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Financial Strategy, Sustainability Issues, and Firm Value: Empirical Evidence from the Consumer Non-Cyclical Sector

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Abstract

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

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. Profitability does not reinforce the influence of Environtmental Disclosure on Firm Value. Then, Profitability strengthens the influence of Hedging Policy and Capital Structure on Firm Value.*

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 : G32, M14, Q56, L66

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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, and various lifestyle products. The demand for these products is greatly influenced by people's income levels, consumer purchasing power, 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* shows a significant recovery process in line with increasing economic activity, improving consumer confidence, and changes in people's consumption patterns. The pandemic has driven a shift in consumer preferences, including an increase in the consumption of lifestyle and technology-based products, which has had a direct impact on the performance of companies in the sector. Despite this, the post-pandemic economic recovery is still faced with various uncertainties, such as exchange rate fluctuations, global inflationary pressures, and increased production costs. This condition requires companies to have the right financial strategy to maintain stability and increase company value.

A company's value is an important indicator that reflects investors' perception of the company's performance and its future prospects. The value of a company is often associated with the stock price and is the main goal of financial management because it reflects the level of well-being of shareholders. Investors in investment decision-making not only consider the company's financial performance, but also begin to pay attention to non-financial factors related to sustainability and corporate governance. Nevertheless, the extent to which such non-financial factors are actually appreciated by the market is still a matter of debate in the empirical literature.

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 gain legitimacy from the community and stakeholders. Along with increasing awareness of sustainability issues and sustainability reporting regulations, companies are expected to present environmental information in a transparent manner. However, the results of previous research on the influence of *Environmental Disclosure* The company's value still shows inconsistent findings. Some studies found a positive influence, while others showed no influence or even a negative influence on the company's value.

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 *Environmental Disclosure*, financial factors such as policy *Hedging* and capital structure also plays an important role in determining the value of the company. Policy *Hedging* used by companies to manage financial risks, specifically exchange rate and interest rate risks, which can affect cash flow and company performance. For sector companies *Non-primary consumer goods* who have a dependence on the

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import of raw materials or foreign exchange transactions, exchange rate risk is a relevant issue. Although theoretically *Hedging* can reduce risk and improve the stability of the company, the market does not always respond positively to these policies, especially when the cost of *Hedging* is perceived to be greater than the benefits obtained.

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*. Capital structure is also a strategic financial decision related to the composition of the use of debt and equity in the company's funding. An imoptimal capital structure can increase the risk of bankruptcy and lower the value of the company. In the context of the sector *Non-primary consumer goods* which is sensitive to economic cycles, excessive use of debt has the potential to increase financial risk, especially in periods of economic uncertainty. Therefore, the relationship between the capital structure and the value of the company is an important issue to be studied further.

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 in this study is positioned as a moderation variable that can theoretically affect the relationship between *Environmental Disclosure*, policy *Hedging*, and capital structure to the value of the company. Companies with a high level of profitability have a greater ability to absorb risk, finance operational activities, and provide positive signals to investors regarding the company's performance and prospects. Thus, profitability is thought to strengthen or weaken the influence of non-financial and financial decisions on the value of the company.

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*, and capital structure to company value with profitability as a moderation variable in sector companies *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 investor behavior in the secondary consumption sector in Indonesia post-pandemic, as well as provide practical implications for company management and regulators in formulating more effective policies related to sustainability disclosure and corporate financial management.

LITERATURE REVIEW

Legitimacy Theory

Legitimacy Theory (*Legitimacy Theory)* first proposed by (Dowling & Pfeffer, 1975) and later developed by (Suchman, 1995). This theory explains that an organization or company tries

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to ensure that its activities and operations are within the boundaries of norms and social value systems accepted by society. Companies that successfully adapt 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 (*Risk Management Theory)* developed by (Smith & Stulz, 1985), who argue that hedging policies are used by companies to minimize financial risks due to market uncertainties, such as exchange rate fluctuations, 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

Trade-Off Theory 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. 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, so they can signal to the market to show the company's condition and prospects.

Environmentalist 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

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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).

Hypotheses Method
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

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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.*

Profitability* in Moderating the Influence *of Environtmental Disclosure* on *Firm Value

High profitability also allows companies to have greater resources to implement

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environmental programs without disrupting financial stability (Wibowo & Farah, 2017). Therefore, when companies with a high level of profitability carry out *environmental disclosure*, the influence on increasing the company's value will be stronger. In other words, profitability acts as a moderation variable that strengthens the relationship between *environmental disclosure* and *firm value*. Previous research findings support this view (Suyoto, 2019) found that high profitability indicates good prospects in the future.
H_5: *Profitability* strengthens the influence of *Environtmental Disclosure* on *Firm Value.*

Profitability* in Moderating the Influence of *Hedging Policy* on *Firm Value

High profitability also does not necessarily strengthen the relationship between *hedging policy* and *firm value*, as the decision to hedge is usually based on risk exposure, not on the size of the profit (Fauver & Naranjo, 2010). In some cases, companies with high profits choose to reduce *hedging activities* because they want to reduce transaction costs or bear their own risks. Thus, profitability does not play a role as a variable that strengthens the relationship between *hedging policy* and *firm value*.
H_6: *Profitability* does not strengthen the Influence *of Hedging Policy* on *Firm Value*

Profitability* in Moderating the Influence *of Capital Structure* on *Firm Value

However, the effectiveness of capital structures in increasing a company's value is highly dependent on the company's ability to generate profits. Companies with high profitability have a greater capacity to pay interest and debt expenses, thereby lowering the risk of default and strengthening the positive relationship between *capital structure* and *firm value*. With good profitability, companies can more easily manage their capital structure efficiently and maintain investor confidence. This ultimately increases the market's positive perception of the company's value.
H_7: *Profitability* strengthens the Influence *of Capital Structure* 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	(Ega Christy & Sofie, 2023)

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Yes	Variable	Measurement	Source
		indicators reported in the sustainability report with the number of indicators contained in the GRI module for the ENV aspect. Environmental Disclosure using the GRI series 300. ENV = Sum of Company's Disclosure Item/Total of GRI's Disclosure Standard Item.	
2.	*Hedging Policy*	Measured with *Dummy* : 1 = Company that implements Hedging Policy 0 = Company that does not Implement Hedging Policy	(Tri Utami Lestari & Sri Indah hasanah, 2024)
3.	*Capital Structure*	DER = $\frac{Total\ Debt}{Total\ Equity}$	(Hairudin & Desmon, 2020)
4.	*Profitability*	ROE = $\frac{Laba\ Bersih}{Total\ Eluitas}$	(Kristianus Ronaldo Jemani & Teguh Erawati, 2020)
5.	*Firm Value*	PBV = $\frac{Harga\ saham\ per\ lembar}{Nilai\ buku\ saham\ per\ lembar}$	(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*)

Best Requirements Testing

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*.

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Table 3. Chow Test

Effects Test	Statistic	D.F.	Prob.
Cross-section F	44.563131	(41,77)	0.0000
Cross-section Chi-square	404.202104	41	0.0000

Source: Processed data

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
   The Hausman test is used to determine which model between *the Fixed Effect Model* and *the Random Effect Model* is the most appropriate:
   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 the better model is the *random effect model.*
   -

Table 4. Hausman Test

Test Summary	Chi-Sq. Statistic	Chi-Sq. D.F.	Prob.
Cross-section random	1.314311	7	0.9881

Source: Processed data (2025)

The results of the Hausman Test showed a probability value of 0.9881 greater than the significance level of 5% (a = 0.05). Thus, the most appropriate model to use is *Random Effect Model*.

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

Table 5. Test *Lagrange Multiplier* (LM)

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	Test Hypothesis		
	Cross-section	Time	Both
Breusch-Pagan	108.6789 (0.0000)	1.482879 (0.2233)	110.1618 (0.0000)
Honda	10.42492 (0.0000)	-1.217735 --	6.510460 (0.0000)
King-Wu	10.42492 (0.0000)	-1.217735 --	1.059216 (0.1448)
Standardized Honda	10.67393 (0.0000)	-0.989391 --	2.439006 (0.0074)
Standardized King-Wu	10.67393 (0.0000)	-0.989391 --	-1.133254 --
Gourierioux, et al.*	--	--	108.6789 (< 0.01)

*Mixed chi-square asymptotic critical values:

1%	7.289
5%	4.321
10%	2.952

Source: Processed data (2025)

Hypothesis Test

Table 6. Partial Test (*Random Effect Model)*

Variable	Prediction	Coefficient	T-Statistics	Prob.	Explanation
C		14648.22	0.711881	0.4779	
ED	+	-5294.937	-0.132607	0.44735	ED has no effect on FV and has a different direction, meaning it does not support the theory
HP	+	-327.6819	-0.049471	0.4803	HP has no effect on FV and has a different direction, meaning it does not support the theory
CS	-	-1575.311	-0.387648	0.3495	CS has an effect on FV and has the same direction which means supporting the theory

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Variable	Prediction	Coefficient	T-Statistics	Prob.	Explanation
PRF	+	2715.854	0.207932	0.4178	PRF has an effect on FV and has the same direction which means supporting the theory
ED*PRF-FV	+	-5305.699	-0.152130	0.4396	PRF significantly does not affect the ED on FV and is not in the same direction as the ED's relationship to FV which means that PRF weakens the influence of ED on FV, and acts as a *Homologiser Moderator*
HP*PRF-FV	-	11.98194	0.010979	0.4956	PRF significantly does not affect HP to FV and is not in the same direction as HP's relationship to FV which means that PRF weakens HP's influence on FV, and acts as a *Homologiser Moderator*
CS*PRF-FV	+	12.44373	0.272937	0.3927	PRF significantly does not affect the CS on FV and is in line with the relationship of CS to FV which means that PRF strengthens the influence of CS on FV, and acts as a *Homologiser Moderator*
R-Squared					0.724001
Adjusted R-Squared					0.707628
F-Statistic					44.21969
Prob (F-Statistic)					0.000000

Source : Processed data (2025)

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Coefficient Determination Test

Table 7. Coefficient Determination Test

Weighted Statistics			
R-squared	0.724001	Mean dependent var	2213.106
Adjusted R-squared	0.707628	S.D. dependent var	31393.63
S.E. of regression	16974.98	Sum squared resid	3.409810
F-statistic	44.21969	Durbin-Watson stat	1.314446
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.*
5. *Profitability* that moderates the influence of *Environtmental Disclosure* on *Firm Value* has a probability value of 0.8793/2 = 0.4396 < 0.05, which can be interpreted that *Porfitability* does not strengthen the influence *of Environtmental Disclosure* on *Firm Value.*
6. *Profitability* that moderates the effect of *Hedging Policy* on *Firm Value* has a probability value of 0.9913/2 = 0.4956 < 0.05, it can be interpreted that *Porfitability* does not strengthen the influence *of Hedging Policy* on *Firm Value.*
7. *Profitability* that moderates the influence of *Environtmental Disclosure* on *Firm Value* has a probability value of 0.7854/2 = 0.3927 < 0.05, which can be interpreted that *Porfitability* does not strengthen the influence *of Capital Structure* on *Firm Value.*

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DISCUSSION

Ambient Disclosure on *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

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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

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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.*

Profitability Moderation on the Effect *of Environmental Disclosure* on *Firm Value*

The results of the fourth hypothesis (H5) test showed that profitability amplifies the influence of environtmental disclosure on *Firm Value*, so the hypothesis is rejected. According to Shareholder Theory, this emphasizes that the company's main goal is to maximize the welfare of shareholders through improving financial performance. In this perspective, even though companies have a high level of profitability, investors remain more focused on financial information that directly reflects the company's ability to generate profits rather than non-financial information such as *Environmental Disclosure*. As a result, profitability does not automatically reinforce the influence of environmental disclosures on the value of the company, as investors judge that environmental activities and disclosures have not provided real economic benefits in the short term. Therefore, this condition causes profitability to play a role. This is supported by several studies (Saputri et al., 2023), (Christy & Sofie, 2023), (Yusra & Sulistyowati, 2023), (Nur Utami & Widati, 2022), which in the study states that *Profitability* does not strengthen *Environmentalist Disclosure* against *Firm Value*.

Profitability Moderation on the Effect of *Hedging Policy* on *Firm Value*

The results of the fourth hypothesis test (H6) show that profitability does not strengthen the influence of environtmental disclosure on *Firm Value*, so the hypothesis is rejected. According to *Signaling Theory*, This theory states that companies with high levels of profitability have a stronger ability and credibility to send positive signals to the market through risk management policies, including the implementation of *Hedging Policy*. Profitable companies are perceived to have adequate resources to manage financial risks effectively, so that policies *Hedging* which is carried out not only aims to reduce risks, but also reflects the quality of good management. Under these conditions, investors will assess *Hedging Policy* as a strategy that is able to maintain the stability of financial performance and the sustainability of the company's profits, so that it has a positive impact on increasing the company's value. This is supported by several previous studies (Suherminingsih, 2024), (Nadhilah et al., 2022), (Kusumaningrum & Iswara, 2022), which in the study states that *Profitability* significantly affect *Hedging Policy* against *Firm Value*.

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Profitability Moderation on the Influence *of Capital Structure* on *Firm Value*

The results of the fourth hypothesis test (H7) show that profitability strengthens the influence of environtmental disclosure on *firm value*, so the hypothesis is accepted. According to *the Trade-Off Theory* combined with *the Signaling Theory*. *The Trade-Off Theory* states that the company will strive to achieve an optimal capital structure by balancing the benefits of using debt in the form of *tax shields* and bankruptcy costs. Companies with a high level of profitability have a greater ability to bear the burden of debt, so the use of debt can be used more effectively to increase the value of the company. In addition, based on *the Signaling Theory*, the decision of the capital structure of a profitable company is seen as a positive signal by investors, as it reflects management's confidence in the company's future prospects and profit stability. The combination of high profitability and optimal capital structure makes investors assess the company as better able to manage financial risks, so profitability plays a role in strengthening the influence of *capital structure* on *firm value*. High profitability also provides greater financial flexibility for companies in determining the right capital structure policies.

CONCLUSION

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.*
5. *Profitability* does not reinforce the influence of *environmental disclosure* on *firm value.*
6. *Profitability* strengthens the influence of *environmental disclosure* on *firm value.*
7. *Profitability* strengthens the influence of *environmental disclosure* on *firm value.*

ADVICE

In addition, further research using profitability as a moderation variable**i** is recommended to further explore the role of corporate profitability in moderating the relationship between environmental disclosure, capital structure, and hedging policies on company value. A high level of profitability has the potential to increase the credibility of non-financial information and risk management strategies, thereby encouraging a more positive market response. Therefore, the use of various profitability proxies such as ROA, ROE, or Net Profit Margin, as well as analysis at different levels of profitability, is expected to provide a more comprehensive understanding of investor behavior. Further research is also recommended using a longer observation period to capture the dynamics of company value in the long term.

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