

ABSTRACT

Firm value is an important indicator that reflects market perceptions of a company's prospects and sustainability, particularly in the manufacturing sector, which has significant environmental and social impacts. With the increasing attention to sustainability practices, Environmental, Social, and Governance (ESG) disclosure has become an important factor considered by investors and stakeholders in assessing corporate quality. However, empirical findings regarding the effect of each ESG dimension on firm value remain inconsistent, and limited studies have examined the role of profitability as a mediating mechanism in this relationship. Therefore, this study aims to analyze the effect of environmental, social, and governance disclosures on the firm value of manufacturing companies listed on the Indonesia Stock Exchange during the 2022–2024 period, as well as to examine the role of profitability as a mediating variable.

This study employs a quantitative approach with a population consisting of all manufacturing companies listed on the Indonesia Stock Exchange from 2022 to 2024. All data were obtained from Bloomberg. Using purposive sampling, 55 manufacturing companies were selected, resulting in a total of 111 observations that met the sample criteria. Firm value is measured using Tobin's Q , while profitability is proxied by Return on Assets (ROA). Data analysis was conducted using panel data regression and mediation testing through path analysis to examine both direct and indirect effects among variables.

The results of the path analysis indicate that profitability mediates the effect of environmental disclosure on firm value and also mediates the effect of governance disclosure on firm value, as the indirect effects through profitability are more dominant than the direct effects. Meanwhile, profitability does not mediate the effect of social disclosure on firm value, since the direct effect is greater than the indirect effect. These findings support Stakeholder Theory, which suggests that companies capable of fulfilling stakeholder interests through effective ESG practices can improve financial performance, ultimately enhancing firm value. This study highlights the importance of environmental and governance dimensions in creating firm value through the mechanism of increased profitability.

Keywords: Environmental Disclosure, Social Disclosure, Governance Disclosure, Profitability, Firm Value, Stakeholder Theory, Manufacturing Companies.