

## V. CONCLUSIONS AND IMPLICATIONS

### A. Conclusions

Based on the results of research on the effect of environmental, social, and governance (ESG) disclosure and capital structure on firm value with profitability as an intervening variable in manufacturing companies listed on the Indonesia Stock Exchange (IDX) in 2017-2021, the following conclusions can be drawn:

1. Environmental disclosure did not affect firm value in manufacturing companies listed on Indonesia Stock Exchange in 2017-2021. It means that environmental disclosure did not affect the rise and decline of stock prices that can increase or decrease firm value.
2. Social disclosure did not affect firm value in manufacturing companies listed on Indonesia Stock Exchange in 2017-2021. It means that social disclosure did not affect the rise and decline of stock prices that can increase or decrease firm value.
3. Governance disclosure has a positive effect on firm value in manufacturing companies listed on Indonesia Stock Exchange in 2017-2021. It means that governance disclosure can affect the rise and decline of stock prices which have an impact on firm value.
4. Capital structure has a positive effect on firm value in manufacturing companies listed on Indonesia Stock Exchange in 2017-2021. It means that changes in the proportion of debt and equity used to finance the company will affect the firm value.

5. Capital structure has a positive effect on profitability in manufacturing companies listed on Indonesia Stock Exchange in 2017-2021. The positive effect between capital structure and profitability means that increasing the use of debt in the capital structure will result in higher firm profitability.
6. Profitability has a positive effect on firm value in manufacturing companies listed on Indonesia Stock Exchange in 2017-2021. It means that the larger the company's profit, the stronger the company's investor confidence. If investor confidence increases, the share price and firm value will also increase.
7. Profitability can mediate the effect of capital structure on firm value in manufacturing companies listed on Indonesia Stock Exchange in 2017-2021. It means that a high capital structure combined with effective management can increase profits and returns, thereby increasing firm value.

## **B. Implications**

### **1. Theoretical Implications**

This research is expected to be used as a reference regarding the growing sustainability report research, especially in the Environmental, Social, and Governance (ESG) dimension, especially in manufacturing companies in Indonesia. This research also tries to develop non-financial factors such as ESG and financial factors such as capital structure and profitability that can be used as the foundation for developing previous research to obtain empirical evidence about the factors that influence firm value and research novelty. In addition, the theory used

in this study and using sources that represent the variables studied are expected to contribute and can be used as references for further research.

## **2. Practical Implications**

This research implied that it was expected to assist a company in providing information as a basis for decision-making. The main goal of a company is to maximize shareholder welfare through firm value which is reflected in the stock price considering that companies must attract investors. If the firm value is good, it means that the performance of a company has a good reputation in the future to generate profits for the company. As a result, increased profits will encourage investors to invest in the company.

Companies should pay attention to sustainability principles in managing their business and should be more transparent in reporting environmental, social, and governance. ESG disclosures could enhance a company's competitive advantage and create value if the company discloses strategic information related to sustainability. Companies can also use resources related to ESG principles more efficiently and economically.

Investors must consider non-financial factors such as environmental, social, and governance-related reporting to assess a company's sustainability prospects. In addition, investors must consider and gather information about financial factors such as the level of capital structure and profitability before investing because the level of capital structure and profitability indicate a company's high and low value. To increase firm value through profitability, the company must also increase the effectiveness of its business operations and establish its goals.

### C. Research Limitations

This research has limitations that can be taken into consideration for future research to get better results from this research. The limitations of this research are as follows:

1. ESG disclosure is one of the independent variables in this research. According to Bloomberg data, just a few corporations disclose complete data or information about ESG disclosure. Due to these constraints, the study is limited to 95 samples.
2. This research only examined the capital structure proxied by the debt-to-equity ratio as one of the independent variables on firm value proxied by Tobin's Q as the dependent variable mediated by profitability proxied by Return on Equity. Other factors can still affect a firm's value, and proxies are used for each variable. Future research is suggested to employ or investigate another proxy for each variable.
3. This research only focused on the manufacturing companies listed on the Indonesia Stock Exchange, so the result is not optimal and do not represent all companies listed on the IDX. Future research is suggested to employ or investigate all companies listed on the IDX.