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The Effect of ESG Disclosure and Ownership Structure on Firm Value: The Moderating Effect of Profitability

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Abstract

This research is important to understand the factors that influence firm value in the manufacturing sector. This study aims to analyze the effect of ESG disclosure and ownership structure, which includes managerial ownership, institutional ownership, and foreign ownership, on firm value, with profitability as a moderating variable in manufacturing companies in the chemical and pharmaceutical subsectors listed on the Indonesia Stock Exchange (IDX). This study uses a quantitative panel data regression approach with 10 chemical and pharmaceutical manufacturing firms listed on the IDX (2020–2024), analyzed using EViews 13. The results show that ESG disclosure has a negative and significant effect on firm value in manufacturing companies in the chemical and pharmaceutical subsectors listed on the IDX. Meanwhile, managerial ownership has a positive but insignificant effect on firm value. Institutional ownership shows a negative and insignificant effect on firm value, while foreign ownership has a positive but also insignificant effect on firm value. In addition, profitability is found to be unable to moderate the relationship between ESG disclosure, managerial ownership, institutional ownership, and foreign ownership on firm value in manufacturing companies in the chemical and pharmaceutical subsectors listed on the IDX.

Keywords

ESG Disclosure, Firm Value, Foreign Ownership, Institutional Ownership, Managerial Ownership, Profitability.

1. Introduction

Firm value is an important indicator of a company's ability to create shareholder wealth and maintain long-term sustainability. A high firm value reflects investor confidence in future performance, whereas a low value signals uncertainty regarding management effectiveness and business prospects. In the manufacturing sector, particularly the chemical and pharmaceutical subsectors, firm value is crucial because these industries are capital-intensive, innovation-driven, and highly influenced by regulations and global market conditions (Sudiyatno et al., 2020). Tobin's Q is widely used to measure firm value because it compares a company's market valuation with its asset value by dividing the market value of equity plus total liabilities by total assets. During the COVID-19 pandemic, Tobin's Q increased significantly due to strong market expectations for pharmaceutical products and medical chemicals. However, in the post-pandemic period, Tobin's Q has shown a declining trend as demand for emergency healthcare products weakened and global competition intensified, leading to slower stock price growth relative to asset values (Putri, 2023).

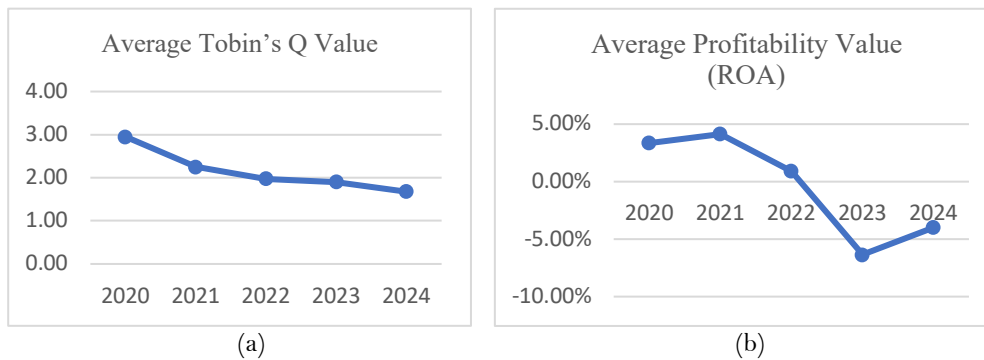


Figure 1. (a) Average Tobin's Q (b) Average Profitability Value

Figure 1 presents the average Tobin's Q and profitability values. Both indicators show a declining trend, particularly during 2021–2023, reflecting weakening firm performance and market valuation in the chemical and pharmaceutical sectors. According to Nugraha et al. (2024), this decline is driven not only by demand-side factors but also by internal challenges, including high research and innovation costs coupled with relatively low profit margins. As profitability growth fails to keep pace with asset growth, market perceptions of future prospects weaken, leading to lower firm value. Similarly, Halimah and Maharani (2024) argue that declining profitability signals higher operational risk, reduced efficiency, and weaker cash flow stability, all of which negatively affect firm valuation. In contrast, Environmental, Social, and Governance (ESG) disclosure has emerged as an important factor in enhancing investor confidence and long-term sustainability prospects. Fuadah et al. (2022) state that greater ESG disclosure strengthens corporate reputation, improves legitimacy, reduces information asymmetry, and ultimately contributes to higher firm value, particularly in industries exposed to environmental and social risks.

Ownership structure refers to the distribution of company shares among managers, institutions, foreign investors, and the public (Ramahdani & Tarmidi, 2025). A well-structured ownership composition plays an important role in corporate control and decision-making. Wu et al. (2022) explain that institutional ownership strengthens managerial monitoring and reduces opportunistic behavior, leading to improved performance and higher firm value. Conversely, a dispersed ownership structure may weaken oversight and reduce investor confidence in the company's future prospects.

In this study, profitability is selected as a moderating variable because it is considered capable of influencing the relationship between external factors, such as ESG disclosure, and internal factors, including ownership structure, on firm value. Profitability reflects a company's ability to generate earnings and serves as an important indicator of corporate performance, investor attractiveness, and long-term business prospects. Companies with higher profitability are generally perceived more positively by investors, enabling ESG disclosure and ownership structure to have a stronger impact on firm value. Previous studies on ESG disclosure and ownership structure report inconsistent findings, where some studies show significant positive effects on firm value, while others find insignificant or even negative results. In addition, research examining the moderating role of profitability in strengthening the relationship between ESG disclosure, ownership structure, and firm value remains limited, particularly in the chemical and pharmaceutical manufacturing sector in Indonesia (Azwardi & Haryati, 2025). This indicates a research gap that needs further investigation.

Based on this gap, this study aims to analyze the effect of ESG disclosure and ownership structure, which includes managerial ownership, institutional ownership, and foreign ownership, on firm value, with profitability as a moderating variable in manufacturing companies in the chemical and pharmaceutical subsectors listed on the Indonesia Stock Exchange (IDX). The findings of this study are expected to provide broader insights into the relationship between sustainability practices, corporate governance, and financial performance in Indonesian manufacturing firms, especially in environmentally sensitive industries. This study is also expected to contribute to academic literature by providing empirical evidence on the role of profitability as a moderating variable, as well as offering practical implications for companies, investors, and policymakers in improving ESG transparency, strengthening ownership governance, and enhancing firm value.

2. Literature Review and Hypothesis Development

2.1. Agency Theory, Legitimacy Theory, and Stakeholder Theory

Agency Theory explains the relationship between shareholders (principals) and management (agents), where differences in interests and information asymmetry may lead to agency conflicts. In this study, Agency Theory is used to explain the relationship between ESG disclosure, ownership structure, profitability, and firm value. Ownership structure acts as a monitoring mechanism to reduce agency conflicts, while ESG disclosure enhances transparency to investors (Jia et al., 2022). Profitability is positioned as a moderating variable that can strengthen or weaken the influence of ESG disclosure and ownership structure on firm value. Thus, Agency Theory supports the role of monitoring and information disclosure in improving firm value (Yavuz et al., 2024).

Legitimacy Theory states that companies must obtain and maintain social acceptance to ensure business continuity. ESG disclosure reflects corporate commitment to environmental and social responsibility, which strengthens investor trust and influences firm value (Ha et al., 2024). Profitability also plays a moderating role, as financially strong companies are more capable of supporting sustainability initiatives. Therefore, Legitimacy Theory explains how transparency and social legitimacy contribute to firm value (Martiny et al., 2024).

Stakeholder Theory emphasizes that companies are responsible not only to shareholders but also to all stakeholders affected by their operations (Freeman, 2010). ESG disclosure demonstrates corporate responsibility and enhances stakeholder trust and reputation. Ownership structure strengthens managerial supervision to align decisions with stakeholder interests (Manita et al., 2018), while profitability supports the implementation of sustainability strategies. Thus,

Stakeholder Theory explains the relationship between ESG disclosure, ownership structure, and firm value through stakeholder expectations (Fatemi et al., 2018).

2.2. The Effect of ESG and Ownership Structure on Firm Value

Firm value reflects the market's assessment of a company's performance, future prospects, and ability to generate profits (Hakim & Dilasari, 2023). It is influenced by financial and non-financial factors, including corporate governance, reputation, and investor confidence (Laghari et al., 2023). ESG disclosure serves as a mechanism for communicating sustainability commitments through environmental, social, and governance reporting (Alareeni & Hamdan, 2020). According to Stakeholder Theory, greater ESG disclosure enhances stakeholder trust and corporate legitimacy (Susilowati et al., 2025). Prior studies suggest that ESG disclosure positively affects firm value by reducing risk, strengthening reputation, and signaling sound management quality and long-term growth prospects (Aydoğmuş et al., 2022; Wardhana, 2025). Consistent findings are reported by Adhi and Cahyonowati (2023), who show that ESG disclosure improves market perception and increases firm value.

Managerial ownership is the proportion of shares held by management, including directors and commissioners (Syahyono, 2020). Agency Theory suggests that it aligns managerial and shareholder interests, reducing agency conflicts and encouraging better performance, while Legitimacy Theory highlights its role in maintaining corporate reputation and stakeholder trust. Prior studies find that managerial ownership positively affects firm value through improved performance and reduced conflicts of interest (Widayanti & Yadnya, 2020; Suzan & Ramdhani, 2023).

Institutional ownership refers to shares held by institutions such as banks, insurance companies, pension funds, and mutual funds. Based on Agency Theory, it serves as an external monitoring mechanism that reduces agency conflicts, while Stakeholder Theory suggests it promotes transparency and sustainability. Previous studies find that institutional ownership positively affects firm value through stronger monitoring and increased investor confidence (Holly et al., 2022; Rais et al., 2023). Foreign ownership refers to shares held by foreign investors who encourage better governance, transparency, and access to global resources (Tambunan & Wahyuliza, 2024). Prior research shows that foreign ownership positively influences firm value by improving governance quality, monitoring effectiveness, and market perception (Wangsa, 2023; Valonika & Prastiwi, 2025).

H1: ESG disclosure has a positive and significant effect on firm value.

H2: Managerial ownership has a positive and significant effect on firm value.

H3: Institutional ownership has a positive and significant effect on firm value.

H4: Foreign ownership has a positive and significant effect on firm value.

2.3. The Moderating Effect of Profitability

Profitability reflects a company's ability to generate earnings through efficient asset utilization and management and is commonly measured using ROA, ROE, and NPM (Purnama & Sari, 2022). As a moderating variable, profitability can strengthen the relationship between ESG disclosure, managerial ownership, and firm value. Based on Legitimacy Theory, high profitability enables firms to support sustainability initiatives and enhance ESG disclosure, thereby increasing investor trust and corporate credibility. Agency Theory suggests that strong profitability signals effective management performance and reduces information asymmetry, strengthening the positive impact of ESG disclosure and managerial ownership on firm value. Previous studies support this view, showing that profitability strengthens the effect of ESG disclosure and managerial ownership on firm value (Maysaroh, 2022; Tansil & Tanke, 2025).

Institutional ownership can strengthen managerial oversight when firms have high profitability, as profitability reflects strong financial performance that encourages more active monitoring and improves corporate governance. Based on Agency Theory, the combination of institutional monitoring and profitability increases firm value, while also signaling effective managerial decisions that enhance investor confidence. Previous studies by Raharjo (2021) and Yuwono and Aurelia (2021) confirm that profitability strengthens the relationship between institutional ownership and firm value. Likewise, foreign ownership is linked to better governance, efficiency, and access to global resources, but its impact on firm value becomes stronger when supported by high profitability, as it signals effective management and increases investor trust. From Legitimacy and Stakeholder Theory perspectives, profitability reflects sustainability and the ability to meet investor expectations, making foreign ownership more effective in enhancing firm value. Previous studies by Habibullah (2023) and Shendy and Aminah (2025) also show that profitability strengthens the relationship between foreign ownership and firm value.

- H5: Profitability moderates the influence of ESG disclosure on firm value.
- H6: Profitability moderates the influence of managerial ownership on firm value.
- H7: Profitability moderates the influence of institutional ownership on firm value.
- H8: Profitability moderates the influence of foreign ownership on firm value.

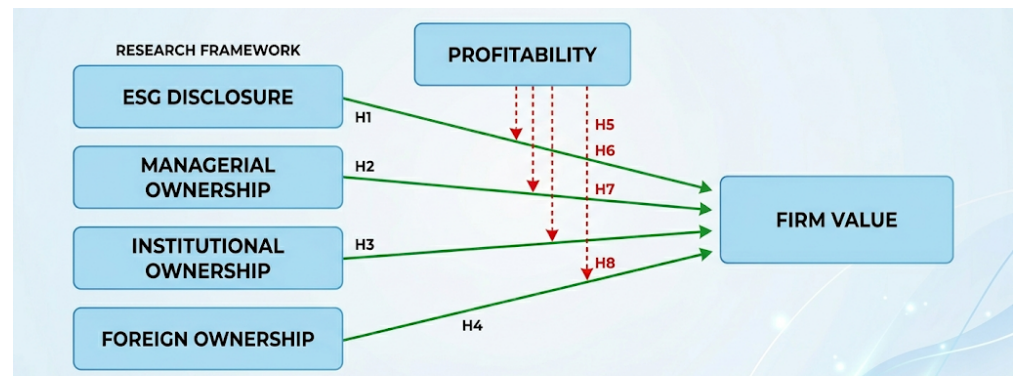


Figure 2. Research Framework

Figure 2 illustrates the conceptual framework analyzing the impact of ESG disclosure, managerial ownership, institutional ownership, and foreign ownership on the value of a company. The model indicates that sustainability actions and various ownership models significantly affect market valuation and investor views. It is anticipated that ESG disclosure will boost firm value by increasing transparency and establishing corporate credibility, whereas the types of ownership affect the efficacy of governance and the process of strategic choices. Additionally, profitability has been included as a moderating factor that could change the intensity of the connections between the independent variables and the firm's value. This framework combines aspects of sustainability, corporate governance, and financial outcomes to offer a thorough understanding of how firm value is generated.

3. Methods

This study employs a quantitative methodology since it combines numerical data and statistical analysis to examine the relationship and impact of ESG disclosure, ownership structure, profitability, and business value. The population is made up of 21 manufacturing firms in the pharmaceutical and chemical subsectors that were

listed between 2020 and 2024 on the Indonesia Stock Exchange (IDX). Purposive sampling, a non-probability sampling technique, was used to select the sample based on predetermined criteria that were in line with the study's goals. These criteria included excluding businesses that were not regularly listed during the observation period, filed for bankruptcy, or had insufficient data on the necessary variables.

These criteria led to the exclusion of 11 companies (1 for inconsistent listing or bankruptcy and 10 for missing data), leaving 10 companies as the final sample. The study collected 50 panel data observations during a five-year observation period (2020–2024). Indofarma (INAF), Kimia Farma (KAEF), Kalbe Farma (KLBF), Merck Indonesia (MERK), Phapros (PEHA), Sido Muncul (SIDO), Samator Indo Gas (AGII), Barito Pacific (BRPT), Duta Pertiwi Nusantara (DPNS), and Madusari Murni Indah (MOLI) are among the manufacturing companies listed on the IDX that make up the chosen sample.

In this study, firm value is measured using Tobin's Q , which reflects the market's overall valuation of a company relative to its assets and serves as an indicator of investor confidence (Verona, 2020). This measure is considered suitable for examining the influence of ESG disclosure, ownership structure, and profitability on firm value (Erion et al., 2024). ESG disclosure is assessed using the GRI Standards 2021 because it provides a comprehensive framework covering economic, environmental, and social dimensions, with higher-quality disclosure generally enhancing investor trust and market valuation. Ownership structure is represented by managerial ownership, institutional ownership, and foreign ownership, each measured as the proportion of shares held by the respective parties relative to total outstanding shares (Purba & Africa, 2019; Pratomo & Alma, 2020). Profitability is measured using Return on Assets (ROA), which indicates a company's efficiency in generating profits from its assets. In addition, profitability functions as a moderating variable that may influence the relationship between ESG disclosure, ownership structure, and firm value (Azzahra et al., 2024; Wulanningrat & Hadiorajitno, 2025).

This study employs panel data regression analysis to examine the effect of ESG disclosure, managerial ownership, institutional ownership, and foreign ownership on firm value, taking into account the moderating role of profitability.

$$Y_{it} = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 (X_1 Z) + \beta_6 (X_2 Z) + \beta_7 (X_3 Z) + \beta_8 (X_4 Z) + \varepsilon$$

Notes:

Y_{it} = Firm value of company i in period t

α = Constant

$\beta_1, \beta_2, \beta_3, \beta_4$ = Regression coefficients showing the direct effect of variables $X_1, X_2, X_3,$ and X_4 on Y

$\beta_5, \beta_6, \beta_7, \beta_8$ = Interaction coefficients showing the effect of profitability on the relationship between $X_1, X_2, X_3,$ and X_4 on Y

X_1 = ESG Disclosure

X_2 = Managerial Ownership

X_3 = Institutional Ownership

X_4 = Foreign Ownership

Z = Profitability

$X_1 Z$ = Interaction between ESG Disclosure and Profitability

$X_2 Z$ = Interaction between Managerial Ownership and Profitability

$X_3 Z$ = Interaction between Institutional Ownership and Profitability

$X_4 Z$ = Interaction between Foreign Ownership and Profitability

ε = Disturbance Term (Residual)

4. Results

This section shows the findings of a data analysis that looked at how ESG disclosure and ownership structure (managerial, institutional, and foreign ownership) affected firm value in manufacturing companies in the chemical and pharmaceutical subsectors listed on the Indonesia Stock Exchange (IDX) between 2020 and 2024. Profitability was used as a moderating variable. To find direct and moderating effects between variables, the methodology uses panel data regression.

Descriptive statistics (both before and after transformation) and traditional assumption tests (normality, heteroscedasticity, multicollinearity, and autocorrelation) are among the statistical methods used in this study. The model is then evaluated using R-squared, F-statistic, Akaike Information Criterion, Schwarz Criterion, Hannan-Quinn Criterion, and Durbin-Watson statistic. Furthermore, the significance and direction of correlations between variables are evaluated by hypothesis testing. Panel data regression software and SPSS were used to process the data.

Table 1. Descriptive Statistical Analysis Results

Test	FV	ESG	MO	IO	FO	P
Mean	2.15120	0.38100	0.12800	0.53450	0.12088	-0.00385
Median	1.37541	0.31875	0.00012	0.57313	0.00000	0.01459
Maximum	10.3360	0.83750	0.72178	0.94472	0.86650	0.18609
Minimum	0.36121	0.10000	0.00000	0.00000	0.00000	-0.94889
Std. Dev.	2.00527	0.20334	0.22426	0.30821	0.26331	0.17764
Observations	50	50	50	50	50	50

Note: FV: Firm Value, MO = Managerial Ownership, IO = Institutional Ownership, FO = Foreign Ownership, P = Profitability.

The firm value has a maximum value of 10.33606 based on the descriptive statistics results in Table 1, which is comparatively much higher than the median of 1.375417 and the average of 2.151202. Further testing is required to ascertain the impact of the extreme data (outliers) indicated by this significant discrepancy on the model estimation findings.

The Z-score approach, which measures the degree of data deviation from the mean in standard deviation units, was used in this study to identify outlier data. According to Yaro et al. (2023) and Yakubu et al. (2025), data that vary significantly from the normal distribution are classified as outliers if their Z-score value is beyond the ± 3 range. According to the computation findings, a few of the observations had Z-score values that were higher than this threshold, making them outliers. The drop approach was used to handle data that were found to be outliers in order to preserve analytical accuracy, prevent model estimation from being distorted, and generate more representative research findings.

Table 2. Descriptive Statistical Analysis Results after Removing Outlier Data

Test	FV	ESG	MO	IO	FO	P
Mean	1.80696	0.40027	0.14222	0.49610	0.13431	0.03611
Median	1.14445	0.37500	0.03961	0.56774	0.00000	0.01682
Maximum	6.52444	0.83750	0.72178	0.94472	0.86650	0.18609
Minimum	0.36121	0.10000	0.00000	0.00000	0.00000	-0.20323
Std. Dev.	1.58282	0.20549	0.23225	0.30119	0.27453	0.06730
Skewness	1.60823	0.38704	1.68071	-0.53918	2.11420	-0.42152
Observations	45	45	45	45	45	45

Note: FV: Firm Value, MO = Managerial Ownership, IO = Institutional Ownership, FO = Foreign Ownership, P = Profitability.

The study included 45 firm-year observations from manufacturing companies in the chemical and pharmaceutical subsectors listed on the Indonesia Stock Exchange

between 2020 and 2024, according to Table 2's descriptive statistics. The average Tobin's Q value was greater than one, indicating a comparatively favorable market valuation. The average firm value was 1.806967. In the meantime, the average ESG disclosure score was 0.400278, which indicates a moderate amount of ESG disclosure that was not equally distributed among the study's participating companies.

A comparatively small percentage of management shares was indicated by the average managerial ownership of 0.142224. Institutional investors dominated the company's ownership structure, as seen by the average institutional ownership of 0.496108. International ownership, on the other hand, averaged 0.134314, reflecting fluctuating international investor participation. The average profitability was 0.036111, meaning that during the study period, a company's capacity to turn a profit tended to be low and varied.

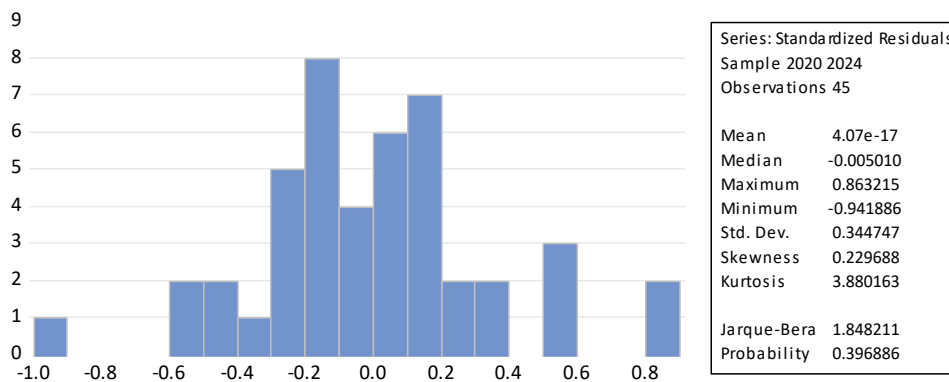


Figure 3. Normality Test

The normality test yields a probability value of 0.396886 based on Figure 3. The residuals are regularly distributed because the value is higher than 0.05. This outcome demonstrates that the data satisfy the normalcy assumption. As a result, the regression model used in this study is deemed suitable for further examination.

Table 3. Multicollinearity Test

Variable	ESG	MO	IO	FO	ESG_P	MO_P	IO_P	FO_P
ESG	1	-	0.15592	0.2162	0.01944	-	-	0.1912
		35	9	72	5	0.0599	0.330	45
						63	955	
MO	0.37623	1	0.49385	0.2932	0.03608	0.2826	0.396	-
	5		2	23	8	07	399	0.1695
								60
IO	0.15592	-	1	-	-	0.7290	0.151	-
	9	0.4938		0.5906	0.36632	33	677	0.5010
		52		61	3			67
FO	0.21627	-	0.59066	1	0.30406	-	-	0.8437
	2	0.2932	1		4	0.4479	0.719	85
		23				39	739	
ESG_P	0.01944	-	-	0.3040	1	-	-	-
	53	0.0360	0.36632	64		0.5447	0.084	0.3648
		88	3			54	831	48
MO_P	-	-	0.72903	-	-	1	0.102	-
	0.05996	0.2826	3	0.4479	0.54475		280	0.4380
	3	07		39	4			06
IO_P	-	0.3963	0.15167	-	-	0.1022	-	-
	0.33095	99	71	0.7197	0.08483	80	1	0.8903
	5			39	1			12

Variable	ESG	MO	IO	FO	ESG_P	MO_P	IO_P	FO_P
FO_P	0.19124 5	- 0.1695 60	- 0.50106 7	0.8437 85	0.36484 8	- 0.4380 06	- 0.890 312	1

Note: MO = Managerial Ownership, IO = Institutional Ownership, FO = Foreign Ownership, P = Profitability.

All of the correlation coefficients between the variables were below the tolerance limit of 0.85, according to the test results in Table 3. This condition is nonetheless regarded as acceptable because it frequently occurs in Moderated Regression Analysis (MRA) models, even if a number of interaction variables showed quite high correlation values. Thus, it can be said that there are no significant multicollinearity issues with the research model.

Table 4. Heteroscedasticity Test

Variable	Coefficient	Std. Error	t-Statistic	Prob.
Constant	-0.012513	0.016423	-0.761906	0.4525
ESG	0.007790	0.005529	1.409037	0.1698
Managerial Ownership	0.095125	0.069803	1.362777	0.1838
Institutional Ownership	0.000660	0.015503	0.042575	0.9663
Foreign Ownership	0.010856	0.021450	0.506117	0.6167
ESG_Profitability	0.168333	0.108941	1.545177	0.1335
Managerial Ownership_Profitability	-0.014531	0.293009	-0.049593	0.9608
Institutional Ownership_Profitability	-0.278694	0.258765	-1.077014	0.2907
Foreign Ownership_Profitability	-0.256936	0.245592	-1.046192	0.3044

The probability values of each independent variable in the Glejser test model were examined in order to perform the heteroscedasticity test. All independent variables displayed probability values greater than 0.05 based on the test findings in Table 4, suggesting that the regression model did not exhibit symptoms of heteroscedasticity. As a result, the model is thought to have satisfied the requirements of the classical assumption.

Table 5. Goodness-of-Fit Statistics of the Regression Model

Statistics	Value
R-squared	0.952561
Adjusted R-squared	0.925453
S.E. of regression	0.432164
Sum squared resid	5.229437
Log likelihood	-15.42416
F-statistic	35.13927
Prob(F-statistic)	0.000000
Mean dependent var	1.806967
S.D. dependent var	1.582822
Akaike info criterion	1.441074
Schwarz criterion	2.123591
Hannan-Quinn criterion	1.695509
Durbin-Watson stat	1.730047

The R-squared value of 0.952561 and the Adjusted R-squared of 0.925453 in Table 5 demonstrate the model's extremely strong explanatory power, indicating that the independent variables in the model account for 92.54% of the variation in firm value. With a probability value of 0.000000 and an F-statistic of 35.13927, the dependent variable is significantly impacted by all independent factors at the same

time. The regression model appears to have no significant autocorrelation issues based on the Durbin-Watson value of 1.730047. The model is appropriate for additional investigation and has acceptable statistical quality.

Table 6. Hypothesis Testing and Moderated Regression Analysis

Path	Coefficient	Std. Error	t-Statistic	Prob.
Constant	2.381738	1.589420	1.498495	0.1452
ESG Disclosure	-2.137281	0.535094	-3.994218	0.0004
Managerial Ownership	1.588016	6.755635	0.235065	0.8159
Institutional Ownership	-0.262654	1.500380	-0.175058	0.8623
Foreign Ownership	0.817457	2.076005	0.393765	0.6967
ESG Disclosure x Profitability -> Firm Value	8.021586	10.54355	0.760805	0.4531
Managerial Ownership Profitability -> Firm Value	-7.757100	28.35798	-0.273542	0.7864
Institutional Ownership Profitability -> Firm Value	-22.21000	25.04382	-0.886845	0.3827
Foreign Ownership Profitability -> Firm Value	-14.93432	23.76890	-0.628313	0.5349

Based on Table 6, the Fixed Effect Model estimation produces the following regression equation: $Y = 2.381738 - 2.137281X_1 + 1.588016X_2 - 0.262654X_3 + 0.817457X_4 + 8.021586(X_1Z) - 7.757100(X_2Z) - 22.21000(X_3Z) - 14.93432(X_4Z) + \varepsilon$. The constant value of 2.381738 indicates the baseline level of firm value when all independent variables are held constant. The results show that ESG disclosure has a coefficient of -2.137281 with a probability value of 0.0004, indicating a negative and significant effect on firm value. Managerial ownership has a coefficient of 1.588016 with a probability value of 0.8159, showing a positive but insignificant effect. Institutional ownership has a coefficient of -0.262654 with a probability value of 0.8623, indicating a negative and insignificant effect, while foreign ownership (X_4) has a coefficient of 0.817457 with a probability value of 0.6967, also showing a positive but insignificant effect on firm value.

Furthermore, the moderating effects of profitability show that the interaction between ESG disclosure and profitability has a coefficient of 8.021586 with a probability value of 0.4531, while managerial ownership and profitability have a coefficient of -7.757100 with a probability value of 0.7864. The interaction between institutional ownership and profitability yields a coefficient of -22.21000 with a probability value of 0.3827, and foreign ownership and profitability have a coefficient of -14.93432 with a probability value of 0.5349. Since all moderating interaction terms have probability values greater than 0.05, profitability is concluded to be unable to moderate the relationship between ESG disclosure, ownership structure, and firm value.

5. Discussion

The results of the study show that ESG disclosure has a negative and significant effect on firm value. Therefore, Hypothesis 1 is rejected because, although the relationship is statistically significant, its direction is contrary to the proposed positive effect. The findings indicate that ESG disclosure negatively affects firm value, suggesting that investors may perceive ESG implementation as an additional cost rather than a value-enhancing activity. While Stakeholder and Legitimacy Theory argue that ESG disclosure should strengthen investor confidence and corporate legitimacy, Agency Theory suggests that its associated costs may reduce short-term firm performance. These results are consistent with Mandasari and Dewinda (2023) and Sari and Valdiansyah (2023), but differ from Aydoğmuş et al.

(2022) and Adhi and Cahyonowati (2023), who reported a positive effect of ESG disclosure on firm value.

Managerial ownership represents the proportion of shares held by management, which is expected to align managers' and shareholders' interests. However, the results show that managerial ownership has no significant effect on firm value, leading to the rejection of Hypothesis 2. This indicates that managerial share ownership has not been able to directly enhance firm value. These findings do not support Stakeholder Theory and Agency Theory, as managerial ownership has not effectively increased stakeholder trust or reduced agency conflicts. The results are consistent with Pramesti and Rizki (2024) and Latifa and Putra (2025), but differ from Widayanti and Yadnya (2020) and Suzan and Ramdhani (2023). The differences may be influenced by ownership structure, industry characteristics, and the relatively low proportion of managerial ownership.

The results of this study indicate that institutional ownership does not significantly affect firm value, thereby rejecting Hypothesis 3. This finding suggests that institutional ownership has not been effective in increasing monitoring functions or strengthening investor confidence. Therefore, the results do not support Agency Theory and Stakeholder Theory. These findings are consistent with Paramastri et al. (2023) and Tesalonika and Mulya (2025) but differ from Holly et al. (2022) and Rais et al. (2023). The study also found that foreign ownership does not significantly influence firm value, thus rejecting Hypothesis 4. This indicates that foreign investors have not been able to directly increase firm value or strengthen management oversight. These results do not support Agency Theory and align with Indri et al. (2024) but differ from Valonika and Prastiwi (2025).

Furthermore, profitability was unable to moderate the relationship between ESG disclosure and firm value, leading to the rejection of Hypothesis 5. High profitability was not sufficient to strengthen the impact of ESG disclosure on investor trust or firm value. Therefore, these findings do not support Stakeholder Theory, Legitimacy Theory, or Agency Theory. The findings are in line with Taufiqurrahman and Sari (2025) and Ayem and Babat (2025). Profitability was also unable to moderate the relationship between managerial ownership and firm value, thereby rejecting Hypothesis 6. This suggests that high profitability could not strengthen the effectiveness of managerial ownership in increasing firm value. These findings are consistent with Prasetya et al. (2024) and Latifa and Putra (2025), but differ from Maysaroh (2022).

Similarly, profitability did not moderate the relationship between institutional ownership and firm value, leading to the rejection of Hypothesis 7. High profitability was not able to strengthen the monitoring role of institutional investors or improve market perceptions of firm value. These results are consistent with Cahyani et al. (2024) and Suropto and Niviyanti (2024), but differ from Raharjo (2021) and Yuwono and Aurelia (2021). The interaction between foreign ownership and profitability also showed no significant effect on firm value, thus rejecting Hypothesis 8. This indicates that profitability could not strengthen the role of foreign ownership in increasing firm value. The findings support Wangsa (2023) but differ from Habibullah (2023).

6. Conclusion

The findings show that ESG disclosure has a negative and significant effect on firm value, indicating that higher ESG disclosure is associated with lower firm value. Managerial ownership and foreign ownership exhibit positive but insignificant effects, suggesting that increases in ownership proportion have not significantly enhanced firm value. Meanwhile, institutional ownership shows a negative and insignificant effect, indicating that higher institutional ownership has not significantly influenced firm value. Profitability, as a moderating variable, was found

to be unable to strengthen the relationship between ESG disclosure, managerial ownership, institutional ownership, and foreign ownership on firm value. The moderating relationship shows that the interaction between ESG disclosure and profitability tends to be positive but insignificant, whereas the interactions between profitability and managerial, institutional, and foreign ownership are negative and insignificant. These results indicate that profitability neither strengthens nor weakens the influence of the independent variables on firm value.

The findings suggest that Agency Theory, Stakeholder Theory, and Legitimacy Theory are not fully able to explain the relationships among the variables examined in this study. Companies are encouraged to improve the quality of ESG implementation, investors should consider factors beyond ownership structure in assessing firm value, and regulators are expected to strengthen ESG reporting standards to enhance transparency and comparability across companies. This study has several limitations, including the limited sample size, relatively short observation period, and restricted number of variables examined. Therefore, future research is recommended to expand the research scope by including different industrial sectors, adding other relevant variables, and applying more diverse analytical methods.

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