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THE EFFECT OF COMPANY GROWTH, COMPANY PROFITABILITY, AND *MARKET CAPITALIZATION* ON FIRM VALUE THROUGH *ENVIRONMENTAL, SOCIAL & GOVERNANCE* (E.S.G.) IN ENERGY SECTOR COMPANIES ON THE INDONESIA STOCK EXCHANGE (IDX) FOR THE PERIOD 2017 – 2023

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Company Growth, Profitability, Market Capitalization, E.S.G., Firm Value, IDX

ABSTRACT

This research aimed to determine the influence of Company Growth, Company Profitability, and Market Capitalization through Environm ental, Social, & Governance on Company Value. This study uses a quantitative approach with data from financial statements published and audited by independent institutions. It also uses the SmartPLS 3.2.9 application in the research data processing process. The Population of this study is 87 issuers in the energy sector. Through several stages, as many as ten issuers were obtained as research samples with seven years of observation. The study results show that Profitability and Market Capitalization have a positive and significant effect on Environmental and Social Governance (E.S.G.), and Profit ability and Market Capitalization have a positive and significant impact on Company Value. Meanwhile, the Corporate Growth varia ble has a negative and insignificant impact on Environmental, Social , and governance (E.S.G.). Corporate Growth and Environmental, So cial, and governance have an adverse andnegligible effect on Compa ny Value. Environmental, Social, and governance (E.S.G.) cannot m ediate the influence of Company Growth, Profitability, and Market Capitalization on Company Value. The Total Determination Coeffici ent in this study was 0.335 or 33.5%. That is, the information contained in the data is 33.5%, which the model can explain. At the same time, the rest is explained by other variables not included in the model.

INTRODUCTION

The financial market is a dynamic arena where companies must adapt to various factors that affect their performance and the Company's Value. In this context, company value and *market capitalization* are vital factors that investors and financial analysts often consider when assessing a company's stability and growth potential. Company Performance describes the ability to manage and allocate owned by the Company to achieve its goals and targets; it can be concluded that the Company's performance refers to the achievements completed by the Company in a certain period, by predetermined criteria.

This performance reflects measurable results and considers the Company's empirical conditions based on various agreed-upon measures. Thus, measuring a company's performance is

about achieving numerical targets, how those results are obtained, and in what context they occur. Performance evaluation is carried out to determine the services provided. Performance evaluation is the periodic determination of the organization's operational performance, parts of the organization, and people against the goals, criteria, and performance given (Ningwati et al., 2022).

When it comes to company performance, this is inseparable from the Company's Value. The Value of a company generally leads to the level of ownership of the assets and the potential of the Company to attract investors. The Value of a company can be a capital force for businesses in the future. For investors, knowing the Value of a company is very important before deciding to invest. If the Company's Value is high and good, investors will want to give funds to the Company and make the Company an investment tool. In general, company value is the condition a business achieves as a description of public trust as consumers of the Company's performance and products. Thus, the Value of a company is not only a result of financial figures but also a reflection of how a company is viewed by consumers based on the performance and quality of the products it offers.

Trust from the public, especially consumers, reflects a positive perception of the products and services offered by the Company. This perception can improve the Company's image in the market, contributing to an increase in the Company's Value. Investors use the Company's Value as one of the leading indicators to assess management's success in managing the Company's resources. A high score indicates effective management, a successful business strategy, and good growth prospects. A company's Value is often reflected in its share price in the market. A high stock price generally reflects investors' confidence in the Company's growth potential and Profitability. In contrast, a decline in a company's Value usually indicates a performance or management problem, which can negatively impact the stock price.

You can use the P.B.V. *(Price to Book Value) method* to observe the Company's Value. P.B.V. *(Price to Book Value)* is a calculation method that is carried out to find out whether the price of the stock to be purchased is in the cheap or expensive category. So many investors use this calculation system to be considered before investing. The following is a summary of P.B.V. *(Price to Book Value)* data for 2019 – 2023 for energy companies that are interesting to observe and research from their financial performance.

Table 1. P.B.V. *(Price to Book Value)* Data for 2019 – 2023

Issuer	*2019*	*2020*	*2021*	*2022*	*2023*
ABM Investama Tbk	1,23	0,91	0,77	0,93	0,80
Adaro Energy Indonesia Tbk	0,89	0,82	1,13	1,20	0,67
AKR Corporindo Tbk	1,58	1,21	1,46	2,14	2,11
Bumi Resources Tbk	0,77	2,61	0,54	1,35	0,74
Bayan Resources Tbk	6,13	4,23	3,39	22,30	21,74
Darma Henwa Tbk	0,33	0,29	0,28	0,29	0,40
Delta Dunia Makmur Tbk	0,62	0,81	0,60	0,65	0,72
Delta Dunia makmur Tbk	0,62	0,69	0,53	0,55	0,64
Energi Mega Persada Tbk	0,35	0,44	0,40	0,90	0,61
Golden Energy Mines Tbk	3,00	3,03	10,36	4,72	3,34
Harum Energy Tbk	0,64	1,25	3,00	1,40	1,00
Indika Energy Tbk	0,43	0,73	0,64	0,67	0,35
Indo Tambangraya Megah Tbk	1,05	1,31	1,34	1,44	1,05

Issuer	*2019*	*2020*	*2021*	*2022*	*2023*
Medco Energi Internasional Tbk	0,98	0,86	0,67	0,93	0,93
State Gas Company Tbk	1,17	0,96	0,71	0,79	0,50
Bukit Asam	1,66	1,91	1,29	1,47	1,30
Rukun Raharja Tbk	0,47	0,61	0,43	2,11	2,50
Golden Eagle Energy Tbk	0,66	0,65	0,78	2,01	3,66
Average	**1,25**	**1,30**	**1,57**	**2,55**	**2,39**

Source: Secondary data of processed financial statements, 2024

The table above shows that the average P.B.V. value is significant from 1. A company with a P.B.V. value of 1 or more than 1 means that the Company's stock is relatively high. P.B.V. is more than 1, meaning that the market price of the Company's shares is higher than its book value. Companies with a P.B.V. of more than 1 have good management qualities, a strong brand, or a dominant market position, which makes them more valuable in the eyes of investors.

Companies with a P.B.V. above one may generate greater profits. In contrast, a P.B.V. below 1 indicates that the market values a company lower than its book value. This is often interpreted as cheap or *undervalued* stocks. A low P.B.V. could reflect underlying issues such as high debt, poor growth prospects, or weak operational performance. However, a high P.B.V. value does not necessarily mean that the stock is expensive without exception. Conversely, a low P.B.V. value does not necessarily mean the stock is cheap.

Comparing a company's P.B.V. value with the average P.B.V. value of the same industry can give an idea of whether the stock is expensive or cheap in the context of the sector; for example, the tech industry often has a higher P.B.V. Compared to the traditional manufacturing industry due to more significant growth expectations. Comparing a company's P.B.V. to the industry average can help identify *undervalued* or *overvalued* companies. If a company's P.B.V. is significantly higher or lower than the industry average, this could indicate potential opportunity or risk. Below is a graph of the average P.B.V. in the same industry during 2019-2023.

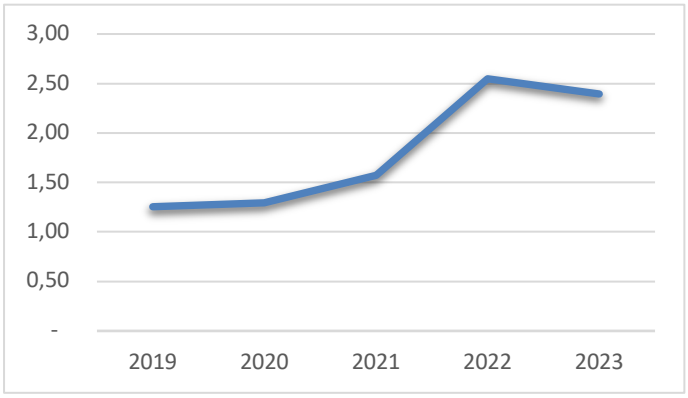

Figure 1. Average P.B.V. Value of 18 Issuers 2019 - 2023
Source: Secondary data of processed financial statements, 2024

In the graph above, the average P.B.V. value of 18 issuers in the energy sector that have audited financial statements has increased from 2019 to 2023. This increase is because the average Profitability of the 18 issuers in 2019-2023 experienced significant Growth. Increased Profitability will affect the Company's equity. The influence on equity will directly affect the Value of P.B.V. Below is the Growth of the average Profitability of 18 issuers from 2019 to 2023. It is directly proportional to the increase in P.B.V. during that period.

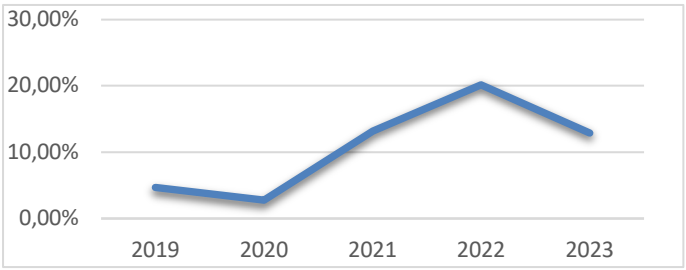

Figure 2. Average Profitability Value of 18 Issuers 2019 – 2023
Source: Secondary data of processed financial statements, 2024

Along with the increasing public awareness of social and environmental issues, companies are encouraged to focus on profit-seeking and pay attention to the impact of their operations on society and the surrounding environment. Companies that integrate E.S.G. considerations into their business strategies can build long-term Value, improve reputation, gain better access to capital, and manage risk more effectively. Along with the increasing public awareness of social and environmental issues, attention to E.S.G. is becoming increasingly important in the modern business world. E.S.G. disclosure is a company's performance using E.S.G. *(Environmental et al.) principles*. In its implementation, the Company is expected to meet *Good Corporate Governance* (G.C.G.) standards by holding the tenets of G.C.G., namely *people*, *planet*, and *profit*. By implementing excellent and correct G.C.G., companies will obtain various positive effects, including improving their reputation in the eyes of the public and investors.

Environmental, Social, and Governance (E.S.G.) can be found in the evolution of corporate social responsibility *(C.S.R.)* and sustainability. E.S.G. is an essential aspect of business sustainability and is crucial in shaping the Company's image and meeting stakeholder expectations. E.S.G. is not just about complying with regulations or creating a positive image but also about recognizing that sustainable and responsible business practices can provide long-term Value for the Company.

Energy sector companies *have environmental, social, and governance* (E.S.G.) risk levels or E.S.G. risk ratings that have high-risk levels and severe *risks*. As of November 10, 2023, 42 issuers in the energy sector are included in the Main Listing Board of the Indonesia Stock Exchange (IDX). Of that number, only 18 issuers provided E.S.G. reports; the majority 14 had severe E.S.G. risk levels (9 companies) and high risk (5 companies). Those with a heavy risk level are P.T. Bayan Resources Tbk, with a score of 54.6. The Company occupies the top position of the most severe risk (Alexander, 2023).

E.S.G. *Risk Ratings* are essential when investors analyze their investment potential in the future and, therefore, should not be ignored by companies. Most E.S.G. *Risk Ratings*, including Morningstar Sustainalytics, a 30-year-old E.S.G. research, rating, and analysis agency, calculate E.S.G. risk scores based on two approaches: exposure and management. The exposure approach is how they view the Company's exposure to specific issues and materials of E.S.G. risks in an industry

and how well the Company manages them according to its business model. While the management approach refers to how well a company manages relevant E.S.G. issues (Alexander, 2023).

On August 9, 2022, the Ministry of National Development Planning (Bappenas) launched GEI Indonesia in a series of forums at the 3rd D.W.G. Meeting Side Event G20 themed *"Towards Implementation and Beyond Measuring the Progress of Low Carbon and Green Economy"* in Bali. Bappenas launched GEI with the United Kingdom Foreign Commonwealth and Development Office, Germany's Federal Ministry for Economic Affairs and Climate Action, Global Green Growth Institute (G.G.G.I.), W.R.I. Indonesia, G.I.Z., L.C.D.I., and the United Nations Partnership for Action on Green Economy (PAGE) (Bapenas, 2023).

Indonesia's GEI will be integrated into national development documents, such as the National Medium-Term Development Plan (R.P.J.M.N.) 2025-2029 and the National Long-Term Development Plan (R.P.J.P.N.) 2025-2045. By implementing GEI, Indonesia's economic Growth is expected to reach 6.1-6.5% annually until 2050, reduce emission intensity to 68% by 2045, and create 1.8 million green jobs by 2030 (Bappenas, 2022). *Market Capitalization*, which results from multiplying the stock price by the number of company shares, reflects the Company's relative size in the market. Companies with *high market capitalization* tend to have better stock liquidity and can attract institutional investors. This condition can affect investors' perception of the Company's stability and growth potential. Below are the eight companies with the largest Market Capitalization on the Indonesia Stock Exchange in 2023(Simbolon, 2024).

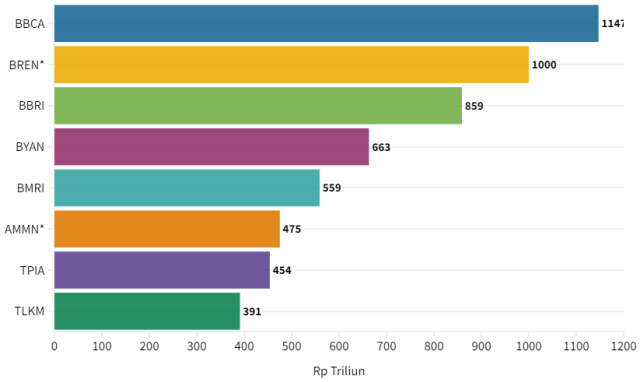

Figure 3. Companies with the Largest Market Capitalization on the IDX
Source: IDX Data

The Effect of Company Growth, Profitability, and *Market Capitalization* on Company Value Through *Environmental, Social, and Governance* (E.S.G.) shows varied and often inconsistent results. After further study and paying attention to several aspects of the research, the researcher found that there is a research gap from previous research: The study (Wulan Dewi et al., 2022) (Dhani & Utama, 2017) (Ardimas & Wardoyo, 2014) (Akmal & Darmawati, 2023). The study's results explain that Profitability has a negative and significant influence on Company Value, so an increase in Profitability decreases Company Value. The difference in the research of Profitability variables on Company Value is also found in the study (Nurwulandari et al., 2023); research on the influence of Profitability on Company Value stated that Profitability has an effect but not significantly on Company Value.

Previous research on the influence of *Environmentalism* on Company Value also showed conflicting results. According to and (Akmal & Darmawati, 2023) (Anastasia et al. Maharani, 2021),

the environment has a positive and significant influence on Company Value, so an increase in *the environment* will also increase Company Value. Meanwhile, the research results showed no positive or significant influence between *environmental* variables (Christy & Sofie, 2023) And company value. In the study, the impact of Growth on Company Value in previous studies also showed conflicting results. According to Growth, it has an influence but not significantly on the Company's Value (Dhani & Utama, 2017). Meanwhile, the results of the research carried out showed that Growth has a significant adverse effect on the Company's Value (Suwardika & Mustanda, 2017)

Many investors conduct investment feasibility assessments based on the Company's Profitability ratio as one of the benchmarks for investors to assess the health level of the Company. Based on the above background, the author wishes to conduct further research titled "The Influence of Company Growth, Corporate Profitability and *Market Capitalization* on Company Value Through *Environmental, Social & Governance* (E.S.G.)." This research provides valuable insights for stakeholders, including investors, financial analysts, and companies, in making more informed and sustainable investment decisions amid the dynamics of the ever-evolving financial market.

RESEARCH METHOD

This quantitative research relies on secondary data from financial reports published and audited by independent institutions. The location of this research is focused on the energy sector listed on the Indonesia Stock Exchange (IDX), with an observation period between 2017 and 2023. The data used in this research include information related to Profitability, market capitalization, and company growth, combined with the evaluation of Environmental, Social & Governance (E.S.G.) practices. This research is conducted in a dynamic financial market context, where various factors are crucial in determining company value, especially in the energy sector. This sector is particularly highlighted in the research due to the high environmental, social, and governance (E.S.G.) risks it entails. E.S.G. is a central variable in this research because of the global trend toward sustainable investment practices, which considers Profitability and the long-term impact on the environment and society.

The research was carried out over seven years, from 2017 to 2023, focusing on the development of company value in terms of financial performance and E.S.G. aspects. This study involves companies operating in the energy sector, where relevant financial reports are publicly available. The data are collected and processed using SmartPLS version 3.2.9 to obtain accurate and relevant results regarding the relationship between the variables studied. The Population of this study includes 87 energy sector companies, but only 10 companies met the inclusion criteria as research samples. The sample selection is based on consistent E.S.G. reporting and the completeness of financial data over the observation period. Using ten companies with seven years of observation provides a solid basis for understanding the trends and patterns of relationships between the variables studied.

The main instruments in this research are the audited financial reports and the E.S.G. reports published by each Company. The economic reports include information on Profitability, company growth, and market capitalization. E.S.G. reports provide data on how companies implement sustainability and sound governance principles, which is one of the critical factors in this research. This research not only focuses on statistical analysis of the relationships between variables but also considers various aspects of the context of the energy industry in Indonesia. The energy sector, heavily influenced by global commodity price fluctuations, Government regulatory changes, and international market demands for sustainable practices, provides a dynamic backdrop for this analysis.

In this study, the research Population and sample include several selected companies based on specific criteria, including the availability of relevant financial data and published E.S.G. reports. The sample size reflects an adequate representation of the Population, and the analysis is conducted using appropriate statistical techniques to ensure the validity and reliability of the results. The research instruments include data collection from published financial reports, E.S.G. reports, and other relevant secondary data. The data processing involves statistical analysis techniques, implemented using SmartPLS software, to evaluate the relationships between variables in the research model.

This analysis allows the researcher to understand how company growth, Profitability, and market capitalization influence company value directly and through the E.S.G. variable. Thus, this research does not only focus on the technical explanation of the methods used but also on the strategies adopted to ensure that this research can provide relevant and significant solutions to the identified problems. This research is expected to offer valuable insights to stakeholders, including companies, investors, and the Government, in understanding the importance of E.S.G. practices in creating long-term Value for companies.

RESULT AND DISCUSSION

Descriptive Statistics

The analysis stage in this panel uses descriptive analysis to describe the variables being studied in general. This study uses the SmartPLS analysis tool to see the direct and indirect influence of each independent and dependent variable. The data in this study is panel data, a combination of *time series* data (time range) and *cross-section* data (number of issuers).

The time *series* data in this study totals seven years, namely 2017 to 2023. Meanwhile, *the cross-section* data includes companies that meet the research criteria, as many as ten (issuers) engaged in the energy sector. These ten issuers have reported their financial statements consecutively from 2017 to 2023 and have E.S.G. scores.

Table 1. Descriptive Statistics

Name	N	Mean	Median	Scale min	Scale max	Standard deviation
G.R.W.T.H. (X1)	70	0.178	0.137	-0.347	1.697	0.360
PRFT (X2)	70	0.072	0.049	-0.031	0.454	0.090
MCAP (X3)	70	0.042	0.025	0.001	0.163	0.047
ESG (Y1)	70	2.712	2.850	0.283	5.970	1.820
NP (Y2)	70	0.942	0.761	0.283	2.786	0.543

Source: Data processed from SmartPLS 3.2.9, 2024

Based on Table 1 above, the G.R.W.T.H. variable with 70 data points shows an average value of 0.178, or 17.80%, with a standard deviation of 0.360, or 36.00%. The Company's maximum Value is 1.697, or 169.70%, and its lowest Value is -0.347, or -34.70%. Therefore, the average Value is smaller than the standard deviation value, which means that the data in this study are very varied and heterogeneous.

Based on Table 1 above, the P.R.F.T. variable with 70 data shows an average value of 0.072 or 7.20% with a standard deviation of 0.090 or 9.00%. In contrast, the Company's maximum Value is 0.454 or 45.40%, and the lowest Value of the Company is -0.031 or -3.10%. Based on Table 4.6 above, the M.C.A.P. variable with data of as many as 70 shows an average value of 0.042 or 4.20%

with a standard deviation of 0.047 or 4.70%. In comparison, the Company's maximum Value is 0.163 or 16.30%, and the lowest is 0.0001 or 0.01%.

Based on the data in Table 1 above, the E.S.G. variable with 70 data shows an average value of 2,712 or 271.20% with a standard deviation of 1,820 or 182.00%. In contrast, the Company's maximum Value is 5,970 or 597.00%, and the lowest Value of the Company is 0.283 or 28.30%. Furthermore, the N.P. variable, based on the data table 4.6 above, with a total of 70 data, shows an average value of 0.942 or 94.20% with a standard deviation of 0.543 or 54.30%. In contrast, the Company's maximum Value is 2.786 or 278.60%, and the lowest Value of the Company is 0.283 or 28.30%.

Testing the Structural *Model (Inner Model)*

The inner model is a structural model that connects latent variables. Based on the path coefficient value, see how much influence there is between the latent variable and the bootstrapping calculation. The evaluation stage examines *the R-Square* and significance values criteria (Hamid & Anwar, 2019).

R-Square Value

To measure how much variance in an endogenous construct can be explained by an exogenous construct. *The R²* value ranges from 0 to 1, with higher values indicating a better model. Below is the output of the research results to see how much exogenous construct can explain endogenous construct.

Table 2. *R-Square Test Results*

	R Square
E.S.G. (Y1)	0.351
NP (Y2)	0.335

Source: Data processed from SmartPLS 3.2.9, 2024

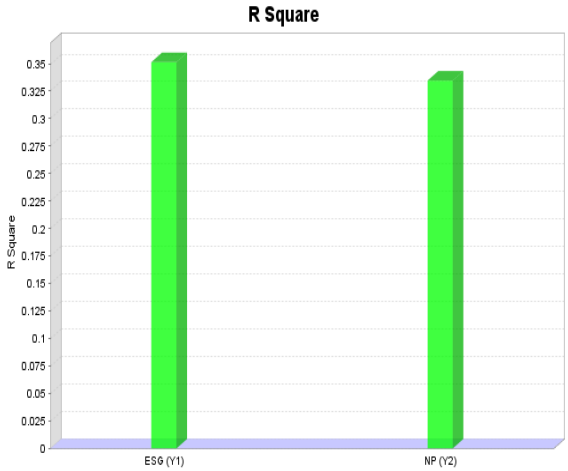

Figure 1. *R-Square Test Chart*

Source: Data processed from SmartPLS 3.2.9, 2024

Based on the output of the analysis results with the bootstrapping method, the *R-Square* Value for *the Environmental Social & Governance* (E.S.G.) variable was obtained at 0.351. This means that the variability *of Environmental Social & Governance* (E.S.G.) can be explained by the variables *Revenue Growth* (G.R.W.T.H.), Profitability (P.R.F.T.), and *Market Capitalization* (M.C.A.P.) in the model is 35.1%, which is included in the weak category. Furthermore, the *R-Square Value* for the Company Value (N.P.) variable is 0.335. This means that the variability of Company Value (N.P.)

can be explained by the variables *Revenue Growth* (G.R.W.T.H.), Profitability (P.R.F.T.), and *Market Capitalization* (M.C.A.P.) in the model is 33.5%, which is included in the weak category.

Path Coefficients

The output of the research results from data processing for *the path coefficients* test is as follows:

Table 3. Path *Coefficients Test Results*

	Original Sample (O)	Sample Mean (M)	Standard Deviation (S.T.D.E.V.)	T Statistics (|O/STDEV|)	P Values
ESG (Y1) -> NP (Y2)	-0.153	-0.155	0.115	1.329	**0.185**
GRWTH (X1) -> ESG (Y1)	-0.117	-0.123	0.122	0.961	**0.337**
GRWTH (X1) -> NP (Y2)	-0.034	-0.031	0.093	0.369	**0.712**
MCAP (X3) -> ESG (Y1)	0.315	0.316	0.080	3.917	**0.000**
MCAP (X3) -> NP (Y2)	0.284	0.292	0.076	3.733	**0.000**
PRFT (X2) -> ESG (Y1)	0.453	0.456	0.086	5.243	**0.000**
PRFT (X2) -> NP (Y2)	0.537	0.546	0.075	7.171	**0.000**

Source: Data processed from SmartPLS 3.2.9, 2024

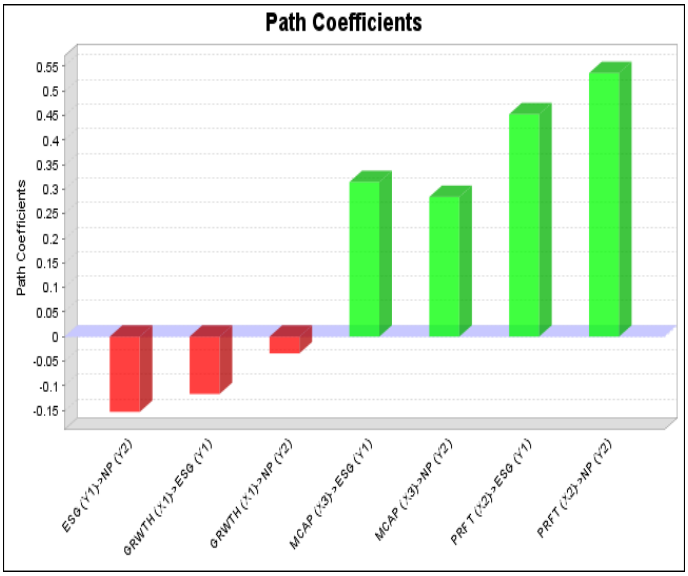

Figure 2. *Path Coefficients Chart*

Source: Data processed from SmartPLS 3.2.9, 2024

Based on Table 3 above and the substructural equations, the output of the *path coefficients* value can explain the influence of the research variables and the direction of influence. From the table above, the *Environmental Social & Governance* (E.S.G.) variable has a negative and insignificant effect on the Company Value (N.P.), shown by the coefficient parameter of -0.153. The significant Value, which is 0.185 greater than the alpha level of 5% or *P Values* of 0.05, is also shown by the *T Statistics* value of 1.329, smaller than 1.989 (t-table).

Furthermore, in the Value of *the path coefficients,* it was also seen that the Value of the Revenue *Growth* (G.R.W.T.H.) variable had an insignificant negative effect on *the Environmental*

Social & Governance (E.S.G.), shown by the coefficient parameter of -0.117. The significant Value, which is 0.337, greater than the alpha level of 5% or *P Values* of 0.05, is also shown by the *T Statistics* value of 0.961, smaller than 1.989 (t-table). The Revenue *Growth* Variable (G.R.W.T.H.) has a negative and insignificant effect on the Company Value (N.P.), indicated by the coefficient parameter of -0.034. The significant Value, 0.712, greater than the alpha level of 5% or *P Values* of 0.05, is also shown by a *T Statistics value* of 0.369, smaller than 1.989 (t-table).

In the following research variable, *Market Capitalization* (M.C.A.P.) has a significant favorable influence on *Environmental, Social, and Governance* (E.S.G.), as shown by a coefficient parameter of 0.315. The considerable Value, which is 0.000 less than the alpha level of 5% or *P-Value* 0.05, is also shown by the *T Statistics* value of 3.917, more significant than 1.989 (t-table). *Market Capitalization* (M.C.A.P.) significantly positively affects the Company's Value (N.P.), as shown by the coefficient parameter of 0.284. The considerable Value, which is 0.000 less than the alpha level of 5% or *P Values* of 0.05, is also shown by a *T Statistics* value of 3,733 greater than 1,989 (t-table).

Profitability (P.R.F.T.) significantly influences *Environmental, Social, and governance* (E.S.G.), as shown by a coefficient parameter of 0.453. The considerable Value, which is 0.000 less than the alpha level of 5% or *P Values* of 0.05, is also shown by the *T Statistics* value of 5,243 greater than 1,989 (t-table). Profitability (P.R.F.T.) significantly affects the Company Value (N.P.), as indicated by the coefficient parameter of 0.537. The considerable Value, which is 0.000 less than the alpha level of 5% or *P-Value* 0.05, is also demonstrated by a *T Statistics* value of 7,171 greater than 1,989 (t-table).

Interpretation of the Results of the First Structural Equation

Based on Table 3 of the results of *the Path Coefficients* test above, the first structural equation of this study can be made as follows:

$$ESG_{it} = -0.117\ GRWTH_{it} + 0.453\ PRFT_{it} + 0.315\ MCAP_{it}$$

Each increase of one unit in Corporate Growth (G.R.W.T.H.) will reduce the E.S.G. score by 0.117. This shows that Corporate Growth (G.R.W.T.H.) only sometimes contributes positively to E.S.G. practices in energy sector companies listed on IDX. Rapid Growth will lead companies to focus more on expansion and Corporate Profitability instead of prioritizing social and environmental responsibility. Each increase of one unit in Profitability (P.R.F.T.) will increase the E.S.G. score by 0.453. Higher Profitability (P.R.F.T.) gives companies enough resources to invest in E.S.G. implementation. This shows that more profitable companies tend to be more capable and willing to practice socially and environmentally responsible practices. Every increase of one unit in *Market Capitalization* (M.C.A.P.) will increase the E.S.G. score by 0.315. Companies with larger *Market Capitalizations* (M.C.A.P.s) tend to have more resources and pressure from shareholders to maintain their reputations, making them more likely to participate in E.S.G. practices.

Interpretation of the Results of the Second Structural Equation

Based on Table 3 of the results of *the Path Coefficients* test above, the second structural equation of this study can be made as follows:

$$NP_{it} = -0.034\ GRWTH_{it} + 0.537\ PRFT_{it} + 0.284\ MCAP_{it} - 0.153\ ESGit$$

Furthermore, for structural equation two in this study, it is explained that every increase of one unit in Company Growth (G.R.W.T.H.) will reduce the Company Value (N.P.) by 0.034. This shows

that Corporate Growth (G.R.W.T.H.) that is too fast will carry risks that can negatively impact the Company's Value. Every increase of one unit in Profitability (P.R.F.T.) will increase the Company Value (N.P.) by 0.573. Higher Profitability (P.R.F.T.) indicates solid financial performance, significantly increasing the Company's Value (N.P.). Each increase of one unit in *Market Capitalization* (M.C.A.P.) will increase the Company Value by 0.284. Greater *Market Capitalization* (M.C.A.P.) reflects the Company's larger size and financial strength, which contributes positively to the Company's Value (N.P.). Furthermore, increasing one unit in the E.S.G. score will reduce the Company Value (N.P.) by 0.153. While E.S.G. practices are essential for long-term sustainability, in the short term, investments in E.S.G. practices are considered a cost that can reduce Profitability (P.R.F.T.) and Company Value (N.P.).

Hypothesis Testing

Table 4. Hypothesis Test Results

Variable	Original Sample	T Statistics	P Values	Information	Hypothesis
Direct Effect					
GRWTH (X1) -> ESG (Y1)	-0.117	0.961	0.337	Insignificant	Rejected
PRFT (X2) -> ESG (Y1)	0.453	5.243	0.000	Significant	Accepted
MCAP (X3) -> ESG (Y1)	0.315	3.917	0.000	Significant	Accepted
GRWTH (X1) -> NP (Y2)	-0.034	0.369	0.712	Insignificant	Rejected
PRFT (X2) -> NP (Y2)	0.537	7.171	0.000	Significant	Accepted
MCAP (X3) -> NP (Y2)	0.284	3.733	0.000	Significant	Accepted
ESG (Y1) -> NP (Y2)	-0.153	1.329	0.185	Insignificant	Rejected
Indirect Effect					
GRWTH (X1) -> ESG (Y1) -> NP (Y2)	0.018	0.638	0.524	Insignificant	Rejected
PRFT (X2) -> ESG (Y1) -> NP (Y2)	-0.069	1.252	0.211	Insignificant	Rejected
MCAP (X3) -> ESG (Y1) -> NP (Y2)	-0.048	1.198	0.231	Insignificant	Rejected

Source: Data processed from path coefficient & Indirect effect results, 2024

From table 4. above, it can be explained the results of hypothesis testing and how the direction of influence of the hypothesis is:

The Company's Growth has a negative and insignificant effect on Environmental, Social, and governance (E.S.G.).

Table 4 of the hypothesis test results shows that the *original sample* value of -0.117 and *p-values* of 0.337 are obtained from a significance of 5% or 0.05. This means that the Company's Growth has a negative and insignificant effect on *Environmental, Social & Governance* (E.S.G.). When the Company's Growth value increases, it will cause a decrease in *the Environmental, Social & Governance* (E.S.G.) Value. This concludes that hypothesis 1 (H1), the researcher built at the beginning, on the direct influence of Corporate Growth on *Environmental, Social, and governance* (E.S.G.), is rejected.

The direction of influence is negative. This shows that an increase in Corporate Growth tends to be followed by a decrease in *Environmental, Social, and governance* (E.S.G.) value. The influence is not strong enough to be considered statistically significant. This means that changes in corporate Growth do not significantly impact *the values of environmental, social, and governance* (E.S.G.).

Companies need to design growth strategies that focus on increasing revenue or profit and consider their impact on E.S.G. This can be done by integrating sustainability aspects into business expansion and development plans. While a company's Growth can lower its E.S.G. value, it should invest in E.S.G. initiatives to offset the adverse effects of rapid Growth. These include environmental programs, social responsibility, and good corporate governance.

Management needs to monitor company growth's impact on E.S.G. performance periodically. By doing so, companies can identify areas where rapid Growth will reduce E.S.G.'s performance and take action. Company management must conduct training and coaching for employees to explain the importance of E.S.G. in the context of company growth. With a better understanding, every level of the organization can contribute to sustainability efforts. It also provides a sense of awareness among shareholders and investors on the importance of maintaining good E.S.G. performance and the Company's Growth. By considering the implementation and elaboration of these E.S.G. practices, companies can strive to balance Growth with social and environmental responsibility, resulting in sustainable long-term Value for all stakeholders.

Profitability directly has a positive and significant effect on Environmental, Social & Governance (E.S.G.)

According to the presentation in Table 4 of the hypothesis test results, the *original sample* value of 0.453 and *the p-value* of 0.000 are small from the significance of 5% or 0.05. This means that Profitability positively and significantly affects *Environmental, Social, and governance* (E.S.G.). When Profitability increases, it will *also affect the Value of environmental, social, and governance* (E.S.G.). This concludes that hypothesis 2 (H2), the researcher built at the beginning on the direct influence of Profitability on *Environmental, Social, and governance* (E.S.G.), is accepted.

The direction of influence is positive. This shows that an increase in Profitability tends to be followed by a rise in *Environmental, Social, and governance* (E.S.G.) value. The influence is strong enough to be considered statistically significant. This means that changes in Profitability have a meaningful impact on *environmental, social, and governance* values (E.S.G.). Profitability, which positively and significantly affects E.S.G., allows companies to strengthen their commitment to sustainability and social responsibility. Companies can allocate a portion of their profits to E.S.G. practices and implementation. This can include projects such as carbon emission reduction, better waste management, and social programs.

Companies can focus their investments on E.S.G. practices that are most impactful and aligned with the Company's mission. Not only in E.S.G. practices for social purposes, the Company can use its profits to fund research and development of environmentally friendly products or technologies. Invest in programs for sustainability that can increase the Company's credibility and demonstrate a commitment to E.S.G.The Company can set up a dedicated team to manage E.S.G.E.S.G. practices and ensure that each H.R.H.R. receives the necessary training to work effectively.

Companies can upgrade facilities that follow sustainability principles, such as renewable energy and efficient water management systems. By leveraging Profitability, which positively impacts E.S.G.E.S.G., companies can strengthen their commitment to sustainability and social responsibility. Implementing the proper measures will help companies integrate E.S.G. into their business strategies, improve E.S.G. performance, and achieve sustainable long-term benefits.

Market Capitalization directly positively and significantly affects Environmental, Social, and governance (E.S.G.)

According to the presentation in Table 4 of the hypothesis test results, the *original sample* value of 0.315 and *the p-value* of 0.000 are small from the significance of 5% or 0.05. *Market Capitalization* positively and significantly affects *Environmental, Social, and governance* (E.S.G.). When the *market capitalization* increases, it will also cause *the Value of environmental, social, and governance* (E.S.G.) to grow. This concludes that hypothesis 3 (H3), the researcher built at the beginning, on the direct influence *of Market Capitalization* on *Environmental, Social, and governance* (E.S.G.), is accepted. The direction of influence is positive. This shows that an increase in *Market Capitalization* tends to follow a rise in *Environmental, Social, and governance* (E.S.G.) value. The influence is strong enough to be considered statistically significant. This means that changes in *Market Capitalization* significantly impact the Value of *Environmental, Social, and governance* (E.S.G.).

Companies with larger *Market Capitalizations* generally have more financial resources. This allows them to invest in E.S.G. practices such as carbon emission reduction, social responsibility, and better governance. With more significant resources, companies can implement more ambitious E.S.G. programs. Companies with large *market capitalizations* often face more pressure from shareholders and investors to meet high E.S.G. standards. Institutional and individual investors are increasingly prioritizing investments that consider E.S.G. factors. Therefore, large companies are encouraged to improve their E.S.G. performance to remain attractive to investors.

Large companies can better meet international standards and regulations related to E.S.G. because they can better comply with and report on their E.S.G. practices. This compliance can help companies avoid fines and legal issues and increase their credibility in the eyes of investors and the public. High *Market Capitalization* can create more significant incentives and capacity to implement and improve E.S.G. practices, which in turn can strengthen the Company's overall performance and Value.

CONCLUSION

The Influence of Company Growth on Firm Value: Company growth did not consistently influence firm Value. Although some companies experience revenue growth, this only sometimes corresponds to increased firm Value (P.B.V.). This is likely due to fluctuations in energy commodity prices and high operational costs, which diminished the positive impact of revenue growth on firm Value. The Influence of Profitability on Firm Value Profitability proved to have a significant favorable influence on firm Value. Companies with high Return on Assets (ROA) and Return on Equity (R.O.E.) tend to have higher P.B.V. values. This indicates that investors view highly profitable companies as safer and more rewarding investment choices, especially in the long term.

The Influence of Market Capitalization on Firm Value: Market capitalization significantly influences firm Value. Companies with larger market capitalization tend to have higher P.B.V. values, reflecting investor confidence in the stability and growth potential of the Company. Companies with high market capitalization are more capable of weathering market volatility and ar e more attractive to investors. The Influence of E.S.G. on Firm Value Implementing E.S.G. practic es has varied impacts on firm Value. Companies with higher E.S.G. scores tend to be more valued by sustainability-oriented investors, as reflected in higher P.B.V. values. However, not all companies that adopted E.S.G. practices experienced significant increases in firm Value, indicating that the impact of E.S.G. on firm Value may be more long-term and influenced by factors such as the Company's commitment to sustainability and good governance.

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