

ABSTRACT

THE EFFECT OF ESG DISCLOSURE AND FINANCIAL REPORTING QUALITY ON INVESTMENT EFFICIENCY (Empirical Studies on the IDX ESG Leaders Index of Period 2020 - 2022)

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Investment activities carried out by the company must be efficient where efficient investment can occur when the net present value (NPV) can be financed and implemented and does not experience any deviation from over investment or under investment conditions. Investment efficiency results in uncertainty and information asymmetries such as moral hazard and adverse selection that increase agency costs. The quality of financial statements and ESG disclosures can improve transparency, reduce information asymmetry and limit managers in making investments in clearly profitable projects. This study was conducted to determine the effect of ESG disclosure and the quality of financial reporting on investment efficiency. This study uses secondary data with a sample of companies that are members of the IDX ESG Leaders index on the Indonesia Stock Exchange (IDX) for the period 2020 - 2023. The research findings show that ESG disclosure and financial reporting quality can increase transparency, reduce the information gap between managers and shareholders so as to increase investment efficiency. However, individually the quality of financial reporting does not directly affect efficiency due to differences in interests between managers and shareholders and risk aversion by managers.

Keywords : Investment Efficiency, ESG, Financial Reporting Quality

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