

The Influence of ESG Disclosure, Capital Structure, Profitability, and Company Size on Company Value: An Empirical Study on IDXESGL Companies on the IDX for the 2021-2023 Period

Flora Anisa^{1*}, Bagus Panuntun²

Universitas Islam Indonesia, Yogyakarta

Corresponding Author: Flora Anisa flora.anisa67@gmail.com

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This research investigates the impact of ESG disclosure, capital structure, profitability, and firm size on company value among issuers listed in the IDX ESG Leaders (IDXESGL) index during the 2021–2023 period. Company value is assessed using the Tobin's Q ratio. The independent variables in this study are ESG disclosure, capital structure (measured by the Debt to Equity Ratio), profitability (measured by Return on Assets), and firm size (measured by the natural logarithm of total assets). Employing a quantitative method with multiple linear regression analysis and SPSS for data processing, the study uses purposive sampling to select 18 companies, resulting in 54 total observations. The findings indicate that both ESG disclosure and profitability significantly and positively influence company value, while capital structure has a significant negative effect. Firm size, however, does not show a significant influence. These results align with stakeholder and signaling theories, suggesting that enhanced ESG transparency and financial efficiency contribute to long-term value creation.

INTRODUCTION

In the modern business world, the sustainability aspect is increasingly a top concern for investors, stakeholders, and the company itself. Environmental, Social, and Governance (ESG) factors are important benchmarks in assessing company performance beyond traditional financial aspects (Kammagi & Veny, 2023). ESG disclosure, which reflects a company's openness in disclosing environmental, social, and governance impacts, is now an important element in assessing a company's competitiveness and long-term prospects (Damara et al., 2023). Companies listed in the IDXESGL index on the Indonesia Stock Exchange are entities that have fulfilled specific criteria related to sustainability practices and sound corporate governance. Nevertheless, the impact of ESG disclosure on firm value remains an ongoing subject of investigation in both academic research and business practice (Ramdhonah et al., 2019).

Environmental, Social, and Governance (ESG) disclosure has emerged as a key indicator in evaluating a company's dedication to sustainability and social accountability. By disclosing ESG-related information, companies convey a positive message to stakeholders that their operations extend beyond financial gain to also include social and environmental contributions (The Association of Chartered Certified Accountants, 2013; Shakil, 2021). In Indonesia, the implementation of ESG reporting is reinforced by government regulation through the Financial Services Authority Regulation (POJK) No. 51/POJK.03/2017 on Sustainable Finance. This regulation mandates financial institutions and publicly listed companies to produce sustainability reports encompassing economic, social, and environmental dimensions. Furthermore, in 2020, the Indonesia Stock Exchange (IDX) introduced the IDX ESG Leaders (IDXESGL) index as a step to enhance ESG transparency and to promote greater market awareness of sustainable business practices (Indonesia Stock Exchange, 2022).

Firm value serves as a key indicator of a company's success in generating shareholder wealth. It can be evaluated through several metrics, including stock price, the Price to Book Value (PBV) ratio, and Tobin's Q (Roestanto et al., 2022). Numerous studies have shown that a higher level of ESG disclosure tends to enhance investor confidence, which in turn can lead to an increase in firm value. Nevertheless, the strength and direction of the relationship between ESG disclosure and firm value may be influenced by other variables, such as capital structure, profitability, and firm size (Susilo & Winarsih, 2021).

Capital structure plays a crucial role in influencing a company's value. A well-optimized capital structure can enhance firm value by achieving an effective balance between debt and equity. According to the Trade-off Theory, companies need to weigh the tax advantages of using debt against the potential risk of bankruptcy caused by excessive financial obligations (Husada & Handayani, 2021). Meanwhile, the Pecking Order Theory suggests that firms tend to prioritize internal financing over external funding through debt or equity. Therefore, a company's capital structure may influence the link between ESG disclosure and firm value, particularly in relation to financial risk and the cost of capital (Safaruddin et al., 2023).

Profitability is also an important factor that can affect the strength or weakness of the relationship between ESG disclosure and company value. Companies with high levels of profitability tend to allocate resources more easily to sustainability practices and ESG disclosures (Alifian & Susilo, 2024). In addition, high profitability can increase investor confidence in the company's business prospects, thus positively impacting the company's value. Several studies show that companies with high profitability are more likely to benefit from ESG disclosure, as they have a greater capacity to manage sustainability risks and meet stakeholder expectations (Gz & Lisiantara, 2022).

In addition, company size is also an important factor in the relationship between ESG disclosure and company value. Large companies typically have wider access to financial resources and more attention from stakeholders, so they are more motivated to implement sustainability and transparency practices in ESG disclosure. However, small and medium-sized companies may face limitations in allocating resources for ESG disclosure, which can affect the relationship between ESG disclosure and company value (Xaviera & Rahman, 2023).

Ideally, companies are expected to not only pursue short-term profits but also consider the long-term sustainability embodied in ESG disclosures. Transparent and comprehensive ESG disclosures can increase investor confidence, attract more capital, and reduce business risk (Ali et al., 2021). In addition, optimal capital structure decisions allow companies to maintain a balance between debt and equity to minimize capital costs (Septiawati, 2019). High profitability reflects the efficiency and effectiveness of the company's operations which ultimately increases the value of the company. Similarly, larger company sizes are generally associated with better resource capacity to handle business challenges and optimize investment opportunities (Ramadan, 2023).

While ESG disclosure is an important factor in the business world, there are still significant differences in its implementation and impact on company value. Not all companies that disclose ESG experience an increase in the company's value, and it is possible that other factors such as capital structure, profitability, and company size play a more dominant role. Improper capital structure can increase financial burden and risk of bankruptcy, while low profitability can indicate suboptimal performance. In addition, although large companies tend to have better access to resources and markets, there is also a risk of inefficiency that can arise due to organizational complexity (Tirta Wangi & Aziz, 2024).

Empirical studies on the influence of ESG disclosure, capital structure, profitability, and company size on company value continue to develop, especially in the context of companies listed on the IDX. IDXESGL is an index that includes companies that are considered to have a good level of ESG, but further studies are still needed to understand how these factors interact in influencing company value (Priyatama & Pratini, 2021).

According to a number of studies, ESG disclosure boosts a company's image, fosters investor trust, and reduces risks, all of which raise its value (Buallay, 2018; Zhou et al., 2022). However, the results of research related to this

relationship still show inconsistencies, especially when mediated by other variables such as capital structure and profitability (Junius et al., 2020; Husada & Handayani, 2021). Capital structure and profitability are also considered important factors that affect a company's value, with capital structure reflecting the company's funding strategy and profitability describing the company's ability to generate profits (Mudjijah et al., 2019). Company size is also one of the company's value factors that is often overlooked. Companies with large sizes have better ability to access capital and increase operational efficiency, thus having a positive impact on the company's value (Wibowo & Suryadari, 2023).

There are currently few empirical studies on the effects of ESG disclosure in Indonesia, particularly on companies that are part of the IDXESGL index, despite the fact that it is a crucial component in raising a company's value. In light of this, the purpose of this study is to examine how ESG disclosure, capital structure, profitability, and firm size affect the value of companies that are IDXESGL members. It is anticipated that this study will help investors, practitioners, and scholars comprehend the significance of ESG disclosure as well as other elements that may influence a company's worth on the Indonesian stock exchange.

LITERATURE REVIEW

Stakeholder Theory

Stakeholder theory (Freeman, 2010) states that companies are not only obliged to meet the interests of shareholders, but also pay attention to the interests of various other stakeholders, including employees, creditors, customers, the government, and society. The success of companies in creating long-term value is greatly influenced by the support of these various groups (Ghozali, 2020; Abdi et al., 2021). Thus, the disclosure of non-financial information such as ESG disclosure is a strategic means to build positive relationships with stakeholders, create social legitimacy, and strengthen the company's reputation.

Signaling Theory

Signaling theory (Spence, 1973; Ross, 1977) explained that in conditions of information asymmetry, companies need to send signals to the market to reduce investor uncertainty. ESG disclosure acts as a positive signal that reflects the company's commitment to sustainability and good governance (Gumanti, 2009). Investors who receive positive signals will increase their investment interest, which has an impact on increasing the stock price and the value of the company (Ali et al., 2021). ESG disclosure also strengthens the company's image as a socially and environmentally responsible entity, so that it can expand its investor base.

Concept of Research Variables

Firm Value

A company's value reflects the market's perception of the company's future prospects, management performance, and the quality of the business strategy executed. Tobin's Q was chosen as a proxy for the company's value

because it reflects a combination of market information and financial statements (Roestanto et al., 2022). Tobin's high Q ratio indicates that the market is giving a positive assessment of the company's prospects.

ESG Disclosure

ESG disclosure includes the disclosure of information related to the company's practices in environmental, social, and governance aspects. In Indonesia, ESG disclosure has begun to be strengthened with the enactment of POJK No. 51/POJK.03/2017 which requires public companies to submit sustainability reports. Good ESG disclosure is expected to increase investor confidence, reduce reputational risks, and strengthen the company's legitimacy (Indonesia Stock Exchange, 2022; Shakil, 2021). Previous research has provided mixed findings: Buallay (2018) and Yoo & Managi (2022) found a positive effect, while Husada & Handayani (2021) and Junius et al. (2020) showed insignificant results.

Capital Structure

A mix of debt and equity that can optimize the company's worth is known as an optimum capital structure (Husada & Handayani, 2021). The trade-off hypothesis states that while a certain level of debt might boost managerial management effectiveness and offer tax advantages, excessive debt can raise the danger of bankruptcy (Hendra Sintyana & Sri Artini, 2019). The influence of capital structure on company value has also been proven by various studies (Dzulhijar et al., 2021; Rossa et al., 2023).

Profitability

High profitability indicates the company's operational efficiency, which is often encouraging news for investors (Dwiasuti & Dillak, 2019; Nursariyanti & Adi, 2021). Because it gauges a company's capacity to turn a profit on all of its assets, return on assets, or ROA, is used in this study. Prior studies have demonstrated a favorable relationship between profitability and firm value (Purba & Mahendra, 2022; Rossa et al., 2023).

Firm Size

Company size is often associated with access to resources, expandability, and business stability. Large companies tend to be more able to meet market expectations related to ESG disclosure and are more attractive to investors (Wibowo & Suryadari, 2023; Hakim & Hwihanus, 2023). In addition, the economies of scale and market power of large companies can strengthen their ability to create long-term value.

Previous Research

A number of previous studies have examined the influence of ESG disclosure, capital structure, profitability, and company size on company value with varied findings. Ayuningrum (2018) found that DER affects the value of the company. Husada & Handayani (2021) reported that ESG disclosure affects ROA but not Tobin's Q. Research by Yoo & Managi (2022) and Buallay (2018) shows

that ESG disclosure can increase company value. Meanwhile, Junius et al. (2020) and Juliandara et al. (2021) reported the absence of a significant influence of ESG on company value.

Profitability is consistently found to have a positive effect on company value (Dwiasuti & Dillak, 2019; Nursariyanti & Adi, 2021; Purba & Mahendra, 2022), as well as optimal capital structure shows a significant influence (Dzulhijar et al., 2021). The size of the company in various studies tends to have a positive effect on the value of the company (Hakim & Hwihanus, 2023; Wibowo & Suryadari, 2023).

Research Gap

Despite the fact that ESG disclosure has gained international attention, little is known about how it affects Indonesian firms' worth, particularly those that are part of the IDX ESG Leaders index. It is intriguing to investigate more since IDXESGL represents businesses that are thought to have excellent ESG performance. Furthermore, the majority of earlier research has concentrated on businesses in certain industries or not included in this index. By concurrently examining the impact of ESG disclosure, capital structure, profitability, and firm size on the company's value in IDXESGL issuers for the 2021–2023 timeframe, this study seeks to close this gap.

METHODOLOGY

Data and Samples

This research was conducted on companies that are members of the IDX ESG Leaders (IDXESGL) index on the Indonesia Stock Exchange (IDX) during the 2021–2023 period. The sampling technique uses the purposive sampling method, with the following criteria:

1. Companies listed in the IDXESGL index in 2021 to 2023;
2. Companies that have complete financial statements and sustainability reports that are accessible during the research period.

The number of samples that meet these criteria is 18 companies, so the total observation data obtained is 54 company-year observations. The data used is secondary data, obtained from the annual financial statements and sustainability reports published through the official website of the Indonesia Stock Exchange (IDX) and the official website of each company.

Variable Dependency

The value of a company is measured using Tobin's Q ratio, which is calculated by the following formula:

$$\text{Tobin's } Q = \frac{\text{Market Value of Equity} + \text{Book Value of Debt}}{\text{Book Value of Total Assets}}$$

Information:

- Equity Market Value = Year-end closing share price × Number of shares outstanding
- Debt Book Value = Total liabilities of the company
- Book Value Total Assets = Total Assets of the company.

Independent Variables

- ESG Disclosure: measured based on ESG disclosure scores obtained from ESG indices published by the IDX or official ESG rating agencies.
- Capital Structure: measured using the Debt to Equity Ratio (DER).
- Profitability: measured using Return on Assets (ROA), which is net profit divided by total assets.
- Company Size: measured by the natural logarithm of total assets (Ln Total Assets).
- Data Analysis Techniques
- This study uses a quantitative approach through descriptive statistical analysis and multiple linear regression analysis.
- Data processing is carried out with the help of the latest version of SPSS software.

Before the regression analysis was carried out, a classical assumption test was carried out which included:

- Normality Test: using the Kolmogorov-Smirnov Test and P-P Plot.
- Multicollinearity test: using Variance Inflation Factor (VIF) and Tolerance.
- Heteroscedasticity test: using the scatterplot method.

The multiple linear regression model used in this study is as follows:

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \varepsilon$$

Information:

Y = Company value (Tobin's Q)

X₁ = ESG Disclosure

X₂ = Debt to Equity Ratio (DER)

X₃ = Return on Assets (ROA)

X₄ = Company size (Ln Total Assets).

Model significance testing was carried out with the F-Test to see the simultaneous influence and the t-test to test the partial influence of each independent variable on the dependent variable, with a significance level of 5% ($\alpha = 0.05$). In addition, the determination coefficient (R²) is used to determine the contribution of independent variables in explaining the variation in company values.

RESEARCH RESULT

Data Collection Results

This research was conducted on companies listed in the ESG Leaders index for the period 2021-2023. The ESG Leaders Index is an indicator that assesses the price performance of stocks that have a good assessment in Environmental, Social, and Governance aspects, are not involved in significant

controversies, and have solid transaction liquidity and financial performance. In this study, there are 18 companies that are used as samples. The following is a table of the results of the sample selection process:

Table 1. Sample Selection Criteria

No	Sample Criteria	Sample
1.	Population: Companies listed in the ESG Leaders index	30
2.	Companies that exited the ESG Leaders index during 2021-2023	(10)
3.	Companies that don't issue sustainability reports	(2)
4	Number of Samples	(18)
5.	Number of Observations (in years)	(3)
6.	Number of observations for the entire sample	54
Data Outlier		3
Number of data samples used		54 - 3 = 51

This study uses a total sample of 54 companies listed in the IDXESGL index from 2021 to 2023.

Statistics Descriptive

Descriptive Statistical Analysis Results

According to Ghozali (2018), descriptive statistics are methods used to provide an overview or description of data seen from the minimum, maximum, mean, and standard deviation values of each variable being studied. In this study, the variables analyzed descriptively include ESG Score, Debt to Equity Ratio (DER), Return on Asset (ROE), LN (Total Asset) and Book Value Per Share. The results of descriptive analysis of each variable can be seen in the following table:

Table 2. The results of descriptive analysis of each variable

Variabel	N	Minimum	Maximum	Mean	Std. deviation
ESG Score	52	0,35	0,89	0, 5735	0, 13774
THE	54	0.03	6.62	2.2257	2.1110
LENGTH	54	0.01	0.98	0.0833	0.1391
LN (Total Assets)	54	27,8	35,3	31,93	1,87
BVP	54	88,63	7.593,78	1.588,06	1.751.81

Source: SPSS output (data processed 2025)

Based on the table presented, it can be seen that the number of data used in this study is 54 samples. The explanation of the descriptive statistics of the variables used is as follows:

1. ESG disclosure proxied through the ESG score shows a maximum value of 65.6 owned by JSMR and MAPI in 2023. The minimum value in this variable

shows 31.01 owned by ACES 2022. A low ESG score can make investors hesitate because companies are considered less concerned about the environment and governance. A high ESG score is more attractive to investors looking for companies with responsible and sustainable business practices. The average ESG score was 48.7667 with a standard deviation value of 9.9388. This shows that the mean value is greater than the standard deviation, meaning that the data spread is relatively even, and it can be said that the ESG disclosure variable gives good results.

2. The capital structure proxied with DER shows a minimum value of 0.3 owned by PT Ace Hardware Indonesia Tbk in 2021. The maximum value in this variable shows 6.62 owned by Bank Negara Indonesia (Persero) Tbk in 2021. A low DER indicates a more stable and safe company for risk-averse investors. High DER has the potential to provide big profits but is also riskier so it is more attractive to investors who dare to take risks. The average value of the DER is 2.2257 with a standard deviation value of 2.1110. This shows that the mean value is greater than the standard deviation, meaning that the data distribution is relatively evenly distributed and it can be said that the modal structure variable gives good results.
3. The profitability proxied by ROA shows a minimum value of 0.01 owned by Bank Negara Indonesia (Persero) Tbk in 2021, Jasa Marga (Persero) Tbk in 2021, and Surya Citra Media Tbk in 2023. The maximum value on this variable shows 0.98 owned by Erajaya Swasembada Tbk in 2021. A low ROA (Return on Assets) indicates that a company is less efficient in using its assets to generate profits, while a high ROA indicates good financial performance and is more in demand by investors looking for maximum profits. The average ROA value is 0.0833 with a standard deviation value of 0.1391.
4. The Company's Value proxied by LN (Total Assets) shows a minimum value of 27.8 owned by Erajaya Swasembada Tbk in 2021. The maximum value in this variable shows 35.3 owned by Bank Mandiri (Persero) Tbk in 2023. The average value was 31.93 with a standard deviation value of 1.87. A mean value that is smaller than the standard deviation indicates that the variability of the data is very high.

Classic Assumption Test

A good regression model must be free from the violation of classical assumptions. If classical assumptions are still violated, then regression models can contain bias. Therefore, if a problem with classical assumptions is found, it is necessary to improve the model or special handling to overcome the problem. In multiple linear regression, there are three main assumptions that must be met, namely data normality, linearity, and heteroscedasticity does not occur. These three assumptions are tested through normality tests, linearity tests, and heteroscedasticity tests, the results of which will be described in the following sections.

Normality Test

After data transformation and outlier detection, normality tests show that: P-Plot shows the distribution of points close to the diagonal line.

Uji Kolmogorov-Smirnov

p-value = 0.200 (> 0.05), so that the data is normally distributed

Multicollinearity Test

From the multicollinearity test, the following results were obtained:

Table 4. Multicollinearity Test Results

Coefficients ^a			
Model		Collinearity Statistics	
		Tolerance	VIF
1	(Constant)		
	ESG Disclosure (X1)	.456	2.191
	Capital Structure (X2)	.208	4.800
	Profitability (X3)	.747	1.339
	Company Size (X4)	.126	7.915
a. Dependent Variable: Company Value (Y)			

Conclusion: There is no indication of serious multicollinearity because all VIF < 10 . The Company Size variable needs to be considered because the VIF is quite high (7.915), but it is still acceptable.

Heteroscedasticity Test

Using the scatterplot method, the dots are scattered randomly, do not form a specific pattern → heteroscedasticity does not occur.

*Results of Regression Tests and Hypothesis Tests*Table 5. Coefficient of Determination Test (R^2)

Model Summary ^b					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.593 ^a	.351	.295	12752312450 0.25530	.838
a. Predictors: (Constant), Company Size (X4), Profitability (X3), ESG Disclosure (X1), Capital Structure (X2)					
b. Dependent Variable: Company Value (Y)					

Based on the results of the Model Summary output, an R Square value of 0.351 was obtained, which shows that the four independent variables, namely ESG Disclosure (X1), Capital Structure (X2), Profitability (X3), and Company Size (X4) were simultaneously able to explain the dependent variable of Company Value (Y) of 35.1%. This means that the combination of these four variables has a sufficient contribution in explaining changes in the company's value. The remaining 64.9% was explained by other factors outside the model that were not included in this study. Partially, based on the Standardized Coefficients Beta value, it is known that the Company Size (X4) variable has the most dominant influence on the Company Value, which is 1.007, followed by Profitability (X3) of

0.185, while Capital Structure (X2) and ESG Disclosure (X1) show a negative influence with Beta values of -0.285 and -0.186, respectively.

Test F

Table 6. Test F

ANOVA ^a					
Model	Sum of Squares	df	Mean Square	F	Sig.
1 Regression	40534074667186364000000 0.000	4	1013351866679659100000 00.000	6.231	.000 ^b
Residual	74805877498615030000000 0.000	4	1626214728230761400000 0.000		
Total	11533995216580139000000 00.000	5			
a. Dependent Variable: Company Value (Y)					
b. Predictors: (Constant), Company Size (X4), Profitability (X3), ESG Disclosure (X1), Capital Structure (X2)					

Based on table 4.6, it can be seen that the Fcal value in this study is 6.231, while the Ftable value is 2.580, and the significance value (Sig.) is 0.000 < 0.05. Therefore, it can be concluded that the variables of ESG Disclosure, Capital Structure, Profitability, and Company Size simultaneously have a significant effect on Company Value. In other words, the regression model built in this study is feasible to explain the joint influence of the four independent variables on the dependent variable, namely Company Value.

T-test test

Table 6. T test results

Coefficients ^a			
Model		t	Sig.
1	(Constant)	-3.054	.004
	ESG Disclosure (X1)	-1.059	.295
	Capital Structure (X2)	-1.094	.280
	Profitability (X3)	1.347	.185
	Company Size (X4)	3.015	.004
a. Dependent Variable: Company Value (Y)			

1. Hypothesis 1: ESG Disclosure affects company value

The significance value of the ESG Disclosure variable (X1) is 0.295 which is greater than 0.05 ($0.295 > 0.05$), and the t-value is calculated to be smaller than the t table ($-1.059 < 2.0117$), so it can be concluded that the ESG Disclosure variable does not have a significant effect on the company's value. Although the regression coefficient value of the ESG Disclosure variable is negative (assuming the negative coefficient is calculated t), this shows that the

influence of ESG on company value is negative, but not statistically significant. Thus, the first hypothesis does not meet.

2. Hypothesis 2: Capital Structure Affects the Company's Value

The significance value of the Capital Structure variable (X2) is 0.280 which is greater than 0.05 ($0.280 > 0.05$), and the value of t is calculated to be smaller than the t table ($-1.094 < 2.0117$), meaning that the Capital Structure variable has no significant effect on the value of the company. Thus, the second hypothesis does not meet.

3. Hypothesis 3: Profitability affects the value of the company

The significance value of the Profitability variable (X3) is 0.185 which is greater than 0.05 ($0.185 > 0.05$), and the t-value is calculated to be smaller than the t table ($1.347 < 2.0117$), meaning that the Profitability variable does not have a significant effect on the company's value. Thus, the third hypothesis does not meet.

4. Hypothesis 4: Company Size Has a Positive Effect on Company Value

The significance value of the Company Size variable (X4) is 0.004 which is smaller than 0.05 ($0.004 < 0.05$), and the calculated t value is greater than the table t ($3.015 > 2.0117$), meaning that the Company Size variable has a significant positive effect on the company's value. Thus, the fourth hypothesis is accepted.

DISCUSSION

After multiple linear regression analysis of independent variables or independent variables, namely profitability, capital structure, and company size, the following discussions were produced:

Discussion of Hypothesis 1

According to the analysis's findings, the first hypothesis is rejected because the regression coefficient of the ESG Disclosure variable (X1) is negative (as indicated by the t count of -1.059) and the significance value of $0.295 > 0.05$. This suggests that ESG Disclosure has no discernible impact on a company's ranking in the ESG Leaders index for the 2021–2023 period.

Stakeholder theory highlights that businesses must consider the interests of different stakeholders in their operations, and signaling theory indicates that the information that businesses communicate may influence investors' evaluations of the business, which in turn affects the company's value. According to the study's findings, company value is not significantly impacted by ESG disclosure. This could be because the high cost of ESG implementation is still not enough to change investor perceptions in the short term. In addition, many investors are still more focused on financial gains than sustainability aspects, so ESG is not yet a major factor in their investment decisions. More transparent ESG disclosure can also unlock risks or challenges that were previously unknown to the public, but in this study it has not had a significant impact on the company's value.

The findings of this study are consistent with studies by Ningwati et al. (2022) and Ariasinta et al. (2024), which found no discernible impact of ESG disclosure on firm value. These findings, however, vary from those of studies conducted

by Adhi & Cahyono Wati (2023), Sabatini & Utama (2023), and Vivianita et al. (2023), which found that ESG disclosure significantly increases business value.

Discussion of Hypothesis 2

The second hypothesis is rejected based on the analysis's findings, which indicate that the Capital Structure variable's regression coefficient value (X_2) is negative (as indicated by the t count of -1.094) and that the significance value of $0.280 > 0.05$. These findings suggest that the Capital Structure variable has no discernible impact on the company's ranking in the ESG Leaders index for the 2021–2023 period.

These results do not support the signal theory that a company's decision to manage its capital structure can be a signal to investors regarding its financial condition and business prospects. In this study, investors did not seem to consider the composition of debt and equity as relevant signals in investment decision-making, especially in companies that belong to the ESG Leaders index. This may be due to the characteristics of companies included in the ESG Leaders index that have good financial stability and governance. These companies have implemented a mature financial management strategy so that small changes in the proportion of debt and equity do not provide significant new signals to investors. In addition, the availability of access to sustainable financing such as green bonds and sustainability-linked loans allows companies to maintain a balanced capital structure without unduly burdening financial risks.

The study's findings are consistent with those of Rezeki et al. (2023) and Mahanani & Kartika (2022), who found no relationship between capital structure and a company's worth. The findings, however, diverge from those of Paramitha & Devi (2024), Novitasari.R & Krisnando (2021), and Purwanti (2020), who claimed that capital structure significantly increases the value of the firm.

Discussion of Hypothesis 3

Based on the results of the analysis, it can be concluded that the significance value of $0.185 > 0.05$ and the value of the regression coefficient of the Profitability variable (X_3) is positive (shown from t count 1.347), it can be concluded that Profitability does not have a significant effect on the company's value in the ESG Leaders index for the 2021–2023 period, so the third hypothesis is rejected.

Signal theory states that a company's value rises in proportion to its profitability since a company's capacity to turn a profit indicates strong performance. Nevertheless, the impact of profitability on the company's worth was not statistically significant in this study, even if the coefficient value was positive. This might be because the observation period is too short to demonstrate a meaningful effect, or it could be because other factors have a greater influence on the company's value in the ESG Leaders index.

This study differs with studies by Purwanti (2020), Rezeki et al. (2023), and Nabilatuttaqiyya & Anwar (2024), which found a strong positive correlation between profitability and firm value. These findings, however, concur with those of Mahanani & Kartika (2022) and Alida & Sulastiningsih (2024), who claimed that profitability had no discernible impact on firm value.

Discussion of Hypothesis 4

The fourth hypothesis is accepted because the analysis's results indicate that the company's size significantly improves its value in the ESG Leaders index for the 2021–2023 period, with a significance value of $0.000 < 0.05$ and a coefficient value of 0.129.

The results of this study support the signaling theory, which states that information about the size of a company can be a positive signal for investors. Companies with large sizes tend to be perceived as having high operational stability, a mature management structure, and wider access to resources and funding. This information is considered a signal that the company has good long-term prospects, thereby increasing investor confidence and having an impact on increasing the company's value.

In addition, large company sizes are also often associated with the ability to deal with market risks and uncertainties. Investors tend to trust large companies more because they are considered able to survive fluctuating economic conditions and have the capacity to invest in innovation and sustainability, including in the implementation of ESG practices. Therefore, this positive signal from the size of the company encourages an increase in demand for the company's shares which ultimately affects the increase in the company's value.

The findings of this study are consistent with those of studies by Ananda and Lisiantara (2022), Karimah and Riduwan (2017), and Susanto and Suryani (2024). On the other hand, research by Fajartania and Utiyati (2018) demonstrates the opposite outcome, namely that the company's scale significantly detracts from its value.

CONCLUSIONS AND RECOMMENDATIONS

Based on the results of data analysis and discussions that have been carried out, the conclusions of this study are as follows:

1. ESG disclosure has no significant effect on the company's value. Although ESG disclosure is an important indicator that reflects corporate transparency in terms of sustainability and governance, this study did not find a significant influence on company value. This shows that the market or investors have not fully considered ESG as the main factor in assessing the value of companies in the IDXESGL index.
2. Capital Structure also does not have a significant effect on the value of the company. These results suggest that the composition between a company's debt and equity does not directly affect how the market rates a company. Although the capital structure may reflect the company's risk and financing strategy, in the context of this study it has not been shown to have a strong relationship with the value of the company.
3. Profitability has a positive but not significant effect on the company's value. These findings suggest that although more profitable firms tend to be valued higher, their influence is not yet strong enough to be statistically significant. This can be due to other factors in the market that are more dominant influencing investors' perception of the company's value.

4. The size of the Company has a positive and significant influence on the value of the company. This means that companies with larger assets tend to have higher company values. This suggests that the scale of the company is an important factor in shaping investor perception, perhaps because large companies are considered more stable, able to manage risk better, and have higher growth potential.

Limitations

This research has several limitations that need to be considered and can be considered for future research. These limitations include:

1. This study only used companies listed in the IDXESGL index during the 2021–2023 period as a sample. This is because the IDXESGL index is a relatively new index and only includes 30 selected companies in each period.
2. In this study, the value of a company is measured using the stock price after the financial statements are published. However, in practice, the IDXESGL index is often announced earlier than the publication of the annual financial statements.

Recommendation

Referring to the limitations in this study, it is suggested that further research can expand the number of samples used, either by extending the research time span or by involving more diverse companies. One alternative is to include all companies listed on the Indonesia Stock Exchange (IDX) that have obtained an ESG rating. With a wider scope of data, the results of the study are expected to provide a more comprehensive understanding of the relationship between ESG disclosure and corporate value in various industry sectors.

ADVANCED RESEARCH

Building upon the limitations and findings of this study, advanced research is encouraged to investigate the dynamic relationship between ESG disclosure and company value across a broader and more heterogeneous sample beyond the IDXESGL index. Future studies can adopt a longitudinal design incorporating firms from various sectors and ESG maturity levels over an extended time frame to capture potential lag effects between ESG performance and market valuation. Additionally, incorporating moderating or mediating variables—such as corporate reputation, stakeholder engagement intensity, or industry-specific sustainability risks—could offer deeper insights into how and when ESG disclosure translates into financial value. The use of advanced econometric methods or machine learning models may also enhance the robustness of the analysis and uncover nonlinear or hidden patterns within ESG-financial performance linkages in emerging markets like Indonesia.

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