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THE EFFECT OF PROFITABILITY AND ENVIRONMENTAL, SOCIAL, AND GOVERNANCE (ESG) DISCLOSURE ON FIRM VALUE THROUGH EARNINGS MANAGEMENT IN MINING SECTOR COMPANIES LISTED ON THE INDONESIA STOCK EXCHANGE

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Abstract

This study aims to analyze the effect of profitability and environmental, social, and governance (ESG) disclosure on firm value through earnings management in mining companies listed on the Indonesia Stock Exchange. The study uses a quantitative approach with secondary data sourced from annual reports and corporate sustainability reports for the 2022-2024 period. The study population consisted of mining companies listed on the Indonesia Stock Exchange, with a purposive sampling technique resulting in 48 companies or 144 observations over three years. Data analysis was performed using the Partial Least Squares-Structural Equation Modeling (PLS-SEM) method with the assistance of SmartPLS software. Profitability was measured using Return on Assets (ROA), ESG disclosure using the ESG disclosure index, firm value using Tobin's Q, while earnings management was measured using Discretionary Accruals with the Modified Jones Model. The results show that profitability and ESG disclosure have a positive and significant effect on firm value. Profitability and ESG disclosure also have a positive and significant effect on earnings management. Furthermore, earnings management has a positive and significant effect on firm value. Earnings management has been shown to mediate the influence of profitability and ESG disclosure on firm value. These findings suggest that financial factors, sustainability disclosure, and earnings management practices play a role in shaping mining company value.

Keywords: Profitability; ESG Disclosure; Earnings Management; Firm Value; Mining Companies.

INTRODUCTION

The increasingly competitive business world demands that companies manage resources effectively, improve performance, and create sustainable value. Corporate management is no longer solely focused on profit, but is also required to consider the interests of shareholders and other stakeholders. One indicator of successful corporate management is corporate value. Corporate value reflects market perception of a company's prospects and performance and is reflected in its share price. The higher the company value, the greater investor confidence in the company's ability to create shareholder prosperity. Therefore, increasing corporate value is a crucial goal in corporate management.

One interesting sector to study in the context of corporate value is mining companies listed on the Indonesia Stock Exchange (IDX). The mining sector makes a significant contribution to the Indonesian economy through the provision of energy resources, state revenue, and job creation. However, this sector also faces various risks, such as commodity price volatility, significant investment requirements, operational risks, and pressures on the environment and society. These conditions tend to cause fluctuations in the performance and value of mining companies. Izzah and

Darsono (2024) show that company performance and certain ESG aspects can be related to company value in the mining sector.

A company's value can be influenced by various factors, particularly profitability. Profitability indicates a company's ability to generate profits using its resources. A strong level of profitability can be a positive signal for investors because it demonstrates the company's ability to generate profits. However, pressure to maintain a certain level of profit can encourage management to engage in earnings management. Hanum et al. (2024) demonstrated a link between profitability and earnings management practices, making the quality of earnings information a crucial aspect in investor assessment.

Attention to Environmental, Social, and Governance (ESG) is increasing. ESG disclosures provide information on a company's environmental, social, and governance responsibilities. For mining companies, ESG disclosures are becoming increasingly important because their operational activities have relatively significant environmental and social impacts. Good ESG disclosures can enhance transparency, reputation, and investor confidence. However, Oktadewi and Diantini (2025) found that the relationship between ESG and company value in the Indonesian mining sector is not always positive.

A preliminary survey, which examined annual reports, sustainability reports, and mining company performance developments, revealed a discrepancy between profitability, ESG disclosure, and market response. Companies with relatively good profitability and ESG disclosure do not necessarily have high company value. This phenomenon suggests that investors should consider other factors, including the credibility of financial information.

This problem becomes even more complex when earnings management is taken into account. Earnings management practices can reduce the quality of financial reporting information and make it difficult for investors to objectively assess a company's economic condition. Prayogo et al. (2025) showed that earnings management can play a role in the relationship between ESG disclosure and firm value. Thus, there are gaps in the results and the mechanisms of the relationship between the variables that still need to be studied. Based on this phenomenon, this study was conducted to analyze the effect of profitability and Environmental, Social, and Governance disclosure on firm value through earnings management in mining sector companies listed on the Indonesia Stock Exchange.

Previous research has shown mixed results regarding the relationship between profitability, ESG, earnings management, and firm value. Manurung and Ningsi (2023) found that financial performance positively impacts firm value, while earnings management has no significant effect. Angelisa et al. (2023) also found that earnings management has no effect on firm value. Hanum et al. (2024) demonstrated a link between profitability and earnings management. Prayogo et al. (2025) found that earnings management plays a role in the relationship between ESG and firm value.

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Meanwhile, Oktadewi and Diantini (2025) showed conflicting results regarding the influence of ESG on firm value.

Research shows inconsistent results regarding the influence of profitability, ESG, and earnings management on firm value. Manurung and Ningsi (2023) and Angelisa et al. (2023) show that earnings management does not always affect firm value, while Prayogo et al. (2025) demonstrate the role of earnings management in the relationship between ESG and firm value. Furthermore, the results regarding ESG also differ between Izzah and Darsono (2024) and Oktadewi and Diantini (2025). This situation indicates a gap that requires further study.

The novelty of this research lies in examining the relationship between profitability and Environmental, Social, and Governance (ESG) disclosure on firm value by using earnings management as an intervening variable. Unlike previous studies, which tend to examine the relationship between variables directly or use earnings management as a moderating variable, this study analyzes the indirect mechanism through earnings management. Focusing on mining companies listed on the Indonesia Stock Exchange also provides relevant context, as the characteristics of this industry are closely related to environmental, social, governance, and financial performance issues.

LITERATURE REVIEW

Signal

Signaling explains how companies convey information to external parties as a signal regarding the company's condition and prospects. High profitability can be a positive signal because it demonstrates the company's ability to generate profits and manage resources effectively. Environmental, social, and governance disclosures can also signal a company's commitment to sustainability and good governance. This information can influence investor perceptions and increase trust in the company (Izzah & Darsono, 2024; Oktadewi & Diantini, 2025).

Stakeholders

Stakeholders explain that companies have responsibilities to various stakeholders, not just shareholders. Companies need to consider the interests of employees, the community, the government, consumers, and the environment. Environmental, social, and governance disclosures serve as a means to demonstrate corporate responsibility to stakeholders. This transparency can enhance trust and relationships between companies and stakeholders, potentially supporting increased corporate value (Oktadewi & Diantini, 2025; Agustina et al., 2025).

Agency

Agency theory describes the relationship between company owners, who grant authority, and management, who manage the company. Differing interests and information imbalances can lead to conflict between the two parties. Management possesses greater information about the company's condition and can therefore exploit this information for specific purposes, including earnings management. Environmental, social, and governance disclosures can increase transparency and reduce information imbalances between management and company owners (Prayogo et al., 2025; Itan et al., 2025).

Positive Accounting

Positive accounting theory explains that management can choose certain accounting policies based on economic interests and the company's condition. In the context of this research, earnings management describes management's actions in influencing earnings information through accounting policy choices. Profitability can be one of the conditions related to these actions because management has an interest in maintaining the company's performance image. The relationship between profitability and earnings management indicates that financial conditions can influence management decisions in reporting earnings (Hanum et al., 2024; Rosyidah & Rahayu, 2024).

Thinking Framework

The Influence of Profitability on Company Value

Profitability indicates a company's ability to generate profits through managing its resources. A high level of profitability sends a positive signal to investors that the company has good financial performance and promising business prospects. This can increase investor confidence, thereby driving increased stock demand and company value. Izzah and Darsono (2024) showed that profitability has a positive effect on company value. This finding aligns with research by Manurung and Ningsi (2023).

H_1: It is suspected that profitability has a positive and significant effect on company value in mining sector companies listed on the Indonesia Stock Exchange.

The Influence of Environmental, Social, and Governance Disclosure on Company Value

Environmental, social, and governance disclosures reflect a company's openness in conveying sustainability information to stakeholders. Improved disclosures can enhance transparency, reputation, and investor trust in the company. In the mining sector, this information is increasingly important because company activities are related to the environment and society. Izzah and Darsono (2024) found a positive effect of environmental disclosure on firm value. Oktadewi and Diantini (2025) also demonstrated the relationship between environmental, social, and governance disclosures and firm value.

H_2: It is suspected that environmental, social and governance disclosures have a positive and significant impact on company value in mining sector companies listed on the Indonesia Stock Exchange.

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The Influence of Profitability on Earnings Management

High profitability demonstrates a company's ability to generate profits, but this condition can also create pressure on management to maintain earnings performance. This pressure has the potential to encourage management to manage earnings to maintain the company's perceived performance. Hanum et al. (2024) demonstrated a link between profitability and earnings management. These findings are supported by Rosyidah and Rahayu (2024), who found that profitability influences earnings management. Thus, profitability can be a factor influencing management decisions regarding earnings reporting.

H_3: It is suspected that profitability has a positive and significant effect on profit management in mining sector companies listed on the Indonesia Stock Exchange.

The Influence of Environmental, Social, and Governance Disclosure on Earnings Management

Good environmental, social, and governance disclosures demonstrate transparency and stronger corporate governance practices. These conditions can increase management oversight, thereby reducing the opportunity for opportunistic behavior in financial reporting. Itan et al. (2025) found that environmental and social disclosures significantly reduced earnings management. These findings suggest that the greater the company's transparency, the greater the oversight of management's behavior in presenting financial information.

H_4: It is suspected that environmental, social and governance disclosures have a positive and significant impact on earnings management in mining sector companies listed on the Indonesia Stock Exchange.

The Influence of Earnings Management on Company Value

Earnings management can affect the quality of financial information used by investors to assess a company's performance. When reported earnings do not fully reflect a company's economic condition, investor confidence in financial information can decline. This situation has the potential to impact market valuations and company value. Molina and Aliendia (2024) demonstrated a relationship between earnings management and firm value. Prayogo et al. (2025) also identified earnings management as a key factor in the relationship between corporate information and firm value.

H_5: It is suspected that earnings management has a positive and significant effect on company value in mining sector companies listed on the Indonesia Stock Exchange.

The Influence of Profitability on Company Value through Earnings Management

Profitability can essentially increase a company's value because it reflects its ability to generate profits. However, profitability can also be related to management decisions in managing reported earnings. Hanum et al. (2024) demonstrated a relationship between profitability and earnings management, while Molina and Aliendia (2024) demonstrated a relationship between earnings management and firm value. Therefore, earnings management is suspected to be a mechanism explaining how profitability can indirectly influence firm value.

H_6: It is suspected that profitability has a positive and significant effect on company value through earnings management in mining sector companies listed on the Indonesia Stock Exchange.

The Influence of Environmental, Social, and Governance Disclosure on Firm Value through Earnings Management

Environmental, social, and governance disclosures can increase investor confidence while strengthening corporate transparency. Good transparency can reduce the opportunity for management to engage in opportunistic earnings management. Itan et al. (2025) show that environmental and social disclosures can reduce earnings management, while Prayogo et al. (2025) demonstrate the importance of earnings management in the relationship between corporate disclosure and firm value. Thus, earnings management is suspected to be a mediating mechanism in this relationship.

H_7: It is suspected that environmental, social, and governance disclosures have a positive and significant effect on company value through earnings management in mining sector companies listed on the Indonesia Stock Exchange.

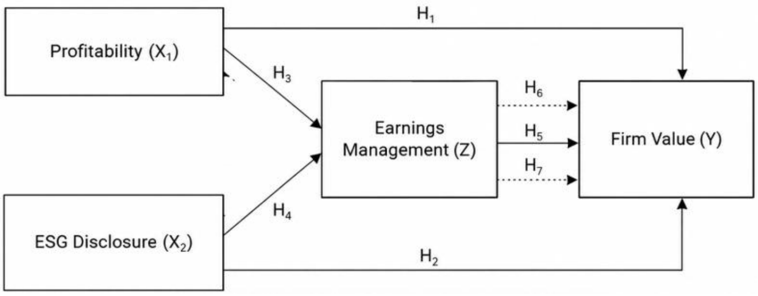

Figure 1 Research Thinking Framework

METHOD

This study uses a quantitative approach to examine the relationship between profitability, environmental, social, and governance (ESG) disclosure, earnings management, and firm value. The quantitative approach was used because the research data is numerical and can be measured and statistically analyzed to test the formulated hypotheses. The data used are secondary data from mining companies listed on the Indonesia Stock Exchange during the 2022-2024 period. The analysis of the relationships between variables was conducted using the PLS-SEM approach to test both direct and indirect influences.

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Research Design

This study employed an associative quantitative design with a causal approach. This design was used to analyze the influence of profitability and environmental, social, and governance disclosure on firm value, as well as the indirect influence through earnings management. The data used were secondary data obtained from financial statements, annual reports, and sustainability reports of mining companies listed on the Indonesia Stock Exchange for the 2022-2024 period. The PLS-SEM approach was used because it can analyze structural relationships between variables simultaneously (Ringle et al., 2023).

Time and Place of Research

The research was conducted over four months, from January to April 2026. Research activities included data collection, sample selection, data processing, data analysis, hypothesis testing, and preparation of research results. Data processing was conducted in Tentena City, Poso Regency, while the research subjects were mining companies listed on the Indonesia Stock Exchange. Research data was obtained from annual financial reports, annual reports, sustainability reports, and company market information for the observation period 2022-2024.

Population and Sample

The population in this study was 63 mining sector companies listed on the Indonesia Stock Exchange during the 2022-2024 period. The sampling technique used was*purposive sampling*, namely, sample selection based on specific criteria aligned with the research objectives (Sugiyono, 2023). The sample criteria included companies that published consecutive financial reports during 2022-2024 and had complete data on profitability, ESG disclosure, earnings management, and firm value. Based on these criteria, 48 companies were selected, resulting in 144 company-year observations.

Data Collection Techniques

Data collection techniques in this study were conducted through documentation and literature review. Documentation techniques were used to obtain secondary data in the form of annual financial reports, annual reports, sustainability reports, share prices, number of shares outstanding, total assets, net profit, operating cash flow, revenue, receivables, and the company's fixed assets. This data was used to calculate profitability, ESG disclosure, earnings management, and firm value. Literature review was conducted by examining books, journal articles, and scientific references related to the research variables and methods. Data collection was conducted systematically to provide comparable information for all sample companies.

Data analysis

Data analysis used the Partial Least Squares-Structural Equation Modeling (PLS-SEM) approach with the assistance of SmartPLS software. PLS-SEM is used to test structural relationships between variables and can be used to evaluate direct and indirect influences in a research model (Ringle et al., 2023). The analysis was conducted through descriptive statistics, multicollinearity testing, structural model evaluation, coefficient of determination (R^2), path coefficients, and hypothesis testing using procedures.*bootstrapping*. Indirect influence testing is carried out through*specific indirect effects*to determine the role of earnings management as an intervening variable (Sarstedt & Moisescu, 2024). The significance level used was 5% or $\alpha = 0.05$.

RESEARCH RESULTS AND DISCUSSION

Research result

The research results are presented to provide an empirical overview of the relationship between profitability, environmental, social, and governance (ESG) disclosure, earnings management, and firm value in mining sector companies listed on the Indonesia Stock Exchange. The analysis was conducted using descriptive statistics and Partial Least Squares Structural Equation Modeling (PLS-SEM) using the SmartPLS application. The test results cover validity, multicollinearity, model capability, direct effects, and indirect effects.

Validity Test of Research Variables

Validity testing was conducted to ensure that the constructs used in the model adequately represent the research variables. Because each research variable is calculated using a single composite value—Return on Assets (ROA) for profitability, the ESG disclosure index, Tobin's Q for firm value, and discretionary accruals for earnings management—the construct testing in PLS-SEM yields a single indicator value with a mathematical loading value of 1.000. The validity testing results for all variables are presented in Table 1.

Table 1. Results of the Validity Test of Research Variables

Variables	Indicator	Outer Loading	AVE	Information
Profitability (X_1)	LONG	1,000	1,000	Valid
ESG Disclosure (X_2)	ESG Index	1,000	1,000	Valid
Company Value (Y)	Tobin's Q	1,000	1,000	Valid
Profit Management (Z)	Discretionary Accrual	1,000	1,000	Valid

Source: SmartPLS output, processed (2026).

Based on the table above, all research variables have an outer loading value of 1.000 and an Average Variance Extracted (AVE) value of 1.000. These values indicate that all constructs meet the convergent validity criteria. This occurs because each construct is represented by a single composite indicator. Therefore, profitability, proxied by ROA, ESG disclosure through the disclosure index, firm

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value through Tobin's Q, and earnings management through discretionary accruals, can be used in structural analysis. Therefore, the model can be further tested for multicollinearity and structural model evaluation.

Descriptive Statistics of Research Variables

Descriptive statistical analysis was used to provide an overview of the characteristics of the analyzed data. The statistics used included mean, median, minimum, maximum, and standard deviation values. The results of the descriptive statistical analysis for all research variables are presented in Table 2.

Table 2. Results of Descriptive Statistical Analysis

Variables	Mean	Median	Minimum	Maximum	Standard Deviation
Profitability (X_1)	0,318	0,260	0,020	0,980	0,205
ESG Disclosure (X_2)	0,591	0,580	0,360	0,880	0,145
Company Value (Y)	1,633	1,420	0,680	5,500	0,742
Profit Management (Z)	0,140	0,150	-0,440	0,470	0,136

Source: SmartPLS output, processed (2026).

Based on the table above, profitability has an average of 0.318 and a median of 0.260, with a minimum value of 0.020 and a maximum of 0.980. A standard deviation of 0.205 indicates variation in profitability between companies. ESG disclosure has an average of 0.591 and a median of 0.580, with a range of 0.360-0.880 and a standard deviation of 0.145. Firm value has an average of 1.633 and a standard deviation of 0.742, indicating greater variation. Earnings management has an average of 0.140, a minimum of -0.440, a maximum of 0.470, and a standard deviation of 0.136, indicating the practice of increasing or decreasing earnings.

Multicollinearity Test

A multicollinearity test was conducted to determine whether there was an excessively strong linear relationship between the predictor variables in the model. The test was performed by examining the Variance Inflation Factor (VIF) value. In the PLS-SEM evaluation, a low VIF value indicates no collinearity issues affecting the model estimation. The results of the multicollinearity test are presented in Table 3.

Table 3. Multicollinearity Test Results (VIF)

Relationship of Predictors to Endogenous Variables	VIF
Profitability → Company Value	1,280
ESG Disclosure → Company Value	1,222
Profitability → Profit Management	1,152
ESG Disclosure → Earnings Management	1,152
Earnings Management → Firm Value	1,268

Source: SmartPLS output, processed (2026).

Based on the table above, all VIF values are at a low level, ranging from 1.152 to 1.280. This value indicates that the relationship between the predictor variables does not experience high collinearity. Thus, profitability and ESG disclosure can be used together to explain earnings management and firm value. Similarly, the addition of earnings management as a mediating variable does not cause collinearity issues in the firm value equation. These results indicate that the path coefficient estimates in the model are relatively stable and can proceed to the evaluation of the structural model.

Coefficient of Determination (R-Square)

The coefficient of determination is used to determine the ability of exogenous variables to explain variations in endogenous variables. The higher the R-Square value, the greater the proportion of variation in the endogenous variable that can be explained by the predictor variables. The results of the coefficient of determination test on the research model are presented in Table 4.

Table 4. Results of the Coefficient of Determination (R-Square)

Endogenous Variables	R-Square	R-Square Adjusted
Earnings Management	0,211	0,200
Company Values	0,523	0,513

Source: SmartPLS output, processed (2026).

Based on the table above, the R-Square value for Earnings Management is 0.211, with an adjusted R-Square of 0.200. This means that profitability and ESG disclosure can explain 20.0% of the variation in earnings management, while 80.0% is explained by other factors outside the model. Firm value has an R-Square of 0.523 and an adjusted R-Square of 0.513. This means that profitability, ESG disclosure, and earnings management can explain 51.3% of the variation in firm value, while 48.7% is explained by other factors. Thus, the model's ability to explain firm value is stronger than earnings management.

Path Coefficients Analysis

Path coefficient analysis was used to determine the direction and magnitude of the influence between variables in the structural model. Testing was performed using the bootstrapping procedure in SmartPLS. Significance decisions were based on the t-statistic and p-value at the 5% significance level. The path coefficient estimation results are presented in Table 5.

Table 5. Path Coefficients Results

Relationship between variables	Original Sample (O)	Sample Mean (M)	STDEV	T-Statistics	P-Values
Profitability → Company Value	0,542	0,541	0,075	7,263	0,000
ESG Disclosure → Company Value	0,146	0,144	0,065	2,240	0,025
Profitability → Profit Management	0,318	0,318	0,071	4,463	0,000
ESG Disclosure → Earnings Management	0,236	0,237	0,075	3,125	0,002

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Earnings Management → Firm Value	0,203	0,203	0,066	3,078	0,002

Source: SmartPLS output, processed (2026).

Based on the table above, all structural paths show positive and significant coefficients. The largest influence is found in the relationship between profitability and firm value, with a coefficient of 0.542 and a t-statistic of 7.263. Furthermore, profitability influences earnings management by 0.318, while ESG disclosure influences earnings management by 0.236. Earnings management influences firm value by 0.203. ESG disclosure also has a direct effect on firm value by 0.146. All p-values are below 0.05, so all direct relationships in the model are significant.

Testing Hypothesis H_1-H_5

Hypothesis testing is conducted to determine whether the relationship between variables formulated in the hypothesis is empirically supported. The hypothesis is accepted if the direction of the coefficient is consistent with the hypothesis and the p-value is less than 0.05. Summary of hypothesis testing results H_1until H_5presented in Table 6.

Table 6. Results of Hypothesis Testing H_1-H_5

Hypothesis	Connection	β	T-Statistics	P-Value	Results
H_1	Profitability → Company Value	0,542	7,263	0,000	Accepted
H_2	ESG Disclosure → Company Value	0,146	2,240	0,025	Accepted
H_3	Profitability → Profit Management	0,318	4,463	0,000	Accepted
H_4	ESG Disclosure → Earnings Management	0,236	3,125	0,002	Accepted
H_5	Earnings Management → Firm Value	0,203	3,078	0,002	Accepted

Source: SmartPLS output, processed (2026).

The table above shows that all the hypotheses H_1until H_5accepted. H_1has a coefficient of 0.542 with a p-value of 0.000, thus profitability is proven to have a positive and significant effect on company value. H_2also accepted with a coefficient of 0.146 and a p-value of 0.025. H_3shows a positive influence of profitability on earnings management with a coefficient of 0.318. H_4shows a positive influence of ESG disclosure on earnings management of 0.236. Furthermore, H_5shows that earnings management has a positive effect on company value with a coefficient of 0.203.

Indirect Effect Testing

The indirect effect test was conducted to determine the role of earnings management as an intervening variable in the relationship between profitability and ESG disclosure and firm value. The test was conducted using a bootstrapping procedure, taking into account the indirect effect coefficient, t-statistic, and p-value. The results of the indirect effect test are presented in Table 7.

Table 7. Results of Indirect Effect Testing

Indirect Relationship	Original Sample	Sample Mean	STDEV	T-Statistics	P-Values
Profitability → Earnings Management →	0,065	0,063	0,022	2,941	0,003

Company Value					
ESG Disclosure → Earnings Management → Enterprise Value	0,048	0,048	0,022	2,186	0,029

Source: SmartPLS output, processed (2026).

Based on the table above, profitability has an indirect effect on firm value through earnings management of 0.065 with a t-statistic of 2.941 and a p-value of 0.003. These results indicate a significant mediating effect. ESG disclosure also has an indirect effect on firm value through earnings management of 0.048 with a t-statistic of 2.186 and a p-value of 0.029. Thus, earnings management is proven to be a significant intervening variable in both relationships.

Table 8. Interpretation of Hypothesis Testing Results H_6-H_7

Hypothesis	Connection	B	T-Statistics	P-Value	Results
H_6	Profitability → Earnings Management → Company Value	0,065	2,941	0,003	Accepted
H_7	ESG Disclosure → Earnings Management → Enterprise Value	0,048	2,186	0,029	Accepted

Source: SmartPLS output, processed (2026).

The table above shows that $H_6$and H_7accepted because each has a p-value below 0.05. H_6shows that earnings management is able to mediate the relationship between profitability and firm value with an indirect coefficient of 0.065. Meanwhile, H_7The results showed that earnings management also mediates the relationship between ESG disclosure and firm value, with a coefficient of 0.048. Thus, all seven research hypotheses received empirical support. These findings indicate that earnings management not only has a direct influence on firm value but also acts as an intervening mechanism in the research model.

DISCUSSION

1. The Influence of Profitability on Company Value

   Based on the test results, profitability has a positive and significant effect on company value with a coefficient of 0.542, a t-statistic of 7.263, and a p-value of 0.000. Thus, H_1accepted. These findings indicate that increasing a company's ability to generate profits from its assets can improve investors' perceptions of the company's prospects. High profitability indicates a company's ability to manage resources efficiently and generate profits. In the mining sector, this capability is crucial because companies face fluctuating commodity prices and high operational risks. These results align with Izzah and Darsono (2024), who found that profitability has a significant positive effect on firm value in Indonesian mining companies. These findings are also supported by Manurung and Ningsi (2023), who demonstrated that financial performance significantly impacts firm value.

2. The Impact of ESG Disclosure on Company Value

   ESG disclosure has a positive and significant effect on firm value with a coefficient of 0.146, a t-statistic of 2.240, and a p-value of 0.025. Thus, H_2accepted. These results indicate that the more extensive environmental, social, and governance information a company discloses, the more positive the market response to the company. In the mining sector, ESG disclosure has strategic significance because company activities are closely related to natural resource use, environmental impact, community relations, and governance. Improved disclosure can reduce information uncertainty and increase stakeholder trust. This finding aligns with Izzah and Darsono (2024), who found that environmental disclosure had a significant positive effect on the value of mining companies. However, Prayogo et al. (2025) found a different direction, namely that ESG had a negative effect on company value.

3. The Influence of Profitability on Earnings Management

Profitability has a positive and significant effect on earnings management with a coefficient of 0.318, a t-statistic of 4.463, and a p-value of 0.000. Thus, H_3accepted. This finding indicates that companies with higher profitability have a greater tendency to manage reported earnings. This condition may be related to management's desire to maintain existing performance, meet investor expectations, or maintain earnings stability. This finding can be explained through agency theory, as management has greater information about the company's condition than shareholders. The results of this study differ from those of Hanum et al. (2024), who found that ROA had no effect on earnings management, although several other profitability proxies showed an effect. This difference indicates that the relationship between profitability and earnings management can be influenced by industry characteristics, the observation period, profitability proxies, and the company's economic conditions.

4. The Impact of ESG Disclosure on Earnings Management

ESG disclosure has a positive and significant effect on earnings management with a coefficient of 0.236, a t-statistic of 3.125, and a p-value of 0.002. Thus, H_4accepted. These results indicate that increased ESG disclosure in the study sample actually goes hand in hand with increased earnings management. This condition may occur because ESG disclosure is not always synonymous with high earnings quality. Companies can use sustainability disclosure to build legitimacy and reputation, while earnings reporting policies still provide room for managerial actions. This finding differs from Itan et al. (2025), who found that environmental and social disclosure actually reduced earnings management, while governance disclosure had no significant effect. The difference in results may be due to differences in company characteristics, industry sectors, observation periods, and the ESG index used. Therefore, high levels of ESG disclosure cannot be directly considered a guarantee of low earnings management.

5. The Influence of Earnings Management on Company Value

Earnings management has a positive and significant effect on firm value with a coefficient of 0.203, a t-statistic of 3.078, and a p-value of 0.002. Thus, H_5accepted. These results indicate that, during the observation period, changes in earnings management were associated with increased firm value. One possible explanation is that the earnings information presented by the company remains a primary concern for investors in forming perceptions of the company's prospects. Certain earnings management practices can make performance appear more stable, thus generating a positive market response in the short term. However, these results differ from those of Manurung and Ningsi (2023), who found that earnings management had no significant effect on firm value. This difference may be due to differences in sectors and observation periods. Therefore, the positive results in this study should be understood as an empirical relationship, not as evidence that earnings management practices consistently increase firm value in the long term.

6. The Influence of Profitability on Company Value through Earnings Management

The test results show that profitability has an indirect effect on company value through earnings management with a coefficient of 0.065, a t-statistic of 2.941, and a p-value of 0.003. Thus, H_6accepted. These findings indicate that earnings management acts as an intervening variable in the relationship between profitability and firm value. High profitability can create incentives for management to maintain certain profit patterns, while earnings information received by investors can subsequently influence market valuations. These findings demonstrate that the relationship between profitability and firm value is not only direct but also occurs through earnings reporting behavior. Molina and Aliendia (2024) demonstrated that the relationship between financial variables and firm value can be analyzed through a mediating mechanism using SEM-PLS.

7. The Effect of ESG Disclosure on Firm Value through Earnings Management

ESG disclosure has an indirect effect on firm value through earnings management, with a coefficient of 0.048, a t-statistic of 2.186, and a p-value of 0.029. Thus, H7 is accepted. These results indicate that earnings management can act as an intervening mechanism between ESG disclosure and firm value. ESG disclosure provides information about a company's commitment to sustainability, while earnings information shapes investor perceptions of financial performance. Both pieces of information can jointly influence market valuations. This finding is interesting because Prayogo et al. (2025) showed that earnings management plays a role in the relationship between ESG and firm value, although that study used earnings management as a moderating, not a mediating, variable. The difference in variable positions demonstrates the contribution of this research model. In the mining context, ESG can enhance corporate legitimacy, while earnings information strengthens perceptions of performance. However, companies still need to maintain transparency so that increases in firm value do not stem solely from short-term perceptions.

CONCLUSION

Based on the analysis and discussion of the influence of profitability and environmental, social, and governance (ESG) disclosure on firm value through earnings management in mining companies listed on the Indonesia Stock Exchange, it can be concluded that all hypotheses proposed in this study are accepted. Profitability has been shown to have a positive and significant effect on firm value. These results indicate that increasing a company's ability to generate profits from its assets can boost investor confidence and drive increased firm value.

ESG disclosure has also been shown to have a positive and significant effect on firm value. This finding indicates that corporate transparency regarding environmental, social, and governance aspects can provide positive information to stakeholders and improve perceptions of corporate sustainability. These results align with some empirical findings in the mining sector, which demonstrate the importance of fundamental performance and sustainability information in company assessments. Profitability and ESG disclosure each have a positive and significant effect on earnings management. Earnings management has also been shown to have a positive and significant effect on firm value. In addition to its direct effect, earnings management has been shown to be an intervening variable in the relationship between profitability and firm value and between ESG disclosure and firm value. Thus, firm value is not only directly influenced by profitability and ESG disclosure but also through earnings management mechanisms. The R-square value of 51.3% indicates that profitability, ESG disclosure, and earnings management can explain most of the variation in firm value, with the remainder being influenced by factors outside the model.

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