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Sustainability Reporting, Governance, Firm Size, and Firm Value

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General Background: The food and beverage manufacturing sector supports Indonesia's economy, while firm value remains critical because it reflects investor confidence and corporate sustainability. **Specific Background:** During 2021–2024, variations in price-to-book value and profitability indicated unstable market valuation despite attention to sustainability and governance practices. **Knowledge Gap:** Previous studies report inconsistent findings on the effects of sustainability reporting, managerial ownership as a proxy for good corporate governance, and firm size on firm value. These relationships have often been examined separately, leaving limited evidence on profitability's differing moderating roles in Indonesian food and beverage companies. **Objective:** This study examines the direct effects of sustainability reporting, managerial ownership, and firm size on firm value and evaluates profitability as a moderator. **Methods:** Secondary data from 13 companies listed on the Indonesia Stock Exchange during 2021–2024 produced 52 firm-year observations selected through purposive sampling. The variables were measured using a sustainability disclosure index, managerial ownership ratio, natural logarithm of total assets, return on assets, and price-to-book value. Fixed-effects panel regression and Moderated Regression Analysis were performed using EViews 10. **Results:** Sustainability reporting and managerial ownership have insignificant effects on firm value, whereas firm size has a negative and significant effect. Profitability positively strengthens the sustainability reporting–firm value relationship, negatively weakens the managerial ownership–firm value relationship, and does not moderate the firm size–firm value relationship. **Novelty:** The findings reveal profitability's contrasting moderating role. **Implications:** Companies should support sustainability disclosure with strong financial performance, while investors should assess profitability, governance, asset efficiency, and market valuation.

Keywords: Sustainability Report, Good Corporate Governance, Firm Size, Profitability, Corporate Value.

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INTRODUCTION

Firm value reflects investors' assessment of a company's performance, risks, and future prospects. A high firm value indicates strong investor confidence in the company's ability to manage its resources, maintain business continuity, and generate sustainable returns. Therefore, maximising firm value is an important corporate objective because it contributes to shareholder welfare (Aliyah & Fitria, 2022). This issue is particularly relevant to Indonesian food and beverage companies. In 2018, the subsector was designated as a priority industry and contributed approximately 34% to manufacturing gross domestic product (Warta, 2018). However, the Covid-19 pandemic disrupted global supply chains and reduced manufacturing market capitalisation by approximately Rp309 trillion (Saragih, 2020). Despite these pressures, the food and beverage industry recorded positive growth of approximately 3.49%–3.51% in the third quarter of 2021, while its export value reached US$32.51 billion between January and September 2021 (Septyaningsih, 2021). The contrast between the sector's economic growth and its fluctuating market valuation indicates that favourable industrial performance does not automatically increase the value of individual companies.

One factor expected to influence firm value is sustainability reporting. Companies are responsible not only for financial performance but also for the economic, social, and environmental consequences of their operations. Stakeholder theory explains that corporate survival depends on support from shareholders, employees, creditors, customers, governments, communities, and other stakeholders (Astuti & Juwenah, 2017). The importance of this responsibility is illustrated by the case of PT CS2 Pola Sehat, which was suspected of illegally disposing of hazardous waste in Pasuruan Regency, causing environmental damage and community protests (Arifin, 2019). Such incidents demonstrate that inadequate environmental management may create operational, reputational, and legitimacy risks. Sustainability reporting can therefore reduce information asymmetry, strengthen public trust, and potentially increase firm value (Astuti & Juwenah, 2017). Recent studies further indicate that effective corporate governance mechanisms support sustainability-report disclosure, while sustainability committees and external assurance can enhance the credibility and accountability of the disclosed information (Biduri *et al*., 2023; Utami *et al*., 2024).

Previous studies provide inconsistent evidence regarding the effect of sustainability reporting on firm value. (Budiana & Budiasih, 2020) and (Siregar & Safitri, 2019) found a positive relationship, whereas (Kusuma & Priantinah, 2018; Latifah & Luhur, 2017; Astuti & Juwenah, 2017) reported no significant effect. Recent findings remain inconclusive. (Handayati *et al*., 2022) found that corporate social responsibility disclosure affected firm value and that profitability and firm size moderated the relationship. (Weli & Tamin, 2025) also found that sustainability reporting positively affected firm value, although its effect was stronger among companies with lower profitability. International evidence also shows that sustainability and ESG disclosure may influence firm value and financial performance by reducing information asymmetry and improving investors' assessment of corporate prospects (Fatemi *et al*., 2018; Vo Van *et al*., 2025; Yu & Liu, 2024). Nevertheless, the relationship is not always uniform because it may depend on disclosure quality, industrial characteristics, company size, profitability, and the institutional environment (Friede *et al*., 2015). These differences may arise from variations in sectors, periods, disclosure measurements, firm-value proxies, and analytical methods.

The second factor is good corporate governance, which is proxied in this study by managerial ownership. Good corporate governance is based on transparency, accountability, responsibility, independence, and fairness and is expected to support effective corporate management (Komite Nasional Kebijakan Governance, 2006). Its implementation can improve accountability, strengthen public confidence, and assure investors that corporate resources are managed professionally (Dwija *et al*., 2017). From the perspective of agency theory, managerial ownership may align the interests of managers and shareholders because managers directly experience the consequences of their decisions. However, the relationship between managerial ownership and firm value may be nonlinear. At relatively low ownership levels, managerial ownership can align managerial and shareholder interests, whereas excessive managerial ownership may create an entrenchment effect and reduce external monitoring effectiveness (Morck *et al*., 1988; McConnell & Servaes, 1990; Himmelberg *et al*., 1999; Fabisik *et al*., 2021). Evidence suggests that different corporate governance mechanisms can have different effects on firm value (Darmawan & Umaimah, 2025). However, previous findings remain inconsistent. (Muttaqin *et al*., 2019) found that good corporate governance positively affected firm value, whereas (Melani & Wahidahwati, 2017) reported no significant effect. (Flabiya & Sunarto, 2022) found that managerial ownership positively affected firm value, but profitability did not directly affect firm value and dividend policy did not moderate the relationship.

The third factor is firm size, which reflects the scale of a company and can be measured through equity value, market value, sales, or total assets (Rafi *et al*., 2021). The selection of a firm-size indicator is important because total assets, total sales, and market capitalisation may represent different dimensions of corporate scale (Dang *et al*., 2018). Evidence from Indonesian food and beverage companies also indicates that the relationship between firm size and firm value may operate through the company's capital structure rather than through a direct effect (Handini & Susilo, 2025). Larger firms generally possess more extensive resources, stronger operational capacity, and easier access to financing. From the perspective of signalling theory, these characteristics may convey positive information regarding corporate stability and future prospects. (Faizzah & Asyik, 2022) and (Rosari & Subardjo, 2021) found that firm size positively affected firm value. Nevertheless, a large asset base may reduce firm value when assets are not used efficiently (Faizzah & Asyik, 2022). (Riasi *et al*., 2024) found that profitability positively affected firm value, while good corporate governance and firm size had no significant effect. Similarly, (Supriyatna & Akbar, 2025) found that firm size did not affect firm value and that profitability did not moderate the relationship between firm size and firm value.

Profitability is incorporated as a moderating variable because it reflects the company's ability to generate earnings from its resources. Profitability also provides investors with information concerning the efficiency of corporate resource utilisation. The value relevance of financial performance may become stronger when it is accompanied by transparent and integrated corporate reporting, thereby improving investor confidence and firm valuation (Ningdiyah *et al.*, 2024). High profitability may strengthen investors' responses to sustainability reporting because profitable companies possess greater capacity to implement sustainability programmes without reducing shareholder returns. Profitability may also demonstrate whether managerial ownership contributes to effective decision-making and whether a large asset base is used productively. However, previous findings show that profitability may strengthen, weaken, or fail to moderate these relationships. This inconsistency creates an empirical gap. A contextual gap also exists because studies simultaneously examining sustainability reporting, managerial ownership, firm size, and profitability moderation in Indonesian food and beverage companies during 2021–2024 remain limited.

A methodological gap further arises because many previous studies employed ordinary regression, Partial Least Squares, or Moderated Regression Analysis without fully controlling for unobserved firm-specific differences over time. This study therefore applies panel-data analysis, which combines cross-sectional and time-series observations and can account for differences in managerial quality, corporate culture, brand strength, operational efficiency, and asset utilisation (Baltagi, 2021). Academically, this study integrates stakeholder, agency, and signalling theories to examine profitability as a boundary condition in determining firm value. Accordingly, the study aims to examine the direct effects of sustainability reporting, managerial ownership, and firm size on firm value and to determine whether profitability moderates these relationships. The study contributes theoretically by clarifying the conditional role of profitability, empirically by providing evidence from Indonesian food and beverage companies during 2021–2024, methodologically by applying panel-data moderation analysis, and practically by assisting managers and investors in jointly evaluating sustainability, governance, company size, profitability, and firm value

The Effect of Sustainability Reporting on Firm Value

Stakeholder theory developed by (Freeman, 1984) explains that companies should create value not only for shareholders but also for employees, customers, suppliers, governments, communities, and other stakeholders affected by corporate activities. Meanwhile, legitimacy theory developed by (Suchman, 1995) explains that companies seek to ensure that their activities are consistent with societal values and norms. Sustainability reporting represents corporate responsibility in economic, social, and environmental aspects and demonstrates transparency to stakeholders, which can enhance public trust and firm value (Astuti & Juwenah, 2017). Voluntary disclosure also provides stakeholders with relevant information for decision-making and strengthens corporate reputation (Sari & Wahidahwati, 2021).

Sustainability reporting can improve corporate reputation, customer preference, and innovation capacity (Miqdad & Izzalqurny, 2019). (Siregar & Safitri, 2019) found that sustainability reporting positively affects firm value. Similarly, international studies indicate that sustainability reporting and broader environmental, social, and governance (ESG)-related practices can affect corporate financial performance and firm value by improving the information available to investors (Fatemi *et al.*, 2018; Vo Van *et al.*, 2025; Yu & Liu, 2024). However, the strength and direction of the relationship may vary according to disclosure quality, industrial characteristics, company size, and institutional conditions (Friede *et al.*, 2015). However, (Suhartini *et al.*, 2024) reported no significant direct effect in Indonesian manufacturing companies. These differences may arise from variations in sectors, periods, disclosure measurements, and analytical methods. Therefore, this study addresses the gap by examining Indonesian food and beverage companies during 2021–2024.

H1: Sustainability reporting positively affects firm value.

The Effect of Good Corporate Governance on Firm Value

Agency theory developed by (Jensen & Meckling, 1976) explains that conflicts may occur when managers prioritise their own interests over those of shareholders. Managerial ownership, as a mechanism and proxy of good corporate governance, can reduce agency conflicts because managers who own shares directly bear the consequences of their decisions. Good corporate governance provides a system for directing and controlling companies so that corporate objectives, profitability, and firm value can be improved (Wardhani *et al.*, 2021). Nevertheless, managerial ownership does not always increase firm value. International evidence indicates that managerial ownership may initially align managers' interests with those of shareholders, but excessive ownership can create managerial entrenchment and weaken external supervision (Morck *et al.*, 1988; McConnell & Servaes, 1990; Himmelberg *et al.*, 1999; Fabisik *et al.*, 2021).

(Muttaqin *et al.*, 2019) found that good corporate governance positively affects firm value. (Rahmawati *et al.*, 2021) similarly found that managerial ownership positively affected firm value in SRI-KEHATI manufacturing companies, while (Suzan & Ramadhani, 2023) reported a significant effect using panel data from consumer non-cyclical companies. In contrast, (Fabisik *et al.*, 2021) showed that high managerial ownership could reduce firm value because of managerial entrenchment. These inconsistent findings demonstrate that the effect depends on ownership levels, sectors, samples, and analytical methods.

H2: Managerial ownership as a proxy of good corporate governance positively affects firm value.

The Effect of Firm Size on Firm Value

Signalling theory introduced by (Spence, 1973) explains that companies communicate information about their quality and prospects through observable signals. Firm size, commonly measured using total assets, reflects corporate resources, operational capacity, and business stability. Firm size may be measured using total assets, total sales, or market capitalisation, with each measure representing a different dimension of company scale (Dang *et al.*, 2018). Large companies are generally perceived as more developed and capable of maintaining long-term operations, thereby attracting investors (Aliyah & Fitria, 2022). Investors may therefore interpret firm size as a positive signal regarding the company's ability to generate future returns.

(Dolontelide & Wangkar, 2019) found that firm size positively affects firm value. Recent evidence from mining companies also indicates that firm size has a positive effect on firm value (Sonnya & Wardhani, 2025). However, (Handini & Susilo, 2025) found that firm size did not directly affect firm value in Indonesian food and beverage companies, although its effect could occur indirectly through capital structure. Similarly, (Supriyatna & Akbar, 2025), using panel data from Indonesian food and beverage companies during 2021–2023, found that firm size had no significant effect. The different results may be caused by variations in industrial characteristics, asset utilisation, periods, and firm-value measurements.

H3: Firm size positively affects firm value.

The Moderating Role of Profitability in the Relationship Between Sustainability Reporting and Firm Value

Well-managed sustainability reporting can increase public trust in a company and its products. Greater public confidence can increase product demand, sales, profitability, and firm value (Dewi, 2019). According to signalling theory, profitability provides investors with information regarding the company's ability to generate economic returns. When extensive sustainability disclosure is supported by high profitability, investors may perceive sustainability activities as credible and capable of creating long-term value (Budiana & Budiasih, 2020).

(Weli & Tamin, 2025) found that profitability significantly moderated the relationship between voluntary sustainability reporting and firm value in Indonesian non-bank companies. (Komath *et al*., 2026), using data from 5,450 international companies, also demonstrated that profitability moderated the relationship between sustainability performance and market value. Conversely, (Sonnya & Wardhani, 2025) found that profitability did not moderate the relationship in Indonesian mining companies. These differences indicate that the moderating role of profitability remains unresolved across sectors, periods, samples, and disclosure measurements.

H4: Profitability strengthens the positive effect of sustainability reporting on firm value.

The Moderating Role of Profitability in the Relationship Between Good Corporate Governance and Firm Value

Profitability represents a company's ability to generate earnings and provides investors with evidence of managerial effectiveness. (Hakim *et al*., 2019) found that profitability, represented by return on assets, moderated the effect of good corporate governance on firm value. Based on agency theory, managerial ownership aligns managers' interests with those of shareholders, while profitability indicates whether this governance mechanism results in efficient resource allocation and improved corporate performance.

(Rahmawati *et al*., 2021) found that profitability moderated the effect of managerial ownership on firm value. High profitability may strengthen investors' belief that managerial ownership effectively reduces agency conflicts and encourages value-enhancing decisions. However, (Wirianata, 2025) found that profitability did not moderate the effects of managerial ownership and other governance mechanisms on firm value. The conflicting findings and limited evidence in the food and beverage sector justify further examination using recent panel data.

H5: Profitability strengthens the positive effect of managerial ownership on firm value.

The Moderating Role of Profitability in the Relationship Between Firm Size and Firm Value

Firm size measured by total assets reflects the resources controlled by a company. Large companies generally require substantial funds and are perceived as having greater operational experience and financial-management capacity (Saputri & Giovanni, 2021). According to signalling theory, firm size provides a positive signal regarding corporate stability. However, investors may respond more positively when the company can use its large assets efficiently to generate profits.

(Faizzah & Asyik, 2022) found that profitability moderated the effect of firm size on firm value. (Sonnya & Wardhani, 2025) similarly demonstrated that profitability strengthened the effect of firm size in Indonesian mining companies. Conversely, (Supriyatna & Akbar, 2025) found that profitability did not moderate this relationship in food and beverage companies. These differences may result from sectoral characteristics, research periods, profitability levels, and asset efficiency, creating an empirical gap that requires further investigation.

H6: Profitability strengthens the positive effect of firm size on firm value.

Conceptual Framework

The research framework is illustrated in Figure 1.

[Figure 1. Conceptual Framework]

METHODS

Type of Research

This study is a quantitative study using firm value (Y) as the dependent variable, and *Sustainability Report* (X1), *Good Corporate Governance* (X2), *Firm Size* (X3) as independent variables, with profitability as the moderating variable (Z)

Data Type and Sources

This study utilises secondary data as its source. The secondary data comprised annual reports of manufacturing companies in the food and beverage sector for the period 2021–2024, obtained from the official website of the Indonesia Stock Exchange.

Population and Sample

The population used in this study consists of manufacturing companies in the food and beverage sector listed on the Indonesia Stock Exchange (IDX) over a four-year period, namely from 2021 to 2024; the data was retrieved from the official website at www.idx.co.id. The sampling technique used in this study was purposive sampling, which refers to a sample selection method based on specific criteria determined by the researcher. The criteria for selecting the research sample are presented in Table 1.

[Table 1. Sample Criteria]

Data Collection Techniques

The data collection technique used in this study was the documentation method. In this study, the documentation method involved collecting data in the form of financial reports from manufacturing companies in the food and beverage sector listed on the Indonesia Stock Exchange (IDX) between 2021 and 2024.

Definition, Identification & Indicators

Table 2 presents the operational definitions, indicators, and measurement scales of the variables used in this study, including firm value, sustainability report, good corporate governance, firm size, and profitability.

[Table 2. Operational Definitions of Variables]

Data Analysis Techniques

The analysis technique used was *Eviews* 10, employing panel data regression and *Moderating Regression Analysis* (MRA). The first step in the *Eviews* analysis was model selection to determine the most suitable model for analysing the panel data, by conducting several tests: the Chow test, the Hausman test and the Lagrange multiplier test. Next, classical assumption tests were carried out, comprising tests for normality, multicollinearity, heteroscedasticity and autocorrelation. Subsequently, hypothesis testing and moderation testing (MRA) were conducted, with the rule that if the probability value was < 0.05, the hypothesis was accepted; conversely, if the probability value was > 0.05, the hypothesis was rejected.

RESULTS AND DISCUSSION

Descriptive Statistics

Descriptive statistics were used to provide an overview of the distribution and characteristics of the research variables. The results are presented in Table 3.

[Table 3. Descriptive Statistics]

Table 3 presents descriptive statistics for 52 firm-year observations. Sustainability Reporting (X1) and Managerial Ownership (X2) show relatively low variation, while Firm Size (X3) shows moderate variation. Profitability (Z) and Firm Value (Y) have standard deviations greater than their means and are strongly right-skewed, indicating substantial differences and several extreme observations. Although the Jarque–Bera probabilities for all variables are below 0.05, the regression residuals are normally distributed, as indicated by a probability value of 0.568.

Panel Data Model Selection

Chow Test

The Chow test was used to select the most appropriate model between the Common Effects Model and the Fixed Effects Model. The results are presented in Table 4.

[Table 4. Results of the Chow Test]

Table 4 shows that the probability values of both the cross-section F and cross-section chi-square tests were 0.0000. These values were lower than the significance level of 0.05. Therefore, the null hypothesis was rejected, indicating that the Fixed Effects Model was more appropriate than the Common Effects Model.

Hausman Test

The Hausman test was subsequently conducted to select between the Fixed Effects Model and the Random Effects Model. The results are presented in Table 5.

[Table 5. Results of the Hausman Test]

The Hausman test produced a probability value of 0.004, which was lower than 0.05. Therefore, the null hypothesis was rejected, and the Fixed Effects Model was selected as the most appropriate panel-data estimation model for this study.

Diagnostic Tests

Normality Test

[Figure 2. Results of the Normality Test]

Based on the results of the normality test shown in Figure 2, it can be seen that the Jarque–Bera value is 1.129571, with a probability value of 0.568482. This probability value is greater than the significance level of 0.05. It can therefore be concluded that the residual data in this study are normally distributed.

Multicollinearity Test

The multicollinearity test was conducted using the centred Variance Inflation Factor. The results are presented in Table 6.

[Table 6. Results of the Multicollinearity Test]

Table 6 shows that the centred VIF values of sustainability reporting, managerial ownership, and firm size were 1.71, 1.772, and 1.211, respectively. All values were substantially below the threshold of 10. Therefore, no serious multicollinearity was identified among the independent variables.

The relatively high uncentred VIF values do not necessarily indicate multicollinearity because the regression model contains a constant. Accordingly, the multicollinearity conclusion should primarily be based on the centred VIF values.

Heteroscedasticity Test

[Figure 3. Results of the Heteroscedasticity Test]

Based on the results of the heteroscedasticity test shown in Figure 3, it can be seen that the residuals are scattered randomly and do not form any specific pattern, such as a wavy, widening or narrowing pattern. This indicates that there are no signs of heteroscedasticity in the regression model. It can therefore be concluded that the research model satisfies the assumption of homoscedasticity and is suitable for further analysis.

Model Fit and Durbin–Watson Statistic

The previously reported table should not be labelled solely as an autocorrelation test because the R-squared value does not measure autocorrelation. The results are more appropriately presented as model-fit statistics, as shown in Table 7.

[Table 7. Model-Fit Statistics]

The R-squared value of 0.998 indicates that approximately 99.80% of the variation in the dependent variable was explained by the independent variables and company-specific fixed effects included in the model. The adjusted R-squared value of 0.996927 also indicates strong explanatory power after considering the number of predictors.

The F-statistic was 920.24, with a probability value of 0.0000. Therefore, sustainability reporting, managerial ownership, firm size, profitability, and the company-specific fixed effects jointly had a statistically significant relationship with firm value.

The Durbin–Watson statistic was 2.406. A value relatively close to two provides an initial indication that the model may not experience serious first-order autocorrelation. Nevertheless, the Durbin–Watson statistic alone is insufficient to establish the absence of serial correlation in panel data. An appropriate panel autocorrelation test, such as the Wooldridge test or Breusch–Godfrey serial-correlation test, should be conducted to provide a more reliable conclusion.

Hypothesis-Test Results

The Fixed Effects Model results are presented in Table 8.

[Table 8. Results of the Hypothesis Test]

Sustainability reporting had a positive coefficient of 0.0961 and a probability value of 0.3688. Because the probability value was greater than 0.05, sustainability reporting did not have a statistically significant effect on firm value. Therefore, the first hypothesis was rejected.

Managerial ownership had a negative coefficient of −0.8716 and a probability value of 0.0925. Although the coefficient was negative, its probability value exceeded 0.05. Therefore, managerial ownership did not have a significant effect on firm value, and the second hypothesis was rejected.

Firm size had a negative coefficient of −0.125 and a probability value of 0.0048. Based on the reported probability value, firm size had a negative and statistically significant effect on firm value. Therefore, an increase in firm size was associated with a decrease in firm value. Because the research hypothesis predicted a positive relationship, the third hypothesis was rejected.

Profitability had a positive coefficient of 1.437802 and a probability value of 0.0173. Based on the reported probability value, profitability had a positive and significant effect on firm value. Companies with higher profitability therefore tended to have higher market valuations.

Moderated Regression Analysis

The results of the Moderated Regression Analysis are presented in Table 9.

[Table 9. Results of the Moderated Regression Analysis]

The interaction between sustainability reporting and profitability had a positive coefficient of 0.694 and a probability value of 0.0097. This result indicates that profitability positively and significantly strengthened the relationship between sustainability reporting and firm value. Therefore, the fourth hypothesis was accepted.

The interaction between managerial ownership and profitability had a negative coefficient of −0.7986 and a probability value of 0.0166. This result indicates that profitability significantly weakened the relationship between managerial ownership and firm value. Therefore, the fifth hypothesis was accepted.

The interaction between firm size and profitability had a coefficient of 0.003430 and a probability value of 0.6411. Because the probability value was greater than 0.05, profitability was unable to moderate the relationship between firm size and firm value. Therefore, the sixth hypothesis was rejected.

Discussion

The Effect of Sustainability Reporting on Firm Value

The empirical results indicate that Sustainability Reporting had a positive but statistically insignificant effect on Firm Value; therefore, the first hypothesis was rejected. This finding is consistent with (Astuti & Juwenah, 2017; Kusuma & Priantinah, 2018; Latifah & Luhur, 2017), who found that sustainability-report disclosure did not significantly affect firm value. The insignificant result suggests that sustainability disclosure was not a primary consideration for investors in assessing food and beverage companies during the 2021–2024 period. Investors may have placed greater emphasis on profitability, earnings growth, cash flow, and operational efficiency; therefore, publishing a sustainability report without measurable improvements in financial and operational performance may not have been sufficient to increase share prices and firm value.

This finding does not fully support stakeholder theory and legitimacy theory, which explain that sustainability disclosure can fulfil stakeholder information needs and demonstrate conformity with societal expectations. The result may differ from studies reporting a significant effect because of differences in sectors, sample sizes, observation periods, reporting standards, and disclosure measurements. During the pandemic recovery and post-pandemic periods, investors may have prioritised short-term financial resilience over nonfinancial information. Accordingly, companies should improve the credibility of sustainability reports through measurable achievements, clear targets, consistent reporting standards, and explanations of their contribution to efficiency, innovation, and long-term performance. More comprehensive and credible disclosure can increase stakeholder and shareholder confidence and potentially improve firm value (Sari & Wahidahwati, 2021).

The Effect of Good Corporate Governance on Firm Value

The results show that Good Corporate Governance, proxied by managerial ownership, had a negative but statistically insignificant effect on Firm Value; therefore, the second hypothesis was rejected. This finding is consistent with (Melani & Wahidahwati, 2017), who found that the implementation of corporate-governance mechanisms did not necessarily increase firm value. Although managerial ownership is expected to align the interests of managers and shareholders, this effect may not occur when the ownership proportion is insufficient to provide meaningful incentives or is sufficiently high to create managerial entrenchment.

This result does not fully support agency theory, which assumes that managerial ownership reduces conflicts between managers and shareholders. Investors may evaluate governance effectiveness through broader mechanisms, including board independence, audit-committee effectiveness, institutional ownership, ownership concentration, transparency, and internal-control quality. Differences from previous studies may therefore arise from differences in governance measurements, ownership structures, research sectors, sample periods, and analytical methods. Companies should not rely solely on managerial ownership but should also strengthen independent supervision, transparent decision-making, minority-shareholder protection, internal controls, and managerial accountability.

The Effect of Firm Size on Firm Value

The empirical findings indicate that Firm Size had a negative and statistically significant effect on Firm Value; therefore, the third hypothesis, which predicted a positive effect, was rejected. The result shows that a larger asset base did not necessarily produce a higher market valuation. Although large firms are generally expected to provide a positive signal to investors because they possess greater resources and are considered capable of generating higher returns (Dolontelide & Wangkar, 2019), investors may respond negatively when those assets are not utilised efficiently. Larger companies may face higher operating costs, organisational complexity, administrative inefficiency, and slower decision-making.

This finding differs from (Faizzah & Asyik, 2022; Rosari & Subardjo, 2021; Dolontelide & Wangkar, 2019), who reported that firm size had a significant positive effect on firm value. The difference may be caused by variations in sectors, observation periods, sample sizes, asset structures, and market conditions. During the 2021–2024 period, food and beverage companies faced supply-chain disruptions, raw-material price fluctuations, and increasing production and distribution costs. Under signalling theory, firm size becomes a favourable signal only when assets generate proportional revenue, profitability, and sustainable growth. Therefore, management should focus not only on asset expansion but also on asset turnover, production efficiency, capacity utilisation, and returns generated from company assets.

The Moderating Role of Profitability in the Relationship Between Sustainability Reporting and Firm Value

The results indicate that Profitability positively and significantly moderated the effect of Sustainability Reporting on Firm Value; therefore, the fourth hypothesis was accepted. This finding is consistent with (Budiana & Budiasih, 2020) and (Meidiawati & Mildawati, 2016), who found that profitability strengthened the effect of sustainability-report disclosure on firm value. The positive interaction indicates that sustainability disclosure becomes more relevant to investors when it is supported by strong profitability. Profitable companies have greater financial capacity to implement environmental and social programmes, improve product safety, manage waste, and develop sustainable supply chains.

This finding supports stakeholder theory because profitable companies possess greater resources to fulfil the interests of shareholders, employees, customers, suppliers, communities, and other stakeholders. More extensive sustainability disclosure can increase stakeholder and shareholder confidence, strengthen corporate image, and contribute to an increase in share prices and firm value (Sari & Wahidahwati, 2021). Thus, sustainability reporting is more likely to improve firm value when it is accompanied by favourable financial performance. Food and beverage companies should therefore integrate sustainability and financial strategies and clearly explain how sustainability initiatives contribute to efficiency, innovation, risk management, consumer trust, and long-term profitability.

The Moderating Role of Profitability in the Relationship Between Good Corporate Governance and Firm Value

The interaction between managerial ownership and Profitability had a negative and statistically significant effect on Firm Value. Therefore, profitability weakened the relationship between Good Corporate Governance and Firm

Value, and the fifth hypothesis was accepted. The negative interaction indicates that higher profitability did not make managerial ownership more effective in increasing firm value. Profitable companies may provide managers with greater discretion and control over retained earnings and other internal financial resources, potentially increasing conflicts of interest when supervision is inadequate.

This result can be explained through agency theory because managers and shareholders may not have equal access to company information, and managers may make decisions that do not fully maximise shareholder wealth (Melani & Wahidahwati, 2017). Managerial ownership may also create an entrenchment effect when managers have sufficient control to influence decisions while reducing external supervision. The finding is consistent with (Muttaqin *et al*., 2019), who found that profitability weakened the relationship between corporate governance and firm value. Therefore, profitable companies should strengthen board supervision, audit-committee effectiveness, transparent investment policies, dividend policies, and accountability in the use of internal funds.

The Moderating Role of Profitability in the Relationship Between Firm Size and Firm Value

The results show that Profitability was unable to moderate the relationship between Firm Size and Firm Value; therefore, the sixth hypothesis was rejected. The insignificant interaction indicates that changes in profitability did not substantially alter the effect of company size on market valuation. Firm size represents the scale of corporate resources, whereas profitability indicates the ability to generate earnings from those resources. Investors may therefore assess firm size and profitability independently rather than considering profitability a factor that changes the effect of firm size on firm value.

This finding may be related to the conditions of food and beverage companies during the 2021–2024 period, when large companies faced pressure from raw-material prices, production costs, logistics expenses, and changes in consumer demand. Investors may remain reluctant to invest in large companies when the profits generated do not meet expectations, because asset size alone does not guarantee attractive returns (Faizzah & Asyik, 2022). This result is consistent with (Kusuma & Priantinah, 2018), who found that profitability was unable to strengthen the relationship between firm size and firm value. Accordingly, asset expansion should be accompanied by improvements in asset productivity, operational efficiency, and sustainable earnings because profitability alone may not improve investors' assessment of a large company.

CONCLUSION

This study examined the effect of sustainability reporting, managerial ownership, and firm size on firm value, with profitability as a moderating variable. The findings indicate that sustainability reporting and managerial ownership do not significantly affect firm value; therefore, Hypotheses 1 and 2 are not supported. Firm size has a negative and significant effect on firm value, indicating that larger firms do not necessarily have higher market value during the observation period; thus, Hypothesis 3 is supported according to the direction reported in the regression results. Profitability strengthens the relationship between sustainability reporting and firm value, supporting Hypothesis 4. In contrast, profitability negatively moderates the relationship between managerial ownership and firm value, supporting Hypothesis 5. However, profitability does not moderate the relationship between firm size and firm value; therefore, Hypothesis 6 is rejected.

The findings provide several theoretical contributions. First, the results qualify stakeholder theory, legitimacy theory, and signalling theory by demonstrating that sustainability disclosure alone is insufficient to enhance firm value unless it is supported by strong profitability. This suggests that profitability functions as a boundary condition that increases the value relevance of sustainability information. Second, the negative moderating effect of profitability on the relationship between managerial ownership and firm value challenges the alignment perspective of agency theory, indicating that higher profitability does not necessarily strengthen the governance role of managerial ownership in increasing firm value. Third, the insignificant moderating effect of profitability on firm size suggests that financial performance does not alter the relationship between firm size and firm value.

Empirically, this study extends the literature by examining profitability as a moderating variable in the relationship between sustainability reporting, corporate governance, firm size, and firm value within the Indonesian food and beverage industry. Practically, the findings imply that companies should improve both the quality of sustainability disclosure and financial performance to enhance firm value, while also strengthening governance mechanisms to ensure that profitability is translated into greater shareholder value.

Future research is encouraged to examine different industries and longer observation periods and to incorporate additional variables, such as leverage, dividend policy, corporate risk, and ESG disclosure quality, to provide a broader understanding of the determinants of firm value.

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Conflict of Interest Statement: The authors declare that the research was conducted in the absence of any commercial or financial relationships that could be construed as a potential conflict of interest.

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Table 1 / Sample Criteria

Criteria	Number
Manufacturing companies in the food and beverage sector for the period 2021–2024	33
1. Manufacturing companies listed on the Indonesia Stock Exchange (BEI) that did not publish annual reports on a regular basis during the period 2021–2024	(7)
2. Manufacturing companies in the food and beverage sector that did not make a profit during the period 2021–2024	(13)
3. Manufacturing companies in the food and beverage sector that did not publish annual financial statements denominated in rupiah during the period 2021–2024	0
Sample size	13
Observation period	4
Number of observations	52

Table 2 / Operational Definitions of Variables

Variable	Definition	Variable Indicators	Scale
Firm Value (Y)	A company's value is the investors' perception of the company in relation to its shares (Anggara *et al.*, 2019).	$$\text{PBV}=\frac{\text{Share Price}}{\text{Book value per share}}$$ Source: (Melani & Wahidahwati, 2017; Siregar & Safitri, 2019)	Ratio
Profitability (Z)	Profitability is a company's ability to generate profit from its operational activities (Anggara *et al.*, 2019).	$$\text{ROA}=\frac{\text{Net Profit}}{\text{Total Assets}}$$ Source: (Latifah & Luhur, 2017; Muttaqin *et al.*, 2019)	Ratio
Sustainability report (X1)	According to the 2013 *Global Reporting Initiative* (G4), a *sustainability report* is a report published by a company on the economic, environmental and social impacts resulting from its day-to-day activities (Kusuma & Priantinah, 2018).	$$\text{SRDI}_j=\frac{N}{K}$$ SRDI = Company Sustainability Report Disclosure Index N = Total number of items disclosed by the company K = Total number of items Source: (Meidiawati & Mildawati, 2016; Kusuma & Priantinah, 2018)	Ratio
Good corporate governance (X2)	A set of guidelines governing the relationships between internal and external parties in relation to their rights and obligations (Saputri & Giovanni, 2021).	$$\text{Managerial Ownership}=\frac{\text{Number of shares held by management}}{\text{Number of shares in issue}}\times 100\%$$ Source: (Muttaqin *et al.*, 2019; Anggara *et al.*, 2019)	Ratio
Firm Size(X3)	The size of a company reflects its scale, which can influence investors' assessments when making investment decisions (Faizzah & Asyik, 2022).	$$\text{Firm size} = \text{Ln. Total Assets}$$ Source: (Indrayani *et al.*, 2021; Dolontelide & Wangkar, 2019)	Ratio

Table 3 */ Descriptive Statistics*

Statistic	Sustainability Reporting (X1)	Managerial Ownership (X2)	Firm Size (X3)	Profitability (Z)	Firm Value (Y)
Mean	0.84	0.79	29.84	1.36	96.65
Median	0.86	0.82	29.07	0.61	5.93
Maximum	1.13	0.97	39.31	11.89	878.33
Minimum	0.43	0.50	27.34	0.04	0.61
Std. Dev.	0.14	0.12	2.87	2.65	240.41
Skewness	−0.753239	−1.103961	1.74	3.11	2.79
Kurtosis	1.09	0.53	2.94	8.88	6.16
Jarque–Bera	7.51	11.16	44.91	255.03	149.47
Probability	0.02	0.00	-	-	-
Sum	43.68	41.08	1,551.68	70.72	5,025.80
Sum Sq. Dev.	1.01	0.79	421.12	357.33	2,947,688.19
Observations	52	52	52	52	52

Source: Data processed by the researcher using EViews 10.

Table 4* / *Results of the Chow Test

Effects Test	Statistic	d.f.	Prob.
Cross-section F	103.717800	(12,33)	0.0000
Cross-section Chi-square	190.124567	12	0.0000

Source: Data processed by the researcher using EViews 10.

Table 5 / Results of the Hausman Test

Test Summary	**Chi-Sq. Statistic**	**Chi-Sq. d.f.**	**Prob.**
Cross-section random	**18.962565**	**6**	**0.0042**

Source: Data processed by the researcher using EViews 10.

***Table 6** / Results of the Multicollinearity Test*

Variable	Coefficient Variance	Uncentered VIF	Centered VIF
X1	4.747578	64.70267	1.710734
X2	6.295071	75.55984	1.772673
X3	0.008048	134.4052	1.211637
C	15.45015	287.2300	NA

Source: Data processed by the researcher using EViews 10.

Table 7 / Model-Fit Statistics

Root MSE	0.244480	R-squared	0.998012
Mean dependent var	6.165151	Adjusted R-squared	0.996927
S.D. dependent var	7.767008	S.E. of regression	0.306894
Sum squared resid	3.108075	F-statistic	920.2497
Durbin-Watson stat	2.406602	Prob(F-statistic)	0.000000

Source: Data processed by the researcher using EViews 10.

Table 8 */ Results of the Hypothesis Test*

Variable	Coefficient	Std. Error	t-Statist ic	Prob.
C	5.801602	1.962163	8.276839	0.0052
X1	0.096113	0.206576	0.949352	0.3688
X2	-0.871640	0.093375	-2.050647	0.0925
X3	-0.125942	0.017795	-7.077386	0.0048
Z	1.437802	0.580863	2.864250	0.0173

Source: Data processed by the researcher using EViews 10.

***Tabel 9** / MRA Test Results*

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	4.904273	1.632857	9.604954	0.0000
Moderation 1	0.694272	0.198868	3.239694	0.0097
Moderation 2	-0.798617	0.316565	-2.522763	0.0166
Moderation 3	0.003430	0.007291	0.470495	0.6411

Source: Data processed by the researcher using EViews 10.

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Figure 1 */ Conceptual Framework*

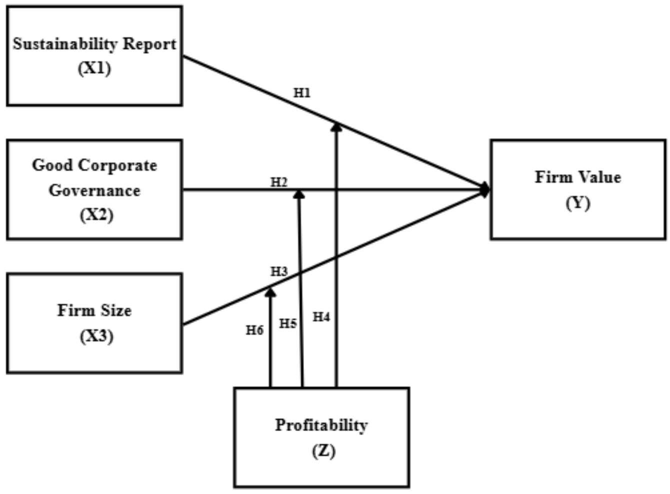
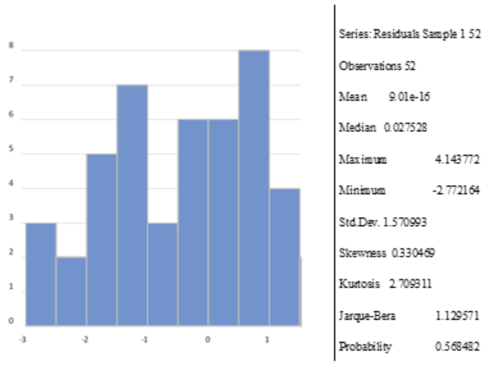
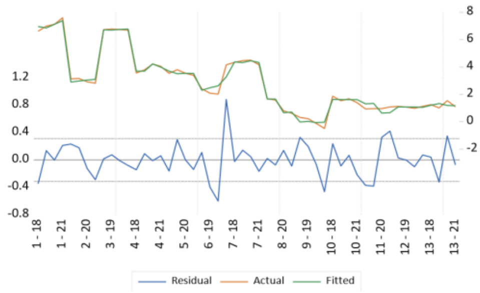


***Figure 2** / Results of the Test of Normality*



Source: Data processed by the researcher using EViews 10.

***Figure 3** / Results of the Heteroscedasticity Test*



Source: Data processed by the researcher using EViews 10.