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The Effect of Capital Structure and ESG on Firm Value with Financial Performance as a Mediating Variable (A Study of Mining Sector Companies Listed on the Indonesia Stock Exchange)

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Abstract

The mining industry faces increasing pressure to create sustainable firm value as investors place greater emphasis on financial performance and corporate sustainability. Capital structure decisions and Environmental, Social, and Governance (ESG) practices are therefore considered strategic factors that may shape corporate performance and valuation. This study examines the effects of capital structure and ESG performance on firm value, with financial performance as a mediating variable, among mining companies listed on the Indonesia Stock Exchange during 2021–2023. A quantitative approach with a causal-associative design was employed, and the sample was selected using purposive sampling. Data were analyzed using regression analysis and mediation testing. The findings indicate that capital structure has a negative and significant effect on financial performance, whereas ESG performance has a positive and significant effect on financial performance. However, capital structure, ESG performance, and financial performance have no significant effects on firm value. Financial performance also does not mediate the effects of capital

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structure or ESG performance on firm value. These findings demonstrate that improvements in financial performance arising from financing decisions and ESG practices do not necessarily translate into higher firm value during the period examined. The study contributes to the literature by clarifying the limited mediating role of financial performance in the relationship between corporate financial and sustainability factors and firm value in the Indonesian mining sector. Practically, the findings highlight the need for mining companies to integrate prudent financing decisions with consistent, long-term ESG strategies when pursuing sustainable value creation.

Keywords: Capital Structure; ESG Performance; Financial Performance; Firm Value; Mining Companies

INTRODUCTION

The increasing complexity of the global business environment has encouraged companies to reconsider their strategies in maintaining long-term competitiveness and creating sustainable value. This transformation is particularly evident in the mining sector, which faces simultaneous pressure to achieve financial performance while addressing environmental responsibility, social expectations, and governance standards. As one of the industries with significant environmental impacts, mining companies are required to demonstrate accountability through sustainable business practices and transparent reporting mechanisms. The implementation of Environmental, Social, and Governance (ESG) principles has therefore become an important component in corporate evaluation because investors increasingly consider non-financial information as part of their investment decisions (Freeman, 1984). Furthermore, sustainability disclosure based on international reporting frameworks has strengthened corporate responsibility by encouraging companies to provide more comprehensive information regarding environmental and social impacts (Global Reporting Initiative, 2021).

In Indonesia, the mining industry represents a strategic sector that contributes significantly to economic development but simultaneously faces substantial sustainability challenges. The increasing demand for responsible investment has encouraged listed mining companies to integrate ESG practices into their operational and strategic decisions. Regulatory support through sustainable finance policies has also accelerated corporate commitment toward sustainability implementation and disclosure practices (Otoritas Jasa Keuangan, 2017). However, sustainability initiatives alone are insufficient to guarantee

market appreciation because investors continue to evaluate companies based on their ability to generate financial returns and maintain strong fundamental conditions. Therefore, corporate decisions regarding capital structure, operational efficiency, and sustainability performance must be examined comprehensively to understand their implications for firm value (Brigham & Houston, 2019).

Firm value represents an important indicator reflecting market perception regarding corporate prospects, growth opportunities, and managerial effectiveness. Companies with higher market valuation are generally perceived as having stronger capabilities in generating future economic benefits. However, achieving higher firm value requires appropriate financial management because financing decisions determine the balance between growth opportunities and financial risks. Capital structure, which represents the proportion between debt and equity financing, plays a crucial role in determining corporate financial stability and investment capacity (Ross, Westerfield, & Jordan, 2019). According to the Trade-Off Theory, companies must determine an optimal debt level by balancing the advantages of tax benefits with the potential costs associated with financial distress (Modigliani & Miller, 1963). Meanwhile, the Pecking Order Theory explains that companies tend to prioritize internal financing before relying on external funding due to information asymmetry between managers and investors (Myers & Majluf, 1984).

Previous studies have provided various perspectives regarding the relationship between capital structure, ESG, financial performance, and firm value. Research by Hayuningthias et al. (2017) demonstrated that financial decisions and corporate performance contribute significantly to firm valuation. Similarly, Putra dan Mawardi (2021) found that capital structure influences financial performance, indicating that financing decisions may affect operational effectiveness. In addition, Dewi et al. (2021) emphasized the role of financial performance as an intervening mechanism between corporate decisions and firm value. These findings suggest that financial performance may serve as an important pathway explaining how internal corporate strategies influence market evaluation.

Furthermore, sustainability-related studies have shown that ESG practices may contribute to improved corporate performance and market reputation. Fatemi et al. (2018) revealed that ESG performance and disclosure influence firm value by strengthening transparency and reducing investor uncertainty. Velte (2017) also demonstrated that ESG performance is associated with financial performance, suggesting that sustainability-oriented

management can generate economic benefits. However, Ghazali (2007) highlighted that sustainability disclosure practices are influenced by corporate characteristics and governance structures, indicating that the economic consequences of ESG implementation may vary across companies. Therefore, understanding ESG effectiveness requires consideration of specific industrial contexts and organizational conditions.

Despite extensive research regarding corporate sustainability and financial decisions, several limitations remain. Previous studies have generally examined the direct effects of ESG or capital structure on firm value without comprehensively explaining the mechanism through which these variables influence market valuation. Some studies have focused primarily on manufacturing or general corporate sectors, while empirical evidence regarding mining companies remains relatively limited despite their significant exposure to environmental and financial risks (Kartika et al., 2023). Moreover, inconsistent empirical findings regarding the relationship between ESG, profitability, and firm value indicate that additional investigation is required to understand whether financial performance functions as an effective mediating variable (Lutfiana, 2024).

The research gap of this study lies in the limited integration of capital structure, ESG performance, financial performance, and firm value within a single analytical framework, particularly in Indonesian mining companies. Previous research has not fully explained whether sustainability commitment and financing decisions can indirectly influence market valuation through improvements in financial performance. Several studies have investigated individual relationships among these variables, yet the mechanism connecting corporate strategies and investor responses remains insufficiently explored (Pratama & Wijaya, 2023). Therefore, this research attempts to address this gap by analyzing both direct and indirect relationships among the variables.

The novelty of this research is reflected in the development of an integrated model that positions financial performance as a mediating variable between ESG, capital structure, and firm value in mining companies listed on the Indonesia Stock Exchange. This approach provides a broader understanding of how financial capability and sustainability commitment interact in creating corporate value. The theoretical foundation of this research is supported by Signaling Theory, which explains that corporate policies and disclosures provide signals to investors regarding future prospects and organizational quality (Spence, 1973).

Additionally, Agency Theory emphasizes the importance of managerial decisions in reducing conflicts between corporate managers and shareholders (Jensen & Meckling, 1976).

This study also considers Stakeholder Theory, which explains that corporate success depends not only on shareholder interests but also on the company's ability to maintain relationships with broader stakeholders, including society and the environment (Freeman, 1984). Previous evidence regarding ESG certification, sustainability practices, and corporate value further supports the relevance of examining sustainability factors within modern corporate evaluation frameworks (Wong et al., 2021). Moreover, studies regarding debt burden and investor risk perception indicate that excessive financial leverage may negatively influence market confidence, particularly under uncertain economic conditions (Sari & Sedana, 2020).

Based on these considerations, this study aims to examine the influence of capital structure and ESG performance on firm value with financial performance as a mediating variable in mining companies listed on the Indonesia Stock Exchange. Specifically, this research investigates whether capital structure and ESG practices contribute to financial performance improvement and whether such improvements ultimately enhance corporate valuation. Through this analysis, the study is expected to provide theoretical contributions to corporate finance and sustainability literature while offering practical implications for managers, investors, and policymakers in developing sustainable strategies for long-term corporate growth (Rumende & Nugrahanti, 2026).

METHODS

This study employed a quantitative research approach with a causal associative design to examine the direct and indirect relationships among capital structure, Environmental, Social, and Governance (ESG) performance, financial performance, and firm value. A causal associative approach was selected because the research aims to identify the extent to which independent variables influence dependent variables through a mediating mechanism. In this study, capital structure and ESG performance were positioned as independent variables, financial performance as a mediating variable, and firm value as the dependent variable. The research was conducted on mining sector companies listed on the Indonesia Stock Exchange (IDX), utilizing secondary data obtained from official company reports and IDX

publications. The observation period covered 2021–2023 to capture corporate conditions and sustainability practices during the post-pandemic recovery period.

The research design was developed through operational measurement of each variable based on relevant theoretical concepts. ESG performance was measured using an ESG Disclosure Index based on the disclosed items of the Global Reporting Initiative (GRI) Standards, representing corporate commitment toward environmental, social, and governance responsibilities. Capital structure was measured using the Debt-to-Equity Ratio (DER), which reflects the proportion between total debt and total equity as an indicator of financial risk and financing decisions. Financial performance was measured using Return on Assets (ROA), which evaluates the effectiveness of companies in generating profit from their total assets. Meanwhile, firm value was measured using Price to Book Value (PBV) and Tobin's Q to represent market perception toward corporate value from both equity-based and market-based perspectives.

The population of this study consisted of all mining sector companies, including energy and mineral subsectors, listed on the Indonesia Stock Exchange. The sample was determined using a purposive sampling technique based on specific criteria. The selected companies were required to be consistently listed during the research period, publish complete annual reports and sustainability reports, disclose ESG-related information based on GRI standards or ESG scoring systems, and provide financial information using Rupiah currency or appropriate conversion. This sampling technique was applied to ensure that selected companies provided relevant and comprehensive data aligned with the objectives of the study.

Data collection was conducted through a documentation study method by reviewing secondary data from annual reports and sustainability reports published by mining companies through the IDX website and official company websites. The collected data consisted of financial information, ESG disclosure data, and market valuation indicators. The documentation process was selected because the research relied on standardized corporate disclosures that had been publicly reported and audited. The collected observations were structured as panel data, combining cross-sectional data among companies and time-series data during the observation period.

Data analysis was performed using statistical analysis techniques with the assistance of statistical software. The analytical procedures included descriptive statistical analysis,

classical assumption testing, panel data regression analysis, hypothesis testing, and mediation testing. Descriptive statistics were used to describe the characteristics of each research variable, while classical assumption tests were conducted to ensure the validity and reliability of the regression model. Panel data regression was applied to analyze the relationship among variables, followed by partial tests (t-test), simultaneous tests (F-test), coefficient of determination analysis (R^2), and Sobel testing to examine the mediating role of financial performance. The mediation analysis specifically aimed to determine whether financial performance significantly mediates the influence of capital structure and ESG performance on firm value.

The research process was conducted during the period of data collection and analysis using secondary information from the 2021–2023 observation period. The overall research duration covered the stages of data identification, collection from official sources, variable measurement, statistical testing, and interpretation of empirical results. Through this methodological framework, the study was designed to provide empirical evidence regarding how financing decisions and sustainability practices influence firm value through the role of financial performance in Indonesian mining companies.

RESULTS

Descriptive Statistics

The empirical analysis was conducted using observations from 17 mining-sector companies listed on the Indonesia Stock Exchange over the 2020–2023 period. The study examined four main variables: Environmental, Social, and Governance (ESG), Capital Structure (CS), Financial Performance (FP), and Firm Value (FV). Financial Performance was measured using Return on Assets (ROA), while Firm Value was represented by Price-to-Book Value (PBV). The descriptive statistics are summarized in Table 1.

Table 1. Descriptive Statistics of the Research Variables

Variable	Measurement	Mean	Median	Minumum	Maximum	Std. Devitation
ESG	ESG Disclosure Score	40.26	40.21	21.17	57.32	10.32
Capital Structure	Debt-to-Equity Ratio (DER)	1.25	1.01	0.04	4.11	0.94

Variable	Measurement	Mean	Median	Minumum	Maximum	Std. Devitation
Financial Performance	Return on Assets (ROA)	13.85%	11.40%	−4.56%	63.12%	12.65%
Firm Value	Price-to-Book Value (PBV)	1.34	1.02	0.15	4.85	0.98

Source: Compiled by the researcher (2026)

Table 1. Descriptive Statistics of the Research Variables, show that the descriptive results show considerable variation across the sampled mining companies. ESG disclosure recorded a mean score of 40.26, with observations ranging from 21.17 to 57.32 and a standard deviation of 10.32. This indicates variation in the extent of ESG disclosure among the sampled firms. Capital Structure, measured by the Debt-to-Equity Ratio (DER), had an average value of 1.25 and a median of 1.01. The minimum DER was 0.04 and the maximum was 4.11, with a standard deviation of 0.94. The relatively wide range indicates differences in the extent to which mining companies relied on debt relative to equity financing. Financial Performance, measured through ROA, recorded an average of 13.85% and a median of 11.40%. The minimum ROA was −4.56%, while the maximum reached 63.12%, with a standard deviation of 12.65%. The negative minimum indicates that some firms experienced periods of negative profitability, whereas the substantially higher maximum reflects the strong asset profitability achieved by several companies during the observation period. Firm Value, measured using PBV, had a mean of 1.34 and a median of 1.02. The minimum PBV was 0.15, while the maximum was 4.85, with a standard deviation of 0.98. The mean value above one indicates that, on average, the market valued the sampled firms above their book equity value, although substantial differences existed across companies.

Empirical Data Presentation

The dataset consists of annual observations for 17 mining-sector issuers over four consecutive years, producing a panel of company-year observations. The variables incorporated into the empirical model were ESG disclosure, capital structure, financial performance, and firm value. Table 2 provides an overview of the variables and their operational measurements.

Table 2. Variables and Measurement Indicators

Variable	Symbol	Measurement
Environmental, Social, and Governance	ESG (X1)	ESG disclosure score
Capital Structure	CS/SM (X2)	Debt-to-Equity Ratio (DER)
Financial Performance	FP/KK (Y)	Return on Assets (ROA)
Firm Value	FV/NP (Z)	Price-to-Boo

Source: Compiled by the researcher (2026)

Table 2. Variables and Measurement Indicators show that the annual observations demonstrate substantial differences among firms in both financial and non-financial indicators. For example, the data show that several companies experienced negative ROA in 2020, while profitability increased substantially for a number of issuers during 2021–2022. Firm value also varied considerably, with some firms recording PBV values substantially above one and others remaining below one.

Regression and Path Analysis

The study employed two stages of regression analysis to examine the proposed relationships. The first regression stage assessed the effects of Capital Structure and ESG on Financial Performance. The second stage evaluated the effects of Capital Structure, ESG, and Financial Performance on Firm Value. The results of the direct-effect analysis are presented in Table 3.

Table 3. Direct-Effect Regression Results

Hypothesis	Relationship	Path Coefficient	t-value	p-value	Result
H1	Capital Structure → Financial Performance	−4.165	−2.725	0.008	Significant
H2	ESG → Financial Performance	0.311	2.237	0.029	Significant
H3	Capital Structure → Firm Value	−2.973	−0.691	0.492	Not significant
H4	ESG → Firm Value	0.580	1.507	0.137	Not significant
H5	Financial Performance → Firm Value	0.190	0.575	0.568	Not significant

Source: Compiled by the researcher (2026)

Based on Table 3. Direct-Effect Regression Results, The first regression model shows that Capital Structure has a negative and statistically significant relationship with Financial Performance, with a path coefficient of −4.165, a t-value of −2.725, and a p-value of 0.008. In contrast, ESG exhibits a positive and significant relationship with Financial Performance, with a coefficient of 0.311, a t-value of 2.237, and a p-value of 0.029.

In the second regression model, Capital Structure does not significantly affect Firm Value. Although the estimated coefficient is negative (−2.973), its p-value of 0.492 exceeds the 0.05 significance threshold. ESG also shows a positive coefficient of 0.580, but the relationship is statistically insignificant (t = 1.507; p = 0.137). Financial Performance similarly does not significantly predict Firm Value, as indicated by its coefficient of 0.190, t-value of 0.575, and p-value of 0.568.

Mediation Analysis

Financial Performance was examined as a mediating variable in the relationships between Capital Structure and Firm Value, and between ESG and Firm Value. The indirect effects were calculated based on the corresponding path coefficients.

Table 4. Indirect Effects and Mediation Results

Mediation path	Indirect Efffect	Mediation Result
Capital Structure → Financial Performance → Firm Value	−0.5286	Not supported
ESG → Financial Performance → Firm Value	0.5103	Not supported

Source: Compiled by the researcher (2026)

According to Table 4. Indirect Effects and Mediation Results, The indirect effect of Capital Structure on Firm Value through Financial Performance was −0.5286. Although Capital Structure significantly affected Financial Performance in the first regression stage, the subsequent relationship between Financial Performance and Firm Value was not statistically significant. Therefore, Financial Performance did not function as an effective mediating mechanism in this relationship. Similarly, the indirect effect of ESG on Firm Value through Financial Performance was 0.5103. Despite the significant positive relationship between ESG and Financial Performance, the absence of a significant relationship between Financial Performance and Firm Value prevented Financial Performance from serving as a significant mediator.

Summary of Hypothesis Testing

Table 5. Summary of Hypothesis Testing

Hypothesis	Processed Relationship	Empirical Evidence	Decision
H1	Capital Structure → Financial Performance	Negative and significant	Supported
H2	ESG → Financial Performance	Positive and significant	Supported
H3	Capital Structure → Firm Value	Negative but not significant	Not supported
H4	ESG → Firm Value	Positive but not significant	Not supported
H5	Financial Performance → Firm Value	Positive but not significant	Not supported
H6	Capital Structure → Financial Performance → Firm Value	Indirect effect not supported	Not supported
H7	ESG → Financial Performance → Firm Value	Indirect effect not supported	Not supported

Source: Compiled by the researcher (2026)

Table 5. Summary of Hypothesis Testing, Show that the empirical relationship supports the statistical effect, although its negative direction should be interpreted according to the directional formulation of the original hypothesis. The complete results reveal that Capital Structure and ESG significantly affect Financial Performance, but in different directions. Capital Structure exhibits a negative relationship, whereas ESG demonstrates a positive relationship. However, neither Capital Structure nor ESG directly produces a statistically significant effect on Firm Value. Financial Performance itself also fails to demonstrate a significant direct effect on Firm Value. Consequently, Financial Performance does not operate as a statistically effective mediator in either the Capital Structure–Firm Value or ESG–Firm Value relationship.

DISCUSSION

This study investigates the mechanism through which capital structure and Environmental, Social, and Governance (ESG) performance influence firm value by considering financial performance as a mediating variable in mining companies listed on the Indonesia Stock Exchange. The empirical findings demonstrate that corporate financing decisions and sustainability practices generate different effects on internal financial performance and market valuation. The first structural model shows that capital structure

and ESG performance explain 15.7% of the variation in financial performance, while the second structural model indicates that capital structure, ESG performance, and financial performance explain only 6.0% of firm value variation. These results suggest that firm value in the mining sector is influenced by broader factors beyond internal financial indicators and sustainability practices, including external market expectations and industry-specific conditions.

The first finding indicates that capital structure has a negative and significant effect on financial performance. The path coefficient of capital structure toward financial performance is -4.165, with a t-statistic of -2.725 and a significance value of 0.008, indicating that the relationship is statistically significant. This result means that an increase in debt proportion within the corporate financing structure tends to reduce financial performance, which in this study is represented by Return on Assets (ROA). The negative relationship suggests that excessive dependence on external financing may increase fixed financial obligations, particularly interest expenses, which ultimately reduce the efficiency of asset utilization in generating profits.

This finding supports the perspective of the Trade-Off Theory, which explains that although debt financing provides tax advantages, excessive leverage may increase financial distress costs and negatively affect corporate performance (Modigliani & Miller, 1963). In the mining sector, this relationship becomes particularly relevant because mining companies require substantial capital investment while facing volatile commodity prices and operational risks. Therefore, higher debt levels may create additional financial pressure when corporate cash flows are unable to compensate for financing costs. The finding is consistent with previous research emphasizing that inefficient capital structure decisions may reduce profitability due to increasing financial burdens (Myers & Majluf, 1984).

In contrast, ESG performance demonstrates a positive and significant effect on financial performance. The coefficient value of ESG toward financial performance is 0.311, with a t-statistic of 2.237 and a significance level of 0.029, confirming a significant positive relationship. This result indicates that companies with stronger ESG implementation tend to achieve better financial outcomes. ESG practices measured through sustainability disclosures reflect corporate commitment toward environmental responsibility, social engagement, and governance quality. These practices may improve operational efficiency, strengthen risk

management, and enhance stakeholder confidence, which ultimately contributes to profitability improvement.

This finding supports Stakeholder Theory, which argues that companies create sustainable value by maintaining positive relationships with various stakeholders (Freeman, 1984). The result also strengthens previous empirical evidence suggesting that ESG implementation can generate economic benefits by improving corporate reputation, reducing operational risks, and increasing organizational efficiency (Fatemi et al., 2018). Therefore, this study expands previous ESG literature by demonstrating that sustainability practices provide stronger effects on internal financial performance rather than immediate market valuation.

However, the relationship between corporate strategies and market valuation produces different results. The analysis shows that capital structure does not significantly influence firm value, with a coefficient of -2.973 and a significance value of 0.492. Similarly, ESG performance does not significantly influence firm value, despite having a positive coefficient of 0.580 and a significance value of 0.137. These findings indicate that neither financing decisions nor sustainability disclosure are directly reflected in investor valuation during the observation period.

The insignificant influence of capital structure on firm value suggests that investors may not evaluate mining companies solely based on debt composition. Although leverage affects internal financial conditions, market participants may consider other factors such as commodity price movements, future growth prospects, corporate governance quality, and macroeconomic conditions. This finding provides additional insight into capital structure literature because it demonstrates that the effect of leverage on firm value is highly dependent on industry characteristics and market expectations.

Similarly, the absence of a significant ESG effect on firm value indicates that sustainability initiatives may require a longer period before being fully recognized by investors. ESG implementation may improve operational capabilities first, while market appreciation occurs gradually. This finding suggests the existence of a time-lag mechanism in which investors require consistent evidence regarding the long-term economic benefits of sustainability practices. Therefore, ESG should not only be viewed as a short-term valuation instrument but as a strategic investment supporting long-term corporate resilience.

Furthermore, financial performance does not significantly affect firm value, with a coefficient of 0.190 and a significance value of 0.568. This finding indicates that higher profitability does not automatically increase market valuation. Investors may focus more on future expectations rather than historical accounting performance. In other words, strong internal financial results may not immediately translate into higher stock valuation when market participants consider broader strategic and industry-related factors.

The mediation analysis provides an additional contribution by demonstrating that financial performance does not mediate the relationship between capital structure and ESG performance toward firm value. Although capital structure influences financial performance and ESG improves financial performance, these improvements are insufficient to create a significant transmission mechanism toward market valuation. This finding indicates that the process of value creation in mining companies is more complex than a simple financial performance pathway.

Theoretically, this study contributes by integrating corporate finance and sustainability perspectives within the mining industry context. The research demonstrates that financial strategies and ESG practices have stronger implications for internal performance compared with their direct influence on market value. Practically, mining company managers should maintain optimal debt levels because excessive leverage may reduce financial efficiency. At the same time, companies should strengthen ESG implementation and improve sustainability communication because ESG has demonstrated measurable benefits for operational performance. Investors should also consider long-term sustainability commitments rather than relying exclusively on short-term profitability indicators.

Despite these contributions, this study has several limitations. The observation period is limited to 2021–2023, which may not fully capture the long-term impact of ESG practices on firm value. In addition, the research focuses only on mining companies listed on the Indonesia Stock Exchange, limiting generalization to other industries. The relatively low explanatory power of the firm value model ($R^2 = 6.0\%$) also indicates that other external factors may influence market valuation. Future research may extend the observation period and incorporate additional variables such as firm size, sales growth, and macroeconomic conditions to provide a more comprehensive explanation of corporate value creation mechanisms.

CONCLUSION

This study aims to examine the effects of capital structure and Environmental, Social, and Governance (ESG) performance on firm value with financial performance as a mediating variable in mining companies listed on the Indonesia Stock Exchange. The empirical findings demonstrate that capital structure has a negative and significant effect on financial performance, indicating that excessive reliance on debt financing may reduce profitability due to increasing financial obligations. In contrast, ESG performance has a positive and significant effect on financial performance, suggesting that sustainability practices and effective corporate governance contribute to improving operational efficiency and internal corporate performance.

Nevertheless, this study finds that capital structure and ESG performance do not have significant direct effects on firm value. Furthermore, financial performance does not significantly influence firm value and does not serve as a mediating mechanism between capital structure and ESG performance toward firm value. These findings indicate that improvements in internal corporate performance are not necessarily reflected immediately in market valuation. Investors may consider broader factors, including long-term growth prospects, industry conditions, and sustainability expectations, when assessing corporate value.

The contribution of this research lies in providing a more comprehensive understanding of how financial decisions and sustainability practices influence corporate value creation within the mining industry context. The study enriches corporate finance and sustainability literature by demonstrating that ESG and capital structure have different implications for internal performance and external market valuation. Practically, the findings suggest that corporate managers should optimize financing decisions while continuously strengthening ESG implementation and communication strategies. For investors, the results highlight the importance of evaluating companies beyond short-term financial indicators by considering long-term sustainability commitments and growth potential.

Future research is encouraged to extend the observation period, incorporate additional control variables such as firm size, sales growth, and macroeconomic conditions, and further investigate potential long-term effects of ESG implementation on firm value. Such improvements may provide deeper insights into the mechanisms underlying sustainable

value creation, particularly in industries characterized by high environmental exposure and economic uncertainty.

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