

The Effect of ESG Disclosure on Company Value with Profitability as a Moderation Variable

Yulius Paul Pian^{1*}, Sari Rusmita², Umiaty Hamzani³

Universitas Tanjungpura

Corresponding Author: Yulius Paul Pian: b2092251018@student.untan.ac.id

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ABSTRAK

This study aims to examine the influence of Environmental, Social, and Governance (ESG) disclosure on Company Value proxied using Tobin's Q, as well as to test the role of profitability as a moderation variable in companies listed on the Indonesia Stock Exchange (IDX) for the 2020–2024 period. The study used an explanatory quantitative approach with panel data consisting of 117 companies during the observation period, resulting in 574 observations (unbalanced panels). The model selection was carried out through the Chow Test, the Hausman Test, and the Lagrange Multiplier (LM) Test. The test results showed that the Chow Test ($p=0.0000$), the Hausman Test ($p=0.0407$), and the LM Test ($p=0.0000$) directed the best model to the Fixed Effect Model (FEM). The results of the estimate show that ESG has a coefficient of -0.044 ($p=0.823$) so that it does not have a significant effect on the Company's Value. The $ESG \times ROA$ moderation variable also showed a coefficient of -0.161 ($p=0.856$) so it was not proven to moderate the relationship between ESG and Company Value. However, the model is simultaneously significant with an F-statistic value of 8.239 and $Prob(F\text{-statistic})=0.0000$, so the model is considered feasible to use. An Adjusted R^2 value of 0.599 indicates that the model is able to explain 59.9% of Tobin's Q variations. These results are in line with Patima et al. (2024) which found that environmental disclosure did not have a significant effect on the company's value in the basic materials sector

on the IDX.

INTRODUCTION

Company value is an investor's perception of the success rate of a company which is often associated with the company's stock price and ability to create prosperity for its shareholders. The higher the value of the company, the more prosperous the owner will be, so that the company's value is the main indicator for investors in making capital allocation decisions (Brigham & Houston, 2019). One comprehensive proxy for measuring a company's value is Tobin's Q, which describes how much the market values a company's assets relative to the cost of its successor (Chung & Pruitt, 1994). Tobin's Q value above 1 indicates that the market appreciates a company's assets beyond its book value, reflecting high growth expectations and investor confidence.

In the modern business paradigm, the achievement of optimal company value no longer relies solely on conventional financial fundamentals. The Environmental, Social, and Governance (ESG) framework has evolved into a comprehensive evaluation tool used by global institutional investors to assess a company's non-financial risks and long-term potential (Friede et al., 2015). ESG disclosure includes three main dimensions: environmental dimension which includes carbon emission management, energy efficiency, and waste management; social dimension which includes employment practices and community involvement; and the governance dimension which includes transparency and risk management. On the other hand, profitability measured by Return on Assets (ROA) remains a fundamental indicator that reflects management's efficiency in generating profits from the total assets owned (Hanafi, Mamduh M.; Halim, 2016).

The period 2020 to 2024 is an anomalous era as well as a momentum for global economic recovery due to the COVID-19 pandemic. The Indonesia Stock Exchange (IDX) experienced significant volatility in this period, with the Jakarta Composite Stock Price Index (JCI) plummeting drastically before gradually recovering. Theoretically, companies that regularly disclose ESG practices and have high profitability will get a positive response from the market (Friede et al., 2015). However, research in developing countries found that Indonesian investors are still pragmatic and more concerned with short-term financial returns than ESG commitments (Garcia et al., 2017). Research Patima et al. (2024) conducted on the IDX also found that environmental disclosure does not have a significant effect on company value, showing that this phenomenon is not limited to one sector or variables only.

The inconsistency of previous research results encourages the need for empirical retesting. Squirting (2020) find the positive influence of ESG on company value, while Chairiyati et al. (2025) found insignificant results in the issuer of the IDX ESG Leader Index. Similar inconsistencies are found in profitability, where Wardana et al. (2025) confirmed the positive effect of ROA on Tobin's Q in normal periods, while Waruwu & Hendrajaya (2025) finding the opposite result in the mining sector. This research gap is increasingly relevant to be studied considering the changes in post-pandemic macroeconomic conditions that dominated the 2020–2024 period.

Therefore, this study aims to: (1) examine the influence of ESG disclosure on Company Value (Tobin's Q); and (2) examining the role of Profitability moderation (ROA) on the relationship between ESG disclosure and Corporate Value in companies listed on the IDX for the 2020–2024 period. The contribution of this research lies in: the use of the post-pandemic period that has not been comprehensively studied, a more comprehensive moderation approach in explaining the dynamics of ESG valuation, and its relevance to the development of sustainability regulations in Indonesia.

LITERATURE REVIEW

Theoretical Foundations

Stakeholder Theory

Stakeholder Theory developed Freeman et al. (2010) emphasizing that the company cannot operate behind closed doors just to maximize the wealth of shareholders, but must accommodate the interests of all parties affected by its operations—including employees, customers, communities, and the environment. This theory is the main cornerstone of why ESG disclosure is considered important: ESG implementation is a tangible form of fulfilling obligations to stakeholders, which in turn builds a company's long-term reputation and trust in the eyes of the market. Companies that are able to effectively manage stakeholder relationships tend to have lower operational risk, easier access to funding, and higher customer loyalty—all of which lead to increased company value. Patima et al. (2024) using Stakeholder Theory and Legitimacy Theory simultaneously to explain how companies in the IDX basic materials sector interact with stakeholders through environmental accounting disclosures

Signaling Theory

Signaling Theory Spence (1973) Explaining that in the condition of asymmetric information between the company's management and external parties, management can give a 'signal' to the market through observable actions. ESG disclosures are a signal of management's commitment to sustainable business practices, while a high ROA is a signal of the quality of asset management. Rational investors will interpret these signals as indicative of a company's good prospects, so they are willing to pay a premium reflected in Tobin's Q increase (Connelly et al., 2011). However, the effectiveness of signals is highly dependent on market conditions and the interpretation capacity of investors, which can change significantly in periods of crisis or high macroeconomic uncertainty. In the context of the study's moderation, high ROA reinforces the credibility of ESG signals, as it shows that sustainability commitments do not come at the expense of financial performance.

Agency Theory

Agency Theory Jensen & Meckling (1976) Explain the agency relationship between the company owner (principal) and management (agent) which can give rise to conflicts of interest and agency costs. ESG disclosure in this theoretical perspective serves as a monitoring mechanism that reduces information asymmetry between management and shareholders, thereby suppressing the potential for opportunistic management behavior. The more transparent a company is in disclosing its environmental, social, and governance practices, the lower the monitoring costs that investors have to bear, which ultimately increases market confidence and company valuation. In the context of moderation, high profitability signals that management is effectively carrying out its agent functions, so that ESG disclosures gain higher credibility in the eyes of investors and result in a larger valuation premium.

Previous Empirical Studies

Research Friede et al. (2015) A meta-analysis of more than 2,000 empirical studies found that about 90% of studies showed a non-negative relationship between ESG and financial performance, with the majority finding a positive relationship. However, Garcia et al. (2017) reminding that the influence of ESG in emerging markets is heterogeneous and heavily influenced by industry characteristics and local capital market conditions. Latest research in Indonesia by Patima et al. (2024) who used path analysis and Sobel test on 18 companies in the IDX basic materials sector for the 2021–2023 period found that environmental disclosure did not have a significant effect on company value, even though environmental costs and environmental performance had a positive effect. Furthermore, profitability in the study also failed to mediate the relationship between environmental accounting variables and company value. These findings are relevant because they have methodological similarities with this study—both use Tobin's Q as a proxy for company values and company panel data on the IDX.

Chairiyati et al. (2025) examined the influence of ESG on corporate value in the IDX ESG Leader Index issuer and found insignificant results, indicating that even in companies explicitly categorized as ESG leaders in Indonesia, the ESG-company value relationship has not been statistically formed. Meanwhile, Veronika & Rusmita (2025) who used Moderated Regression Analysis on 22 IDX companies 2022–2024 found that green accounting had a significant positive effect on company value, but audit quality was unable to moderate the influence of CSR and independent commissioners on company value—suggesting that governance moderation mechanisms are not always effective in the Indonesian capital market. Wardana et al. (2025) found that profitability had a significant positive effect on Tobin's Q in LQ45 companies for the normal period (Q1 2021–Q3 2024), however Waruwu & Hendrajaya (2025) found that

financial performance does not always have a positive impact on the mining sector. The inconsistency of these research results strengthens the argument that the relationship between ESG, profitability, and corporate value in Indonesia is contextual and influenced by macroeconomic conditions, sector characteristics, and investor behavior in a given period. A summary of previous research is presented in Table 1.

Table 1. Summary of Previous Research

Researcher	Title/Variable	Method	Sample	Key Findings
Friede et al. (2015))	ESG and financial performance – meta-analysis >2000 study	Meta-analysis	Global	90% of studies show a non-negative ESG-financial performance relationship; Majority Positive
Garcia et al. (2017)	ESG in sensitive industries – emerging markets	Regression panel	Emerging markets	Sensitive industries show ESG better; the influence of heterogeneous ESG in developing countries
Patima, Helmi & Rusmita (2024)	Environmental accounting and corporate value – profitability as an intervening variable	Path analysis & Sobel test	18 IDX companies in the basic materials sector 2021–2023	Cost and environmental performance have a positive effect on the company's value; environmental disclosure has no significant effect; profitability fails to mediate
Chairiyati et al. (2025)	ESG and corporate value – IDX ESG Leader Index	Regression panel	Issuers IDX ESG Leader Index	ESG has no significant effect on the company's value in Indonesia's ESG index
Wardana et al. (2025)	Profitability and liquidity against market valuation – Tobin's Q LQ45	Regression panel	LQ45 Q1 2021–Q3 2024	Profitability has a significant positive effect on Tobin's Q in normal periods
Waruwu & Hendrajaya (2025)	Financial performance and dividend policy on the value of	Multiple regression	IDX mining sector	Financial performance does not always have a positive effect on a

	companies in the mining sector			company's value in a particular sector
Squirting (2020)	Systematic review of SRI and ESG metrics	Systematic literature review	Global	ESG has a positive influence on the company's overall value, but the market context determines the direction of influence
Veronika & Rusmita (2025)	Green Accounting, CSR, Independent Commissioner of Corporate Value: Audit Quality as Moderation	Linear Regression & MRA (EViews 13)	22 IDX companies 2022–2024	Green accounting has a significant positive effect on the company's value; audit quality is not as significant as moderation

Source: Processed by the author from various sources (2025).

Hypothesis Development and Conceptual Framework

Based on the theoretical foundations of Stakeholder Theory, Signaling Theory, and Agency Theory, as well as previous empirical studies, the following hypotheses were formulated. Stakeholder Theory predicts that companies that meet the expectations of all stakeholders through ESG practices will obtain a higher market valuation appreciation. Signaling Theory predicts that high ESG and ROA disclosures are positive signals that drive an increase in Tobin's Q. Agency Theory predicts that high profitability strengthens the credibility of ESG signals, resulting in a positive moderation effect.

H1: ESG disclosure has a positive and significant effect on Company Value (Tobin's Q).

H2: Profitability (ROA) moderates (strengthens) the influence of ESG disclosure on Company Value (Tobin's Q).

Conceptual Framework

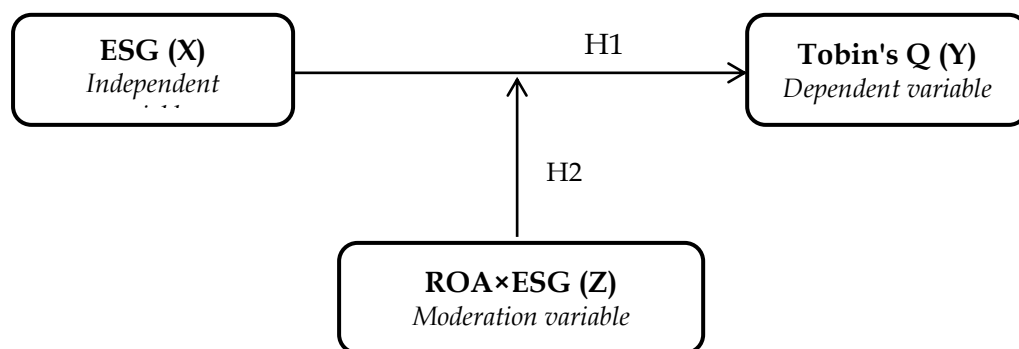


Figure 1. Research Conceptual Framework

METHODOLOGY

Research Design and Data Sources

This study uses an explanatory quantitative approach as described Sugiyono (2019), which is research that aims to explain and test the causality relationship between variables studied through hypothesis testing. The data used is secondary data in the form of data panel (data panel) which combines the cross-section dimension (between companies) and the time-series dimension (between times). The data sources come from annual financial statements, sustainability reports, and Bloomberg ESG databases accessed through the Indonesia Stock Exchange (IDX) and the company's official website for the 2020–2024 period. This approach is consistent with various similar studies on the IDX, including Patima et al. (2024) which also use panel secondary data from the annual and sustainability reports of Indonesian companies.

Population, Sample, and Selection Criteria

The research population includes all companies listed on the Indonesia Stock Exchange (IDX) for the 2020–2024 period. The sampling technique uses purposive sampling, which is the selection of samples based on certain criteria that are relevant to the research objectives (Sekaran & Bougie, 2016). The sample criteria set are: (1) companies listed on the IDX in full during the 2020–2024 observation period (5 consecutive years); (2) the company publishes sustainability reports or discloses ESG information consistently during the observation period; (3) the company did not experience delisting or suspension of trading during the observation period; and (4) the company has complete financial data, in particular net profit and total assets data for the calculation of ROA.

The application of these four criteria resulted in a final sample of 117 companies from various industrial sectors, so that the total observations analyzed were 574 observations (unbalanced panel: 117 companies × 5 years). This sample count is much larger than the study Patima et al. (2024) which only uses 18 companies in the basic material sector, so this study has a higher representativeness to the overall Indonesian capital market

Operational Definitions and Variable Measurements

The dependent variable in this study is the Company Value (Y) which is proxied with Tobin's Q. Tobin's Q formula refers to the Chung & Pruitt (1994): $\text{Tobin's Q} = (\text{Equity Market Value} + \text{Total Book Value of Debt}) / \text{Total Assets}$. This formula is also used by Patima et al. (2024) in environmental accounting research on the IDX. Tobin's Q value > 1 indicates the market appreciates the company above its book value, while a < value of 1 indicates the opposite.

The first independent variable is ESG Disclosure (X_1) which is measured by the ratio of items disclosed: $\text{ESG Score} = \text{Total Items Disclosed} / \text{Total Items Index}$. The score ranges from 0 (no disclosure) to 1 (full disclosure). This approach is similar to measuring environmental disclosure in Patima et al. (2024) which uses the GRI Standards as the basis of the checklist. The second independent variable is Profitability (X_2) proxied by Return on Assets (ROA): $\text{ROA} = \text{Net Profit After Tax} / \text{Total Assets} \times 100\%$ (Kasmir, 2019). ROA was chosen because of its ability to reflect overall operational performance without being affected by the capital structure. Moderation variable (X_3) is an interaction variable: $\text{Moderation} = \text{ESG} \times \text{ROA}$, which measures whether the influence of ESG on Tobin's Q depends on the company's level of profitability.

Data Analysis Techniques

Data analysis used panel data regression technique with EViews 12 software. There are three estimation models in the regression panel data: Common Effect Model (CEM), Fixed Effect Model (FEM), and Random Effect Model (REM). The selection of the best model is carried out through a tiered procedure: (1) Chow (Redundant Fixed Effects Test) to choose between CEM and FEM—if the probability is < 0.05 , then FEM is better; (2) Hausman's test to choose between FEM and REM—if the probability > 0.05 , then REM is more efficient; and (3) the Breusch-Pagan Lagrange Multiplier (LM) test to confirm the superiority of REM over CEM—if the probability < 0.05 , then REM is better.

The estimated model of the panel data regression equation is: $\text{Tobin's Q}_{it} = \alpha + \beta_1 \text{ESG}_{it} + \beta_2 (\text{ESG} \times \text{ROA})_{it} + \varepsilon_{it}$, where i represents the i th company, t represents the t th year, α is the constant, β_1 and β_2 is the regression coefficient, while ε is an error term that represents the influence of other factors outside the model. Hypothesis testing was performed at a significance level of $\alpha = 5\%$. The hypothesis is accepted if the probability value (p-value) < 0.05 , indicating that the independent variable has a significant effect on the dependent variable.

RESEARCH RESULTS

Descriptive Statistics

Before conducting regression analysis, descriptive statistics were first presented to provide an overview of the characteristics of the research data of 574 observations (117 companies, unbalanced panel). The results of descriptive statistics are presented in Table 2.

Table 2. Descriptive Statistics of Research Variables

Variable	Red	Std. Dev.	Minimum	Maximum
ESG	0.493109	0.269826	0	1
Tobin's Q	1.421069	1.319489	0.131997	15.6844
Moderation	0.032953	0.067043	-0.296531	0.602469
Observations	574	574	574	574

Source: Output of EViews 12, processed by the author (2025). N = 574 observations (117 companies; unbalanced panel)

The ESG variable has a mean of 0.493, indicating that the average sample company reveals about 49% of the total required ESG items. The standard ESG deviation of 0.270 with a minimum value of 0 and a maximum of 1 reflects a fairly high heterogeneity in ESG disclosure practices. These results are similar to the average environmental disclosure in Patima et al. (2024) which found an average environmental disclosure of 68.8% in IDX basic materials sector companies, showing that the level of sustainability disclosure in Indonesia varies significantly between sectors and companies.

The Tobin's Q variable has an average of 1,421 with a standard deviation of 1,319. An average value above one indicates that in general the market values the sample company over its book value. Tobin's Q maximum value of 15,684 indicates that there is a company with a very high level of market appreciation compared to its assets.

Panel Data Regression Model Selection

Selecting the right estimation model is a crucial stage in panel data regression analysis, as model selection errors can result in biased and inefficient estimators (Baltagi, 2021). The results of the multi-level test are presented in Table 3.

Table 3. Panel Data Regression Model Selection Test Results

Test	Statistics	Value	Prob.	Verdict
Chow Test	Cross-section F	7.8057	0	EMF > EMF
Hausman Test	Chi-square	6.4019	0.0407	FEM > REM
LM Breusch-Pagan Test	Cross-section BP	310.356	0	REM > EMC
Selected Model: Fixed Effect Model (FEM)				

Source: Output of EViews 12, processed by the author (2025). *Significant at $\alpha = 5\%$.

In the first stage, the Chow Test showed a Cross-section value of F of 7.806 with a probability of 0.0000 (<0.05), so that H_0 was rejected and FEM was better than CEM. These results show the presence of different specific characteristics in each company during the observation period.

In the second stage, the Hausman Test produces a Chi-Square value of 6,402 with a probability of 0.0407 (<0.05). These results show that FEM is more accurate than REM because there is a correlation between the individual effects of the company and the independent variables of the study.

The third stage, the Lagrange Multiplier Test yields a probability of 0.0000 (<0.05), which indicates REM is better than CEM. However, because the Hausman Test is more decisive in the choice between FEM and REM, the final model used in this study is the Fixed Effect Model (FEM).

Fixed Effect Model (FEM) Estimation Results

Based on the results of the model selection test, the Fixed Effect Model (FEM) was determined as the best model in this study. Estimation was carried out using the Panel Least Squares method with a Cross-section Fixed Effects approach. The full estimate results are presented in Table 4.

Table 4. Fixed Effect Model (FEM) Estimation Results

Variable	Coefficients	Std. Error	t-Statistics	Prob.	Ket.
C	1.448279	0.102461	14.13486	0	Significant
ESG	-0.044442	0.198485	-0.223904	0.8229	Insignificant
ESG×LONG	-0.160689	0.883996	-0.181776	0.8558	Insignificant
Adjusted R ²	0.598513				
F-statistic	8.238933	Prob(F-stat) = 0.0000		0.0000	Significant
Durbin-Watson	1.724711				

Source: Output of EViews 12, processed by the author (2025). *Significant at $\alpha = 5\%$. Dependent Variable: TOBIN_S_Q. Method: Panel Least Squares (Cross-section Fixed Effects). Sample: 2020–2024. N = 574 observations.

Fixed Effect Model Data Regression Equation: Tobin's Q = $1.4483 - 0.0444(ESG) - 0.1607(ESG \times ROA) + \epsilon$

A constant value (C) of 1.448 with a probability of 0.000 indicates Tobin's Q value when an independent variable is considered constant. An Adjusted R² of 0.599 indicates that after considering the number of variables and individual effects of the company, the model is still able to account for the 59.9% variation in the Company's Value. The F-statistical value of 8.239 with a probability of

0.0000 indicates that the research model is simultaneously significant and feasible to use.

Hypothesis Testing

A summary of the results of partial hypothesis testing (T-test) is presented in Table 5

Table 5. Summary of Hypothesis Testing Results

H	Hypothesis Statement	Prob.	$\alpha=5\%$	Verdict
H1	ESG Disclosure has a Positive and Significant Effect on Company Value	0.8229	> 0.05	Rejected
H2	Profitability (ROA) moderates the influence of ESG on Company Value	0.8558	> 0.05	Rejected

Source: Data analysis results, 2025. *Significant at $\alpha = 5\%$.

Hypothesis 1 (H1): The ESG coefficient is -0.044 with a probability of 0.823 (>0.05), so H1 is rejected. These results show that ESG disclosure has not had a significant effect on Company Value.

Hypothesis 2 (H2): The ESG $\times$ ROA coefficient is -0.161 with a probability of 0.856 (>0.05), so H2 is rejected. These results show that profitability has not been proven to moderate the relationship between ESG and Corporate Value.

DISCUSSION

ESG Has No Significant Effect on Company Value

The results show that the ESG variable has a coefficient of -0.044 with a probability of 0.823 (>0.05), so H1 is rejected. These results show that ESG disclosure has not been able to increase the Company Value proxied using Tobin's Q in companies listed on the Indonesia Stock Exchange for the 2020–2024 period.

These findings are in line with research Chairiyati et al. (2025) who found that ESG had no significant effect on the company's value in companies that were members of the IDX ESG Leader Index. The results of this study also support the research Patima et al. (2024) which found that environmental disclosure had no significant effect on the company's value in the basic materials sector company on the Indonesia Stock Exchange. In addition, Garcia et al. (2017) explained that the influence of ESG in developing countries is heterogeneous and influenced by the characteristics of the capital market and economic conditions of each country.

In the perspective of Stakeholder Theory, companies that meet the interests of stakeholders should receive positive appreciation from the market. However, the results of the study show a different condition. This indicates that the Indonesian capital market during the observation period has not fully assessed ESG disclosure as a signal of economic value for companies.

Through the perspective of Signaling Theory, ESG disclosures should be a positive signal for investors regarding the company's long-term prospects.

However, the effectiveness of the signal is greatly influenced by the investor's ability to interpret the information available. In the post-COVID-19 pandemic period, investors tend to focus more on financial stability and short-term profits than on paying attention to the company's sustainability information.

In addition, the phenomenon of credibility gap and greenwashing can also explain the results of this study. Many companies disclose ESG information only to meet regulatory demands without substantive implementation (Lyon & Maxwell, 2011). This condition causes investors not to immediately consider ESG disclosure as an indicator of increasing company value.

Profitability Is Not Proven to Moderate the Influence of ESG on Company Value

The results showed that the ESG $\times$ ROA moderation variable had a coefficient of -0.161 with a probability of 0.856 (>0.05), so H2 was rejected. These results show that profitability has not been proven to strengthen the influence of ESG on Company Value.

These findings are in line with research Patima et al. (2024) who found that profitability did not successfully mediate the relationship between environmental disclosure and company value. The results of this study are also supported by Veronika & Rusmita (2025) which suggests that moderation mechanisms are not always effective in Indonesian capital market research.

Theoretically, moderation will be effective if there is a strong enough primary relationship between independent variables and dependent variables (Baron & Kenny, 1986); Hayes, 2017). In this study, because the ESG relationship to Tobin's Q has been shown to be insignificant, the moderation effect provided by profitability also cannot work optimally.

The negative interaction coefficient indicates that increased profitability combined with ESG disclosures has not been able to create an increase in market appreciation for the company. During periods of post-pandemic economic uncertainty, investors tend to be oriented towards short-term returns on investment rather than considering a combination of sustainability and corporate profitability as a source of long-term value creation (Shen et al., 2020).

Although both hypotheses were partially rejected, the results of the simultaneous tests showed an F-statistical value of 8.239 with a probability of 0.0000 . This shows that the research model as a whole is feasible to use to explain the relationship between the research variables.

CONCLUSIONS AND RECOMMENDATIONS

This study aims to examine the influence of Environmental, Social, and Governance (ESG) disclosure on Company Value proxied using Tobin's Q and test the role of profitability as a moderation variable in companies listed on the Indonesia Stock Exchange for the 2020–2024 period.

The results show that ESG disclosure has no significant effect on Company Value with a coefficient value of -0.044 and a probability of 0.823 (>0.05), so H1 is rejected. These results show that increased ESG disclosure has not been able to increase market appreciation of companies during the study period.

Furthermore, the results of the study also showed that the ESG $\times$ ROA moderation variable had no significant effect on the Company's Value with a coefficient of -0.161 and a probability of 0.856 (>0.05), so H2 was rejected. This suggests that profitability has not been shown to strengthen the relationship between ESG disclosure and Corporate Value.

Although both research hypotheses were rejected, the overall research model showed good feasibility with an F-statistic value of 8.239 and a Prob(F-statistic) of 0.0000 . An Adjusted R^2 value of 0.599 indicates that the research model is able to explain the variation in Company Value by 59.9% , while the rest is influenced by other factors outside the research model.

The findings of this study reinforce the empirical evidence that the Indonesian capital market has not fully made sustainability disclosure a key factor in determining the value of a company. The results of this study also have an alignment with the research Patima et al. (2024) which found that environmental disclosures had no significant effect on the company's value, indicating that investors still consider other factors beyond sustainability in their investment decision-making.

Implications

The theoretical implications of this study show that the effectiveness of Stakeholder Theory and Signaling Theory is greatly influenced by economic conditions and capital market characteristics. ESG information, which is theoretically expected to be a positive signal for investors, has not received a strong response in the Indonesian capital market during the research period. This indicates that sustainability disclosure has not been fully the primary basis for investors to assess a company's prospects.

In practical terms, the results show that companies need to improve the quality of ESG implementation so that they not only focus on fulfilling administrative disclosure obligations, but also be able to reflect more substantive sustainability implementations. Investors also need to consider other fundamental factors besides ESG disclosure in investment decision-making, especially in market conditions that are influenced by economic

uncertainty. In addition, regulators such as the Financial Services Authority (OJK) and the Indonesia Stock Exchange are expected to improve the standardization of ESG reporting so that the quality of information received by investors becomes better and easier than between companies. The results of this study also reinforce the findings Patima et al. (2024) which shows that the substance of sustainability implementation has a more important role than just the quantity of disclosure.

ADVANCED RESEARCH

This study has several limitations that need to be considered in the interpretation of the research results. First, the 2020–2024 research period is still influenced by post-pandemic economic recovery conditions, which has the potential to significantly affect investor behavior. Second, ESG measurement uses a disclosure ratio that still focuses on the quantity of disclosure and has not fully measured the quality of ESG implementation directly.

The next study is suggested to add other control variables such as firm size, leverage, sales growth, and macroeconomic variables so that the research model has better predictive capabilities. In addition, subsequent research can use alternative proxies such as Price to Book Value (PBV) or Enterprise Value/EBITDA to gain a broader perspective on Company Value.

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