Determinants of Company Value with Profitability as a Moderating Variable for Companies in the IDX ESG Leaders Index

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ABSTRACT
This research aims to test and analyze the determinants of company value with profitability as a moderator for companies in the IDX ESG Leaders Index for the 2019-2023 period. The sample in this research was 15 companies selected through purposive sampling with 5 years of observations so the number of observations is 75. Data analysis techniques using SEM-PLS is assisted by Smart-PLS 3.0 software. The results of this research show that agency costs have an effect on company value, while ESG disclosure and financial distress have no effect on company value in the IDX ESG Leaders Index. Apart from that, profitability is able to mediate the effect of ESG disclosure and agency costs on company value, but profitability is not able to mediate the effect of financial distress on company value in the IDX ESG Leaders Index.
INTRODUCTION

Company value is a measure of a company's management success as reflected in its share price (Fitriana & Purwohandoko, 2022; Erfada & Priono, 2024). Company value is the company's performance as represented in share prices, which are determined by demand and supply in the capital market and reflect the public's perception of the company's performance (Wulandari and Purbawati, 2021). Company value is a value used to assess a company's quality and to convey how significant a firm is to its customers (Ningsih & Waspada, 2019).

The company was founded with several objectives, namely obtaining profits or profits and providing welfare to shareholders (Sembiring & Trisnawati, 2019; Jihadi et al., 2021; Anisa & Suryandari, 2021; Halawa & Oktavianna, 2023; Kurniawan & Satria, 2021). The short-term company goal is to increase revenue, while the long-term company goal is to increase company value (Hidayat et al., 2023). To realize company goals, companies need to increase company value. Company value is a description of the current state of a company and can describe the company's prospects in the future (Anisa & Suryandari, 2021). One way the company's achievements can be seen is through the company's value (Fitriana & Purwohandoko, 2022).

The phenomenon that occurs in several companies listed on the Indonesian Stock Exchange is experiencing a decrease and increase in company value from year to year. According to Pasaribu et al. (2019), maintaining company value is very important because as the company value increases, the prosperity of the owners or shareholders will increase. The Indonesian Central Securities Depository noted that the number of investors in the capital market reached 12.32 million investors as of January 2024. This number increased 1.30% from the previous month which was 12.16 million investors (www.ksei.co.id accessed March 1, 2024). This increase shows that interest in investing in Indonesia is very high.

The increasing number of investors will increase demand for company shares (Hidayat et al., 2022). Companies must make efforts to increase company value in order to increase the number of investors who are interested in the company to invest their funds (Wardhani et al., 2021; Selfandari & Susilowati, 2023). Investors who have invested increasingly want to increase their investment in the company because the company is considered capable of generating profits. An increase in the number of investors will also have an impact on increasing the company's funding sources. Increasing funding sources can be used to improve company performance (Ginting, 2021:30-31). One of the things that needs to be considered in maximizing company value is implementing environmental social governance (ESG).

Environmental social governance (ESG) is a variant of sustainability-based reporting and integrated reporting frameworks, both of which focus on broadening a company's reporting horizon to include some non-financial information and are relatively voluntary (Igbinovia & Agbadua, 2023). Air pollution in Indonesia is a serious problem that affects the quality of life of the population. According to the IQAir 2021 World Air Quality report released in...
March 2022, Indonesia was ranked 17th as the country with the highest level of air pollution in the world. This report also notes that Indonesia is ranked at the top as the country with the highest level of pollution in the Southeast Asia region. The second largest contributor to carbon dioxide (CO2) emissions is the industrial sector (24 percent) after the electricity sector (44 percent) (RI Cabinet Secretariat, 2023).

Apart from ESG, another thing that needs to be considered in maximizing company value is the financial distress experienced by the company. According to Sahrir & Sunusi (2022), company performance is greatly influenced by the country's economic conditions. Financial distress can be experienced by all businesses, especially when the economic conditions of the country where the company works are experiencing an economic crisis (Khairiyah & Affan, 2023). Economic growth from 2022 to 2023 in several countries will experience a decline, resulting in a global economic recession in 2023, including Indonesia (www.detik.com accessed 4 April 2024).

To increase company value there must be good synergy between management (agent) and shareholders (principal), but often management and shareholders prioritize their own interests or prioritize opportunistic behavior. This results in agency conflicts or conflicts of interest. According to Wardani & Susilowati (2020) And Nguyen et al. (2020), agency conflicts or conflicts of interest between managers (agents) and shareholders (principals) can give rise to agency costs.

Companies are founded with the aim of making a profit or gain. Markonah et al. (2020) states that to survive, a company must be in a profitable situation. If the company's conditions are unfavorable, it will be difficult for the company to get investors. According to Jaya (2020), profitability is an indicator that must be considered and researched in depth by the company in maintaining the sustainability of its business.

The Indonesian Stock Exchange has several indices containing companies that pay attention to the triple bottom line aspect. One of these indices is the IDX ESG Leaders index (Satwika & Wirama, 2024). On December 14 2022, the Indonesia Stock Exchange (BEI) officially launched the IDX ESG (Environmental Social Governance) leaders index, which contains shares of issuers that apply ESG sustainability principles. This index was created with the aim of helping investors choose shares with the criteria that the issuer issuing the shares has good behavior in terms of the environment, social and governance (www.idxchannel.com accessed 15 April 2024).

Research on the influence of ESG on company value has been carried out by Rahelliamelinda & Handoko (2024), Widianto & Astuti (2024), Delvina & Hidayah (2023), And Adrian & Hermi (2023) Which concluded that ESG has a positive effect on company value. The study disagrees with the research Kartika et al. (2023), Xaviera & Rahman (2023), Igbinovia & Agbadua (2023), Arofah & Khomsiyah (2023), Suharto et al. (2024) which concludes that ESG has no effect on company value.

Research on the effect of financial distress on company value was carried out by Monica & Sulfitri (2023), Sulistiyowati & Devinaya (2021), And Aprianti
& Khomsiyah (2022) that financial distress affects company value. The results of this study contradict research Saputra & Andani (2023), And Wisdom (2021) which concludes that financial distress has no effect on company value.

Research on the influence of agency costs on company value was carried out by Yani & Stiawan (2022), Halawa & Oktavianna (2023), Wardani & Susilowati (2020), And Wargo & Fahmi (2020) which concludes that agency costs affect company value. Research conducted Nurmalasari & Yani (2021), Kahira et al. (2021) And Nurmalasari & Maradesa (2021) This contradicts the results of these studies, namely concluding that there is no influence between agency costs and company value.

The difference between this research and previous research is that the independent variables are different. The objects in previous research included companies listed on the IDX in certain sectors and state-owned companies, while this research uses companies in the IDX ESG Leaders Index as research objects. The period studied in several previous studies was 3 years, while in this study the research period was 5 years. Several previous studies did not use a moderating variable, while this research uses Profitability as a moderating variable.

Based on the phenomenon and inconsistent results of previous research, this research re-examined the influence of ESG disclosure, financial distress, and agency costs on company value with profitability as a moderating variable. Apart from that, these variables are variables that have not been widely studied based on the results of bibliometric analysis on density visualization using VOSviewer software which depicts the presence of strain and low intensity.

**LITERATURE REVIEW**

**Agency Theory**
Agency theory is a relationship based on contracts that occur between members of a corporation, namely between the principle as the owner and the agent as the major actor (Lubis, 2017: 55).

**Signal Theory**
Signaling theory explains how management is able to provide signals of success or failure that will be conveyed to owners (Wijaya & Suganda, 2020).

**The Value of the Company**
Company value is investors' view of the manager's level of success in managing the company resources entrusted to him, which is frequently tied to share prices (Indrarini, 2019: 2-3).

**Environmental Social Governance (ESG) Disclosure**
Environmental social governance is a concept that prioritizes sustainable business activities and is part of non-financial indicators (Yudha & Rahman, 2024).
**Financial Distress**  
Financial distress is the stage of decline in financial condition that begins with the company's inability to pay off company debt, especially short-term debt, which ultimately leads to bankruptcy (Fahmi, 2014: 158).

**Agency Costs**  
According to Nurmalasari & Yani (2021), agency problems arise due to differences in interests between the agent and the principal. Supervision of the occurrence of agency problems can result in costs that must be borne by the company which are called agency costs.

**Profitability**  
Profitability is a company's ability to generate profits during a certain period. Apart from that, profitability also provides an overview of management's effectiveness in carrying out its operational activities (Septiana, 2019:108).

**Research Hypothesis**  
**The Influence of Environmental Social Governance (ESG) Disclosure on Company Value**  
Companies that engage in ESG practices and publish ESG performance are perceived as more transparent and accountable, which improves their reputation and fosters stakeholder trust (Giannopoulos et al., 2022). The greater the company's ESG performance, the higher its value (Delvina & Hidayah, 2023).  
H1: Environmental social governance (ESG) disclosure influences company value.

**The Effect of Financial Distress on Company Value**  
Companies experiencing financial distress can reduce company value. On the other hand, if the company is in a good situation, the company value will increase (Damayanti et al., 2023).  
H2: Financial distress affects company value.

**The Influence of Agency Costs on Company Value**  
Investors believe that high agency costs can increase company value because in agency theory the conflict of interest between the agent and the principal will result in excessive costs, which are expected to monitor the agent's behavior and reduce certain actions by the agent that could be detrimental to the principal. Agency costs can reduce shareholder concerns because the agency costs incurred are used to reduce shareholder risk which will have an impact on increasing company value (Sari et al., 2023).  
H3: Agency costs influence company value.

**Profitability Moderating Influence Environmental Social Governance (ESG) Disclosure of Company Value**  
Higher profitability will be a good mediator for the relationship between ESG assessments and company value. This shows that the role of implementing ESG
still needs to be supported by the company's financial performance (Sumarno et al., 2023).

H4: Profitability is able to moderate the influence of Environmental Social Governance disclosure on company value.

Profitability Moderates the Effect of Financial Distress Towards Company Value

According to Damayanti et al. (2023), the higher the profitability of a company, the lower the company's level of financial distress. Achieving high profits can help a company to increase its company value. The company's ability to obtain high profits can thus influence the degree of the company's capability to pay off the company's obligations to third parties.

H5: Profitability is able to moderate the influence of Financial Distress on company value.

Profitability Moderates the Effect of Agency Cost Towards Company Value

Companies with high net profits can help increase company value. Investors will be interested when financial reports show an increase in profits so that they can increase company value (Laksmsi et al., 2023).

H6: Profitability is able to moderate the influence of Agency Cost on company value.

The framework for thinking in this research is:

![Figure 1. Research Rationale Framework](Image)

**Figure 1. Research Rationale Framework**

*Source: Processed data (2024)*

**METHODOLOGY**

Type of quantitative research with secondary data sources. The source of this research data is Annual Report and Sustainability Report obtained on the website Indonesian Stock Exchange at [www.idx.co.id](http://www.idx.co.id) and the websites of each company. The period in this research is 2019 to 2023. The analysis technique carried out in this research uses the Structural Equation Model (SEM) with the Partial Least Square (PLS) analysis model assisted by Smart-PLS 3.0 software. The population in this research is companies. There are 927 companies listed on
the IDX. In this research, sampling used purposive sampling technique. The sampling criteria in this research are as follows:
1. Companies listed on the IDX that do not implement ESG practices.
2. Companies that are not included in the IDX ESG Leaders Index.

<table>
<thead>
<tr>
<th>No</th>
<th>Sample Determination Criteria</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Company listed on the IDX.</td>
<td>927</td>
</tr>
<tr>
<td>2.</td>
<td>Company recorded on the IDX as not implementing ESG practices.</td>
<td>(848)</td>
</tr>
<tr>
<td>3.</td>
<td>Company which are not included in the IDX ESG Leaders Index.</td>
<td>(49)</td>
</tr>
</tbody>
</table>

The number of companies sampled are companies in the IDX ESG Leaders Index that published Annual Reports and Sustainability Reports in 2019-2023: 15

- Year of observation: 5
- Number of observations over 5 years: 75

*Source: Processed data (2024)*

Each variable is measured using the following measurements:

**Table 2. Variable Measurement**

<table>
<thead>
<tr>
<th>No</th>
<th>Variable</th>
<th>Measurement Method</th>
<th>Measurement Scale</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>The value of the company</td>
<td>(\text{Tobin's } Q = \frac{\text{MVE} + \text{Debt}}{\text{TA}})</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Information:</td>
<td>Tobin's Q = Company Value</td>
<td>Ratio</td>
</tr>
<tr>
<td></td>
<td>MVE = Market Value of Equity (Market Value of Equity)</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Debt = Total Debt</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>TA = Total Assets</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2.</td>
<td>Environmental Social Governance Disclosure</td>
<td>ESG Disclosure</td>
<td>Ratio</td>
</tr>
<tr>
<td>3.</td>
<td>Financial Distress</td>
<td>(Z = X_1 + X_2 + X_3 + X_4 + X_5)</td>
<td>Ratio</td>
</tr>
<tr>
<td></td>
<td>Information:</td>
<td>Z = Overall Index</td>
<td></td>
</tr>
<tr>
<td></td>
<td>X1 = Working Capital to Total Assets</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>X2 = Retained Earnings to Total Assets</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>X3 = Profit Before Interest and Tax on</td>
<td></td>
<td></td>
</tr>
<tr>
<td>No</td>
<td>Variable</td>
<td>Measurement Method</td>
<td>Measurement Scale</td>
</tr>
<tr>
<td>----</td>
<td>------------------</td>
<td>---------------------------------------------------------</td>
<td>-------------------</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Total Assets</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>X4 = Book Value of Equity to Book Value of Total Debt</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>X5 = Sales to Total Assets</td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>Agency Costs</td>
<td>STA = $\frac{\text{Total Sales}}{\text{Total Asset}}$</td>
<td>Ratio</td>
</tr>
<tr>
<td>5</td>
<td>Profitability</td>
<td>ROA = $\frac{\text{Net Profit After Tax}}{\text{Total Asset}}$</td>
<td>Ratio</td>
</tr>
</tbody>
</table>

*Source: Processed data (2024)*

**RESEARCH RESULT**

The previously proposed hypothesis is tested in this study using the Structural Equation methodology (SEM) and the Partial Least Squares (PLS) analysis methodology. PLS analysis was performed using SmartPLS software version 3.0.

**Evaluation of the Measurement Model or Outer Model**

**a. Convergent Validity**

Convergent validity can be evaluated by looking at the loading factor and average variance extracted (AVE) values for each construct indicator. The results of data processing show that each variable has a loading factor value of more than 0.70 (>0.70) and AVE more than 0.50 (>0.50). From these results it can be concluded that all variables have met Convergent validity is good and worthy of continuing to the next test.

**b. Discriminant Validity**

Discriminant validity can be assessed by looking at the cross loading value for each variable. The results of data processing show that the cross loading value for each indicator of each latent variable in the moderating variable is greater than the cross loading value when connected to other latent variables. This means that each latent variable in the moderating variable has good discriminant validity, namely that several latent variables in the moderating variable have measures that are highly correlated with other constructs.

**c. Composite Reliability**

Cronbach Alpha and Composite Reliability are two methods used in this study to assess the reliability of a construct with reflected indication. The data processing results show that each variable has a Cronbach alpha and composite reliability value greater than 0.70 (>0.70). Based on these findings, it is possible to conclude that all variables in the study are reliable and appropriate for use in further analysis tests.

**Evaluation of the Structural Model or Inner Model**

**a. R-square (R2)**

If the R-square value obtained is 0.25-0.50 then it can be concluded that the model is weak, if the R-square value obtained is 0.50-0.75 then it can be
concluded that the model is moderate, if the R-square value obtained is 0.75-1.00 then it can be concluded that the model is strong (Rojuaniah et al., 2024). The R-square (R2) value in this study was 0.889. This can mean that this research model has a strong model.

b. Effect Size (f-square)

Mark f-square 0.02-0.15 is considered to have a small influence, a value of 0.15-0.35 is considered to have a medium influence, and a value above or equal to 0.35 is considered to have a large or strong influence. Values less than 0.02 can be ignored or considered to have no influence (Putri & Anwar, 2022; Rojuaniah et al., 2024). The results of data processing show that the majority of influences in this study are small because the f-square value is in the range of 0.02 to 0.15. Variables that have a large or strong effect, medium and negligible effect or no effect are one variable each.

**Hypothesis Testing**

Hypothesis testing in this research uses the bootstrapping method.

**Table 3. Bootstrapping Model Hypothesis Test**

<table>
<thead>
<tr>
<th>Construct</th>
<th>Original Sample</th>
<th>T Statistics</th>
<th>P Values</th>
<th>Information</th>
</tr>
</thead>
<tbody>
<tr>
<td>ESG Disclosure -&gt; Company Value</td>
<td>-0.064</td>
<td>1,077</td>
<td>0.282</td>
<td>Rejected</td>
</tr>
<tr>
<td>Financial Distress -&gt; Company Value</td>
<td>0.104</td>
<td>0.996</td>
<td>0.320</td>
<td>Rejected</td>
</tr>
<tr>
<td>Agency Costs -&gt; Company Value</td>
<td>0.174</td>
<td>2,014</td>
<td>0.045</td>
<td>Accepted</td>
</tr>
<tr>
<td>ESG Disclosure* Profitability -&gt; Company Value</td>
<td>-0.163</td>
<td>2,142</td>
<td>0.033</td>
<td>Accepted</td>
</tr>
<tr>
<td>Financial Distress* Profitability -&gt; Company Value</td>
<td>0.141</td>
<td>1,711</td>
<td>0.088</td>
<td>Rejected</td>
</tr>
<tr>
<td>Agency Costs* Profitability -&gt; Company Value</td>
<td>0.520</td>
<td>3,912</td>
<td>0.000</td>
<td>Accepted</td>
</tr>
</tbody>
</table>

*Source: SmartPLS 3.0 processed data (2024)*

Based on Table 3, the following results were obtained:

1) The coefficient value of the ESG Disclosure parameter on company value is -0.064, t-statistic of 1.077 (<1.96), and p-value of 0.282 (>0.05), then H0 is accepted and H1 is rejected. This means that Environmental Social Governance (ESG) Disclosure has no effect on Company Value in the IDX ESG Leaders Index for the 2019-2023 period.

2) The coefficient value of financial distress parameters on company value is 0.104, t-statistic of 0.996 (<1.96), and p-value of 0.320 (>0.05), then H0 is accepted and H1 is rejected. It means, Financial Distress has no effect on Company Value in the IDX ESG Leaders Index for the 2019-2023 period.

3) The coefficient value of the agency cost parameter on company value is 0.174, t-statistic of 2.014 (>1.96), and p-value of 0.045 (<0.05), then H1 is accepted and H0 is rejected. That is, Agency Cost influence on Company Value in the IDX ESG Leaders Index for the 2019-2023 period.
4) The coefficient value of the ESG Disclosure parameter on company value moderated by profitability is -0.163, t-statistic of 2.142 (>1.96), and p-value of 0.033 (<0.05), then H1 is accepted and H0 is rejected. It means, Environmental Social Governance (ESG) Disclosure moderated by Profitability has an effect on Company Value in the IDX ESG Leaders Index for the 2019-2023 period.

5) The coefficient value of financial distress parameters on company value moderated by profitability is 0.141, t-statistic of 1.711 (<1.96), and p-value of 0.088 (>0.05), then H0 is accepted and H1 is rejected. It means, Financial Distress moderated by Profitability has no effect on Company Value in the IDX ESG Leaders Index for the 2019-2023 period.

6) The coefficient value of the agency cost parameter on company value moderated by profitability is 0.520, t-statistic of 3.912 (>1.96), and p-value of 0.000 (<0.05), then H1 is accepted and H0 is rejected. That is, Agency Cost which is moderated by Profitability, has an effect on Company Value in the IDX ESG Leaders Index for the 2019-2023 period.

DISCUSSION
The Influence of Environmental Social Governance (ESG) Disclosure on Company Value

Based on the results of tests that have been carried out, it shows that environmental social governance (ESG) disclosure has no effect on company value. ESG cannot influence company value because in Indonesia there are still many companies that have not been able to implement the concept of sustainability or disclose ESG information to the public (Kartika et al., 2023). The positive impact of new ESG practices is visible in the long term. Investors who focus on short-term returns do not see the immediate value of ESG investing. Investors or stakeholders do not yet fully understand the importance of ESG or how these practices can affect a company’s future value.

Signaling theory (Spence, 1973) in the ESG context refers to a company’s efforts to send signals to stakeholders that the company is paying attention to and implementing good ESG practices. The effectiveness of the signal depends on the quality and consistency of the ESG practices carried out by the company. If these signals are not supported by significant concrete actions in implementing ESG practices, their impact on company value will be limited.

The Effect of Financial Distress on Company Value

The test results show financial distress has no effect on company value. Financial distress shows that it has no effect on company value because the company has a good brand or company reputation, the company is still able to pay its debts (Saputra & Andani, 2023). Even though it is facing financial distress, the company has valuable assets or strong growth prospects that can attract investor interest. The value of these assets or future growth potential may offset the negative impact of difficult financial conditions (Adaria et al., 2022). In addition, support from stakeholders can help companies overcome financial difficulties (Saputra & Andani, 2023). This support can give the market
The Influence of Agency Costs on Company Value

This study reveals that agency costs influence on company value. According to Warno & Fahmi (2020) and Wardani & Susilowati (2020), agency cost arises from the efforts of shareholders (principals) to control and ensure that management (agents) act in accordance with the interests of shareholders. Although expenses for controlling and monitoring management (agency costs) can be high, effective management of these relationships can result in higher firm value. When agency costs are used effectively to improve monitoring, incentives, and governance, company value can increase along with increased shareholder trust and satisfaction.

According to agency theory (Jensen & Meckling, 1976), there is a belief that high agency costs can increase company value because agency costs are used to reduce conflicts of interest between the principal and the agent. Agency costs incurred to ensure good supervision, incentives, risk management, transparency and accountability can contribute to increasing company value in the IDX ESG Leaders index. By managing agency costs effectively, companies can ensure that management acts in accordance with the interests of shareholders and the company's long-term goals, which can increase company value and investor confidence.

Profitability Moderates the Influence of Environmental Social Governance (ESG) Disclosure on Company Value

The analysis results show that profitability is able to moderate the influence environmental social governance (ESG) disclosure on company value. More profitable companies have greater financial resources to invest in ESG initiatives. This allows companies to implement ESG practices more effectively and comprehensively, which can improve the company's reputation and attract more investments that care about sustainability. Companies that already have a high level of profitability can see a greater return on investment from corporate ESG initiatives. Investors are more likely to believe that profitable companies can use company resources wisely to achieve ESG goals, ultimately increasing company value.

According to signal theory (Spence, 1973), profitability can act as a signal that strengthens the influence of ESG disclosure on company value. Signal theory states that information provided by a company can be used by investors to assess the company’s future prospects. When a company shows good ESG effort...
performance and high profitability, this can send a positive signal to investors that the company is not only socially and environmentally responsible, but also has strong financial performance.

**Profitability Moderates the Effect of Financial Distress on Company Value**

The analysis results show that profitability is unable to moderate the effect of financial distress on company value. Financial distress can reduce the confidence of investors and creditors and other interested parties regardless of the level of profitability. Investors tend to avoid companies that are in financial distress because of the risk of bankruptcy and potential investment losses (Indriyani & Nazar, 2020).

According to agency theory (Jensen & Meckling, 1976), high profitability is not always able to moderate the effect of financial distress on company value. Even though the company has high profitability, financial distress conditions can increase information asymmetry and risks for shareholders and creditors. Financial distress often causes uncertainty about the company's ability to fulfill its obligations, which can reduce the value of the company even if the company is profitable.

**Profitability Moderates the Effect of Agency Costs on Company Value**

The results of this research show that profitability is able to moderate the influence agency costs on company value. High agency costs can encourage shareholders to increase tight control over management to ensure that managers act in accordance with the interests of shareholders (Carlin & Purwaningsih, 2022). Tight control will make managers more careful in taking actions that could be detrimental to the company so that the company's profitability can increase (Simarmata & Meutia, 2024). Increased profitability will also increase company value.

Agency theory (Jensen & Meckling, 1976) stated that agency costs can reduce conflicts of interest between shareholders and management. Profitable companies can moderate agency costs by reducing conflicts of interest between management and shareholders, increasing transparency, and providing better incentives for managers.

**CONCLUSIONS AND RECOMMENDATIONS**

**Conclusion**

Based on the findings of the analysis on determining company value with profitability as a moderating variable for companies in the IDX ESG Leaders index, it is concluded that agency costs have an effect on company value, whereas ESG disclosure and financial distress do not. Aside from that, profitability can mediate the effect of ESG disclosure and agency costs on firm value, but not the effect of financial hardship.

**Suggestion**

1. Management must take a holistic approach that integrates ESG, financial management and corporate governance. This will ensure that all these factors work synergistically to increase company value.
2. Investors should conduct a comprehensive fundamental analysis before investing. An in-depth evaluation of financial condition, operational performance, ESG factors and potential risks can help investors make better investment decisions.

ADVANCED RESEARCH
Here are some limitations of this research, namely:
1. The period in this study was only 5 years so there were limitations in capturing the long-term effects of the variables analyzed.
2. The sample used in this research is only companies that are members of the IDX ESG Leaders Index. This means that the results of this research cannot be generalized to companies that are not members of the IDX ESG Leaders Index.
3. Global Reporting Initiative (GRI) provides ESG disclosure standards that can be used by companies in various industries so that standardization is less specific to certain industries.

Future research is expected to use similar industries as research objects to understand the adoption and reporting of ESG according to GRI standards in certain industries.

REFERENCES


Sembiring, S., & Trisnawati, I. (2019). Faktor-Faktor yang Memengaruhi Nilai


