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THE INFLUENCE OF ESG DISCLOSURE AND PROFITABILITY ON FIRM VALUE

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Abstract

This study aims to examine the influence of ESG disclosure and profitability on firm value. It is a quantitative study conducted on non-financial companies listed on the Indonesia Stock Exchange during the 2016-2024 period. The sample was selected using a purposive sampling technique, resulting in 52 companies with 468 observations. The study utilizes secondary data obtained from financial statements, annual reports, and sustainability reports. Data analysis was performed using linear regression. The data were analyzed using SPSS version 26. The findings indicate that both ESG disclosure have a significant positive impact on firm value and profitability have a significant positive impact on firm value. These results imply that investors tend to prioritize a company's ability to generate profit and its ESG disclosures when evaluating the firm. The findings are expected to provide value for future research concerning ESG disclosure, profitability, and firm value on non-financial companies listed on the Indonesia Stock Exchange.

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INTRODUCTION

The development of sustainable business practices has encouraged investors to look beyond financial performance and consider non-financial aspects, specifically ESG (Environmental, Social, and Governance) disclosure. According to stakeholder theory, a company bears a responsibility toward all its stakeholders; therefore, transparency through ESG disclosure serves as a form of corporate accountability (Saputri et al., 2026). ESG disclosure is viewed as a crucial mechanism for conveying non-financial information to stakeholders. Such disclosure reflects not only transparency but also corporate accountability in explaining and taking responsibility for the environmental and social impacts of the company's activities (Watat et al., 2026). ESG disclosure acts as a positive signal that can reduce information asymmetry between a company and its investors. Higher-quality ESG disclosure fosters greater investor confidence in the company's quality and prospects, which has the potential to enhance firm value (Gerged et al., 2021).

In addition to non-financial factors, firm value is also influenced by financial performance, such as profitability. Profitability reflects a company's ability to generate profit and serves as a key indicator for investors (Martini, 2019). A high level of profitability sends a positive signal to investors regarding the company's prospects, potentially driving up both its stock price and overall firm value.

Previous research indicates that the impact of ESG disclosure on firm value remains inconsistent. Rismawati et al. (2025) found that the quality of ESG disclosure influences investment decisions through its effect on firm value, while Widianto and Astuti (2024) discovered that ESG disclosure has a significant impact on firm value. Conversely, Sedyasana and Wijaya (2024) provided empirical evidence suggesting that environmental, social, and governance disclosures do not affect firm value. Research by Putri (2026) indicated that ESG disclosure has no significant effect on firm value, whereas

profitability has a significant positive impact. Meanwhile, Amelia and Putra (2025) found that both ESG disclosure and profitability influence firm value. Inconsistencies in the findings of previous studies indicate a research gap, necessitating further investigation into the impact of ESG disclosure and profitability on firm value. This study aims to examine the influence of ESG disclosure and profitability on firm value among non-financial companies listed on the Indonesia Stock Exchange during the period from 2016 to 2024.

LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT

ESG Disclosure

ESG disclosure is a corporate communication strategy that serves as an accountability tool to demonstrate an entity's commitment to sustainability values (Almulhim et al., 2025). It functions as an indicator of governance quality, acting as a differentiator for companies seeking to attract socially-oriented investors (Lys et al., 2015). The rise of sustainable investment practices has made ESG information increasingly relevant to the investment decision-making process (Gillan et al., 2021). Consequently, ESG has become a key factor for stakeholders when making decisions (Wulandari & Rosini, 2023).

Profitability

Profitability refers to a company's potential to assess its capacity to generate profits, reflecting the level of managerial effectiveness in achieving earnings derived from sales or investment revenues over a specific period (Kasmir, 2021). According to Prihadi (2020), profitability describes a company's ability to generate profits, which attracts investors. Companies with good profitability demonstrate healthy financial performance, thus having a greater capacity to finance operational activities and provide returns to capital owners without having to rely entirely on external loans.

Firm Value

Company value is an indicator that reflects market perceptions of the company's performance, prospects and sustainability in the future (Nandita & Wirajaya, 2026). Company value reflects the market's perception of an entity's success in managing its resources and its sustainability prospects in the future (Watat et al., 2026). The high value of the company reflects investors' positive perception regarding performance, stability and potential for future business growth. This company value is often used to measure management's success in managing the company, both financial and non-financial (Wirianata, 2020).

Research Model

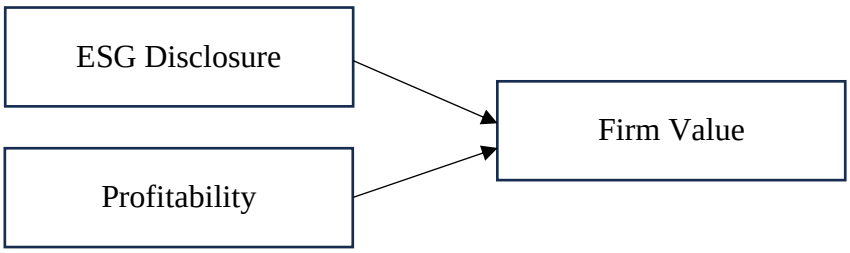


Figure 1. Research Model

Hypothesis Development

The Influence of ESG Disclosure on Firm Value

Environmental, Social, and Governance (ESG) disclosure refers to the reporting of information regarding a company’s environmental, social, and governance performance, serving as a form of

transparency toward stakeholders (Saputri et al., 2026). According to stakeholder theory, companies that provide extensive ESG disclosures gain greater legitimacy and trust from investors. Transparent ESG disclosure functions as a mechanism to mitigate information asymmetry and build public trust (Lys et al., 2015). Research by Nandita & Wirajaya (2026) and Jati & Sofie (2024) demonstrates that ESG disclosure has a positive and significant impact on firm value. Based on this, the following hypothesis is proposed:

H1: ESG disclosure has an influence on firm value.

The Influence of Profitability on Firm Value

Profitability indicates a company's ability to generate profit through the utilization of its assets. Profitability refers to a company's ability to generate profit through the utilization of its assets (Saputri et al., 2026). High profitability reflects management's effectiveness in managing the company's resources, thereby sending a positive signal to investors and enhancing firm value. Research findings by Amelia & Putra (2025) and Putri (2026) indicate that profitability has a significant positive effect on firm value. Based on this, the following hypothesis is proposed:

H2: Profitability has an effect on firm value

METHOD

Type of Research

This study employs a quantitative approach using a multiple linear regression method to analyze the impact of ESG disclosure and profitability on firm value.

Population and Sample

The research population consists of all non-financial companies listed on the Indonesia Stock Exchange during the 2016–2024 period. Sampling was conducted using purposive sampling—a technique for selecting samples based on specific criteria to ensure the data aligns with the research objectives (Sugiyono, 2022). The final sample comprises 52 companies that met the established criteria, resulting in a total of 468 observations over the 9-year study period.

Research Data

This research utilizes secondary data obtained from companies' annual reports, sustainability reports, and financial statements.

Variable and Measurement

Firm value is dependent variable, measured using the Tobin’s Q ratio.

Independent variable is ESG disclosure and Profitability. ESG disclosure is proxied by the ESG disclosure score obtained from Bloomberg; and profitability is proxied by Return on Assets (ROA).

Data analysis

Data analysis was performed using IBM SPSS Statistics, encompassing descriptive statistical analysis, classical assumption testing, multiple linear regression analysis, and hypothesis testing, specifically through the F-test, t-test, and the coefficient of determination (R^2) (Ghozali, 2021).

RESULTS AND DISCUSSION

Classical Assumption Test

Normality Test

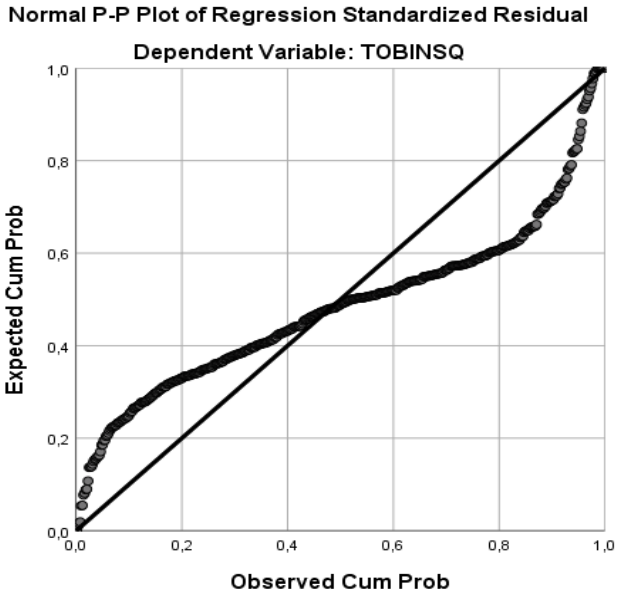


Figure 2. Normality Test Results
Source: secondary data processed, 2026

Based on the normality test results, it is evident from the "Normal P-P Plot of Regression Standardized Residual" graph that the residual points follow the direction of the diagonal line and are distributed around it. This indicates that the distribution of the residuals remains reasonably close to normal.

Heteroscedasticity Test

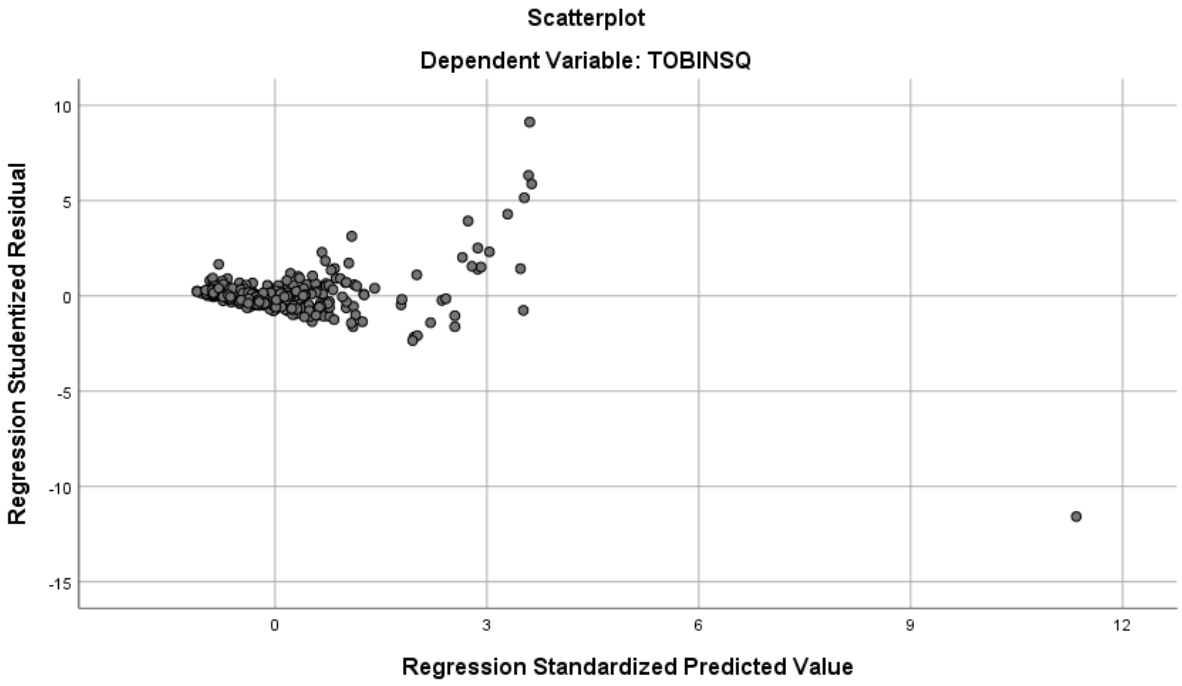


Figure 3. Heteroscedasticity Test Results
Source: secondary data processed, 2026

The scatter plot shows that the data points are distributed randomly and do not form any specific pattern, both above and below the zero line on the Y-axis. This indicates that the regression model does not exhibit heteroskedasticity. Therefore, the assumption of homoskedasticity is met by the regression model.

Multicolinearity Test

Table 1. Multicollinearity Test Results

Model		Collinearity Statistics	
		Tolerance	VIF
1	(Constant)		
	ESG	0,997	1,003
	ROA	0,997	1,003

Source: secondary data processed, 2026

Based on the table above, each variable has a VIF value of less than 10 and a tolerance value greater than 0.10. Therefore, it can be concluded that there is no multicollinearity in the regression model.

Autocorrelation Test

Table 2. Autocorrelation Test Results

Model	Durbin-Watson
1	0,948

Source: secondary data processed, 2026

Based on the table above, the Durbin-Watson statistic is 0.948, according to the SPSS results. This figure indicates that there is no correlation between the residuals of one observation and those of the preceding observation in the regression model.

Multiple Linear Regression Analysis

To determine how independent variables affect a dependent variable, multiple linear regression analysis is used.

Table 3. Multiple Linear Regression Test Results

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	-0,043	0,301		-0,142	0,887
	ESG	0,012	0,006	0,066	1,884	0,050
	ROA	18,786	1,021	0,647	18,404	0,000

Source: secondary data processed, 2026

The following regression equation was obtained from the data processing results:
TOBINSQ = -0,043 + 0,012ESG + 18,786ROA + e

R^2 Test

Table 4. R^2 Test Results

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0,654[a]	0,428	0,425	1,76841

Source: secondary data processed, 2026

Based on the table above, the R^2 value is 0.425, which indicates the extent of the influence of ESG disclosure and profitability on firm value is 42,5%.

F Test

Table 5. F Test Results

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	1086,085	2	543,042	173,647	0,000[b]
	Residual	1454,187	465	3,127		
	Total	2540,272	467			

a. Dependent Variable: TOBINSQ
b. Predictors: (Constant), ROA, ESG
Source: secondary data processed, 2026

The calculated F-value is 173.647, and the Sig. value is 0.000. Based on the ANOVA results above, it can be concluded that the regression model is suitable for examining the influence of ESG disclosure and profitability on firm value.

Discussions

ESG Disclosure Affects Firm Value

The research results indicate that the ESG disclosure variable has a significant positive effect on the firm value variable. This is evidenced by a significance value of 0.050 (sig. $\leqslant$ 0.05) and a beta coefficient of 0.012. Consequently, the hypothesis stating that ESG disclosure influences firm value is accepted.

These findings support the research of Gerged et al. (2021), Gillan et al. (2021), and Nandita and Wirajaya (2026), which demonstrate a positive relationship between ESG and firm value. ESG disclosure can reduce information asymmetry between a company and its investors. More extensive and consistent ESG disclosure provides information regarding the management of environmental risks, relationships with stakeholders, and corporate governance. Such information can bolster investor confidence in a company's long-term prospects. Transparency in ESG disclosure not only reflects the effectiveness of a company's resource management but also enhances its reputation among investors, ultimately driving an increase in firm value (Shafira & Astuti, 2024).

Profitability Affects Firm Value

The research results indicate that the profitability variable has a significant positive effect on the firm value variable. This is evidenced by a significance value of 0.000 (sig. $\leqslant$ 0.05) and a beta coefficient of 18.786. Consequently, the hypothesis stating that profitability influences firm value is accepted.

These findings support the research of Putri (2026) and Saputri et al. (2026), which demonstrates that profitability has a significant positive impact on firm value. This suggests that the greater a company's ability to generate profit through the utilization of its assets, the higher the value investors place on the company.

CONCLUSION

This study aims to analyze the impact of ESG disclosure and profitability on firm value among non-financial companies listed on the Indonesia Stock Exchange during the 2016–2024 period. The results indicate that both ESG disclosure and profitability influence firm value. These findings support stakeholder theory and legitimacy theory, which emphasize that transparency and sustainability practices can enhance market confidence and strengthen firm value in the long term. Future research is encouraged to incorporate other relevant variables to develop a more comprehensive research model.

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