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Effect of Financial Distress, Earnings Management, and Sustainability Disclosure on Company Value

Nabilla Kartika Dewi[1], *Yusro Rahma*[2]

Faculty of Economics and Business, Syarif Hidayatullah State Islamic University Jakarta, Indonesia
*Correspondence: E-mail: dewinabillaa@gmail.com, yusro.rahma@uinjkt.ac.id

A B S T R A C T

This study aims to analyze the effect of financial distress, earnings management, and sustainability disclosure on company value. The research focuses on energy sector companies listed on the Indonesia Stock Exchange (IDX) during the 2021–2024 period. Employing a purposive sampling method, a sample of 92 data points was obtained and analyzed using panel data regression with EViews 12 software. The findings indicate that financial distress does not have a significant effect on company value. Meanwhile, both earnings management and sustainability disclosure were found to have a negative and significant effect on company value. These results provide valuable insights for companies, investors, and regulators regarding the importance of transparent reporting practices and sound financial management strategies.

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1. INTRODUCTION

The increasingly competitive modern economy tends to encourage companies to compete intensively in order to maintain their existence and increase their competitiveness. Fierce competition prompts companies to improve their performance in order to achieve profits while providing welfare for shareholders through increased company value. Company value is defined as investors' perception of company performance and is one of the main factors in investment decision-making (Pranoto & Marsono, 2023). Companies with high value not only reflect good financial performance but also promising prospects that can increase market confidence (Prasetyo, 2024). The value of a company in the eyes of investors can be seen clearly through the price of its shares. In general, an increase in share prices is triggered by investors' positive expectations regarding the company's future performance. Therefore, companies are required to create a sense of security and provide welfare to investors through sustainable increase in company value (Holly et al., 2023).

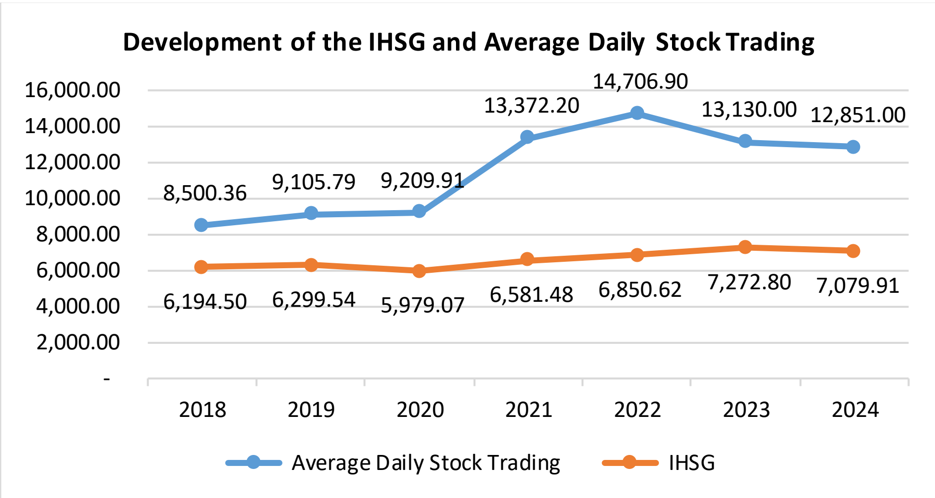

Figure 1. Development of the IHSG and Average Daily Stock Trading

Source: Financial Service Authority (OJK)

Based on Figure 1, the IHSG showed an upward trend from 2021, reaching a level of 7,272.80 in 2023. However, in 2024, the IHSG declined to 7,079.91. This decline was accompanied by a weakening of the average daily stock trading value, from Rp13,130.00 billion in 2023 to Rp12,851.00 billion in 2024. This phenomenon reflects increased investor caution in trading in the capital market, which can affect market perceptions of company value.

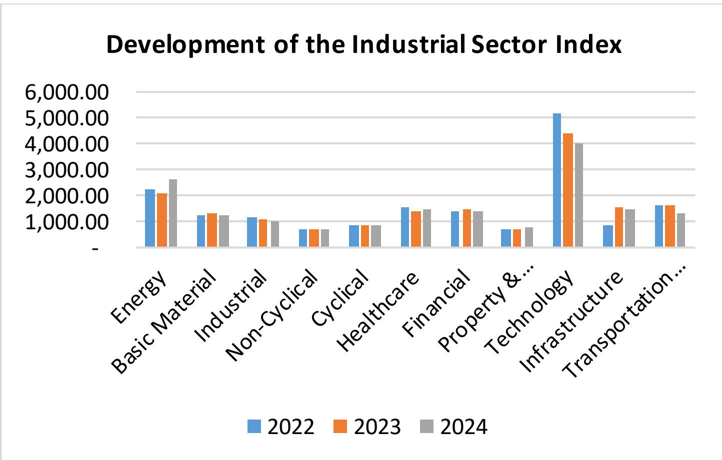

Figure 2. Development of the Industrial Sector Index

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Source: Financial Service Authority (OJK)

Although aggregate market dynamics show a downward trend, this does not necessarily reflect the condition of the entire industrial sector. Some sectors continue to record positive performance and attract investor attention. One sector showing the most significant growth is the energy sector, as seen in Figure 2. The energy sector index surged sharply from 2,100.86 in 2023 to 2,689.27 in 2024, representing a growth of 28.01%. This increase reflects the market's growing optimism about the prospects and performance of companies operating in the energy sector.

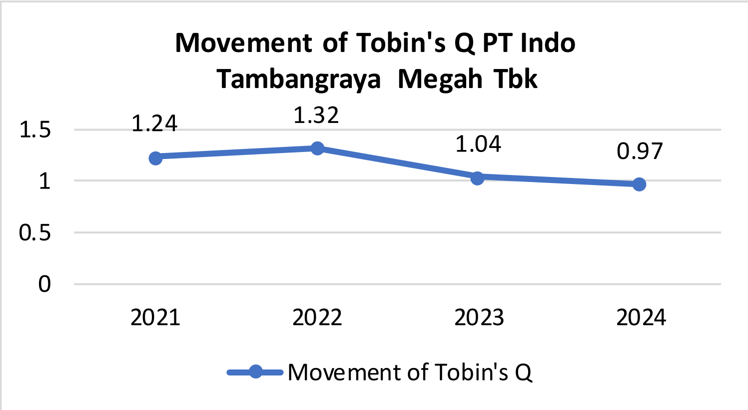

Figure 3. Movement of Tobin's Q PT Indo Tambangraya Megah Tbk

Source: Data processed by researchers from the Annual Report of PT Indo Tambangraya Megah Tbk, 2021-2024

Although the energy sector showed positive performance, this was not fully reflected in individual company values, as shown in Figure 3. Although it briefly rose to 1.32 in 2022, the value of PT Indo Tambangraya Megah Tbk, measured by Tobin's Q, declined consecutively to 1.04 in 2023 and 0.97 in 2024. This decline indicates that the market's valuation of the company does not fully reflect the positive performance of the energy sector as a whole. This suggests the presence of specific internal factors influencing the company's value beyond sectoral trends, necessitating further analysis to identify and understand these factors.

One factor that can potentially affect company value is internal financial conditions, especially when a company experiences financial distress. Financial distress is a condition in which a company experiences financial difficulties or is facing bankruptcy (Revanza & Wahyuni, 2023). Financial difficulties can arise in the form of an inability to meet short-term obligations (technical insolvency) or extreme conditions where liabilities exceed total assets (bankruptcy) (Tanjung, 2023). Tanjung (2023) emphasize that when the value of assets equals the value of debt, the value of equity becomes zero and control of the company passes to creditors. This condition is generally caused by excessive use of debt and can lead to business failure, legal bankruptcy, technical insolvency, or accounting insolvency. From an investor's perspective, financial distress is seen as reducing market confidence and having a negative impact on company value (Merlinda & Putri, 2024). Signaling theory by Spence (1973) becomes highly relevant, as it explains how management provides financial and non-financial information signals to external parties to reduce information asymmetry (Nariman & Catherine, 2020). When a company is in financial distress, the market generally interprets this as a negative signal about its future prospects, which can heighten investor concerns and further erode confidence. Therefore, accurate and transparent communication of signals is crucial in maintaining shareholder trust and stabilizing company value during times of financial difficulty.

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In the face of economic uncertainty and market pressures, companies often engage in earnings management as a strategy to maintain their performance image. Earnings management is an action taken by company management to influence or manipulate profit information by relying on knowledge and control over operations and financial reporting systems within the company, thereby causing profit information to be distorted (Buertey et al., 2019). This practice is opportunistic and has the potential to harm various parties, both internal and external to the company (Juliana & Wijaya, 2022). The presence of earnings management reduces the credibility of financial reports because it produces biased information that does not reflect the company's actual economic condition (Pramudita & Robinson, 2024). Agency theory, introduced by Jensen and Meckling (1976), explains this phenomenon through the problem of separation between ownership and control, where agents (management) act on behalf of principals (shareholders). In practice, earnings management reflects a conflict of interest in which managers do not always act in the best interest of shareholders (Bae et al., 2018). Such distortions can undermine investor confidence in the integrity of financial information, lower market perceptions of the company's credibility and prospects, and ultimately harm company value. Therefore, agency theory emphasizes the need for appropriate incentives to align the interests of managers and shareholders, encouraging agents to act more accountably (Ahmad, 2023)

Amid growing awareness of sustainability issues, companies are increasingly required to be more transparent in disclosing economic, social, and environmental impacts through sustainability reports. Massive exploitation of natural resources often causes environmental damage and losses for surrounding communities, reflecting the low level of environmental concern among some businesses in Indonesia (Prasetyo, 2024). In this context, the disclosure of sustainability reports becomes an important strategy for building stakeholder trust, which ultimately can have a positive impact on the company's value (Rustiarini, 2010). According to legitimacy theory (Guthrie & Parker, 1989), organizations must demonstrate that their operations align with prevailing social values, and one way to achieve this legitimacy is through disclosure of information in company reports. Such disclosure not only reflects the company's core values and governance but also serves to minimize public attention to the negative impacts of its activities (Lindblom, 1994). By integrating economic, social, and environmental aspects into sustainability reporting, companies can show their commitment to socially accepted values, strengthen their image, and increase legitimacy in the eyes of society (Astuti, 2024). A positive image in turn enhances investor confidence and influences investment decision-making, which ultimately supports long-term company value (Holly et al., 2023).

Considering the importance of company value as a key indicator of performance and market perception, this study aims to empirically examine how financial distress, earnings management, and sustainability report disclosure affect company value. This study develops the research of Heling & Lastanti (2024) by adding sustainability report disclosure as an independent variable that has not been previously examined, focusing on energy sector companies listed on the Indonesia Stock Exchange (IDX) for the 2021–2024 period, and employing panel data regression analysis to provide a more robust methodological approach.

Hypothesis

Financial distress is a condition in which a company faces significant financial difficulties but has not yet reached the stage of bankruptcy (Sari, 2022). According to signal theory, predictions of bankruptcy experienced by a company can be considered a negative signal by investors, which

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affects their perception of the company's prospects. One of the main objectives of investors in investing is to establish business partnerships that generate mutual profits in the future (Merlinda & Putri, 2024). When negative signals emerge, investor confidence may decline, which ultimately affects their investment decisions. This decline in confidence has the potential to reduce investor interest in the company, thereby negatively impacting the company's value. Research conducted by Merlinda & Putri (2024) and Juniarsi et al. (2023) shows that financial distress has a negative effect on company value. Based on this description, the hypothesis formulated is:

H_1: Financial distress negatively affects company value

Earnings management practices are one element that has the potential to reduce confidence in the credibility of financial statements. Pernamasari & Melinda (2019) explain that earnings management can reduce the reliability of financial statements when used as a basis for decision-making. This is due to the nature of earnings management, which introduces additional bias into financial statements and can disrupt financial statement users (Pramudita & Robinson, 2024). The agency conflict that arises in this context can cause profit statements to not reflect the actual condition of the company, thereby reducing profit quality. This low profit quality has the potential to cause long-term negative impacts, including a decline in company value in the future, which in turn can affect operational sustainability and the company's image in the public eye (Pernamasari & Melinda, 2019). Prior studies by Limarwati et al. (2023) and Juliana & Wijaya (2022) demonstrate that earnings management adversely affects firm value. In light of this discussion, the following hypothesis is proposed:

H_2: Earnings management negatively affects company value.

According to Legitimacy Theory, sustainability reporting provides details about the company's behavior that is considered socially appropriate (Simamora & Kusharyanti, 2023). The community or environment where the company operates will grant recognition or legitimacy to the company's existence and operations if the company demonstrates tangible social contributions (Loh et al., 2017). To gain support from society and the social environment, companies are advised to transparently disclose their responsibilities toward all operational activities. Companies that successfully obtain social legitimacy tend to more easily increase company value, which ultimately can contribute to increased revenue (Simamora & Kusharyanti, 2023). Research conducted by Iskandar et al. (2024), Putri & Herawaty (2024), and Natalia & Soenarno (2021) shows that sustainability reports have a positive effect on corporate value. Based on the above, the hypothesis formulated is:

H_3: Sustainability disclosure positively influences corporate value.

Based on the hypothesis formulation described above, a conceptual framework was developed to systematically describe the relationships between variables in this study, as shown in Figure 4.

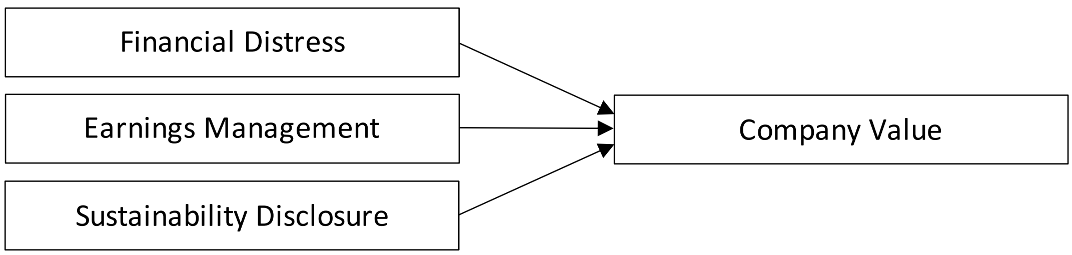

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Figure 4. Conceptual Framework

2. METHODOLOGY

Research Methodology

This research employs a quantitative method with a causal-associative design, aiming to analyze the relationships and effects among variables, specifically focusing on how financial distress, earnings management, and sustainability disclosure impact company value.

Data Collection

This study utilizes secondary data derived from the annual financial statements and sustainability reports of energy sector companies listed on the Indonesia Stock Exchange (IDX). The data was gathered from the official websites of the respective companies as well as the IDX's official site (www.idx.co.id). The observation period spans four years, from 2021 to 2024. The specific companies included in the sample were selected based on predetermined criteria, detailed as follows:

Table 1. Sample Criteria Used in the Study

Criteria Description	Amount
Energy sector companies listed on the Indonesia Stock Exchange	90
Energy sector companies not listed on the Indonesia Stock Exchange consecutively during 2021-2024	(24)
Companies that have not provided annual reports during the research period of 2021-2024 on the Indonesia Stock Exchange or the company's official website.	(18)
Companies that do not provide the information required for measuring the research variables	(17)
Number of companies meeting the criteria	31
Number of observations (31 companies x 4 years)	124
Outlier data	32
Observations that can be processed	**92**

Data Analysis Methods

This research employs quantitative analytical methods, utilizing EViews 12 software for data processing and examination. The analysis commences with descriptive statistics to outline the fundamental characteristics of the dataset. The core analytical approach applied is panel data regression, which integrates both time series and cross-sectional elements.

The research methodology involved selecting the most appropriate panel data regression model from three approaches: the Common Effect Model (CEM), the Fixed Effect Model (FEM), and the Random Effect Model (REM). This selection process was based on the outcomes of the Chow, Hausman, and Lagrange Multiplier tests. The chosen model was then subjected to further validation, which included diagnostics for classical assumptions, an assessment of the model's explanatory power via the coefficient of determination (R^2), and hypothesis testing for both overall (F-test) and individual (t-test) significance.

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Operational Variables

The variables used in this study consist of independent variables and dependent variables. The precise measurements of these variables are:

Table 2. Operationalization of Research Variables

Variables	Measurement
Company Value (Heling & Lastanti, 2024)	$Q = \frac{MVE + Debt}{TA}$
Financial Distress (Heling & Lastanti, 2024)	$Z" - Score = 6{,}56X_1 + 3{,}26X_1 + 6{,}72X_3 + 1{,}05X_4$
Earnings Management (Juliana & Wijaya, 2022)	$DA_{it} = \frac{TA_{it}}{A_{it-1}} - NDA_{it}$
Sustainability Disclosure (Natalia & Soenarno, 2021)	$SRDI = \frac{Number\ of\ items\ disclosed}{Expected\ number\ of\ items\ disclosed}$

3. RESULT AND DISCUSSION

Descriptive Statistical Analysis

Descriptive statistics provide a summary of the key characteristics of each research variable by calculating the maximum and minimum values, the mean (average), and the standard deviation, which reflects the degree of variability within the data.

Table 3. Descriptive Statistical Test Results

	TQR	FD	DA	SR
Mean	0.889347	5.126739	-0.010527	0.433827
Maximum	1.514468	26.50922	0.160233	0.736264
Minimum	0.262842	-4.501398	-0.278046	0.054945
Std. Dev.	0.258034	5.160806	0.078716	0.175896

Source: Output Eviews 12, processed data (2025)

According to Table 3, the dependent variable representing company value—measured using Tobin's Q ratio (TQR)—shows a maximum of 1.514468 and a minimum of 0.262842, with a mean of 0.889347 and a standard deviation of 0.258034. These figures suggest that, on average, companies tend to have market valuations slightly below their book values. The independent variable for financial distress ranges from -4.501398 to 26.50922, with an average of 5.126739 and a standard deviation of 5.160806, indicating substantial variability across firms. The earnings management variable, represented by discretionary accruals (DA), has a maximum of 0.160233 and a minimum of -0.278046, with a mean of -0.010527 and a standard deviation of 0.078716, reflecting a generally neutral stance in earnings manipulation. Meanwhile, sustainability report (SR) disclosure ranges from 0.054945 to 0.736264, with an average of 0.433827 and a standard deviation of 0.175896, suggesting that most companies have started integrating sustainability reporting into their disclosures.

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Regression Model Selection
Chow Test

The Chow test is used to determine the most appropriate estimation model in panel data analysis, namely between the Common Effect Model (CEM) and the Fixed Effect Model (FEM). This test relies on the probability value of the Cross-section F statistic. If the Prob. Cross-section F is greater than 0.05, the Common Effect Model is deemed appropriate. Conversely, if the Prob. Cross-section F is less than 0.05, the Fixed Effect Model is considered more suitable. The following section presents the results of the panel data regression model selection using the Chow Test:

Table 4. Chow Test Results

Effects Test	Statistic	d.f.	Prob.
Cross-section F	13.078579	(26,62)	0.0000
Cross-section Chi-square	171.987083	26	0.0000

Source: Output Eviews 12, processed data (2025)

As shown in Table 4, the Chow test yields a Prob. Cross-section F value of 0.0000, which is less then 0.05 significance threshold (0.0000 < 0.05). This result indicates that the Fixed Effect Model is more suitable for estimating the panel data regression. Consequently, the analysis proceeds with the Hausman test to determine the next appropriate model.

Hausman Test

The Hausman test helps decide whether the Fixed Effect Model (FEM) or the Random Effect Model (REM) is more suitable in panel data analysis. The decision depends on the probability value of the Cross-section Random test. If this probability value is greater than 0.05, the Random Effect Model is preferred. On the other hand, if the probability value is less than 0.05, the Fixed Effect Model is deemed more appropriate. The following presents the results of the panel data regression model selection test conducted using the Hausman Test are as follows:

Table 5. Hausman Test Results

Correlated Random Effects – Hausman Test			
Test Summary	Chi-sq. Statistic	Chi-sq. d.f.	Prob.
Cross-section random	16.252145	3	0.0010

Source: Output Eviews 12, processed data (2025)

Table 5 presents the results of the Hausman test, showing a Cross-section Random probability value of 0.0010, which is less than 0.05 significance threshold (0.0010 < 0.05). This outcome confirms that the Fixed Effect Model is the more suitable approach for panel data regression analysis. Given that both the Chow Test and the Hausman Test support the use of the Fixed Effect Model (FEM), conducting the Lagrange Multiplier Test is deemed unnecessary for this study.

Classical Assumption Test
Normality Test

The normality test aims to evaluate whether the residuals produced by the regression model are normally distributed (Fajri et al., 2023). Data is considered normally distributed if the probability value exceeds 0.05. The following are the results of the Normality Test:

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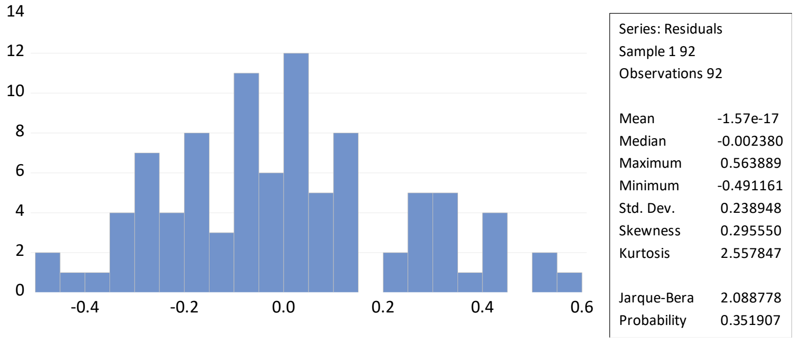

Figure 5. Normality Test Results

Source: Output Eviews 12, processed data (2025)

The normality test results, as illustrated in the Figure 5, show a probability value of 0.351907, which is greater than 0.05 significance level. This indicates that the data used in the model follows a normal distribution.

Multicollinearity Test

Multicollinearity test is conducted to detect the correlation between independent variables in the regression model (Fajri et al., 2023). This test evaluates the Variance Inflation Factor (VIF), where a VIF value below 10 indicates no multicollinearity, while a value above 10 indicates indicates no multicollinearity. The results of the multicollinearity test are presented below:

Table 6. Multicollinearity Test Results

Variabel	Coefficient Variance	Uncentered VIF	Centered VIF
C	0.007500	11.68695	NA
FD	2.73E-05	2.242716	1.122655
DA	0.122170	1.178190	1.159153
SR	0.027007	9.192116	1.288818

Source: Output Eviews 12, processed data (2025)

Based on Table 6, the multicollinearity test results show that all variables have Variance Inflation Factor (VIF) values below 10. This suggests that the regression model does not suffer from multicollinearity issues.

Heteroscedasticity Test

The heteroscedasticity test aims to detect any inconsistency in the variance of residuals across observations. In this study, the Glejser Test is employed for this purpose. If the Prob. Chi-Square value of Obs * R-squared is greater than 0.05, it can be concluded that there is no heteroscedasticity (Fajri et al., 2023). The following presents the results of the Heteroscedasticity Test:

Table 7. Heteroscedasticity Test Results

Heteroskedasticity Test: Glejser			
F-statistic	2.381572	Prob. F(3,88)	0.0749
Obs*R-squared	6.908569	Prob. Chi-Square(3)	0.0749
Scaled explained SS	5.166403	Prob. Chi-Square(3)	0.1600

Source: Output Eviews 12, processed data (2025)

Based on Table 7, the Glejser Test results show that Prob. Chi-Square of Obs*R-squared is above 0.05. Thus, it can be concluded that the regression model does not experience heteroscedasticity problems.

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Autocorrelation Test

The autocorrelation test aims to detect a correlation between residuals from one period to another (Fajri et al., 2023). The following presents the results of the Autocorrelation Test:

Table 8. Autocorrelation Test Results

R-squared	0.143798	Mean dependent var	0.889565
Adjusted R-squared	0.114609	S.D. dependent var	0.258235
S.E. of regression	0.242987	Akaike info criterion	0.050888
Sum squared resid	5.195762	Schwarz criterion	0.160531
Log likelihood	1.659136	Hannan-Quinn criter.	0.095141
F-statistic	4.926489	Durbin-Watson stat	1.183065
Prob(F-statistic)	0.003284		

Source: Output Eviews 12, processed data (2025)

Based on Table 8, the Durbin-Watson (DW) value of 1.183065, is in the range between -2 to +2 (-2 < 1.183065 < +2). This result suggests that the regression model does not exhibit signs of autocorrelation.

Hypothesis Test

Panel Data Regression Test

Regression analysis is used to identify the effect of independent variables, namely financial distress, earnings management, and sustainability disclosure, on the dependent variable, namely company value. In this study, hypothesis testing was carried out through three analyses, namely the coefficient of determination (R2) test, simultaneous significance test (F test), and partial significance test (t test).

Determination Coefficient Test (R^2)

The determination coefficient test is conducted to measure the extent to which the independent variables in explaining the dependent variable. The findings of the coefficient of determination (R^2) test are summarized in the Table 9.

Table 9. Panel Data Regression Test using The Fixed Effect Model

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	1.193366	0.101706	11.73347	0.0000
FD	0.004169	0.006089	0.684668	0.4961
DA	-0.560021	0.241023	-2.323511	0.0234
SR	-0.763640	0.209690	-3.641753	0.0006
Effects Specification				
Cross-section fixed (dummy variables)				
Root MSE	0.093395	R-squared		0.867553
Mean dependent var	0.889347	Adjusted R-squared		0.805602
S.D. dependent var	0.258034	S.E. of regression		0.113769
Akaike info criterion	-1.251779	Sum squared resid		0.802486
Schwarz criterion	-0.429457	Log likelihood		87.58184
Hannan-Quinn criter.	-0.919883	F-statistic		14.00385
Durbin-Watson stat	2.444082	Prob(F-statistic)		0.000000

Source: Output Eviews 12, processed data (2025)

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Based on Table 9, the Adjusted R-Squared value is 0.805602 or 80.6%. This indicates that the independent variables consisting of financial distress, earnings management, and sustainability disclosure together are able to explain variations in the dependent variable, namely company value, by 80.6%. Meanwhile, the remaining 19.4% is influenced by other variables not discussed in this study, such as tax planning and intellectual capital.

Simultaneous Significance Test (F Test)

The F test is used to determine whether all independent variables, such as financial distress, earnings management, and sustainability disclosure together have an influence on the dependent variable of company value. The F-test results are presented in the following table. As shown in Table 9, the F-statistic is 14.00385, with a probability value of 0.000000 less than 0.05 significance threshold. This suggests that, collectively, the independent variables exert a meaningful influence on firm value.

Partial Significance Test (t Test)

The t test is used to evaluate the individual effect of each independent variable on the dependent variable. Based on the results in Table 9, the following regression equation is derived:

$$TQR = 1.193366 + 0.004169FD - 0.560021DA - 0.763640SR$$

The interpretation of the effect of each independent variable, such as financial distress, earnings management, and sustainability disclosure on the dependent variable of company value is as follows:

The Effect of Financial Distress on Company Value

Based on Table 9, the test results show that financial distress does not have a significant effect on company value, as indicated by a probability value of 0.4961 > 0.05 and a coefficient of 0.004169. This means that financial distress does not necessarily reduce company value in the eyes of investors. This finding is interesting, given that signal theory explains that distress conditions should serve as a negative signal to the market, which could ultimately trigger a decline in stock prices and company value.

However, in practice, investors do not always respond negatively to a single risk indicator. Instead, investors tend to consider more comprehensive factors, such as long-term growth prospects, management effectiveness, debt restructuring strategies, and the company's ability to manage assets optimally. In other words, companies experiencing financial distress can still maintain or even increase their corporate value if they can demonstrate credible recovery potential and performance.

These results are consistent with the research by Heling & Lastanti (2024), Santoso et al. (2023), and Sudarma & Sari (2020), who state that financial distress does not affect company value. One of the contributing factors is the characteristics of investors who are more long-term oriented, loyal, and have a high level of trust in the company. However, these result contradict the findings of Merlinda & Putri (2024) and Juniarsi et al. (2023), who found that financial distress has a negative impact on company value, which indicate that the level of distress is a primary consideration in investment decisions, and the higher the level of distress, the greater the likelihood of a decline in overall company value.

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The Effect of Earnings Management on Company Value

The results of the test in Table 9 show that earnings management has a negative and significant effect on company value, with a probability value of 0.0234 < 0.05 and a coefficient of -0.560021. These results indicate that the higher the level of earnings management practiced by a company, the lower its value. Theoretically, this is consistent with agency theory, which highlights the conflict of interest between managers as agents and shareholders as principals.

In an agency relationship, managers have access to internal information that shareholders do not have, creating information asymmetry. This situation allows managers to act opportunistically by manipulating financial statements to appear better than the actual conditions. This practice reduces the quality of information available to investors and ultimately erodes confidence in the company's integrity. In the short term, earnings management may give the impression of stability or improved performance. However, in the long term, the market tends to recognize such irregularities. When these practices are exposed or suspected, they can reduce investment interest and cause a decline in stock prices in the market, ultimately impacting the company's value.

These findings support the research of Widyaningsih (2024), Limarwati et al. (2023), and Suwarno et al. (2021), which states that earnings management has a negative impact on company value, but is not in line with Holly et al. (2023), which concludes that earnings management has a positive impact on company value. Earnings management can actually enhance investor confidence because the information presented aligns with market expectations.

The Impact of Sustainability Disclosure on Company Value

Based on Table 9, sustainability disclosure has a negative and significant impact on company value, as indicated by the probability value of 0.0006 < 0.05 and a coefficient of -0.763640. These findings indicate that the higher the level of sustainability disclosure, the lower the company's market value. This seems to contradict the legitimacy theory, which states that companies will gain public support by openly demonstrating their social and environmental responsibility.

Ideally, sustainability reports aim to increase transparency, reputation, and legitimacy in the eyes of the public and investors. However, in reality, extensive disclosure of non-financial commitments such as carbon emission reduction, human rights protection, and community development can be seen as an additional operational burden that reduces company profitability. Additionally, the characteristics of investors in the Indonesian capital market, who are more focused on short-term financial indicators such as net profit and dividends, make sustainability reports less positively appreciated. Expenditures on sustainability activities are often seen as reducing returns rather than as strategic long-term investments.

These results are consistent with Fadillah & Noormansyah (2023) and Pamungkas & Meini (2023), who state that sustainability report disclosure has a negative effect on company value. However, they contradict Dase et al. (2024), who state that sustainability report disclosure has a positive effect on company value. Sustainability disclosure actually enhances investor appeal and supports increased company value, particularly among investors concerned with environmental and social aspects.

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4. CONCLUSSION

This study aims to examine the effect of financial distress, earnings management, and disclosure of sustainability reports on company value with corporate governance as a moderating variable, in energy sector companies listed on the IDX during 2021-2024. Based on panel data regression analysis and moderation regression on 92 samples, it was found that financial distress has no significant effect on company value, while earnings management and sustainability

disclosure have a negative and significant effect.

The implication of this finding is that it is important for management to maintain investor perception through transparent communication and reporting, avoiding manipulative practices in financial and sustainability reports. The limitations of the study include the limited number of variables, time coverage that only covers the 2021-2024 period, and focus on the energy sector. Therefore, future research is recommended to add variables such as tax planning or intellectual capital, expand the observation period, and examine other industrial sectors in order to obtain a more comprehensive understanding and broader generalization.

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