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Determinants of Firm Value: The Role of Profitability, Capital Structure, and ESG Disclosure in Jakarta Islamic Index 70 Companies

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Abstract

This study analyzes the effect of profitability, capital structure, and ESG disclosure on firm value among companies in the Jakarta Islamic Index 70 (JII70) during 2022–2025. This study is motivated by the importance of firm value as an indicator of market assessment and the increasing relevance of ESG disclosure in the Islamic capital market. Profitability is measured using Return on Assets (ROA), capital structure is proxied by the Debt-to-Equity Ratio (DER), and ESG disclosure is measured using a disclosure index based on the Global Reporting Initiative (GRI) standards. In contrast, firm value is proxied by the Price-to-Book Value (PBV) ratio. This study uses a quantitative approach with panel data regression analysis and the Random Effects Model (REM). The sample consists of 36 companies selected through purposive sampling based on predetermined criteria. Secondary data were obtained from the annual and sustainability reports of companies included in the JII70 during 2022–2025. The data were analyzed using EViews. The results show that profitability has a positive and significant effect on firm value. Meanwhile, capital structure and ESG disclosure have positive but insignificant effects on firm value. Together, profitability, capital structure, and ESG disclosure significantly affect firm value. These findings provide empirical evidence regarding the role of financial and sustainability-related factors in explaining firm value among sharia-compliant companies in the Indonesian capital market.

Keywords profitability, capital structure, ESG disclosure, firm value, panel data regression.

1. Introduction

The Islamic capital market in Indonesia has experienced continuous growth in recent years, driven by increasing public interest in investment instruments that comply with Sharia principles. The Islamic capital market represents a segment of the capital market that conducts investment activities based on Islamic principles while avoiding prohibited elements such as *riba* (interest), *gharar* (uncertainty), and *maysir* (speculation) (Sepvira et al., 2024). This development indicates the increasing importance of Sharia-compliant companies in providing transparent and relevant information as a basis for investors' decision-making processes. Nevertheless, the performance of the Islamic capital market remains influenced by various factors, including macroeconomic conditions, investor sentiment, and corporate performance, which are reflected in fluctuations in stock prices and firm value.

One of the Islamic stock indices with relatively high liquidity in Indonesia is the *Jakarta Islamic Index* 70 (JII70). The JII70 is an Islamic stock index consisting of companies with high liquidity

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levels and is frequently used as a representation of the performance of Sharia-compliant companies in Indonesia's capital market (Nurhayati & Anizar, 2025). During the 2022–2025 period, the JII70 demonstrated considerable volatility, with a declining trend toward the end of the period. The index experienced strengthening momentum in 2022–2023, supported by optimism regarding global economic recovery following the COVID-19 pandemic. However, this positive trend was subsequently affected by global inflationary pressures and rising interest rates, including the increase in the United States Federal Reserve policy rate, which encouraged foreign investors to reduce their investments in emerging markets (Matschke et al., 2023). Entering 2023–2024, the index became increasingly volatile and tended to weaken as investors adopted a more cautious approach due to currency depreciation pressures and persistently high interest rates. The substantial decline in 2025 further indicated that market perceptions of companies included in the JII70 may change dynamically over time.

Firm value is one of the primary indicators reflecting market perceptions of a company's performance, financial stability, and future growth prospects (Luthfi et al., 2025). In the context of Islamic investment, firm value also incorporates financial and non-financial considerations that influence investors' assessments of corporate sustainability and long-term performance (Umairoh et al., 2025). Previous studies have provided different perspectives regarding the determinants of firm value. Azzahra (2024) demonstrated that firm value can be significantly explained by internal corporate factors, whereas Febriati et al. (2024) identified market anomalies indicating that firm value does not always move consistently with corporate fundamentals. These differences suggest that the determinants of firm value, particularly in the Islamic capital market context, require further empirical investigation.

Profitability represents a company's ability to generate profits through the effective utilization of its resources (Azzahra, 2024). A higher level of profitability reflects better operational efficiency and financial performance, which may enhance investor confidence and increase firm value. Alida and Sulastiningsih (2024) found that profitability has a positive and significant effect on firm value. However, Ramadhania et al. (2025) reported that profitability has a negative and significant effect on firm value. The inconsistency of these findings indicates that the relationship between profitability and firm value remains inconclusive, particularly among Sharia-compliant companies.

Capital structure describes the composition of corporate financing derived from debt and equity sources (Julito et al., 2024). An optimal capital structure can support business activities and enhance company performance; however, excessive dependence on debt may increase financial risk and negatively affect investor perceptions. Puttiri et al. (2025) found that capital structure has a positive and significant effect on firm value. Conversely, Noviaty and Subagio (2024) revealed that capital structure does not have a significant effect on firm value. These conflicting results highlight the importance of further examining how financing decisions influence firm valuation within the Islamic capital market.

ESG disclosure refers to the disclosure of corporate information related to environmental, social, and governance aspects that provides stakeholders with insights into corporate

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sustainability practices. Comprehensive ESG disclosure can improve corporate transparency, reduce information asymmetry, and provide additional considerations for investors in evaluating firm value. Tiranda et al. (2025) found that ESG disclosure significantly affects firm value. In contrast, Yudiansyah and Burhany (2025) reported that ESG disclosure does not have a significant effect on firm value. These inconsistent findings indicate that the role of sustainability disclosure in influencing market valuation remains an important area for further research.

Based on these research gaps, this study examines the effects of profitability, capital structure, and ESG disclosure on firm value among companies included in the *Jakarta Islamic Index* 70 (JII70) during the 2022–2025 period. By incorporating both financial and non-financial determinants, this study aims to provide a more comprehensive understanding of the factors influencing market valuation of Sharia-compliant companies. The findings are expected to contribute to the development of Islamic financial management literature and provide practical implications for investors and corporate managers in improving investment decisions, financial strategies, and sustainability disclosure practices.

2. Literature Review

Signaling Theory. Signaling theory was initially introduced by Spence (1973) in the context of labor market interactions, explaining how parties with superior information (*informed parties*) communicate signals to other parties to reduce information asymmetry. This theory was subsequently developed by Ross (1977) in the corporate finance context through the *Capital Structure Signaling Model*, which explains that corporate financial decisions, particularly financing choices involving debt, may provide signals regarding a company's quality, managerial confidence, and future prospects. According to Healy and Palepu (2001), strong profitability can serve as an important signal of effective operational performance and favorable future growth prospects. Companies with higher profitability are generally perceived as having better resource management capabilities, which may enhance investor confidence and increase firm value. Furthermore, Connelly et al. (2011) stated that corporate commitment to sustainability practices and social responsibility can function as a positive signal to stakeholders by demonstrating corporate accountability and long-term value orientation. In this study, signaling theory explains how profitability, capital structure, and ESG disclosure provide relevant information signals to investors regarding corporate performance, financial decisions, and sustainability commitments. These signals may influence investors' perceptions and ultimately affect firm value.

Stakeholder Theory. Stakeholder theory was introduced by Freeman (1984), emphasizing that companies have responsibilities not only toward shareholders but also toward various stakeholder groups affected by corporate activities, including employees, customers, communities, governments, and the environment. According to this perspective, corporate success depends on the company's ability to balance and fulfill the interests of different stakeholders. The relevance of stakeholder theory has increased alongside growing expectations for sustainable business practices. Companies are increasingly required to consider not only

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economic performance but also their social and environmental impacts. Therefore, ESG disclosure represents an important mechanism through which companies communicate their commitment to transparency, accountability, and sustainable development. In this research, stakeholder theory provides the foundation for explaining how ESG disclosure may influence investor perceptions and contribute to firm value creation.

Firm Value. Firm value reflects investors' perceptions regarding a company's success in managing business activities, which is commonly represented through stock price movements. A higher stock price indicates greater market confidence in the company's ability to maintain performance and achieve sustainable growth prospects (Azzahra, 2024). Firm value also represents investors' evaluation of a company's financial performance, profitability potential, and ability to maintain long-term business sustainability (Erfana & Dwijayanty, 2024). Several factors may influence firm value, including profitability, capital structure, firm size, and market conditions (Hirdinis, 2019). In this study, firm value is measured using the *Price to Book Value* (PBV) ratio because this measurement reflects the market's appreciation of a company's equity value compared with its accounting value.

The formula is:

$$PBV = \frac{Market\ Price\ per\ Share}{Book\ Value\ per\ Share}$$

Where:

Market Price per Share = the closing stock price of the company.

Book Value per Share = total equity divided by the number of outstanding shares.

H1: Profitability, capital structure, and ESG disclosure simultaneously have a significant effect on firm value.

Profitability. Profitability refers to a company's ability to generate earnings through the effective utilization of its available resources, including assets and capital. It represents an important indicator of managerial effectiveness in implementing business strategies and achieving optimal financial performance (Azzahra, 2024). A high level of profitability indicates that a company is capable of utilizing its assets and capital efficiently to generate profits. This condition may strengthen investor confidence because profitable companies are generally perceived as having better operational capabilities and stronger future prospects (Luthfi et al., 2025). Previous studies have identified several factors that may influence profitability, including operational efficiency, leverage, firm size, and sales growth (Syofyan & Fitra, 2025). In this study, profitability is measured using *Return on Assets* (ROA) because this ratio reflects the company's ability to utilize its total assets effectively to generate profits (Azzahra, 2024).

The formula is:

Where:

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$$ROA = \frac{Net\ Income}{Total\ Assets} \times 100\%$$

Net Income = company's profit after tax during a specific period.

Total Assets = total assets owned by the company during a specific period.

H2: Profitability has a significant effect on firm value.

Capital Structure. Capital structure refers to the composition of corporate financing obtained from debt and equity to support operational activities and investment decisions (Schoenmaker & Schramade, 2023). Capital structure decisions are important because they determine the balance between financing costs, financial risk, and the potential for increasing firm value (Brigham & Houston, 2007). Bastomi (2021) demonstrated that capital structure plays an important role in determining firm value, indicating that financing decisions represent relevant information considered by investors in evaluating corporate performance. The use of debt may provide advantages through tax benefits derived from interest expenses. However, excessive debt utilization may increase financial risk and negatively affect investor perceptions of the company (Modigliani & Miller, 1963). Therefore, companies need to establish an optimal capital structure that balances the benefits and risks associated with debt financing. Several factors influence capital structure decisions, including sales stability, asset structure, profitability, business risk, company growth, market conditions, economic conditions, and managerial policies (Brigham & Houston, 2007). In this study, capital structure is measured using the *Debt to Equity Ratio* (DER), which indicates the proportion between total debt and shareholders' equity.

The formula is:

$$DER = \frac{Total\ Debt}{Total\ Equity} \times 100\%$$

Where:

Total Debt = all short-term and long-term liabilities of the company.

Total Equity = total shareholders' equity.

H3: Capital structure has a significant effect on firm value.

ESG Disclosure. ESG disclosure refers to the disclosure of corporate information related to environmental, social, and governance aspects as a form of transparency and accountability toward stakeholders (Friede et al., 2015). Bastomi et al. (2017) emphasized that effective corporate governance and risk management mechanisms enhance corporate performance by improving transparency, accountability, and stakeholder confidence. Companies with higher levels of ESG disclosure are generally perceived as having stronger governance practices, greater transparency, and better risk management capabilities, which may enhance investor confidence and firm value (Eccles et al., 2014). ESG disclosure has become increasingly important as investors consider not only financial performance but also corporate sustainability

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practices and long-term value creation. Several factors may influence ESG disclosure, including firm size, gender diversity, corporate ownership structure, and corporate social responsibility committees (Hasnan et al., 2023). In this study, ESG disclosure is measured using the *Global Reporting Initiative* (GRI) standards, which include environmental, social, and governance indicators. The measurement consists of GRI 300 for environmental aspects with 32 indicators, GRI 400 for social aspects with 40 indicators, and GRI 102 for governance aspects with 27 indicators (Ghazali & Zulmaita, 2022).

The formula is:

$$ESGDI = \frac{Number\ of\ ESG\ items\ disclosed}{Total\ ESG\ items\ based\ on\ GRI\ standards}$$

Where:

Number of ESG items disclosed = total ESG items disclosed by the company based on the GRI checklist.

Total ESG items based on GRI standards = total ESG indicators used as the research reference.

H4: ESG disclosure has a significant effect on firm value.

3. Research Method

This study employs a quantitative research approach using descriptive analysis and panel data regression to examine the effect of profitability, capital structure, and ESG disclosure on firm value. The study utilizes secondary data obtained from annual reports and sustainability reports of companies listed in the *Jakarta Islamic Index* 70 (JII70) during the 2022–2025 period. The data collection process was conducted through the official websites of each company and the Indonesia Stock Exchange (IDX) website. The research period was planned from November 2025 to August 2026. The population of this study consists of all companies that were included in the JII70 index during the 2022–2025 period, with a total of 116 companies. The sample was selected using a purposive sampling technique based on specific predetermined criteria. The criteria include: (1) companies that were consistently listed in the JII70 index throughout the 2022–2025 period, and (2) companies that provided complete annual reports and sustainability reports during the observation period. Based on these criteria, 36 companies were selected as the final sample. The study uses a four-year observation period, resulting in 144 firm-year observations (36 companies × 4 years). The collected data were analyzed using panel data regression with the Random Effect Model (REM). The regression analysis was conducted to examine the effect of profitability, capital structure, and ESG disclosure on firm value. Statistical analysis was performed using EViews software.

4. Finding and Discussion

Descriptive Statistical Analysis. Descriptive statistical analysis is employed to provide a general overview of the research data characteristics through a set of statistical measures.

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Table 1. Descriptive Statistical Analysis

Variable	N	Minimum	Maximum	Mean	Std.dev
ROA(X1)	144	-0,0303	0,4543	0,0929	0,0782
DER(X2)	144	0,1123	6.4659	0,9028	0,8454
ESG *Disclosure(X3)*	144	0,2906	1	0,7372	0,1712
PBV(Y)	144	0,3592	44.8570	2.8053	5.9587

Source*: EViews 14 output,* processed, 2026

Firm Value (PBV). The descriptive statistics show that the firm value variable (PBV) has a minimum value of 0,3592, a maximum of 44,8570, a mean of 2,8053, and a standard deviation of 5,9587, indicating a wide data spread and considerable variation in market valuation among the sample firms, with average share prices generally exceeding their book values.

Profitability. Profitability (ROA) has a minimum value of -0,0303, a maximum of 0,4543, a mean of 0,0929, and a standard deviation of 0,0782. The negative minimum indicates that some sample firms recorded a net loss during the observation period, while the standard deviation being smaller than the mean suggests a relatively low degree of data dispersion.

Capital Structure. Capital structure (DER) has a minimum value of 0,1123, a maximum of 6,4659, a mean of 0,9028, and a standard deviation of 0,8454, reflecting fairly substantial variation in the debt-to-equity ratio across firms, although the sample firms generally hold more equity than debt.

ESG *Disclosure*. ESG *Disclosure* has a minimum value of 0,2906, a maximum of 1,0000, a mean of 0,7372, and a standard deviation of 0,1712, indicating that the sample firms generally disclose ESG information at a relatively high level, with a relatively low degree of variation across firms.

Normality Test. The normality test is intended to determine whether the residual data in the regression model are normally distributed.

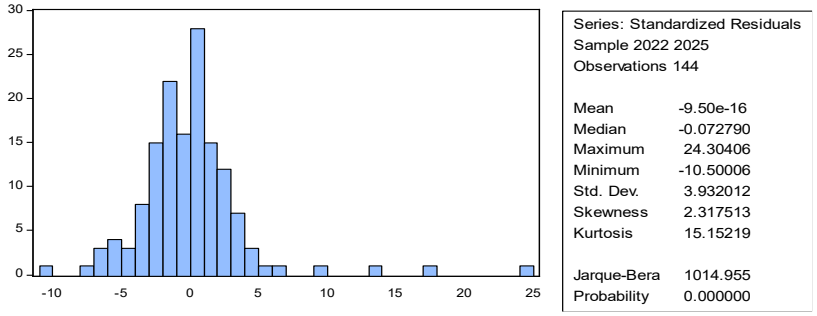

Figure 1. Pre-Normality Test, Source*: EViews 14 output,* processed, 2026

The initial normality test using *EViews* shows a *Jarque-Bera* probability value of 0,000000 (< 0,05), indicating that the research data are not normally distributed. To address this, the

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dependent variable (firm value) was transformed following Ghozali (2021); however, the data still did not achieve a normal distribution, so the analysis proceeded to an *outlier* test using the *Z-score* method on the PBV variable. The initial test of 144 observations identified PT Unilever Indonesia Tbk (UNVR) as an outlier because its PBV value was far higher than the other observations. A subsequent retest then identified PT Chandra Asri Pacific Tbk (TPIA) as the most extreme outlier, with a continuously rising PBV value and negative ROA for three consecutive years. The other observations flagged in the retest were retained, as their deviation remained within an acceptable range.

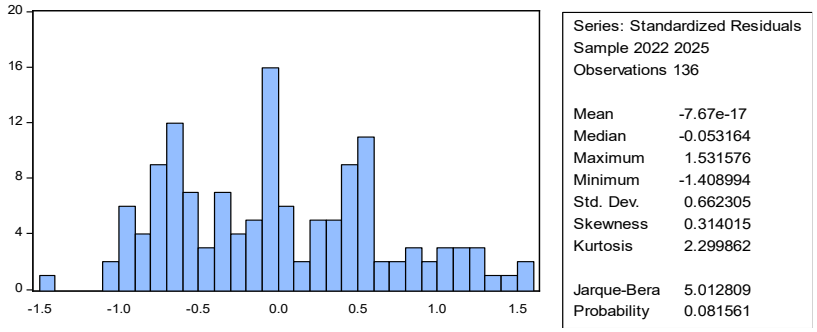

Figure 2. Post-Normality test, Source: EViews 14 output, processed 2026

Based on the results above, after the correction the Jarque-Bera value changed to 5,0128 with a probability value of 0,0816. Since this probability value is greater than 0.05 (0,0816>0,05), it can be concluded that the residuals in this study's regression model are normally distributed.

Chow Test. Table 2. Chow Test Result

Effects Test	Statistic	d.f.	Prob.
Cross-section F	28.381559	(33,99)	0.0000
Cross-section Chi-square	319.274707	33	0.0000

Source: EViews 14 output, processed, 2026

Panel Data Model Selection Test. The *Chow* test yields a *Cross-section* F-value of 28,3816 with a probability of 0,0000 (< 0,05), indicating that the *Fixed Effect* model is preferred over the *Common Effect* model.

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Hausman Test

Table 3. Hausman Test Result

Effects Test	Statistic	d.f.	Prob.
Cross-section F	28.38156	(33,99)	0
Cross-section Chi-square	319.2747	33	0

The *Hausman* test further yields a *Chi-Square Cross-section random* value of 3,6191 with a probability of 0,3056 (> 0,05), indicating that the *Random Effect* model is selected as the best estimation model.

Effects Test	Statistic	d.f.	Prob.
Cross-section F	28.38156	(33,99)	0

Multiple Linear Regression Analysis. Panel Data Regression Results. The *Random Effect* Model estimation on 136 observations produces the following regression equation.

Table 3. Regression Analysis Result

Variable	Coefficient		Std. Error	t-Statistic	Prob.
C	-0.235071		0.230481	-1.019914	0.3096
X1	2.831501		0.518241	5.463681	0
X2	0.277866		0.137785	2.016656	0.0458
X3	0.007459		0.191876	0.038872	0.9691
Weighted Statistics					
R-squared	0.187879	Mean dependent var			0.044258
Adjusted R-squared	0.169422	S.D. dependent var			0.263001
S.E. of regression	0.239688	Sum squared resid			7.583472
F-statistic	10.17912	Durbin-Watson stat			1.067336
Prob(F-statistic)	0.000004				

Source*: EViews 14 output,* processed, 2026

Based on the panel data regression results using the Random Effect Model, the following regression equation is obtained:

Ln(PBV) = -0,235071 + 2,831501 X1 + 0,277866 X2 + 0,007459 X3 + e

The panel data regression model above can be interpreted as follows: (1) The constant value of -0,235071 indicates that when all independent variables, namely ROA, DER, and ESG *Disclosure,* are equal to 0, Ln(PBV) has a value of -0,235071. (2) The ROA (X1) coefficient of 2,831501 indicates that a one-unit increase in ROA raises Ln(PBV) by 2,831501, assuming the other independent variables remain constant. (3) The DER (X2) coefficient of 0,277866 indicates that a one-unit increase in DER raises Ln(PBV) by 0,277866, assuming the other independent variables remain constant. (4) The ESG *Disclosure* (X3) coefficient of 0,007459

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indicates that a one-unit increase in ESG *Disclosure* raises Ln(PBV) by 0,007459, assuming the other independent variables remain constant.

Multicollinearity Test. The multicollinearity test is conducted to determine whether a strong relationship exists among the independent variables in the regression model.

Table 4. Multicollinearity Test Result

	X1	X2	X3
X1	1,000000	-0,451955	0,126741
X2	-0,451955	1,000000	-0,124486
X3	0,126741	-0,124486	1,000000

Source*: EViews 14 output,* processed, 2026

The multicollinearity test results show that the correlation values among the independent variables are all below 0,80, indicating that the relationships between the independent variables remain within an acceptable range according to the multicollinearity testing criteria.

Heteroscedasticity Test. The heteroscedasticity test is conducted to determine whether the variance of the residuals differs from one observation to another in the regression model.

Table 5. Heteroscedasticity Test Result

Dependent Variable: ABSRESID01
Method: Panel EGLS (Cross-section random effects)
Date: 08/25/26 Time: 08:23
Sample: 2022 2025
Periods included: 4
Cross-sections included: 34
Total panel (balanced) observations: 136
Swamy and Arora estimator of component variances

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.615369	0.171685	3.584295	0.0005
X1	0.274275	0.456782	0.600451	0.5492
X2	-0.088423	0.090601	-0.975955	0.3309
X3	-0.015156	0.168748	-0.089812	0.9286

Source*: EViews 14 output,* processed, 2026

The Glejser test results show that the probability values of each independent variable (X1, X2, and X3) are all above 0,05. This indicates that the regression model in this study does not suffer from heteroscedasticity and can be concluded to satisfy the homoscedasticity assumption.

Autocorrelation Test. The autocorrelation test is intended to determine whether a correlation exists between the residuals of a given period and the residuals of the preceding period in the regression model.

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Table 6. Autocorrelation Test Result

Weighted Statistics			
R-squared	0.187879	Mean dependent var	0.044258
Adjusted R-squared	0.169422	S.D. dependent var	0.263001
S.E. of regression	0.239688	Sum squared resid	7.583472
F-statistic	10.17912	Durbin-Watson stat	1.067336
Prob(F-statistic)	0.000004		

Source*: EViews 14 output,* processed, 2026

The estimation of the panel data regression model yields a Durbin-Watson value of 1,067336, which falls within the range of -2 to +2. According to the Durbin-Watson criteria proposed by Santoso (2012), a DW value between -2 and +2 indicates that the regression model does not exhibit symptoms of autocorrelation.

Partial Test (t-Test). The t-test is used to determine the extent to which each independent variable individually (partially) influences the dependent variable.

Table 7. Partial Test Result

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-0.235071	0.230481	-1.019914	0.3096
X1	2.831501	0.518241	5.463681	0.0000
X2	0.277866	0.137785	2.016656	0.0458
X3	0.007459	0.191876	0.038872	0.9691

Source*: EViews 14 output,* processed, 2026

The partial test results show that ROA (X1) has a significant effect on firm value, with a t-statistic of 5,463681 and a probability of 0,0000 (< 0,05). Similarly, DER (X2) has a significant effect on firm value, with a t-statistic of 2,016656 and a probability of 0,0458 (< 0,05). Meanwhile, ESG *Disclosure* (X3) has no significant effect on firm value, with a t-statistic of 0,038872 and a probability of 0,9691 (> 0,05).

Simultaneous Test (F-Test). The F-test is used to determine whether all the independent variables included in the model, when tested jointly (simultaneously), have a significant effect on the dependent variable.

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Table 8. Simultanous Result

Weighted Statistics			
R-squared	0.187879	Mean dependent var	0.044258
Adjusted R-squared	0.169422	S.D. dependent var	0.263001
S.E. of regression	0.239688	Sum squared resid	7.583472
F-statistic	10.17912	Durbin-Watson stat	1.067336
Prob(F-statistic)	0.000004		

Source*: EViews 14 output,* processed, 2026

The F-statistic of 10,17912 with a probability of 0,000004 (< 0,05) shows that profitability, capital structure, and ESG *disclosure* jointly have a significant effect on firm value.

Coefficient of Determination Test (R^2)

Table 9. Coefficient of Determination Result

Weighted Statistics			
R-squared	0.187879	Mean dependent var	0.044258
Adjusted R-squared	0.169422	S.D. dependent var	0.263001
S.E. of regression	0.239688	Sum squared resid	7.583472
F-statistic	10.17912	Durbin-Watson stat	1.067336
Prob(F-statistic)	0.000004		

Source: *EViews 14 output,* processed 2026

The *Adjusted R-squared* value of 0,169422 indicates that the three independent variables are able to explain 16,9% of the variation in firm value, while the remaining 83,1% is explained by other factors outside the model, such as firm size, sales growth, or macroeconomic conditions.

The Simultaneous Effect of Profitability, Capital Structure, and ESG Disclosure on Firm Value. The results of the F-test indicate that profitability, capital structure, and ESG disclosure simultaneously have a significant effect on firm value. This is evidenced by the F-statistic value of 10.17912 with a probability value of 0.000004 (<0.05). Therefore, H4 is accepted. The Adjusted R-squared value of 0.169422 indicates that profitability, capital structure, and ESG disclosure collectively explain 16.94% of the variation in firm value, while the remaining 83.06% is explained by other factors outside the research model. These findings demonstrate that firm value is influenced not only by individual financial performance indicators but also by a combination of financial and non-financial information. The simultaneous influence is primarily driven by profitability and capital structure, which demonstrate significant individual effects on firm value. Meanwhile, ESG disclosure remains an important component in investors' overall assessment of corporate performance, although its individual effect is statistically insignificant. This finding supports the integration of *Signaling Theory* and *Stakeholder Theory*, which explain that financial performance signals and sustainability-related information can contribute to investors' evaluation of corporate value.

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The Effect of Profitability on Firm Value. The empirical results show that profitability, measured using Return on Assets (ROA), has a significant effect on firm value. The coefficient value of 2.831501, t-statistic value of 5.463681, and probability value of 0.0000 (<0.05) indicate that profitability significantly influences firm value. Therefore, H1 is accepted. This finding indicates that companies with higher profitability tend to achieve higher firm value because investors perceive profitable companies as having stronger operational performance, better resource utilization capabilities, and more promising future prospects. This result is consistent with *Signaling Theory*, which explains that strong profitability provides a positive signal to the market regarding managerial effectiveness and the company's ability to generate sustainable earnings. The relationship between profitability and firm value can also be observed from several sample companies. The decline in ROA experienced by PT Semen Indonesia Tbk (SMGR) and PT Harum Energy Tbk (HRUM) was followed by a decline in PBV. Conversely, PT Medikaloka Hermina Tbk (MIKA), which maintained relatively high ROA performance, recorded a PBV value above the sample average. These findings indicate that investors tend to respond positively to companies with stronger profitability performance. This result is consistent with Nurhayati and Anizar (2022), who found that profitability has a positive effect on firm value. However, this finding differs from Ramadhania et al. (2025), who reported that profitability negatively affects firm value in the transportation and logistics sector. The difference may be attributed to variations in industry characteristics, business risks, and operational structures across sectors.

The Effect of Capital Structure on Firm Value. The results indicate that capital structure, measured using the Debt to Equity Ratio (DER), has a significant effect on firm value. The coefficient value of 0.277866, t-statistic value of 2.016656, and probability value of 0.0458 (<0.05) confirm that capital structure significantly influences firm value. Therefore, H2 is accepted. This finding suggests that an appropriate level of debt utilization may positively influence market perceptions. Debt financing within a controlled level can indicate that management has confidence in the company's future growth opportunities and possesses the ability to utilize external funding sources effectively. The findings support *Signaling Theory*, which states that financing decisions can provide signals regarding managerial confidence and expectations toward future corporate performance. Investors may interpret the use of debt as a positive signal when it is allocated to productive activities that enhance company growth. The empirical evidence can be observed in PT Telkom Indonesia Tbk (TLKM) and PT XL Axiata Tbk (EXCL), where increases in DER were accompanied by increases in PBV. This suggests that investors may perceive controlled leverage as an indicator of business expansion capability rather than merely as an increase in financial risk. This finding is consistent with Jamal and Rahmah (2025), who found that capital structure positively and significantly affects firm value. However, the result differs from Noviaty and Subagio (2024), who found that capital structure does not significantly affect firm value in the banking sector. This difference may be explained by the specific characteristics of the banking industry, where capital structure decisions are strongly influenced by regulatory requirements and financial stability considerations.

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The Effect of ESG Disclosure on Firm Value. The results indicate that ESG disclosure has a positive but statistically insignificant effect on firm value. The coefficient value of 0.007459, t-statistic value of 0.038872, and probability value of 0.9691 (>0.05) suggest that ESG disclosure does not have a significant impact on firm value. Therefore, H3 is rejected. This finding suggests that increased ESG disclosure does not necessarily result in higher market valuation among companies included in the JII70 during the 2022–2025 observation period. Several sample observations support this result. PT Adaro Energy Indonesia Tbk (ADRO) and PT Indo Tambangraya Megah Tbk (ITMG), for example, experienced improvements in ESG disclosure scores; however, these improvements were accompanied by declines in PBV. The insignificant relationship may be explained by several possible factors. First, ESG disclosure levels among companies in the sample tend to be relatively similar, resulting in limited variation that reduces its ability to explain differences in firm value. Second, investors in the Indonesian Islamic capital market may still place greater emphasis on conventional financial indicators, such as profitability and capital structure, compared with sustainability-related information. From the perspective of *Stakeholder Theory*, ESG disclosure represents a company's commitment to fulfilling stakeholder expectations through transparency and accountability. However, the findings indicate that ESG information has not yet become a dominant factor in investors' valuation decisions. This suggests that the market response toward sustainability disclosure remains developing. This result is consistent with Zulianto and Aisjah (2025) and Yudiansyah and Burhany (2025), who found that ESG disclosure does not significantly affect firm value. However, the finding differs from Tiranda et al. (2025), who reported that ESG disclosure has a significant effect on firm value.

5. Conclusion

This study concludes that profitability, capital structure, and ESG disclosure collectively influence firm value among companies included in the *Jakarta Islamic Index* 70 (JII70) during the observation period. The findings indicate that profitability and capital structure play important roles in determining firm value, suggesting that strong financial performance and effective financing decisions remain key considerations for investors in evaluating Sharia-compliant companies. Meanwhile, ESG disclosure shows a positive direction of influence but does not significantly affect firm value. This finding suggests that sustainability-related information has not yet become a primary factor in market valuation, although it remains relevant as complementary information regarding corporate responsibility and long-term risk management. This study has several limitations. First, ESG disclosure measurement was conducted manually using a checklist approach based on the Global Reporting Initiative (GRI) indicators, which required substantial time and may involve potential researcher subjectivity. Second, not all sampled companies provided sustainability reports with explicit GRI index tables, requiring manual identification of disclosure items that may lead to differences in assessment consistency among companies. Third, the presence of extreme observations (*outliers*) required additional testing, which may have influenced the final dataset and limited the representation of certain company characteristics. Future research is encouraged to utilize verified third-party ESG rating providers, such as Bloomberg ESG Score or Sustainalytics, as

alternative measurement approaches or comparative references to manual GRI-based assessments to improve efficiency and reduce subjectivity in ESG evaluation. For companies, the findings highlight the importance of maintaining an optimal and Sharia-compliant financing structure while improving asset utilization efficiency to strengthen profitability. For investors, fundamental financial indicators, particularly profitability and capital structure, remain important considerations in assessing investment prospects, while ESG disclosure can be used as additional information for evaluating long-term corporate sustainability and risk management.

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