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Valuing Companies Through Environment, Social, Governance: The Role of Company Reputation and Financial Performance as Mediating Variables in Companies Listed on the IDX

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ABSTRACT

The ESG framework is an important sustainability strategy that companies can easily integrate into their management practices. This framework supports responsible governance and aims to create long-term value. This study will analyze how ESG components affect corporate performance, reputation, and overall company value. Although previous research has provided various findings on the relationship between ESG and corporate value, this study focuses on clarifying these inconsistencies. We analyzed 39 public companies that disclosed their ESG performance from 2019 to 2023. Using statistical analysis with Smart PLS Version 4, we found that environmental and governance aspects significantly influence financial performance. In addition, our observations show that corporate governance, reputation, and financial performance play an important role in increasing company value. Specifically, this study proves that financial performance acts as an intermediary variable between the environment and governance on company value. This study provides valuable implications for managers, emphasizing the importance of promoting corporate governance, financial performance, and reputation. By focusing on these key areas, companies can effectively increase corporate value, achieve sustainability, and build corporate reputation.

Keywords: ESG, Company Reputation, Financial Performance, Firm Value.

JEL Code: G32, M14, G34, Q56

I. Introduction

The Sustainable Development Goals (SDGs) represent a global initiative that fosters improved quality of life through economic development while supporting environmental sustainability. This framework was established on September 25, 2015, with the participation of 194 countries, including Indonesia, and serves as a shared agenda to address issues such as poverty, inequality, and climate change. The Indonesian government has reaffirmed its commitment to the SDGs by issuing Presidential Regulation No. 59 of 2017, which outlines implementation strategies to achieve these goals. Additionally, the OJK has developed a Long-Term Sustainable Finance Roadmap for the period 2015 to 2024, and the obligation for Public Companies to



submit Sustainability Reports is regulated in OJK Regulation No. 51/POJK.03/2017, which pertains to the Implementation of Sustainable Finance for Financial Services Institutions and Public Companies. A press release from the Indonesia Stock Exchange (IDX) emphasized a significant increase in the number of listed companies that have published Sustainability Reports in Indonesia. As of December 2024, 882 listed companies—representing 94% of the total companies on the IDX—had published Sustainability Reports for the 2023 reporting year (IDX, 2025). This significant achievement deserves recognition and further analysis of the disclosure quality in these reports and their impact on companies' quality and long-term sustainability. The Financial Services Authority (OJK) noted an increase in public awareness of environmental, social, and governance (ESG) issues during the Covid-19 pandemic, which has contributed to an increased focus on ESG investing (Sari, 2021).

ESG, which stands for Environmental, Social, and Governance, combines Corporate Social Responsibility (CSR) and Good Corporate Governance (GCG) elements. ESG emphasizes companies' efforts to create a positive environment, improve social relations, and achieve effective governance. By integrating ESG principles into their business activities and strategic objectives, companies aim to ensure long-term sustainability. The impact of environmental damage is becoming increasingly apparent and seriously threatens business continuity. Implementing Environmental, Social, and Governance (ESG) initiatives can significantly affect a company's profits and reputation. Investors consider a company's commitment to ESG principles when deciding on long-term investments. They view these practices as crucial for future success. The paradigm of sustainability is a theme that is constantly evolving and changing dynamically, so its relevance needs to be tested empirically. For researchers and academics, it is important to participate in researching the achievements in this area. For investors, maximizing prosperity is the goal to be achieved. The implementation of ESG is expected to enhance shareholder prosperity and increase the value of their investments. Theoretically, applying ESG concepts can minimize the risk of corporate failure, increase revenue, and enhance corporate reputation.

Research analyzing the impact of ESG implementation on corporate financial performance and value shows inconsistent results. Previous research has revealed negative and positive impacts, with no significant impacts. Several studies have shown no impact of ESG on corporate performance (Putri & Puspawati, 2023; Putri & Puspawati, 2023; R. Utami & Falah, 2025). Research conducted by Nareswari et al. (2023) and Lubis & Rokhim (2021) shows a negative relationship between ESG and corporate performance. A positive relationship between ESG and corporate performance is evident globally, as evidenced by research conducted by Qu and Zhang (2023) in China and Makhdalena et al. (2023) in Southeast Asia. Examining the relationship between ESG disclosure and investor perceptions in research conducted by Negara et al. (2024) and Putri & Puspawati (2023) showed no significant impact. These results are inconsistent with the results of research (Ida Ayu Putri & Devi, 2024) and (Nareswari et al., 2023), which showed a negative relationship, and the results of research (Kartikasary et al., 2023) in the Southeast Asia region and research (Alareeni & Hamdan, 2020) on US S&P 500 listed companies, which showed a positive relationship. Further exploring these inconsistent results, several studies have examined the relationship between ESG and both Company Performance and Company Value through the lens of Corporate Reputation Variables (Alareeni & Hamdan, 2020), (Afifah et al., 2021) found that Corporate Reputation positively influences Company Value. It also showed that the sustainability aspects affect Company Value through corporate reputation. However, the results indicate that corporate reputation does not mediate the impact of sustainability aspects on Company Value. Other results shown by (Alareeni & Hamdan, 2020) and (Jao et al., 2024) concluded that Corporate Reputation cannot mediate the influence of sustainability aspects on Company Value, and Financial Performance can mediate the influence of sustainability aspects on Company Value. This study aims to provide empirical evidence regarding Corporate Value through the lens of ESG components. This includes a detailed analysis of the Environmental, Social, and Governance components of Corporate Value. Building upon prior research that has produced inconsistent results, this study also seeks to uncover pathways through which ESG impacts Corporate Value, particularly through intermediary variables such as Financial Performance and Corporate Reputation. The goal is to determine the influence of each ESG component on Corporate Value. Furthermore, this study examines the

relationships between each component of Environmental, Social, and Governance (ESG) factors and Corporate Value, both directly and indirectly, through Financial Performance and Corporate Reputation. The expected findings will offer theoretical validation and emphasize the significance of ESG activities in enhancing Corporate Value. These results will help company managers create effective ESG policy plans. They can focus on initiatives that truly enhance Corporate Value.

II. Literature Review and Hypothesis Development

2.1. ESG

ESG, which stands for Environmental, Social, and Governance, is a crucial framework for assessing how companies fulfill their responsibilities in these areas (Suripno, 2025). It consists of three key aspects:

- a. The Environmental aspect evaluates a company's environmental impact, including energy consumption, resource conservation, and waste management.
- b. The Social aspect focuses on the company's interactions with communities, employees, and other stakeholders, addressing employment policies and social contributions.
- c. The Governance aspect examines the effectiveness of leadership, including business ethics, legal compliance, and transparency.

These aspects reflect a company's commitment to responsible and sustainable business practices.

2.2. Stakeholder Theory

Stakeholder Theory was introduced by Edward Freeman, an American philosopher, in 1984. It says that a company should take responsibility not just to its shareholders (owners) but also to everyone who can affect or be affected by what the company does (Freeman et al., 2010). This theory suggests that a company can achieve sustainability by addressing the interests of all stakeholders, both internal (employees, management, owners, investors) and external (suppliers, customers, government, community). Each Stakeholder connected to the company has different interests. A sustainability report shows the company's performance in Environmental, Social, and Governance (ESG) areas. This report meets the needs of stakeholders for company performance information.

2.3. Legitimacy Theory

Legitimacy Theory suggests that a company must align its operations with prevailing social norms and values to gain acceptance and legitimacy. By adhering to these standards, organizations can build trust and approval from stakeholders, which is crucial for their long-term success (Deegan, 2000). Disclosing social aspects, which reflect a company's social performance, is crucial in establishing connections with employees and the surrounding community. The stronger these relationships are, the greater the company's legitimacy and recognition from society.

2.4. Reputation

Corporate reputation represents a vital asset that significantly influences public perception of a company. It is crucial in securing the resources necessary for growth and sustainability. By prioritizing Environmental, Social, and Governance (ESG) performance, companies can effectively show their commitment to sustainability while addressing the interests of various stakeholders. Strong ESG practices enhance a company's reputation, provide a competitive advantage, and facilitate funding from banks. While

research examining the relationship between ESG performance and corporate reputation is still evolving, existing studies indicate that positive ESG initiatives considerably enhance a company's reputation, such as those by Meng et al. (2023) and Reichelt & Pires (2025). Based on the theories and previous studies, the hypotheses in this research are as follows: Corporate reputation is influenced by Environmental disclosure (E). Corporate reputation is influenced by Social disclosure (S). Corporate reputation is influenced by Governance disclosure (G).

2.5. Signal Theory

Signal Theory states that the information provided is helpful to investors because it can serve as a signal reflecting the company's condition. These signals explain the efforts undertaken by company management to meet investor expectations (Brigham & Joel F. Houston, 2013). Financial reports disclose a company's financial performance, including its financial position, profitability, and other financial metrics. This information can provide signals about the company's condition. A reliable financial position and increasing profitability reflect positive signals from the company. This information is necessary for investors because investment maximizes investor welfare and increases the company's share price.

2.6. Financial Performance

Financial performance is an analysis conducted to determine the extent to which a company has implemented financial management rules properly and correctly (Hutabarat & Puspitasari, 2020). Companies that achieve good financial performance will gain more trust from the public, making it easier to develop the company. Financial ratios are measures used to assess a company's performance. The ability to generate profits can be measured using profitability ratios. One such profitability ratio is ROA (Return on Equity). This ratio measures a company's ability to generate profits relative to its total assets. It measures how much profit is generated using the company's assets.

2.7. ESG and Its Impact on Financial Performance

Implementing ESG aspects in company operations is part of a broader strategy to ensure business sustainability. Environmental performance refers to the company's efforts to minimize the negative impact of its operations on the environment. By preserving the environment, companies contribute to the well-being of future generations, especially as environmental degradation—such as global warming, climate change, air pollution, and the use of non-renewable energy—becomes increasingly evident. The implementation of social aspects is reflected in the company's interactions with employees, customers, suppliers, and the surrounding community. Through effective communication, companies can demonstrate their social responsibility to broader stakeholders. A company is composed of various elements, each with different interests. Implementing Environmental, Social, and Governance (ESG) principles indicates that the company is committed to addressing stakeholder interests in a structured and transparent manner.

ESG implementation strategies can influence a company's financial performance. Although ESG-related activities often incur non-operational costs that may reduce short-term profitability, they can also yield long-term benefits. Effective ESG practices can address the needs of both internal and external stakeholders. Products and services developed with ESG considerations are more likely to gain consumer trust and loyalty. This can lead to increased sales and revenue, ultimately improving profitability. This hypothesis is supported by research conducted by Triyani et al. (2020) and Makhdalena et al. (2023). Based on those theories and previous research, the hypotheses in this study are as follows: Financial performance (ROA) is influenced by Environmental disclosure (E). Financial performance (ROA) is influenced by Social disclosure (S). Financial performance (ROA) is influenced by Governance disclosure (G).

2.8. Company Value

Maximizing company value is the primary goal of every business. One method commonly used to assess company value is the Tobin's Q ratio, which measures a company's value by considering both tangible and intangible assets (Dzahabiyya et al., 2020). A company's effectiveness and efficiency can be reflected in its ability to utilize all its assets and resources. This ratio is more rational because it incorporates liabilities into the company's assets. The growing environmental issues have heightened public awareness and concern about sustainability. Investors, likewise, are becoming more cautious and tend to secure their investments by choosing companies with strong ESG (Environmental, Social, and Governance) performance. A company's solid ESG performance can reduce risks, support financial stability, and help maintain its reputation. These ESG-related efforts are often disclosed in the Annual Reports and Sustainability Reports. Stakeholder and Signal Theory offer functional perspectives explaining the link between ESG performance and company value. However, empirical findings remain inconsistent. Several studies—such as those by Negara et al. (2024), Putri & Puspawati (2023), and R. Utami & Falah (2025)—found no significant effect of ESG on firm value. In contrast, research conducted outside of Indonesia, including by Makhdalena et al. (2023) in Southeast Asia and Alareeni & Hamdan (2020) on 500 companies listed on the U.S. Stock Exchange, found a positive relationship between ESG performance and firm value. This study seeks to examine the influence of ESG on firm value, particularly through each component of ESG. It proposes the following hypotheses: Firm value (Tobin's Q) is influenced by Environmental disclosure (E). Firm value (Tobin's Q) is influenced by Social disclosure (S). Firm value (Tobin's Q) is influenced by Governance disclosure (G).

2.9. Reputation and Company Performance as Mediating Factors

Signaling Theory and Legitimacy Theory underpin the relevance of corporate disclosures presented in Annual and Sustainability Reports. These reports convey information that may send positive or negative signals to investors. Investors interpret these signals when deciding whether to retain, increase, or withdraw their investments. Companies with strong ESG performance typically gain a favorable reputation, encouraging investors to place their trust in them. The positive relationship between reputation and company value has been supported by research conducted by Afifah et al. (2021) and Qonita et al. (2022). Likewise, the influence of financial performance on firm value is supported by studies from R. Utami & Falah (2025) and Prena & Muliawan (2020). This study also aims to assess the impact of company reputation and financial performance on firm value, proposing the following hypotheses: Firm value (Tobin's Q) is influenced by company reputation. Firm value (Tobin's Q) is influenced by company performance.

2.10. Reputation as a Mediating Variable

The inconsistent results regarding the direct relationship between ESG performance and company value open opportunities to explore indirect relationships—specifically, the mediating role of company reputation. Some research, such as Jao et al. (2024), has tested this mediating role but found results that contradict theoretical expectations. However, companies that successfully implement ESG principles in alignment with Stakeholder Theory and Legitimacy Theory are likely to enhance their corporate reputation. Trust built through corporate reputation can encourage stakeholders to invest in companies demonstrating strong ESG performance. Accordingly, the following hypotheses are proposed to reassess the role of corporate reputation as a mediating variable: Firm value (Tobin's Q) is influenced by Environmental disclosure (E), with corporate reputation as a mediating variable. Firm value (Tobin's Q) is influenced by Social disclosure (S), with corporate reputation as a mediating variable. Firm value (Tobin's Q) is influenced by Governance disclosure (G), with corporate reputation as a mediating variable.

2.11. Financial Performance as a Mediating Variable

Further exploration is required to confirm the relationship between ESG and firm value, particularly by considering financial performance as a potential mediating channel. ESG practices, which are non-operational, often involve short- and long-term costs. These costs may impact a company's profitability. From an investor's perspective, profitability is a key concern, as it offers direct and easily interpretable information compared to ESG performance assessments. While research by R. Utami & Falah (2025) failed to confirm financial performance as a mediator between ESG and firm value, a study by Jao et al. (2024) successfully demonstrated that financial performance plays a significant mediating role in this relationship. Thus, this study proposes the following hypotheses: Firm value (Tobin's Q) is influenced by Environmental disclosure (E), with financial performance (ROE) as a mediating variable. Firm value (Tobin's Q) is influenced by Social disclosure (S), with financial performance (ROE) as a mediating variable. Firm value (Tobin's Q) is influenced by Governance disclosure (G), with financial performance (ROE) as a mediating variable.

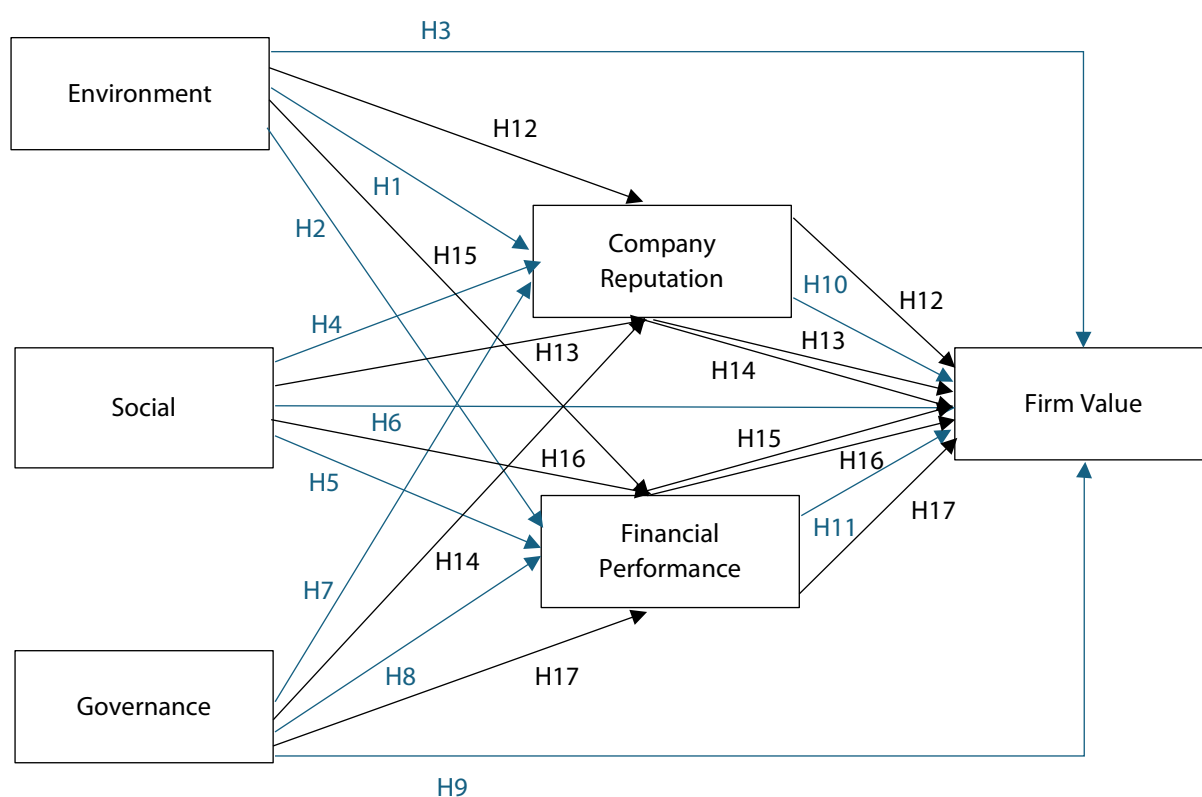


Figure 1. Conceptual Framework

III. Research Method

This study seeks to provide evidence for Financial Management Theory, which underlies the direct and indirect link between Corporate Value and Environmental, Social, and Governance Performance. This study differs from previous studies, which primarily linked ESG to financial and economic criteria such as profitability ratios. Based on each aspect, this study seeks to interpret Corporate Value through ESG performance in more detail. This study also examines the indirect relationship between ESG and corporate value by combining non-financial variables, corporate reputation, and financial variables, such as profitability. These two variables are considered more practical for assessing a company's ESG performance than quantitative calculations of ESG disclosure in establishing Corporate Value. The research method used is quantitative associative research, which tests the relationship between variables using an empirical approach

by analyzing the company's annual and sustainability reports. According to Sugiyono (2018), associative research aims to determine the relationship between two or more variables. This study has three types of variables: independent variables, intervening variables, and dependent variables.

The Financial Services Authority (OJK) observed an increase in public awareness of environmental, social, and governance (ESG) aspects throughout the COVID-19 pandemic, so the period from 2019 to 2023 was selected because it is the period when investor attention to ESG began to show an increase (Sari, 2021). BNP Paribas Global conducted a survey showing a 20% increase in investor interest in ESG-based products since the COVID-19 pandemic (Sari, 2021). The population in this study consists of companies with ESG performance based on measurements made by the BGK Foundation. The BGK Foundation (Bumi Global Karbon Foundation) focuses on improving corporate sustainability performance and ESG reporting (Environmental, Social, and Governance). The sample was determined according to Table 1—Determination of Purposive Sampling below.

Table 1. Determination of Purposive Sampling

Description	Sample
Companies included in the ESG Disclosure Score Calculation through the BGK Foundation's Sustainability Reporting analysis	196
Companies not included in the Publicly Listed Companies group	(50)
Companies for which ESG Disclosure scores were unavailable for the consecutive years 2019–2023	(107)
Research Sample	39
Total Observations (39 Companies x 5 Years)	585

The data for this study is drawn from secondary sources, specifically the company's Annual Report and Sustainability Report over the five years from 2019 to 2023. These reports were sourced from the official website of the Indonesia Stock Exchange (IDX) at www.idx.co.id and the company's website. In addition, the ESG Disclosure Calculation Score is informed by data released by the BGK Foundation, available at www.bgkfoundation.org/id/esg.

3.1. Research and Operational Definitions of Variables

This study includes independent variables, dependent variables, and intervening variables. The independent variable in this study is ESG, which is represented by Environmental (E), Social (S), and Governance (G) aspects. The dependent variables are Firm Value and Financial Performance. The intervening variable is Corporate Reputation. This is a manifest variable, meaning it can be directly observed and measured. Each variable is measured using a quantitative approach as follows:

Table 2. Definition and Measurement of Variabel

Variable	Definition	Measurement
Environment (E) Social (S), Governance (G)	Disclosure of activities related to the company's efforts in environmental protection, social relations, and corporate governance.	ESG Disclosure Score based on Sustainability Reporting analysis to determine the level of ESG transparency using ESG factors deemed relevant by the BGK Foundation Source : www.bgkfoundation.org/id/esg
Firm Value = FV	A ratio to assess investor perceptions of a company's	Tobin's Q = $\frac{VMS+D}{TA}$

Variable	Definition	Measurement
	success, often associated with share prices.	VMS = Value Market Share or Number of shares multiplied by the market price of the shares TA = Total Assets D = Total Debt Source : IDX - Annual Report https://www.idx.co.id/id/perusahaan-tercatat/laporan-keuangan-dan-tahunan
Firm Performance (Return On Asset = ROA)	A ratio to assess the company's ability to generate profit during a specific period (Kasmir, 2010).	$ROA = \frac{\text{Net Profit}}{\text{Total Asset}}$ Source : IDX - Annual Report https://www.idx.co.id/id/perusahaan-tercatat/laporan-keuangan-dan-tahunan
Company Reputation	A standard for selecting companies that apply Sustainable and Responsible Investment (SRI) principles, including environmental, social, and governance (ESG).	Categories included in the Sustainable and Responsible Investment Stock Index (SRI-KEHATI). Source : IDX – Indeks SRI-KEHATI https://www.idx.co.id/id/data-pasar/data-saham/indeks-saham/

Data analysis using the Smart PLS 4 program. PLS (Partial Least Squares) is a compelling analysis method because it eliminates the assumptions that must be met in the OLS (Ordinary Least Squares) Regression method, such as data must be normally distributed (Pering, 2021). Innovative PLS software is built based on non-parametric assumptions, so it can be used for data that is not normally distributed (Sayyida, 2023). Hypothesis testing with the Smart PLS program can be seen from the P-value results. The relationship variable is said to influence significantly whether the P-value is less than 0.05.

IV. Results and Discussion

4.1. Descriptive Statistics

Descriptive statistical analysis provides an overview or description of the studied variables by examining the minimum, maximum, average, and standard deviation values. The following table3 shows the results of the descriptive statistics:

Table 3. Statistic Descriptive

Variable	Mean	Median	Minimum	Maximum	Standard Deviation
Environment (E)	44.559	34.000	3.000	99.000	30.271
Social (S)	40.800	34.000	2.000	98.000	26.127
Governance (G)	46.256	36.000	8.000	98.000	25.820
Reputation	0.364	0.000	0.000	1.000	0.481
Return on Assets (ROA)	5.211	3.000	-9.840	45.400	7.325
Tobin's Q	1.227	0.980	0.530	10.570	0.960

4.2. Statistics Reports

Validity is measured using the Outer Model (Ghozali & Latan, 2020, p. 73). Outer Model Test Results in Table 3. The construct is good if the Cronbach's Alpha value is above 0.7. The test results in Table 3 show that the calculated constructs show a value of 1 or greater than 0.7, which meets the measurement criteria. The calculation result is one because the model only has a single formative construct, or it can also be said that it is a manifest variable that can be measured directly.

Table 4. Outer Loading Value

Variable	Indicator	Outer Loading
Independent	Environment (E)	1.000
Independent	Social (S)	
Independent	Governance (G)	
Independent / Mediating	Return on Assets (ROA)	
Independent / Mediating	Reputation	
Dependent	Tobin's Q	

4.3. Inner Model

The model's overall relationship between the independent and dependent variables is determined using the R-squared value.

Table 5. R-Square and Adjusted R-Square Values

Variable	R-Square	Adjusted R-Square
Reputation (REP)	0.020	0.005
Return on Assets (ROA)	0.057	0.043
Tobin's Q (TOBIN)	0.239	0.219

The R-Square value of 0.020, or 2%, indicates that the independent variables E (Environment), S (Social), and G (Governance) in this research model influence the dependent variable Corporate Reputation by 2%. In comparison, other factors influence the remaining 98%. Meanwhile, ROA, which acts as an independent variable in its intervening structure, yields an Adjusted R-Square of 0.043, or 4.3%. This means that Corporate Reputation is influenced by the Disclosure variables E (Environment), S (Social), and G (Governance), while other factors influence the remaining 95.7%. The Tobin's Adjusted R-Square value of 0.219, or 22%, indicates that the Firm Value variable, as measured by the Tobin Ratio, is influenced by the Reputation and Corporate Performance variables by 22%. In comparison, the remaining 78% is influenced by external factors other than Corporate Reputation and Financial Performance.

4.4. Hypothesis Testing

Hypothesis testing using the innovative PLS program can be determined from the P-value results. The test criteria for a relationship between the independent and dependent variables are a P-value <0.05. The results of the T-statistic and P-value tests for the Direct Effect are shown in Table 6 below:

Table 6. Direct Effects Hypothesis Testing

Path	Original Sample (O)	T Statistics	P Values
Environment → Reputation (E → REP)	-0.153	1.857	0.063
Environment → ROA (E → ROA)	0.458	2.642	0.008
Environment → Tobin's Q (E → TOBIN)	0.098	0.692	0.489
Governance → Reputation (G → REP)	0.150	1.513	0.130
Governance → ROA (G → ROA)	-0.472	2.991	0.003

Governance → Tobin's Q (G → TOBIN)	-0.278	2.298	0.022
Social → Reputation (S → REP)	0.013	0.139	0.890
Social → ROA (S → ROA)	0.153	0.853	0.393
Social → Tobin's Q (S → TOBIN)	0.067	0.414	0.679
Reputation → Tobin's Q (REP → TOBIN)	0.428	4.429	0.000
ROA → Tobin's Q (ROA → TOBIN)	0.415	5.908	0.000

The hypothesis testing results for the direct effects presented in Table 6 are explained as follows:

4.4.1. Hypothesis Testing of the Effect of the Independent Variable Environment (E) on Company Reputation, Financial Performance, and Value. Company Reputation is influenced by Environmental Disclosure (E).

The p-value of 0.063 is greater than 0.05, indicating that Environmental Disclosure (E) has no significant effect. Therefore, Environmental Performance (E) does not influence Company Reputation, and H1 is rejected. Company Performance (ROA) is influenced by Environmental Disclosure (E).

The p-value of 0.008 is less than 0.05, indicating that Environmental Disclosure (E) has a significant effect. The coefficient value of 0.458 shows a positive impact, meaning Environmental Performance (E) positively influences Company Performance (ROA), and H2 is accepted. Company Value (Tobin's Q) is influenced by Environmental Disclosure (E).

The p-value of 0.489 is greater than 0.05, suggesting that Environmental Disclosure (E) does not significantly affect Company Value. Hence, H3 is rejected.

4.4.2. Hypothesis Testing of the Effect of the Independent Variable Social Aspect (S) on Company Reputation, Financial Performance, and Company Value. Company Reputation is influenced by Social Disclosure (S).

The p-value of 0.890 is greater than 0.05, indicating that Social Disclosure (S) has no significant impact. Thus, Social Performance (S) does not affect Company Reputation, and H4 is rejected. Company Performance (ROA) is influenced by Social Disclosure (S).

The p-value of 0.393 is greater than 0.05, indicating an insignificant effect. Consequently, Social Performance (S) does not influence Company Performance, and H5 is rejected. Company Value (Tobin's Q) is influenced by Social Disclosure (S).

The p-value of 0.679 is greater than 0.05, which means Social Performance Disclosure (S) has no significant effect. Therefore, H6 is rejected.

4.4.3. Hypothesis Testing of the Effect of the Independent Variable Governance (G) on Company Reputation, Financial Performance, and Company Value. Company Reputation is influenced by Governance Disclosure (G).

The p-value of 0.130 is greater than 0.05, indicating that Governance Disclosure (G) has no significant impact. As a result, Governance Performance (G) does not affect Company Reputation, and H7 is rejected. Company Performance (ROA) is influenced by Governance Disclosure (G).

The p-value of 0.003 is less than 0.05, showing a significant effect. The coefficient value of -0.472 indicates that Governance Disclosure (G) hurts Company Performance (ROA), and H8 is accepted. Company Value (Tobin's Q) is influenced by Governance Disclosure (G).

The p-value of 0.022 is less than 0.05, indicating a significant relationship. The coefficient value of -0.278 suggests a negative impact, meaning Governance Performance (G) influences Company Value, and H9 is accepted.

4.4.4. Hypothesis Testing of the Effect of Company Reputation and Financial Performance on Company Value. Company Reputation influences Company Value (Tobin's Q).

The p-value of 0.000 is less than 0.05, indicating a significant impact. The coefficient value of 0.428 suggests a positive effect, meaning Company Reputation positively influences Company Value. Therefore, H10 is accepted. Company Value (Tobin's Q) is influenced by Company Performance (ROA). The p-value of 0.000 is less than 0.05, confirming a significant impact. The coefficient value of 0.415 indicates a positive influence, meaning Company Performance affects Company Value. Hence, H11 is accepted.

The results of the T-statistics and P-values for indirect effects are presented in Table 7 below:

Table 7. Hypothesis Testing of Indirect Effects

Path	Original Sample	T Statistics	P Values
E → ROA → TOBIN	0.190	2.455	0.014
E → REP → TOBIN	-0.065	1.619	0.106
S → ROA → TOBIN	0.063	0.808	0.419
S → REP → TOBIN	0.005	0.132	0.895
G → ROA → TOBIN	-0.196	2.533	0.011
G → REP → TOBIN	0.064	1.281	0.200

The hypothesis testing of the indirect relationship between the independent variable, mediating variable, and dependent variable in Table 7 is explained as follows:

4.4.5. Hypothesis Testing: The Effect of the Independent Variable Environment (E) on Firm Value Through the Mediating Variables of Firm Reputation and Financial Performance. Firm Value (Tobin's Q) is influenced by Environmental Disclosure (E) through the mediating variable of Firm Performance (ROE).

The p-value of 0.014 is less than 0.05, indicating that Environmental Disclosure significantly affects Firm Value (Tobin's Q) through Firm Performance (ROE). The coefficient value of 0.190 suggests a positive indirect effect. This means that environmental disclosure (E) positively influences firm value (Tobin's Q) through the mediation of firm performance (ROE), and therefore, H12 is accepted. Firm Value (Tobin's Q) is influenced by Environmental Disclosure (E) through the mediating variable of Firm Reputation. The p-value of 0.106 is greater than 0.05, indicating that Environmental Disclosure (E) does not significantly affect Firm Value (Tobin's Q) through Firm Reputation. Hence, Environmental Disclosure does not influence Firm Value through Reputation mediation, and H13 is rejected.

4.4.6. Hypothesis Testing: The Effect of the Independent Variable Social (S) on Firm Value Through the Mediating Variables of Firm Reputation and Financial Performance. Firm Value (Tobin's Q) is influenced by Social Disclosure (S) through the mediating variable of Firm Performance (ROE).

The p-value of 0.419 is greater than 0.05, meaning Social Disclosure (S) does not significantly affect Firm Value (Tobin's Q) through Firm Performance (ROE). Therefore, H14 is rejected. Firm Value (Tobin's Q) is influenced by Social Disclosure (S) through the mediating variable of Firm Reputation. The p-value of 0.895 is greater than 0.05, indicating that Social Disclosure (S) does not significantly affect Firm Value (Tobin's Q) through Firm Reputation. Thus, H15 is rejected.

4.4.7. Hypothesis Testing: The Effect of the Independent Variable Governance (G) on Firm Value Through the Mediating Variables of Firm Reputation and Financial Performance. Firm Value (Tobin's Q) is influenced by Governance Disclosure (G) through the mediating variable of Firm Performance (ROE).

The p-value of 0.011 is less than 0.05, indicating a significant relationship. The coefficient value of -0.196 shows that Governance Disclosure (G) has an adverse indirect effect on Firm Value

(Tobin's Q) through Firm Performance (ROE). Therefore, H16 is accepted. Firm Value (Tobin's Q) is influenced by Governance Disclosure (G) through the mediating variable of Firm Reputation. The p-value of 0.200 is greater than 0.05, meaning Governance Disclosure (G) does not significantly affect Firm Value (Tobin's Q) through Firm Reputation. Thus, H17 is rejected.

4.5. Discussion

According to Figure 2 below, the results of this research can be discussed as follows :

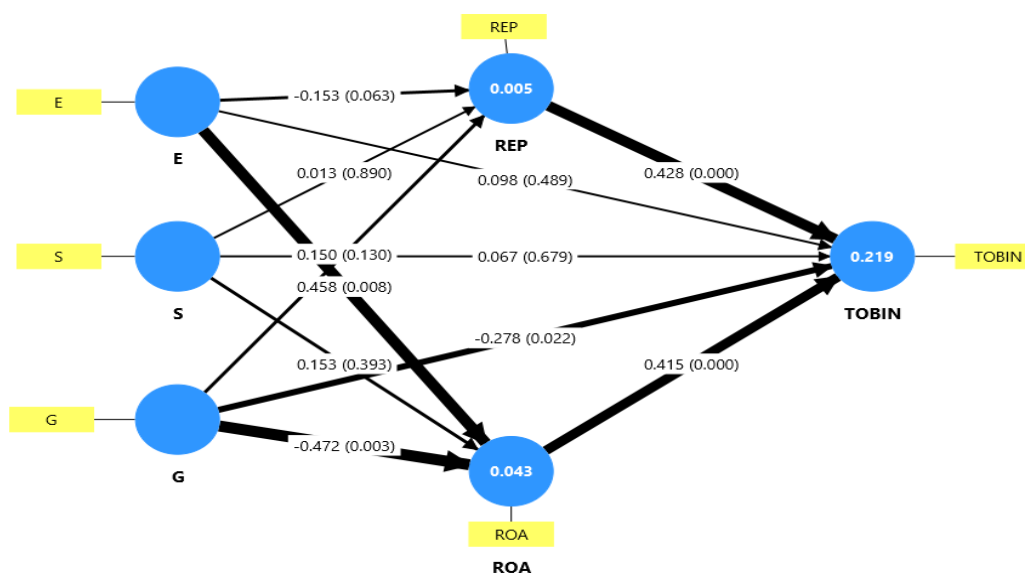


Figure 2. Direct and Indirect Effect Model

4.5.1. The Effect of Environmental Disclosure on Financial Performance, Reputation, and Company Value

- A p-value of less than 0.05 and a coefficient of 0.458 were obtained from testing the relationship between Environmental Disclosure (E) and Company Financial Performance, indicating that Environmental Disclosure (E) positively affects Financial Performance. This finding aligns with research (Pangentas & Prasetyo, 2023).
- Environmental Disclosure (E) does not impact Company Reputation, which is consistent with research (Prasiska et al., 2017).
- Environmental Disclosure (E) does not impact Company Value, consistent with research (Hariyanto & Ghozali, 2024).

These findings indicate that companies that disclose their environmental controls receive a positive response. Companies that care about the environment provide greater value to their products and services, thereby gaining greater public attention and trust. Increased product or service sales can increase company profitability. These results support the Stakeholder Theory, which states that by protecting the environment, management can synergize with stakeholders to achieve sustainable development and growth.

4.5.2. The Effect of Social Disclosure (S) on Financial Performance, Reputation, and Corporate Value

- Social aspects have no impact on corporate reputation. This result supports research by Sejati and Prastiwi (2015), but is inconsistent with research by Meng et al. (2023) in China, which demonstrated a positive relationship between social aspects and corporate reputation.

- b. Social aspects have no impact on corporate financial performance. This result supports research by Sejati and Prastiwi (2015).
- c. Social aspects have no impact on corporate value. This result supports research by Sejati and Prastiwi (2015).

These results indicate that social aspects are not yet a concern for investors. Based on signaling theory, social performance information sends a negative signal because it is considered a non-operational burden for the company, reducing profitability and dividends, which are still key attractions for investors. Meanwhile, in more developed countries, investors and the public pay greater attention to a company's social aspects, so social disclosure positively impacts the company's image in the community. Companies can further enhance social performance disclosure because this can potentially improve the company's reputation. Corporate reputation can lead to increased profitability and company value.

4.5.3. The Effect of Governance Aspect (G) Disclosure on Financial Performance, Reputation, and Company Value

- a. Governance aspects have no impact on the company's reputation. This finding aligns with research by Taufik and Hanifa (2021).
- b. A p-value of less than 0.05 was obtained from testing the relationship between Governance Aspects (G) and Company Financial Performance, with a coefficient of -0.472. This indicates a negative relationship between Governance Aspects and Company Financial Performance. These results align with research by Taufik and Hanifa (2021), Elizabet Desi Astuti and Saring Suhendro (2023), and Nurmansyah et al. (2023).
- c. A p-value of less than 0.05 was obtained from testing the relationship between governance aspects (G) and firm value, with a coefficient of -0.278. This indicates a negative relationship between governance aspects and firm financial value. This finding aligns with research by Taufik and Hanifa (2021), Elizabet Desi Astuti and Saring Suhendro (2023), and Nurmansyah et al. (2023).

Implementing complex governance can create opportunities for conflict and additional costs due to the multi-stakeholder structure. This can be said to impact profitability and firm value negatively. Management is expected to implement quality human resource management to simplify the governance structure, thereby reducing company costs and maximizing corporate profits and value.

4.5.4. The Effect of Reputation on Company Value

A P-value of less than 0.05 was obtained from testing the relationship between reputation and company value performance with a coefficient of 0.428, indicating a positive relationship. These results are consistent with those of (Baah et al., 2020) and (QONITA et al., 2022). In line with Legitimacy Theory, a company's existence is acceptable if it can meet the norms of society. Company reputation indicates that the company meets the norms of society and has a good reputation. To maintain or improve the company's competitive advantage, the strategy used is to maintain the company's reputation. Companies with a good reputation can attract investors and have a positive impact.

4.5.5. The Influence of Financial Performance on Company Value

A P-value of less than 0.05 was obtained from the test of the relationship between financial performance and company value, with a coefficient of 0.415, indicating a positive relationship. Research conducted by R. Utami and Falah (2025) and Prena and Muliawan (2020) yielded results consistent with this study. These results support the Signaling Theory, which argues that information about a company's financial

condition can provide signals to investors. The better the profitability level, the more positive the signal for investors, which can increase company value. Profitability remains the main attraction for investors, which aligns with the owners' goal of maximizing their welfare. Therefore, management is expected to maintain profit growth.

4.5.6. The Influence of Environmental Aspects on Company Value Through the Variables of Reputation and Company Financial Performance

- a. Company reputation did not succeed in becoming an intermediary between environmental aspects (E) and company value. This result aligns with research conducted by Jao et al. (2024).
- b. The P-value of the indirect relationship between Environmental Aspects (E) and Firm Value through Financial Performance is 0.014, which is less than 0.05 with a coefficient of 0.190. This indicates that Financial Performance successfully acts as an intermediary for the positive influence of Environmental Aspects on Firm Value. This finding is consistent with the results of (Surya et al., 2023).

If managed well, controlling the company's impact on the environment can influence stakeholders' trust in products and services, thereby increasing sales and revenue and automatically improving the company's profitability. Profitability can effectively serve as a mediator to maximize investor welfare from an environmental perspective.

4.5.7. The Influence of Social Aspects on Company Value Through Reputation and Financial Performance Variables

- a. Company reputation failed to be an intermediary between the social aspect (S) and company value. This result aligns with the research conducted by Jao et al. (2024).
- b. Financial performance failed to be an intermediary between the social aspect (S) and company value.

4.5.8. The Influence of Governance Aspects on Company Value Through the Variables of Reputation and Company Financial Performance

- a. Company reputation did not succeed in becoming an intermediary between Governance Aspects (G) and Company Value. This result aligns with research conducted by Jao et al. (2024).
- b. The P-value of the indirect relationship between Governance Aspects (G) and Firm Value through Financial Performance is 0.011, less than 0.05, with a coefficient of -0.196, meaning that Financial Performance successfully mediates the negative influence of Environmental Aspects on Firm Value. This finding is consistent with the results of (Virliandita & Sulistyowati, 2023).

Agency theory argues that there are differences in interests between owners (principals) and management (agents), each seeking to protect their interests. The larger the company's size, the more owners need management to implement governance with more people. More complex GCG mechanisms must be adequately fulfilled to protect owners' interests. This can be seen as an increase in management costs that can impact profitability. The welfare of owners stems from profitability, so if there is a decline in profit, the welfare of owners will decline.

V. Conclusion

The research findings on the influence of Environmental, Social, and Governance (ESG) factors on company value, with company reputation and financial performance as intervening variables, in publicly listed companies in Indonesia from 2019 to 2023, show that ESG disclosures have varying impacts. Environmental

(E) disclosure does not influence corporate reputation or company value but positively affects corporate financial performance. The Social (S) aspect does not affect corporate reputation, financial performance, or company value. Meanwhile, the Governance (G) aspect does not influence the company's reputation; instead, it hurts financial performance and company value. Furthermore, company reputation and financial performance have been partially proven to affect company value positively. The results of the indirect relationship test show that company reputation does not serve as a successful mediating variable between the Environmental (E), Social (S), and Governance (G) aspects and company value. On the other hand, financial performance successfully acts as a positive mediating variable between the Environmental (E) aspect and company value, and as a negative mediating variable between the Governance (G) aspect and company value.

Financial performance is not a significant mediating variable between the Social (S) aspect and company value. This study provides empirical evidence of how ESG activities contribute to company value. Although many studies have linked ESG to financial performance, this study contributes to the literature by also examining the impact of ESG on non-financial performance, specifically company reputation. ESG scores, based on descriptive statistical results, are within the range of 40% out of 100%, indicating that ESG performance has not been optimized over the past five years. The government needs to implement further strategies to enhance the quality of ESG implementation in corporate operations and support sustainable development. The findings of this study indicate that investors respond to company value based on aspects of corporate governance, financial performance, and corporate reputation. Company managers can utilize these results to formulate strategic ESG implementation plans and prioritize the variables that have a greater impact on company value formation.

The limitations of this study lie in the measurement of the E, S, and G variables, which are based solely on the extent of disclosure in sustainability reports. Future research is encouraged to use more qualitative measurements to assess the quality of ESG disclosures. Additionally, the number of companies successfully observed using the purposive sampling method is still limited and therefore does not provide a comprehensive picture of ESG disclosure quality. Companies can be classified according to their business sectors for more robust results. Moreover, company reputation could be further explored using ranking-based evaluations. Measuring reputation through rankings would offer a deeper understanding of the quality and perception of corporate reputation.

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