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The Effect of Business Strategy, Profitability, Environmental Performance, and Corporate Social Responsibility on Firm Value

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Abstract: This study aims to examine the effect of business strategy, profitability, environmental performance, and CSR on firm value in oil, gas, and coal subsector companies listed on Indonesia Stock Exchange (IDX) during 2019 – 2023. The method used is a quantitative descriptive method. This research employs multiple linear regression analysis using SPSS 26 statistical software. The research sample consists of 30 companies selected through a purposive sampling technique, resulting in 91 units of research data obtained from company's annual financial reports published on IDX. The independent variables studied are business strategy, profitability, environmental performance, and corporate social responsibility, with leverage and liquidity as control variables. The results indicate that profitability and environmental performance have a positive significant effect on firm value, while business strategy and CSR not is not significantly affect firm value.

Keywords: firm value, business strategy, profitability, environmental performance, corporate social responsibility, signaling theory.

INTRODUCTION

Firm value represents investors' perceptions of a company's level of success, which is frequently associated with stock prices since it reflects the market's assessment of the company's profitability potential and risk exposure (Sujoko & Soebiantoro, 2007). From an investor's perspective, high firm value is considered an indicator of corporate success closely linked to stock prices, meaning that the higher the company's stock price, the higher its firm value (Sukmawardini & Ardiansari, 2018). High firm value not only enhances market confidence in the company's current performance but also in its future prospects. To achieve high firm value, companies must exhibit strong financial performance, which can be evaluated through their ability to generate profit, commonly referred to as profitability. Profitability is the company's ability to generate net income during a specific operating period (Lumoly et al., 2018). Companies with high profitability tend to attract investors due to the expectation of favorable returns, which increases demand for the company's shares. Higher share demand drives up stock prices, ultimately increasing firm value.

On the other hand, as global awareness of environmental issues continues to rise, the world is currently facing increasingly urgent climate change and environmental crises. This awareness has led to a significant shift in investor preferences, where investors now focus not only on profitability but also on a company's commitment to environmental protection and social responsibility within business operations (Utami & Yusniar, 2020). Investors tend to be more cautious in selecting companies to invest in, considering environmental and social aspects as indicators of corporate sustainability.

However, there are still many companies that remain solely focused on achieving optimal performance without considering the environmental impacts of their operational activities, which leads to environmental pollution (Lingga & Suaryana, 2017). This is evidenced by data from the Ministry of Environment and Forestry of the Republic of Indonesia (2023), showing that out of 3,694 companies assessed, 1,077 were still categorized as "red" under PROPER (Company Performance Rating Program in Environmental Management), which indicates that these companies failed to conduct environmental management activities as regulated by law. Another notable environmental pollution case occurred from 2015 to 2022 in Bangka Belitung, involving PT Timah, a state-owned tin mining company. The company's open-pit mining activities have caused massive environmental damage, including deforestation, land degradation, and water pollution caused by mining waste. These impacts not only harm ecosystems and threaten the livelihoods of local communities but also damage the company's public image. PT Timah's business strategy, which excessively prioritizes production expansion without considering environmental sustainability, reflects a failure in strategic direction. This strategic misalignment has led to the company's inability to implement corporate social responsibility (CSR) effectively and demonstrates its weak environmental performance. The company's poor environmental performance has hindered efforts to improve its corporate reputation and potentially reduces investor trust and customer loyalty. Consequently, the company's profitability has been affected due to escalating environmental remediation costs, legal claims, and a decline in market interest toward companies perceived as neglecting sustainability issues. Based on environmental audit findings linked to ongoing legal proceedings, the total ecological losses caused by PT Timah's pollution and environmental destruction are estimated to reach IDR 271 trillion, further deteriorating the company's overall value (Antara News, 2024).

Another environmental pollution case occurred involving PT RMK Energy, which was removed from the Quality30 Index by the Indonesia Stock Exchange (IDX) due to a sharp decline in the company's stock performance. The Quality30 Index represents a list of 30 companies with high profitability, strong solvency, and stable earnings growth, and it is often used as a reference by investors when making investment decisions. The removal of PT RMK Energy from this index sent a strong negative signal to the market, causing a drastic decline in investor confidence. The primary reason behind PT RMK Energy's removal was its involvement in an environmental pollution case, including the contamination of the Benaki River caused by the operations of its subsidiary, PT Truba Bara Banyu Enim, as well as allegations of illegal mining activities that led to administrative sanctions imposed by the Ministry of Environment and Forestry (KLHK). As a result of this series of negative issues, the stock price of PT RMK Energy (RMKE) has continued to experience a significant decline over the past six months. In early August 2023, RMKE's share price stood at IDR 1,085 per share, falling to IDR 805 in early September, and continuing to drop to IDR 605 the following month. In early November 2023, the price declined again to IDR 645, and on January 31, 2024, it reached a low of IDR 575. This sharp decline illustrates the loss of investor trust and demonstrates that the market perceives PT RMK Energy's corporate value to have dropped significantly due to its reputation crisis and regulatory sanctions.

PT Bukit Asam's operations in 2021 resulted in environmental damage, including water pollution in the Kiahaan River, Tanjung Enim. In the same year, a coal-fired power plant (PLTU) managed by PT Bukit Asam's subsidiary received a "red" PROPER rating from the Ministry of Environment and Forestry for its environmental management performance. These incidents raised concerns about potential harm to the company's public image and a decline in investor confidence. A reduction in public trust may lead consumers to lose interest in the company's products or services. At the same time, investors may exercise greater caution and reconsider their investment decisions. Such outcomes could lead to decreasing demand and reduced investment inflows, ultimately affecting the company's overall stability and corporate value. This concern has been demonstrated in PT Bukit Asam's stock performance, where its share price dropped from IDR 2,810 per share in 2020 to IDR 2,710 per share.

Based on the various violations and cases that have occurred in Indonesia, Indonesian government issued Regulation of the Ministry of Environment and Forestry No. 1 of 2021, which establishes PROPER. Under this program, companies are classified based on their environmental performance ratings (Gold, Green, Blue, Red, and Black) (Meiyana & Aisyah, 2019). This policy was designed to encourage companies to manage their operations in a way that reduces environmental pollution, thereby enhancing their corporate reputation. In addition, the government also mandated the provisions stipulated in the Chairman of BAPEPAM-LK Regulation No. X.K.6 concerning the disclosure requirements for publicly listed companies in Indonesia within their annual reports, which requires such companies to present social responsibility reporting known as Corporate Social Responsibility (CSR). Under Law No. 40 of 2007 concerning Limited Liability Companies, CSR implementation has become a mandatory obligation for companies whose business activities are related to natural resources. Particularly in the mining sector, CSR plays a crucial role since the processing of raw materials directly impacts the environment and surrounding communities.

The business strategy implemented by a company is a key determinant of its operational success. According to Chandler (1962) and Lin et al. (2013), business strategy reflects a company's commitment to optimizing its resources in order to achieve long-term objectives. Therefore, every policy, procedure, and decision made by a company in facing competition and market uncertainty will always be directed toward supporting the implementation of its business strategy (Hambrick, 1983; Young et al., 1992; Sinarasri, 2011). Miles and Snow (1978) proposed four types of business strategies adopted by companies: prospector, defender, analyzer, and reactor. The prospector strategy emphasizes innovation and market exploration. Through the development of innovative and disruptive products or services, a company can attract new customers and expand its market share, ultimately contributing positively to firm value. In contrast, the defender strategy focuses more on operational efficiency and stability, which helps maintain customer loyalty and create consistent cash flows, thereby strengthening investor confidence. Meanwhile, the analyzer strategy combines elements of both prospector and defender approaches, enabling companies to preserve market stability while remaining open to new opportunities, thus supporting sustainable growth with more controlled risk. Conversely, the reactor strategy reflects inconsistency in business direction, where companies merely respond to market changes without a clear plan. This approach tends to be detrimental due to a lack of innovation and adaptability, which may lead to missed opportunities and declining firm value. Selecting the right business strategy is essential for improving financial performance, strengthening competitiveness, and driving long-term firm value. Furthermore, business strategy also reflects a company's environmental orientation. Firms with innovative and adaptive strategies tend to be more responsive in adopting environmentally friendly technologies and conducting sustainable business operations. Integrating environmental considerations into business strategy allows companies to preserve their reputation and customer loyalty while reducing future operational and financial risks. Business strategies

rooted in sustainability therefore serve as a crucial foundation for creating long-term corporate value.

The phenomenon of the existing gaps and research gaps described earlier forms the basis for this study on the topic of firm value. Referring to the recommendations and limitations of previous studies, this research will examine business strategy, profitability, environmental performance, and corporate social responsibility as the key variables. The research focuses on companies within the oil, gas, and coal subsector listed on the Indonesia Stock Exchange (IDX) during the observation period from 2019 to 2023. The selection of this research object is based on the fact that this subsector is one of the largest contributors to national revenue, yet it also carries significant exposure to environmental and social issues. This condition places substantial pressure on companies within this subsector to demonstrate strong sustainability performance in order to maintain their firm value in the eyes of investors. Furthermore, global commodity price fluctuations, strict environmental impact regulations, and growing market attention toward social responsibility practices make this subsector highly relevant for further investigation in the context of the influence of internal and external factors on firm value.

The theory used to explain the relationship among business strategy, profitability, environmental performance, corporate social responsibility, and firm value is signaling theory. First, regarding the relationship between business strategy and firm value, signaling theory assumes that the selection and implementation of business strategies by management can serve as signals to investors about the direction and future growth prospects of the company. An aggressive and proactive strategy emphasizing innovation, operational efficiency, and product differentiation sends a positive signal indicating that the company is on a healthy growth trajectory, thereby enhancing investors' perceptions of the firm's value. Second, the relationship between profitability and firm value is also supported by signaling theory. High levels of profitability reflect strong financial performance and act as a positive signal to the market that the company has the ability to consistently generate earnings. Investors interpret profitability as an indicator of operational strength and financial stability, resulting in companies with higher profitability being more likely to achieve greater market value. Third, the relationship between environmental performance and firm value in signaling theory suggests that companies that effectively manage their environmental impacts and transparently disclose sustainability initiatives provide positive signals to investors regarding management's responsibility and commitment to mitigating environmental risks. This strengthens investor confidence and enhances corporate reputation, ultimately contributing to the improvement of firm value.

Referring to the findings of previous studies, the hypotheses proposed in this study are formulated as follows:

H1: Business strategy has a positive and significant influence on firm value

H2: Profitability has a positive and significant influence on firm value

H3: Environmental performance has a positive and significant influence on firm value

H4: Corporate social responsibility has a positive and significant influence on firm value

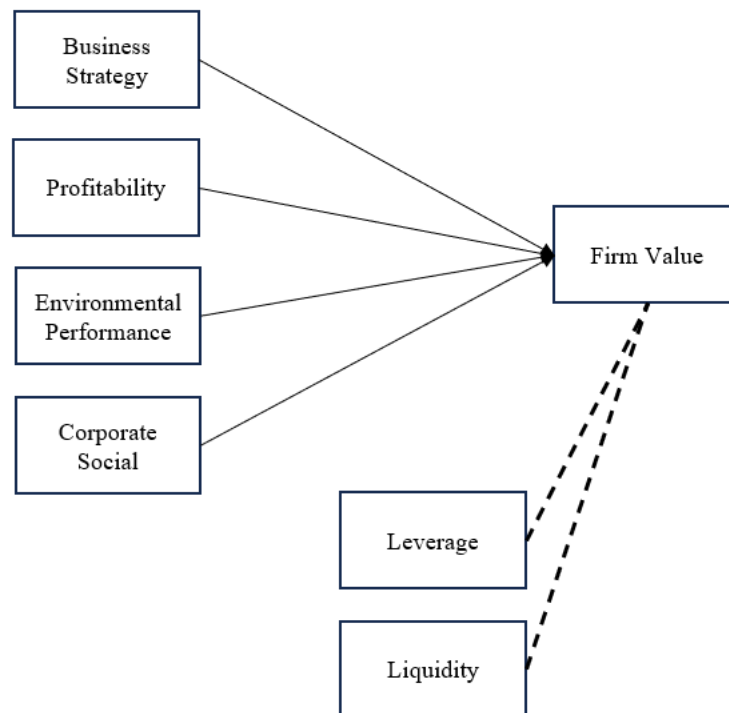


Figure 1. The theoretical framework

METHODS

Research Approach

This study employs a quantitative approach with a hypothesis-testing research design aimed at describing, analyzing, and obtaining empirical evidence regarding the influence among variables that are subsequently hypothesized in this research. According to Wahyudin (2015), a hypothesis-testing study aims to analyze, describe, and obtain empirical evidence of the relationship patterns that occur between two or more variables, whether correlational or comparative in nature. The data source used in this study is secondary data obtained from the annual financial reports and sustainability reports of oil, gas, and coal subsector companies listed on the Indonesia Stock Exchange (IDX), accessed through the official websites of the respective companies and the IDX (www.idx.com) for the 2019–2023 period.

Empirical Model

The following is the empirical model that supports the research analysis:

$$PBV_{it} = \alpha + \beta_1 BS_{it} + \beta_2 ROA_{it} + \beta_3 PROPER_{it} + \beta_4 CSR_{it} - \beta_5 LEV_{it} + \beta_6 LIQ_{it} + \varepsilon_{it}$$

Where PBV represents firm value. Business Strategic (BS) is represented by the results of Gross Margin Ratio calculation performed for each company. ROA represents profitability. PROPER represents environmental performance. This study also employs control variables, including leverage (LEV), liquidity (LIQ), and ε , which represents the error term (residual error).

Dependent Variable

Firm Value

Company value refers to investors' perceptions of a company, which are associated with the company's stock price. Zulfa & Novietta (2022) explain that company value can be indicated as a measure of success in company management, as it reflects a high company value that helps build investor confidence regarding the company's future prospects and ensures the welfare of shareholders.

In this study, company value is measured using Price to Book Value (PBV). PBV is a metric of company value obtained by dividing the stock price by the book value. A high PBV serves as a positive signal that encourages investors to purchase shares, thereby influencing stock prices. An increase in stock price will consequently enhance company value.

$$PBV = \frac{\text{Share price per share}}{\text{Book value per share}} \times 100\%$$

Independent Variable

Business Strategy

Business strategy is fundamentally important for every company, as achieving corporate objectives requires a plan to ensure that each performance indicator can be met. Miles & Snow (1978) categorized corporate strategies into four types: prospector, defender, analyzer, and reactor.

This study uses two types of business strategies from the Miles & Snow (1978) typology, namely prospector and defender. To measure and determine a company's business strategy type, this study uses the gross profit margin ratio as a proxy, following Gantino et al. (2023), Putri et al. (2017), and Al-Rdaydeh et al. (2018), who refer to it in their research as Premium Price Capability (PPC). Companies that implement a prospector strategy—prioritizing innovation—offer unique products or services at premium prices and therefore tend to have a higher gross profit margin compared to companies that implement a cost-efficiency (defender) strategy (Al-Rdaydeh et al., 2018).

$$\text{Gross Margin Ratio} = \frac{\text{Gross profit}}{\text{Net sales}} \times 100\%$$

Profitability

According to Lumoly et al. (2018), profitability is a company's ability to generate net income while operating over a specific period. High profitability reflects good company prospects and can provide a positive signal that has the potential to increase firm value (Kusumaningrum & Iswara, 2022). In this study, profitability is proxied using Return on Assets (ROA). ROA is a financial ratio used to measure how efficiently a company uses its assets to generate profit. Profitability reflects management performance in running the company (Yanti & Darmayanti, 2019). The higher a company's profitability, the lower the likelihood that the company has significant debt (Kusumaningrum & Iswara, 2022). Companies with high profitability tend to attract investor interest because they are considered profitable, which in turn increases stock demand. Increased stock demand will drive stock prices upward, thereby raising firm value. If stock prices rise, this can provide gains for investors (Rudangga & Sudiarta, 2016).

$$ROA = \frac{\text{Net profit}}{\text{Total asset}} \times 100$$

Environmental Performance

Environmental performance reflects a company's responsibility in managing environmental-related aspects. Suratno et al. (2006) define environmental performance as a company's efforts to create a sustainable and environmentally friendly (green) environment. In this study, the environmental performance variable is proxied using a dummy variable based on the ratings in the Company Performance Rating Program in Environmental Management (PROPER). The PROPER rating is measured on a scale of 1 to 5 based on the color obtained. The assessment of this variable will be explained in the table below.

Table 1. PROPER Rating

Score	Color	Description
1	Black	Very poor
2	Red	Poor
3	Blue	Good
4	Green	Very good
5	Gold	Excellent

Source: Ministry of Environment and Forestry (2023)

Corporate Social Responsibility

Corporate social responsibility (CSR) is a form of corporate communication that demonstrates a company's commitment to social responsibility. CSR encompasses the company's responsibility for three main aspects: economic, social, and environmental. In this study, the CSR variable is measured using the GRI Standards 2016 index, specifically GRI 400 on social topics, which consists of 40 indicators. The use of GRI 400 is considered effective for measuring and reporting corporate CSR in an accountable, transparent manner and in accordance with international standards. The calculation is carried out using a data checklist method, by identifying whether a particular information item appears in the financial report. If the item is not present, it is assigned a score of 0; if it is present, it is assigned a score of 1.

$$CSRI = \frac{\text{Total disclosed indicators}}{40 \text{ indicators}} \times 100$$

Description:

CSRI = The company's CSR disclosure index

Control Variable

Leverage

Leverage is a ratio used to measure the extent to which a company's assets are financed by debt (Kasmir, 2018). Leverage refers to the use of assets and fixed costs to increase returns for shareholders (Vasilescu & Giurescu, 2006, as cited in Lestari & Rahmawati, 2009). However, leverage carries a risk, namely a decrease in returns for shareholders if the company's profit is lower than the fixed costs that must be paid (Lestari & Rahmawati, 2009). If a company has a high proportion of debt in its financing, it is considered to be in a less healthy condition because this may reduce the profits earned (Kusumaningrum & Iswara, 2022).

Leverage can be calculated using Debt to Equity Ratio (DER). According to Batubara (2022), DER is a ratio that describes the proportion of internal capital used to cover a company's debt. The higher the DER value, the smaller the internal capital available to secure debt (Hery, 2015). A high leverage ratio indicates that the company's debt is substantial, which may suggest that the company's financial condition is less healthy and could face bankruptcy risk. A high level of debt also has a negative impact on firm value.

$$DER = \frac{\text{Total debt}}{\text{Total equity}} \times 100$$

Liquidity

Liquidity reflects a company's ability to meet its short-term obligations (Chasanah, 2018). If a company can pay off its short-term liabilities when they come due, it is considered a liquid company, and vice versa (Iman et al., 2021). A high level of liquidity indicates positive growth potential for the company and demonstrates that the company has sufficient internal funding to meet its obligations (Taslim & Susanto, 2021). The higher a company's liquidity, the greater its ability to provide funds for dividend payments to shareholders. In addition, higher liquidity increases creditor confidence in providing loans, which can ultimately enhance the company's value in the eyes of creditors and potential investors (Ratnasari & Purnawati, 2019).

Liquidity can be measured using the Current Ratio (CR), which is the ratio of current assets to current liabilities (Sartono, 2010). CR is used to assess a company's ability to meet its short-term obligations that will soon be due with the available current assets (Iman et al., 2021). The higher the CR, the greater the company's ability to fulfill its short-term obligations (Rahayu & Sopian, 2017).

$$CR = \frac{\text{Current assets}}{\text{Current liabilities}} \times 100$$

Data Sources

This study uses secondary data in the form of financial reports from oil, gas, and coal subsector companies listed on the Indonesia Stock Exchange (IDX) for the 2019–2023 period. Data collection in this study was conducted using the documentation method, which involves gathering written data or data created by other parties that can be utilized. The data to be collected in this study include information related to business strategy, profitability, environmental performance, CSR, leverage, liquidity, and firm value. These data will be obtained from the financial reports of oil, gas, and coal subsector companies for the 2019–2023 period, accessed through the official website of the Indonesia Stock Exchange (www.idx.co.id), as well as the sustainability reports of these companies available on their respective official websites.

RESULTS AND DISCUSSION

Population & Sample

This study examines companies in the oil, gas, and coal subsectors listed on Indonesia Stock Exchange (IDX) during the 2019–2023 period. The researcher selected these subsectors as the research population because of their strategic role in the national economy, contribution to state revenues, and significant presence in the capital market. Companies in these subsectors face high sensitivity to fluctuations in global commodity prices, energy policies, and environmental issues, which can significantly affect firm value. These companies also face considerable pressure to improve their environmental performance and social responsibility because their business activities affect ecosystems and surrounding communities. Therefore, investors increasingly consider ESG (*Environmental, Social, and Governance*) aspects when evaluating companies.

This study employs a non-random sampling technique using purposive sampling. The researcher selects samples from the population based on predetermined criteria to obtain observations that align with the research objectives. The researcher determines the sample selection criteria based on specific considerations (*judgment*) and quotas (*quota*). The criteria used for sample selection in this study are as follows:

Table 2. Research Sample

Sample Criteria	2019	2020	2021	2022	2023
Population: Energy sector companies listed in oil, gas, and coal subsectors on IDX from 2019 to 2023	28	29	50	61	69
1. Companies in oil, gas, and coal subsectors that published complete annual reports and sustainability reports	19	20	31	40	46
2. Companies in oil, gas, and coal subsectors that used GRI Standards	19	20	31	40	45
3 Companies in oil, gas, and coal subsectors that participated in PROPER program	18	19	25	26	27
Sample size	115				
Outlier	24				
Number of research analysis units	91				

Descriptive Statistics of Variables

The descriptive statistics results show the number of samples (N), the minimum value (Min), maximum value (Max), average value (Mean), and standard deviation value (standard deviation) of each variable in the study. In this study, descriptive statistical analysis is conducted on the independent variables, namely business strategy, profitability, environmental performance, and corporate social responsibility; the dependent variable, firm value; and the control variables, leverage and liquidity. Table 3 below presents the results of the descriptive statistical analysis using SPSS 26.

Table 3. Descriptive Statistic

	N	Min	Max	Mean	Std. Deviation
PBV	91	0.07	1.50	0.7436	0.34532
BS	91	0.00	0.74	0.2888	0.15480
ROA	91	-3.86	23.22	3.1516	4.33394
PROPER	91	2	5	3.68	0.815
CSR	91	0.00	0.90	0.3352	0.30894
LEV	91	0.00	2.66	0.4893	0.56560
LIQ	91	0.35	4.22	1.7562	0.88910
Valid N (listwise)	91				

Source: Processed Data Results from IBM SPSS 26

Normality Test

Table 3. Results of Normality Test

Unstandardized Residual		
N		91
Normal Parameters^{a,b}	Mean	0,0000000

	Std. Deviation	0,27153677
Most Extreme	Absolute	0,089
Differences	Positive	0,089
	Negative	-0,071
Test Statistic		0,089
Asymp Sig. (2-tailed)		0,074 ^{c,d}

Source: Processed secondary data, 2026

Based on Table 4, the results of the normality test using Kolmogorov-Smirnov (K-S) indicate that the data are normally distributed. This can be seen from the significance value of 0,074, where $0,074 > 0,05$. Therefore, the result can be interpreted as accepting H_0 , which states that the data are normally distributed.

Multicollinearity Test

Table 4. Results of Multicollinearity Test

Model		Collinearity Statistics	
		Tolerance	VIF
1	(Constant)		
	BS	0,696	1,437
	ROA	0,631	1,585
	PROPER	0,842	1,187
	CSR	0,819	1,220
	LEV	0,783	1,277
	LIQ	0,860	1,162

Source: Processed secondary data, 2026

Based on Table 5, the results of multicollinearity test show that all independent variables in this study meet tolerance criteria. Business strategy (BS) variable has a tolerance value of $0,696 > 0,1$, profitability (ROA) has $0,631 > 0,1$, environmental performance (PROPER) has $0,842 > 0,1$, and CSR has $0,819 > 0,1$. The control variables, leverage (LEV) and liquidity (LIQ), also meet the criteria with tolerance value of $0,783 > 0,1$ and $0,860 > 0,1$, respectively. In addition, the VIF values for the independent variables – business strategy (SB) at $1,437 < 10$, profitability (ROA) at $1,585 < 10$, environmental performance (PROPER) at $1,187 < 10$, and CSR at $1,220 < 10$, it show no indication of multicollinearity among the independent variables.

Heteroskedasticity Test

Table 5. Results of Heteroskedasticity Test

Model	Unstandardized Coefficients		Standardized Coefficients	Sig.
	B	Std. Error	Beta	
(Constant)	0,234	0,090		0,011
SB	0,075	0,128	0,074	0,556
ROA	0,004	0,005	0,111	0,400
PROPER	0,006	0,022	0,029	0,801
CSR	0,005	0,059	0,009	0,935
LEV	-0,059	0,033	-0,212	0,075
LIKUID	-0,024	0,020	-0,135	0,233

Based on Table 6, the results show that the independent variables with unstandardized residuals each have significance values as follows: business strategy (BS) at $0,556 > 0,05$, profitability (ROA) at $0,400 > 0,05$, environmental performance (PROPER) at $0,801 > 0,05$, and CSR at $0,935 > 0,05$. Meanwhile, the control variables, leverage (LEV) and liquidity (LIQ), obtain significance values of $0,075 > 0,05$ and $0,233 > 0,05$, respectively. Therefore, it can be concluded that the regression model in this study does not experience heteroscedasticity.

Hypothesis Testing Results

Simultaneous Significance Test (F-Test)

Table 6. Results of Simultaneous Significance Test (F-Test)

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	4,096	6	0,683	8,642	0,000 ^b
	Residual	6,636	84	0,079		
	Total	10,732	90			

Source: Processed secondary data, 2026

Table 7 presents the results of the simultaneous significance test (F test) on the independent and dependent variables. Based on the table, the F test results indicate that the independent variables business strategy, profitability, environmental performance, and CSR, along with the control variables leverage and liquidity, simultaneously influence firm value. This is evidenced by the significance level of 0,00, which is less than 0,05.

Partial Significance Test (t Test)

Table 7. Partial Significance Test (t Test) Results

1	Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
	(Constant)	0,621	0,162		3,824	0,000
	SB	0,022	0,229	0,010	0,094	0,925
	ROA	0,030	0,009	0,377	3,493	0,001
	PROPER	-0,025	0,040	-0,060	-0,637	0,526
	CSR	-0,091	0,106	-0,081	-0,855	0,395
	LEV	-0,079	0,059	-0,129	-1,733	0,019
	LIKUID	0,104	0,036	0,269	2,904	0,005

CONCLUSION AND RECOMMENDATIONS

Conclusion

This study examines the factors influencing firm value in oil, gas, and coal subsector companies listed on the Indonesia Stock Exchange during the 2019–2023 period, with a particular focus on business strategy, profitability, environmental performance, and corporate social responsibility. The findings demonstrate that profitability is an important determinant of firm value, as higher profitability is associated with higher firm value. This suggests that investors place greater emphasis on the company's ability to generate profits when assessing its prospects and making investment decisions. Meanwhile, business strategy, environmental performance, and corporate social responsibility do not significantly influence firm value during the observation period. These findings indicate that non-financial aspects disclosed or implemented by companies in the oil, gas, and coal subsectors may not immediately be reflected in investors' assessments of firm value. Overall, this study contributes to the literature by providing empirical evidence regarding the determinants of firm value in the Indonesian energy sector and highlighting the importance of financial performance, particularly profitability, in supporting corporate value creation.

Limitations

This study has several limitations. First, the research is limited to oil, gas, and coal subsector companies listed on the Indonesia Stock Exchange during the 2019–2023 period. Therefore, the findings may not be generalizable to companies in other sectors or to different observation periods. Second, the research model includes only business strategy, profitability, environmental performance, and corporate social responsibility as explanatory variables. The variables explain 33.8% of the variation in firm value, indicating that other factors may also contribute to changes in firm value but were not included in this study. Third, the use of PROPER as a proxy for environmental performance limits the sample to companies receiving PROPER ratings. Fourth, the use of gross profit margin ratio as a proxy for business strategy may not fully represent the strategic characteristics of companies in the oil, gas, and coal subsectors. These limitations should therefore be considered when interpreting and generalizing the findings.

Recommendations

Future research is encouraged to broaden the research scope by including companies from other sectors, increasing the sample size, and extending the observation period to obtain more comprehensive evidence regarding the determinants of firm value. Future studies may

also incorporate additional variables that could explain firm value and improve the explanatory power of the research model. Regarding environmental performance, researchers may consider alternative measurements, such as ISO 14001 certification or other environmental performance indicators, to overcome the limitations associated with the use of PROPER. Furthermore, alternative measurements of business strategy may be considered, including advertising intensity, R&D expense intensity, capital intensity, plant and equipment newness, overhead efficiency, and financial leverage, which may provide a more comprehensive representation of business strategy. Different analytical approaches or longitudinal methods may also be employed to capture changes in firm value and the effects of the examined variables over a longer period.

For investors, the findings suggest that profitability should be given greater consideration when evaluating investment opportunities in the oil, gas, and coal subsectors, as profitability was found to have a positive and significant relationship with firm value. For companies, improving profitability and maintaining sustainable financial performance may serve as an important strategy for strengthening firm value and creating long-term value for shareholders.

Author Contributions

The author was responsible for the conceptualization of the research, development of the theoretical framework, formulation of the research methodology, data collection, data analysis, interpretation of the findings, and preparation of the manuscript. The author also conducted the scholarly revision of the manuscript and approved the final version for publication.

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