ABSTRACT

This study aims to examine the effect of environmental, social, governance (ESG) disclosure on firm value by including profitability as a mediating variable. In addition, this study also considers control variables in the form of firm size, leverage, and liquidity. The research focuses on companies listed on the Indonesia Stock Exchange (IDX) during the period 2021-2023, in order to understand the complex relationship between sustainability disclosure and corporate financial performance.

The analytical method used in this study is partial least squares-structural equation modeling (PLS-SEM), which allows testing causal relationships between latent variables as well as direct and indirect effects. The data analyzed is secondary data obtained from Bloomberg terminals, with data processing done systematically to obtain valid and reliable results.

The results show that ESG disclosure has no direct effect on firm value, but shows a significant indirect effect through profitability. Specifically, environmental disclosure has a significant negative effect on firm value, but has a significant positive effect on firm value when mediated by profitability. On the other hand, social disclosure does not show a significant effect, either directly or indirectly on firm value. Governance disclosure is proven to have a significant effect on firm value, but profitability is not a mediating variable in the relationship. The control variables show that firm size and liquidity have a significant negative effect on firm value, while leverage has a significant positive effect.

Keywords: ESG Disclosure, Profitability, Firm Value, Firm Size, Leverage, Liquidity.