

ABSTRACT

This study uses a quantitative approach to examine the effect of ESG disclosure and profitability on the risk of financial distress, with firm value as a mediating variable. The objects of this study were non-financial companies listed on the Indonesia Stock Exchange (IDX) between 2022 and 2024. The data used were secondary data obtained from annual reports, sustainability reports, and officially published financial reports. The sampling technique used a purposive sampling method with the criteria being companies that consistently publish ESG reports and have complete financial data. The ESG disclosure variable was measured using the ESG disclosure index, profitability was measured by Return on Assets (ROA), firm value was measured by the Tobin's Q ratio, and financial distress risk was measured using the Altman Z-Score model. This study processed data from 210 companies that met the established sample criteria. The results of the regression analysis showed that ESG disclosure had a significant negative effect on the risk of financial distress, meaning that companies with higher ESG disclosure tend to have a lower risk of financial distress. Profitability also had a negative effect on financial distress, indicating that more profitable companies are more financially stable. However, ESG disclosure did not significantly impact firm value, while profitability showed a positive effect on firm value, with more profitable firms tending to have higher values. Finally, firm value negatively impacted financial distress, indicating that firms with higher values were more financially stable and better able to avoid the risk of financial distress. Based on the analysis results, H1 is rejected because ESG Disclosure has no significant effect on the risk of financial distress. H2 is accepted because profitability is proven to have a significant negative effect on financial distress. H3 is rejected because ESG Disclosure has a negative effect on firm value. H4 is accepted because profitability has a significant positive effect on firm value. H5 is accepted because firm value has a significant negative effect on financial distress. Furthermore, H6 and H7 are accepted because firm value is proven to mediate the effect of ESG Disclosure and profitability on financial distress based on a significant Sobel test.

Keywords: ESG Disclosure, Profitability, Firm Value, Financial Distress, Non-Financial Firms.