
THE IMPACT OF LEVERAGE, FINANCIAL PERFORMANCE, AND SOCIAL PERFORMANCE ON FIRM VALUE



Amelya Andini Wahyuningsih¹
Universitas Swadaya Gunung Jati, Jawa Barat, Indonesia
amelya.122040110@ugj.ac.id

Acep Komara²
Universitas Swadaya Gunung Jati, Jawa Barat, Indonesia
acepkomara@ugj.ac.id

Abstract

This study investigates the effects of leverage, financial performance, and social performance on firm value among companies included in the ESG Leader Index on the Indonesia Stock Exchange during 2020–2024. While previous studies have extensively examined the determinants of firm value, their findings remain inconsistent and predominantly focus on conventional listed companies, offering limited theoretical explanation of how sustainability-oriented firms differ in responding to financial and non-financial information. This study addresses this gap by examining whether ESG Leader companies exhibit different market responses to leverage, financial performance, and social performance, thereby extending the application of Signaling Theory within the context of sustainability-oriented firms. Using a quantitative research design and purposive sampling, 63 firm-year observations were obtained after outlier screening and analyzed using multiple linear regression. The results indicate that financial performance positively and significantly influences firm value, whereas leverage and social performance do not exhibit significant effects. These findings suggest that, despite the growing emphasis on Environmental, Social, and Governance (ESG) practices, investors in the Indonesian capital market continue to rely primarily on financial profitability when assessing firm value. This study contributes to the literature by providing empirical evidence on the relevance of financial and non-financial signals within ESG Leader companies and offers practical implications for corporate managers to balance financial performance with credible sustainability initiatives in order to enhance long-term firm value.

Keywords: Firm Value, Leverage, Financial Performance, Social Performance, ESG Leader

INTRODUCTION

In recent years, attention to corporate sustainability issues and the factors that influence corporate value has been growing, in line with increasing business environment dynamics, regulatory pressures, and investor expectations regarding responsible management practices. Corporate value is now understood not only as the result of financial performance alone, but also as a reflection of how the market comprehensively assesses all aspects of a company's operations and risks. Iman et al. (2021) explain that corporate value is reflected in stock market prices as a reflection of market perceptions regarding a company's long-term prospects, while Lamba & Atahau (2022) emphasize the importance of an appropriate capital formation strategy to maintain a company's stability and competitiveness in the long term. Changes in the global economic structure, increased information transparency, and the strengthening of Environmental, Social, and Governance (ESG) principles are increasingly placing companies in a position where they must be able to demonstrate solid performance, both financially and non-financially. With these shifts, variables such as financial performance, leverage, and social performance are becoming increasingly relevant because they can influence a company's image in the eyes of investors, creditors, regulators, and the public. From the perspective of Signaling Theory, information regarding these three variables serves as signals that investors use to assess a company's prospects and make investment decisions. Therefore, it is important to understand whether investors respond to the signals sent by ESG-oriented companies in the same way as they do to companies in general, given that these companies' sustainability characteristics can influence the market's assessment of their value.

The case of PT Vale Indonesia Tbk serves as one of the most striking examples of how a failure to fulfill social and environmental responsibilities can lead to serious economic consequences and directly impact a company's value. The court ruling requiring the company to pay damages and environmental remediation costs totaling approximately Rp1.9 trillion due to a tailings spill that caused river pollution and ecosystem damage not only reflects the magnitude of the damage caused by mining operations but also demonstrates how violations of environmental compliance can turn into a heavy financial burden for the company. Such conditions trigger liquidity pressures, undermine operational stability, and damage the company's reputation in the eyes of the public and investors. The situation becomes even more complex when the company faces legal claims from local communities and regulators—which some view as an attempt to avoid fully settling environmental liabilities—thereby creating negative perceptions and increasing market uncertainty. In the context of the capital market, significant legal events such as this can trigger a decline in investor confidence, an increased risk of stock sell-offs, and the potential for negative abnormal returns during the event window. These impacts can ultimately depress a company's value, demonstrating that social and environmental risks are not only related to reputational issues but also translate into measurable and tangible financial risks. Thus, the case of PT Vale Indonesia Tbk provides a strong empirical illustration of how social performance and environmental compliance are closely linked to a company's financial stability and market value, while also underscoring the importance of research that evaluates market reactions to material-scale social and environmental events. These findings indicate that social and environmental risks can evolve into information that influences investors' perceptions of a company's prospects. Therefore, companies that have adopted ESG principles serve as an

important research context for testing whether financial and non-financial information still have the same influence on a company's value.

Although various previous studies have sought to explain the factors influencing firm value, the findings in the literature reveal inconsistencies that highlight the need for further testing. Studies (Adyaksana et al., 2023; Setiawati & Wijaya, 2022) indicate that financial performance has a significant positive effect on firm value, while other studies (Firdianto & Sudiyatno, 2024; Indawati, 2021) found that financial performance does not have a significant effect, raising questions about the specific conditions that cause this discrepancy. Regarding the leverage variable, (Abdullah Nasih Ulwan, Efi Deayu, Acep Komara, 2025; Christie & Breliastiti, n.d.; Habibi et al., 2025; Sandra Kornelis, Suyanto, 2025; Wiralestari, 2024) concluded that the leverage variable affects financial performance; (Lamba & Atahau, 2022) reported a significant negative effect on firm value, whereas (Farizki et al., 2021; Nandita Syahwallistiana, 2025; Salsabillah et al., 2025) found no significant effect, indicating that the extent to which investors assess a company's reliance on debt may vary depending on its risk structure and industry context. Similar inconsistencies are also evident in studies on social performance: (Nur Fajriyah & Tohir Pohan, 2022) found a significant positive effect, whereas (Hanna, 2018; Xaviera & Rahman, 2023) reported no significant relationship between social performance and firm value. Furthermore, the study by Adyaksana et al. (2023) did not include social performance in its research model; consequently, the analytical framework needed to comprehensively examine how financial and non-financial variables simultaneously affect firm value remains unaddressed. These differing research findings indicate the existence of a relevant empirical gap that warrants further investigation. However, the inconsistencies in previous research have not been accompanied by adequate explanations regarding the conditions that cause leverage, financial performance, and social performance to exert differing effects on firm value. Most previous studies have also focused on publicly traded companies in general, and thus have not provided insight into whether the characteristics of companies included in the ESG Leader Index might influence the relationships among these variables. Thus, there remains scope for further research to re-examine the relationship between leverage, financial performance, and social performance on firm value in companies with stronger sustainability characteristics—especially when linked to real-world phenomena such as the case of PT Vale Indonesia Tbk, which provides concrete evidence that social and environmental performance can have a significant impact on market reactions and firm value. This situation underscores the need for new research capable of providing a more comprehensive understanding of how financial performance, leverage, and social performance contribute to the formation of corporate value in today's dynamic and risk-prone environment.

Given these circumstances, this study is urgent not only from the perspective of scientific advancement but also in terms of practical needs for corporate strategic decision-making. Theoretically, this study is expected to strengthen the conceptual framework regarding the factors that influence firm value by integrating financial performance, leverage, and social performance variables into a more comprehensive analytical model, thereby addressing the discrepancies in empirical findings observed in previous studies. This study is also expected to provide a deeper understanding of how financial and non-financial information is perceived as signals by investors in companies that implement ESG principles. Thus, this study not only re-examines the relationships between variables that have been

extensively studied but also tests these relationships in the context of companies with sustainability characteristics that differ from those of public companies in general. This study also has the potential to help clarify how the market responds to a combination of financial and non-financial variables, particularly in the context of companies facing pressure due to social and environmental issues, such as those experienced by PT Vale Indonesia Tbk. From a practical perspective, the findings of this study are expected to serve as input for company management in formulating strategies that strike a better balance between financial performance and social-environmental commitments, thereby helping to maintain investor confidence and preserve the company's value in the long term. Furthermore, this study can provide insights for regulators to understand the importance of oversight and enforcement regarding business practices that impact the environment, as their implications have been shown to not only harm ecosystems but also threaten the economic stability of the companies themselves. Thus, this study is expected to make a significant contribution in both the academic and business practice spheres, while enriching the literature on corporate value dynamics in the context of increasingly complex social and environmental risks.

This study is expected to make a scientific contribution by strengthening the theoretical understanding of the determinants of firm value, particularly in the context of firms facing social and environmental risks. From a practical perspective, the results of this study are expected to serve as a reference for corporate management in formulating financial, social, and operational strategies to maintain and enhance firm value amid increasing sustainability demands. The main contribution of this study lies in re-examining the effects of leverage, financial performance, and social performance on corporate value using companies included in the ESG Leader Index as the sample. This focus is expected to provide empirical evidence on whether sustainability-oriented corporate characteristics influence the relevance of financial and non-financial information in the formation of corporate value.

REVIEW OF LITERATURE

Theoretical Review

According to Signaling Theory (Michael Spence, 1973), companies constantly strive to send signals to investors through the information they disclose, whether in the form of financial statements or non-financial information. These signals may be perceived as good news or bad news by investors, and this perception will influence investment decisions and firm value. Information regarding leverage, financial performance, and social performance in the context of sustainability is part of the signals that investors consider when assessing a company's prospects. Therefore, all variables in this study are analyzed from the perspective of signaling theory.

Leverage

Variable X1 in this study is leverage, which refers to the use of debt-financed funds to support a company's operational activities. According to (Rohmah et al., 2025), leverage is a ratio that measures an organization's ability to meet both short-term and long-term obligations. According to (Zainar Inayah, 2022), leverage reflects a company's ability to manage long-term debt that incurs fixed costs such as interest. Meanwhile, (Lamba & Atahau, 2022) state that leverage is a variable indicating how a company utilizes external capital to generate profits and repay its debt obligations.

This variable is based on Signaling Theory proposed by Michael Spence (1973). This theory asserts that the capital structure, including the level of leverage, serves as a signal to investors regarding a company's risk and prospects. An optimal leverage ratio can be viewed as a positive signal because it demonstrates the company's ability to manage debt, whereas excessively high leverage can be interpreted as a signal indicating bankruptcy risk. Thus, Signaling Theory is used to explain how Leverage (X1) can influence Firm Value (Y) through investors' interpretation of the company's capital structure.

Financial Performance

Variable X2 is Financial Performance, which reflects the extent to which a company succeeds in carrying out its operational activities. According to (Reysa et al., 2022), financial performance reflects a company's achievements in the activities it has undertaken over a specific period. Furthermore, (Zainar Inayah, 2022) explains that financial performance is typically reflected in financial statements that assess a company's efficiency, profitability, and ability to generate profits.

This variable is also grounded in Signaling Theory (Michael Spence, 1973), as strong financial performance serves as good news for investors, boosting investment interest and confidence in the company's sustainability. Research findings (Adyaksana et al., 2023) indicate that financial performance has a significant positive effect on firm value, confirming that information regarding profitability and operational efficiency serves as a positive signal that enhances market perception. Therefore, signaling theory supports the relationship that Financial Performance (X2) is a key variable in determining Firm Value (Y).

Social Performance

Variable X3 is Social Performance, which refers to a company's sense of responsibility toward its employees, customers, the community, and the social environment. According to Zainar Inayah (2022), social performance is reflected in a company's concern for workplace safety, customer service, and contributions to the community through social programs.

In the context of Signaling Theory (Michael Spence, 1973), a company's social activities constitute a type of non-financial signal that is increasingly being taken into account by modern investors. Strong social performance can be viewed as a positive signal regarding a company's legitimacy, long-term stability, and commitment to managing social and environmental risks. The case of PT Vale Indonesia Tbk demonstrates how failures in social and environmental performance can actually become a negative signal that harms the company, erodes investor confidence, and depresses the company's market value. Thus, based on signaling theory, Social Performance (X3) has the potential to influence Firm Value (Y) through investors' perceptions of the company's social responsibility.

Firm Value

Variable Y is Firm Value, which refers to the market's perception of a company's overall economic value. According to (Iman et al., 2021), firm value is reflected in the market price of shares, which reflects investors' assessment of the firm's prospects and financial health. (Lamba & Atahau, 2022) emphasize that one of the primary objectives of profit-oriented firms is to achieve a high firm value through an optimal combination of funding sources as the pillars of capital formation.

From the perspective of Signaling Theory (Michael Spence, 1973), a firm value is the end result of investors' interpretation of all signals sent by the company, whether related to

capital structure, financial performance, or social activities. When the information received by investors is good news, demand for the stock increases, thereby raising the firm value. Conversely, variable signals such as social-environmental non-compliance, as occurred in the case of PT Vale Indonesia Tbk, can contribute to a decline in corporate value. Therefore, corporate value is a dependent variable that is directly influenced by the quality of the signals communicated by the company.

RESEARCH METHOD

This study employs a quantitative approach to examine the cause-and-effect relationships among variables, which are systematically measured using numerical data to analyze the subject of interest. This approach was chosen because it aligns with the research object, namely financial statements used as a measurement tool to determine a company's value, which is tested using Leverage (X1), Financial Performance (X2), and Social Performance (X3). The financial statements used are those available on the Indonesia Stock Exchange (IDX) from 2020 through 2024.

The population in this study comprises companies listed on the Indonesia Stock Exchange (IDX) that are included in the ESG Leader Index from 2020 to 2024. The sample was selected using purposive sampling, which aims to obtain a sample that matches the specified characteristics. This study uses secondary data obtained from company annual reports available on the Indonesia Stock Exchange (IDX) website. The data collection methods used in this study include literature review and documentation. The literature review is based on journals, articles, and previous research findings. The documentation in this study utilizes data collected from annual reports available on the Indonesia Stock Exchange (IDX) website, which were then selected according to the criteria used in the sampling process.

Data Collection Methods

Variabel	Measurement Indicators	Scale
Leverage (X1)	$DER = \frac{\text{Total liabilities}}{\text{Total equity}} \times 100 \%$	Rasio
financial performance (X2)	$ROA = \frac{\text{Net profit}}{\text{Total asset}} \times 100 \%$	Rasio
social performance (X3)	Social Score	Rasio
Firm Value (Y)	$\text{Tobin's Q} = \frac{(\text{Market Value of Equity} + \text{Book Value of Debt})}{(\text{Book Value of Assets})}$	Rasio

Data Analysis Methods

Data analysis in this study was conducted systematically using SPSS software to test the causal relationships among variables. The analysis stages include:

1. Descriptive Statistical Analysis

Provides an overview of the data profile through the minimum, maximum, mean, and standard deviation values for the DER (Leverage), ROA (Financial Performance), ESG Score (Social Performance), and Tobin's Q (Firm Value) variables.

2. Classical Assumption Tests

Conducted to ensure the model meets the Best Linear Unbiased Estimator (BLUE) criteria. These tests include the Normality Test, Multicollinearity Test, Heteroscedasticity Test, and Autocorrelation Test.

3. Multiple Linear Regression

This analysis is used to measure the strength of the relationship and indicate the direction of the relationship between the dependent variable, Firm Value (Y), and more than one independent variable: Leverage (X1), Financial Performance (X2), and Social Performance (X3). The equation model is as follows:

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + e$$

- Y : Sustainability Reporting
- α : Constant
- $\beta_1, \beta_2, \beta_3$: Regression coefficients
- X_1 : Profitability
- X_2 : Leverage
- X_3 : Corporate Governance
- e : Error term (disturbance variable)

RESULTS AND DISCUSSION

Using the purposive sampling method, 63 samples were obtained from the 85 companies listed in the ESG Leader Index on the Indonesia Stock Exchange.

Descriptive Analysis

Table 4.1 Before outliers

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
LEVERAGE	75	.00	6.47	.8752	1.07298
FINANCIAL PERFORMANCE	75	.00	.35	.0892	.07182
SOCIAL PERFORMANCE	75	.20	1.00	.7284	.20440
FIRM VALUE	75	.45	10.57	1.7736	1.81398
Valid N (listwise)	75				

Table 4.2 After removing outliers

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
Leverage	63	.00	1.45	.5617	.36200
Financial Performance	63	.00	.17	.0702	.03639
Social Performance	63	.20	1.00	.7190	.21017
Firm Value	63	.45	3.26	1.3576	.68211
Valid N (listwise)	63				

Removing outliers successfully improved the quality of the data distribution. With the sample size reduced from 75 to 63 companies, the standard deviation for all variables decreased significantly, particularly for the Leverage variable (from 1.072 to 0.362) and the Enterprise Value variable (from 1.813 to 0.682). This indicates that the data is now much more homogeneous and stable, and is no longer dominated by extreme values that could bias the regression test results.

Normality Test

Table 4.3 Before outliers
One-Sample Kolmogorov-Smirnov Test

		Unstandardized Residual
N		75
Normal Parameters ^{a,b}	Mean	.0000000
	Std. Deviation	1.28849066
Most Extreme Differences	Absolute	.148
	Positive	.135
	Negative	-.148
Test Statistic		.148
Asymp. Sig. (2-tailed) ^c		<.001

Monte Carlo Sig. (2-tailed) ^d	Sig.		<.001
	99% Confidence Interval	Lower Bound	.000
		Upper Bound	.000

The results of the one-sample Kolmogorov-Smirnov test prior to data cleaning indicate that the data are not normally distributed. This is evidenced by the Asymp. Sig. (2-tailed) and Monte Carlo Sig. values, both of which are < 0.001 (less than 0.05).

Table 4.4 After removing outliers
One-Sample Kolmogorov-Smirnov Test

			Unstandardized Residual
N			63
Normal Parameters ^{a,b}	Mean		.0000000
	Std. Deviation		.61605596
Most Extreme Differences	Absolute		.100
	Positive		.100
	Negative		-.073
Test Statistic			.100
Asymp. Sig. (2-tailed) ^c			.197
Monte Carlo Sig. (2-tailed) ^d	Sig.		.117
	99% Confidence Interval	Lower Bound	.109
		Upper Bound	.125

According to the One-Sample Kolmogorov-Smirnov table, the Asymp. Sig. (2-tailed) value is 0.197, and the Monte Carlo Sig. (2-tailed) value is 0.117. Since both values are above

0.05, the regression model is deemed to satisfy the assumption of normality, which means that the residual data are normally distributed.

Table 4.5 Multicollinearity Test
Coefficients^a

						Collinearity Statistics	
Model						Tolerance	VIF
1	(Constant)						
	LEVERAGE					.992	1.008
	FINANCIAL PERFORMANCE					.993	1.008
	SOCIAL PERFORMANCE					.989	1.011

The results in the Coefficients table show:

- Tolerance Values: All variables (Leverage, Financial Performance, Social Performance) have values above 0.10 (ranging from 0.989 to 0.993).
- VIF Values: All variables have values below 10.00 (ranging from 1.008 to 1.011). Thus, this research model is free from multicollinearity issues.

Table 4.6 Heteroscedasticity Test

			Correlations			
			LEVERAGE	FINANCIAL PERFORMANCE	SOCIAL PERFORMANCE	Unstandardized Residual
Spearman's rho	LEVERAGE	Correlation	1.000	-.163	-.003	.086

Correlations

			LEVERA GE	FINANCIAL PERFORMA NCE	SOCIAL PERFORMA NCE	Unstandard ized Residual
		Coefficient				
		Sig. (2-tailed)	.	.202	.984	.504
		N	63	63	63	63
	FINANCIAL PERFORMANCE	Correlation Coefficient	-.163	1.000	.095	-.009
		Sig. (2-tailed)	.202	.	.461	.944
		N	63	63	63	63
	SOCIAL PERFORMANCE	Correlation Coefficient	-.003	.095	1.000	.073
		Sig. (2-tailed)	.984	.461	.	.571
		N	63	63	63	63
	Unstandardized Residual	Correlation	.086	-.009	.073	1.000

Correlations

			LEVERAGE	FINANCIAL PERFORMANCE	SOCIAL PERFORMANCE	Unstandardized Residual
		Coefficient				
		Sig. (2-tailed)	.504	.944	.571	.
		N	63	63	63	63

Based on the Spearman's rho correlation table, the main focus is on the correlation between each independent variable and the Unstandardized Residual:

- Leverage: Sig. value (2-tailed) = 0.504
- Financial Performance: Sig. value (2-tailed) = 0.944
- Social Performance: Sig. value (2-tailed) = 0.571

Since all significance values are well above 0.05, it can be concluded that there is no issue of heteroscedasticity in the regression model.

Table 4.7 Autocorrelation Test
Model Summary^b

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.585 ^a	.343	.309	.33551	1.370

The results of the data analysis show a Durbin-Watson value of 1.370. Based on the Durbin-Watson statistical table, the lower limit (dL) is 1.4943 and the upper limit (dU) is 1.6932; thus, the DW value is smaller than the dL value. Based on this comparison, the regression model in this study is indicated to have a problem of positive autocorrelation.

Tabel 4.8 Uji T (Parsial)

Coefficients^a

Model		t	Sig.
1	(Constant)	1.859	.068
	LEVERAGE	-.554	.582
	FINANCIAL PERFORMANCE	3.372	.001
	SOCIAL PERFORMANCE	.910	.366

Based on the results of the data analysis in the Coefficients table, the Leverage variable has a significance value of 0.582, which is greater than the standard of 0.05; therefore, it can be concluded that Leverage does not have a significant effect on Firm Value. Meanwhile, the Financial Performance variable shows very strong results with a significance value of 0.001 (well below 0.05) and a positive coefficient, meaning that Financial Performance has a positive and significant effect on Firm Value. On the other hand, Social Performance has a significance value of 0.366, which is greater than 0.05; therefore, this variable is also deemed to have no significant partial effect.

**Table 4.9 R² Test (Coefficient of Determination)
Model Summary^b**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.429 ^a	.184	.143	.63152	.831

Based on the Model Summary table, the R-squared value of 0.184 indicates that the variables Leverage, Financial Performance, and Social Performance collectively account for 18.4% of the variation in Firm Value. However, for a more accurate result in multiple regression, it is advisable to use the Adjusted R-squared value of 0.143, which implies that the actual effect is 14.3%. The remaining 85.7% is explained by other factors outside the scope of this study.

The Effect of Leverage on Firm Value

Based on the results of the partial statistical test (T-test), the Leverage variable (X1) showed a significance value of 0.582 with a regression coefficient of -0.554. Since the significance value of 0.582 is greater than 0.05, H1 is rejected. This means that Leverage does not have a significant effect on Firm Value. These results indicate that the level of debt usage (DER) in the capital structure of the sample companies is not a primary consideration

for investors when evaluating the companies. In the context of Signaling Theory proposed by Spence (1973), debt may function as either a positive signal when used to finance productive investments or a negative signal when it increases financial risk. However, the findings of this study suggest that the debt levels of companies included in the ESG Leader Index are not perceived by investors as information capable of significantly influencing firm value. This condition may occur because investors place greater emphasis on the companies' ability to generate sustainable financial performance than on their financing structure. Furthermore, companies included in the ESG Leader Index generally have relatively stable financial conditions and stronger access to funding, causing differences in leverage to be perceived as normal business conditions rather than as signals that materially alter market valuation.

These findings support the research conducted by Farizki et al. (2021), Nandita Syahwallistiana (2025), and Salsabillah et al. (2025), which also found that leverage does not have a significant effect on firm value, as investors tend not to react to debt levels as long as the firm remains capable of maintaining its operational performance and financial stability. However, these findings differ from those reported by Lamba and Atahau (2022), who concluded that leverage significantly affects firm value because debt is considered an important source of corporate financing. This inconsistency may be explained by differences in research objects and company characteristics. Previous studies generally examined listed companies without distinguishing their sustainability characteristics, whereas this study focuses specifically on ESG Leader companies, whose stronger financial quality and sustainability reputation may reduce investors' sensitivity to leverage information.

The Impact of Financial Performance on Firm Value

Based on the results of the statistical test, the Financial Performance variable (X_2) has a significance value of 0.001 (well below 0.05) with a positive regression coefficient of 3.372. This means that H_2 is accepted. In other words, Financial Performance has a positive and significant effect on Firm Value. These findings indicate that profitability remains the most influential indicator in shaping investor perceptions of firm value. In accordance with Signaling Theory, high profitability provides a credible positive signal regarding management's ability to utilize company resources efficiently and generate future economic benefits. Consequently, investors respond positively to firms with stronger financial performance because profitability reflects both current performance and future business prospects.

These findings are consistent with studies by Adyaksana et al. (2023) and Zainar Inayah (2022), which conclude that financial performance has a significant positive effect on firm value. The results indicate that although ESG implementation has become increasingly important, investors continue to regard financial performance as the primary basis for investment decisions. Conversely, these findings differ from those of Firdianto and Sudiyatno (2024) and Indawati (2021), who found no significant relationship between financial performance and firm value. These differences may be attributable to variations in observation periods, industrial characteristics, and sample composition. Since this study focuses exclusively on ESG Leader companies, profitability appears to remain the most reliable signal received by investors in assessing corporate value.

The Impact of Social Performance on Corporate Value

Based on the results of the statistical test, the Social Performance variable (X3) showed a significance value of 0.366 with a regression coefficient of 0.910. Since the significance value of 0.366 is greater than 0.05, H3 is rejected. This means that Social Performance does not have a significant effect on Firm Value. Although the background of this study highlights the urgency of social and environmental issues, as illustrated by the case of PT Vale Indonesia Tbk, the statistical results reveal that social performance has not yet become a determining factor in firm valuation within the observed sample. From the perspective of Signaling Theory, this finding indicates that social performance information has not yet provided a sufficiently strong signal to directly influence investor decisions. One possible explanation is that investors continue to prioritize financial information with immediate economic implications, while the benefits of social performance are generally perceived as long-term and therefore are not immediately reflected in stock prices. In addition, because all sampled companies are included in the ESG Leader Index, their social performance tends to be relatively similar, reducing the variation necessary to explain differences in firm value.

These results support previous studies by Hanna (2018) and Xaviera and Rahman (2023), which found that social performance does not have a significant effect on firm value in Indonesia. The findings indicate that financial information continues to receive greater attention than social performance information in investment decision-making within the observed sample. However, these results differ from those reported by Nur Fajriyah and Tohir Pohan (2022), who found a significant positive effect. Such inconsistencies may be attributed to differences in the measurement of social performance, research periods, and sample characteristics. Therefore, the insignificant effect found in this study should not be interpreted as indicating that social performance lacks importance, but rather that its influence on firm value has not yet been sufficiently reflected in market assessments of companies included in the ESG Leader Index during the study period.

CONCLUSION

Based on an analysis of 63 firm-year observations of companies included in the ESG Leader Index on the Indonesia Stock Exchange during the 2020–2024 period, this study concludes that leverage and social performance do not have a statistically significant effect on firm value, whereas financial performance has a positive and significant influence on firm value. These findings indicate that, within the context of ESG Leader companies, investors continue to place greater emphasis on firms' financial profitability than on capital structure or social performance when assessing firm value. However, these conclusions should be interpreted within the scope of the ESG Leader Index and should not be generalized to all listed companies, as firms outside this index may exhibit different characteristics and investor responses.

This study contributes to the literature by providing empirical evidence on the determinants of firm value in sustainability-oriented companies, a context that has received limited attention in previous studies. The findings suggest that the market relevance of financial signals remains stronger than that of non-financial signals, even among companies recognized for their ESG performance. Furthermore, the relatively low Adjusted R-Square value (14.3%) indicates that firm value is also influenced by other factors not examined in

this study, highlighting opportunities for future research to incorporate additional variables such as corporate governance, firm size, growth opportunities, investment decisions, ESG disclosure quality, or macroeconomic conditions.

From a practical perspective, the findings imply that managers of ESG Leader companies should continue to strengthen financial performance while improving the quality and credibility of social initiatives so that these activities provide greater value to investors. For investors, the results provide additional evidence that financial performance remains an important consideration in evaluating ESG-oriented firms, while for policymakers and regulators, the findings underscore the importance of encouraging more transparent and decision-useful sustainability disclosures to enhance the capital market relevance of non-financial information.

REFERENCES

- Abdullah Nasih Ulwan, Efi Deayu, Acep Komara, K. (2025). *The Effect of Profitability, Leverage on Firm Value and Corporate Social Responsibility (CSR) as a Moderating Variable*. 5(4), 2797–2812.
- Adyaksana, R. I., Umam, M. S., & Singgangsari, C. M. (2023). Pengaruh Kinerja Keuangan, Human Capital, Dan Kinerja Lingkungan Terhadap Nilai Perusahaan. *Jurnal Aplikasi Akuntansi*, 7(2), 265–277. <https://doi.org/10.29303/jaa.v7i2.185>
- Christie, J. I., & Breliastiti, R. (n.d.). *PENGARUH FINANCIAL PERFORMANCE TERHADAP FIRM VALUE DENGAN CORPORATE SOCIAL RESPONSIBILITY SEBAGAI*.
- Farizki, F. I., Suhendro, S., & Masitoh, E. (2021). Pengaruh Profitabilitas, Leverage, Likuiditas, Ukuran Perusahaan Dan Struktur Aset Terhadap Nilai Perusahaan. *Ekonomis: Journal of Economics and Business*, 5(1), 17. <https://doi.org/10.33087/ekonomis.v5i1.273>
- Firdianto, H., & Sudiyatno, B. (2024). The Impact of Financial Performance on Company Stock Exchange for The Period 2019-2022. *COSTING: Journal of Economic, Business and Accounting*, 7(4), 11470–11484.
- Habibi, M. Y., Indah, D. P., & Yunita, K. (2025). *Pengaruh Corporate Social Responsibility , Leverage , Sustainability Reporting Terhadap Nilai Perusahaan Dimoderasi Ukuran Perusahaan*. 17(3), 1243–1259.
- Hanna, Y. (2018). *Pengaruh kinerja keuangan, kinerja sosial, dan kinerja lingkungan terhadap nilai perusahaan*. 18(1), 35–50.
- Iman, C., Sari, F. N., & Pujiati, N. (2021). Pengaruh Likuiditas dan Profitabilitas Terhadap Nilai Perusahaan. *Jurnal Perspektif*, 19(2), 191–198. <https://doi.org/10.31294/jp.v19i2.11393>
- Indawati, A. A. S. (2021). *PENGARUH KINERJA KEUANGAN PERUSAHAAN DENGAN RASIO KEUANGAN TERHADAP NILAI PERUSAHAAN* Indawati , *Anggun Anggraini Staf Pengajar Fakultas Ekonomi Universitas Pamulang*. 4(2).
- Lamba, A. B., & Atahau, A. D. R. (2022). Pengaruh Leverage Terhadap Nilai Perusahaan yang Dimediasi Profitabilitas. *Reviu Akuntansi Dan Bisnis Indonesia*, 6(1), 16–31. <https://doi.org/10.18196/rabin.v6i1.12698>
- Michael Spence. (1973). Job Market Signaling Author (s): Michael Spence Published by :

- Oxford University Press Stable. *The Quarterly Journal of Economics*, 87(3), 355–374. <https://www.jstor.org/stable/1882010>
- Nandita Syahwallistiana. (2025). *PENGARUH FINANCIAL LEVERAGE, KINERJA KEUANGAN DAN ENVIRONMENTAL SOCIAL AND GOVERNANCE (ESG) TERHADAP NILAI PERUSAHAAN*. 2(2), 852–876.
- Nur Fajriyah, B., & Tohir Pohan, H. (2022). Analisis Pengaruh Kinerja Ekonomi, Pengungkapan Kinerja Sosial dan Lingkungan Terhadap Nilai Perusahaan. *COMSERVA: Jurnal Penelitian Dan Pengabdian Masyarakat*, 2(7), 905–914. <https://doi.org/10.59141/comserva.v2i7.408>
- Reysa, R., Fitroh, U., Rizqi Wibowo, C., & Rustanti, D. (2022). Determinasi Kebijakan Dividen Dan Kinerja Perusahaan: Kepemilikan Manajerial Dan Kinerja Keuangan (Literature Review Manajemen Keuangan). *Jurnal Manajemen Pendidikan Dan Ilmu Sosial*, 3(1), 364–374. <https://doi.org/10.38035/jmpis.v3i1.881>
- Rohmah, D. M., Dewantini, W., & Yulianto, A. (2025). The Impact of Profitability, Liquidity, and Leverage on Firm Value: Study of Mining Sector Companies. *Asian Journal of Management Entrepreneurship and Social Science*, 5(1), 722–736. <https://ajmesc.com/index.php/ajmesc>
- Salsabillah, A., Gultom, S. A., & Napitupulu, I. H. (2025). *Pengaruh Profitabilitas , Leverage , Dan Ukuran Perusahaan Terhadap Nilai Perusahaan Pada Perusahaan Sektor Energi Yang Terdaftar Di Bursa Efek Indonesia*. 8, 296–307.
- Sandra Kornelis, Suyanto, K. C. K. (2025). *PENGARUH PROFITABILITAS, LEVERAGE DAN UKURAN PERUSAHAAN TERHADAP NILAI PERUSAHAAN*. 5(1), 12–26. <https://doi.org/10.55587/jla.v5i1.140>
- Setiawati, P. N., & Wijaya, A. L. (2022). *Pengaruh Kinerja Keuangan dan Komite Audit terhadap Nilai Perusahaan (Studi Pada BUMN Di Bursa Efek Indonesia)*. 20(2), 203–214.
- Wiralestari, N. E. D. P. A. (2024). *Nilai perusahaan: kinerja esg, likuiditas, dan leverage pada perusahaan idx esg leaders*.
- Xaviera, A., & Rahman, A. (2023). Pengaruh Kinerja Esg Terhadap Nilai Perusahaan Dengan Siklus Hidup Perusahaan Sebagai Moderasi : Bukti Dari Indonesia. *Jurnal Akuntansi Bisnis*, 16(2), 226. <https://doi.org/10.30813/jab.v16i2.4382>
- Zainar Inayah. (2022). Analisis Struktur Modal, Profitabilitas Dan Kinerja Keuangan Terhadap Nilai Perusahaan (Penelitian Literature Review Manajemen Keuangan). *Jurnal Manajemen Pendidikan Dan Ilmu Sosial*, 3(2), 788–795.