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The Influence of Environmental Social Governance (ESG) Disclosure, Capital Structure, and Financial Performance on Firm Value (A Study on LQ45 Index Companies Listed on the Indonesia Stock Exchange (IDX) in 2020–2023)

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ABSTRACT

The primary objective of this research is to investigate the correlation between ESG disclosure, capital structure, and financial performance on a company's value. Employing quantitative methods, the study adopts a causal approach. Instead of random sampling, a purposive sampling method is used to select 21 companies from the LQ45 index on the Indonesia Stock Exchange between 2020 to 2023, resulting in 84 data points. The findings suggest that ESG disclosure does not significantly impact firm value, while capital structure has a detrimental effect. Additionally, the study indicates that financial performance does not have an influence on firm value. The implications of this research offer valuable insights for companies seeking to enhance their ESG disclosure practices and can serve as a beneficial resource for decision-making processes for investors and management.

Keywords: Environmental Social Governance (ESG) Disclosure, Capital Structure, Firm Value, Financial Performance

1. Introduction

Competition among companies is becoming more intense due to the rapid growth of the global economy. Companies are primarily set up to create added value, particularly in terms of making profits. Economic strategies of companies focus not only on maximising profit, but also on enhancing the company's value to improve overall performance (Fridayanti et al., 2023).

Increasing firm value is the main goal, in addition to increasing owner welfare and maximizing shareholder wealth. The value of the company can rise through fluctuations in stock prices and proficient financial management by the company's leadership in executing its operations (Setiawati & Hidayat, 2023). A company's stock price often mirrors its high valuation, as it indicates the market's view of the company's current and future success.

A phenomenon that occurs in the firm value of international companies is the company Facebook (Meta Platforms, Inc.) which has faced pressure Privacy scandals and user trust issues have caused significant fluctuations in stock prices and created uncertainty among investors. Meta is also no longer among the 20 most valuable US companies. So far this year, the company has lost 70% of its value and 74$ since its peak in September 2021 with a total market capitalization of more than US$730 billion.

The figure reflect the decline in firm value is not limited to giant foreign companies. The phenomenon in Indonesia is that IDX trading is growing positively. Judging from the performance of the Composite Stock Price Index (JCI) which reached the level of 7,272 on December 29, 2023 (Idx.co.id, 2023). The phenomenon of the increase in JCI performance is not directly proportional to the increase in firm value. Such as the decline in shares in PT Unilever Tbk in 2023 even though in 2023 the JCI increased. This drastic decline occurred in the consumer goods sector which showed instability, where Unilever shares fell 7.73% with a closing price of Rp 2,150, the company's decline in share value could not be separated from the influence of company fundamentals and negative sentiment that developed in the market.

The worth of a company is not solely based on conventional financial metrics like earnings and income, but also on non-financial elements such as sustainability, ethical practices, and effective corporate management (Environmental, Social, and Governance). The application of ESG principles has become a major concern (Li et al., 2021). By incorporating socially and environmentally responsible practices, companies can enhance their value. It is crucial for companies to understand and address the effects of their operations on both society and the environment (Yurizka & Murwaningsari, 2024).

Prior research has shown that Environmental, Social, and Governance (ESG) initiatives can enhance a company's value (Baalouch et al., 2019). Furthermore, according to Minggu et al. (2023) discovered that strong performance in ESG factors enhances the value of a company, while shortcomings in ESG criteria can have a negative impact on the firm's overall worth. Meanwhile, according to Kartika et al. (2023) ESG is not proven to have a significant effect on firm value.

In addition to considering the ESG sustainability factor, another important factor in assessing a company's value is its capital structure. Capital structure refers to the mix of long-term funding sources, including debt, equity, preferred stock, and common stock, that a company uses. Making decisions about capital structure is vital for a company. The importance of capital structure is in maintaining a balance between maximizing profits and staying competitive in the business world (Hidayah, 2024).

Using the findings from prior research undertaken by Alifian and Susilo (2024) Implies that the makeup of a firm's capital can positively influence its total value, implying that an increase in the capital structure, as indicated by the Debt to Equity Ratio (DER), may improve the firm's worth. This is in opposition to the findings of prior studies by Susanti et al. (2017) demonstrate that the company's value remains unaffected by the capital structure when assessed through the Debt to Equity Ratio (DER).

Financial performance is another element that impacts the worth of a company.. According to Ulaya and Adi (2024) the relationship between capital structure and financial performance is a subject that is widely studied in the field of finances. The decisions made regarding the company's capital structure can have an impact on its business operations. Financial performance is a measure of the economic objectives that are being or have been achieved by the company. Economic activities that impact a company's performance can serve as a blueprint for implementing a comprehensive economic strategy over a specific duration (Banani & Mindayani, 2023). Based on research conducted by Maria and Semida (2024) states that ROA, which is used to evaluate financial performance, has a beneficial impact on the value of a company. This finding coincides with the results of previous studies (Keter et al., 2023; Bidhari et al., 2013). In contrast to research conducted by Prastyatini and Novikasari (2023) that the overall financial status of a company does not have a substantial impact on its worth.

Therefore, the author is motivated to conduct research on firm value and several factors that influence it. The research will focus on companies that are part of the LQ45 index on the Indonesia Stock Exchange from 2020 to 2023. The primary aim of this study is to examine how disclosing Environmental Social Governance (ESG), capital structure, and financial performance affect the value of companies in the LQ45 index.

2. Literature Review

2.1. Stakeholder Theory

The idea of stakeholder theory was originally introduced by Freeman (1984) with a focus on managerial use. According to stakeholder theory, organisations seek to enhance profits and company worth by meeting the expectations of stakeholders through the identification, evaluation, and assessment of those who are impacted or influenced by the company's operations (A. Setiawati & Hidayat, 2023).

It can be inferred that companies are not solely driven by their own interests, but are also accountable for the well-being of stakeholders, whether internal or external. The prosperity of a business depends heavily on the backing of individuals who influence every facet of the company. In the business realm, sustainability is about a company's ability to survive long-term, both financially and in other ways (Simon et al., 2015).

In stakeholder theory, companies must be responsible to creditors, because companies have obligations that must be fulfilled due to funding from external parties (creditors). creditors will consider the company's ability to pay debt based on the company's reputation in the public eye (Pramana, 2022). Based on stakeholder theory, a high level of corporate debt results in a high level of company risk, so that creditors supervise company activities (Yani & Suputra, 2020).

Various stakeholders have varying demands regarding the financial success of the business, making it crucial for companies to meet these expectations in order to thrive in the long run (Setiawati & Hidayat, 2019). Assessing financial performance is a structured process aimed at determining how well a company is performing in terms of revenue generation and maintaining a stable cash flow. As per stakeholder theory, the triumph of a company is not solely determined by its profits, but also by its capability to fulfill the needs of all involved parties (Setiawati et al., 2023).

2.2. Environmental Social and Governance (ESG)

ESG criteria encompass environmental, social, and governance factors in evaluating sustainability. It involves taking into account these factors when making investment decisions to achieve financially stable outcomes in the long run.

According to Christy (2023) the company can inform stakeholders about their ESG practices by including them in their sustainability report. Sustainability reports detail how companies integrate ESG into their operations. In Indonesia, companies typically follow the disclosure standards outlined by the Global Reporting Index (GRI) when preparing sustainability reports. The ESG rating revealed in this research is determined using the framework provided by the Global Reporting Initiative (GRI).

The ESG measurement carried out by ESGI is guided by the Global Reporting Initiative (GRI). GRI Standards is the best effort in which a framework is established that includes reporting economic, environmental and social impacts to the public through globally recognized standards. GRI has 117 indices which are divided into three pillars, the first environmental consisting of 31 indices, the second social consisting of 36 indices and the third governance consisting of 50 indices (globalreporting.org, 2023).

$$\text{ESG Score} = \frac{Total\ Debt}{Total\ Capital}\ x\ 100\%$$

2.3. Capital Structure

Deciding how a company should structure its capital or manage its debts is vital as it affects how the business secures funding. These choices directly influence the company's value and financial well-being. The Debt to Equity Ratio (DER) is utilised to evaluate the company's capital structure by analysing the ratio of total debt to total equity (Desvalda & Nurmasari, 2024).

According to Dianova and Nahumury (2019) potential investors should be cautious when considering companies with a higher proportion of Debt-to-Equity Ratio (DER), as this could result in a decrease in the company's overall value. The formula for calculating DER is outlined below.

$$\text{Debt to Equity Ratio} = \frac{Total\ Debt}{Total\ Capital}\ x\ 100\%$$

2.4. Financial Performance

According to Bianca and Hwihanus (2024) the company's financial status during a specific timeframe is known as financial performance, and it is a measure of business success. Return on Asset (ROA) is utilised in this research to gauge financial performance (Rahayu et al., 2024). A strong ROA signifies excellent performance, leading to heightened investor interest in the company. Consequently, both the company's market value and share price will rise, resulting in an overall increase in firm value (Prastyatini & Utami, 2024). The ROA formula is outlined below:

$$\text{Return on Asset (ROA)} = = \frac{Net\ Profit}{Total\ Assets} x\ 100\%$$

2.5. Firm value

According to Clark-Murphy and Soutar (2004) the perception of a company by investors in relation to its shares determines its value. This valuation reflects the financial health of shareholders and the future prospects of the company. Hence, the importance of company worth lies in the possibility of enhancing wealth for shareholders.

Tobin's Q is utilised in this study to evaluate the worth of a business. This measure represents the anticipated profits of the company in the future, providing an objective view of the company's growth potential and accurately reflecting its performance (Zhang et al., 2024). The Tobin's Q formula is as follows:

$$\text{Tobin's Q} = \frac{(MVE+DEBT)}{TA}$$

2.6. Hypothesis Development

2.6.1. The Effect of the Company's Environmental Social Governance (ESG) Disclosure on Firm Value

ESG typically encompasses various environmental, social, and corporate governance aspects that may impact a company's ability to execute its business plan and increase its overall worth in the long run (Ningwati et al., 2022). Based on stakeholder theory, companies are responsible not just to their investors but also to the broader society and the surroundings within which they function. Evidencing responsibility towards society and the environment can be accomplished by revealing ESG initiatives.

According to Okalesa et al. (2024) Disclosure of Environmental Social Governance (ESG) highlights a company's efforts to minimise environmental harm, nurture relationships with employees, suppliers, and the community, and uphold regulations for effective corporate governance. Consequently, increased ESG disclosure by companies is likely to enhance their value as the community recognises and appreciates their commitment to serving community interests.

This is evidenced by research from Kartikasary et al. (2023) and Dewi (2023) that Environmental Social Governance (ESG) disclosure has a positive effect on firm value.

H1: The influence of Environmental social governance (ESG) has a positive effect on firm value

2.6.2. The Effect of Capital Structure on Firm Value

The capital structure of a company, which is the ratio between long-term debt and equity, plays a crucial role in determining the ideal blend of capital and debt for a business. According to Yani and Suputra (2020), maintaining a well-balanced capital structure is vital for mitigating corporate risk as too much debt can greatly escalate risk levels. In stakeholder theory, it is imperative for businesses to meet their commitments to creditors as obtaining funding from external sources creates an obligation towards them (Pramana, 2022).

According to Solihati (2023), excessive reliance on debt can pose a threat to a company as it may struggle to break free from the burden of repayment. A company's heavy reliance on borrowed funds for operations indicates a vulnerability to external sources of capital. Consequently, an increase in corporate debt levels could potentially diminish the company's overall value. This is evidenced by research conducted by Dianova and Nahumury (2019). According to the theory, when the degree of leverage in a company increases as shown by the debt-to-equity ratio (DER), the overall value of the company decreases. .

H2: Capital structure negatively affects firm value

2.6.3. The Effect of Financial Performance on Firm value

Financial performance refers to how well a company manages its financial resources to achieve success. It involves evaluating the work done and comparing the results to predetermined criteria. According to Ulaya and Adi (2024) stakeholder theory, a company's success is not solely based on profits, but also depends on meeting the expectations of all involved parties.

According to Fatoni (2020) the higher the company's profit, the more return investors receive, which enhances the company's overall value. Improved financial performance leads to increased returns for shareholders and investors, signaling a stronger firm value as stakeholders' expectations are met.

Moreover, a strong showing in financial terms can serve as a sign of lasting security, potentially drawing in fresh investors and keeping current ones engaged. This has been proven by research conducted by Suyanto and Bilang (2023) which says strong financial performance has a direct impact on the worth of a company, as it offers investors the opportunity to gain high returns on their investments. .

H3: The effect of Financial Kinera has a positive effect on firm value

2.6.4. The Effect of Environmental Social Goveranance (ESG) Disclosure, Capital Structure and Financial Performance on Firm Value

Various factors can influence the total value of a company, including the revelation of Environmental Social Governance (ESG), its financial results, and its financial structure. The revelation of Environmental Social Governance (ESG) encompasses issues concerning environmental practices, social concerns, and corporate governance, and is not just a temporary trend but is also looked upon positively by investors (Fadhali & Purwanto, 2024). Capital structure represents the ongoing financial commitment of a company, showcasing the proportion of long-term debt compared to equity. In situations where a company has considerable debt, the level of funding granted by creditors to the company via debt increases (Kammagi & Veny, 2023).

The success of a company is often measured by its financial performance, which is determined by analysing the information found in the company's financial statements (Hardianti & Latif, 2023). Furthermore, high financial performance indicates good operational efficiency and competitiveness (Firdianto et al., 2023). The greater the financial success, the greater the value of the company, as investors and shareholders are pleased with responsible companies that prioritize stakeholder wealth.

H4: Effect of ESG disclosure, Capital structure and Financial Performance on Firm Value

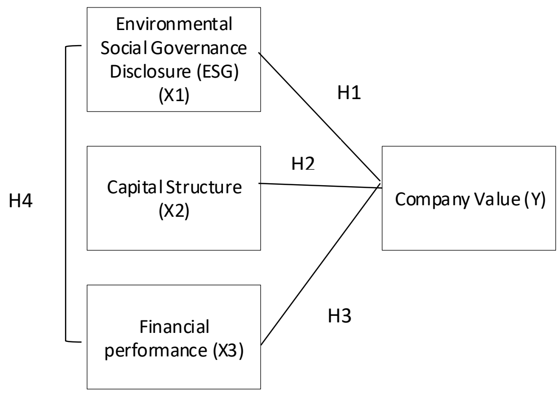

Figure 2. Framework of Thought
Source : Data Processed, 2025

3. Methodology

3.1. Research Type

The study focuses on causal research with an associative viewpoint. This type of research looks at how different variables are connected and influence each other. The goal is to identify which variables have an impact (independent variables) and which are affected by them (dependent variables).

The methodology selected is quantitative in nature, utilising numerical data and statistical tests for analysis. Information is gathered from external sources like reports from different organisations or documents. The process of data collection includes acquiring sustainability reports and annual reports from the official IDX website as well as the company's website.

3.2. Population and Sample

This research primarily looks into the LQ45 Index Companies listed on the Indonesia Stock Exchange from 2020 to 2023. Purposive sampling, a method of non-probability sampling, was used to select the sample. The study included a total of 21 LQ45 Index companies that were listed on the Indonesia Stock Exchange (BEI) during the years 2020 to 2023.

Table 1. List of Research Sample Criteria

No.	Criteria	Total
1	LQ45 indexed companies listed on the Indonesia Stock Exchange (IDX) for the period 2020-2023.	45
2	Companies that are not consistent in the LQ45 Index in the 2020-2023 period.	(19)
3	LQ45 indexed companies that are inconsistent in disclosing sustainability reports or annual reports in the 2020-2023 period.	(5)
	Number of Research Samples	21

Source : idx.co.id processed, 2025

3.3. Data Analysis

This research project utilised a combination of multiple linear regression analysis and descriptive statistics using parametric statistics for data analysis. The software used for analysis was SPSS version 27. The main goal of using multiple linear regression analysis was to investigate how independent variables affect the dependent variable. The analysis aimed to determine if the regression results could provide insights into the connection between environmental, social, and governance (ESG) disclosure, capital structure, financial performance, and firm value (Tobin's Q). The formula for multiple linear regression analysis is outlined below:

$$Y= a + \beta 1\ X1 + \beta 2\ X2 + \beta 3\ X3 + \varepsilon$$

Description:

Y : Firm value
a : Constant β1 β2 β3 : Regression coefficient
X1 : ESG disclosure
X2 : Leverage
X3 : Profitability
ε : Standard error

4. Results and Discussion

4.1. Research Results

4.1.1. Descriptive Statistics

Table 2. Descriptive Statistical Test Results

	N	Minimum	Maximum	Mean	Std. Deviation
ESG	84	,20	,98	58.7500	20.29355
DER	84	,13	690.00	207.4405	213.20353
ROA	84	,-16	45.00	8.3095	9.15591
TOBNQ	84	,77	379.00	151.9048	64.89800
Valid N (listwise)	84				

Source: SPSS V.27 output results

Table 2 displays the ESG disclosure variable, which has an average value of 58.7500. This indicates that many businesses listed on the LQ45 Index have published ESG reports. The data shows a relatively small difference with a standard deviation of 20.29355, lower than the mean. The capital structure ranges from 0.13 to 6.90, with an average of 8.3095 for companies in the LQ45 Index. The data has a high deviation of 9.15591 compared to the average, indicating a significant difference in the capital structure variable.

When it comes to financial results, the range goes from a maximum of 45 to a minimum of -0.16. The mean financial performance for firms in the LQ45 Index stands at 8.3095, with a deviation from the norm of 9.15591. This shows there is a wide range of values in the data set, with a noticeable data deviation as the standard deviation exceeds the average. The least valuable company registers at 0.77, whereas the most valuable reaches 3.79. The typical firm value in the LQ45 Index is 151.9048, with a slight data deviation and a standard deviation of 64.89800, due to the average outpacing the standard deviation.

4.1.2. Classical Assumption Test

The information collected includes quantitative data from three separate factors and one outcome variable, all measured in ratios. To enhance the precision of research results, it is essential to carry out a conventional assumption examination with four key elements: testing for normality, assessing multicollinearity, checking for heteroscedasticity, and evaluating autocorrelation (Ghozali, 2018).

A. Data Normality Test

Table 3. Data Normality Test Results

		Unstandardized Residual
	N	74
Normal Parameters[a,b]	Mean	.0000000
	Std. Deviation	.44701139
Most Extreme Differences	Absolute	.091
	Positive	.091
	Negative	-.074
Test Statistic		.091
Asymp. Sig. (2-tailed)[c]		.200d

Source: SPSS V.27 Output Results

The data presented in table 3 suggest a strong statistical significance based on the results of the one sample Kolmogorov-Smirnov test, with an Asymp. Sig. (2-tailed) value of 0.200 (α> 0.05). .

B. Multicollinearity Test

Table 4. Multicollinearity Test Results

Coefficients[a]			
Model		**Collinearity Statistics**	
		Tolerance	**VIF**
1	ESG	.891	1.123
	DER	.879	1.138
	ROA	.894	1.118

a. Dependent Variable: Y

Source: SPSS 27 output results

Table 4 shows that the VIF value for the independent variables is below 10, and the tolerance value is above 0.10. This suggests that there are no problems with multicollinearity among the independent variables.

C. Heteroscedasticity Test Results

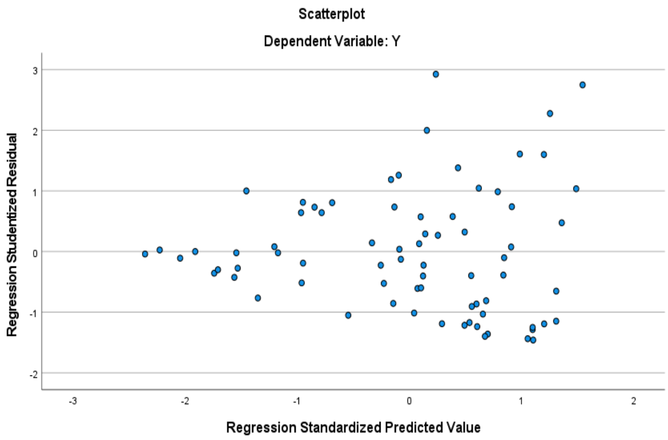

Figure 2. Heteroscedasticity Test Results
Source: SPSS 27 output results

According to the data in Figure 2, there is no distinct trend in the results of the heteroscedasticity test. The points are scattered randomly, appearing both above and below zero on the Y axis. Therefore, it can be deduced that the regression model used in this study does not exhibit heteroscedasticity.

D. Autocorrelation Test

Table 5. Autocorrelation Test Results

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.341[a]	.116	.078	.45649	1.603

a. Predictors: (Constant), X3, X1, X2
b. Dependent Variable: Y

Source: SPSS 27 output results

The result shows that the Durbin-Watson (DW) value is 1.603. When examining the Durbin-Watson (DW) table at a 5% significance level, considering 74 samples (n) and 3 independent variables (k), the dU value is 1.7079 and the dL value is 1.5397. Thus, the Durbin-Watson (DW) value falls within the range of $1.5397 < 1.603 < 2.2921$. According to Table 5, it is confirmed that there is no evidence of positive or negative autocorrelation in this study (accepted).

4.1.3. Multiple Linear Regression Analysis Results

Bellow are the findings from the multiple linear regression analysis:

Table 6. Multiple Linear Regression Analysis Results

Coefficients[a]

	Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1,851	.200		9,276	,000
	ESG	-,372	,282	-,157	-1,318	,192
	DER	-,077	,026	-,354	-2,951	,004
	ROA	-,002	,006	-,037	-,314	,754

a. Dependent Variable: TBNQ

Source: SPSS 27 output results

Based on table 6, the results of multiple linear regression analysis can produce the following equation:

$$\mathbf{Y = 1.851 - 0.372\ ESG + (-0.077)\ DER + (-0.002)\ ROA + \varepsilon}$$

The explanation of the multiple linear regression model equation above is as follows:

1. A value of 1.851 suggests that in the absence of disclosure regarding Environmental Social Governance (ESG), capital structure, and financial performance, the firm's value remains consistently high at 1.851.
2. The -0.372 regression coefficient for the X1 variable of Environmental Social Governance (ESG) disclosure suggests that for every 1 unit increase, the firm value (Y) will decrease by -0.372. This negative coefficient indicates an inverse correlation between Environmental Social Governance (ESG) disclosure and firm value. Essentially, the more a company discloses about its ESG practices, the lower its value becomes. The regression coefficient of capital structure variable (X2)is -0.077, meaning that if the capital structure variable (X2)increases by 1 unit, the firm value (Y) will increase by -0.077. The negative coefficient means that there is a negative relationship between capital structure and firm value. The higher the capital structure, the lower the firm value.
3. The negative financial performance regression coefficient (X3) of -0.002 suggests that an increase of 1 unit in the financial performance variable (X3) will result in a decrease of -0.002 in the firm value (Y). This indicates a inverse relationship between financial performance and firm value. As the financial performance improves, the firm value decreases.

4.1.4. Determination Coefficient Test Results

Table 7. Correlation Coefficient Analysis Results

Model Summary[b]					
Model	**R**	**R Square**	**Adjusted R Square**	**Std. Error of the Estimate**	**Durbin-Watson**
1	.341[a]	.116	.078	.45649	1.603

a. Predictors: (Constant), ESG, DER, ROA

b. Dependent Variable: Y

Source: SPSS 27 Output Results

According to the information presented in table 7, a small portion of the variability in firm value captured by Tobin's Q can be attributed to the factors of environmental social governance (ESG) disclosure, capital structure, and financial performance, as indicated by the Adjusted R Square value of 0.0061. The majority of the variability in firm value is influenced by other variables not accounted for in the equation.

4.1.5. Hypothesis Testing Results

To find out whether the variables of Environmental Social Governance (ESG) disclosure, capital structure, and financial performance are accepted or rejected, the next thing to do is testing consisting of the T test and F test. The independent variable is said to have an influence on the dependent variable if it has a significance below 0.05.

A. Partial Hypothesis Test Results (T Test)

Table 8. T-Test Results

Coefficients[a]						
Model		**Unstandardized Coefficients**		**Standardized Coefficients**	**T**	**Sig.**
		B	**Std. Error**	**Beta**		
1	(Constant)	1.851	.200		9.276	.000
	ESG	-.372	.282	-.157	-1.318	.192
	DER	-.077	.026	-.354	-2.951	.004
	ROA	-.002	.006	-.037	-.314	.754

a. Dependent Variable: TBNQ

Source: SPSS 27 Output Results

Based on table 8, it can be concluded that the decision making is as follows:

1. The t value of the Environmental Social Governance (ESG) disclosure variable is -1.318 < the t table value of 1.994 and the significance value is 0.192> 0.05, so h 0is accepted and h ais accepted. This means that the

disclosure of Environmental Social Governance (ESG) has no effect and is not significant on firm value, this is not in accordance with the hypothesis built by the researcher.

2. The t value of capital structure variable is -2,951 < t(table)value which is 1,994 and the significance value is 0,004 < 0,05 then h0is rejected and hais accepted. This means that capital structure has a negative and significant effect on firm value, this is in accordance with the hypothesis built by researchers.
3. The t value of the financial performance variable is -0.314 < the t table value of 1.994 and the significance value is 0.754> 0.05, so h 0is accepted and h ais rejected. This means that financial performance has no effect and is not significant on firm value, this is not in accordance with the hypothesis built by researchers.

B. Simultaneous Hypothesis Test Results (F Test)

Table 9. F Test Results

ANOVA[a]						
Model		**Sum of Squares**	**df**	**Mean Square**	**F**	**Sig.**
1	Regression	1.913	3	.638	3.061	.034[b]
	Residuals	14.587	70	.208		
	Total	16.500	73			

a. Dependent Variable: TBNQ

b. Predictors: (Constant), ROA, ESG, DER

Source: SPSS 27 output results

Table 9 indicates that the f count value is 3.061, which is greater than 2.732, with a simultaneous significance value of 0.034, which is less than 0.05. Therefore, H0 is disproved and Ha is upheld. The findings suggest that ESG disclosure, capital structure, and financial performance are influencing factors on firm value.

4.2. Discussions

4.2.1. The Effect of Environmenal Social Governance (ESG) Disclosure on Firm value

Based on the initial test results, it seems that publishing details about Environmental Social Governance (ESG) does not have a considerable effect on a company's value. This is backed up by the t value of the ESG disclosure variable, which is -1.318, lower than the critical t value of 1.994 with a significance level of 0.192, showing that h0 is accepted while ha is rejected. The results indicating an insignificant adverse correlation of this variable suggest that greater ESG disclosure could result in a decrease in firm value, leading to the rejection of H1. This is in line with the study carried out by Kartika et al. (2023) which discovered no notable connection between ESG and firm value. Investors appear to give priority to investing in environmentally friendly practices and openness rather than maximizing firm value. Consequently, the suggestion that ESG disclosure positively impacts the value of LQ45 Index companies on the Indonesia Stock Exchange from 2020 to 2023 cannot be proven. .

Based on company data and conditions taken through sustainanability reports, one of the companies is PT Xl Axiata Tbk (EXCL). In an effort to be environmentally responsible EXCL in 2022 EXCL has an integrated environmental management policy in the form of HSE Policy POL - FIN-002 by utilizing digital transformation because the company believes that technology has the potential to reduce emissions and increase energy utilization, thus having an impact on increasing energy efficiency. In EXCL's social activities to build employment to improve employee capabilities, XL Axiata allocates IDR 6 billion for training, with an increase in average training hours for male and female employees. The company also ensures a safe working environment in accordance with OHS principles, by providing emergency response facilities. In governance activities, EXCL presents various product innovations, increasing customer satisfaction to 99.55%. For the community, the company realized a CSR budget of Rp18.98 billion through seven main programs, which have supported seven of the 17 Sustainable Development Goals (SDGs).

Although various strategic steps in ESG have been taken by EXCL, the results showed that EXCL's Tobin's Q value in 2021 was at 1.19 and increased to 1.03 in 2022, followed by the ESG value, in 2021 it was recorded at 0.26 and decreased in 2022 by 0.67. This is not in accordance with stakeholder theory that companies are not entities that only operate for their own interests, but must provide benefits to stakeholders to increase long-term value and profit. Because ESG disclosure requires greater costs with a longer time to feel the impact, especially on the environment. However, in reality, the application of ESG in Indonesia is still in a progressive stage, so ESG disclosure is also not really a consideration for people who will make investments, this indicates a difference between the theoretical approach and the reality on the ground.

4.2.2. The Effect of Capital Structure on Firm Value

According to the interim test findings, it appears that the element of capital structure has a noticeable and adverse impact on the value of the company. The t-value for the capital structure element is recorded at -2.951, which is lower than the critical t-value of 1.994 with a significance level of 0.004, less than 0.05, leading to the rejection of both H0 and Ha hypotheses. The results concerning the impact of this element demonstrate a clear negative trend, resulting in the dismissal of H2. These outcomes align with previous research conducted by Puspitosarie and Susilo (2023) and Kolamban et al. (2020) which state that having multiple debts can increase the financial risk for a company by obligating them to make fixed interest payments, which can negatively impact their net income during unpredictable circumstances. Companies that carry significant debt are more likely to struggle with repaying their debts, leading to a potential decrease in the company's overall worth in the long term.

According to the information gathered from annual reports, PT Sarana Menara Tbk (TOWR) is one of the companies that have boosted their capital structure. The total liabilities surged by IDR29,701.2 billion, which is a 123.4% increase from IDR24,065.5 billion in 2020 to IDR53,766.7 billion in 2021. The surge in long-term liabilities from IDR16,840.3 billion in 2020 to IDR31,886.4 billion in 2021 can be attributed to the rise in long-term debt. This surge was primarily triggered by the acquisition of PT Solusi Tunas Pratama Tbk (STP), which marks the largest merger and acquisition deal in the telecommunications tower industry in Indonesia. Following the acquisition of STP, the number of SMN's towers surged by 34% and the number of tenants by 38% compared to 2020.

In addition, SMN has more than 70,000 km of revenue-generating fiber optic cables, as well as more than 9,000 broadband connections. The increase in assets contributed to revenue growth where TOWR's gross revenue amounted to Rp909.0 billion, or 16.9%, from Rp5,386.2 billion in 2020 to Rp6,295.2 billion in 2021. The increase in gross revenue caused TOWR's net income to increase by Rp3,379.8 billion, compared to the profit for the year 2020 of Rp2,853.6 billion. So that the increase in TOWR's debt in 2021 can increase the share price to 1,125, which was previously valued at 960 in 2020. However, TOWR's firm value as proxied by Tobin's Q decreased in 2020 from 1.69 to 2.13 in 2021. This description is in accordance with stakeholder theory, companies must be responsible to creditors, because companies have obligations that must be fulfilled due to funding from external parties (creditors). If a company's debt to creditors is excessive, it can lead to doubts about the company's ability to repay, resulting in increased scrutiny from creditors and shareholders. Using too much debt can put the company in jeopardy and make it hard to reduce the debt burden.

4.2.3. The Effect of Financial Performance on Firm value

After evaluating the initial test results, it is clear that the financial performance element does not play a major role in determining the company's worth. This is evident from the t value calculation for financial performance, which is -0.314, falling below the critical t value of 1.994, with a significance value of 0.754> 0.05. As a result, h0 is accepted and ha is rejected. The findings indicate a lack of connection between enhancing financial performance and increasing firm value, leading to the dismissal of hypothesis H3. This aligns with previous studies carried out by Prastyatini and Novikasari (2023) which stated that the value of a company is not solely determined by its financial performance, as profitability measured by return on assets is not the only indicator. Other factors like revenue growth and operational efficiency also play a crucial role in determining firm value.

Based on the company's financial data sourced from annual reports, one of the companies that exhibited improved financial performance is PT Aneka Tambang Tbk (ANTM). In 2021, the total assets of ANTM rose to IDR 32.92 trillion, showing a 4% increase when compared to the 2020 total assets of IDR 31.73 trillion. The growth in total assets in 2021 was primarily driven by a 28% surge in the company's current assets throughout the year. The boost in cash and cash equivalents was spurred by a substantial 127% rise in cash flow generated from operational activities in 2021. ANTM managed to achieve a net cash flow from operating activities amounting to IDR5.04 trillion in 2021, as opposed to IDR2.22 trillion in 2020.

In the same year, ANTM concentrated on expanding its client base for precious metals within the local market in response to the heightened demand for gold domestically, while also implementing cost-efficient strategies to enhance profit margins. The company's net profit escalated by 62% in 2021 compared to the previous year, with profits attributable to the parent entity's owners reaching Rp1.86 trillion, an increase from Rp1.15 trillion in 2020. The profit growth was fuelled by a rise in global commodity prices and operational efficiencies implemented by ANTM. These positive developments led to an increase in ANTM's stock price from IDR 1,935 in 2020 to IDR 2,250 in 2021. Moreover, the company's value, as indicated by Tobin's Q, also rose from 1.87 to 2.01.

This goes against the principles of stakeholder theory, which highlights the importance of companies not just prioritising profits but also taking into account the requirements and contentment of different parties impacted by company operations. In simpler terms, achieving high financial results may not always indicate the company's effectiveness in generating value that satisfies stakeholders. This discrepancy arises as stakeholders might perceive that the company utilises profits for day-to-day operations and may not consistently share profits with investors through dividends, while also valuing the enduring connections established by the company.

4.2.1. The Effect of ESG Disclosure, Capital Structure, and Financial Performance on Firm Value

The results of the simultaneous F test show that the f countvalue for each variable exceeds 2.732 with a significance level less than 0.05. This indicates that H0 is rejected and Ha is supported. These results indicate that the exposure of Environmental Social Governance (ESG), capital structure, and financial performance has an impact on firm value.

Revealing information on Environmental, Social, and Governance (ESG) practices, financial structure, and performance can have a significant and positive impact on the overall value of a company. This indicates that improving the transparency of ESG practices, financial structure, and performance can lead to a beneficial effect on the valuation of businesses within the LQ45 Index sector of the Indonesia Stock Exchange. These factors can form a strong basis for companies to grow, develop, and respond to obstacles, while also building trust with stakeholders and ultimately increasing company worth.

5. Conclusion

The study investigates how the disclosure of Environmental Social Governance (ESG), the structure of capital, and financial performance influence the worth of companies in the LQ45 Index on the Indonesia Stock Exchange from 2020 to 2023. The results indicate that ESG disclosure by itself does not greatly influence firm value, suggesting that increased disclosure in this area could potentially lower value. Conversely, a lower capital structure is associated with higher firm value, while financial performance does not seem to have a substantial impact on company worth in the companies examined. Nevertheless, when all three factors are taken into account collectively, ESG disclosure, capital structure, and financial performance collectively have a significant role in determining company worth.

The researchers offer recommendations based on their research findings and limitations. They suggest that future researchers should broaden their analysis of Environmental, Social, and Governance (ESG) disclosure variables by incorporating additional factors such as ESG risk rating. It is also proposed that future researchers utilise cross-sectional analysis to enhance the depth and breadth of their results. Furthermore, regulators are encouraged to review ESG disclosure policies to drive an uplift in firm value over both the short and long term.

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