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Unraveling Firm Value Dynamics: The Moderating Role of Media Exposure in ESG, Leverage, and Capital Structure

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Abstrak. *Penelitian ini bertujuan untuk menganalisis pengaruh struktur modal, leverage, dan Environmental, Social, and Governance (ESG) terhadap nilai perusahaan, serta peran moderasi media exposure pada perusahaan cyclical dan non-cyclical yang terdaftar di Bursa Efek Indonesia tahun 2023. Menggunakan desain penelitian kuantitatif dengan pendekatan cross-sectional, studi ini mengambil sampel 150 perusahaan melalui metode purposive sampling. Analisis data dilakukan menggunakan regresi linear berganda dengan variabel moderasi. Hasil penelitian menunjukkan bahwa struktur modal dan ESG berpengaruh positif signifikan terhadap nilai perusahaan, sementara leverage berpengaruh negatif signifikan. Media exposure terbukti memoderasi secara signifikan hubungan antara semua variabel independen dengan nilai perusahaan. Temuan ini menegaskan pentingnya optimalisasi struktur modal, pengelolaan leverage yang hati-hati, dan implementasi praktik ESG yang baik dalam meningkatkan nilai perusahaan. Peran moderasi media exposure menyoroti pentingnya strategi komunikasi perusahaan dalam membentuk persepsi publik dan investor. Implikasi penelitian ini memberikan wawasan berharga bagi manajer perusahaan dalam pengambilan keputusan strategis dan bagi investor dalam mengevaluasi prospek investasi di pasar modal Indonesia.*

Kata kunci: *Nilai Perusahaan; Struktur Modal; Leverage; ESG; Media Exposure; Bursa Efek Indonesia.*

Abstract. *This study aims to analyze the effect of capital structure, leverage, and Environmental, Social, and Governance (ESG) on firm value, as well as the moderating role of media exposure in cyclical and non-cyclical companies listed on the Indonesia Stock Exchange in 2023. Using a quantitative research design with a cross-sectional approach, this study took a sample of 150 companies through a purposive sampling method. Data analysis was carried out using multiple linear regression with moderating variables. The results of the study indicate that capital structure and ESG have a significant positive effect on firm value, while leverage has a significant negative effect. Media exposure is proven to significantly moderate the relationship between all independent variables and firm value. These findings emphasize the importance of optimizing capital structure, prudent leverage management, and implementing good ESG practices in increasing firm value. The moderating role of media exposure highlights the importance of a company's communication strategy in shaping public and investor perceptions. The implications of this study provide valuable insights for company managers in making strategic decisions and for investors in evaluating investment prospects in the Indonesian capital market.*

Keywords: *Corporate Value; Capital Structure; Leverage; ESG; Media Exposure; Indonesia Stock Exchange.*

Introduction

In the context of globalization and increasing business competition, firm value is a key indicator of the sustainability and performance of a business entity. It reflects financial achievements and captures investor expectations regarding the company's future stability and growth potential (Brigham & Houston, 2018). Enhancing firm value is a core goal of management, closely tied to the welfare of shareholders (Jensen & Meckling, 1976). Various internal and external elements influence firm value. Capital structure, as the composition of funding sources, plays a decisive role in shaping firm value (Rasyid, 2015). A well-optimized capital structure enhances operational efficiency and reduces funding costs, which can improve firm value (Saraswathi *et al.*, 2016). Leverage, an indicator of financial obligations, also affects firm value significantly. While appropriate leverage can increase shareholder returns, it carries financial risks that must be managed effectively (Bayu, 2017; Pitria, 2017). Effective management of leverage is essential for balancing potential benefits with associated risks.

In recent years, Environmental, Social, and Governance (ESG) factors have gained recognition as important measures of corporate performance. ESG represents a company's dedication to sustainable practices and governance standards (Roestanto *et al.*, 2022). Strong ESG performance can improve corporate reputation, attract sustainability-focused investors, and positively influence firm value (Bashatweh *et al.*, 2023; Abdi *et al.*, 2022).
Media exposure serves as a critical factor in communicating corporate activities to stakeholders. It has the capacity to influence the impact of internal corporate factors on firm value (Majumdar & Bose, 2019). Effective communication through media channels can increase transparency, build investor confidence, and enhance perceptions of the company. Research on factors influencing firm value has produced varied results. Some studies identify a positive relationship between capital structure and firm value (Saraswathi *et al.*, 2016; Prastuti & Sudiartha, 2016), while others report no significant effect (Rasyid, 2015; Syardiana *et al.*, 2015). Similarly, ESG's role in influencing firm value remains debated, with findings ranging from positive (Bashatweh *et al.*, 2023; Abdi *et al.*, 2022) to neutral or negative (Fatemi *et al.*, 2018; Ahmad *et al.*, 2021). This study examines the influence of capital structure, leverage, and ESG on firm value, considering media exposure as a moderating factor. It uses a quantitative approach with cross-sectional data from cyclical and non-cyclical companies listed on the Indonesia Stock Exchange in 2023. This method provides a detailed analysis of firm value dynamics across various economic sectors.

Research Methodology

This study employs a quantitative approach with a cross-sectional design to examine the relationship between capital structure, leverage, and ESG on firm value, including the moderating role of media exposure. The method focuses on analyzing variables at a specific point in time, reflecting conditions within the Indonesian capital market. The population consists of all cyclical and non-cyclical companies listed on the Indonesia Stock Exchange (IDX) in 2023. This population selection targets firms from various economic sectors to ensure a broad representation of factors influencing firm value. The sampling method applied is purposive sampling, with criteria including companies listed on the IDX throughout 2023, those with complete financial statements and annual reports for the year, and firms with complete data relevant to the variables under study. Firm value is measured using the Price to Book Value (PBV) ratio, calculated as the market price per share divided by the book value per share. Capital structure is assessed using the Debt to Equity Ratio (DER), which is the ratio of total debt to total equity. Leverage is measured by the Debt to Asset Ratio (DAR), calculated as the ratio of total debt to total assets. ESG is evaluated based on the ESG Disclosure Score provided by Bloomberg. Media exposure is quantified using a news index, determined by the frequency of positive news reports about the company in mass media and online platforms during the observation period.

Results and Discussion

Results

This study uses a sample of 150 cyclical and non-cyclical companies listed on the Indonesia Stock Exchange (IDX) in 2023. Table 1 presents descriptive statistics for all variables used in the study.

Table 1. Descriptive Statistics of Research Variables

Variabel	N	Minimum	Maksimum	Mean	Std. Deviation
PBV	150	0.45	7.82	2.37	1.54
DER	150	0.11	3.56	1.23	0.78
DAR	150	0.09	0.89	0.47	0.21
ESG Score	150	15.20	78.50	42.65	15.73
Media Exposure	150	0	587	127.34	142.68

The descriptive statistics from Table 1 indicate that the average Price to Book Value (PBV), representing firm value, is 2.37. This suggests that, on average, the market valuation of the sampled companies exceeds their book value. The Debt to Equity Ratio (DER), reflecting capital structure, has an average of 1.23, highlighting a tendency among sampled companies to rely more on debt than equity. Leverage, as measured by the Debt to Asset Ratio (DAR), shows an average value of 0.47, implying that approximately 47% of the companies' assets are financed through debt. The ESG Disclosure Score varies significantly, ranging from 15.20 to 78.50, which reflects substantial diversity in sustainability practices across the sample. Prior to conducting regression analysis, classical assumption tests were performed to confirm the validity of the model. The results demonstrated that all assumptions were satisfied. The Kolmogorov-Smirnov test indicated that the data were normally distributed, with a significance value of 0.124, exceeding the threshold of 0.05. Additionally, the Variance Inflation Factor (VIF) values for all independent variables were below 10, confirming the absence of multicollinearity among predictors.

The descriptive statistics presented in Table 1 reveal that the average Price to Book Value (PBV), representing firm value, is 2.37, indicating that the market value of the sampled companies generally exceeds their book value. The Debt to Equity Ratio (DER), reflecting the capital structure, has an average of 1.23, suggesting that the companies in the sample tend to rely more on debt than equity for their financing. Leverage, as measured by the Debt to Asset Ratio (DAR), averages 0.47, indicating that approximately 47% of the companies' assets are financed through debt. The ESG Disclosure Score exhibits substantial variability, ranging from 15.20 to 78.50, underscoring the diversity of sustainability practices among the firms. To ensure the validity of the regression model, several classical assumption tests were conducted. The Kolmogorov-Smirnov test confirmed that the data were normally distributed, with a significance value of 0.124, exceeding the required threshold of 0.05. Multicollinearity was not detected, as all independent variables had Variance Inflation Factor (VIF) values below 10. The Glejser test showed no evidence of heteroscedasticity, with p-values greater than 0.05 for all variables. Finally, the Durbin-Watson statistic yielded a value of 1.987, which falls within the acceptable range, indicating no autocorrelation issues in the data.

$$Y = \alpha + \beta 1X1 + \beta 2X2 + \beta 3X3 + \beta 4Z + \beta 5X1Z + \beta 6X2Z + \beta 7X3Z + \varepsilon$$

Where:
Y = Company Value
X1 = Capital Structure
X2 = Leverage
X3 = ESG
Z = Media Exposure
X1Z, X2Z, X3Z = Interaction of independent variables with moderators
α = Constant
β1-β7 = Regression coefficient
ε = Error term

Table 2. Results of Moderation Regression Analysis

Variabel	Coeffisien	t-statistik	p-value
Konstanta	0.854	2.345	0.020
DER (X1)	0.412	3.678	0.000
DAR (X2)	-0.287	-2.156	0.033
ESG Score (X3)	0.018	4.234	0.000
Media Exposure (Z)	0.003	2.789	0.006
X1*Z	0.001	2.345	0.021
X2*Z	-0.0004	-1.987	0.049
X3*Z	0.00005	3.123	0.002
R-squared	0.487		
Adjusted R-squared	0.462		
F-statistik	19.876		0.000

Discussion

The analysis demonstrates that capital structure, measured by the Debt to Equity Ratio (DER), has a significant positive effect on firm value ($\beta = 0.412$, $p < 0.001$). This finding supports the first hypothesis (H1) and aligns with previous studies by Saraswathi *et al.* (2016) and Prastuti & Sudiartha (2016). It suggests that firms with higher levels of debt tend to achieve greater firm value, potentially due to tax benefits associated with debt financing. Leverage, assessed using the Debt to Asset Ratio (DAR), shows a significant negative relationship with firm value ($\beta = -0.287$, $p < 0.05$). This finding contradicts the second hypothesis (H2) and diverges from studies by Bayu (2017) and Pitria (2017). It implies that investors in the Indonesian capital market view excessive leverage as a risk factor rather than an opportunity for growth.

The ESG Disclosure Score is shown to positively and significantly influence firm value ($\beta = 0.018$, $p < 0.001$), supporting the third hypothesis (H3). This result aligns with research by Bashatweh *et al.* (2023) and Abdi *et al.* (2022), highlighting that Indonesian investors appreciate firms demonstrating strong ESG practices. Media exposure is found to moderate the relationships between independent variables and firm value. A significant positive interaction ($\beta = 0.001$, $p < 0.05$) suggests that media exposure enhances the positive impact of capital structure on firm value. Similarly, media exposure strengthens the negative effect of leverage on firm value ($\beta = -0.0004$, $p < 0.05$). Furthermore, media exposure significantly amplifies the positive relationship between ESG and firm value ($\beta = 0.00005$, $p < 0.01$). These findings support hypotheses H4, H5, and H6, underscoring the critical role of media in shaping investor perceptions and influencing firm value. The implications of this study are multifaceted. First, corporate management must carefully optimize their capital structure to enhance firm value while mitigating the risks associated with excessive debt levels. Second, the positive impact of ESG practices on firm value emphasizes the necessity for companies to invest in sustainable practices and robust governance frameworks.

Finally, the role of media exposure as a moderating factor highlights the importance of an effective corporate communication strategy in managing public and investor perceptions. This research provides insights into the determinants of firm value within the Indonesian capital market, with particular emphasis on the moderating influence of media exposure. The findings offer valuable guidance for corporate managers in strategic decision-making and for investors in assessing investment opportunities.

Conclusion

This study examines the influence of capital structure, leverage, and ESG on firm value, as well as the moderating role of media exposure in cyclical and non-cyclical companies listed on the Indonesia Stock Exchange in 2023. The findings reveal that capital structure, represented by the Debt to Equity Ratio (DER), has a significant positive effect on firm value, suggesting that optimal utilization of debt can enhance firm value through potential tax benefits and growth signals. Conversely, leverage, measured by the Debt to Asset Ratio (DAR), has a significant negative impact, indicating that investors in the Indonesian capital market perceive high leverage as a risk factor that may diminish firm value. The ESG Disclosure Score positively influences firm value, underscoring the significance of strong ESG practices and transparent disclosures in building investor confidence and enhancing firm value. Media exposure is shown to play a critical moderating role in the relationship between independent variables and firm value. Specifically, it strengthens the positive effects of capital structure and ESG, while amplifying the negative impact of leverage on firm value. The regression model explains 46.2% of the variation in firm value, suggesting that other unexamined factors also contribute to determining firm value. These findings carry important implications for both corporate management and investors. Companies must carefully manage their capital structure to optimize debt usage without exceeding acceptable leverage levels. Investment in robust ESG practices and transparent reporting is crucial for enhancing firm value and aligning with long-term sustainability goals.

Additionally, the role of media exposure highlights the necessity of effective corporate communication strategies to manage visibility and public perception, particularly regarding financial and ESG-related policies. For investors, these results emphasize the need to consider both financial and non-financial factors, such as ESG and media visibility, when evaluating investment opportunities. This study has several limitations. It is based on cross-sectional data for 2023, which restricts the analysis of long-term dynamics. Furthermore, the sample is limited to cyclical and non-cyclical companies listed on the IDX, which may affect the generalizability of the findings to other capital market contexts. Future research should consider employing longitudinal data to examine the dynamic effects of these variables on firm value over time. Exploring additional factors, such as innovation, managerial quality, or macroeconomic influences, may provide a more holistic understanding of the determinants of firm value in contemporary markets.

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