

# Research Horizon

ISSN: 2808-0696 (p), 2807-9531 (e)

## Research Horizon

Volume: 05  
Issue: 04  
Year: 2025  
Page: 1787-1800

## Citation:

Amalia, H., & Bertuah, E. (2025). The role of profitability in moderating the relationship between environmental, social, and governance (ESG) and company value. *Research Horizon*, 5(4), 1787-1800.

## Article History:

Received: July 25, 2025  
Revised: August 20, 2025  
Accepted: August 26, 2025  
Online since: August 30, 2025

## The Role of Profitability in Moderating the Relationship between Environmental, Social, Governance (ESG) and Company Value

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## Abstract

Growing awareness of Environmental, Social, and Governance (ESG) issues has made sustainability a key factor in corporate performance, influencing both stakeholder trust and financial outcomes. This study aims to analyze the influence of Environmental, Social, and Governance (ESG), profitability, and the interaction of both on the company's value in issuers included in the LQ45 index on the Indonesia Stock Exchange (IDX) for the 2022 until 2024 period. The research sample comprises companies that are members of the LQ45 index, selected through a purposive sampling method. Data analysis was carried out using multiple linear regression. The results indicate that ESG has a significant impact on a company's value, and the inclusion of profitability enhances the model's ability to explain variations in company values. The value of the determination coefficient in all three models was in the range of 94%, indicating that the model has a very high ability to explain variations in the company's value. In contrast, factors outside the model influence the remaining variation. The F-test in all three equations indicates that all independent variables collectively have a significant impact on the company's value. However, this study has limitations because the sample consists only of LQ45 companies, so the results may not fully reflect the characteristics of all types of industries, given that ESG implications can differ in each sector.

## Keywords

Environmental, Social, Governance, Profitability, Company Value, Business Activities.

## 1. Introduction

Globalization has encouraged companies to operate across borders, but awareness of the environmental and social impacts of business activities is growing. Climate crises, social inequality, and ethical violations have triggered demands for greater transparency from regulators and investors regarding sustainability management, which encompasses Environmental, Social, and Governance (ESG) aspects (Brogi & Lagasio, 2019). ESG has become important because stakeholders want companies not only to pursue profits but also to contribute to long-term sustainability. The trend of integrating sustainability principles or Sustainability Investment has grown, including in Indonesia through ESG reporting regulated by the OJK in POJK Number 51/POJK.03/2017. Companies that adopt ESG are considered more responsible, reduce social and environmental risks, and improve operational efficiency, reputation, and company value. The implementation of ESG is expected to support sustainable development while improving financial performance through indicators such as profitability and company value.

Previous research has revealed a relationship between ESG disclosure, profitability, and company value with mixed results. Combined ESG scores, particularly in the social and governance aspects, have a significant positive influence on company value, while the environmental aspect is not significant. Environmental and social performance consistently contribute positively to company value, especially in state-owned companies (Yu & Xiao, 2022). In environmentally sensitive sectors, it was found that overall ESG performance has a positive impact on Tobin's Q and ROE. However, its impact on ROA is not significant, and weaker in developing countries compared to developed countries. Conversely, in Indonesian banks, only the social aspect has a significant impact on ROA and ROE, whereas governance negatively affects company value (Gutiérrez-Ponce & Wibowo, 2023).

Although the positive influence of ESG on company value has been widely studied, there are still gaps in research related to the moderation of profitability. Most studies have focused on factors such as company size and capital structure (Abdi et al., 2022; Robin et al., 2022). Meanwhile, the influence of specific profitability indicators, such as Return on Assets (ROA), as a moderating variable in relation to ESG and corporate value has not been comprehensively explored.

ROA is an important measure for assessing a company's effectiveness in utilizing assets to generate profits. Therefore, the use of ROA as a moderating variable can provide a new perspective on the influence of ESG on company value. Moreover, research of this type in the context of developing countries, including Indonesia, remains limited, primarily due to a narrow focus on specific industrial sectors, such as banking and mining. The post-COVID-19 pandemic economic situation also opens up opportunities to explore the role of ESG in enhancing overall company performance, including the efficiency of asset utilization.

Signalling theory suggests that ESG disclosure sends positive signals to the market, reduces information gaps, and highlights a company's sustainability prospects (Connelly et al., 2011). This study aims to provide strategic insights for Indonesian companies to enhance competitiveness through ESG and to guide investors in choosing sustainable, profitable firms.

The study contributes in three ways. First, it uses Return on Assets (ROA) as a profitability moderator between ESG and firm value, offering a broader measure of operational efficiency than ROE or NPM. Second, ESG is assessed using sustainability reports based on GRI standards, which focus on risk exposure and impact, unlike metrics such as Sustainalytics or MSCI. Third, the study compares firms that disclose ESG with those that do not, to analyze differences in profitability and market performance. These approaches offer both theoretical and practical contributions to sustainability and business strategy in Indonesia.

This study aims to examine the influence of Environmental, Social, and Governance (ESG) factors on company value, with profitability measured using Return on Assets (ROA) as a moderating variable. By utilising the ROA indicator, this study examines how effective ESG disclosure can impact investor perceptions and company market value, particularly considering growing attention to sustainability. The focus of this research is on companies listed on the Indonesia Stock Exchange (IDX) and included in the GRI Sustainability Report assessment for the 2022-2024 period. ESG disclosure reflects a company's efforts to meet the needs of various stakeholders, including investors, the public, and regulators, thereby enhancing its reputation and market value.

## **2. Literature Review and Hypothesis Development**

### **2.1. Stakeholder and Signaling Theory**

The company is not only an entity that aims to maximize shareholder profits, but also as an entity that must be accountable to all interested parties. Stakeholder theory emphasizes that companies must consider the interests of all stakeholders in decision-making so that companies need to balance profitability with social and environmental responsibility (Mahajan et al., 2023). This theory supports the view that companies should pursue sustainability goals without sacrificing economic gains, hence ESG disclosure can be a tool to create long-term value for all stakeholders (Bani-Khalid & Kouhy, 2017).

Theory Signalling was first introduced, focusing on communication between companies and external parties by sending signals through actions, reports or policies that reflect the quality of the company. Transparent ESG information reduces the information imbalance between the company's management and stakeholders (Pulino et al., 2022). Companies that consistently disclose ESG data give a positive signal to capital providers. Investors tend to be more interested in companies that demonstrate transparency and a commitment to sustainability, making it easier for them to access funding sources.

### **2.2. ESG Disclosure on Company Value**

Company value is a measure often used by investors to determine the financial health and long-term growth prospects of a company (Pasaribu et al., 2019). This value includes a variety of factors, including the stock price, market capitalization, and market perception of the stability and sustainability of the company's business. Company values, which are often represented by Tobin's Q or Price-to-Book Ratio (P/B Ratio), which is influenced by the company's profitability, which is measured through ratios such as Return on Assets (ROA), Return on Equity (ROE), and Net Profit Margin (NPM) (Eugene & Joel, 2013; Yasin et al., 2020; Uzliawati et al., 2023).

ESG disclosure refers to a company's practices that report information on its environmental, Social, and Governance (ESG) policies and performance. These disclosures provide stakeholders with insights into how the company is addressing issues such as climate change, social responsibility, and governance practices, allowing investors and other stakeholders to evaluate the Company's long-term risks and opportunities (Wang et al., 2024). Companies that adopt ESG disclosures often reap the benefits of a better reputation, attractiveness for environmentally-conscious investors, and reduced regulatory or litigation risks (Cantarero, 2020). This theory is based on the idea that ESG information helps stakeholders assess a company's long-term risk and performance in the context of sustainability (Abdi et al., 2022).

Performance Environmental, Social and Governance (ESG) companies in the Asian region, particularly through environmental scores have proven to have a significant positive impact on the company's value (Melinda & Wardhani, 2020). The study found that companies that reported their environmental performance effectively tended to have higher company values compared to those that did not

report or had poor environmental performance. There is a positive and significant relationship between the company's environmental performance and the Company's value (Aboud & Diab, 2018; Xie et al., 2019).

Social performance in corporate ESG in the Asian region, as measured through social ESG scores, has been shown to have a positive and significant influence on company value. This means that companies with good social performance tend to be able to increase the value of their company, and vice versa (Melinda & Wardhani, 2020). These findings are also reinforced by other research that states that companies' involvement in social and environmental activities significantly contributes to improved financial efficiency (Abdi et al., 2022).

Governance performance in corporate ESG in the Asian region, as measured through governance scores, shows a positive and significant influence on company value. Companies with good governance practices tend to have higher corporate values compared to companies with less than optimal governance (Melinda & Wardhani, 2020; Sumarno et al., 2023). This is in line with other findings that say that good corporate governance has a significant positive impact on increasing company value (Aboud & Diab, 2018; Kushariani et al., 2019).

H1: Environmental disclosure has a positive effect on company value.

H2: Social disclosure has a positive effect on company value.

H3: Governance disclosure has a positive effect on company value.

### **2.3. Profitability as a Moderator Variable**

Profitability reflects a company's ability to generate profits from its operations and is commonly assessed using ratios such as ROA, ROE, GPM, and NPM (Eugene & Joel, 2013). It is a key indicator for shareholders and often used as a moderating factor in studies on ESG and firm value, since profitable companies have more resources to support sustainability practices (Rahelliamelinda & Handoko, 2024). Meanwhile, environmental disclosure demonstrates a company's commitment to sustainability and is highly valued by investors as it signals effective risk management and long-term resilience. Firms with strong environmental performance are also more likely to disclose such information voluntarily, which can enhance company value (Meng et al., 2013; Toti & Johan, 2022).

However, this influence can be amplified by internal factors such as profitability. More profitable companies tend to have greater resources to effectively implement and report on environmental practices. In addition, profitability sends a positive signal to investors that environmental disclosure is not just a formality. Profitability is able to strengthen the relationship between social disclosure and the value of the company (Patil, 2021).

Social disclosure reflects the company's commitment to the interests of stakeholders, such as employees, society, and human rights. Transparent and consistent social disclosure can strengthen a company's reputation in the eyes of investors, which has a positive impact on the company's value (Riski & Prasetyono, 2023). However, these influences are not always direct and can be amplified by internal characteristics such as profitability. High profitability signals that social disclosure is not just symbolic, but a reflection of a healthy and sustainable business strategy. Companies that have good financial performance tend to be more effective in communicating their social activities to the public, so that the influence of social disclosure on the company's value becomes stronger (Firmansyah et al., 2021).

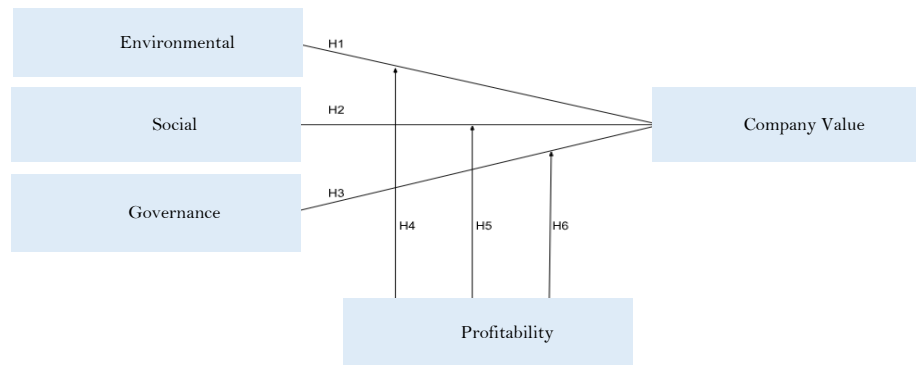
However, this influence can be influenced by profitability. More profitable companies have the resources to consistently execute and communicate social programs. Profitability is also a signal of reliability for investors, so it can strengthen the relationship between Social Disclosure and company value. Profitability acts as a moderator that strengthens the influence of social disclosure on the Company's value (Patil, 2021).

Governance disclosure reflects a company's transparency in reporting governance structures, systems, and practices such as board accountability, independent audits, and shareholder protection. Strong governance disclosure signals integrity and responsibility, boosting investor confidence and firm value, as shown in studies across Asia (Aboud & Diab, 2018; Melinda & Wardhani, 2020). However, its impact can vary depending on profitability. Highly profitable companies are seen as better able to implement governance principles beyond formal reporting, making governance practices more credible. Thus, profitability acts as a moderating variable, strengthening the link between governance practices and firm value (Wulandari & Rahmawati, 2022).

H4: Profitability moderates the influence of environmental disclosure on company value.

H5: Profitability moderates the influence of social disclosure on company value

H6: Profitability moderates the influence of governance disclosure on the value of the company.



**Figure 1.** Research Framework

This research framework in Figure 1 is built on the idea that environmental, social, and governance disclosures play an important role in shaping company value, as transparent reporting provides positive signals to the market regarding sustainability, accountability, and long-term resilience. Environmental, social, and governance disclosures (H1, H2, H3) are expected to positively influence company value by enhancing investor trust and improving corporate reputation. At the same time, profitability is considered a moderating factor (H4, H5, H6), as more profitable companies are viewed as having greater capacity to implement ESG practices effectively, not just as formalities. Thus, profitability is expected to strengthen the relationship between ESG disclosures and company value.

### 3. Methods

This study determined the company's value as a dependent variable, measured by Tobin's Q ratio, as well as two independent variables: ESG disclosure and profitability (Naeem et al., 2022). ESG scores reflect a company's performance on environmental, social, and governance aspects based on an evaluation of ESG risk exposure and the effectiveness of its management, a low score indicates better management. Profitability is measured using Return on Assets (ROA) in percentage to describe the efficiency of net profit to total assets (Soelton et al., 2020). The research population includes all companies listed on the IDX for the 2022–2024 period, with purposive sampling based on criteria: being listed on the LQ45 list consecutively, having complete financial reports, publishing a Sustainability Report and using GRI standards. From the results of the selection, 27 companies were

identified, resulting in 81 observation data points over 3 years. Data sourced from the company’s financial statements and sustainability reports, analyzed with an explanatory quantitative approach.

The analysis employed panel data regression (a combination of time series and cross-section analysis) with three possible models: the Common Effect Model (CEM), the Fixed Effect Model (FEM), and the Random Effect Model (REM), which were selected through Chow, Hausman, and Lagrange Multiplier (LM) tests. Classical assumption tests include normality (Jarque-Bera), multicollinearity (correlation >0.8), and heteroscedasticity (Glejser). Hypothesis testing was carried out through the determination coefficient (R<sup>2</sup>), the F test (simultaneous influence), and the t test (partial influence) at a significance level of 5%. The regression equation model includes variables E, S, G, P (profitability), as well as ESG×P interactions. The decision of the t-test is taken based on the t-table > calculation or p-value < 0.05 to receive Ha (significant influence), while the opposite shows an insignificant influence.

#### 4. Results

Table 1 presents the descriptive statistics for the variables used in this study, including Tobin’s Q, Environmental, Social, Governance (ESG) scores, and Return on Assets (ROA). The table summarizes the central tendency, dispersion, and range of each variable, providing an overview of the dataset’s characteristics and variability across the 81 observations.

**Table 1.** Descriptive Statistical Test

Statistic	Tobin’s Q	Environmental	Social	Governance	ROA
Mean	1.855185	0.626914	0.647407	0.968519	8.158395
Median	1.280000	0.680000	0.690000	1.000000	5.580000
Maximum	8.690000	1.000000	1.000000	1.000000	45.43000
Minimum	0.490000	0.100000	0.110000	0.500000	-0.380000
Std. Dev.	1.633808	0.243771	0.217961	0.108985	8.553182
Observations	81	81	81	81	81

For the environmental variable, the maximum score of 1,000 reflects strong commitment to sustainability in some companies, while the minimum score of 0.100 highlights weak environmental performance in others. The average score of 0.627 suggests that, overall, companies perform above the midpoint but not at a very high level. The median of 0.680, slightly above the mean, indicates a distribution leaning toward lower scores but not excessively. Meanwhile, the standard deviation of 0.244 shows moderate variation, suggesting most companies are concerned with environmental issues, though the extent and quality of their initiatives differ.

For the social variable, the maximum score of 1,000 shows that some companies excel in social responsibility, while the minimum score of 0.110 reflects low concern in others. The average of 0.647 and the median of 0.690 suggest that most companies perform well socially, though the distribution leans slightly toward lower values. The standard deviation of 0.218 indicates moderate variation, meaning the quality of social initiatives still differs across firms. Meanwhile, the governance variable shows consistently high results, with scores ranging from 0.500 to 1,000. An average of 0.969 and a median of 1,000 indicate strong adherence to Good Corporate Governance (GCG), while a low standard deviation of 0.109 suggests minimal variation, reflecting overall consistency in governance practices among companies.

Meanwhile, the profitability moderation variable measured by Return on Assets (ROA) showed a maximum value of 45,430, indicating that companies are very efficient in utilizing their assets to generate profits. A minimum value of -0.380 indicates that the company has suffered losses. An average of 8,158 indicates that in

general the company is able to generate a net profit of around 8.16% of total assets, but a median of 5,580 which is lower than average indicates a distribution skewed to the right due to some companies with very high ROA. The standard deviation of 8.553 indicates a high level of variation between companies in terms of profitability, reflecting significant differences in financial performance, ranging from highly profitable to loss-making.

**Table 2.** Panel Data Regression Model Testing

<b>Method</b>	<b>Testing</b>	<b>Test Results</b>
Uji Chow	Common effect vs Fixed Effect	Fixed Effect
Hausman Test	Fixed Effect vs Random Effect	Fixed Effect

Table 2 illustrates that the selection of the panel data regression model underwent a series of tests to determine the most suitable approach. The Chow Test results indicated that all three equations had probability values of 0.0000, which is well below 0.05, confirming that the fixed effect model was superior to the common effect model. The Hausman Test further reinforced this, with probability values of 0.0228, 0.0347, and 0.0016, all under 0.05, showing that the fixed effect model was also superior to the random effect model. Since both tests consistently supported the fixed effect, the Lagrange Multiplier Test was unnecessary. The Fixed Effect Model (FEM) was selected as the most suitable approach for this study. The Chow Test showed probability values < 0.05 in all equations, indicating FEM is more appropriate than the Common Effect, and the Hausman Test also showed probability values < 0.05, confirming FEM's accuracy over the Random Effect, making the Lagrange Multiplier Test unnecessary.

The classical assumption test was conducted to ensure the Fixed Effect Model (FEM) met statistical requirements, covering normality, multicollinearity, autocorrelation, and heteroscedasticity. The Jarque-Bera test yielded a probability of 0.222, which is greater than 0.05, indicating normally distributed residuals. Meanwhile, the Variance Inflation Factor (VIF) values for all variables were below 10, confirming no multicollinearity issues and that each independent variable contributes uniquely to the model. Autocorrelation testing is performed using the Durbin-Watson (DW) method to ensure the absence of serial correlations among residuals, which may interfere with the validity of statistical tests. The calculation results show a DW value of 1.9869, which is between the lower limit (1.7438) and the upper limit (2.2562) in the DW table. This indicates that the model does not experience positive or negative autocorrelation problems, so the residuals can be considered mutually free. The heteroscedasticity test using the Glejser method showed that all probability values for independent, moderating, and interaction variables were above 0.05, indicating homoskedasticity. This means the error variance is constant, and the model's variance estimation is free from bias.

The results of the panel data regression analysis with the fixed effect model approach showed that in all three equations, the Environmental (E) and Governance (G) variables tended to have a positive effect on the company's value, while the Social (S) variable had a negative influence. In the first equation, the increase of E and G increased the company's value by 22.2% and 25.8%, respectively, while S decreased by 44.7%. The second equation that added profitability (ROA) as an independent variable showed similar results, with ROA exerting a small positive influence (0.5%). The third equation that tested ESG's interaction with ROA revealed that ROA strengthened the relationship of S to company value but weakened the influence of E and G. Governance became the most dominant variable in the moderation model, with a very large positive influence before being moderated by ROA. These findings show that the role of profitability as a moderator is different in each ESG dimension.

**Table 3.** Coefficient of Determination ( $R^2$ )

Equation	R-Square	Adjusted-R Square
Equation 1	0.961929	0.940281
Equation 2	0.964912	0.943860
Equation 3	0.966900	0.943659

Table 3 shows that the coefficient of determination indicates the model has a powerful ability to explain variations in company value. In Equation 1, the ESG variables explain 94.02% of the variation, indicating that company value is largely driven by environmental, social, and governance performance. Adding profitability to Equation 2 increased the explanatory power slightly to 94.38%, indicating that profitability provides additional relevant information. However, in Equation 3, which included the interaction between ESG and profitability, the coefficient dropped slightly to 94.36%, suggesting that the moderating effect of profitability is not very dominant. Overall, only 5–6% of variation is explained by external factors such as macroeconomic conditions, industry dynamics, or unobserved internal factors, reinforcing ESG and profitability as key determinants of company value among LQ45 companies on the IDX.

**Table 4.** Simultaneous F Test Results

Type	Prob. F	Alpha level ( $\alpha = 5\%$ )	Final Verdict
Equation 1	0.0000	0.0000 < 0.05	Simultaneously Significant
Equation 2	0.0000	0.0000 < 0.05	Simultaneously Significant
Equation 3	0.0000	0.0000 < 0.05	Simultaneously Significant

Table 4 shows F-test results with a probability value of 0.0000 across all three equations, which is well below the 0.05 threshold, indicating that the models are highly significant. This means ESG alone (Equation 1), ESG with profitability (Equation 2), and ESG with profitability plus their interactions (Equation 3) all have a strong simultaneous effect on company value. These findings confirm the feasibility of the regression models and suggest that the tested factors collectively contribute to shaping firm value, not just individually. In practice, ESG performance, profitability, and their interactions provide a comprehensive view of how company value is formed, offering valuable insights for managers, investors, and stakeholders. The consistent significance also shows that these results reflect real conditions in the Indonesian capital market, particularly for LQ45 companies with high liquidity and large capitalization.

The results of the partial t-test on all three equations show that most independent variables have a significant influence on the company's value. In Equation 1, the variables Environmental (E) and Governance (G) have a significant positive effect. In contrast, Social (S) has a significant adverse effect, which means that the increase in E and G encourages an increase in the value of the company. In contrast, the increase in S decreases it. In Equation 2, E and ROA have a significant positive effect, while S has a significant negative effect; G is insignificant. Therefore, the role of corporate governance is not as strong when profitability is included as a moderation variable. In Equation 3, E, G, S, and ROA remain significant with consistent directions of influence, where E, G, and ROA have a positive impact, while S has a negative impact. However, of the interaction variables between ESG and ROA, only G\*ROA is significant with a negative influence, indicating that profitability can weaken the relationship between governance and company value. Meanwhile, the interaction of E\*ROA and S\*ROA did not have a significant effect. In general, these results confirm that environmental, social, governance, and profitability variables have an important role, although the influence of moderation varies depending on the ESG dimensions analyzed.

## **5. Discussion**

This study found that environmental performance has a positive and significant influence on company value. This result aligns with stakeholder theory by Freeman (2010), which emphasises the importance of maintaining relationships with various stakeholders, as well as signalling theory by Spence (1978), where achieving environmental performance becomes a positive signal to the market. Companies that are actively involved in sustainability programs, such as PROPER, demonstrate a commitment to responsible business practices, thereby attracting investors who prioritise ESG aspects. These findings support the study of Syahrizam et al. (2025), which found a positive influence of environmental performance on company value, although different from Safitri et al. (2022), which did not find a significant effect. This difference may be due to variations in methodology and sample characteristics; however, the study's results generally reinforce the notion that effective environmental management can be a valuable strategy for sustainably increasing a company's value (Deswanto & Siregar, 2018; Effendi, 2021).

On the other hand, social disclosure actually shows a significant negative influence on company value. These results differ from several studies, such as Hariyanto and Ghozali (2024), which found a positive influence, but align with Prabawati and Rahmawati (2022), which reported a negative influence in several ASEAN countries. Geographical contexts, methodologies, and variations in the implementation of social activities likely influence these differences in findings. In practice, the market tends to respond negatively to social activities that are considered mere formalities or have no real impact on society. This emphasizes the importance of ensuring that the reported social activities have measurable results and are able to provide added value for stakeholders so that they are responded positively by the market (Bird et al., 2007; Peloza & Shang, 2011).

Other findings show that governance has a positive effect on company value, in line with signaling theory which views good governance as a positive signal regarding transparency, accountability, and long-term prospects. These results align with the research of Aydoğmuş et al. (2022), which found a positive influence of governance on company value. This finding differs from that of Prabawati and Rahmawati (2022), who found a negative influence. Strong governance reflects professional and accountable management, which strengthens market trust (Muslim, 2023; Wahidahwati & Ardini, 2023). In addition, profitability has also been proven to have a significant positive effect on the company's value, in accordance with the company's value theory and signaling theory, where high profits are indicators of financial health and good business prospects. These findings support the research of Nurfitriani (2023) on the LQ45 company, although it is different from Kowawin and Suninono (2022), which did not find a significant effect.

The study found that profitability does not moderate the relationship between environmental performance or social disclosure and firm value, meaning high profits neither strengthen nor weaken their impact on market value. This may be because the market does not yet view environmental and social issues as economically relevant or directly value-adding. These results align with Masitha and Fitriyah (2022) and Fitriani and Purnamasari (2023) but differ from studies showing moderation effects in specific contexts, reflecting the market's low sensitivity to ESG's environmental and social dimensions in Indonesia. In contrast, profitability successfully moderates the relationship between governance and firm value: strong financial performance amplifies the positive impact of good governance, sending a powerful signal of professionalism and bright prospects to the market. This supports signaling theory and stakeholder theory, showing that effective governance combined with profitability builds legitimacy and trust. The findings are consistent with Wardana and Agus (2024) on state-owned firms, though different from Fatmawati and Bebasari (2025) in the tech sector. Overall, governance strengthened

by profitability, proves more effective in enhancing firm value than environmental or social factors (Jo & Harjoto, 2011).

## 6. Conclusion

Studies on companies listed on the Indonesia Stock Exchange (IDX) during the 2022–2024 period reveal that the measurement of company value using Tobin's Q yields diverse findings related to the roles of Environmental, Social, Governance, and profitability. The results of the analysis indicate that the environmental variable has a significant positive influence on the company's value, suggesting that the better the company's environmental performance, the higher the market's appreciation of the company's value. Social disclosure shows a significant negative influence on the company's value, which can be interpreted as social activities that do not have a tangible impact on stakeholders or are only formalities do not get a positive response from the market. The variable of corporate governance (Governance) has a significant positive influence, indicating that good governance is one of the important signals for investors. In addition, profitability has been shown to have a significant positive impact on the company's value, indicating that asset management efficiency and profit-generating ability remain the primary factors that investors consider. However, profitability has not been shown to moderate the relationship between Environmental and Social aspects and corporate value. In contrast, the relationship between Governance and corporate value is moderated by profitability, which strengthens this influence.

The findings suggest that profitability, governance, and environmental performance play a strategic role in driving firm value through stronger reputation, operational efficiency, and greater investor appeal. In contrast, social disclosures that serve merely as formalities without delivering tangible benefits to stakeholders may weaken market perceptions. This highlights the need for ESG reporting, particularly in the social dimension, to be supported by strategies that generate real societal and environmental value. The limited ability of profitability to enhance the impact of environmental and social aspects also reflects the Indonesian market's relatively low sensitivity to ESG issues. Conversely, the combination of good governance and strong profitability provides a clear signal of stability and growth prospects, thereby boosting firm value more effectively. However, this study is limited by its short observation period (2022–2024), which may not capture long-term trends, and by its focus on LQ45 companies, which reduces the generalizability of the findings across industries. Uneven ESG data availability further constrains the analysis. Future research should adopt longer time frames and include more diverse sectors and firm sizes to offer a broader understanding of ESG, profitability, and firm value in Indonesia.

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***Acknowledgment***

We gratefully acknowledge the contributions of individuals who supported the completion of this article.

***Funding Information***

This research did not receive any funding.

***Conflict of Interest Statement***

The authors declare that there is no conflict of interest.

***Ethical Approval and Originality Statement***

Ethical approval was obtained for this study. The manuscript represents original work and has not been previously published, nor is it under consideration by another journal.

***Data Disclosure Statement***

The data that support the findings of this study are available from the corresponding author upon reasonable request.



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