

## Impact of ESG Performance on Company Value: Financial Performance as a Mediator in Coal Mining Companies

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### ABSTRACT

This study aims to analyze the effect of Environmental, Social, and Governance (ESG) performance on firm value with financial performance as a mediating variable in coal mining subsector companies listed on the Indonesia Stock Exchange. This research applies a quantitative approach with a causal research design. The population consists of 16 coal mining subsector companies listed on the Indonesia Stock Exchange during the 2020–2024 period. The sampling technique employed was *purposive sampling*, resulting in 8 companies that met the research criteria, with a total of 40 observations. The study uses secondary data obtained from financial statements and sustainability reports. Data analysis methods include descriptive statistics, panel data regression analysis, and the Sobel test, using EViews 12 software. The results indicate that Environmental, Social, and Governance performance partially shows varying effects on firm value. ESG performance significantly influences financial performance. Furthermore, financial performance proxied by Return on Assets (ROA) has a positive and significant effect on firm value. Mediation testing reveals that financial performance mediates the relationship between ESG performance and firm value. These findings indicate that ESG implementation can enhance firm value through improved financial performance.

**Keywords:** ESG; financial performance; firm value; coal companies; panel data regression

### INTRODUCTION

The value of a company represents a market assessment of the entity's overall performance, as reflected in the fluctuations in its share price. An increase in stock prices generally indicates a positive perception from investors about the value of the company (Dorothy and Endri, 2024). Furthermore, company value serves as an indicator of investor confidence in the long-term prospects and operational continuity, which can be seen through market valuation and stock price dynamics. In addition, the company's value is the result of the efficiency of resource management in achieving profitability accompanied by a good image in the market environment.

As previously described, company value describes how the market thoroughly assesses the performance and prospects of an entity. In a broader context, a company's value plays a key role as a key indicator for evaluating the company's sustainability and performance in the eyes of investors. High-value companies are typically associated with strong growth expectations as well as the ability to survive business competition, so such value increases have a positive impact on shareholder well-being (Megasyara, 2024).

Business sustainability is now a crucial strategic element in increasing the competitiveness of companies, especially in industries that face high regulatory pressures and environmental issues (Siswanti, 2024). Sustainability requires integration between financial capabilities, good governance, and strategic transformation in the face of market changes. ESG

(Environmental, Social, Governance) has proven to play an important role in determining company value, especially in the energy sector, with good ESG performance can improve financial performance and company value (Sartono & Risman, 2025; Rama & Siswanti, 2025). Previous research has shown that ESG is not only an indicator of social responsibility, but also a strategic reference for investors in assessing long-term risks and opportunities (Siswanti & Prowanta, 2021). In addition, the company's value is also influenced by financial policies, ownership structures, and dividend decisions that affect market perception (Putro & Risman, 2021; Sartono & Risman, 2025). In the coal mining sector, the disclosure of sustainability reports (Sustainability Report) which has increased since 2021 shows the importance of ESG in the assessment of company value. ESG also plays a role in assessing corporate environmental and social risk management, which is increasingly of concern to investors in global markets (Wu et al., 2022). Therefore, the implementation of sustainability and transparency principles in ESG reports is important to increase market confidence and strengthen the competitiveness of companies (Singh & Rahman, 2022).

Previous research indicates that a company's value can be influenced by a combination of financial and ESG determinants, while the strength of these relationships has the potential to change depending on the company's policies, such as dividend policies (Sartono and Risman, 2025). On the other hand, the research direction reflected shows that there is an increase in attention to the relationship between ESG and corporate values, especially in companies that are members of IDX ESG Leaders. In this context, external factors such as foreign ownership are also considered as moderation variables that can affect the relationship between ESG and company value (Risman, 2025).

The development of sustainable finance studies shows that investors are increasingly considering Environmental, Social, and Governance (ESG) aspects in assessing companies, because ESG reflects the quality of governance, risk management, and sustainability commitments that affect the company's value. Sartono and Risman's (2025) research confirms that ESG is an important determinant of corporate value, while Rama and Siswanti (2025) found that governance and financial structure play a major role in the energy sector which has high environmental risks. ESG also serves as a reputation signal and risk mitigation that affects investor perception, with the influence estimated to be influenced by governance and financial factors as moderation variables (Rama and Siswanti, 2025). Research by Puspitorini and Siswanti (2025) strengthens the relevance of ESG in the banking sector, showing the linkage of ESG with financial performance. ESG is calculated based on information disclosed in the Annual Report or Sustainability Report, reflecting the company's transparency in showing sustainability commitments to stakeholders. Quality ESG implementation has been shown to increase company value, as investors tend to give higher appreciation to companies with social responsibility and good governance. This study aims to explore whether similar influences occur in coal mining companies listed on the Indonesia Stock Exchange (IDX) in the 2020-2024 period, as well as provide perspectives related to global pressure to adopt sustainability principles, with financial performance as a mediating variable.

This study aims to analyze the impact of Environmental, Social, and Governance (ESG) performance on company value, with financial performance as a mediating variable, in coal mining companies listed on the Indonesia Stock Exchange (IDX). In identifying problems, there are several challenges faced, such as the uncertainty of ESG disclosure in coal mining

companies in Indonesia which has the potential to affect investors' perception of the company's valuation. Previous research has shown mixed results regarding the influence of ESG on company value, with some studies showing positive influences, while others reporting negative or insignificant impacts. In addition, the relationship between financial performance represented by Return on Assets (ROA) and ESG disclosures has also not been widely explored, especially in Indonesia's coal mining sector during the 2020-2024 period. Sustainable finance policies issued by the Financial Services Authority (OJK), such as PJOK 51/PJOK.03/2017 and the Sustainability Finance Roadmap Phase II, encourage mining companies to integrate ESG principles, but it is not yet known how effective these policies will be in increasing company value. On the other hand, the transition to clean energy globally also poses challenges for coal companies in balancing short-term profits with long-term sustainability, which also affects the market's perception of company value. Based on this background, the formulation of the research problem includes the influence of Environmental, Social, and Governance performance aspects on the company's value and financial performance of Indonesian coal mining companies, as well as how financial performance functions as a mediator in these relationships. The purpose of this study is to assess the contribution of ESG performance to company value, examine the influence of financial performance as a mediating variable, and analyze the contribution of ESG performance in improving the financial performance of Indonesian coal mining companies.

## METHOD

This study employed a quantitative approach with a causal research design. A causal design was applied to identify the impact and causal relationships between the independent variables and the dependent variable, allowing the hypotheses to be tested empirically through field data.

In this study, the dependent variable was firm value, while the independent variables were Environmental, Social, and Governance (ESG) performance. Financial performance was also included as a mediating variable, suspected to affect the relationship between the independent variables and the dependent variable.

The population used in this study consisted of coal mining subsector companies listed on the Indonesia Stock Exchange (IDX) for the period 2020–2024, totalling 16 companies. The sample was drawn from companies that consistently published financial statements and sustainability reports throughout the observation period. Sample determination employed purposive sampling based on criteria established by the authors.

**Table 1** Research Sample

No.	Stock Code	Company Name	Sectors
1	ADRO	Adaro Energy Indonesia Tbk.	Large coal issuers, SR consistent 2020–2024, are actively traded.
2	EARTH	Bumi Resources Tbk.	Major coal producer, SR available, high liquidity.
3	GEMS	Golden Energy Mines Tbk.	Sinar Mas, SR is consistent, active in ESG disclosure.

4	HRUM	Harum Energy Tbk.	A complete SR, actively selling stocks, relevant for ESG.
5	INDY	Indika Energy Tbk.	Energy holding with coal units, SR is consistent.
6	ITMG	Indo Tambangraya Megah Tbk.	SR complete, actively traded, coal focus.
7	PTBA	Bukit Asam Tbk.	Coal SOEs, SR is consistent, one of the main players.
8	BYAN	Bayan Resources Tbk.	Large manufacturer, SR available, actively traded.

Source: IDX IDX, data processed by the author, (2025)

The data collection technique used in this study was secondary data obtained from the Indonesia Stock Exchange, the Financial Services Authority, and the official websites of each coal mining company. The data used comprised financial statements and sustainability reports that had been registered and published during the 2020–2024 period. The analysis methods used in this study were descriptive statistics, panel data regression analysis, and the Sobel test. The Sobel test was carried out to determine whether the effect of the mediating variable was significant. All analysis and testing were conducted using EViews 12 software.

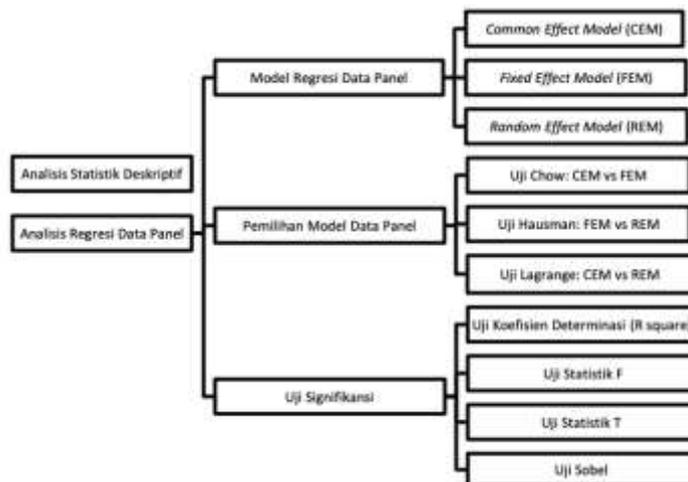


Figure 1 Data Analysis Flow

Source: Data processed by the author, (2025)

## RESULTS AND DISCUSSION

### Results of Descriptive Statistical Data Analysis

Table 2 Descriptive Statistical Analysis Results

	ENV	SOC	GOV	LENGTH	PBV
Mean	67.960750	73.258500	83.999750	17.945750	1.491500
Median	68.750000	78.790000	93.330000	12.305000	1.050000
Maximum	93.330000	93.940000	100.000000	61.760000	5.850000
Minimum	46.880000	36.360000	33.330000	-9.840000	0.070000
Std. Dev.	13.458280	17.682820	20.299910	17.553800	1.400697

<b>Skewness</b>	-0.084187	-0.832453	-1.246863	0.877093	1.522336
<b>Kurtosis</b>	1.778124	2.484436	3.278089	2.945435	4.641343
<b>Jarque-Bera</b>	2.535551	5.062865	10.493340	5.133576	19.940070
<b>Probability</b>	0.281457	0.079545	0.005265	0.076782	0.000047
<b>Sum</b>	2718.430000	2930.340000	3359.990000	717.830000	59.660000

Source: processing data Eviews 12, 2025

## Analysis Results Panel data regression

**Table 3** Results of the 1st Regression Model

Test	Criteria	Statistics	Test Results	Conclusion
<b>Chow</b>	Cross-section Chi-Square	18.579594	0.0096	FEM is better than CEM
<b>Hausman</b>	Cross-section Random	14.597827	0.0056	FEM is better than REM
<b>Selected Models</b>	<i>Fixed Effect Model (FEM)</i>			

Source: data processing results Eviews 12, 2025

Based on the overall results of the model selection, it can be concluded that the most appropriate panel data regression model for the third regression equation is the Fixed Effect Model. Therefore, in the next stage, the results of regression estimation using the fixed effect approach are presented as shown in Table 4 Output of the 1st Equation Regression Model.

**Table 4** direct influence test results with PBV as a Dependent variable

Variable	Coefficient	t-Statistics	Probability	Conclusion
<b>C</b>	2.743613	10.20108	0.0000	-
<b>ENV</b>	0.001488	0.208508	0.8363	Insignificant
<b>SOC</b>	0.001186	0.170919	0.8655	Insignificant
<b>GOV</b>	-0.020697	-2.867228	0.0078	Significant Negatives
<b>LENGTH</b>	0.01663	4.621567	0.0001	Significant Positives

Source: data processing results Eviews 12, 2025

## 2nd Regression Model

**Table 5** Results of the 2nd regression model

Test	Criteria	Statistics	Test Results (Prob.)	Conclusion
<b>Chow Test</b>	Cross-section Chi-Square	36.192925	0.0000	FEM is better than CEM
<b>Hausman Test</b>	Cross-section Random	0.722472	0.8679	REM is better than FEM
<b>Lagrange Multiplier</b>	Cross-section Breusch-Pagan	18.32383	0.0000	REM is better than CEM
<b>Selected Models</b>	Random Effect Model (REM)			

Source: data processing results Eviews 12, 2025

Based on the overall results of the model selection, the most suitable panel data regression model for the second regression equation is the Random Effect Model. Therefore, in the next stage, the results of regression estimation using the random effect approach are presented as shown in the output of the second equation regression model.

**Table 6** direct influence test results with ROA as a Mediation variable

Variable	Coefficient	t-Statistics	Probability	Conclusion
C	18.39385	1.231547	0.2261	-
ENV	-0.443145	-1.352933	0.1845	Insignificant
SOC	0.535368	2.136935	0.0395	Significant Positives
GOV	-0.113713	-0.471976	0.6398	Insignificant

Source: data processing results *Eviews 12, 2025*

Overall, the test results show that Environmental Performance, *Social Performance*, and Governance Performance together have limited ability to explain variations in Financial Performance. Most changes in a company's financial performance are influenced by factors outside of the research model, such as market conditions, fluctuations in commodity prices, operational efficiency, as well as managerial policies.

#### Sobel Test Results

**Table 7** the results of the indirect influence test with ROA as a Mediation variable

Mediation Model	M Sobel	m tables ( $\alpha = 5\%$ )	Conclusion
ENV → ROA → PBV	-1.295879	1.96	Not Mediating
SOC → ROA → PBV	1.931152	1.96	Mediating
GOV → ROA → PBV	-0.469412	1.96	Not Mediating

Source: data processing results *Eviews 12, 2025*

First, **Environmental Performance has not been proven to have an influence on Company Value through the mediation variable of Financial Performance.** The test results show that the role of Financial Performance as a mediating variable is not strong enough to channel the influence of Environmental Performance on Company Value. Thus, it can be concluded that Financial Performance does not serve as a significant mediator in the relationship between Environmental Performance and Corporate Value.

Second, **Social Performance affects Company Value through Financial Performance as a mediation variable.** The test results showed that Financial Performance was stated to play a mediating variable in the relationship between Social Performance and Company Value. These findings indicate that the improvement of corporate social performance is able to affect the Company's Value indirectly through the improvement of financial performance.

Third, **Governance Performance does not show an influence on Company Value through the intervening variable of Financial Performance.** The test results show that Financial Performance does not have a significant mediating role in channeling the influence

of Governance Performance on Company Value. Thus, it can be concluded that Financial Performance does not function as a mediator in the relationship between Governance Performance and Corporate Value.

**Model Nilai Predictive Relevance (Goodness of Fit Model) (Q2)**

Based on the results of the predictive *relevance (Q<sup>2</sup>) evaluation*, it can be concluded that the structural model in this study has met the predictive feasibility criteria. Therefore, the results of testing the relationship between variables at a later stage can be interpreted validly and reliably, and strengthen the reliability of the model in explaining the mechanism of the influence of ESG dimensions and financial performance on company value.

**Discussion of research results**

Based on the results of data processing and analysis carried out using *the EViews 12* application, the conclusions of the research hypothesis test can be formulated as follows:

**Table 1** Summary of the results of the direct influence test

Independent Variables	Variable Dependency	Coefficient	Probability	Coefficient Direction	Test Results t
ENV	PBV	0.001488	0.8363	Positive (+)	Insignificant
SOC		0.001186	0.8655	Positive (+)	Insignificant
GOV		-0.020697	0.0078	Negative (-)	Significant
LENGTH		0.01663	0.0001	Positive (+)	Significant
ENV	ROA	-0.443145	0.1845	Negative (-)	Insignificant
SOC		0.535368	0.0395	Positive (+)	Significant
GOV		-0.113713	0.6398	Negative (-)	Insignificant

Source: data processing results *Eviews 12, 2025*

**Table 2** Summary of the results of the indirect influence test

Independent Variables	Mediation Variables	Variable Dependency	From Sobel	From tables	Sobel Test Results
ENV	ROA	PBV	-1.295879	1.96	Not Mediating
SOC			1.931152	1.96	Mediating
GOV			-0.469412	1.96	Not Mediating

Source: data processing results *Eviews 12, 2025*

**The Effect of Environmental Performance on Company Value**

Based on the results of the hypothesis test, it can be concluded that Environmental Performance does not have a significant effect on the Company's Value. These findings show that the improvement or decrease in the performance of the company's environment has not been able to explain the change in Company Value as proxied by Price Book Value. Thus, in a statistical way, Environmental Performance has not been a decisive factor in the formation of Company Value in the context of this study.

A regression coefficient with a positive value indicates a direct relationship between Environmental Performance and Company Value, but this influence is not statistically strong enough. This means that the increase in the company's disclosure score or environmental

performance has not been directly responded to by the market in the form of an increase in the company's value. This condition shows that investors have not made environmental aspects the main consideration in assessing companies, especially in the context of this sector and research period.

Descriptive statistical results show that the average Environmental Performance of the sample companies is in the medium category, with a relatively limited degree of variation between companies. These findings indicate that the application and disclosure of environmental aspects tend to be homogeneous, so they have not been able to create significant value differentiation in the eyes of investors. In addition, the implementation of environmental programs generally requires additional costs, such as investments in environmentally friendly technologies, waste management, and compliance with environmental regulations. In the short term, these costs do not necessarily provide immediate financial benefits, so they are not reflected in the increase in the value of the company.

In terms of capital markets, investors in Indonesia still tend to be more oriented towards short-term financial performance indicators rather than long-term sustainability commitments. As a result, disclosure or improvement in Environmental Performance has not been a strong enough signal to influence investment decisions. Therefore, the hypothesis that states that Environmental Performance has a positive effect on Company Value is declared rejected.

#### **The Influence of Social Performance on Company Value**

Based on the test results on the research model, the Social variable has a coefficient that is not significant to the company's value. These results show that performance improvement and disclosure of social aspects, such as CSR or social dimensions in sustainability reporting or ESG, have not been the main factors that directly increase the company's valuation. Thus, the social activity of the company is not always perceived by the market as a signal that encourages an increase in value, so changes in the social variable are not followed by changes in the value of the company statistically.

Conceptually, the insignificance of social influence can be explained by the character of the benefits of social programs which are generally long-term and do not immediately manifest in market performance. This condition makes investors tend to pay more attention to financial indicators whose impact is reflected more quickly on stock prices. In addition, social information is often seen as a form of compliance or initiative whose size and standards are not completely uniform. As a result, the quality of disclosure and the credibility of implementation can differ between companies, making social information less powerful to influence investor decisions consistently. This situation may explain why the Social variable does not show an influence on the company's value in this study.

Thus, the hypothesis that Social Performance has a positive effect on Company Value is rejected.

#### **The Effect of Governance Performance on Company Value**

Based on the test results in the research model, the Governance variable has a significant coefficient of the company's value, but with a negative influence direction. These findings show that the improvement of the quality of governance, both reflected in the governance dimension in ESG or sustainability reporting and in certain GCG mechanisms, is not always perceived by the market as a signal that increases the company's valuation. In other words, in the sample and

period of this study, the increase in Governance was followed by a statistically significant decrease in the company's value, even though the relationship was significant.

Conceptually, negative relationships can arise when strengthening governance is seen as incurring compliance costs, tightening supervisory procedures, or reducing managerial flexibility so that business decisions become more conservative. In addition, increased governance can be interpreted by investors as an indication that the company is strengthening internal controls as it faces certain risks, agency conflicts, or regulatory pressures. This perception can give rise to expectations of short-term expenses and trade-offs to profitability and growth. As a result, the market has become more sensitive to the consequences of governance implementation and the response that arises can take the form of a decrease in the company's value even though the effect is statistically real.

Thus, the hypothesis that Governance Performance has a positive effect on Company Value is rejected is rejected.

### **Effect of Environmental Performance on Financial Performance**

Based on the results of the hypothesis test, it can be concluded that Environmental Performance does not have a significant effect on Financial Performance proxied by Return on Assets (ROA). A probability value greater than the level of significance indicates that an increase or decrease in environmental performance has not been able to explain the statistical variation in the company's profitability.

These findings indicate that the implementation of environmental practices in coal mining sub-sector companies has not had a direct financial impact in the short term. Environmental programs such as post-mining land reclamation, B3 waste management, emission control, and compliance with environmental standards generally require large investments and sustainable operational costs. In the short term, these costs tend to increase the company's burden so that the economic benefits have not been reflected in the increase in ROA.

In addition, the benefits of environmental performance are more indirect and long-term, such as reduced litigation risk, increased operational sustainability, and strengthened social legitimacy. These impacts are not always reflected in annual financial performance, especially when the company is still in the early stages of implementing environmental programs.

In the context of the mining industry, the company's financial performance is also greatly influenced by external factors such as global coal price volatility, exchange rates, and government policies related to energy and the environment. These factors are often more dominant in determining profitability than internal variables such as environmental performance.

Thus, the hypothesis that Environmental Performance has a positive effect on Financial Performance is rejected.

### **The Influence of Social Performance on Financial Performance**

Based on the results of hypothesis testing, it can be concluded that Social Performance has a positive and significant effect on Financial Performance proxied by Return on Assets (ROA). The positive regression coefficient shows that an increase in corporate social activity and disclosure is followed by an increase in profitability.

These findings suggest that good social practices, such as occupational safety and health protection, employee competency development, and community empowerment around the mining area, can provide economic benefits for companies. In the coal mining industry which

has high social risks, the stability of the company's relationship with the workforce and the local community is an important factor in maintaining smooth operations and cost efficiency.

Companies that are able to minimize social conflict and increase employee loyalty tend to have higher productivity and a lower risk of operational disruption. This condition is ultimately reflected in the increase in ROA. Thus, these findings support the view that social investment is not only philanthropic, but also has economic value for companies.

Therefore, the hypothesis that states that Social Performance has a positive effect on Financial Performance is accepted.

### **The Influence of Governance Performance on Financial Performance**

The results of the hypothesis test show that Governance Performance does not have a significant effect on Financial Performance. A probability value greater than the level of significance indicates that the implementation of corporate governance has not been able to explain the variation in company profitability statistically.

These findings show that corporate governance in the coal mining subsector functions more as a risk control mechanism than as a direct driver of improved financial performance. The application of governance principles such as transparency, accountability, and independence of the board of directors is a normative obligation that must be fulfilled by all public companies.

The uniformity of the Governance Performance score between companies shows that almost all companies have been at a relatively similar level of governance. As a result, governance is not a significant differentiating factor in explaining the difference in profitability between companies.

In addition, the profitability of mining companies is greatly influenced by external factors such as fluctuations in global coal prices, production costs, and government policies. These factors are often more dominant than the company's internal governance practices.

Thus, the hypothesis that states that Governance Performance has a positive effect on Financial Performance is rejected.

### **The Influence of Financial Performance on Company Value**

Based on the results of the hypothesis test, Financial Performance proxied with Return on Assets (ROA) is proven to have a positive and significant effect on the Company's Value. A positive regression coefficient indicates that an increase in the company's ability to generate profits from its assets will be responded positively to by the market through an increase in Price to Book Value (PBV).

These findings confirm that profitability is the fundamental indicator that investors pay the most attention to in investment decision-making. Companies with high ROA are perceived to have good operational efficiency, a healthy cost structure, and superior managerial ability in managing productive assets. This condition increases investor confidence in the company's future profit sustainability prospects.

In the context of the coal mining subsector, financial performance has a very crucial role given the high volatility of commodity prices and dependence on the global economic cycle. Companies that are able to maintain a high level of ROA demonstrate better business resilience to external fluctuations, making them more attractive to investors. This is reflected in companies such as BYAN and ITMG which recorded relatively high ROA in a certain period and followed by PBV which was also higher than other companies in the sample.

Theoretically, these results are in line with signaling theory, which states that good financial performance is a positive signal to the market regarding the quality of the company. Investors interpret the increase in ROA as an indication that management is able to manage the company's resources effectively, thereby increasing the company's value in the capital market.

Therefore, the hypothesis that states that Financial Performance has a positive effect on Company Value is accepted.

### **The Influence of Environmental Performance on Company Value through Financial Performance**

Based on the results of the Sobel Test, Environmental Performance has not been proven to affect the Company's Value through Financial Performance. A M Sobel value that is smaller than a critical value of 1.96 indicates that Financial Performance does not play a role as a mediating variable in the relationship between Environmental Performance and Company Value.

These findings show that improving the company's environmental performance has not been able to increase profitability in the short term, so it does not create an indirect mechanism that impacts the company's value. In the coal mining industry, environmental practices such as land reclamation, waste management, and emission control require large investments whose economic benefits tend to be felt only in the long term.

In addition, environmental performance functions more as a risk mitigation mechanism than as a direct driver of financial performance. The main benefit of good environmental practices is that they reduce the risk of regulatory sanctions, conflicts with the community, as well as operational disruptions, which are not always directly reflected in the annual ROA increase.

Thus, the hypothesis that Environmental Performance affects Company Value through Financial Performance is rejected.

### **The Influence of Social Performance on Company Value through Financial Performance**

The results of the Sobel Test show that Social Performance affects the Company's Value through the intervening variable of Financial Performance. These findings indicate that Financial Performance acts as a channeling mechanism (mediator) in the relationship between Social Performance and Corporate Value.

These findings show that good social practices not only improve market perception directly, but are also able to improve the company's operational performance and profitability. In the mining industry, a harmonious relationship with the workforce and the community around the mining area plays an important role in maintaining production continuity, reducing the risk of operational disruptions, and increasing cost efficiency.

Improving social performance, such as occupational safety, employee welfare, and community development programs, can improve workforce productivity and operational stability. This impact is reflected in the increase in ROA, which is further responded positively by the market through an increase in PBV. Thus, financial performance becomes an important pathway that connects social performance with company value.

Therefore, the hypothesis that social performance affects the Company's Value through Financial Performance is accepted.

## **The Influence of Governance Performance on Company Value through Financial Performance**

Based on the results of the Sobel Test, Governance Performance has no effect on Company Value through Financial Performance. The M Sobel value which is much smaller than the critical value indicates that Financial Performance does not play a mediating variable in the relationship between Governance Performance and Company Value.

These findings show that corporate governance practices have not been able to significantly increase profitability so that they do not create an indirect path to increasing company value. In the coal mining subsector, corporate governance has generally been standardized by regulations, so the variation between companies is relatively small.

Governance functions more as a risk control mechanism and the prevention of opportunistic management behavior, rather than as a direct driver of financial performance. As a result, even if the company has good governance, these conditions do not necessarily increase ROA and PBV significantly.

Thus, the hypothesis that Governance Performance affects Company Value through Financial Performance is rejected.

## **CONCLUSION**

This study examined the effect of ESG performance on firm value with financial performance as an intervening variable in coal mining companies listed on the Indonesia Stock Exchange, finding that Environmental and Governance performance did not have a significant direct effect on either firm value or financial performance, while Social performance demonstrated a significant positive effect on financial performance and indirectly enhanced firm value through improved Return on Assets (ROA), which subsequently strengthened Price to Book Value (PBV). These findings suggest that well-managed social aspects — such as employee welfare, occupational safety, and community engagement — contribute to operational stability and long-term market valuation, confirming that the social dimension of sustainability functions as a strategic driver of firm value rather than merely a regulatory obligation in environmentally sensitive industries such as coal mining. From a practical standpoint, companies are encouraged to prioritise measurable social sustainability initiatives and transparent reporting, while policymakers such as OJK are advised to promote standardised ESG disclosure frameworks to enhance market efficiency and accountability. Future research may extend this analysis to broader industry sectors and longer timeframes, incorporate additional financial performance proxies beyond ROA, or employ a comparative cross-country approach to assess whether the primacy of social ESG performance in driving firm value is specific to the Indonesian coal mining context or reflects a wider pattern in emerging markets.

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