

Research Article

Systematic Literature Review Study: ESG, Profitability, Capital Structure, and Firm Value**Fatimah Rahman Borahima¹, Syahril Djaddang²**

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Abstract

This study aims to examine the influence of Environmental, Social, and Governance (ESG), profitability, and capital structure on firm value using a Systematic Literature Review (SLR) approach. A total of 36 national and international journal articles published between 2019 and 2025 were analyzed using the PRISMA framework. The findings indicate that ESG disclosure and profitability (ROA/ROE) generally have a positive impact on firm value. However, the effect of capital structure (DER) tends to vary depending on industry sector and financial strategy. The study also identifies research gaps, including the limited use of ESG as a moderating variable, lack of cross-industry studies, and minimal application of advanced quantitative methods. These findings are expected to serve as a conceptual foundation for future research.

Keywords: Firm Value, ESG, Capital Structure, Profitability, Systematic Literature Review

INTRODUCTION

Firm value is one of the key indicators that reflects how the market assesses the performance and long-term prospects of a business entity. An increase in firm value generally reflects positive investor expectations regarding a company's growth, profitability, and financial stability. Various factors can influence firm value, both

financial aspects such as capital structure, profitability, and firm size, as well as non-financial aspects such as Environmental, Social, and Governance (ESG).

Research by (Burhanudin & Cipta, 2021; Dewantari et al., 2019; Firdausi & Fitria, 2024; N. H. Inayah & Wijayanto, 2020; Z. Inayah, 2022; Iriyanti et al., 2022; Nurhidayati et al., 2021; Pratiwi & Budiarti, 2020; Sari et al., 2025; sekar Sari, 2021) suggests that capital structure and profitability, through sound managerial decision-making, play a crucial role in shaping firm value. Profitability, measured by Return on Assets (ROA) and Return on Equity (ROE), consistently proves to significantly affect firm value (Atikah, 2024; Dewi et al., 2023). Furthermore, firm size is also often used as a control variable in previous studies, although its results tend to vary depending on the industry sector and operational efficiency (Setiani & Astawa, 2023).

With the increasing global awareness of sustainability issues, ESG has become one of the non-financial aspects that investors increasingly pay attention to. Studies by Rasyad et al. in Indonesia and Malaysia show that ESG practices can significantly increase firm value (Rasyad et al., 2024). This is further supported by Kim & Kim, who conclude that mandatory ESG disclosures positively affect long-term investor perceptions (Kim & Kim, 2024). In developed markets like Australia, Zhou et al. also found that companies with strong ESG performance tend to have higher firm value (Zhou et al., 2025). Research by Mahmood et al. also states that ESG disclosure increases firm value (Mahmood et al., 2025).

However, the impact of capital structure on firm value still shows inconsistent results. Sari found that capital structure with high levels of debt negatively impacts firm value, while Carolin & Susilawati show that well-managed leverage can actually enhance firm value (Carolin & Susilawati, 2024; sekar Sari, 2021). This indicates that industry context, risk management, and financing strategies play an important role in mediating the relationship between capital structure and firm value.

In addition to ESG and financial variables, other non-financial factors such as transparency (Atikah, 2024), gender diversity in the board of directors, and ownership types (Hassan et al., 2025; Ngamtampong & Sukprasert, 2025), as well as the application of green accounting (Lestari, 2023), are also beginning to be proven to affect firm value through more inclusive and sustainable governance mechanisms.

Given the multitude of variables that interact and potentially influence firm value, as well as the diverse findings of previous studies, this literature review is conducted. One of the main phenomena identified as a research gap is the limited studies that examine the simultaneous relationships between ESG, profitability, and capital structure in a comprehensive conceptual model. Additionally, ESG has not been widely used as a moderating or mediating variable, and empirical results related to capital structure show inconsistency across studies. Another gap includes the lack of cross-industry and cross-country studies that could capture variations in regulatory contexts and corporate sustainability strategies. Therefore, the results of this study are expected to serve as both a theoretical and practical foundation for more focused and in-depth future research.

This study uses the Systematic Literature Review (SLR) approach to systematically and structurally evaluate and analyze relevant academic literature. Data is collected from 36 national and international scholarly articles that explore

topics related to Environmental, Social, and Governance (ESG), profitability, capital structure, and firm value.

Based on the above, the research problem to be discussed in this study to provide hypotheses for future research is: How do ESG, profitability, and capital structure affect firm value based on previous studies?

The objectives of this study are as follows:

1. To systematically review the literature on the impact of ESG, profitability, and capital structure on firm value.
2. To identify patterns, empirical trends, and differences in findings from various previous studies.
3. To identify research gaps that remain open and underexplored in the study of firm value.
4. To provide a strong theoretical and conceptual foundation as a basis for more specific and in-depth future research.

Stakeholder Theory

The Stakeholder Theory, developed by Freeman (1984), asserts that companies are not only responsible to shareholders but also to all parties interested in the sustainability of the company, including employees, investors, government, society, and the environment. From this perspective, the application of Environmental, Social, and Governance (ESG) principles becomes a form of the company's commitment to addressing external stakeholder expectations regarding sustainability practices and good governance. On the other hand, profitability and capital structure reflect internal dimensions of company performance that are highly scrutinized by financial stakeholders such as shareholders and creditors, as they influence the company's ability to create economic value and maintain long-term financial stability.

However, based on the previous literature reviewed through a Systematic Literature Review approach, a significant research gap has been identified. First, although ESG has been shown to have a positive impact on firm value in various contexts, such as in studies by Kim & Kim and Rasyad et al., the majority of research has yet to evaluate ESG as a moderating or mediating variable in the relationship between financial indicators and firm value (Kim & Kim, 2024; Rasyad et al., 2024). Second, although profitability consistently shows a positive impact in many studies (Alamsyah, 2024; Firdausi & Fitria, 2024), research integrating this variable with ESG and capital structure simultaneously remains quite limited. Third, capital structure shows inconsistent results, with some studies finding a positive impact (Carolyn & Susilawati, 2024) and others finding a negative impact (sekar Sari, 2021), indicating that industry context, managerial strategies, and market conditions may moderate this relationship. Therefore, further studies are needed that simultaneously test these three variables in a single conceptual model based on stakeholder theory, in order to gain a more comprehensive understanding of the factors that determine sustainable firm value.

Previous Research

This section presents the results of the synthesis of 36 scholarly articles that have been reviewed in this study. The review focuses on the background, objectives, methods, research results, and compares the similarities and differences in findings across studies. The table below summarizes the main findings from several relevant journals as a representation.

Below is a summary of previous research related to ESG, profitability, capital structure, and firm value.

Table 1. Summary of Previous Studies on ESG, Profitability, Capital Structure, and Firm Value

No	Author (Year)	Previous Research Results	Similarities with This Article	Differences with This Article
1	Ade Dwi Lestari & Khomsiyah (2023)	Environmental performance, green accounting, and sustainability reporting positively affect firm value.	Both examine the impact of sustainability factors on firm value.	Does not examine profitability and capital structure.
2	Adela Putri Widiyadi & Jacobus Widiatmoko (2023)	Sustainability reporting disclosures and audit quality positively affect firm value.	Similarity in the use of sustainability disclosure within ESG.	Does not discuss capital structure and profitability.
3	Andik Rusdi Darmawan & Henny Setyo Lestari (2023)	Profitability and leverage positively affect firm value; firm size negatively affects firm value.	Both examine the impact of profitability and capital structure on firm value.	Does not discuss ESG.
4	Andini Aprilliyani et al. (2023)	Profitability positively affects firm value, firm size is insignificant, CSR moderates profitability's effect.	Both examine profitability as a key variable.	Uses CSR as a moderating variable, does not explicitly study ESG.
5	Annisa Nurul Lita et al. (2022)	Financial performance positively affects firm value; dividend policy acts as a moderator.	Uses profitability as a measure of financial performance.	Does not specifically examine ESG or capital structure.
6	Anggita Agustina & Christina Dwi Astuti (2023)	Environmental performance does not affect firm value, while profitability does.	Profitability affects firm value.	Environmental performance does not affect in this study, while ESG is comprehensively discussed in this article.
7	Anggi Wulandari & Tulus Haryono (2022)	Capital structure and firm size affect firm value.	Both test capital structure's impact on firm value.	Does not discuss ESG or profitability.
8	Annisa Zahro & Sri Utami (2022)	Environmental performance and good corporate governance affect firm value.	Focuses on ESG as a variable.	Does not include capital structure

				and profitability variables.
9	Azizah Rachmah & Islahuzzaman (2023)	Capital structure and firm size affect firm value.	Capital structure is the main variable tested.	Does not touch on ESG and profitability.
10	Dewi Sari & Indrawati (2023)	Profitability positively affects firm value; capital structure has no effect.	Both test the effects of profitability and capital structure.	Different results regarding the impact of capital structure.
11	Elyana Fauziah & Yosefa Sayekti (2023)	ESG disclosure mediates the relationship between governance and firm value.	ESG as a key variable influencing firm value.	Does not use profitability or capital structure variables.
12	Farah Azizah & Siti Marwiyah (2023)	Profitability and capital structure affect firm value.	Uses profitability and capital structure variables.	Does not include ESG dimensions.
13	Fauziah Rahmawati & Nuryanah (2023)	Institutional ownership and ESG disclosure positively affect firm value.	Uses ESG variables on firm value.	Does not examine profitability and capital structure.
14	Fitria Kurniawati & Bambang Subroto (2023)	Good corporate governance and firm size do not affect firm value.	Discusses governance within ESG.	Different results regarding the impact of GCG.
15	Gilang Saputra & Rizal Yaya (2023)	Profitability and capital structure significantly affect firm value.	Variables and effects align with the article.	Does not examine ESG.
16	Hanifah Nur Fadilah & Harjanto (2022)	Environmental disclosure and leverage do not affect firm value; ROA positively affects firm value.	Profitability positively affects firm value.	Environmental disclosure does not affect, whereas ESG is considered influential.
17	Hilmi Amri & Supriyadi (2023)	ESG disclosure partially affects firm value.	Focuses on ESG as a determinant of firm value.	Does not discuss profitability and capital structure.
18	Indriani Sari & Rahmawati (2023)	Capital structure and profitability positively affect firm value.	Similar main variables to this article.	Does not include ESG.
19	Intan Hapsari & Dedy Heryadi (2022)	Firm size does not affect; profitability and capital structure affect firm value.	Profitability and capital structure support firm value.	Firm size is not discussed in the article.
20	Irwan Nugroho & Nurul Huda (2022)	Profitability does not affect; GCG and capital structure affect firm value.	Capital structure as a key factor for firm value.	Profitability does not affect in this study.

METHODS

This study uses the Systematic Literature Review (SLR) approach to examine the impact of Environmental, Social, and Governance (ESG), profitability, and capital structure on firm value. The SLR approach is chosen because it provides a structured, transparent, and replicable method to critically and comprehensively explore and evaluate the findings of previous research.

The literature collection process follows the PRISMA (Preferred Reporting Items for Systematic Reviews and Meta-Analyses) guidelines. Journal articles were collected from several scholarly databases such as Google Scholar, ScienceDirect, and Semantic Scholar, with publication years ranging from 2019 to 2025. The search keywords used include:

“Firm Value” AND “ESG” OR “Profitability” OR “Capital Structure” AND “Indonesia” OR “Developing Countries”.

1. Inclusion Criteria

Articles included in the final analysis must meet the following criteria:

- Be accredited national or international journals;
- Published between 2019 and 2025;
- Use a systematic review approach;
- Analyze key variables such as firm value, ESG, profitability (ROA, ROE), and capital structure (DER);
- Relevant to companies in developing countries or in Indonesia.

2. Literature Selection Procedure

The literature selection process is carried out in four stages, as follows:

Selection Stage	Number of Articles	Description
Identification	78	Articles obtained from the initial search using the specified keywords.
Screening	60	Duplicate articles and those irrelevant based on title and abstract were removed.
Eligibility Evaluation	42	Articles were read in full to assess relevance to the focus of the study.
Final Inclusion	20	Relevant articles that meet all criteria were deeply analyzed.

The SLR aims to identify trends in research findings, highlight research gaps in previous literature, and establish a strong conceptual foundation for future research. The results of this review will also serve as a reference in constructing a theoretical model that considers the interaction between ESG variables, profitability, and capital structure simultaneously in relation to firm value.

RESULT AND DISSCUSSION

ESG and Firm Value

Based on various previous studies, Environmental, Social, and Governance (ESG) has been proven to have a significant impact on firm value. Research by Kim & Kim, Mahmood et al., and Rasyad et al. shows that comprehensive ESG disclosure can increase investor confidence and improve a company's reputation, which ultimately leads to an increase in firm value (Kim & Kim, 2024; Mahmood et al., 2025; Rasyad et al., 2024).

Similar findings are also supported by Zhou et al., who state that ESG performance significantly contributes to firm value, especially in the resource sector (Zhou et al., 2025). However, some studies, such as Shahrin et al., highlight that the social component of ESG does not always provide a significant impact, depending on the industry context and region (Shahrin et al., 2023). Nevertheless, overall, ESG is seen as a strategic communication tool for companies to convey their social and environmental responsibilities, which results in the enhancement of market value.

Profitability and Firm Value

Profitability, typically measured by Return on Assets (ROA) or Return on Equity (ROE), has consistently been found to have a positive impact on firm value. Studies by Alamsyah, Carolin & Susilawati, and Firdausi & Fitria demonstrate that companies showing strong financial performance are more attractive to investors because they are seen as capable of generating stable profits (Alamsyah, 2024; Carolin & Susilawati, 2024; Firdausi & Fitria, 2024).

This supports stakeholder theory, suggesting that profitability not only benefits shareholders but also creates added value for all stakeholders. However, some research, such as Mahilun & Atikah, adds that transparency and moderating factors like financial literacy or dividend policies can strengthen or weaken the impact of profitability on firm value (Atikah, 2024).

Capital Structure and Firm Value

Capital structure, often measured by the Debt to Equity Ratio (DER), shows more varied results. Studies such as those by Z. Inayah, Nurhidayati et al., and Sari have found that capital structure significantly impacts firm value, both positively and negatively (Z. Inayah, 2022; Nurhidayati et al., 2021; Sekar Sari, 2021).

An optimal capital structure can reflect financing efficiency and market trust in the company's risk management. However, an excessively high capital structure can lead to negative financial risk perceptions, thereby lowering the firm's value. Therefore, the impact of capital structure largely depends on the industry context, financial strategy, and the level of debt used by the company.

CONCLUSION

Based on the review of 20 scholarly articles using the Systematic Literature Review (SLR) approach, it can be concluded that ESG, profitability, and capital structure are important factors that influence firm value. ESG disclosure generally contributes positively to firm value by enhancing reputation, investor confidence, and long-term sustainability perceptions. Profitability, measured by ROA or ROE, consistently shows a positive impact on firm value, reflecting the efficiency and strong financial performance of the company.

However, the impact of capital structure on firm value shows varied results. Some studies find that high leverage negatively affects firm value, while other studies suggest that an optimal capital structure can increase firm value, depending on the industry context and financial strategy used.

In addition, several significant research gaps were identified. First, few studies have simultaneously tested ESG, profitability, and capital structure in a single conceptual model. Second, ESG has not been widely used as a moderating or mediating variable in the relationship between financial indicators and firm value. Third, there is a lack of cross-industry and cross-country studies that could enrich understanding of contextual differences. These gaps highlight the need for further research that is more integrative and interdisciplinary.

Recommendations

It is recommended that future research integrate ESG, profitability, and capital structure simultaneously within a single framework to provide a more comprehensive understanding of the determinants of sustainable firm value. Additionally, future studies should explore the role of ESG as a moderating or mediating variable in the relationship between financial indicators and firm value. This would help illustrate ESG's strategic role in shaping market and investor perceptions more clearly. Furthermore, research with a cross-industry and cross-country approach, particularly in developing countries, would capture the dynamics of ESG and financial strategies in more diverse and complex contexts, offering valuable insights into how these factors interact across different environments. Finally, the use of advanced quantitative methods, such as Structural Equation Modeling (SEM), Generalized Method of Moments (GMM), or multilevel panel data analysis, is strongly recommended. These methods would enable researchers to test the complex relationships among variables in a more in-depth and robust manner, enhancing the overall rigor of the studies.

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