

THE INFLUENCE OF ESG DISCLOSURE AND CAPITAL STRUCTURE ON FIRM VALUE

Anggita Putri Pramudyawati¹, Maya Novitasari², Nik Amah³.

¹ Accounting, faculty of economics and business, PGRI University of Madiun
email: anggitaaputri58@gmail.com

² Accounting, faculty of economics and business, PGRI University of Madiun
email: maya.novitasari@unipma.ac.id

³ Accounting, faculty of economics and business, PGRI University of Madiun
email: nikamah@unipma.ac.id

Abstrak

Penelitian ini dilakukan untuk menguji secara empiris keterkaitan pengungkapan ESG dan struktur modal terhadap nilai perusahaan. Objek penelitian mencakup 85 perusahaan pada sektor properti dan real estate yang tercatat di Bursa Efek Indonesia selama rentang observasi 2021–2025. Teknik pengambilan sampel menggunakan metode *purposive sampling* dan menghasilkan 332 observasi yang digunakan dalam penelitian. Pengujian hipotesis dilakukan menggunakan regresi linier berganda dengan dukungan *software* SPSS versi 24. Temuan empiris memperlihatkan bahwa pengungkapan ESG berpengaruh negatif terhadap nilai perusahaan, sementara struktur modal menunjukkan pengaruh positif terhadap nilai perusahaan.

Kata Kunci: Pengungkapan ESG, Struktur Modal, Nilai Perusahaan.

Abstract

This research seeks to ascertain empirically how ESG disclosure and capital structure relate to firm value. The research setting encompasses 85 companies operating within the property and real estate sector that were listed on the Indonesia Stock Exchange throughout 2021–2025. Through purposive sampling, 332 firm-year observations were retained for analysis. The empirical assessment was performed using multiple linear regression, supported by SPSS version 24. The findings reveal that greater ESG disclosure is associated with a decline in firm value, while capital structure demonstrates a positive association with firm value.

Keywords: ESG Disclosure, Capital Structure, Firm Value.

A. INTRODUCTION

A company's success can be assessed through its corporate value, a metric reflecting how the market perceives the firm's performance and growth potential, which is reflected in the formation of the company's share value (Amimakmur et al., 2024). High corporate value signifies management's ability to optimize resources, bolster investor confidence, and drive sustainable long-term growth. Amid rising global awareness regarding sustainable business practices, the corporate focus on enhancing value has shifted beyond mere financial achievements to encompass environmental, social, and governance responsibilities.

Global attention toward sustainable business practices has surged in recent years. Precedence Research (2026) projects that the market value of ESG-based investments will grow from USD 35.48 trillion in 2025 to USD 191.22 trillion in 2035, representing a Compound Annual Growth Rate of 18.27%. This projection reflects a shift in the global market perspective, which is increasingly internalizing ESG considerations as a basis for risk assessment and a determinant of long-term corporate value. In Indonesia, this commitment to sustainability is reinforced by Financial Services Authority Regulation Number 51/POJK.03/2017, which institutionalizes sustainability reporting obligations for listed companies as part of the information disclosed periodically.

Among various sectors, industries characterized by substantial land use and long-term development activities are particularly significantly affected by the adoption of sustainability principles. While the global commercial property market was valued at approximately USD 12.5 trillion in 2024 (Neshat et al., 2025), the sector remains highly sensitive to risks that can undermine the stability of firm value. This situation is exemplified by the bankruptcy of PT Forza Land Indonesia Tbk (FORZ), due to its inability to meet maturing obligations, with total liabilities reaching IDR 305.2 billion (Liputan6, 2022), leading to the suspension of its shares in October 2022 and their eventual delisting in July 2025 (IDNFinancials, 2024). The

case is intertwined with the movement of the Properties & Real Estate, which exhibited high volatility and a downward trend between 2021 and 2026.

One non-financial factor increasingly receiving attention in the determination of firm value is ESG disclosure, the communication of information regarding a company's policies and performance concerning environmental, social, and governance aspects (Gillan et al., 2021). This disclosure practice serves as a manifestation of corporate accountability to all stakeholders and a means of building market confidence. However, prior research on the impact of ESG disclosure on firm value has yielded inconsistent results. Ahmed & Khalaf (2025) and Chandra et al. (2025) found a significant positive effect, whereas Saputra et al. (2024) found a significant negative effect. These divergent findings indicate that the impact of ESG disclosure on firm value is contextual and inconclusive, thereby necessitating further research.

The second factor influencing firm value is capital structure, specifically, the composition of corporate financing derived from debt and equity. Capital structure decisions are crucial as they are directly linked to the cost of capital, financial risk, and the firm's financial flexibility (Mensah et al., 2025). From the perspective of trade-off theory, the use of debt can enhance firm value provided that the tax shield benefits outweigh the costs associated with financial distress (Nwokoye et al., 2022). While Januar et al. (2026) identified a significant positive relationship between capital structure and firm value, (Anandita & Septiani, 2023) found no significant effect, attributing this to the companies' tendency to rely on internal financing. Therefore, this study aims to provide empirical evidence regarding the impact of ESG disclosure and capital structure on the value of property and real estate companies listed on the Indonesia Stock Exchange during the 2021–2025 period.

THEORETICAL STUDY

1. Stakeholder Theory

Stakeholder theory views the companies as having an obligation to create value for all stakeholders (Olayemi & Samuel, 2026). Maintaining strong, transparent, and trust-based relationships with stakeholders yields strategic benefits, such as access to resources, an enhanced reputation, and greater social legitimacy. In this context, the communication of ESG related information operates as a tangible manifestation of organizational accountability that can reinforce capital providers' assurance while alleviating funding costs, making stakeholder theory a relevant framework for explaining the role of ESG disclosure in determining corporate value (Postiglione et al., 2024).

2. Trade-Off Theory

Trade-off theory explains that the use of debt provides a fiscal benefit that has the potential to enhance firm value; however, excessive debt introduces financial risk, including the possibility of bankruptcy (Nuru et al., 2025). An equilibrium point in the capital structure is reached when the marginal benefit of tax savings equals the marginal cost associated with financial distress risk, thereby minimizing the overall cost of corporate financing (Intara et al., 2025). Empirical evidence indicates that firm value tends to rise as debt reaches an optimal level but declines once that threshold is exceeded, as the costs of financial distress begin to outweigh the tax benefits gained (Karaca et al., 2025).

3. Firm Value

Firm value reflects the market's assessment of a company's condition and performance; it captures not only the current financial state but also market expectations regarding the company's ability to generate value and maintain future sustainability, expectations that are reflected in the stock price as an indicator of shareholder wealth (Khim et al., 2025).

4. ESG Disclosure

ESG disclosure is the process by which companies, whether voluntarily or mandatorily, disclose information regarding their performance and the impact of their activities on environmental, social, and governance aspects (Huang et al., 2024). Such disclosure plays a crucial role in reducing information asymmetry between companies and investors by providing more comprehensive data on sustainability risks, thereby enabling investors to assess potential future cash flows more accurately (Krueger et al., 2024), while simultaneously signaling reliability and transparency that strengthen stakeholder trust (Chandra et al., 2025). In this study, the Global Reporting Initiative (GRI) Standards serve as the basis for assessing ESG disclosure.

5. Capital Structure

Capital structure describes a company's policy regarding the proportion of debt and equity financing used to support its operations, reflecting a financial strategy aimed at balancing risk and expected returns (Imronudin et al., 2022). This funding composition impacts the company's cost of capital, financial risk, and financial flexibility, while the use of debt can lower the cost of capital through tax savings, it also increases risk due to fixed interest obligations (Mensah et al., 2025).

HYPOTHESIS DEVELOPMENT

1. ESG Disclosure Affect Firm Value

Expanded ESG disclosure can enhance corporate value by reflecting a company's level of transparency and accountability in managing environmental, social, and governance aspects, thereby fostering trust among investors and other stakeholders. Grounded in stakeholder theory, such disclosure represents a fulfillment of corporate responsibility aimed at strengthening the company's legitimacy and reputation in the market (Postiglione et al., 2024). Chandra et al. (2025) demonstrate that ESG disclosure

serves as a signal of reliability, reducing information asymmetry between the company and investors. Based on this explanation, the first hypothesis is formulated as follows:

H1 : ESG disclosure has a positive effect on firm value.

2. Capital Structure Affect Firm Value

A proportionately managed capital structure can enhance firm value by reflecting the company's efficiency in utilizing external funding sources to support growth without incurring excessive financial risk. According to trade-off theory, the use of debt offers tax-shield benefits that can increase firm value, provided these benefits outweigh the associated costs of financial distress (Nuru et al., 2025). Based on this explanation, the second hypothesis is formulated as follows:

H2 : Capital structure has a positive effect on firm value.

B. METHOD

This study employs a quantitative approach to analyze numerical data. The data utilized are secondary data derived from the annual reports and sustainability reports of property and real estate companies. The study population comprises 85 property and real estate companies listed on the Indonesia Stock Exchange (IDX) during the 2021–2025 period. Sampling was conducted using a purposive sampling technique based on the following criteria: 1) property and real estate companies listed on the IDX during the 2021–2025 period; 2) companies that published annual reports and sustainability reports for the years 2021–2025; 3) companies listed on the IDX prior to 2021; and 4) companies that did not experience trading suspension during the 2021–2025 period. Based on these criteria, 332 observations were obtained for subsequent data analysis.

Table 1. Variable Measurement

Variable	Indicator	References
ESG Disclosure (X1)	ESGD = Total items disclosed / Number of items in GRI 2021	(Maysari & Endri, 2025)
Capital Structure (X2)	DER = Total Debt / Total Equity	(Imronudin et al., 2022)
Firm Value (Y)	Tobin's Q = (Market Value of Equity + Total Debt) / Total Assets	(Khim et al., 2025)

C. RESULTS AND DISCUSSIONS

Descriptive Statistic

Table 2. Descriptive Statistics

Descriptive Statistics					
	N	Min	Max	Mean	Std. Deviation
ESG Disclosure	332	0,10	0,86	0,5038	0,14648
Capital Structure	332	-55,73	11,09	0,4496	3,62681
Firm Value	332	0,09	12,46	1,1330	1,31695
Valid N (listwise)	332				

Sources: SPSS 24

Based on Table 2, the ESG disclosure variable has a minimum value of 0.10, a maximum value of 0.86, and a mean value of 0.5038 with a standard deviation of 0.14648. The capital structure variable has a minimum value of -55.73, a maximum value of 11.09, and a mean value of 0.4496 with a standard deviation of 3.62681. The firm value variable has a minimum value of 0.09, a maximum value of 12.46, and a mean value of 1.1330 with a standard deviation of 1.31695.

Normality Test

Table 3. Normality Test Results
One-Sample Kolmogorov-Smirnov test

		Unstandardized Residual
N		238
Normal Parameters ^{a,b}	<i>Mean</i>	0,0000000
	<i>Std. Deviation</i>	0,14572393
Most Extreme Differences	Absolute	0,083
	Positive	0,083
	Negative	-0,068
Test Statistic		0,083
Asymp. Sig. (2-tailed)		0,000 ^c
Monte Carlo Sig. (2-tailed)	Sig.	0,074 ^d
	95% Confidence	Lower
	Interval	Bound
		Upper
		Bound
		0,081

Sources: SPSS 24

The Monte Carlo test presented in Table 3 yields a two-tailed significance level of 0.074. Since this figure surpasses 0.05, the residual distribution can be regarded as normal.

Multicollinearity Test

Table 4. Multicollinearity Test Results

Model	Coefficients ^a	
	Collinearity Statistics	
	Tolerance	VIF
1 (Constant)		
ESG Disclosure	0,948	1,055
Capital Structure	0,948	1,055

Sources: SPSS 24

An examination of Table 4 reveals that all predictors satisfy the required tolerance and VIF thresholds. With tolerance values greater than 0.10 and VIF values below 10.00, the regression model can be considered free from multicollinearity concerns.

Heteroskedasticity Test**Table 5. Heteroskedasticity Test Results**

Coefficients ^a		
Model	t	Sig
1 (Constant)	5,096	0,000
ESG Disclosure	-0,046	0,963
Capital Structure	-0,469	0,640

Sources: SPSS 24

Table 5 shows that the significance probabilities generated by the Glejser test exceed 0.05 across all variables. On this basis, the assumption of homoscedasticity is considered satisfied in the regression model.

Autocorrelation Test**Table 6. Autocorrelation Test Results**

Model Summary ^b	
Model	Durbin-Watson
1	1,908

Sources: SPSS 2024

The autocorrelation test yielded a Durbin-Watson (DW) value of 1.908. Based on the Durbin-Watson table ($K = 2$, $n = 238$), the result $dU < dW < 4-dU$ ($1.8053 < 1.908 < 2.1947$) was obtained; thus, it can be concluded that the research data do not exhibit autocorrelation.

Multiple Linear Regression Analysis**Table 7. Multiple Linear Regression Test Results**

Coefficients ^a			
Model	Unstandardized Coefficients		Standardized Coefficients
	B	Std. Error	Beta
1 (Constant)	0,388	0,032	
ESG Disclosure	-0,373	0,117	-0,205
Capital Structure	0,152	0,042	0,233

Sources: SPSS 2024

Based on Table 7, the regression equation obtained is:

$$FV = 0,388 - 0,373ESGD + 0,152CS + e$$

Based on the regression equation, it can be interpreted that:

1. The constant value of 0.388 means that if both independent variables, ESG disclosure and capital structure, are zero, firm value increases by 0.388.
2. The regression coefficient for ESG disclosure is -0.373, indicating that if ESG disclosure increases by one unit, assuming other variables remain constant, firm value is estimated to decrease by 0.373.
3. The regression coefficient for capital structure is 0.152, indicating that if capital structure increases by one unit, assuming other variables remain constant, firm value is estimated to decrease by 0.152.

F-test (Goodness of fit)

Table 8. F-test Results (Goodness of fit)

Anova ^a						
Model		Sum of Squares	df	Mean Square	F	Sig
1	Regression	0,785	2	0,393	9,657	0,000 ^b
	Residual	9,514	234	0,041		
	Total	10,299	236			

Sources: SPSS 2024

The F-test in Table 8 returns a value of 9,657 at a significance level of 0,000, below the 0,05 cutoff, confirming that the model holds up statistically: ESG disclosure and capital structure, taken together, meaningfully account for movement in firm value

t-test (Partial)

Table 9. t-test results

Coefficients ^a		
Model	t	Sig
1 (Constant)	12,166	0,000
ESG Disclosure	-3,192	0,002
Capital Structure	3,622	0,000

Sources: SPSS 2024

Based on Table 9, the effects associated with each hypothesis are explained as follows:

1. ESG disclosure yielded a calculated t-value of -3.192 (less than the critical t-value of -1.970) with a significance level of 0.002 (less than 0.05), demonstrating a significant negative effect of ESG disclosure on firm value, consequently, **H1 was rejected**. These results indicate that an increase in ESG disclosure is accompanied by a decline in firm value. This outcome is likely attributable to the fact that ESG disclosure entails relatively high costs, which investors perceive as a burden capable of depressing corporate profitability.
2. Capital structure yielded a t-statistic of 3.622 (exceeding the t-table value of 1.970) with a significance level of 0.000 (below 0.05), demonstrating a significant positive effect of capital structure on firm value, thus, **H2 is accepted**. These results indicate that optimal debt management can enhance cost-of-capital efficiency and generate tax savings, thereby strengthening investor confidence and increasing firm value.

Coefficient of Determination (R²) Test

Table 10. R² Test Results

Model Summary ^b				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0,276 ^a	.076	.068	.20164

Sources: SPSS 2024

Based on Table 10, the Adjusted R-squared value is 0.068, indicating that ESG disclosure and capital structure explain 6.8% of the variation in firm value. Meanwhile, the remaining 93.2% is influenced by other variables not identified in this study

D. CONCLUSIONS

The analysis reveals that ESG disclosure exerts a significant negative influence on firm value. These findings indicate that the disclosure of sustainability practices is not yet fully perceived positively by the market; this is attributed to the substantial costs associated with ESG implementation, which are viewed as an additional burden potentially squeezing short-term profits. Conversely, capital structure has been shown to significantly enhance firm value. This demonstrates that optimal debt management can yield benefits in the form of tax savings and cost-of-capital efficiency.

This study is not without a number of limitations, including the fact that the scope of research is restricted to the property & real estate sector on the IDX for the 2021–2025 period, the measurement of ESG disclosure based on GRI Standards 2021 places greater emphasis on quantity rather than the quality of implementation, and the research model utilizes only specific variables.

E. SUGGESTIONS

Subsequent studies are advised to broaden the research scope by covering a wider range of industry sectors, as well as lengthening the study period to enable more robust longitudinal analysis. Alternative ESG measurement tools, such as the Bloomberg ESG Score or Sustainalytics ESG Rating, could be employed to reflect not only the quantity of disclosure but also the quality of ESG implementation. Additionally, other variables relevant to firm value, such as dividend policy and institutional ownership, could be considered.

REFERENCES

- Ahmed, O., & Khalaf, B. A. (2025). The impact of ESG on Firm Value : The moderating Role of Cash Holdings. *Heliyon*, 11, 1–11. <https://doi.org/10.1016/j.heliyon.2025.e41868>
- Amimakmur, S. A., Rahayu, S. M., Damayanti, C. R., & Hutahayan, B. (2024). A Systematic Literature Review : Determinant of Company Value in Financial Companies. *WSEAS Transactions On Business And Economics*, 21, 475–487. <https://doi.org/10.37394/23207.2024.21.40>
- Anandita, D., & Septiani, D. (2023). The Effect of Capital Structure, Dividend Policy and Cash Holding on Firm Value. *Business Management Analysis Journal (BMAJ)*, 06(01), 78–89. <https://doi.org/10.24176/bmaj.v6i1.9611>
- Chandra, S. L., Lau, E. A., Gaffar, E., & NH. (2025). The moderating effect of firm size on ESG disclosure, digital transformation, and firm value. *Jurnal Akademi Akuntansi*, 8(4), 662–676. <https://doi.org/10.22219/jaa.v8i4.41654>
- Gillan, S. L., Koch, A., & Starks, L. T. (2021). Firms and Social Responsibility: A Review of ESG and CSR Research in Corporate Finance. *Journal of Corporate Finance*, 66. <https://doi.org/10.1016/j.jcorpfin.2021.101889>
- Huang, Y., Hussin, N., Tareq, M. A., & He, R. (2024). A Bibliometric and Context Analysis of the Impact of ESG Disclosure on Firm Value. *Journal of Scientometric Research*, 13(3), 833–848. <https://doi.org/10.5530/jscires.20041223>
- IDNFinancials. (2024). *Tahun depan BEI delisting 8 emiten*. IDNFinancials. <https://www.idnfinancials.com/id/news/51837/tahun-depan-bei-delisting-8-emiten>
- Imronudin, Waskito, J., Cantika, I. B., & Sofiardhani, G. (2022). The Effect Of Liquidity And Capital Structure To Increase Firm Value Through Increasing Financial Performance. *Jurnal Riset Akuntansi Dan Keuangan Indonesia*, 7(3), 345–354. <https://doi.org/10.23917/reaksi.v7i3.22174>
- Intara, P., Jirathumrong, P., & Rattanapan, N. (2025). Revisiting the Role of Capital Structure and Financial Distress in Shaping Sustainable Growth and Firm Value : Insights From Thailand's Listed Service Industry. *Investment Management and Financial Innovations*, 22(3), 152–162. [https://doi.org/10.21511/imfi.22\(3\).2025.12](https://doi.org/10.21511/imfi.22(3).2025.12)
- Januar, F., Purwidiyanti, W., Tubastuvi, N., & Widyaningtyas, D. (2026). Dividend Policy in Moderating The Impact of Capital Structure and Profitability on Firm Value. *Jurnal Akademi Akuntansi*, 9(1), 1–17. <https://doi.org/10.22219/jaa.v9i1.42998>
- Karaca, C., Mensi, W., & Gemici, E. (2025). Borsa Istanbul Review Inverted U-shaped Dynamics of Capital Structure and Firm Value : Evidence From an Emerging Market. *Borsa Istanbul Review*, 25(5), 939–952. <https://doi.org/10.1016/j.bir.2025.05.010>
- Khim, S., Azhar, Z., Mulyati, S., & Avrilia, S. T. (2025). Determinants of Firm Value : Financial Performance, Capital Structure, and Corporate Governance in Emerging Markets. *Jurnal Ilmiah Manajemen Kesatuan*, 13(6), 5955–5965. <https://doi.org/10.37641/jimkes.v13i6.4252>

- Krueger, P., Sautner, Z., Tang, D. Y., & Zhong, R. (2024). The Effects of Mandatory ESG Disclosure Around the World. *Journal of Accounting Research*, 62(5), 1795–1847. <https://doi.org/10.1111/1475-679X.12548>
- Liputan6. (2022). *Forza Land Pailit, Investor Ritel Masih Nyangkut 55,22 Persen*. Liputan6.Com. <https://www.liputan6.com/saham/read/5089353/forza-land-pailit-investor-ritel-masih-nyangkut-5522-persen>
- Maysari, M., & Endri, E. (2025). ESG Disclosure, Intellectual Capital, and Firm Value in the Energy Sector in Indonesia : The Moderating Role of Firm Size. *International Journal of Energy Economics and Policy*, 15(6), 512–522. <https://doi.org/10.32479/ijeeep.21243>
- Mensah, L., Bein, M. A., & Arhinful, R. (2025). The Impact of Capital Structure on Business Growth Under IFRS Adoption: Evidence From Firms Listed in the Frankfurt Stock Exchange. *Sage Open*, 15(2), 1–21. <https://doi.org/10.1177/21582440251336533>
- Neshat, R., Patkar, R., & Hariharan, G. (2025). *MSCI Real Estate Market Size 2024: An Index Perspective*. MSCI.
- Nuru, F., Harahap, S., Barlian, N. A., & Kamar, K. (2025). Analysis of the Effect of Capital Structure and Profitability on Firm Value in Manufacturing Companies. *Jurnal Ilmiah Akuntansi Kesatuan*, 13(6), 2051–2060. <https://doi.org/10.37641/jiakes.v13i6.4120>
- Nwokoye, G. A., Festus, B. O., & Omoregie, N. (2022). Does Modigliani and Miller Relevance and Irrelevance Theory of Capital Structure Apply Among Non – Finance Quoted Companies in Ghana? *Account and Financial Management Journal*, 7(4), 2695–2708. <https://doi.org/10.47191/afmj/v7i4.01>
- Olayemi, A. S., & Samuel, O. G. (2026). Stakeholder Theory. *International Journal Of Research And Innovation In Social Science (IJRISS)*, 10(3), 1511–1523. <https://doi.org/10.47772/IJRISS>
- Postiglione, M., Carini, C., & Falini, A. (2024). ESG and Firm Value: A Hybrid Literature Review on Cost of Capital Implications From Scopus Database. *Corporate Social Responsibility and Environmental Management*, 31(6), 6457–6480. <https://doi.org/10.1002/csr.2940>
- Precedence Research. (2026). *ESG Investing Market Size, Share and Trends 2026 to 2035*. <https://www.precedenceresearch.com/esg-investing-market>
- Saputra, A. D., Suranta, E., & Puspita, L. M. N. (2024). The Impact Of ESG On Firm Value With Audit Committee As Variable Moderating. *Jambura Economic Education Journal*, 6(1), 17–37.