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The Influence of Environtmental Disclosure, Hedging Policy, Capital Structure and Profitability on Firm Value

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Abstract

Purpose – *This study aims to obtain empirical evidence on the Influence of Environmental Disclosure, Hedging Policy, Capital Structure, and Profitability on Firm Value.*

Design/methodology/approach – *This study uses a type of quantitative research. The sample in this study is companies in the Non-Primary Consumer Goods sector listed on the Indonesia Stock Exchange in 2022-2024 as many as 42 companies selected using the purposive sampling method. The analysis technique used to test the hypothesis was panel data regression analysis using the Eviews 9 software. Based on the results of the Chow test, Hausman test, and Lagrange Multiplier test, the most appropriate model to use is the* Random Effect Model.

Findings – *The results of the study show that* Environmental Disclosure *and Hedging Policy do not have a significant effect on Firm Value, while Capital Structure has a negative and significant effect on Firm Value. Profitability has a positive and significant effect on Firm Value. These findings indicate that investors in* the Non-Primary Consumer Goods sector *in Indonesia during the observation period are still more oriented towards financial performance than non-financial information, such as environmental disclosures.*

Research limitations/implications – *The results of this study provide important implications for company management and regulators in evaluating the effectiveness of sustainability disclosure policies in the Indonesian capital market. The first limitation of this research is the type of data used in this study, namely secondary data obtained from the annual report published by the company. However, the data obtained is incomplete because many of the companies do not upload regularly every year. Furthermore, the content of the formula is incomplete or confusing, some numbers are not stated in the financial statements. Furthermore, this study has limitations in the sample from 166 to 42 samples, as for the rest due to incomplete financial statement data and many have suffered losses. And finally, the study was conducted over a specific period of time, namely 2022-2024, so it is not possible for a long-term analysis.*

JEL : M41, G30, H26

INTRODUCTION

Sectors *Non-primary consumer goods* has a strategic role in the Indonesian economy due to its significant contribution to domestic consumption and capital market activity. This sector includes companies that produce secondary necessities such as automotive, electronics, cosmetics, home appliances, as well as various lifestyle products. The demand for these products is greatly influenced by people's purchasing power, income levels, and macroeconomic conditions such as inflation, interest rates, and exchange rate stability. Therefore, the performance of companies in this sector tends to be more sensitive to changes in economic conditions than the primary needs sector.

In the post-COVID-19 pandemic period, the *Non-primary consumer goods* showing a significant recovery in line with increasing economic activity and changes in people's consumption patterns. However, the recovery process is still faced with various challenges, such as global economic uncertainty, exchange rate fluctuations, and rising production costs. This condition requires companies to have the right financial and non-financial strategies to maintain business sustainability and increase company value in the midst of fluctuating economic dynamics.

Company value is an important indicator that reflects investors' perception of the company's future performance and prospects and is the main goal of financial management. A company's value is often associated with a stock price, as a stock price reflects the market's assessment of the company's ability to create added value for shareholders. In making investment decisions, investors consider the various available information, both financial and non-financial, as a basis for assessing the risk and rate of return on investment.

One of the non-financial factors that is getting more attention is *Environmental Disclosure*. The disclosure of environmental information is seen as a form of corporate responsibility for the environmental impact of its operational activities as well as a means to increase transparency and gain legitimacy from the public. Along with increasing awareness of sustainability issues and regulations related to sustainability reporting, companies are expected to be able to adequately convey environmental information. However, the results of empirical research on the influence of *Environmental Disclosure* The company's value still shows inconsistent findings, so it needs to be reviewed in the context of different sectors and periods.

The findings of the research conducted by (Christy & Sofie, 2023, (Saputri et al., 2023), (Yusra & Sulistyowati, 2023), (I. Hidayat et al., 2023), (Tiara & Muslim, 2022), state that the value of a company is negatively affected by *environtmental disclosure*. However, it is inversely proportional to the research conducted by (Adhi & Cahyonowati, 2023) which states that *Firm Value* positively influenced by *Environmental disclosure.*

In addition to non-financial factors, financial factors such as policy *Hedging*, capital structure, and profitability also have an important role in determining the value of the company. Policy *Hedging* used by companies to manage financial risks, particularly exchange rate and interest rate risks, which can affect the stability of cash flows and the company's performance. For sector companies *Non-primary consumer goods* which has a dependence on the import of raw materials or foreign exchange transactions, exchange rate risk is a relevant factor in financial decision-making.

The findings of the research conducted by (Lestari & Hasanah, 2024), (Suherminingsih, 2024), state that the value of the company is positively influenced by *hedging policy*. However, it is inversely proportional to the research conducted by (Rachmawati et al., 2023) which states that the value of the company is negatively affected by *Hedging Policy*.

The capital structure reflects the company's decision in determining the proportion of the use of debt and equity as a source of funding. An imoptimal capital structure can increase the risk of bankruptcy and lower the value of the company. Within the sector *Non-primary consumer goods* which is sensitive to the economic cycle, excessive use of debt has the potential to increase the company's financial burden, so that it can have a negative impact on investor perception and company value.

Research findings conducted by (Hairudin & Desmon, 2020), (Agustina & Sha, 2024) which states that the value of a company is negatively affected by *structured capital*. However, it is inversely proportional to the research conducted by (Natsir & Yusbardini, 2017), (Santoso & Widjaja, 2022), (Syamsudin et al., 2020) which states that the value of the company is positively influenced by *Capital Structure*.

Profitability is the main financial factor that reflects a company's ability to generate profits from the resources it has. A high level of profitability indicates the efficiency of management in managing the company's assets and operations, as well as providing positive signals to investors regarding the company's future performance and prospects. Therefore, profitability is seen as one of the important determinants of a company's value, as companies that are able to consistently generate profits tend to be more attractive to investors and have a higher company value.

The findings of research conducted by (Jemani & Erawati, 2020), (Nadhilah et al., 2022), (Kusumaningrum & Iswara, 2022), (Komala et al., 2023) state that company value is positively influenced by profitability. However, it is inversely proportional to the research conducted by (Nur Utami & Widati, 2022) which states that company value is negatively influenced by profitability.

Based on this description, this study aims to analyze the influence of *Environmental Disclosure*, policy *Hedging*, capital structure, and profitability to the company's value in the company sector *Non-primary consumer goods* listed on the Indonesia Stock Exchange for the period 2022–2024. This research is expected to make an empirical contribution in explaining the factors that affect the company's value in the secondary consumption sector in Indonesia post-pandemic, as well as provide practical implications for company management and investors in financial decision-making.

LITERATURE REVIEW

Legitimacy Theory

The *Legitimacy Theory* was first proposed by Dowling and Pfeffer (1975) and later developed by Suchman (1995). This theory explains that an organization or company tries to ensure that its activities and operations are within the boundaries of social norms and value systems accepted by society. Companies that manage to conform to these values will gain social legitimacy, which means acceptance and trust from the public in the company's existence and activities.

Risk Management Theory

Risk Management Theory was developed by Smith and Stulz (1985), who argue that hedging policies are used by companies to minimize financial risks due to market uncertainties, such as fluctuations in exchange rates, interest rates, and commodity prices. These risks can affect the company's cash flow and financial stability, so its management is an important aspect in maintaining the company's value.

Trade-Off Theory

The Trade-Off Theory was first proposed by Kraus and Litzenberger (1973) and further developed by Myers (1984). This theory explains that companies will seek an optimal capital structure by balancing the benefits of using debt (*tax shield*) and bankruptcy costs (*bankruptcy costs*). Thus, efficient funding decisions are those that are able to maximize the value of the company with financial risks that are still tolerable.

Signaling Theory

Signaling Theory It was first introduced by Michael Spence (1973) in the context of the labor market, but was later adapted to finance by Ross (1977). This theory explains that the company's management has more information than investors (*Information asymmetry*), so that they can signal to the market to show the condition and prospects of the company.

Environmental Disclosure

According to (Setiawan & Honesty, 2022) Environmental disclosure is the disclosure of all information directly related to the environment contained in the annual report that must be held accountable by the company as a form of the company's attention and concern for interested parties due to the impact of its operational activities. Meanwhile, environmental disclosure is a company's way to establish a good relationship with shareholders and mitigate information asymmetry between agents and principles. Environmental disclosure has increased even though it is not like other components of corporate social responsibility (CSR) (Husnaini et al., 2024).

Hedging Policy

Hedging is an act of protecting a company to avoid or reduce losses due to fluctuations in foreign exchange rates in international business transactions. Hedging protects the transaction of a contract or item whose value will increase and the loss of that fall in value from another contract or item. Hedging is an action that companies can use to minimize business risks but still be able to earn profits in a business transaction (Bodroastuti et al., 2019). Meanwhile, hedging or hedging is a strategy used to manage and shield the financial condition of a company from financial risks. Hedging can also be called a risk management approach by limiting the possibility of losses caused by instability in the price of commodities, currency values or securities (R. H. Hidayat et al., 2024).

Capital Structure

The capital structure is a combination of long-term debt and the equity owned by the company. The capital structure of a company describes the comparison between Long-term debt and its own capital used by the company. Capital structure is a combination of problems

that are important for companies because the good and bad of the capital structure will have a direct effect on the company's financial position and will ultimately affect the company's value (Agusfianto et al., 2022). According to (Margaretha, 2024) Capital structure describes a company's permanent financing consisting of long-term debt and its own capital. If the actual debt (realization) is below the target, the loan needs to be increased. If the debt ratio exceeds the target = sell the shares.

Profitability

According to (Anlia & Sufyati, 2021) Profitability is a ratio that aims to determine the company's ability to generate profits during a certain period and also provides an overview of the level of effectiveness of management in carrying out its operational activities. Profitability indicates how much a company makes a profit in utilizing all available resources. Profitability is the ability of a company to generate profits from financial investments. Profitability is defined as a company's ability to generate profits and measure the level of operational efficiency and efficiency in using its assets (Hartati, 2024).

Firm Value

Company value is the score owned by a company, whether it gets local or foreign capital. Company value is an investor's perception of the company's success rate, which is often associated with stock prices (Yeni et al., 2024). According to (Ningrum, 2022) Company value is the market value ratio, which is a ratio that describes the conditions that occur in the market. This ratio is able to provide an understanding for the company's management of the conditions of the implementation that will be implemented and its impact in the future. Meanwhile, company value is one of the fundamental concepts in corporate finance that reflects market perception of a company's performance and future prospects (Putra et al., 2024).

Hypothesis Development

The Effect of *Environtmental Disclosure* on *Firm Value*

The transparent disclosure of environmental information reflects the company's commitment to sustainability and social responsibility. Companies that actively disclose their environmental performance and policies tend to be perceived as more responsible, have good risk management, and are able to minimize negative impacts on the environment. This positive perception can increase the trust of investors and other stakeholders in the company. This research is in line with research (Adhi & Cahyonowati, 2023) states that environmental disclosure has a positive and significant influence on company values.
H_1: *Ambiental Disclosure* has a positive effect on *Firm Value*.

The Effect of *Hedging Policy* on *Firm Value*

Hedging means one or more traders who are engaged to protect the market's existing exposure to market movements. Thus *Hedging* is a method by which producers or financiers can hedge their exposure to a particular asset or asset class against market fluctuations. Hedging is necessary for businesses to protect themselves from the effects of market fluctuations that have the potential to damage interest rates, currency exchange rates, and commodity prices, as well as to reduce the likelihood of default (bankruptcy) and associated

costs. This research is in line with research conducted by (Lestari & Hasanah, 2024) stating that *Hedging Policy* have a positive impact on *Firm Value*.
H_2: *Hedging Policy* has a positive effect on *Firm Value*.

The Influence *of Capital Structure* on *Firm Value*

According to Joel and Jae in Fahmi (2013), the capital structure is the composition of ordinary shares, preferred shares, and various such classes, retained profits, and long-term debt maintained by the business unit in funding assets. Capital structure is an important parameter that can affect the company. Therefore, a company can increase its value by creating the right combination of equity and debt in its capital structure. Improper financing decisions can lead to the failure of the company. This research is in line with research conducted by (Hairudin & Desmon, 2020) stating that capital structure has a negative effect on company value.
H_3: *Capital Structure* has a negative effect on *Firm Value*.

The Effect of *Profitability* on *Firm Value*

Profitability is the ability produced by a company to obtain profit on its sales, total assets or total itself. According to Brigham and Houston (2019), companies that have a high level of profitability will be positively assessed by investors because they show management efficiency in managing assets to generate profits. This condition causes the demand for company shares to increase, thus having a positive effect on the *Firm Value*. This research is in line with research conducted by (Jemani & Erawati, 2020) stating that *Profitability* have a positive impact on *Firm Value*.
H_4: *Profitability* has a positive effect on *Firm Value.*

RESEARCH METHOD

Types and Sources of Research Data

The type of data used in this study is secondary data, which is data provided by other parties and does not come from direct sources. The data obtained is in the form of financial statements of raw material companies published by the Indonesia Stock Exchange (IDX) for 2022-2024. The population used in this study is the Non-Primary Consumer Goods sector listed on the Indonesia Stock Exchange (IDX). Sampling was carried out using the *purposive sampling*. The population is 166 and the criteria are 42 companies.

Meanwhile, the measurement of the variables used for each variable is as follows:

Table 1. Variable Measurement

Yes	Variable	Measurement	Source
1.	*Environmentalist Disclosure*	Environmental Disclosure is measured by comparing the number of ENV indicators reported in the sustainability report with the number of indicators contained in the GRI module for the	(Ega Christy & Sofie, 2023)

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Yes	Variable	Measurement	Source
		ENV aspect. Environmental Disclosure using the GRI series 300. ENV = Sum of Company's Disclosure Item/Total of GRI's Disclosure Standard Item. Measured with *Dummy*: 1 = Company that implements Hedging Policy 0 = Company that does not Implement Hedging Policy	
2.	*Hedging Policy*		(Tri Utami Lestari & Sri Indah hasanah, 2024)
3.	*Capital Structure*	DER = $\frac{Total\ Debt}{Total\ Equity}$	(Hairudin & Desmon, 2020)
4.	*Profitability*	ROE = $\frac{Net\ Income}{Total\ Equity}$	(Kristianus Ronaldo Jemani & Teguh Erawati, 2020)
5.	*Firm Value*	PBV = $\frac{Price\ per\ share}{Book\ value\ per\ share}$	(Diyah Putri Kusumaningrum & Setia Iswara, 2022)

RESULTS

Table 2. Descriptive Analysis

Variable	N	Min	Max	Red	Std. Dev
ED	126	0.250000	0.687500	0.464579	0.065590
HP	126	0.000000	1.000000	0.285714	0.453557
CS	126	0.039100	190.3070	2.584333	16.93914
PRF	126	0.008300	548.1566	10.02690	68.52939
FV	126	0.145900	563510.9	16101.88	81233.70

Description:
ED (*Environmental Disclosure)*, HP (*Hedging Policy)*, CS (*Capital Structure)*, PRF (*Profitability)*, FV (*Firm Value)*

Selection Of The Best Panel Data Model

1. Chow Test
   Decision-making criteria:
   - If the probability (Prob) at *the cross section F < 0.05* then the better model is the *fixed effect model.*
   - If the probability (Prob) of the *cross section* F > 0.05 then the better model is the *common effect model.*

Table 1. Chow Test

Effects Test	Statistic	D.F.	Prob.
Cross-section F	40.752616	(41,80)	0.0000
Cross-section Chi-square	388.815107	41	0.0000

Source: Processed data (2025)

Based on the results of the Chow Test conducted using E-Views 9, a cross-section probability value of F was obtained of 0.0000, which is smaller than the significance level of 5% (a = 0.05). These results show that the most suitable model is *Fixed Effect Model* (FEM). Therefore, it is necessary to carry out the Hausman Test to determine which model is more appropriate to use between *Fixed Effect Model* and *Random Effect Model.*

2. Hausman Test

   A thirst test is used to determine which model between *the Fixed Effect Model* and *the Random Effect Model* is most appropriately performed:

   Decision-making criteria:

   - If the probability (Prob) < 0.05 then the better model is the *fixed effect model.*
   - If the probability (Prob) > 0.05 then a better model is a *random effect model.*

Table 2. Hausman Test

Test Summary	Chi-Sq. Statistic	Chi-Sq. D.F.	Prob.
Cross-section random	0.768819	4	0.9426

Source: Processed data (2025)

The results of the Hausman Test showed a probability value of 0.9426 greater than the significance of 5% (a= 0.05). Thus, the most appropriate model to use is *Random effect Model*.

3. Lagrange Multiplier *(LM)* Test

   The *Langrange Multiplier* (LM) test is used to determine whether the most appropriate Common Effect Model or Random Effect Model is used:

Table 3. Lagrange Multiplier (LM)Test

	Test Hypothesis		
	Cross-section	Time	Both
Breusch-Pagan	107.8015 (0.0000)	1.447645 (0.2289)	109.2491 (0.0000)

Honda	10.38275	-1.203181	6.490935
	(0.0000)	--	(0.0000)
King-Wu	10.38275	-1.203181	1.064334
	(0.0000)	--	(0.1436)
Standardized Honda	10.75601	-0.970200	2.438804
	(0.0000)	--	(0.0074)
Standardized King-Wu	10.75601	-0.970200	-1.126856
	(0.0000)	--	--
Gourierioux, et al.*	--	--	107.8015
			(< 0.01)

*Mixed chi-square asymptotic critical values:

1%	7.289
5%	4.321
10%	2.952

Source: *Processed data (2025)*

Hypothesis Test

Table 4. Partial Test (*Random Effect Model)*

Variable	Prediction	Coefficient	T-Statistics	Prob.	Explanation
C		13289.39	0.674481	0.5013	
ED	+	-2433.203	-0.066687	0.4734	ED has no effect on FV and has a different direction, meaning it does not support the theory
HP	+	-5847.815	-0.877356	0.1910	HP has no effect on FV and has a different direction, meaning it does not support the theory
CS	-	-372.2917	-2.946469	0.0019	CS has an effect on FV and has the same direction which means supporting the theory

Variable	Prediction	Coefficient	T-Statistics	Prob.	Explanation
PRF	+	655.8199	15.85304	0.0000	PRF has an effect on FV and has the same direction which means supporting the theory
		R-Squared			0.688009
		Adjusted R-Squared			0.677695
		F-Statistic			66.70780
		Prob (F-Statistic)			0.000000

Source: Processed data (2025)

Description:

ED (*Environmental Disclosure)*, HP (*Hedging Policy)*, CS (*Capital Structure)*, PRF (*Profitability)*, FV (*Firm Value)*

Coefficient Determination Test

Table 5. Coefficient Determination Test

Weighted Statistics			
R-squared	0.688009	Mean dependent var	2406.158
Adjusted R-squared	0.677695	S.D. dependent var	31705.50
S.E. of regression	17999.82	Sum squared resid	3.92E+10
F-statistic	66.70780	Durbin-Watson stat	1.454638
Prob(F-statistic)	0.000000		

Based on table 1.7 *R-Square* indicates a value of 0.6880 which means that 68% of the variables *Environmental Disclosure, Hedging Policy, Capital Structure,* and *Profitability* can explain variables *Firm Value*.

Partial Test (T-Test)

The results of the test using *the Random Effect Model* (REM) hypothesis *of one tailed,* the probability value divided by 2 can be concluded as follows:

1. *Environtmental Disclosure* with a probability value of 0.9469/2 = 0.4734 > 0.05, it can be interpreted that the *Environtmental Disclosure* variable has a negative and statistically insignificant effect on *Firm Value.*
2. *Hedging Policy* with a probability value of 0.3820/2 = 0.1910 > 0.05, it can be interpreted that the *Hedging Policy* variable has a negative and statistically insignificant effect on *Firm Value.*
3. *Capital Structure* with a probability value of 0.0039/2 = 0.0019 < 0.05, it can be interpreted that the *Capital Structure* variable has a negative and statistically significant effect on *Firm Value.*

4. *Profitability* with a probability value of 0.0000/2 = 0.0000 < 0.05, can be interpreted as that the *Profitability* variable has a positive and statistically significant effect on *Firm Value.*

DISCUSSIONS

Environmental Disclosure of Firm Value

The results of the first hypothesis test (H_1) showed that *environmental disclosure* had no effect on *firm value*, so the hypothesis was rejected. These findings indicate that the disclosure of environmental information by non-primary consumer goods sector companies has not been a factor significantly considered by investors in assessing the value of a company.

Theoretically, *Legitimacy Theory* states that companies seek to gain social legitimacy by adapting their activities and expressions to the norms and values that apply in society (Dowling and Pfeffer, 1975). In this context, *environmental disclosure* should be a means for companies to gain public trust and increase positive perceptions from stakeholders. However, the results of this study show that the legitimacy mechanism has not been converted into an increase in the value of companies in the capital market.

This phenomenon can be explained through several possibilities. First, the quality *of environmental disclosure* submitted by companies in the non-primary consumer goods sector tends to be symbolic and formal, merely fulfilling reporting obligations without being accompanied by substantial information about environmental impacts, mitigation strategies, or measurable sustainability targets. Such low-quality disclosures are less able to provide added value for information for investors, so they do not affect investment decisions. Second, from the perspective of *Shareholder Theory*, investors in the Indonesian capital market, especially in the non-primary consumer goods sector, are still more oriented towards short-term financial performance than sustainability aspects. Investors tend to prioritize information that directly reflects a company's ability to generate profits and cash flow, while non-financial information such as *environmental disclosure* has not been considered relevant in determining a company's value. This shows that investor awareness of environmental issues has not been fully internalized in the market valuation mechanism. Third, the characteristics of the non-primary consumer goods sector that are not directly associated with high levels of environmental pollution can also be a contributing factor. Investors may consider the environmental risks in this sector to be relatively low compared to sectors such as mining or energy, so *environmental disclosure* is not perceived as crucial information. This finding is in line with previous research that shows that *environmental disclosure* has no effect on *firm value* (Saputri et al., 2023; Christy & Sofie, 2023; Yusra & Sulistyowati, 2023; Hidayat et al., 2023; Tiara & Muslim, 2022).

This is supported by several studies (Saputri et al., 2023), (Christy & Sofie, 2023), (Yusra & Sulistyowati, 2023), (I. Hidayat et al., 2023), (Tiara & Muslim, 2022), which in the study states that *Environmentalist Disclosure* has no effect on *Firm Value.*

Hedging Policy on Firm Value

The results of the second hypothesis test (H_2) show that *the hedging policy* has no effect on *firm value*, so the hypothesis is rejected. These findings indicate that the company's hedging policy has not been able to improve market perception of the company's value.

According to *Risk Management Theory*, *hedging policy* is a company's strategy to minimize financial risks due to market uncertainty, such as exchange rate fluctuations and interest rates. Theoretically, effective risk management should improve cash flow stability and lower the risk of bankruptcy, which ultimately has a positive impact on the value of the company. However, the results of this study show that these benefits have not been reflected in investors' assessments.

This phenomenon can be explained through the perspective *of Efficient Market Theory*, which states that the capital market has anticipated information related to *hedging* policies and internalized it into stock prices. Thus, the company's decision to hedge is no longer considered new information capable of affecting the company's value. In addition, investors may view *hedging* as a routine managerial activity that is defensive, rather than a *value creation* strategy.

In addition, the cost *Hedging* which is relatively high can also be a consideration for investors. If the cost of hedging is perceived to be greater than the benefits gained, the market may judge the policy as an inefficient decision. In the context of the post-pandemic period that is still full of uncertainty, investors may focus more on the final results of financial performance rather than indirect risk management strategies. These findings are in line with research (Rachmawati et al., 2023), which in the study states that *Hedging Policy* has no effect on *Firm Value*.

Capital Structure to Firm Value

The results of the third hypothesis test (H3) show that *the capital structure* has an effect on *firm value*, so the hypothesis is accepted. These findings confirm that corporate funding decisions have an important role in determining the value of companies in the non-primary consumer goods sector. *The Trade-Off Theory* explains that companies will try to achieve an optimal capital structure by balancing the benefits of using debt in the form of *tax shields* and bankruptcy costs arising from increased financial risks (Kraus and Litzenberger, 1973). The results of this study show that capital structure has a negative effect on *firm value*, which indicates that excessive use of debt actually increases risk perception in the eyes of investors.

In the context of the non-primary consumer goods sector, the high dependence on people's purchasing power and macroeconomic conditions make companies more vulnerable to financial pressures. An increase in debt levels can magnify the risk of default when there is a decline in sales or an economic slowdown. Investors tend to respond negatively to these conditions due to the increased risk of bankruptcy and future cash flow uncertainty.

These findings suggest that the Indonesian capital market tends to reward companies with more conservative and stable funding structures. Thus, companies that are unable to manage their capital structure optimally will experience a decline in the value of the company. These results are consistent with research (Hairudin & Desmon, 2020) which in the study states that *Capital Structure* negative effects on *Firm Value*.

Profitability to Firm Value

The results of the fourth hypothesis test (H4) show that profitability has a positive effect on *firm value*, so the hypothesis is accepted. These findings confirm that profitability is the fundamental factor that investors pay the most attention to in assessing the value of a company. According to *the Signaling Theory*, the company's management has better information about the company's internal condition and prospects than investors, so financial performance, especially profits, is used as a signal to reduce information asymmetry (Spence, 1973). A high

level of profitability gives a positive signal that the company is able to manage assets and operations efficiently and has good growth prospects.

In the context of the non-primary consumer goods sector, high and stable profits are the main indicators of the company's resilience to economic fluctuations and changes in people's purchasing power. Investors tend to trust companies that are able to generate profits consistently, because those profits reflect the company's ability to create added value for shareholders. Therefore, increased profitability directly drives up the company's value.

These findings also show that, compared to non-financial factors such as *Environmental Disclosure* and *Hedging Policy*, investors still place profitability as the main determinant in investment decision-making. This is supported by several previous studies (Nadhilah et al., 2022), (Kusumaningrum & Iswara, 2022), (German & Erawati, 2020), (Komala et al., 2023), which in the study states that *Profitability* has a positive effect on *Firm Value.*

CONCLUSIONS

1. *Environtmental Disclosure* has no effect on *Firm Value.*
2. *Hedging Policy* has no effect on *Firm Value.*
3. *Capital Structure* affects *Firm Value.*
4. *Profitability* affects *Firm Value.*

Suggestion

Based on the findings of the study, companies in the non-primary consumer goods sector are advised to improve the quality of *environmental disclosure* by presenting more measurable, relevant, and integrated information with financial performance so that it has informative value for investors, considering that environmental disclosure is currently not appreciated by the market. In addition, management needs to prioritize the management of a more efficient and conservative capital structure because the market tends to be sensitive to debt risk, as well as increasing the transparency of *hedging policies* so that the benefits of risk management can be understood by investors. For regulators, especially the Financial Services Authority (OJK), the results of this research can be the basis for evaluating and strengthening environmental disclosure standards that are more measurable and comparable, accompanied by increasing investor literacy related to sustainability issues. Further research is suggested to examine the quality *of environmental disclosure* and investor characteristics as factors influencing market response, as well as use a longer observation period to capture the dynamics of company value in the long term.

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