's Q). The cross-section fixed effect model also proved effective, explaining over half of the variation in firm value. With an R-squared of 63.13%, the model provides a solid explanation of the relationship between these factors and firm valuation. These findings contribute to the understanding of how companies in Indonesia, particularly those in the LQ45 index, can enhance their market value by focusing on sustainable practices and maintaining strong financial health.

6.2. SUGGESTION

The upcoming research related to this topic must focus on specific industries to assist in getting a better view of how the variables i.e. ESG scores, ROA, ROE, and DER are related in those respective industries sector. In some cases, the cross-sector analysis is unable to attract unique patterns which is happening in a certain sector industry. Furthermore, the future researcher is also encouraged to add macroeconomic factors that may help us understand firm value in a more complete way. Even more if any researcher can add more independent variables such as market conditions, corporate governance measures, or innovation signs it will be more beneficial to us to learn more about factors that affecting the firm value. These all-around methods will complete the study and will also help to make analysis to gain business success and sustainability.

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