

When Transparency Meets Performance: The Moderating Role of Sustainability Reporting in Shaping Firm Value

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ABSTRACT: This research aims to examine how profitability, solvency, and good corporate governance shape firm value, with sustainability reporting serving as the moderating variable in property and real estate companies listed on the Indonesia Stock Exchange over the 2021–2024 period. As the dependent variable, firm value is proxied by Price to Book Value (PBV), while profitability is reflected through Return on Equity (ROE), solvency through Debt to Equity Ratio (DER), and good corporate governance through the share of independent commissioners on the board. Sustainability reporting is quantified using the Sustainability Report Disclosure Index (SRDI). The data utilized are secondary, sourced from the annual and sustainability reports of property and real estate firms listed on the IDX, producing 72 firm-year observations through purposive sampling. Panel data regression coupled with Moderated Regression Analysis (MRA) was applied using the Random Effect Model (REM) and processed in EViews 12. The empirical evidence shows that ROE produces a negative yet statistically insignificant influence on firm value, whereas DER, the proportion of independent commissioners, and sustainability disclosure each generate positive and significant impacts. As a moderating element, sustainability reporting reinforces the link between ROE and firm value, mitigates the relationship between DER and firm value, and amplifies the connection between independent commissioners and firm value. With an adjusted R-squared of 69.73%, the explanatory variables and their interaction terms collectively account for the majority of variation in firm value. Overall, the study underscores the strategic relevance of sustainability disclosure in strengthening investor trust and lifting corporate valuation.

KEYWORDS: Return on Equity, Debt to Equity Ratio, Independent Commissioners, Sustainability Report, Firm Value

INTRODUCTION

Heightened global market competition has placed greater demands on corporations to sustain growth momentum and progressively elevate their value. Within capital markets, firm value extends beyond a mere reflection of accounting performance and instead serves as a barometer of investor sentiment toward the company's strategic prospects and ongoing viability. Among the most frequently applied measures of firm value is Price to Book Value (PBV), which captures how the market prices a firm relative to its accounting equity (Hasanudin et al., 2020). When PBV is elevated, it signals that investors recognize promising growth opportunities and effective management; conversely, a depressed PBV reveals fading market trust and skepticism regarding upcoming business performance. For this reason, preserving firm value has emerged as a critical agenda for corporations, especially in industries marked by volatility and heavy reliance on investor expectations such as property and real estate.

Indonesia's property and real estate industry has emerged as a prominent driver of national economic momentum in recent years. As described by (Brighton, 2024), this sector functions as an essential catalyst for stimulating investment flows and supporting infrastructure development. In addition, statistics from Badan Pusat Statistik cited in (Putri, 2025) revealed that real estate generated roughly Rp520.7 trillion of Indonesia's Gross Domestic Product (GDP) during 2024, accompanied by an annual growth of 2.5%. Even with these encouraging macroeconomic indicators, the market valuations of listed property firms remain notably unstable. Volatility in PBV across these firms reflects investor confidence that is yet to stabilize. The observation suggests that sectoral expansion and financial gains alone cannot guarantee a steady rise in corporate valuation. Empirical patterns from selected property and real estate companies listed on the Indonesia

Stock Exchange between 2021 and 2024 reinforce this inconsistency. PT Indonesia Paradise Property Tbk (INPP) posted a notable upward shift in PBV from 0.82 in 2021 to 1.11 in 2022, then 1.47 in 2023, and 1.86 in 2024, signaling growing investor

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optimism aligned with healthy profitability and balanced leverage. On the other hand, PT Perintis Trinita Properti Tbk (TRIN) registered a steady decline from 1.42 in 2021 to 1.05 in 2022, 0.74 in 2023, and as low as 0.51 in 2024, alongside negative ROE values and a rising DER. PT Bumi Serpong Damai Tbk (BSDE) and PT Kawasan Industri Jababeka Tbk (KIJA), meanwhile, displayed fluctuating but comparatively stable PBV trajectories. BSDE moved between 1.21, 1.08, 0.96, and 1.02 across 2021–2024, while KIJA shifted from 0.93 to 0.71 and 0.65 before climbing to 0.84 in 2024. Such patterns expose a notable phenomenon: companies with comparatively strong financial indicators do not always secure higher firm value, while some firms with weaker fundamentals continue to enjoy positive market appraisal. Such inconsistencies imply that investors are progressively assessing companies through a wider lens beyond conventional financial measures.

In theoretical terms, firm value is shaped by several pivotal factors, namely profitability, solvency, and corporate governance. Profitability, captured through Return on Equity (ROE), illustrates how efficiently management generates net income from shareholders' capital (Linawati et al., 2022). Strong profitability typically transmits favorable cues to investors regarding operational efficiency and prospective growth (Hasanudin et al., 2020). At the same time, solvency proxied by the Debt to Equity Ratio (DER) describes the firm's funding mix and exposure to financial risk (Rodríguez Valencia, 2025). Companies with proportionate leverage tend to receive a more favorable assessment, since they appear capable of handling debt prudently while financing growth initiatives. Furthermore, governance, represented through the role of independent commissioners, holds substantial weight in promoting transparency, accountability, and supervisory effectiveness (Agatha et al., 2020). Robust governance is anticipated to reduce agency conflicts and enhance investor trust in management quality.

Although prior research has extensively investigated the linkages among profitability, solvency, governance, and firm value, the empirical conclusions remain mixed. Investigations by Ardiantini et al. (2020), Hasanudin et al. (2020), Purbawangsa et al. (2020), Pustika et al. (2022), Suhartini et al. (2024) reported significant correlations between financial indicators and firm value. Yet, several other studies presented inconsistent or non-significant outcomes, particularly when market dynamics and non-financial elements were embedded into the framework. The bulk of earlier research concentrated mainly on financial and governance factors as direct drivers of firm value, while underweighting the rising relevance of sustainability-related disclosure. The expansion of Environmental, Social, and Governance (ESG) awareness has shifted investor preferences, with stakeholders increasingly judging firms based on long-term sustainability orientation in addition to financial output. This evolving landscape opens a research gap regarding whether sustainability reporting may amplify or diminish the link between financial outcomes, governance practices, and firm value.

In response, this study incorporates Sustainability Report disclosure as a moderating component to investigate the dynamics between Return on Equity (ROE), Debt to Equity Ratio (DER), independent commissioners, and firm value. Sustainability disclosure has gained prominence because it offers transparent insight into corporate dedication toward environmental responsibility, social accountability, and ethical governance practices (Nguyen, 2020). Firms displaying solid profitability and governance may strengthen their market legitimacy when their performance is paired with credible sustainability disclosures aligned with Global Reporting Initiative (GRI) guidelines. Mohamed & Younis (2023) underscored that sustainability reporting elevates corporate reputation, stakeholder trust, and the long-term confidence of investors. Hence, the originality of this research lies in unifying financial performance, corporate governance, and sustainability disclosure within a single empirical framework, particularly in the underexplored setting of Indonesian property and real estate firms.

This research aims to investigate how profitability, solvency, and independent commissioners shape firm value, while also assessing whether sustainability reports amplify or weaken those relationships within the property and real estate firms registered on the IDX between 2021 and 2024. From a theoretical standpoint, the work enriches the development of Signaling Theory and Legitimacy Theory by indicating that firm value is not exclusively determined by financial outcomes but also by transparency in sustainability practices and the caliber of governance. From a practical viewpoint, the conclusions are expected to provide directional guidance for management in formulating integrated financial and sustainability strategies that uphold investor trust and improve long-term valuation. The findings may also assist investors in conducting more holistic firm assessments by weighting ESG disclosures alongside financial measures during investment decision-making.

LITERATURE REVIEW AND HYPOTHESIS FORMULATION

Signaling Theory

Signaling Theory, initially advanced by Spence (1973) and later expanded by Ross (1977), articulates that firms relay information to investors as a means of narrowing information gaps between management and shareholders. These signals can be embedded in financial reports, annual disclosures, or sustainability publications that depict the firm's performance, governance, and forward-looking prospects. Releasing transparent and favorable information is intended to reinforce investor confidence, drive demand for shares, and consequently lift firm value. By contrast, unfavorable signals risk eroding market sentiment and lowering valuation.

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Legitimacy Theory

Legitimacy Theory, originally framed by Dowling and Pfeffer (1975), maintains that firms must align their conduct with prevailing social values and norms in order to retain societal legitimacy and ensure operational continuity. Such alignment is typically demonstrated through sustainability disclosure and the practice of good corporate governance (GCG), both of which improve transparency, credibility, and accountability across environmental, social, and governance domains. Combining these two pillars is anticipated to enhance stakeholder trust, fortify corporate reputation, and contribute to long-term value creation.

Firm Value

Firm value embodies investors' perception regarding a company's performance and its forward-looking outlook, frequently expressed through stock price movements (Karavias et al., 2021). Rising stock values signal an enhancement in firm value alongside strengthening investor trust. Among the available valuation measures, Price to Book Value (PBV) is widely adopted, offering a comparison between the market value of shares and the book value of equity. The selection of PBV in this research is based on its capacity to faithfully convey market valuation and its established usage in empirical inquiries, including those focusing on the mining industry (Dancaková et al., 2022).

$$PBV = \frac{\text{Price per Share}}{\text{Book Value per Share (BVPS)}}. \quad (1)$$

Return on Equity (ROE)

Profitability ratios serve to gauge a firm's capability to generate income within a designated time period through the deployment of revenue, assets, and capital (Kasmir, 2016). A widely utilized profitability indicator is Return on Equity (ROE), which depicts the magnitude of net income earned per unit of capital contributed by shareholders. ROE is selected in this work for its comprehensive perspective on financial performance in producing returns relative to owners' equity.

$$ROE = \frac{\text{Net Income}}{\text{Total Equity}}. \quad (2)$$

Debt to Equity Ratio (DER)

Solvency or leverage indicators quantify how much of a firm's assets are financed via debt and assess its capacity to service short-term and long-term liabilities (Kasmir, 2016). One of the most prevalent measures is the Debt to Equity Ratio (DER), which contrasts total debt against equity to portray the firm's financing composition. Within this research, DER is employed to evaluate the extent of dependence on external funding and to enable a holistic understanding of capital structure and obligation management.

$$DER = \frac{\text{Total Debt}}{\text{Total Equity}}. \quad (3)$$

Independent Commissioner

Beyond pursuing profit maximization, GCG strives to safeguard transparency, accountability, and fairness in corporate practices in order to foster stakeholder trust (Rahmayati et al., 2025). The Independent Board of Commissioners constitutes a vital mechanism by exercising objective oversight of management, mitigating conflicts of interest, and enhancing corporate supervision (Alijoyo & Sirait, 2022). Board independence is gauged through the proportion of independent commissioners relative to total board membership, serving as an indicator of governance effectiveness.

$$IC = \frac{\text{Number of Independent Commissioners}}{\text{Total Members of the Board of Commissioners}}. \quad (4)$$

Sustainability Report (SR)

In addition to financial performance, firms are increasingly expected to disclose ESG-related information to stakeholders by issuing sustainability reports prepared in line with Global Reporting Initiative (GRI) frameworks (Eng et al., 2022). Although such disclosure remains voluntary, it is shaped by stakeholder pressure and the company's GCG practices. This research quantifies sustainability disclosure using the Sustainability Report Disclosure Index (SRDI) drawn from GRI 2016 and 2021 standards through a binary scoring approach (1 and 0).

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$$SRDI = \frac{\text{Total disclosed score}}{\text{Total items that should be disclosed.}} \quad (5)$$

The Effect of Return on Equity on Firm Value

ROE measures how effectively shareholders' equity is utilized to produce net income (K S, 2023). A high ROE figure conveys efficient capital management and acts as a positive cue for investors regarding the firm's promising performance trajectory. According to Signaling Theory, an increase in ROE communicates favorable information, potentially boosting investor confidence and elevating share prices as a reflection of firm value (Nagina & Othman, 2024). Meanwhile, Legitimacy Theory contends that strong profitability reinforces public trust and corporate legitimacy, since profitable firms are viewed as functioning effectively and responsibly. Earlier research has likewise indicated that ROE materially influences firm value.

H1: Return on Equity (ROE) has a positive significant effect on firm value.

The Effect of Debt to Equity Ratio on Firm Value

Solvency ratios disclose a firm's capacity to satisfy long-term commitments using its available capital. The Debt to Equity Ratio (DER) gauges the firm's funding composition by juxtaposing total liabilities with equity, mirroring management's strategy in financing operational activities (Tellez Gaytan et al., 2022). From a Signaling Theory perspective, DER conveys to investors the firm's level of financial risk; a notably high DER tends to function as a warning signal due to elevated risk, while a balanced DER is generally interpreted favorably (Ghardallou, 2022). Through the lens of Legitimacy Theory, a sound capital architecture bolsters public trust and corporate legitimacy. Prior empirical findings further confirm the meaningful effect of DER on firm value.

H2: Debt to Equity Ratio (DER) has a negative significant effect on firm value.

The Effect of Independent Commissioners on Firm Value

Good Corporate Governance (GCG) constitutes a system that prioritizes professional, transparent, and accountable decision-making aimed at safeguarding the interests of all stakeholders (Dandapani & Shahrokhi, 2022). One of its core mechanisms is the independent commissioner, who monitors and balances managerial decisions free from any affiliation with management or controlling shareholders (Mas'ud et al., 2023). Under Signaling Theory, the existence of independent commissioners signals corporate transparency and effective risk management to the market (Bafera & Kleinert, 2023), while Legitimacy Theory views their role as enhancing public confidence and the legitimacy of the firm. Prior research consistently confirms the favorable effect of independent commissioners on firm value.

H3: Independent commissioners have a positive significant effect on firm value.

The Effect of Sustainability Report on Firm Value

A sustainability report stands as a corporate transparency instrument that discloses economic, social, and environmental performance, embodying the company's commitment to sustainable business operations (Rusu et al., 2024). Such reports go beyond financial achievements by capturing the firm's broader impact on society and the environment. Drawing from Signaling Theory, sustainability reports relay positive information to investors about responsible governance, non-financial risk handling, and long-term sustainability prospects, thereby reinforcing market trust (Rukmiyati et al., 2023). Legitimacy Theory, meanwhile, holds that such disclosures help firms gain societal acceptance through a constructive corporate image and demonstrable environmental stewardship. Empirical investigations further reveal a beneficial influence of sustainability reporting on firm value.

H4: Sustainability reporting has a positive significant effect on firm value.

The Moderating Role of Sustainability Reporting on the Relationship between ROE and Firm Value

Within this research, profitability is captured through Return on Equity (ROE), reflecting how effectively a firm transforms shareholders' equity into net income (Kasmir, 2016). Elevated ROE signals competent capital management and reinforces investor trust, whereas a weak ROE points to less optimal capital deployment (Asni & Agustia, 2022). Building on Signaling Theory, a robust ROE signals strong corporate performance, yet investors increasingly weigh sustainability dimensions. Sustainability reports add complementary signals concerning ESG dedication and long-term outlook, thus enhancing the influence of ROE on firm value (Buallay et al., 2024). Through the lens of Legitimacy Theory, sustainability disclosures additionally reinforce a firm's social legitimacy, sustaining public confidence. Therefore, sustainability reports are presumed to moderate the linkage between ROE and firm value.

H5: Sustainability reporting moderates the relationship between ROE and firm value.

The Moderating Role of Sustainability Reporting on the Relationship between DER and Firm Value Within this study, solvency is represented through the Debt to Equity Ratio (DER), which mirrors the proportion of debt relative to equity in financing the firm (Kasmir, 2016). A pronounced DER suggests heavy reliance on borrowed funds, escalating financial risk and possibly weakening

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investor confidence as well as firm value, whereas a moderate DER implies a healthier capital structure and more favorable investor sentiment (Kanoujiya et al., 2023). According to Signaling Theory, a high DER acts as a warning signal regarding corporate risk; nonetheless, sustainability reports may furnish supplementary signals about ESG dedication that enhance investor trust in long-term continuity. From a Legitimacy Theory standpoint, sustainability disclosures further bolster the firm's social acceptability. Hence, sustainability reports are believed to moderate and soften the adverse effect of DER on firm value.

H6: Sustainability reporting moderates the relationship between DER and firm value.

The Moderating Role of Sustainability Reporting on the Relationship between Independent Commissioners and Firm Value

In this research, GCG is operationalized through the proportion of independent commissioners, who provide objective oversight of corporate operations and ensure all stakeholder interests are addressed. Their adequate representation enhances transparency, reinforces supervisory mechanisms, and elevates investor confidence as well as firm value (Ammer et al., 2020). Signaling Theory suggests that independent commissioners convey the firm's commitment to robust governance and minority shareholder protection (Cappellieri et al., 2025), and sustainability reports may further amplify this signal by broadening ESG disclosure. Likewise, Legitimacy Theory implies that the synthesis of both elements expands corporate social legitimacy. Thus, sustainability reports are anticipated to moderate and intensify the favorable impact of independent commissioners on firm value.

H7: Sustainability reporting moderates the relationship between independent commissioners and firm value.

RESEARCH METHODS

This research adopts a quantitative methodology paired with an inferential empirical framework to assess the structural relationships among variables through systematic hypothesis evaluation (Sahir, 2021). The investigation centers on property and real estate firms listed on the Indonesia Stock Exchange (IDX) over the 2021–2024 timeframe, encompassing five principal variables: Return on Equity (ROE), Debt to Equity Ratio (DER), Independent Commissioners, firm value, and sustainability report. ROE, DER, and Independent Commissioners are designated as independent variables, firm value proxied through the Price to Book Value (PBV) ratio serves as the dependent variable, while the sustainability report, quantified via the Sustainability Report Disclosure Index (SRDI) based on GRI standards, acts as the moderating variable. The choice of these variables rests on their theoretical foundation and empirical importance in earlier literature, especially in emerging-market contexts where firms face mounting expectations for financial transparency and sustainable practices.

The unit of analysis is at the firm level, with the population covering all property and real estate firms registered on the IDX. Sample selection followed a non-probability purposive sampling approach, requiring firms to be continuously listed from 2021 to 2024 and to provide complete audited financial reports together with sustainability reports. Out of 92 listed firms, 18 fulfilled the eligibility criteria, generating a final dataset of 72 firm-year observations after outlier exclusion. Such selective criteria were intentionally enforced to safeguard data integrity and ensure comparability across the observation horizon. All data were retrieved from the IDX's official archive through systematic documentation, supplemented by an extensive review of institutional reports and pertinent academic sources, thus ensuring the reliability and validity of the data utilized in the analysis.

The analytical procedure incorporates descriptive statistics, panel data regression, and classical assumption tests, including normality and multicollinearity diagnostics, all executed using EViews 12. The use of panel data is particularly fitting for this study because it accommodates both cross-sectional and time-series components, enabling the model to reflect firm-specific heterogeneity across the observation window. The model selection process follows a sequential testing flow comprising the Chow, Hausman, and Lagrange Multiplier tests in order to identify the most appropriate estimator among the Common Effect Model (CEM), Fixed Effect Model (FEM), and Random Effect Model (REM). Hypothesis testing is then carried out through multiple linear regression integrated with Moderated Regression Analysis (MRA), employing partial t-tests to evaluate variable significance and the coefficient of determination (R^2) to gauge overall explanatory capacity. The entire analytical workflow proceeds systematically in line with the established research timeline to maintain methodological discipline and consistency.

RESULTS AND DISCUSSION

Descriptive Statistics

From the descriptive statistics drawn across 72 observations, Firm Value as represented by Price to Book Value (PBV) registered an average of 1.377673, with the highest figure reaching 10.67287 and the lowest at 0.141199, reflecting substantial variation in market valuation across firms. Profitability indicated by Return on Equity (ROE) showed a mean value of 0.028537, while leverage measured by Debt to Equity Ratio (DER) recorded an average of 0.067463, signaling differing levels of debt utilization. The average proportion of Independent Commissioners stood at 0.445966, suggesting that the majority of firms applied independent oversight

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in line with corporate governance norms. Meanwhile, Sustainability Report (SR) disclosure based on GRI Standard Disclosure averaged 44.89105, reflecting variations in sustainability disclosure intensity throughout the observation period.

Selection of Estimation Method

Table 1. Recapitulation of Model Test Results

Test Name	Model Testing	Probability Value	Selected Models
Chow Test	CEM or FEM	0,0000	FEM
Hausman Test	REM or FEM	0,3349	REM
Lagrange Multiplier Test	CEM or REM	0,0000	REM

Source: Data processed from EViews 12

To pinpoint the most fitting panel data estimation strategy for this research, a series of model selection tests were executed sequentially. The procedure commenced with the Chow test, which contrasts the Common Effect Model (CEM) and the Fixed Effect Model (FEM). The probability value of 0.0000 ($p < 0.05$) revealed that FEM offered a superior statistical fit relative to CEM. The investigation then continued with the Hausman test, comparing FEM with the Random Effect Model (REM). With a probability value of 0.3349 ($p > 0.05$), the null hypothesis could not be rejected, indicating REM as the more suitable approach for the dataset.

Given that the Chow test favored FEM while the Hausman test pointed toward REM, an additional Breusch-Pagan Lagrange Multiplier (LM) test was undertaken to compare REM with CEM. The LM test reported a probability of 0.0000 ($p < 0.05$), confirming the statistical superiority of REM over CEM. Considering the cumulative evidence from these specification tests, the Random Effect Model (REM) was finalized as the most fitting and efficient estimator for this study.

Classical Assumption Test

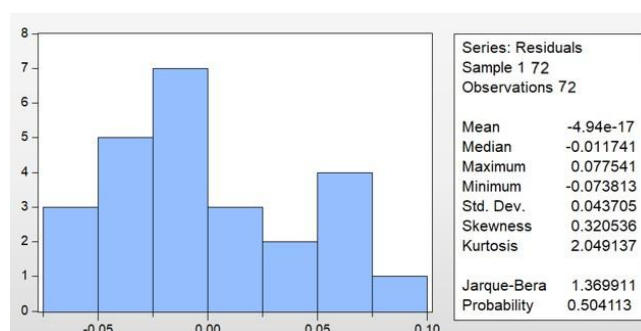


Figure 2. Normality Test (REM) Results

According to the Jarque-Bera test, all variables yield probability values exceeding 0.05 (PBV = 0.067642; KI = 0.183780; SR = 0.328090), indicating that the residuals follow a normal distribution. Consequently, the normality assumption is satisfied and the regression model is appropriate for further estimation procedures.

Table 3. Multicollinearity (REM) Test Results

Variable	Coefficient Variance	Uncentered VIF	Centered VIF
ROE	0.024783	1.547206	1.454023
DER	0.023630	2.680378	2.168518
KI	0.056479	26.25800	1.644214
SR	5.78E-07	2.183502	1.089796

Source: Data processed from EViews 12

The Variance Inflation Factor (VIF) results indicate that all independent variables possess Centered VIF values below the threshold of 10, specifically ROE (1.454023), DER (2.168518), KI (1.644214), and SR (1.089796). This finding rules out the presence of multicollinearity issues among the independent variables in the model. As such, the panel regression specification is suitable for advancing into subsequent analysis.

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Data Test Results

Table 4. Multiple Regression (REM) Analysis Results

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.466607	0.030982	15.06051	0.0000
ROE	0.164416	0.083470	1.969766	0.1654
DER	0.170439	0.086772	1.964211	0.0053
KI	-1.078204	3.239637	-0.332816	0.0076
SR	3.275363	1.936068	1.691760	0.0033

Source: Data processed from EViews 12

Drawing on the empirical outcomes generated through panel data analysis, the multiple regression equation chosen and refined under the Random Effect Model (REM) is expressed as follows:

$$PBV = 0,466607 + 0,164416 ROE + 0,170439 DER + (-1,078204) IC + 3,275363 SR + e$$

In this regression specification, Firm Value proxied through Price to Book Value (PBV) functions as the dependent variable, while Return on Equity (ROE), Debt to Equity Ratio (DER), Independent Commissioners (IC), and Sustainability Report (SR) act as the explanatory components. The intercept of 0.466607 implies that, when all explanatory variables are held at zero, the baseline level of PBV is estimated at 0.466607. ROE displays a positive coefficient of 0.164416, indicating that improvements in profitability tend to enhance firm value, mirroring greater efficiency in producing returns for shareholders. DER similarly produces a positive coefficient of 0.170439, suggesting that the market may interpret debt usage as value-enhancing when handled effectively, possibly because of tax shield benefits or growth funding effects.

In contrast, Independent Commissioners (IC) demonstrate a negative coefficient of - 1.078204, hinting that an increased proportion of independent oversight is linked to a decrease in PBV, possibly stemming from monitoring inefficiencies or how the market reads governance intensity in the sampled firms. Conversely, Sustainability Report (SR) reveals a notably strong positive coefficient of 3.275363, signaling that more comprehensive sustainability disclosure substantially boosts firm value by signaling transparency, long-term focus, and reduced non-financial risks. In summary, while profitability, leverage, and sustainability disclosure tend to elevate market valuation, governance proxied through IC does not always immediately translate into positive valuation outcomes under the conditions observed.

Table 5. Statistical Test Results (REM)

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.466607	0.030982	15.06051	0.0000
ROE	0.164416	0.083470	1.969766	0.1654
DER	0.170439	0.086772	1.964211	0.0053
KI	-1.078204	3.239637	-0.332816	0.0076
SR	3.275363	1.936068	1.691760	0.0033

Source: Data processed from EViews 12

Looking at the partial effects produced by the Random Effect Model (REM), the explanatory variables demonstrate diverse statistical and economic implications on Firm Value (PBV), capturing varied market reactions to financial outcomes, capital structure, governance, and sustainability disclosure.

Return on Equity (ROE) generates a t-statistic of 1.969766 with a significance level of 0.1654, surpassing the 5% threshold ($p > 0.05$). This implies that profitability captured through ROE is not particularly powerful in explaining variations in PBV within this sample. While the coefficient remains positive at 0.164416 suggesting that higher profitability is directionally consistent with higher firm value the relationship lacks statistical robustness, indicating that investors may not fully embed short-term profitability into market valuation in this setting.

Debt to Equity Ratio (DER) yields a t-statistic of 1.964211 alongside a significance value of 0.0053 ($p < 0.05$), affirming a statistically meaningful link with PBV. The positive coefficient of 0.170439 indicates that an uptick in leverage is paired with greater firm value, suggesting that debt utilization may be perceived as a value-enhancing approach when properly managed. This perception likely stems from market trust in firms capable of optimizing their capital structure, possibly benefiting from tax shields

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or growth financing, rather than viewing debt strictly as a risk factor.

Independent Commissioners (IC) record a t-statistic of -0.332816 and a significance value of 0.0076 ($p < 0.05$), pointing to statistical significance with a negative direction shown by the coefficient of -1.078204. This finding hints that a larger share of independent commissioners corresponds with lower firm value, possibly reflecting governance inefficiencies or the market's view that board independence among the sampled firms does not necessarily translate into stronger oversight or value generation.

Sustainability Report (SR) presents a t-statistic of 1.691760 with a significance value of 0.0033 ($p < 0.05$), confirming a statistically meaningful and notably positive relationship with PBV. The coefficient of 3.275363 indicates that more substantial sustainability disclosure considerably elevates firm value, reflecting the market's strong preference for transparency, ESG commitment, and long-term risk awareness. This insight emphasizes that sustainability reporting goes beyond symbolic disclosure; it operates as a strategic signal that strengthens investor confidence and improves valuation outcomes.

Table 6. Determination Coefficient (REM) Test Results

Weighted Statistics			
R-squared	0.798130	Mean dependent var	1.377673
Adjusted R-squared	0.713345	S.D. dependent var	1.759009
S.E. of regression	0.941777	Akaike info criterion	2.964372
F-statistic	9.413531	Durbin-Watson stat	1.708164
Prob(F-statistic)	0.000000		

Source: Data processed from EViews 12

Referring to the table above, the adjusted R-squared value of 0.713345 or 71.35% reveals that the explanatory variables—namely Return on Equity (ROE), Debt to Equity Ratio (DER), Independent Commissioners (IC), and Sustainability Report (SR)—collectively explain 71.35% of the variation in the dependent variable (Price to Book Value) throughout the 2021–2024 period. The remaining proportion of 0.286655 or 28.67% is attributable to other variables not addressed within this study.

Table 7. Results of Moderation Regression (REM) Analysis

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-0.051708	0.075857	-0.681645	0.5046
ROE	-0.147801	0.081096	-1.822550	0.0860
DER	0.530081	0.112234	4.722997	0.0002
IC	0.780670	0.185915	4.199057	0.0006
SR	0.011926	0.001651	7.222006	0.0000
MOD_ROE	0.022818	0.002008	11.36158	0.0000
MOD_DER	-0.015691	0.003142	-4.994043	0.0001
MOD_IC	0.029664	0.003734	7.945108	0.0000

Source: Data processed from EViews 12

Building upon the estimation outcomes obtained through the Random Effect Model (REM), the moderated regression equation is expressed as:

$$PBV = -0.051708 - 0.147801(ROE) + 0.530081(DER) + 0.780670(IC) - 0.011926(SR) + 0.022818(MOD_ROE) - 0.015691(MOD_DER) + 0.029664(MOD_IC) + e$$

Within this specification, PBV denotes Firm Value, while ROE, DER, and IC operate as the central explanatory variables, SR represents the Sustainability Report acting as moderator, and the interaction terms quantify the moderating influence of sustainability disclosure on each relationship. The intercept of -0.051708 indicates that when every explanatory and interaction variable is set to zero, the baseline firm value remains marginally negative at -0.051708.

The individual slope coefficients reveal varied patterns: ROE exhibits a negative association (-0.147801), implying that profitability does not directly translate into market valuation within this specification. Conversely, DER (0.530081) and IC

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(0.780670) display positive influences, indicating that leverage and governance composition contribute constructively to firm value. SR alone (-0.011926) reflects a slight negative direct effect, suggesting that sustainability disclosure on its own does not immediately elevate valuation in the absence of interaction effects.

From a moderating standpoint, SR amplifies the ROE–PBV relationship via a positive interaction term (0.022818), indicating that sustainability disclosure intensifies the impact of profitability signals. However, SR softens the influence of DER on PBV, reflected by the negative interaction coefficient (-0.015691), suggesting a dampening effect on how leverage is perceived. The interaction between IC and SR (0.029664) signals a strengthening moderating role, implying that sustainability reporting reinforces the governance–value link in the observed model.

Table 8. Statistical Test Results (REM)

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-0.051708	0.075857	-0.681645	0.5046
ROE	-0.147801	0.081096	-1.822550	0.0860
DER	0.530081	0.112234	4.722997	0.0002
KI	0.780670	0.185915	4.199057	0.0006
SR	0.011926	0.001651	7.222006	0.0000
MOD_ROE	0.022818	0.002008	11.36158	0.0000
MOD_DER	-0.015691	0.003142	-4.994043	0.0001
MOD_KI	0.029664	0.003734	7.945108	0.0000

Source: Data processed from EVIEWS 12

Drawing on the inferential results of the Random Effect Model (REM), the empirical evidence highlights mixed effects across financial, governance, and sustainability dimensions on Firm Value (PBV). ROE displays a negative and statistically insignificant connection ($\beta = -0.147801$, $p = 0.0860$), prompting the rejection of H1. DER, by contrast, shows a positive and highly significant impact ($\beta = 0.530081$, $p = 0.0002$), leading to the rejection of H2, while Independent Commissioners (IC) likewise exhibit a positive and significant influence ($\beta = 0.780670$, $p = 0.0006$), supporting the acceptance of H3. Similarly, Sustainability Report (SR) yields a positive and significant effect on PBV ($\beta = 0.011926$, $p = 0.0000$), validating H4.

Within the moderating framework, SR meaningfully reinforces the relationship between ROE and PBV ($\beta = 0.022818$, $p = 0.0000$), thus accepting H5. On the other hand, SR significantly attenuates the effect of DER on PBV ($\beta = -0.015691$, $p = 0.0001$), confirming H6. Additionally, SR significantly intensifies the impact of Independent Commissioners on PBV ($\beta = 0.029664$, $p = 0.0000$), leading to the acceptance of H7.

Table 9. Determination Coefficient (REM) Test Results

Weighted Statistics			
R-squared	0.960354	Mean dependent var	0.394223
Adjusted R-squared	0.697339	S.D. dependent var	0.219500
S.E. of regression	0.051930	Sum squared resid	0.045844
F-statistic	58.82773	Durbin-Watson stat	2.590505
Prob(F-statistic)	0.000000		

Source: Data processed from EVIEWS 12

Referring to the table above, the adjusted R-squared value of 0.697339 or 69.73% indicates that the explanatory variables Return on Equity (ROE), Debt to Equity Ratio (DER), Independent Commissioners (IC), and Sustainability Report (SR) together with the interaction terms (MOD_ROE, MOD_DER, and MOD_IC) jointly account for 69.73% of the variation in the dependent variable, namely firm value (PBV), across the observation timeframe. The remaining 0.302661 or 30.27% can be attributed to other factors that fall outside the scope of this study.

DISCUSSION

The Effect of Return on Equity on Firm Value

The empirical evaluation indicates that Return on Equity (ROE) carries a negative yet statistically insignificant influence on Firm Value (PBV) ($\beta = -0.1478$; $p = 0.0860$), prompting the rejection of H1. This outcome implies that a firm's capacity to generate income from shareholders' equity is not strong enough to materially shape investor valuation within the studied firms. Investors appear to apply broader judgments than profitability alone, weighing governance quality, sustainability orientation, and overall corporate resilience. From a signaling theory standpoint, profitability is theoretically expected to convey positive corporate performance; however, in this setting, the informational signal carried by ROE fails to elicit strong reactions from the market. Consequently, investors do not regard higher ROE as a decisive factor in shaping firm value.

The Effect of Debt to Equity Ratio on Firm Value

The statistical evidence reveals that Debt to Equity Ratio (DER) generates a positive and significant impact on Firm Value (PBV) ($\beta = 0.5301$; $p = 0.0002$), thus rejecting H2 because the observed direction diverges from the proposed hypothesis. This result implies that investors view leverage as a strategic financing mechanism capable of fueling business growth, operational efficiency, and expansion. Consistent with trade-off theory, debt financing may strengthen firm value through tax-related benefits and improved financial flexibility when handled prudently. From a signaling theory perspective, increased leverage may also indicate management's confidence in future profitability and stable cash flows, thereby projecting a positive market signal. As a result, leverage in this research is interpreted not solely as financial risk but as a marker of corporate growth potential and managerial competence in efficiently leveraging external funding. These conclusions align with prior research by Ardiantini et al. (2020), Pustika et al. (2022), Rodríguez Valencia (2025), who similarly observed a positive linkage between leverage and corporate valuation.

The Effect of Independent Commissioners on Firm Value

The empirical findings indicate that Independent Commissioners (IC) deliver a positive and statistically significant impact on Firm Value (PBV) ($\beta = 0.7807$; $p = 0.0006$), supporting H3. This outcome highlights how board independence elevates the standard of corporate governance and strengthens investor confidence. Independent commissioners function as an internal monitoring tool that mitigates agency conflicts, curbs managerial opportunism, and enhances the transparency of corporate decision-making. Through the perspective of agency theory, more robust independent oversight contributes to lower agency costs and tighter alignment between management's actions and shareholder interests. Furthermore, signaling theory implies that a higher proportion of independent commissioners conveys a positive signal regarding governance integrity, accountability, and the protection of minority shareholders. As a result, firms with greater board independence tend to attract more favorable market valuation. This evidence resonates with earlier findings by Ben Fatma & Chouaibiv (2023), Handayani et al. (2020), Suhartini et al. (2024), Thenmozhi & Sasidharan (2020), all of whom affirmed the positive role of independent commissioners in firm value.

The Effect of Sustainability Report on Firm Value

The empirical inquiry confirms that Sustainability Report (SR) disclosure produces a positive and significant influence on Firm Value (PBV) ($\beta = 0.0119$; $p = 0.0000$), thereby validating H4. This result indicates that investors increasingly appreciate firms that supply comprehensive sustainability information, mirroring the rising market focus on ESG considerations. From a legitimacy theory viewpoint, sustainability reporting allows firms to secure social acceptance and bolster legitimacy by demonstrating responsibility toward environmental and societal matters. Concurrently, signaling theory explains that sustainability disclosures act as strategic signals communicating transparency, ethical commitment, and long-term sustainability. As a result, firms with stronger sustainability disclosure practices are seen as more credible, less risky, and better equipped for future challenges, ultimately enhancing market valuation. These findings align with prior empirical evidence presented by Harun et al. (2020), Mohamed & Younis (2023), Nguyen (2020), Suhartini et al. (2024), who similarly observed a meaningful positive relationship between sustainability disclosure and firm value.

The Moderating Role of Sustainability Reporting on the Relationship between ROE and Firm Value

The moderation analysis demonstrates that Sustainability Report (SR) substantially reinforces the connection between Return on Equity (ROE) and Firm Value (PBV), as captured by the positive interaction coefficient ($\beta = 0.0228$; $p = 0.0000$), supporting H5. This finding implies that sustainability disclosure heightens the importance of profitability information in investor decision-making. From a signaling theory standpoint, firms that combine strong profitability with thorough sustainability disclosure send a unified signal of financial competence and long-term strategic responsibility. Investors thereby view such firms as more stable, credible, and capable of producing future returns sustainably. Additionally, stakeholder theory contends that organizations capable of harmonizing profitability with social and environmental commitments receive broader stakeholder backing and stronger market

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recognition. As such, sustainability reporting operates as a complementary mechanism that magnifies the favorable perception of profitability within capital markets. These outcomes echo the findings of, who likewise reported the strengthening contribution of sustainability disclosure to the profitability firm value linkage.

The Moderating Role of Sustainability Reporting on the Relationship between DER and Firm Value

The empirical results show that Sustainability Report (SR) significantly diminishes the relationship between Debt to Equity Ratio (DER) and Firm Value (PBV), as evidenced by the negative interaction coefficient ($\beta = -0.0157$; $p = 0.0001$), which supports H6. This outcome suggests that investors adopt a more cautious stance toward heavily leveraged firms when sustainability disclosure is also under scrutiny. While leverage may independently support corporate growth, investors may question whether long-term sustainability commitments can be maintained alongside heavy financial obligations. From the perspective of sustainable investment risk, firms carrying considerable debt are perceived as struggling to balance financial duties with environmental and social initiatives. The Triple Bottom Line concept further suggests that excessive leverage may disturb the balance between profit goals and broader commitments to people and planet. As a result, sustainability disclosure in highly leveraged firms may erode rather than enhance investor confidence, weakening the favorable effect of leverage on firm value.

The Moderating Role of Sustainability Reporting on the Relationship between Independent Commissioners and Firm Value

The empirical analysis confirms that Sustainability Report (SR) significantly reinforces the link between Independent Commissioners (IC) and Firm Value (PBV), as shown by the positive interaction coefficient ($\beta = 0.0297$; $p = 0.0000$), thereby supporting H7. This result suggests that effective governance becomes more impactful when paired with transparent sustainability disclosure. Through the lens of stakeholder theory, independent commissioners actively monitoring sustainability practices enhance accountability, raise disclosure quality, and elevate investor trust. At the same time, signaling theory holds that the synergy between independent oversight and sustainability transparency produces a powerful positive cue regarding managerial integrity, ethical commitment, and long-term corporate orientation. As a result, firms that successfully integrate governance quality with ESG disclosure tend to achieve stronger market valuation and increased investor confidence.

CONCLUSION

This research demonstrates that Return on Equity (ROE) generates a negative and statistically insignificant influence on Price to Book Value (PBV), suggesting that equity-based profitability is not a leading determinant of market valuation in the property and real estate sector. Investors in this industry tend to focus more on long-term growth potential, governance quality, and sustainability-related disclosures. By contrast, Debt to Equity Ratio (DER) exerts a positive and significant influence on firm value, signaling that the market interprets leverage as a sign of business expansion rather than financial difficulty. Good Corporate Governance (GCG), measured through the proportion of independent commissioners, similarly shows a positive and significant influence on PBV, reflecting that strong governance frameworks reinforce investor confidence and corporate valuation. Sustainability Report (SR) disclosure also positively and significantly affects firm value, underscoring how greater ESG transparency strengthens market perception of long-term corporate sustainability. Within the moderating framework, SR fails to moderate the ROE–PBV relationship in the simple regression, yet meaningfully moderates both the DER–PBV and GCG–PBV relationships softening the favorable effect of leverage while reinforcing the governance value linkage. This dual moderating role suggests that sustainability disclosures simultaneously enhance governance credibility while potentially intensifying market concerns over financial obligations under heavy leverage. Overall, the model accounts for approximately 69.73% of the variation in firm value, with the remaining 30.27% attributable to external macroeconomic factors, industry dynamics, and firm-specific characteristics that lie beyond the scope of this analysis.

Drawing from these empirical insights, corporate management is encouraged to embrace an integrated strategy combining financial performance optimization, prudent leverage handling, robust governance structures, and high-quality sustainability disclosure, since these dimensions jointly contribute to sustainable value creation. Investors, in turn, are urged to evaluate firms beyond traditional profitability indicators by including governance effectiveness and ESG transparency as crucial drivers of long-term investment value. Future research is recommended to expand the analytical framework by incorporating additional variables such as firm size, liquidity, ownership structure, and macroeconomic indicators, and by extending both the observation window and sectoral coverage to enhance the robustness, explanatory strength, and generalizability of empirical findings.

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