

The Role of Sustainability Reporting in Moderating the Effect of Earnings Management and Capital Structure on Firm Value (Study on Manufacturing Companies Listed on the Indonesia Stock Exchange)

Original Article

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Abstract

Firm value constitutes a pivotal barometer reflecting investor appraisals of a company's operational efficacy and future trajectories. Indonesian manufacturing enterprises have latterly witnessed a perceptible deterioration in their valuations. This intimates the sway of determinants such as earnings management, capital structure, and sustainability-oriented dimensions. This study seeks to identify the effect of earnings management and capital structure on firm value, and to examine the role of sustainability reporting as a moderating variable. A quantitative approach was employed using secondary data, with the unit of analysis comprising manufacturing companies listed on the Indonesia Stock Exchange for the period 2019–2023. The analytical technique used was multiple regression with a moderation approach (Moderated Regression Analysis). The empirical findings indicate that earnings management has no significant effect on firm value, while capital structure has a positive and significant effect. Sustainability reporting was also found to have a positive effect on firm value. Furthermore, sustainability reporting was proven to moderate the relationship between earnings management and capital structure on firm value. The implications of this study suggest that companies need to improve the quality of financial reporting and sustainability disclosure as a strategy to enhance firm value and investor confidence.

Keywords: Capital Structure, Earnings Management, Firm Value, Signaling Theory, Sustainability Reporting.

1. Introduction

Firm value constitutes a pivotal determinant shaping investors' capital allocation predilections; the more elevated the firm's valuation, the more pronounced the propensity of investors to channel their pecuniary resources toward such an enterprise (Sinatraz & Suhartono, 2021). Corporate value, as measured by the Tobin's Q ratio in the Indonesian manufacturing sector, showed a downward trend during the 2019–2023 period, falling from around 2.3 at the start of the period to 1.8 in 2023. This decline indicates a weakening of market perceptions regarding the prospects of manufacturing companies, which in turn may reduce investor confidence and interest.

This phenomenon has drawn attention to several factors that may influence firm value. Earnings management which the deliberate manipulation of financial statements to achieve specific benefits can send negative signals to investors by reducing financial transparency and increasing uncertainty for stakeholders (Abbas & Ayub, 2019). Capital structure, the combination of debt and equity can be perceived by investors as a positive signal if managed proportionally, as it reflects a company's ability to manage its finances and expand its



operations (Putu & Devi, 2024). Furthermore, growing global demands for responsible business practices have heightened the relevance of sustainability reports as non-financial signals that strengthen investor confidence. In Indonesia, the OJK has established POJK No. 51/POJK.03/2017 as a guideline for sustainability reporting, whilst the Global Reporting Initiative standards encourage comprehensive disclosure of economic, social, and environmental performance.

Although these three factors are theoretically related to firm value, previous empirical research findings have been inconsistent. The impact of earnings management on firm value varies depending on the measurement indicators used; it is significant when measured by PBV but not significant when using Tobin's Q (Insyaroh & Widiatmoko, 2022). Similarly, regarding capital structure, some studies indicate a significant positive impact (Putu & Devi, 2024; Situmorang et al., 2025; Syamsudin et al., 2020), whilst others found an insignificant effect depending on the context and the proportion of debt used (Sudrajat & Setiyawati, 2021; Wulandari & Istiqomah, 2024). Regarding sustainability reporting, some studies demonstrate a significant positive impact on firm value (Puspita & Jasman, 2022; Van Linh et al., 2022), whilst other studies found that sustainability reporting is not necessarily a primary determinant of firm value (Suhartini et al., 2024; Yondrichs et al., 2021).

This inconsistency in empirical results is thought to be influenced by differences in the quality of disclosure, the relevance of information, and variations in the measurement proxies used (Muqtadir & Hersugondo, 2024). Moreover, scholarly inquiries that explicitly construe sustainability reporting as a moderating construct within the nexus between earnings management and capital architecture on firm value remain conspicuously scarce, particularly within the Indonesian manufacturing milieu. Consistent sustainability reportage harbours the propensity to assuage investors' apprehensions pertaining to profit manipulation or obfuscated financial exposures, as enterprises manifest their unwavering commitment to longitudinal governance probity (Dhaliwal et al., 2012).

The distinctive contribution of this inquiry resides in the assimilation of sustainability reporting as a moderating construct within a comprehensive analytical scaffolding alongside earnings management and capital architecture, with a concentrated purview on manufacturing enterprises enumerated on the Indonesia Stock Exchange throughout the 2019–2023 quinquennium. This methodological disposition broadens the epistemic understanding of how concomitant signals emanating from financial and non-financial dimensions collectively sculpt investors' appraisals of firm valuation. Accordingly, this inquiry endeavours to scrutinise the ramifications of earnings management, capital architecture, and sustainability reportage on firm value, whilst concurrently interrogating the moderating proclivity of sustainability reporting in tempering the bearing of earnings management and capital architecture on firm value among manufacturing entities enumerated on the Indonesia Stock Exchange throughout the aforementioned period.

2. Literature Review

2.1. The Impact of Earnings Management on Firm Value

Earnings management occurs when managers utilise accounting policies to influence profit figures in order to meet market expectations or achieve personal managerial objectives. The information asymmetry between managers and shareholders creates opportunities for this practice, which ultimately has a long-term impact on the quality of earnings and firm value (Abbas & Ayub, 2019). Within the framework of signalling theory, managers engaged in earnings management seek to send positive signals through the reporting of higher profits.

However, if these signals are based on manipulated information, investors will doubt the reliability of the information provided, thereby reducing firm value (Tulcanaza-Prieto & Lee, 2022).

A constellation of antecedent scholarly inquiries corroborates that earnings management exerts a deleterious bearing upon firm valuation. Rahmawati and Putri (2020) found that this practice reduces the credibility of financial statements for investors, whilst Insyarah and Widiatmoko (2022) demonstrated that firms with high levels of earnings management tend to experience a decline in firm value. Hernawati et al. (2021) further corroborated that the deployment of earnings manipulation stratagems to embellish profitability figures engenders a deleterious bearing upon firm valuation, particularly among enterprises preoccupied with short-term pecuniary gratification. Ergo, notwithstanding the ephemeral boons that earnings management may bestow, its longitudinal ramifications upon firm valuation are inclined to manifest as decidedly inimical.

H1: Earning management has a negative impact on firm value.

2.2. The Impact of Capital Structure on Firm Value

Capital structure relates to the proportion of debt and equity used to finance a firm's assets. An appropriate composition has a direct impact on the firm's financial condition and ultimately influences overall firm value (Sari et al., 2025) An optimal capital structure can create a strong and stable financial position, as well as drive an increase in share prices. Within the purview of signalling theory, the judicious deployment of debt in commensurate proportions may be construed as an auspicious signal, intimating that management harbours sanguine convictions regarding the enterprise's prospective performance trajectories, which ultimately engenders an appreciable augmentation in corporate valuation (Wulandari & Istiqomah, 2024).

Previous research has consistently shown that capital structure has a positive effect on firm value. Situmorang et al. (2025) state that firms that utilise debt strategically can drive business development and increase firm value. Putu and Devi (2024) and Syamsudin et al. (2020) also found that an optimal capital structure, particularly one supported by good profitability, can increase a company's market value. The predilection to harness debt financing is anticipated to be construed by investors as a propitious signal, intimating that the enterprise harbours auspicious growth trajectories in its prospective horizon.

H2: Capital structure has a positive effect on firm value.

2.3. The Impact of Sustainability Reports on Firm Value

Within the purview of signalling theory, the promulgation of sustainability reports is construed as a deliberate communiqué dispatched by management to exogenous stakeholders with the intent of attenuating informational asymmetry. The non-financial disclosures so furnished not only serve as an attestation of extant performance but equally furnish perspicacious intimations regarding the organisation's long-range trajectories. Exhaustive reportage, particularly that encompassing environmental, social, and governance dimensions in consonance with GRI standards, renders the information more regimented, quantifiable, and commensurable, thereby fortifying the epistemic calibre of the signal apprehended by investors (Muqtadir & Hersugondo, 2024).

A confluence of scholarly inquiries substantiates the postulation that sustainability reportage engenders an affirmative bearing upon firm valuation. Puspita and Jasman (2020) ascertained a statistically consequential salutary influence of sustainability disclosure on firm valuation, whilst Van Linh et al. (2022) and Rukmiyati et al. (2023) corroborated that sustainability intelligence harbours value-relevance in amplifying market commendation. The

more expansive and superior the calibre of an enterprise's sustainability disclosure, the more potent the propitious signal transmitted to investors, which ultimately precipitates a discernible augmentation in corporate valuation.

H3: Sustainability reports have a positive impact on corporate value.

2.4. Sustainability Reports Moderate the Impact of Earnings Management on Corporate Value

Earnings management practices are often perceived as reducing the quality of financial information and undermining market confidence. Notwithstanding, the existence of credible sustainability reportage may serve as a countervailing mechanism by furnishing more exhaustive and perspicuous intelligence pertaining to an enterprise's societal and environmental stewardship, thereby buttressing affirmative appraisals of the company's overarching integrity and fiduciary accountability (Wang & Sarkis, 2017). In this context, sustainability reports function as a positive signal that enhances a company's reputation in the eyes of investors and helps mitigate the negative impact of profit management practices.

Ningsih et al. (2023) expounded that within the milieu of burgeoning economies such as Indonesia, sustainability reportage harbours the propensity to attenuate the deleterious ramifications of earnings manipulation upon firm valuation, underscoring the cardinal salience of perspicuity in societal and environmental disclosures. Rukmiyati et al. (2023) also demonstrate that high-quality sustainability reports can reduce uncertainty and enhance transparency, which is crucial in moderating the negative impact of earnings management on firm value. Thus, sustainability reports have the potential to strengthen or minimise the influence of earnings management on firm value.

H4: Sustainability reports moderate the influence of earnings management on firm value.

2.5. Sustainability Reports Moderate the Influence of Capital Structure on Firm Value

Sustainability reports may function as a supplementary signal that corroborates investors' apprehensions regarding an enterprise's capital structure predilections. When organisations promulgate sustainability intelligence with candour and regularity, investors are predisposed to adjudge that the deployment of debt as a constituent of the capital structure is superintended judiciously and consonant with the organisation's protracted imperatives. Dhaliwal et al. (2012) evince that enterprises that volitionally divulge social responsibility and sustainability intelligence elicit a more propitious market rejoinder, insofar as they are perceived as being capable of mollifying informational asymmetry and attenuating investment peril.

Van Linh et al. (2022) and Ningsih et al. (2023) corroborate that sustainability reporting harbours the proclivity to galvanise investor certitude and dissipate market equivocality, particularly within the ambit of emergent economies. This assumes heightened salience when investors scrutinise capital structure proclivities encompassing leverage exposures, as sustainability reporting may operate as a signal-augmenting contraction that mitigates perceived vulnerabilities and consolidates conviction in the organisation's fiscal robustness. Corollarily, veracious sustainability disclosures are prognosticated to buttress the salubrious ramifications of capital structure upon firm valuation.

H5: Sustainability reports moderate the influence of capital structure on firm value.

From the previous background, the study proposed a conceptual framework as illustrated in Figure 1.

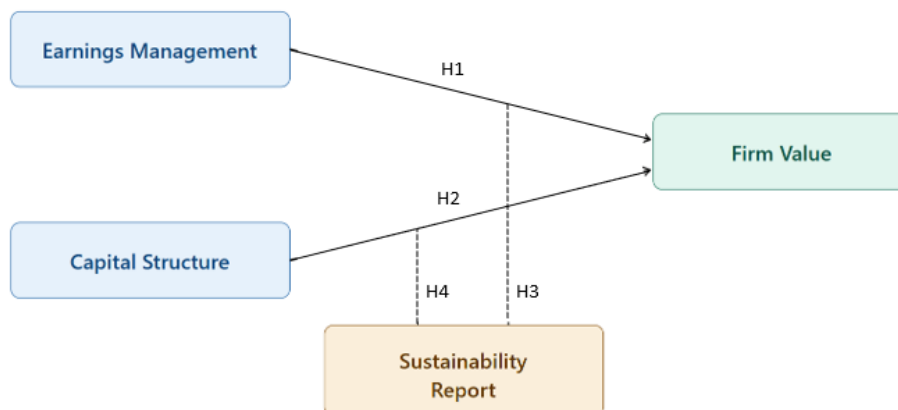


Figure 1. Conceptual Framework

3. Methods

3.1. Population and Sample

The population for this inquiry encompasses all manufacturing enterprises enumerated on the Indonesia Stock Exchange throughout the 2019–2023 quinquennium. With reference to the IDX Industrial Classification (IDX-IC) taxonomy, manufacturing entities were delineated from the Basic Materials, Industrials, Consumer Non-Cyclicals, Consumer Cyclicals, and Healthcare sectors, and subsequently sieved predicated upon their cardinal commercial undertakings entailing the metamorphosis of raw commodities into consummate or semi-consummate commodities. Specimen selection was executed through purposive sampling contingent upon the ensuing stipulations: enterprises must operationalise a production process, have been enumerated antecedent to the investigative period, have maintained uninterrupted enlistment on the IDX throughout 2019–2023, must not have undergone delisting, and must disseminate annual or sustainability reportage accessible via digital repositories. Predicated upon these stipulations, 103 specimen enterprises were culled from an aggregate populace of 201 manufacturing entities.

3.2. Data Collection Techniques

This inquiry harnessed secondary data manifested in the form of annual reportage and sustainability disclosures emanating from the 103 specimen enterprises throughout the 2019–2023 quinquennium, procured via the Indonesia Stock Exchange's digital repository and the respective enterprises' officiated online portals.

3.3. Variable Operationalisation

Enterprise value, as the dependent variable, was measured using Tobin's Q with the formula:

$$Tobin's\ Q = \frac{Market\ Value\ of\ Equity + Total\ Liabilities}{Total\ Assets}$$

Earnings management, as an independent variable, was measured using the Modified Jones Model (Dechow et al., 1995) by calculating discretionary accruals (DA) using the following steps:

Calculating the actual total accrual:

$$TAC_{it} = N_{it} - CFO_{it}$$

Estimating total accruals using OLS regression:

$$\frac{TA}{A_{it-1}} = \alpha_1 \left(\frac{1}{A_{it-1}} \right) + \alpha_2 \left(\frac{\Delta Rev_t}{A_{it-1}} \right) + \alpha_3 \left(\frac{PPE_t}{A_{it-1}} \right)$$

Calculating non-discretionary accruals:

$$NDA_{it} = \alpha_1 \left(\frac{1}{A_{it-1}} \right) + \alpha_2 \left(\frac{\Delta Rev_t - \Delta Rec_t}{A_{it-1}} \right) + \alpha_3 \left(\frac{PPE_t}{A_{it-1}} \right)$$

Calculating discretionary accruals:

$$DA_{it} = \frac{TA_{it}}{A_{it-1}} - NDA_{it}$$

Capital structure, as an independent variable, is measured using the debt-to-equity ratio (DER):

$$DER = \frac{Total Liabilities}{Total Equity}$$

Sustainability reporting as a moderating variable was measured using the GRI Standards 2021 with a scoring approach, whereby each item was scored as 1 if disclosed and 0 if not, out of a total of 118 disclosure items:

$$GRI\ Index\ Score = \frac{Total\ Disclosure\ Score}{118}$$

3.4. Data Analysis Techniques

Data scrutiny was executed employing SPSS version 26, encompassing descriptive statistical assessments, classical assumption diagnostics (normality via the Kolmogorov-Smirnov test, multicollinearity through tolerance and VIF magnitudes, heteroscedasticity via the Glejser test, and autocorrelation through the Durbin-Watson test), in conjunction with moderated regression examinations. The moderated regression equation model operationalised is delineated as follows:

$$Y = \beta_0 + \beta_1 DA + \beta_2 DER + \beta_3 SR + \beta_4 DA.SR + \beta_5 DER.SR + \varepsilon$$

whereby Y denotes firm valuation, DA signifies discretionary accruals, DER epitomises the debt-to-equity ratio, SR embodies the sustainability report, and ε constitutes the stochastic error term. Hypothesis corroboration was executed through a partial t-test to scrutinise the individual bearing of each constituent variable, a simultaneous F-test to appraise the overarching statistical significance of the model, and the coefficient of determination (R^2) to quantify the proportional variance in the dependent variable elucidated by the model. Statistical significance was stipulated at the $\alpha = 0.05$ threshold.

4. Results and Discussion

4.1. Research Results

4.1.1. Descriptive Statistics

Table 1. Descriptive Statistics Results

	N	Minimum	Maximum	Mean	Std. Deviation
DA	515	-,1921	,1753	,032784	,0784802
DER	515	,0461	4,7058	1,178709	1,0688018
SR	515	,1017	,7119	,290751	,1345219
TobinsQ	515	,5381	3,4938	1,195935	,6624010
Valid N (listwise)	515				

Source: SPSS 26 output

This inquiry harnessed 515 observational units. The earnings management constituent (DA) registered a minimum magnitude of -0.1921 (GOOD) and a maximum magnitude of 0.1753 (GGRM), with a mean of 0.032784 and a standard deviation of 0.0784802. A mean magnitude subordinate to the standard deviation intimates a comparatively elevated degree of dispersion, corroborating considerable heterogeneity in earnings management predilections amongst the specimen enterprises.

The capital architecture constituent (DER) registered a minimum magnitude of 0.0461 (DPNS) and a maximum of 4.7058 (INAF), with a mean of 1.178709 and a standard deviation of 1.0688018. The sustainability reportage (SR) constituent registered a minimum magnitude of 0.1017 (GJTL) and a maximum of 0.7119 (KLBF), with a mean of 0.290751 and a standard deviation of 0.1345219. The firm valuation constituent (Tobin's Q) registered a minimum magnitude of 0.5381 (LSMH) and a maximum of 3.4938 (MYOR), with a mean of 1.195935 and a standard deviation of 0.6624010. All three aforementioned constituents exhibit a mean surpassing the standard deviation, intimating greater homogeneity and centralisation of data around the mean. Holistically, earnings management constitutes the variable manifesting the most pronounced degree of variation, whilst capital architecture, sustainability reportage, and firm valuation exhibit comparatively more stable and consistent configurations within the investigative specimen.

4.1.2. Assumption Tests

A. Normality Test

Table 2. Normality Test Results

		Unstandardized Residual
N		515
Normal Parameters ^{a,b}	Mean	,0000000
	Std. Deviation	,340253
Most Extreme Differences	Absolute	,037
	Positive	,037
	Negative	-,02
Test Statistic		,037
Asymp. Sig. (2-tailed)		,091 ^c

a. Test distribution is Normal.

b. Calculated from data.

c. Lilliefors Significance Correction.

Source: SPSS 26 output

Looking at the outcomes of the normality diagnostic employing the One-Sample Kolmogorov-Smirnov Test, an Asymp. Sig. (2-tailed) magnitude of 0.091 was ascertained with

a specimen magnitude (N) of 515. This significance magnitude surpasses the 0.05 threshold (0.091 > 0.05), thereby warranting the inferential conclusion that the residual data underpinning this investigative model conform to a normal distributional pattern. The fulfilment of this normality assumption indicates that the regression model does not exhibit any significant distribution deviations, meaning that the resulting parameter estimates are more accurate and can be reliably used in hypothesis testing.

B. Multicollinearity Test

Table 3. Multicollinearity Test Results
Coefficients ^a

Model	Unstandardized Coefficients		Standardized Coefficients		Collinearity Statistics		
	B	Std. Error	Beta	t	Sig.	Tolerance	VIF
1 (Constant)	,356	,039		9,126	,000		
DA	-1,37	,207	-,162	-6,603	,000	,854	1,170
DER	,365	,017	,589	21,952	,000	,717	1,395
SR	1,564	,125	,318	12,478	,000	,797	1,254

a. Dependent Variable: TobinsQ

Source: SPSS 26 output

A multicollinearity diagnostic was undertaken to ascertain the absence of pronounced linear interrelationships amongst the independent constituents within the regression model, thereby ensuring that the resultant regression coefficients could be construed individually without estimation impropriety. As deliberated in the antecedent chapter, multicollinearity was detected through the Tolerance and VIF magnitudes. Looking at the outcomes of the multicollinearity diagnostic in the coefficients tabulation, it was ascertained that all independent constituents encompassed within this inquiry registered Tolerance magnitudes surpassing 0.10 and VIF magnitudes subordinate to 10, namely earnings management (DA) with a Tolerance of 0.854 and a VIF of 1.170, capital architecture (DER) with a Tolerance of 0.717 and a VIF of 1.395, and sustainability reportage (SR) with a Tolerance of 0.797 and a VIF of 1.254. These empirical outcomes intimate the absence of multicollinearity manifestations amongst the independent constituents; consequently, each constituent is capable of elucidating the dependent variable, firm valuation, autonomously, and the regression model operationalised satisfactorily fulfils the multicollinearity stipulation and is deemed apposite for deployment in subsequent hypothesis corroboration.

C. Heteroscedasticity Test

Table 4. Heteroscedasticity Test Results
Coefficients ^a

Model	Unstandardized Coefficients		Standardized Coefficients		t	Sig.
	B	Std. Error	Beta			
1 (Constant)	,210	,024			8,669	,000
DA	-,089	,129	-,033		-,691	,490
DER	,018	,010	,091		1,763	,079
SR	,123	,078	,077		1,579	,115

a. Dependent Variable: ABS_RES

Source: SPSS 26 output

Based on the outcomes of the heteroscedasticity diagnostic employing the Glejser method on the coefficients tabulation, it was ascertained that all independent constituents registered significance magnitudes surpassing 0.05, namely earnings management (DA) at 0.490, capital architecture (DER) at 0.079, and sustainability reportage (SR) at 0.115. These

magnitudes intimate that no independent constituent exerts a statistically consequential bearing upon the absolute residual magnitude (ABS_RES), thereby warranting the inferential conclusion that the regression model operationalised within this inquiry does not manifest heteroscedasticity. Consequently, the residual variance underpinning the model remains constant (homoscedasticity), signifying that the regression model is deemed apposite for subsequent analytical scrutiny and hypothesis corroboration.

D. Autocorrelation Test

Table 5. Autocorrelation Test Results
Model Summary^b

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	,858 ^a	,736	,735	,341251	2,114

a. Predictors: (Constant), SR, DA, DER

b. Dependent Variable: TobinsQ

Source: SPSS 26 output

An autocorrelation diagnostic was undertaken to ascertain whether any systematic interrelationship subsisted amongst residuals traversing disparate observational periods within the regression model. As delineated in Chapter 3 of the investigative methodology, the autocorrelation diagnostic was executed employing the Durbin–Watson (DW) test, which is conventionally operationalised to detect first-order autocorrelation in linear regression models. Predicated upon the diagnostic outcomes, a Durbin–Watson magnitude of 1.936 was ascertained. This magnitude approximates 2, intimating the absence of autocorrelation, whether affirmative or deleterious, within the regression model's residuals. A Durbin–Watson magnitude proximate to 2 corroborates that the residuals emanating from one observational unit are not systematically correlated with residuals emanating from antecedent or subsequent observational units. Ergo, the prognostic discrepancies within the regression model maintain independence across observational units.

4.1.3. Hypothesis Testing

A. Moderation Regression Test

Moderated regression was executed to interrogate the moderating proclivity of sustainability reportage (SR) in tempering the ramifications of earnings management (DA) and capital architecture (DER) upon firm valuation (Tobin's Q). This moderation framework was constructed through the assimilation of interaction terms encompassing the independent constituents and the moderating variable, namely DA_SR and DER_SR.

Table 6. Moderation Regression Analysis Results
Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients		t	Sig.
		B	Std. Error	Beta			
1	(Constant)	,512	,062			8,200	,000
	DA	-,263	,464	-,031		-,566	,572
	DER	,228	,038	,367		6,061	,000
	SR	1,070	,208	,217		5,147	,000
	DA_SR	-3,556	1,471	-,141		-2,418	,016
	DER_SR	,341	,097	,289		3,523	,000

a. Dependent Variable: TobinsQ

Source: SPSS 26 output

The moderation regression equation estimated in this study can be written as follows:

$$\text{TBQ} = 0,512 - 0,263 (\text{DA}) + 0,228 (\text{DER}) + 1,070 (\text{SR}) - 3,556 (\text{DA_SR}) + 0,341 (\text{DER_SR}) + \varepsilon$$

The diagnostic outcomes reveal that earnings management (DA) exerts no statistically discernible bearing upon firm valuation, registering a significance magnitude of 0.572 and a negative coefficient of -0.263. Conversely, capital architecture (DER) manifests a salutary and statistically consequential bearing upon firm valuation with a significance magnitude of 0.000 and a coefficient of 0.228, as does sustainability reportage (SR), which likewise exhibits an affirmative and statistically consequential bearing with a significance magnitude of 0.000 and a coefficient of 1.070.

Upon interrogation of the interaction constituents, sustainability reportage was substantiated as a moderator of both scrutinised interrelationships. The interaction between earnings management and sustainability reportage (DA_SR) registers a significance magnitude of 0.016 with a negative coefficient of -3.556, intimating that sustainability reportage attenuates the bearing of earnings management upon firm valuation. Concurrently, the interaction between capital architecture and sustainability reportage (DER_SR) registers a significance magnitude of 0.000 with an affirmative coefficient of 0.341, intimating that sustainability reportage amplifies the bearing of capital architecture upon firm valuation. Ergo, sustainability reportage operates as a moderating construct that simultaneously attenuates the bearing of earnings management whilst augmenting the salutary influence of capital architecture upon firm valuation.

B. Partial T-test

The examination of the inaugural hypothesis revealed that earnings management (DA) exerts no statistically discernible bearing upon firm valuation, registering a significance magnitude of 0.572 and a coefficient of -0.263; consequently, H1 was repudiated. Construed through the prism of signalling theory, earnings management predilections are perceived by investors as an unreliable signal, intimating that the market does not construe earnings management as a cardinal determinant for appraising an enterprise, or that investors have cultivated the acuity to discern the obfuscation of financial intelligence.

The scrutiny of the second hypothesis corroborates that capital architecture (DER) manifests a salutary and statistically consequential bearing upon firm valuation with a significance magnitude of 0.000 and a coefficient of 0.228, thereby warranting the acceptance of H2. The deployment of debt within the capital architecture is construed by the market as an auspicious signal of management's sanguinity regarding the enterprise's prospective performance trajectories; ergo, provided the debt magnitude remains circumscribed within optimal parameters, the market reciprocates affirmatively to this signal, manifested in a discernible augmentation of firm valuation.

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C. Simultaneous F-test

Table 8. ANOVA Table for the Moderation Regression Model

ANOVA ^a						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	169,449	5	33,890	307,589	,000 ^b
	Residual	56,081	509	,110		
	Total	225,530	514			

a. Dependent Variable: TobinsQ

b. Predictors: (Constant), DER_SR, DA, SR, DA_SR, DER

Source: SPSS 26 output

Predicated upon the outcomes of the ANOVA diagnostic, an F-statistic of 307.589 was ascertained with a significance threshold of 0.000, which remains subordinate to the 0.05 criterion. These results indicate that all variables in the model—namely, earnings management, capital structure, sustainability reports, and the interaction variables DA_SR and DER_SR—simultaneously have a significant effect on firm value. From the perspective of signalling theory, these findings suggest that investors evaluate a combination of financial and non-financial signals simultaneously, meaning that the moderation model is able to capture the complexity of the process by which investors assess firm value.

D. Coefficient of Determination Test

Table 9. Results of the R-squared Test for the Moderation Regression Model
Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	,867 ^a	,751	,749	,3319325

a. Predictors: (Constant), DER_SR, DA, SR, DA_SR, DER

Source: SPSS 26 output

The outcomes of the coefficient of determination diagnostic reveal an R-squared magnitude of 0.751 and an adjusted R-squared magnitude of 0.749, intimating that 75.1% of the variance in firm valuation is elucidated by the constituents of earnings management, capital architecture, sustainability reportage, and interaction terms encompassed within the model, whilst the residual 24.9% is attributable to extraneous determinants outside the model's purview. This comparatively elevated coefficient of determination corroborates that the amalgamation of financial and non-financial constituents is capable of adequately elucidating the configuration of investors' appraisals of firm valuation.

4.2. Discussion

4.2.1. The Effect of Earnings Management on Firm Value

Earnings management does not have a significant effect on firm value; therefore, H1 is rejected. Within the framework of signalling theory, profit information containing elements of manipulation through accrual policies produces less credible signals, so investors do not use

it as the primary basis for decision-making. This is also supported by the argument that accrual-based earnings management does not have a direct impact on a company's cash flow, so investors tend to consider other information that better reflects actual performance. These findings are consistent with Darmawan et al. (2019) and Aditia (2024), but differ from those of Rahmawati and Putri (2020), Insyarah and Widiatmoko (2022) and Sinatraz and Suhartono (2021), who found a significant negative effect. This discrepancy indicates that the effectiveness of earnings management as a signal is highly dependent on the level of information credibility and investors' ability to interpret it.

4.2.2. The Effect of Capital Structure on Firm Value

Capital structure has a positive and significant effect on firm value, thus H2 is accepted. Within the framework of signalling theory, the strategic use of debt reflects management's confidence in the firm's performance prospects and its ability to meet financial obligations, leading the market to respond positively to this signal. This finding is consistent with Situmorang et al. (2025), Putu and Devi (2024), Hardiansyah and Setiawan (2023), Syamsudin et al. (2020), and Sari et al. (2025), who confirm that an optimally managed capital structure contributes to an increase in firm value. This consistency confirms that debt financing policies not only reflect financing needs but also serve as an indicator of management optimism, which is responded to positively by the market.

4.2.3. The Impact of Sustainability Reports on Firm Value

Sustainability reportage manifests a salutary and statistically consequential bearing upon firm valuation, thereby warranting the acceptance of H3. Exhaustive non-financial disclosures operate as an auspicious signal that attenuates informational asymmetry subsisting between enterprises and investors, epitomising an unwavering longitudinal commitment to environmental, societal, and governance dimensions. In the context of the Indonesian capital market, companies that present sustainability reports in accordance with GRI standards tend to be perceived as having better governance and more sustainable prospects. These findings are consistent with Puspita and Jasman (2020), Van Linh et al. (2022), Rukmiyati et al. (2023), and Muqtadir and Hersugondo (2024), who confirm that sustainability disclosure has value in enhancing market appreciation of companies.

4.2.4. Sustainability Reports Moderate the Effect of Earnings Management on Firm Value

Although earnings management does not have a significant direct effect, its interaction with sustainability reports results in a significant negative effect, thus H4 is accepted. This phenomenon indicates that the effect of earnings management is conditional. When companies disclose sustainability reports, investors have a broader information base to evaluate the company's overall quality, making earnings management practices easier to interpret as opportunistic actions and eliciting a clearer negative response from the market. Conceptually, these findings are supported by López-Santamaría et al. (2021), Wang and Sarkis (2017), Friske et al. (2023), and Ningsih et al. (2023), who demonstrate that sustainability reports enhance transparency and reduce information asymmetry, thereby playing a role in clarifying the impact of financial information on firm value.

4.2.5. Sustainability Reporting Moderates the Effect of Capital Structure on Firm Value

Sustainability reporting was found to strengthen the positive effect of capital structure on firm value, thus H5 is accepted. Consistent sustainability disclosure that adheres to specific standards reflects a company's genuine commitment, leading investors to view debt usage not merely as short-term expansion but as managed within a framework of long-term

sustainability. In this context, sustainability reporting helps mitigate the risk perception associated with leverage, consistent with Dhaliwal et al. (2012), who demonstrated that voluntary sustainability disclosure yields a more positive market response as it is viewed as a mechanism for reducing information risk. These findings are also consistent with Clarkson et al. (2008), Nugrahani et al. (2022), and Van Linh et al. (2022), who confirm that a combination of financial and non-financial signals strengthens the credibility of information and investor confidence in the company.

5. Conclusion

This inquiry seeks to identify the bearing of earnings management, capital structure, and sustainability reportage upon firm valuation, alongside the moderating proclivity of sustainability reportage amongst manufacturing enterprises enumerated on the Indonesia Stock Exchange throughout the 2019-2023 quinquennium. The empirical outcomes indicate that earnings management exerts no statistically discernible bearing upon firm valuation, intimating that the market does not predominantly predicate its valuation assessments upon earnings intelligence. Conversely, capital structure manifests a salutary and statistically consequential bearing, corroborating that the judicious deployment of debt is construed by investors as an auspicious signal of management's sanguinity regarding the enterprise's prospective trajectories. Sustainability reports were also found to have a positive and significant effect, confirming that non-financial information is becoming increasingly relevant in the process of company valuation by investors.

Upon interrogation of the moderation framework, sustainability reportage was substantiated to attenuate the bearing of earnings management upon firm valuation. The prevalence of sustainability disclosures furnishes investors with a more expansive informational repository, rendering earnings manipulation predilections more susceptible to identification as opportunistic machinations, thereby precipitating an inimical market response. Conversely, sustainability reportage was likewise corroborated to amplify the bearing of capital structure upon firm valuation, intimating that financial signals manifested in the guise of debt predilections are perceived as more credible and commendable by the market when buttressed by commensurate sustainability disclosures.

Holistically, this inquiry substantiates that the amalgamation of financial and non-financial signals engenders a more exhaustive investor appraisal in ascertaining firm valuation. These empirical revelations posit that manufacturing enterprises ought to ameliorate the quality of their sustainability reportage as a stratagem to augment firm valuation, investors ought to assimilate non-financial intelligence within their investment appraisals, and regulatory authorities may incentivise the enhancement of sustainability reporting standards within the Indonesian milieu. Subsequent scholarly inquiries are advocated to broaden the sectoral purview, amalgamate accrual and real earnings management gauges, and incorporate constituents such as corporate governance and profitability to cultivate a more encompassing and exhaustive analytical model.

6. References

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