The Influence of ESG Score and Company Size on Market Investment with Real Earning Management as Moderator

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Abstract

ESG performance has become the focus of many parties due to its correlation with financial performance and expected to increase public trust, which will ultimately affect the company investment performance. The objective of this research is to investigate the impact of ESG factors and firm size on market investment, while also evaluating the moderating influence of earnings management on this relationship. This study uses a sample of 117 secondary data from 39 companies listed on the Indonesia Stock Exchange (IDX) during the period 2021-2023, analyzed using Moderated Regression Analysis (MRA) using SPSS software. The findings indicate that ESG has no significant impact on market investment, whereas firm size demonstrates a substantial positive influence. Additionally, earnings management does not effectively moderate the relationships between ESG and firm size on market investment. These findings indicate that investors still focus on conventional indicators such as company size and do not yet consider ESG disclosure and earnings management practices in their investment decisions. Large companies tend to signal their financial strength and governance, so investors tend to choose to invest in these companies. Investors still have low sensitivity to earnings management and have not considered sustainability because they focus on conventional indicators such as company size. This study recommends strengthening regulations on ESG reporting practices and oversight of earnings management.

Research purpose:
The objective of this research is to investigate the impact of ESG factors and firm size on market investment, while also evaluating the moderating influence of earnings management on this relationship.

Research motivation:
This study focuses on discussing future ESG growth, which is likely to decline due to issues of earnings management practices. The study also reexamines investors' perceptions of company size. Therefore, this study offers a new perspective on market investment reactions while there is earning management practic.

Research design, approach, and method:
This study uses sample of 117 secondary data from 39 companies listed on the Indonesia Stock Exchange (IDX) during the period 2021-2023, analyzed using Moderated Regression Analysis (MRA) and SPSS software. The variables of earnings management, company size, and stock data were obtained from the Indonesia Stock Exchange (IDX) website, while the ESG Scores from Refinitiv website the Thomson Reuters Database.

Main findings:
The findings indicate that ESG has no significant impact on market investment, whereas firm size demonstrates a substantial positive influence. Additionally, earnings management does not effectively moderate the relationships between ESG and firm size on market investment.

Practical/managerial implications:
This study is expected investors to be more critical when assessing companies with potential earnings management practices. It also provides, insights for regulators to strengthen accounting policies and enforce transparent governance in sustainability-oriented companies.

Keywords: ESG, Company Size, Earnings Management, Market Investment, Cumulative Abnormal Return

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1. INTRODUCTION

Issues environmental, social, and governance (ESG) are no longer new to business development. In fact, ESG performance has become the focus of many parties due to its correlation with financial performance. In its implementation, ESG performance is expected to increase public trust, which will ultimately affect the company's investment performance. According to Morningstar (2024), there has been a consistent growth trend in ESG-based investments in the global financial market in recent years, namely from 2018 to 2024. The surge in fund assets to reach USD 3,000 billion in 2024 indicates that the investment market is increasingly considering ESG values as value-creating factors.

Within the country, Table 1 shows that the trend of sustainability reporting covering ESG has been increasing every year (IDX, 2025). This growth trend is supported by the launch of an ESG reporting module that adopts the ASEAN Exchanges Common ESG Metrics, which is aligned with OJK Regulation Number 51/POJK.03/2017 concerning the Implementation of Sustainable Finance for Financial Services Institutions, Issuers, and Public Companies, as well as OJK Circular Letter Number 16/SEOJK. 04/2021 concerning the Form and Content of Annual Reports of Issuers or Public Companies. As the financial and investment market regulator, the Indonesia Stock Exchange (IDX), states five ESG-based indices listed, namely IDX ESG Leaders (IDXESGL), IDX LQ45 Low Carbon Leader (IDXLQ45LCL), SRI-KEHATI Index, ESG Sector Leaders IDX KEHATI (ESGSKEHATI), and ESG Quality 45 IDX KEHATI (ESGQKEHATI). These five indices have grown with the potential for higher returns compared to conventional investments (IDX, 2025).

Table 1. Growth of ESG reporting in Indonesia

Year	**2024**	**2023**	**2022**	**2021**	**2020**
Number of listed Companies	882	842	661	153	54
Percentage	94%	90%	80%	20%	5%

This indicates that good ESG implementation can influence investor perception, but its implementation still faces various challenges, such as the possibility of companies regulating or manipulating reports. Some companies take advantage of ESG regulations and implementation as an opportunity to enhance their business credibility, but this requires significant capital as companies need to allocate their assets to this sustainability trend, which can lead to a decline in profits during that period. At this point, ESG is used as a shield to hide the actual financial condition through profit management practices by management. Earnings management is an intentional action taken by management to steer profits to a desired level. Through this perception, financial reports are consciously manipulated with the aim of reporting and obtaining a high ESG score supported by static profit flows so that they remain attractive to investors in the future.

One of the company advantages in attracting other investors is its size. Large companies are attractive because they have strong resources and a good organizational structure, giving them easy access to funding as they tend to be stable and promising for investors. In line with the concept of ESG implementation, which may have hidden intentions, the size of a company also needs to be carefully examined because companies still have the opportunity to manipulate reports and public perception through the image they build. The implementation of ESG and company size can be additional points in the industry, which is currently developing after COVID-19. When these two things work well, it shows that the company has survived the pandemic and continues to pay attention to sustainability. However, given the uncertainty surrounding the Company's transparency and accountability in publishing its financial reports, certain views still consider inappropriate profit management practices to be unethical.

Previous research in the field of sustainability, particularly ESG, both in relation to earnings management and company investment performance, still shows mixed and inconsistent results. According to Tohang (2024), companies with high ESG scores have a positive relationship with earnings management. In terms of investment performance, in line with the findings of Lestari and Muthmainnah (2025), ESG has a significant influence on investors even when earnings management is practiced. Conversely, according to Ardian and Sari (2024), companies with high ESG scores have a negative relationship with investor reactions because there are risks associated with its implementation. Similarly, in the realm of company size, mixed results are still found. Company size has a positive contribution to stock value (Astari et al., 2023), but has a negative contribution according to Siregar et al. (2025). According to Ishmah and Permatasari (2025), company size has no effect on the implementation of earnings management. Conversely, company size affects earnings management because management tends to be cautious to maintain the company reputation and image in public(Hidayat et al., 2025).

Based on Grand View Research forecasting data, ESG investment growth in large companies is expected to continue to increase until 2030 (Grand View Research, 2025). Based on this data, the study focuses on discussing future ESG growth, which is likely to decline due to issues of earnings management practices. The study also reexamines investors' perceptions of company size. Therefore, this study offers a novelty in terms of market reaction to investment, where several studies tend to focus on growth performance and financial statement ratios. The addition of earning management as a moderating variable in the relationship between ESG and company size in the investment market is expected to be a determining indicator of market investment reactions, especially in the future with the predicted increase in investment growth. There are still limitations in the placement of this profit management variable in research on market investment reactions.

ESG now become an important factor in global investment decision-making, but the results are still inconsistent even though several theories are in line with and support it. Regulations on the application of earnings management are still weak, leaving many loopholes for manipulation in both the short or long term situation. Based on this, this study is expected to help investors be more critical in investing in companies with indications of earnings management practices. Conversely, it also provides insight for stakeholders in implementing accounting policies for companies, especially those engaged in sustainability activities and with a good public image. The government is expected to re-regulate binding regulations on unethical profit management practices to facilitate the implementation of transparency in achieving good corporate governance (GCC).

2. LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT

2.1 Signaling Theory

According to Spence (2022), signaling theory explain that entities possessing information can transmit signals to other entities in order to communicate specific details. In this case, it is in line with the concept of ESG disclosure and company size, which indirectly send positive signals to the market. This theory states that internal companies have a lot of information related to the quality of companies from external parties such as investors. Non-financial ESG information, which includes company practices related to environmental, social, and governance aspects, serves as a signaling mechanism that companies can provide to investors (Syafira1 and Rokhayati, 2025). The information received and stock conditions can influence the decisions of investors as signal recipients (Harimauwan & Lukman, 2023).

2.2 ESG and Market Investment

Companies that disclose ESG and have good scores are likely to receive positive responses from external parties such as investors. In the analysis by Lestari and Muthmainnah (2025), it was revealed that ESG has a significant influence on investors. According to Setiani (2023), the coefficient value and significance of ESG scores indicate a positive and significant relationship with company financial performance at a significance level of 5%. Therefore, when conducting investment analysis, stock returns are an important aspect to consider (Agustin et al., 2024). There is a tendency for investors to invest their capital in companies that disclose and have high ESG scores.

H1: ESG has a positive effect on market investment.

2.3 Company Size and Market Investment

Company size is a scale that can indicate the size of a company, which can be measured by the total value of assets, number of employees, and equity value, which is a contextual variable that measures the company's services or products (Siregar et al., 2025). As outlined by Hidayat et al. (2025), larger firms are better equipped to disseminate their shares across a wider base and demonstrate a stronger inclination to release additional shares to address their financing demands for sales expansion compare to smaller firms. According to Astari et al. (2023), company size has a positive contribution to stock value. Investors tend to trust investing their shares in large companies because of the guarantee of business continuity.

H2: SIZE has a positive effect on market investment.

2.4 ESG, Market Investment, and Earnings Management

Earnings management practices can be a sign that a company is manipulating its financial statements. Based on Tohang (2024), firms with elevated ESG ratings exhibit a favorable association with the practice of earnings management. Investors who are aware of earnings management practices tend to respond negatively to ESG information, as they view such reports as manipulative tools. Conversely, if earnings management is not apparent or considered insignificant, ESG will remain a positive signal for the market (Lestari and Muthmainnah, 2025). The presence of earnings management can be a negative indicator that a company is trying to show optimal conditions in implementing ESG practices.

H3: Earnings management weakens the influence of ESG on Market Investment

2.5 SIZE, Market Investment, and Earning Management

Large companies that are indicated to be engaging in earnings management have the potential to cause market reactions. The larger the size of the company, the greater the risk faced, so management tends to be more cautious when reporting finances. This is done to maintain the company's reputation and image because large companies receive more attention from stakeholders. According to Hidayat et al. (2025), this is in line with the research by Santi et al. (2025) which found that company size affects the implementation of earnings management. They found that earnings management is substantially influenced by business size, although it is not influenced by financial difficulties and accounting conservatism.

H4: Earning management weakens the influence of SIZE on Market Investment.

3. METHODOLOGY

This study uses a quantitative approach by utilizing secondary data obtained from financial reports and daily stock data published on the Indonesia Stock Exchange. According to (Syahroni, 2022), quantitative techniques are carried out by examining the causal relationship between variables using data in the form of numbers and then analyzing them using statistics. According to Taherdoost (2021), secondary data is not obtained directly from the data source but through other people or documents such as books, records, and others. The variables of earnings management, company size, and stock data were obtained from the Indonesia Stock Exchange (IDX) website, while the ESG scores were obtained from the Refinitiv website from the Thomson Reuters Database. A sample of 117 companies that met the criteria listed in Table 2 was selected using purposive sampling.

Table 2. Sample criteria

Criteria	**N**
Companies listed on the IDX	960
Companies in financial sector	(150)
Companies with ESG scores from 2021 to 2023 consecutively	(789)
Companies with complete stock data from 2021 to 2023	(5)
Companies that use the Rupiah in their financial reporting	(25)
Total company sample	39
Sampel for 3-year research (2021-2023)	117

The sample data will be tested through classical assumptions, encompassing tests for normality, multicollinearity, autocorrelation, and heteroscedasticity. This research employs the panel regression approach as its data analysis technique, which merges time series and cross-sectional elements, with the Statistical Package for the Social Sciences (SPSS) software serving as the tool for conducting the analysis. The dependent variable is described through Cumulative Abnormal Return (CAR), the independent variables through ESG Score (ESG) and Company Size (SIZE), and the moderating variable through Real Earning Management (REM). The variable operations used are described and detailed in Table 3.

Table 3. Variables Operation

Variables	**Definition**	**Measurement**
Market Investment (CAR)	Cumulative Abnormal Return (CAR) is the sum of the differences between the actual return of a stock and its expected return. This measurement uses a Market-Adjusted Return model in the form of an event study with an Event date of March 31 and an Event Window of H-5 and H+5 from the event date, resulting in a total of 11 days of monitoring.	**CAR=Σ ARit** Explanation: CAR = Cumulative Abnormal Return ARit = Cumulation Abnormal return time i **Brown & Warner (1985)**
ESG Score (ESG)	The ESG score is a number that represents a company's performance in three areas: Environmental, Social, and Governance.	Data was obtained from Refinitiv from the Thomson Reuters Database.
Size Companies (SIZE)	Company size is a scale that measures the size of a company.	**SIZE = Ln (Total Assets)**
Real Earning Management (REM)	Real Earning Management detects profit manipulation activities through three aspects: Abnormal Cash Flow Operations (CFO), Abnormal Production Costs (PROD), and Abnormal Discretionary Expenses (DISEXP). The Real Earning Management model was chosen because the implementation of ESG is carried out	**REM = AbCFO + AbDISEXP – AbPROD** Explanation: **Abnormal CFO =** (CFO_t / Aset_t-1) = α + β1*(1 / Aset_t-1) + β2*(Sales_t / Aset_t-1) + β3*(ΔSales_t / Aset_t-1)

	operationally in relation to all financial statement information.	**Abnormal DISEXP** = (DISEXP_t / Aset_t-1) = α + β1*(1 / Aset_t-1) + β2*(Sales_t-1 / Aset_t-1) **Abnormal PROD** = (Prod_t / Aset_t-1) = α + β1*(1 / Aset_t-1) + β2*(Sales_t / Aset_t-1) + β3*(ΔSales_t / Aset_t-1) + β4*(ΔSales_t-1 / Aset_t-1) **Roychowdhury (2006)**

Based on the explanation of the variables above, there are two research models that will be examined. The first model tests the relationship between ESG and SIZE variables on CAR, while the second model tests the moderation of the REM variable in the relationship between ESG and SIZE on CAR. The research models used in this study are as follows:

Model 1:

$$CARit=\alpha+\beta1\cdot ESGit+\beta2\cdot SIZEit+\varepsilon it$$

Model 2:

$$CARit=\alpha+\beta1\cdot ESGit+\beta2\cdot SIZEit+\beta3\cdot REMit+\beta34\cdot(ESGit\times REMit)+\beta5\cdot(SIZEit\times REMit)+\varepsilon it$$

Based on the development of the hypotheses, operational variables, and the research model above, this research model can be illustrated as follows in Figure 1.

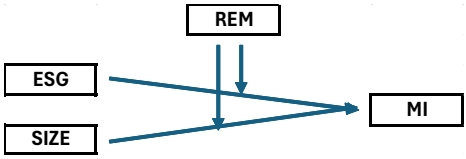

Fig. 1. Research Model

4. RESULTS AND DISCUSSION

4.1 Statistic Descriptive Analysis

Table 4. Statistic Descriptive Result

Variabel	N	Minimum	Maximum	Mean	Std. Deviation
ESG	117	12.38	88.56	48.3241	17.62509
CAR	117	-0.23	0.23	0.0190	0.07745
REM	117	-15.47	9.60	0.5344	3.44397
SIZE	117	27.69	32.86	30.9096	1.19945

Based the statistical test results in Table 4, the average of ESG score in Indonesian companies are moderate range with 48. The highest score of 88.56 indicates that there are companies that are quite concerned about the implementation of environmental, social, and governance in Indonesia. However, the minimum score of 12.38 is quite low, indicating that there are still companies that do not comply with ESG implementation. The standard deviation of 17.63 shows that the spread of ESG values among companies in Indonesia is still uneven in its implementation. This reflects that ESG implementation is not yet a standard and requirement that companies comply with.

The average CAR value of 0.019 shows that, in general, companies in the sample experienced positive abnormal returns during the observation window period of 11 days. The range of values from -0.23 to 0.23 reflects that there are varying market reactions to certain events, such as the annual reporting period of companies that are relevant to investors. The standard deviation of 0.077 indicates a relatively small spread, so that the data distribution can be considered fairly homogeneous. The small variation in CAR reflects that the Indonesian capital market tends to respond stably to relevant information.

The average REM of 0.534 indicates a tendency for companies in Indonesia to engage in real earnings management at a fairly moderate level. The minimum value of -15.47 and maximum of 9.60 show very high variation, revealing significant differences between companies in terms of their operational manipulation practices. The standard deviation of 3.44 is the

highest compared to other variables, reinforcing the finding that REM practices vary greatly. This condition shows that there are still gaps in accounting supervision and transparency in Indonesia, which allow companies to manage profit figures through real activities.

Company size that measured by the natural logarithm of total assets, has an average of 30.91, indicating that the companies in the sample are large in terms of their assets. The minimum and maximum values ranging from 27.69 to 32.86 reflect that most companies are relatively similar in scale. The standard deviation of 1.20 indicates low variation between company sizes, so there is no domination by companies of extreme scale. In general, large companies in Indonesia tend to have greater access to resources to implement ESG and manage profits.

4.2 Normality Analysis

Table 5. Normality Result

Model:	**One-Sample Kolmogorov-Smirnov Test**	
N		117
Asymp. Sig. (2-tailed)	0,200	Normally Distributed

Based on Table 5, the normality test is designed to evaluate the residual data in the regression model is normal distributed. In this test, the Kolmogorov-Smirnov model is used because the sample size is more than 50 data points. The significance value shows a result of 0.200, which is greater than 0.005, so the data is declared to be normally distributed. After conducting the normality test, the sample data used is declared suitable for use.

4.3 Multicollinearity Analysis

Table 6. Multicollinearity Result

Variabel	**Tolerance**	**VIF**	**Notes**
ESG	0,715	1,400	Free from Multicollinearity
SIZE	0,715	1,398	Free from Multicollinearity
REM	0,997	1,003	Free from Multicollinearity

Based on Table 6, the multicollinearity test is designed to examine whether there is a high correlation between the dependent variables, namely ESG and SIZE, and the moderating variable, namely REM. It is known that the VIF value is less than <10 with a Tolerance value >0.1, so the data of the sample is declared free of multicollinearity. Through this test, the dependent and moderating variables have contributions that do not overlap and explain the characteristics of each data.

4.4 Heteroscedastictiy Analysis

Table 7. Heteroscedasticity Result

Model:	**Park**	
Variabel	Significancy	Notes
ESG	0,110	Homoscedasticity
SIZE	0,094	Homoscedasticity
REM	0,993	Homoscedasticity

Based on Table 7, the heteroscedasticity test aims to examine whether there is the same residual variance in the dependent variables, namely ESG and SIZE, along with the moderating variable, namely REM. It is known that all significance values of all variables are greater than 0.05, so that the data has a random residual pattern and is declared free from heteroscedasticity. Through this test, the dependent and moderating variables contribute randomly, so that the regression model detects no constant residual variance from one observation to another.

4.5 Autocorrelation Analysis

Table 8. Autocorrelation Results

Model:	Durbin Watson	
DW Score	1,795	No Autocorrelation

Based on Table 8, the heteroscedasticity test aims to examine whether there is a correlation between current residuals and

others. In time series data research, it is very important that there are no repeated residuals in all variables. The study used the Durbin Watson model, and all Durbin Watson values were found to be 1.795, which is within the range of 1.5 to 2.5. This means that the data has a random residual pattern and is free from autocorrelation. Through this test, the sample variable data does not influence each other and there is no autocorrelation.

4.6 Coefficient of Determination Test Analysis

Table 9. Coefficient of Determination Result

Model	R Square	Adjusted R Square
Without moderation	0,097	0,068
With moderation	0,237	0,160

Based on Table 9, there are two models tested to support the hypothesis, namely the regression analysis model of ESG variables on CAR and SIZE on CAR, and the regression of moderating variables with the addition of the REM variable. In the model without moderation, the adjusted R square value is 0.068, which means that only 6.8% of the variation in Market investment (CAR) can be explained by the dependent variables, namely ESG and SIZE. The remaining 93.2% is explained by other factors outside this model, so the model tends to be less able to explain the effect of ESG and SIZE on CAR. In the model with moderation, the adjusted R square value increased to 16% from 6.8% after adding the REM variable. This means that through this model, more of the variation in Market Investment (CAR) is explained. The remaining 84% is explained by other factors outside this model with the ESG, SIZE, and REM variables.

4.7 F Test Analysis

Table 10. F Test Result

Model	F	Significant
Without moderation	3,423	0,039
With moderation	0,901	0,483

Based on Table 10, in the model without moderation, the F test results show significance value of 0.039, which is less than 0.005, so it can be confirmed that this regression model is simultaneously significant. Simultaneously means that the independent variables studied have a significant effect on the dependent variable. This means that, in terms of dependence, the ESG and SIZE variables affect CAR. Meanwhile, in the moderation model, the F-test value shows significance value of 0.483, that greater than 0.05 when the REM variable is added. This indicates that the addition of the moderation variable is not simultaneously significant. It is also not strong enough to reinforce the relationship between the independent variables, namely ESG and SIZE, and the dependent variable, namely CAR.

4.8 T Test and Hypotesis Result Analysis

Table 11. T Test and Hypotesis Result

Model	Coefficient Beta	T	Significant	Decision
H1	0,010	0,030	0,976	Rejected
H2	6,978	2.039	0,046	Accepted
H3	0,000	1.459	0,147	Rejected (not moderate)
H4	-0,001	-0,947	0,345	Rejected (not moderate)

Based on Table 11, it is known that in Hypothesis 1, the beta coefficient value is 0.010, which indicates that every increase in the ESG score has an impact on increasing CAR by 0.010 in its implementation. However, the t value shows 0.030 with a significance of 0.976, that means it is greater than 0.05, so the hypothesis is rejected. Therefore, it can be stated that ESG has no effect on Market Investment (CAR). In Hypothesis 2, the beta coefficient value is 6.978, which indicates that every increase in SIZE has an impact on increasing CAR by 6.978 in its implementation. However, the t-value shows 2.039 with a significance of 0.046, which is less than 0.05, so the hypothesis is accepted. Thus, it can be stated that SIZE affects Market Investment (CAR).

In hypothesis 3, the beta coefficient value is -0.000, indicating that every increase in ESG score moderated by REM has an impact on increasing CAR by -0.000 in its implementation. However, the t value shows -0.947 with a significance of 0.345, which is greater than 0.05, so the hypothesis is rejected. Therefore, can be stated that REM not moderate the relationship between ESG and Market Investment (CAR) and tends to weaken it. In hypothesis 4, the beta coefficient value is -0.001, indicating that every increase in SIZE value moderated by REM has an impact on increasing CAR by -0.001 in its implementation. However, the t-value is -0.374 with a significance of 0.709, which is greater than 0.05, so the hypothesis is rejected. Thus, it can be stated that REM cannot moderate the relationship between SIZE and Market

Investment (CAR) and tends to weaken it.

Based on the rejection of hypotheses 3 and 4 and the sample data results, REM is failed to moderate the relationship between ESG and SIZE on CAR. Thus, the moderator role does not work effectively in influencing to strengthen or weaken.

4.9 Discussion

The Influence of ESG on Market Investment

ESG has no effect on market investment based on the results of regression analysis. In its implementation, ESG only has a small impact on stock movements made by investors. This shows that Indonesian investors tend to pay more attention to financial aspects than non-financial aspects, especially sustainability programs. ESG has not yet become a primary consideration in investment decisions in the Indonesian stock market. This may be due to a lack of public awareness of sustainability and the lack of standardization of ESG transparency. The issue of ESG as a formality or greenwashing may also influence investor perceptions, as they may believe that company profits will decline, resulting in a decrease in dividend payments.

The findings of this research align with the outcomes by Ardian and Sari (2024), that companies with high ESG scores have a negative relationship with investor reactions because there are risks associated with their implementation. Investors still give large and varied reactions to managed profits because high ESG performance is still considered by investors (Lestari and Muthmainnah, 2025). This contrasts with the analysis by Agustin et al. (2024), which found that social aspects have an influence on stock returns. The findings of Singgih et al. (2025) explain that each ESG performance index simultaneously affects stock returns.

The Influence of Company Size on Market Investment

Company size influences market investment based on the results of regression analysis. In fact, an increase in company size has a significant effect on the increase in the stock market. Since large companies tend to signal their financial strength and governance, so investors tend to choose to invest in these companies. Investors' behavior, which tends to be more aware of market risks, is related to their decision to invest in companies with large characteristics. Other factors are also influenced by a well-maintained reputation, which is reflected in the prudence of management's operational activities and ease of access to information.

The results of this research in the same line with the findings of Nurcahyo et al. (2025), that company size has a positive contribution to stock value. According to Astari et al. (2023), large companies usually have easier access to capital, technology, and superior management skills. However, this contrasts with Siregar et al. (2025) and Susanti et al. (2025), who found that company size has a negative contribution to stock value.

The Moderating Effect of Earnings Management on ESG and Company Size on Market Investment

Based on the results of the moderation analysis, earnings management was found unable to moderate the relationship between ESG and company size on market investment. Although the results of the relationship between company size and market investment were positive and significant, the combination of earnings management variables undermined this effect. This moderating effect may fail because investors cannot recognize and detect actual earnings manipulation behind ESG practices. Real earnings management is a practice that is difficult to detect without in-depth analysis. Investors may not react because they assume that large companies and companies that focus on sustainability are unlikely to engage in earnings management practices. This manipulation is also not directly visible in financial reports, and new investors tend to be insensitive to indications of this manipulation.

Profit management practices can be a red flag that makes investors doubt the credibility of ESG implementation and published financial reports. If large companies engage in these practices, it can create a bias that these practices are common among companies. Another tendency is that investors may quickly withdraw their investments, focusing on short-term profits. ESG practices certainly require significant costs that can affect a company's profits in the short term, with returns requiring a waiting period. This can be a consideration for investors who focus on profits rather than sustainability programs.

This study is in line with Wawo (2025), which argue that company size does not affect the implementation of earnings management. The total assets used as a measure of a company's size cannot be used as a benchmark or reference to identify a company's considerations in conducting earnings management (Ishmah and Permatasari, 2025). Meanwhile, according to Hidayat et al. (2025), company size does affect the implementation of earnings management. The larger the company size, the greater the risk faced by management, so they tend to be more cautious in financial reporting.

5. CONCLUSION

This study aims to analyze the effect of environmental, social, and governance (ESG) and company size (SIZE) on market

investment as measured by cumulative abnormal return (CAR), as well as to determine the role of earnings management (REM) in moderating this interaction. The results of hypothesis testing show that ESG has no significant effect on market investment. This finding reflects that investors still do not consider ESG indicators in their investment decisions. Conversely, company size has a positive and significant effect on market investment. Investors tend to trust and are more interested in large-scale companies because they are considered more stable and provide greater profits. In the moderation test, earnings management was not able to moderate the relationship between ESG and company size on market investment. This confirmed that earnings management practices have not been detected and do not influence investors in responding to ESG information or positive assumptions about company size.

Simultaneously, the regression model without moderation shows significant results, while the model with moderation is insignificant. The increase in Adjusted R Square of 6.8% from without moderation to 16% is still insufficient to declare earnings management as a strong moderator. This study contributes to the understanding of the effects of ESG implementation, company size stigma, and indications of earnings management. The findings show that investors still have low sensitivity to earnings management and have not considered sustainability because they focus on conventional indicators such as company size. The implications of this study are expected to be regulations that can improve the quality of ESG reporting and companies paying attention to the integrity of their financial reporting, as well as regulators in supervising the implementation of earnings management.

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