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THE INFLUENCE OF ENVIRONMENTAL, SOCIAL, AND GOVERNANCE (ESG) DISCLOSURE ON FIRM VALUE WITH PROFITABILITY AS A MODERATING VARIABEL

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Abstract:
This study aims to analyze the effect of Environmental, Social, and Governance (ESG) disclosure on firm value, with profitability as a moderating factor. The study comprises 111 observations from 43 companies over the 2021–2023 period, resulting in an unbalanced panel data set. Secondary data were sourced from financial statements, annual reports, and sustainability disclosures available on the IDX and respective company websites. The analysis was conducted using moderated regression analysis through EViews 13. The results indicate that, among the ESG dimensions, only governance disclosure exhibits a significant negative relationship with firm value, while environmental and social disclosures show no substantial effect. Moreover, profitability measured using return on assets (ROA) does not moderate the ESG–firm value relationship. Instead, it demonstrates a direct and significant positive impact on firm value when evaluated independently. These findings indicate that profitability acts more as an independent variable than a moderator. Companies should communicate governance more strategically and authentically, beyond mere compliance. Improving operations, revenue, and financial transparency is also key. Future studies should broaden the sample, extend the period, and explore other factors influencing firm value.

Keywords: Firm Value, ESG Disclosure, Profitability
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BACKGROUND

Enhancing firm value is essential to ensure long-term business viability. A company with a higher value tends to be perceived more positively by investors, increasing their willingness to invest. This is because firm value often represents investor confidence in a company's success, commonly reflected through its stock price. Based on Single Investor Identification (SID) data, the number of capital market investors—including those in equities, bonds, mutual funds, and other securities—rose by 1.28 million since 2023, reaching 13.45 million as of August 9, 2024. Furthermore, 60% of institutional investors reported that ESG-oriented investments delivered superior returns compared to their non-ESG counterparts. In line with this, 78% of investors expressed a willingness to incur higher fees for investment managers with ESG strategies. The increase in investor numbers in Indonesia indicates a growing interest in investment among the public. This presents an opportunity for firms to demonstrate solid performance to attract potential investors. Shareholders generally interpret the rise in firm value as an indicator of

corporate success and improved welfare. Consequently, companies are expected to consistently increase their firm value year by year (Pramudita & Budiwitjaksono, 2024).

The mining sector is among the industries in Indonesia that demand substantial capital investment. Companies operating in this sector play a critical role in the national economy, partly due to their adherence to high export tariffs. This positioning makes mining firms particularly attractive to investors seeking opportunities in resource-driven industries (Sugitasari & Yuniati, 2022). In 2023, non-tax state revenue (PNBP) from the mineral and coal sector recorded a total of IDR 172.96 trillion, surpassing the official target of IDR 146.07 trillion by 18.41%, indicating a significant overachievement in revenue collection. (Kementerian Energi dan Sumber Daya Mineral, 2024). Despite its economic significance, the mining industry imposes considerable environmental and social impacts on communities surrounding its operational sites. The International Energy Agency (IEA) reported that coal was the largest single source of global carbon dioxide (CO_2) emissions, contributing 15 gigatons in 2021. In Indonesia, CO_2 emissions have shown a consistent upward trend over the years.

The transition initiatives toward achieving Net Zero Emissions (NZE) are anticipated to result in a significant reduction in coal usage, with forecasts suggesting an 80% decline by 2060 under the NZE scenario. This reduction is mainly driven by the gradual retirement of coal-fired power plants and a strategic move toward utilizing renewable energy sources such as solar, hydro, and wind power (Widhiatmaka et al., 2024). This phenomenon presents a complex paradox, wherein companies are expected to optimize their performance while simultaneously preparing adaptive strategies to navigate the energy transition. In the context of energy transition policies aimed at achieving Net Zero Emissions (NZE), active participation from all sectors—including the coal mining industry—is essential to reduce carbon emissions. As a result, coal companies are required to formulate adaptive strategies and integrate Environmental, Social, and Governance (ESG) principles into their operations.

The adverse impacts arising from mining activities are closely linked to the obligation to prepare sustainability reports and disclose ESG (Environmental, Social, and Governance) information, as mandated by Financial Services Authority Regulation (POJK) No. 51 of 2017 concerning the Implementation of Sustainable Finance for Financial Service Institutions,

Issuers, and Public Companies. This regulation underscores the importance of applying sustainable finance principles and serves as a foundational step in developing a financing market that supports sustainability-focused projects (Meytasari, 2024). A sustainability report reflects the board of directors' accountability for sustainability-related matters, highlights efforts to enhance sustainability competencies, and strengthens the company's credibility in the eyes of the public. Beyond serving as a transparency tool, the report also aligns corporate practices with global standards and demonstrates the company's commitment to sustainable development (PwC, 2023). Nevertheless, the implementation of ESG in Indonesia remains challenging due to limited comprehensive understanding of ESG components. Many entities still struggle to adopt sustainability principles and have yet to issue sustainability reports as part of their ESG disclosure obligations (Ghazali, 2022). On the other hand, a company's profitability is one of the key factors considered by investors when making investment decisions. Efficient utilization of assets to generate profit reflects strong financial performance. Investors are generally attracted to firms with high profitability, as it signals promising returns in the future (Rahelliamelinda & Handoko, 2024). As investor interest grows, it may lead to increased demand for a company's shares, which in turn positively influences the overall firm value. This suggests that profitability has the potential to function as a moderating variable in the relationship between overall ESG disclosure and firm value, in line with the findings of previous research (Rahelliamelinda & Handoko, 2024; Rahmah, 2024). However, these research findings contrast with the studies conducted by Primanandari et al. (2024) and Sedani & Sari (2024), which found that profitability does not moderate the relationship between ESG disclosure and firm value.

Based on the above explanation, the researcher has identified a knowledge gap in the literature due to the inconsistent findings of previous studies examining the impact of ESG disclosure on firm value. Consequently, this study refers to prior research recommendations by incorporating a moderating variable to test the partial effects of ESG disclosure on firm value (Abdi et al., 2022; Delvina & Hidayah, 2023). Therefore, the researcher conducted a study entitled "The Effect of Environmental, Social, and Governance (ESG) Disclosure on Firm Value with Profitability as a Moderating Variable" (An Empirical Study on Mining Sector Companies Listed on the Indonesia Stock Exchange for the 2021–2023 Period).

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THEORETICAL FRAMEWORK

Signaling Theory

The research titled Job Market Signaling, carried out by Spence (1973) It contributes to signaling theory, which posits that signalers possess certain information and communicate it to signal recipients. Both financial and non-financial reports serve as signals by conveying relevant information to the company's stakeholders (Mahendra & Daljono, 2023). Signaling theory serves as the theoretical foundation for explaining how performance and environmental conditions influence firm value. Information received by investors is initially interpreted as either good news or bad news. Lee et al., (2022) describe ESG-related signaling as a marketing tool that companies can utilize to communicate with suppliers, employees, customers, and other stakeholders. This aligns with signaling theory, which suggests that disclosing Environmental, Social, and Governance (ESG) information serves as a means of conveying relevant information to external parties, with the expectation that it may lead to an increase in stock prices and, consequently, enhance firm value (Khatamy, 2023).

Firm Value

Firm value can be defined as the present value of cash flows generated by a company's assets over a specific period, highlighting the importance of effective management in maximizing returns from the assets owned by the firm (Brigham & Houston, 2019). In this study, firm value is measured using the Tobin's Q ratio, which incorporates elements such as common stock, equity, debt, and share capital, and compares them to the total assets of the company (Brainard & Tobin, 1968).

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

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Environmental, Social, and Governance (ESG) Disclosure

ESG disclosure represents a non-financial performance indicator that encompasses issues related to sustainability, ethical practices, and corporate governance (Melinda & Wardhani, 2020). ESG refers to the information disclosed by a company regarding its commitment to setting sustainability-related goals, overseeing operational activities, and evaluating performance in alignment with sustainability objectives (Rahmah, 2024). ESG disclosure refers to non-financial information presented by a company in its annual or sustainability reports, encompassing environmental, social, and governance aspects.

According to (Wau, 2023), ESG disclosure can be measured partially using content analysis or dummy variables, by assigning one point for each disclosed item and zero points for items not disclosed, using the following formula:

$$\text{EnDi} = \frac{Number\ of\ items\ disclosed\ in\ the\ annual\ report}{Total\ number\ of\ expected\ items}$$

$$\text{SoDi} = \frac{Number\ of\ items\ disclosed\ in\ the\ annual\ report}{Total\ number\ of\ expected\ items}$$

$$\text{GoDi} = \frac{Number\ of\ items\ disclosed\ in\ the\ annual\ report}{Total\ number\ of\ expected\ items}$$

Profitability

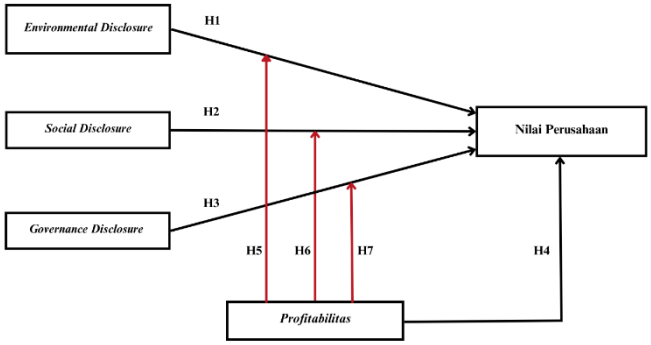
Profitability refers to a company's net income generated from all sources of financing and operational activities (Brigham & Houston, 2019). It serves as an indicator of the company's future prospects, as higher profitability levels reflect a stronger assurance of business continuity (Andriyani, 2021). In this study, profitability is measured using the return on assets (ROA) ratio, which compares net income to total assets. A high ROA indicates that the company has effectively utilized its assets to generate net profit (Adha, 2024).

$$Return\ on\ Assets = \frac{Net\ Income}{Total\ Asset}$$

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Conceptual Framework

Based on the background, literature review, and previous studies, the theoretical framework for this research is formulated as follows. The conceptual framework presented below illustrates the relationship between the independent variables and the dependent variable, with a moderating variable.



It can be concluded that the hypotheses to be tested in this study are as follows:

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

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

H3: Governance disclosure has a negative effect on firm value.

H4: Profitability has a positive effect on firm value.

H5: Profitability strengthens the relationship between environmental disclosure and firm value.

H6: Profitability strengthens the relationship between social disclosure and firm value.

H7: Profitability strengthens the relationship between governance disclosure and firm value.

METHOD

This study employs secondary data obtained from financial reports, annual reports, and sustainability reports published on the official website of the Indonesia Stock Exchange (IDX) and the respective company websites. The data were analyzed using the Moderated Regression Analysis (MRA) method with the assistance of EViews 13 software. The sample size was determined using the Isaac and Michael formula, which serves as a reference for calculating sample size under a simple random sampling approach. The calculation was based on an accessible population of 52 companies (equivalent to 156 observations) that met specific criteria, which were further refined to 111 observations from 43 companies over the 2021–2023 period. As such, the dataset used in this research constitutes an unbalanced panel, with

the selected companies being those consistently listed in the mining sector on the Indonesia Stock Exchange (IDX). The criteria for determining the accessible population are as follows:

1. Mining sector companies listed on the Indonesia Stock Exchange (IDX) during the 2021–2023 period.
2. Mining sector companies that consistently published complete financial statements and annual/sustainability reports.
3. Mining sector companies that did not experience losses during the 2021–2023 period.

RESULT

Descriptive Statistics

The data analysis in this study adopts a descriptive statistical approach, which provides a comprehensive overview of the dataset by employing various statistical measures such as mean, median, and standard deviation (Purwohedi, 2022). The results of statistics descriptive in this study are shown in the following table:

Table 1. Descriptive Statistics Result

Variabel	N	Mean	Median	Maksimum	Minimum	Std. Dev.
TOBINSQ	111	1.1256	0.9807	2.8612	0.3093	0.4764
ENDI	111	0.4637	0.4063	1.0000	0.0938	0.2354
GODI	111	0.6502	0.6000	1.0000	0.1667	0.2838
SODI	111	0.4200	0.3750	0.9000	0.1000	0.1999
ROA	111	0.1355	0.0895	0.6164	0.0002	0.1391

Source: Output Eviews13 (2025)

Chow Test

Table 2. Chow Test Result

Redundant Fixed Effects Tests
Equation: Untitled
Test cross-section fixed effects

Effects Test	Statistic	d.f.	Prob.
Cross-section F	5.490735	(42,64)	0.0000
Cross-section Chi-square	169.471729	42	0.0000

Source: Output Eviews13 (2025)

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Based on Table 2, the probability value of the Cross-section Chi-Square is less than 0.05, indicating that the Fixed Effect Model (FEM) is the appropriate model. Therefore, the analysis proceeds with the Hausman test.

Hausman Test

Table 3. Uji Hausman

Correlated Random Effects - Hausman Test
Equation: Untitled
Test cross-section random effects

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	6.588110	4	0.1593

Source: Output Eviews13 (2025)

Table 3 shows that the probability value of the Cross-section random is 0.1593, indicating that the selected model based on the Hausman test is the Random Effect Model (REM). Since the probability value of the Cross-section random exceeds 0.05, it can be concluded that the appropriate estimation model for this test is the Random Effect Model (REM). The next step is to proceed with the Lagrange Multiplier test.

Uji Lagrange Multiplier

Table 4. Lagrange Multiplier Test Result

Breusch-Pagan	11.85522 (0.0006)	7.837847 (0.0051)	19.69307 (0.0000)

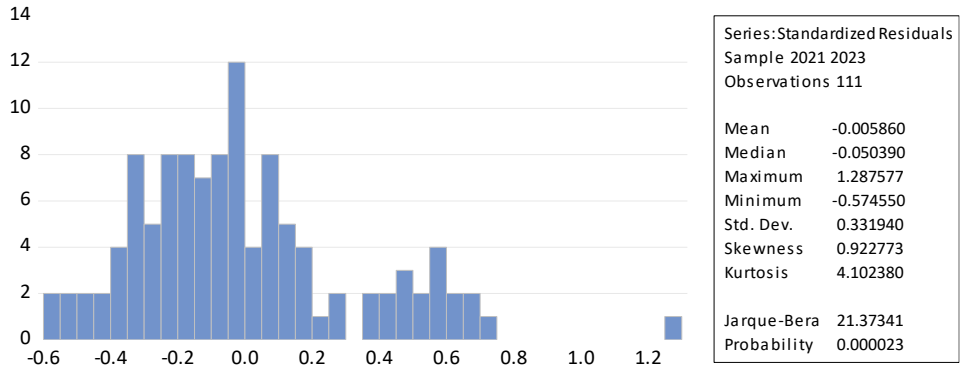
Source: Output Eviews13 (2025)

Based on Table 4, the probability value of the Breusch-Pagan cross-section test is lower than the significance level of 0.05, indicating that the most appropriate estimation model to be used is the Random Effect Model (REM).

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Normality Test

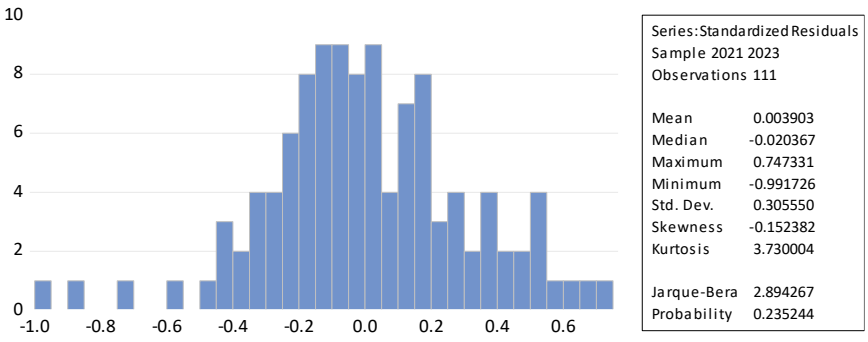
Figure 5. Normality Test Result



Source: Output Eviews13 (2025)

As shown in Figure 5, the probability value of the Jarque-Bera test is 0.000023, which is below the 0.05 significance level. This indicates that the normality assumption is not met. According to Ghozali (2018), in order to obtain regression model residuals that satisfy classical assumptions such as normality and homoscedasticity, data transformation is required prior to regression analysis. The graphical distribution of the Tobin's Q variable exhibits positive skewness; therefore, as suggested by Field (2017) a log transformation is applied to address this issue.

Figure 6. Normality Test Result after Data Transformation



Source: Output Eviews13 (2025)

The results of the normality test after data transformation, as shown in Figure 4.3, indicate a Jarque-Bera probability value of 0.235244, which exceeds the 0.05 significance level. This suggests that, following the transformation of the firm value variable proxied by Tobin's Q, the data meet the normality assumption as the probability value is greater than the significance threshold.

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Multikolinearity

Table 7. Multicolinearity Test Result

Variabel	Coefficient Variance	Uncentered VIF	Centered VIF
C	0.007634	4.298023	NA
ENDI	0.051461	8.958040	2.876516
SODI	0.061851	8.396346	2.540006
GODI	0.019208	6.391004	1.857986
ROA	0.056816	1.625725	1.072647

Source: Output Eviews13 (2025)

The results indicate that the VIF values for ENDI, SODI, GODI, and ROA are 2.876516, 2.540006, 1.857986, and 1.072647, respectively. Since all variables exhibit VIF values below the threshold of 10, it can be concluded that there is no significant multicollinearity among the variables.

Heteroskedasticity Test

Table 8. Hetersokedasticity Test

Variabel	Coefficient	Std. Error	t-Statistic	Prob.
C	0.162039	0.020127	8.050774	0.0000
ENDI	-0.033002	0.062840	-0.525174	0.6006
SODI	0.006962	0.075797	0.091850	0.9270
GODI	-0.048577	0.034856	-1.393673	0.1663
ROA	-0.079459	0.055673	-1.427241	0.1564

Source: Output Eviews13 (2025)

Based on the results, each variable has a probability value greater than the 0.05 significance level. Therefore, it can be concluded that the regression model used in this study does not suffer from heteroscedasticity issues.

Autocorrelation Test

Table 9. Autocorrelation Test Result

Breusch-Godfrey Serial Correlation LM Test:
Null hypothesis: No serial correlation at up to 2 lags

F-statistic	2.346195	Prob. F(2,104)	0.1008
Obs*R-squared	4.792013	Prob. Chi-Square(2)	0.0911

Source: Output Eviews13 (2025)

As shown in Table 4.10, the results of the autocorrelation test using the Breusch-Godfrey model yield an Obs*R-squared value of 4.792013 and a Chi-Square (2) probability of 0.0821. Since

the probability value exceeds the 0.05 significance level, it indicates that the residuals do not exhibit serial correlation. Therefore, it can be concluded that the regression model satisfies the assumption of no autocorrelation.

Moderated Regression Analysis

Table 10. Moderated Regression Analysis Result

Variabel	Coefficient	Std. Error	t-Statistic	Prob.
C	-0.246748	0.103543	-2.383056	0.0190
ENDI	0.301524	0.320701	0.940204	0.3493
SODI	0.506876	0.365075	1.388419	0.1680
GODI	-0.423327	0.207005	-2.045003	0.0434
ROA	1.429866	0.586727	2.437021	0.0165
ENDI_ROA	-0.042387	1.486188	-0.028520	0.9773
SODI_ROA	-1.318799	1.836928	-0.717937	0.4744
GODI_ROA	1.066467	1.073510	0.993439	0.3228

Source: Output Eviews13 (2025)

Berdasarkan output Table 4.12, dapat dijelaskan model regresi persamaan setelah mengunakan variabel moderasi adalah sebagai berikut:

LOG_TOBINSQ = -0.2467 + 0.3015*ENDI + 0.5068*SODI - 0.4233*GODI + 1.4298*ROA - 0.0423*ENDI_ROA - 1.3187*SODI_ROA + 1.0664*GODI_ROA + e

F Test

Table 11. F Test Result

Persamaan Regresi II	
F-statistic	6.727815
Prob(F-statistic)	0.000001

Source: Output Eviews13 (2025)

T test

Table 12. T Test Result

Variabel	Coefficient	Std. Error	t-Statistic	Prob.
C	-0.246748	0.103543	-2.383056	0.0190
ENDI	0.301524	0.320701	0.940204	0.3493
SODI	0.506876	0.365075	1.388419	0.1680
GODI	-0.423327	0.207005	-2.045003	0.0434
ROA	1.429866	0.586727	2.437021	0.0165
ENDI_ROA	-0.042387	1.486188	-0.028520	0.9773
SODI_ROA	-1.318799	1.836928	-0.717937	0.4744
GODI_ROA	1.066467	1.073510	0.993439	0.3228

Source: Output Eviews13 (2025)

The interpretation of the t-test results after including the moderating variable is as follows:

a. The probability value for the environmental disclosure variable (ENDI) is 0.3493. Since this value is greater than the significance level of 0.05, it indicates that environmental disclosure does not have a statistically significant partial effect on firm value. Therefore, hypothesis H1, which posits a significant effect of environmental disclosure on firm value, is rejected.

b. The probability value for the social disclosure variable (SODI) is 0.1680. As this exceeds the 0.05 threshold, social disclosure does not significantly influence firm value on a partial basis. Consequently, hypothesis H2 is rejected.

c. The probability value for the governance disclosure variable (GODI) is 0.0434. Since this value is below 0.05, it shows that governance disclosure has a significant effect on firm value at the 5% confidence level. Thus, hypothesis H3, which asserts that governance disclosure significantly affects firm value, is accepted.

d. The probability value for the profitability variable (ROA) is 0.0165. As this is also below 0.05, it indicates that profitability has a significant influence on firm value. Accordingly, hypothesis H4, stating that profitability significantly affects firm value, is accepted.

e. The probability value for the interaction between environmental disclosure (ENDI) and profitability is 0.9773. Since this value is higher than 0.05, it suggests that profitability (ROA), acting as a moderating variable, does not significantly affect nor strengthen or weaken the relationship between environmental disclosure and firm value. Thus, hypothesis H5 is rejected.

f. The probability value for the interaction between social disclosure (SODI) and profitability is 0.4744. This value also exceeds 0.05, indicating that the moderating effect of profitability on the relationship between social disclosure and firm value is not statistically significant. Therefore, hypothesis H6 is rejected.

g. The probability value for the interaction between governance disclosure (GODI) and profitability is 0.3228. As this value is greater than the 0.05 significance level, it implies

that profitability does not significantly moderate the relationship between governance disclosure and firm value. Hence, hypothesis H7 is rejected.

Coefficient Determination Test

Table 13. Coefficient Determination Test Result

Persamaan Regresi	
R-squared	0.313767
Adjusted R-squared	0.267129

Source: Output Eviews13 (2025)

The R-squared value of 31.38% indicates that the variation in the dependent variable, Tobin's Q, can be explained by the independent variables included in the model—namely, ENDI, SODI, GODI, ROA, and the interaction terms between sustainability disclosure and profitability. The remaining 68.62% is attributed to other factors outside the model that are not accounted for in this study.

DISCUSSION

The Effect of Environmental Disclosure on Firm Value

The study finds that environmental disclosure has a coefficient value of 0.3015 with a positive direction, but a probability significance of 0.3493. Since the significance level exceeds 0.05, it indicates that environmental disclosure does not have a statistically significant effect on firm value. This result contradicts the first hypothesis, leading to the rejection of H1. Furthermore, this finding is inconsistent with previous studies that reported a significant influence of environmental disclosure on firm value (Adhi & Cahyonowati, 2023; Khatamy, 2023; Melinda & Wardhani, 2020). However, the findings of this study are consistent with other previous research that also found no significant effect of environmental disclosure on firm value (Aydoğmuş et al., 2022; Hariyanto & Ghozali, 2024). According to Aydoğmuş et al. (2022), the absence of a significant impact between environmental disclosure and firm value can be attributed to the fact that environmental initiatives generally require a longer time to produce tangible effects for the company. In fact, some programs or projects related to environmental aspects may take several years to complete before they ultimately contribute to an increase in firm value.

The Effect of Social Disclosure on Firm Value

he findings of this study indicate that social disclosure has a coefficient value of 0.5068 with a positive direction and a probability significance level of 0.1680. Since the probability value exceeds 0.05, it suggests that social disclosure does not have a statistically significant effect on firm value. This outcome is not in line with the second hypothesis, leading to the rejection of H2. Furthermore, these results contradict previous studies which found that social disclosure has a significant influence on firm value (Aydoğmuş et al., 2022; Felicia et al., 2022; Hariyanto & Ghozali, 2024). However, the findings of this study align with other research that also found social disclosure does not significantly affect firm value (Ahmad et al., 2023; Sanjaya, 2020; Xaviera & Rahman, 2023). This is consistent with (Behl et al., 2022) who stated that social expenditures by companies are generally incorporated into the prices of their products, leading to higher selling prices. These price increases can become a burden for consumers, ultimately resulting in reduced company profits. This finding suggests that although companies with higher social disclosure tend to have better firm value, the effect is not yet statistically strong enough.

The Effect of Governance Disclosure on Firm Value

The study reveals that social disclosure has a coefficient value of -0.4233 with a negative direction and a significance probability of 0.0434. Since the significance value is less than 0.05, it can be concluded that governance disclosure has a significant negative effect on firm value, as measured by Tobin's Q. These results are in line with the third hypothesis, thus H3 is accepted. This finding suggests that a higher level of governance disclosure may actually reduce firm value in the short term. One possible explanation is that extensive governance disclosure could signal internal risks or issues faced by the company, prompting it to increase transparency as a response to external pressures. Additionally, the implementation of non-financial disclosures, including governance-related information, may lead to a decline in firm value because companies tend to prioritize social responsibility and governance compliance, which can increase operational costs. These additional expenses—such as time, labor, and financial resources—may ultimately reduce financial performance. Such financial underperformance is often perceived negatively by investors, leading to a decline in firm value (Ivone & Alvina, 2023).

The Effect of Profitability on Firm Value

The study found that the profitability variable has a coefficient value of 1.4298 with a positive direction and a significance probability of 0.0165. Since the p-value is below the 0.05 threshold, it indicates that profitability has a significant effect on firm value as proxied by Tobin's Q. This result supports the fourth hypothesis (H4), which is therefore accepted. The findings suggest that higher profitability is associated with an increase in firm value. This aligns with previous research by Agustina (2023), which also reported a positive relationship between profitability and firm value. The implication is that rising corporate profits reflect improving performance, which tends to be interpreted positively by investors, ultimately contributing to the enhancement of firm value.

The Moderating Role of Profitability in the Relationship Between Environmental Disclosure and Firm Value

The study revealed that the interaction variable between environmental disclosure and profitability on firm value yielded a coefficient of -0.04238, with a negative direction and a probability significance value of 0.9773. Since the probability value of 0.9773 is greater than 0.05, it indicates that profitability does not significantly moderate the relationship between environmental disclosure and firm value. This result contradicts the fifth hypothesis (H5), which is therefore rejected. The insignificance of the finding implies that even when a company demonstrates high profitability, it does not influence the effect of environmental disclosure on firm value. This suggests that investors or the market may not yet fully consider environmental disclosure, even when the company exhibits strong financial performance. In the context of this study, the significance level of the regression coefficient for the moderating variable (profitability) shows a statistically significant effect on firm value. However, the interaction term between environmental disclosure and profitability does not produce a significant result. Therefore, profitability is classified as a predictor moderator. According to Primanandari et al (2024), a variable is considered a predictor moderator when the moderating variable itself has a significant effect, but the interaction term between the independent variable and the moderator is insignificant. As such, profitability in this model can be interpreted as functioning solely as an independent variable rather than a true moderator (Ghozali, 2018).

The Moderating Role of Profitability in the Relationship Between Social Disclosure and Firm Value

The study found that the interaction variable between social disclosure and profitability on firm value produced a coefficient of -1.318799 with a negative direction and a probability significance of 0.4744. Since the probability value exceeds 0.05, it can be concluded that profitability does not significantly moderate the relationship between social disclosure and firm value. This indicates that social disclosure does not enhance firm value when profitability (as proxied by ROA) is high, nor does it reduce firm value when profitability is low. These findings contradict the sixth hypothesis, which proposed that profitability moderates the relationship between social disclosure and firm value, thus H6 is rejected.

This result may be attributed to the tendency of many companies with strong financial performance to allocate relatively minimal budgets toward corporate social responsibility programs that support social performance (Apriyani & Sutjahyani, 2018) . Similarly, Dorothy & Endri (2024) found that profitability (ROA), when acting as a moderating variable, fails to moderate the effect of ESG on firm value. However, when ROA functions independently, without moderating another variable, it has a positive effect on firm value.

The Moderating Role of Profitability in the Relationship Between Governance Disclosure and Firm Value

The results of the moderation regression analysis indicate that the interaction variable between governance disclosure and profitability on firm value yields a coefficient of 1.0664, with a positive direction and a probability significance of 0.3228. Since the p-value is greater than 0.05, it can be concluded that profitability does not have a moderating effect on the relationship between governance disclosure and firm value. These findings demonstrate that governance disclosure does not enhance firm value when profitability, as proxied by ROA, is high, nor does it diminish firm value when profitability is low. Therefore, these results do not support the seventh hypothesis, which proposed that profitability moderates the relationship between governance disclosure and firm value; thus, H7 is rejected.

These findings are consistent with the study conducted by Rahmawati (2022), which concluded that profitability has no effect on corporate governance, as proxied by the relationship between

the independent board of commissioners and firm value. This suggests that corporate governance is not influenced by short-term corporate orientations such as profit generation. Similarly, Dorothy & Endri (2024) found that profitability, proxied by ROA and acting as a moderating variable, does not moderate the effect of ESG on firm value. However, when ROA functions independently rather than as a moderator, it exerts a positive impact on firm value.

CONCLUSION

The research findings reveal that environmental and social disclosures do not have a significant impact on firm value, while governance disclosure exerts a significant negative effect. In contrast, profitability shows a significant positive influence on firm value. However, profitability does not serve as a moderating variable in the relationship between ESG disclosures environmental, social, and governance and firm value, indicating that profitability neither strengthens nor weakens the effect of these disclosures on the company's market performance. This study emphasizes the importance of ESG disclosure, particularly governance, which was found to negatively impact firm value highlighting the need for companies to communicate governance information more strategically and transparently, beyond mere regulatory compliance. The positive influence of profitability on firm value also underscores the importance of improving financial performance through efficiency and transparent reporting. However, the study is limited to mining companies and a short observation period, which may not fully capture ESG dynamics across time and sectors. Future research should expand the sample to other industries and extend the observation period to gain a more comprehensive understanding of ESG disclosure's impact on firm value.

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