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## THE EFFECT OF ENVIRONMENTAL SOCIAL GOVERNANCE DISCLOSURE AND SUSTAINABILITY REPORTING ASSURANCE ON FIRM VALUE

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### ABSTRACT

The objective of this study is to examine the impact of environmental social governance disclosure and sustainability reporting assurance on firm value. The population of this research includes all companies listed on the Indonesia Stock Exchange (IDX) for the period 2020–2023. This study employs a purposive sampling method and selects 163 observations as the research sample. Data analysis is conducted using panel data regression with EViews 13 software. The results indicate that governance disclosure has a significant effect on firm value, suggesting that investors tend to respond positively to companies with sound governance systems, as this reflects greater transparency, accountability, and risk mitigation. In contrast, disclosures of environmental and social aspects, as well as sustainability reporting assurance, do not show a significant positive effect on firm value. These findings underscore the importance of governance disclosure as a signal that a company possesses an effective and responsible management structure, ultimately bolstering investor confidence in the company's business sustainability.

**Keywords:** Firm Value, Environmental Disclosure, Social Disclosure, Governance Disclosure, Sustainability Reporting Assurance

### INTRODUCTION

Contemporary global challenges are fostering transformation and placing greater emphasis on sustainable development within organizations, particularly in relation to their business functions and models, thereby reinforcing the importance of sustainability. Irrespective of organizational size, the economic, environmental, and social impacts they generate can no longer be disregarded (Senadheera et al., 2022). As a result, pressing global issues such as climate change, environmental degradation, pollution, and the energy crisis have elevated sustainability to a critical strategic challenge for contemporary businesses. A pivotal response to this development was the 2004 report released by the United Nations Secretary General in collaboration with the UN Global Compact, entitled *Who Cares Wins* (WcW), which significantly advanced public recognition and understanding of the ESG framework. (Darsono et al., 2025). In recent years, corporations have experienced significant transformations in both business operations and disclosure practices. The concept of ESG encompassing environmental, social, and governance aspects has emerged as a central focus. Providing transparent and accountable ESG disclosures has become indispensable for stakeholders such as investors, customers, and the wider community, as these disclosures can shape a firm's reputation, risk profile, and overall financial outcomes. Empirical evidence further indicates that organizations with robust ESG practices generally demonstrate superior financial performance and reduced risk exposure.

In Indonesia, the adoption of ESG principles by corporations has been steadily increasing, particularly through the advancement of sustainable investments in which positive ESG factors play a central role. Firms that effectively integrate ESG practices demonstrate a strong awareness of long-term strategic challenges and are better equipped to attain their long-term objectives. Nevertheless, a number of publicly listed companies in Indonesia continue to exploit natural resources for substantial profits, resulting in serious environmental degradation (Jeanice, 2023). A report published in May 2022 by PwC Singapore in collaboration with the Centre for Governance and Sustainability (CGS) highlighted the increasing corporate commitment to ESG reporting throughout the Asia-Pacific region. Fu et al. (2023) The study revealed that 16% of the 650 surveyed companies in the Asia-Pacific region had engaged in ESG reporting. Furthermore,

GlobeScan and the Global Reporting Initiative (GRI) indicated a 51% increase in public trust toward the transparency of sustainability reports in 2020 compared to the previous year. As of November 30, 2021, global ESG investment funds had reached USD 649 billion, according to Refinitiv Lipper's 2022 report (Barraq Mellina Zahroh, 2021).

In response to these developments, Indonesia has encouraged the adoption of sustainability reporting by corporations. Pursuant to the OJK Regulation No. 51/POJK.03/2017 concerning sustainable finance for financial service institutions, issuers, and publicly listed companies, the objective of sustainable financial reporting is to maintain economic stability and inclusiveness through the integration of economic, social, and environmental dimensions. The disclosure of non-financial information in sustainability reports encompasses the environmental, social, and governance components (Husada & Handayani, 2021). Sustainability Reporting Assurance (SRA) serves a crucial function in strengthening the credibility of sustainability reports. Through SRA, the disclosed information is verified for accuracy, reliability, and compliance with established standards. Empirical studies suggest that the implementation of SRA enhances the confidence of investors and stakeholders in the credibility of sustainability disclosures.

An illustrative example from Indonesia is the textile industry, a highly dynamic sector that makes a substantial contribution to national GDP, employment, and export performance. Data from the Indonesian Textile Association (API, 2022) show that the sector provides employment for millions of workers and accounts for the largest proportion of manufacturing exports. As a result, the sustainability and overall performance of this industry exert a direct and considerable influence on the national economy. However, the sector has increasingly come under scrutiny due to environmental concerns such as air pollution, inefficient resource utilization, and water contamination as well as social challenges, including child labor and inadequate working conditions. Greenplace Indonesia (2021) documented that several major textile factories in West Java released hazardous waste into the Citarum River, which serves as a vital water source for surrounding communities. These practices not only undermine corporate reputations but also generate significant financial losses for the companies involved (Muhammad Rafi *et al.*, 2024).

This research emphasizes the relationship between ESG and SRA in shaping firm value. ESG reflects the degree to which a company embeds environmental, social, and governance considerations within its operations, thereby aligning its performance with stakeholder expectations. The more these expectations are fulfilled, the stronger the trust built with both the market and the public. Meanwhile, Sustainability Reporting Assurance (SRA) functions as an external validation of sustainability reports, signaling corporate integrity and transparency in line with signaling theory. Through this role, SRA enhances the credibility of ESG disclosures and fosters greater investor confidence. Ultimately, ESG contributes to substantive sustainability performance, while SRA reinforces the perceived reliability of disclosures. Together, these two elements complement one another and generate a greater positive impact on firm value.

Previous research on ESG disclosure and firm value indicates that ESG practices contribute positively to firm value and act as favorable market signals. An increase in firm value is generally associated with the efficient utilization of capital to generate profits, while rapid growth and larger firm size are often interpreted as indicators of stability and heightened investor trust. In addition, several studies suggest that sustainability reporting assurance (SRA) exerts a significant positive influence on firm value, as companies adopting assurance tend to produce sustainability reports of higher quality compared to those without assurance. Nevertheless, other findings point out that external assurance does not always moderate the relationship between the quality of sustainability reporting and firm value. In such cases, SRA does not succeed in reinforcing the influence of factors such as environmental costs, environmental accounting disclosure, green human capital, green structural capital, and green relational capital on firm value.

Drawing from this background, the present study seeks to re-examine the relationship between ESG disclosure, sustainability reporting assurance, and firm value with a novel approach. ESG disclosure will be measured using Bloomberg's ESG disclosure score, while sustainability reporting assurance (SRA) is positioned as an independent variable unlike prior studies that often considered it as a dependent or moderating variable. This research will investigate not only the overall impact of ESG disclosure but also the influence of third-party assurance on sustainability reports in shaping firm value. In addition, firm size is employed as a control variable. Accordingly, this study is entitled "The Effect of Environmental, Social, Governance Disclosure and Sustainability Reporting Assurance on Firm Value" with the research scope covering all companies listed on the Indonesia Stock Exchange (IDX) during the 2020–2023 period.

## LITERATURE REVIEW

### Signaling Theory

Signaling theory, introduced by Ross in 1977, highlights the critical role of information communicated by companies to external stakeholders, especially investors, in guiding investment decisions. Within the fields of economics and finance, the theory asserts that corporate insiders such as executives and directors generally possess more comprehensive knowledge about a firm's current condition and future prospects compared to external stakeholders. The purpose of signaling is to demonstrate that the firm, or its insiders, holds superior information relevant to investors, creditors, regulatory bodies, and shareholders. Essentially, the theory underscores the existence of an informational advantage held by the company over outsiders with an interest in the organization. This unequal distribution of information between parties is defined in signaling theory as information asymmetry (Nugroho & Hersugondo, 2022). One approach taken by corporate management is to convey a clearer representation of the company's future prospects to investors. Firms with strong growth potential generally refrain from issuing new shares and prefer to obtain capital through other financing methods, while firms with weaker prospects are more inclined to raise funds by offering their shares (Sari *et al.*, 2022).

### Firm Value

Firm value represents the extent to which a company succeeds in utilizing its resources in an economical, efficient, and effective manner while simultaneously fostering public trust. It is often regarded as a measure of stock price performance, as rising share prices reflect greater shareholder wealth. For corporate managers, higher firm value signifies enhanced managerial performance, making it a critical benchmark of success. Thus, the level of shareholder wealth can be associated with the overall performance of the company (Arrazi *et al.*, 2021). A company's value embodies its performance outcomes and is evaluated by investors through their perception of the market (Limesta Zamzam, 2021). Firm value is manifested in stock prices, which are influenced by supply and demand dynamics in the capital market and represent the public's assessment of corporate performance. In this study, firm value is measured using Tobin's q. A higher Tobin's q suggests that the company possesses a stronger ability to create value compared to the capital invested (Oktiwiati & Nurhayati, 2020). Firm value may be assessed through Tobin's q, also known as the q-ratio, which was developed by Nobel Prize winning economist James Tobin. The concept is grounded the idea that the market valuation of a firm should be relatively equivalent to the replacement cost of its assets (Serly *et al.*, 2023).

### ESG Disclosure

ESG disclosure represents the process by which firms report their adherence to Environmental, Social, and Governance (ESG) practices. According to Syaputri & Linda (2023), ESG serves as a benchmark for corporate investment practices that emphasize the continuous integration and implementation of policies in line with Environmental, Social, and Governance principles. The environmental dimension includes aspects such as energy utilization, waste and pollution management, conservation of natural resources, and the protection of biodiversity. The social dimension, on the other hand, reflects how companies

interact with stakeholders including local communities, suppliers, social organizations, customers, and other related institutions. ESG disclosure is considered a relatively new approach to measuring voluntary corporate initiatives, which may take the form of CSR reports, sustainability reports, or integrated reports that are either published separately or incorporated within annual reports (Mauliddin & Subardjo, 2023).

The ESG framework is structured around three main dimensions: environmental, social, and governance. The environmental dimension focuses on evaluating the company's overall impact on the ecosystem. The social dimension highlights the firm's capacity to build trust, credibility, and loyalty among employees, customers, and society at large. Meanwhile, the governance dimension assesses how effectively the company manages authority and accountability through proper oversight, balance, and engagement to ensure the creation of sustainable shareholder value (Putra & Asfiah 2024). According to Tirta Wangi & Aziz (2024), an ESG disclosure score can be calculated using the formula: the number of disclosed ESG items divided by the maximum possible disclosures. However, in this study, ESG disclosure is measured using the ESG scores provided by Bloomberg, which are predetermined values including environmental disclosure score, social disclosure score, and governance disclosure score reported by entities to the public.

### **Sustainability Report Assurance**

Assurance services refer to independent professional engagements designed to enhance the reliability of information used by decision-makers. When applied to sustainability reports, external assurance functions as a mechanism to strengthen the credibility of disclosures and shape stakeholders' perceptions of the firm. The International Auditing and Assurance Standards Board (IAASB) defines Sustainability Report Assurance (SRA) as an activity conducted to provide either 'reasonable assurance' or 'limited assurance' that the sustainability report is free from material misstatements and has been prepared in line with established frameworks, such as the Global Reporting Initiative (GRI) standards. In capital markets, the inclusion of Sustainability Report Assurance (SRA) within sustainability reporting may act as a favorable signal to investors, demonstrating a company's commitment to accountability and sustainable practices. Firms whose sustainability reports are externally assured often achieve higher market valuations, as investors perceive the disclosed information to be more credible. Assurance thus has the potential to reinforce the positive linkage between sustainability disclosure and firm value by mitigating information asymmetry (Situmorang & Bimo, 2023).

Signaling theory states that companies have internal information regarding prospects and performance that is not fully known to external parties, such as investors. To reduce this information asymmetry, companies need to send positive signals to the market through relevant disclosures, one of which is environmental reporting in sustainability reports. This environmental disclosure generally covers aspects of emission control, energy efficiency, water use, waste management, and compliance with environmental regulations. The more transparent and comprehensive the disclosure, the stronger the signal that shows the company's commitment to sustainability, reducing environmental risk, increasing investor confidence, and ultimately driving company value (Mauludi *et al.*, 2025).

Syaputri & Linda (2023) found that environmental and governance disclosures have a significant effect on firm value, while social disclosure does not. However, ESG disclosure as a whole has a positive, significant combined effect on firm value. Vivianita *et al.* (2023) state that ESG disclosure, as non-financial information, acts as a signal to stakeholders regarding corporate responsibility in environmental, social, and governance aspects. Environmental impact disclosure also brings tangible benefits such as shielding firms from lawsuits arising from environmental damage and boosting consumer loyalty toward eco-friendly products. This enhances stakeholder evaluations by promoting a firm's image as environmentally conscious. As a result, investors are more attracted to firms with strong environmental performance (Behl *et al.*, 2022). H1: Environmental disclosure has a positive effect on firm value.

### **The Effect of Social Disclosure on Firm Value**

According to signaling theory, companies can lessen information asymmetry between management and external investors by communicating favorable information. Social disclosure within sustainability reports serves as one such signal, encompassing aspects such as employee welfare, human rights, community involvement, workforce diversity, occupational health and safety, and stakeholder relations. By providing transparent social disclosures, firms demonstrate concern not only for financial performance but also for long-term social sustainability (Jeanice, 2023).

Trustworthy social disclosure can enhance investor trust in the company's resilience and standing, while also functioning to reduce non-financial risks and improve firm value. Angelique *et al* (2024) Research findings indicate that ESG disclosure has a significant effect on firm value, as consistent ESG reporting conveys signals of responsible business conduct and strengthens investor confidence. This underlines the importance of ESG in fostering long-term value creation. Social disclosure—which includes aspects such as labor practices, human rights, product responsibility, and community involvement—plays a supportive role in this process. From the perspective of signaling theory, corporate success and sustainability rely not only on financial performance but also on the firm's capacity to deliver credible signals to the market. Transparent ESG disclosure thus represents a signal of integrity and long-term orientation, which in turn contributes to sustainable enhancement of firm value. Similarly, Li *et al* (2024) The integration of ESG principles into strategic decisions is viewed as essential for advancing inclusive and sustainable economic development. Social responsibility initiatives reinforce corporate image and reputation, ultimately translating into increased market presence and share. H2: Social disclosure has a positive effect on firm value.

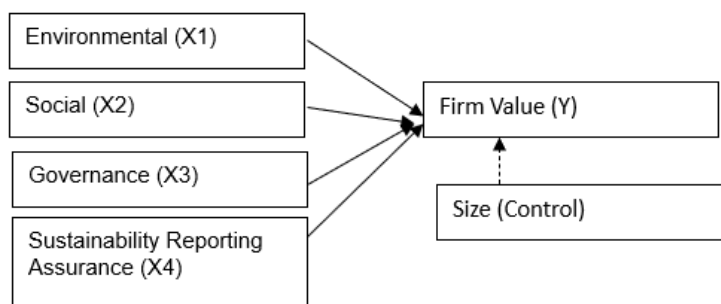
### **The Effect of Governance Disclosure on Firm Value**

According to Chirsty & Sofie (2023), Good corporate governance acts as a positive signal for investors, demonstrating a company's dedication to transparency, accountability, and integrity in its business practices. Such signaling enhances investor confidence in the firm's long-term prospects and sustainability, thereby encouraging investment and increasing firm value. Governance disclosure typically covers aspects such as management structures, CSR initiatives, and stakeholder relations, with high governance scores reflecting stronger internal controls. From the perspective of signaling theory, firms are expected to communicate their quality and commitments openly to establish a positive reputation and minimize information asymmetry. Accordingly, management must consistently uphold sound governance, deliver transparent and reliable information, and ensure adequate oversight to prevent ethical misconduct and maintain corporate reputation (Tanjaya & Ratmono, 2024). H3: Governance disclosure has a positive effect on firm value.

### **The Effect of Sustainability Reporting Assurance on Firm Value**

Signaling theory explains that because management holds more information than investors, companies need to convey reliable signals to the market. Independent assurance of sustainability reports serves as one such signal, reducing uncertainty and strengthening stakeholder trust. Zulaikha & Indyanti (2017) found that sustainability report assurance significantly influences firm value. Situmorang & Bimo (2023) Similarly, it is underscored that the quality of sustainability reporting has a significant influence on investor decision-making and, consequently, on firm value. Assurance functions to reinforce the relationship between ESG disclosure and firm valuation. Companies that obtain independent third-party assurance particularly when conducted in accordance with frameworks such as GRI G4, the GRI Standards, or AA1000APS tend to produce more reliable sustainability reports, thereby enhancing their credibility and market standing. The Global Reporting Initiative (GRI), founded in 1997 by CERES and UNEP, first published its reporting guidelines in 1999 and later launched the GRI G4 framework in Amsterdam in May 2013, with a strong focus on materiality and transparency. (Apriliyani *et al.*, 2019). This practice of maintaining a clear separation between audit and assurance functions is consistent with regulatory requirements designed to safeguard auditor independence and prevent potential conflicts

of interest, which are essential for maintaining confidence in both financial and non-financial reporting. H4: Sustainability reporting assurance has a positive effect on firm value.



**Figure 1. Conceptual Framework**  
Source: Authors' Elaboration (2025)

### METHODS

This research adopts a quantitative approach, utilizing a conceptual framework to test theories relevant to the research problem and producing results through statistical analysis or other measurable techniques. The focus of the study is to analyze the effect of ESG disclosure and Sustainability Reporting Assurance (SRA) on firm value. The population of this research comprises all firms listed on the Indonesia Stock Exchange (IDX) during the 2020–2023 period, totaling 163 companies. A purposive sampling method is applied, whereby the sample is determined based on predefined criteria. The criteria include: (1) firms that have consistently remained listed on the IDX throughout the four-year period, and (2) firms that provide complete data for all research variables. The study relies on secondary data, including annual reports, sustainability reports, and ESG-related disclosures, with data gathered using literature review and documentation techniques.

The dependent variable in this study is firm value. Firm value represents the market price of a company's shares, reflecting investors' assessments of its performance and future outlook. This variable is quantified using Tobin's Q. This research employs ESG disclosure as the independent variable, defined as corporate reporting that communicates environmental, social, and governance impacts. The ESG disclosure score used in this study is obtained from Bloomberg. This study also includes Sustainability Reporting Assurance (SRA) as an independent variable, defined as an external verification of sustainability reports to ensure their credibility. The variable is measured using a dummy scale: a score of 1 if the report is independently assured, and 0 if no assurance is provided. The control variable applied in this study is firm size, which serves as a measure to categorize companies according to their scale. Firm size is assessed using the natural logarithm of total assets.

### Data Analysis Technique

The data analysis technique employed in this study is panel data regression, conducted using EViews 13 software. The regression model utilized in this study is as follows (i). Notes: Y = Dependent variable,  $\alpha$  = Constant (intercept),  $\beta$  = Regression coefficient, X1 = Independent variable: environmental (X1), X2 = Independent variable: social (X2), X3 = Independent variable: governance (X3), X4 = Independent variable: sustainability reporting assurance (X4).

$$Y = \alpha + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \beta_4X_4 + \dots + e \tag{i}$$

### RESULTS

#### Sample Selection Process and Descriptive Statistics Analysis

Using purposive sampling, a total of 163 firms were selected as the final research sample out of 903 companies listed on the Indonesia Stock Exchange (IDX) in the 2020–2023

period. The selection was determined based on the availability of complete data for the research variables during the observation period and the consistency of public disclosure.

**Table 1. Sample Selection Process**

Description	Quantity
Companies listed on the IDX during the 2020–2023 period	903
Companies listed on the IDX that do not meet the criteria	740
Research sample size	163
Total observations over 4 years	652

Source: Processed Data (2025)

**Table 2. Results of Descriptive Statistics Analysis**

	Tobin's Q	Env	Soc	Gov	Ass	Size
Mean	0.7260	25.2126	26.8514	62.7553	0.1779	23.3044
Median	0.3885	23.1050	28.5100	74.2600	0	23.4300
Maximum	8.4380	81.2700	64.4500	96.1200	1	35.2100
Minimum	0	0	0	0	0	11.9700
Std. Dev	0.9498	19.5923	15.1655	29.2655	0.3827	52830
Observations	652	652	652	652	652	652

Source: Processed Data (2025)

#### Panel Data Regression Model Test

Based on the descriptive statistics table above, the following points can be explained: The dependent variable, Tobin's Q, which serves as a proxy for firm value, has an average score of 0.7261, with observed values ranging from a minimum of 0.0000 to a maximum of 8.4380. This reflects that while certain firms demonstrate exceptionally strong market performance, others show no market value relative to their assets. The standard deviation of 0.9498 indicates a high degree of variability in firm value across the sample. The independent variable, Environmental, records an average score of 25.2126 with a median of 23.1050, indicating that most firms disclose environmental information around these levels. The maximum value of 81.2700 and minimum of 0.0000 demonstrate substantial differences in the extent of environmental disclosure across companies. A standard deviation of 19.5923 further suggests a considerable dispersion in the data.

The independent variable, Social, has an average value of 26.8514, with scores ranging from a minimum of 0.0000 to a maximum of 64.4500. The median value of 28.5100 suggests that more than half of the firms demonstrate relatively strong performance in social disclosures. The standard deviation of 15.1655 reflects considerable variation among companies regarding social aspects. The independent variable Governance has the highest mean value of 62.7553, with a minimum value range of 0.0000 and a maximum of 96.1200. The median of 74.2600 indicates that most companies tend to have high corporate governance scores. However, the standard deviation of 29.2655 indicates significant variation in governance practices among companies.

The independent variable, Assurance, is a dummy variable (1 = presence of assurance, 0 = absence of assurance) with an average score of 0.1779, indicating that only 17.79% of firms in the sample engage in sustainability reporting assurance. Both the median and minimum values of 0.0000 confirm that the majority of companies do not implement assurance. Meanwhile, the maximum value of 1.0000 and a standard deviation of 0.3827 further emphasize this condition. The control variable, firm size, measured by the natural logarithm of total assets, records an average value of 23.3044 with a median of 23.4300. The minimum and maximum values of 11.9700 and 35.2100, respectively, reflect substantial variation in company size. A standard deviation of 5.2831 further indicates

notable differences in the scale of the firms under observation. The probability value smaller than the 0.05 significance level indicates that  $H_0$  is rejected, meaning that the Common Effect Model (CEM) is not appropriate. Therefore, the Fixed Effect Model (FEM) is more suitable for estimating panel data regression in this study, as it can capture significant differences among companies in the sample. Table 4 is Hausman test. Since the probability value is greater than the 0.05 significance level ( $0.3414 > 0.05$ ), it can be concluded that  $H_0$  is accepted. Therefore, the Random Effect Model (REM) is considered more appropriate for use in this study compared to the Fixed Effect Model (FEM). Since the probability value Lagrange Multiplier test (Table 5) is greater than the 0.05 significance level ( $0.3414 > 0.05$ ), it can be concluded that  $H_0$  is accepted. Therefore, the Random Effects Model (REM) is considered more appropriate for use in this study compared to the Fixed Effects Model (FEM).

Table 3. Chow Test Results

Effects Test	Statistic	d.f.	Prob.
Cross-section F	8.570240	(162.484)	0.0000
Cross-section Chi-square	882.077841	162	0.0000

Source: Processed Data (2025)

Table 4. Hausman Test Results

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	5.653686	5	0.3414

Source: Processed Data (2025)

Table 5. Lagrange Multiplier Test Results

	Cross-section	Test Hypothesis Time	Both
Breusch-Pagan	409.5456	1.76069	411.3063
	0	-0.1845	0

Source: Processed Data (2025)

#### Multicollinearity and Heteroskedasticity Test

Based on these results, all independent variables have a VIF value below 10 (Table 6). This indicates that there are no multicollinearity issues in the regression model used, making the model suitable for further testing. Table 7 is heteroscedasticity test. Based on the results of the heteroskedasticity test conducted, the Obs\*R-squared probability value obtained is 0.0719, which is greater than the 0.05 significance level. This indicates that no evidence of heteroskedasticity was found in this test.

Table 6. Multicollinearity Test Results

Variable	Coefficient Variance	Uncentered VIF	Centered VIF
C	0.033598	25.53511	NA
Environmental	8.49E-06	6.571323	2.47177
Social	2.43E-05	17.55553	4.240772
Governance	4.73E-06	17.22616	3.073207
Assurance	0.010507	1.420815	1.168032
Size Value	5.46E-05	23.68426	1.156013

Source: Processed Data (2025)

Table 7. Heteroskedasticity Test Results

F-statistic	2.036760 Prob. F(5,646)	0.0717
Obs*R-squared	10.11887 Prob. Chi-Square(5)	0.0719
Scaled explained SS	72.54394 Prob. Chi-Square(5)	0.0000

Source: Processed Data (2025)

### Hypothesis Testing Regression Model Equation

Based on the panel data regression, it can make a model equation. The following points can be explained: The constant value in the regression model is 1.025249, meaning that if all independent and control variables have a value of zero or remain constant, the dependent variable will have a value of 1.025249. The beta coefficient for the environmental variable is -0.002694, indicating that if other variables remain constant and the environmental variable increases by one unit, the dependent variable will decrease by 0.002694. However, the probability value of 0.4452 shows that the effect of the environmental variable is not statistically significant. The beta coefficient for the social variable is 0.000261, meaning that if other variables remain constant and the social variable increases by one unit, the dependent variable will increase by 0.000261. However, the probability value of 0.9722 indicates that the effect of the social variable is not statistically significant. The beta coefficient for the governance variable is 0.006876, suggesting that if other variables remain constant and the governance variable increases by one unit, the dependent variable will increase by 0.006876. The probability value of 0.0456 indicates that the effect of the governance variable is statistically significant at the 5% significance level ( $\alpha$ ).

The beta coefficient for the assurance variable is -0.303377, meaning that if other variables remain constant and the assurance variable increases by one unit, the dependent variable will decrease by 0.303377. The probability value of 0.0017 indicates a highly statistically significant effect. The beta coefficient for the control variable company size (size value) is -0.026427, implying that if other variables remain constant and the company size increases by one unit, the dependent variable will decrease by 0.026427. The probability value of 0.0172 shows that the effect of this control variable is statistically significant.

### Coefficient of Determination

The adjusted R-squared (Table 8) value of 0.059414, or 5.9414%, indicates that the independent variables environmental, social, governance disclosures, sustainability reporting assurance, and the control variable size value explain 5.9414% of the variation in firm value. Meanwhile, 94.0586% of the variation in firm value is explained by factors outside the regression model not included in this study. These factors include profitability (ROA, ROE, and Net Profit Margin), which reflects a company's ability to generate profits; capital structure or leverage, indicating the proportion of company financing from debt; and dividend policy, which can signal positive information to investors. Additionally, sales growth serves as an indicator of future company prospects, liquidity reflects the ability to meet short-term obligations, and external factors such as macroeconomic conditions like inflation, interest rates, and exchange rates. These factors have been shown in various previous studies to significantly influence firm value.

### Simultaneous Significance Test (F-Test)

The results of the simultaneous significance test indicate that the F-statistic (Table 9) value is 9.224366 with a Prob(F-statistic) value of 0.000000. This probability value is much smaller than the 5% significance level ( $0.000000 < 0.05$ ), allowing us to conclude that: simultaneously, the environmental, social, governance, sustainability reporting assurance variables, and size value have a significant effect on firm value. Therefore, the regression model used in this study is appropriate and statistically significant, as the independent variables collectively explain the variation in the dependent variable (firm value).

### Partial Significance Test (t-Test)

Based on the t-test results, the environmental variable has a t-statistic of -0.9554 with a p-value of 0.3398 ( $> 0.05$ ). This indicates that environmental disclosure does not have a significant effect on firm value. Although the coefficient is negative, the effect is not statistically proven, so there is insufficient evidence to state that environmental disclosure influences market valuation. This explains that the first hypothesis of this study, which stated that environmental disclosure has a significant positive effect on firm value, is rejected. The social variable shows a t-statistic of 0.0549 with a p-value of 0.9562 ( $> 0.05$ ),

meaning it does not have a significant effect on firm value. This very small positive value indicates that social disclosure has not yet had a meaningful impact on investor perception or stock market performance. This explains that the second hypothesis of this study, which stated that social disclosure has a significant positive effect on firm value, is rejected.

The governance variable has a t-statistic of 3.6089 with a p-value of 0.0003 (< 0.05). These results indicate that governance disclosure has a positive and significant effect on firm value. This means that the better the disclosure of corporate governance practices, the greater the investor confidence, thereby increasing firm value. This explains that the third hypothesis of this study, which stated that governance disclosure has a significant positive effect on firm value, is accepted. The assurance variable shows a t-statistic of -2.9551 with a p-value of 0.0032 (< 0.05), meaning that sustainability reporting assurance has a negative and significant effect on firm value. This explains that the fourth hypothesis of this study, which stated that sustainability reporting assurance has a significant positive effect on firm value, is rejected.

The control variable size value has a t-statistic of -2.3135 with a p-value of 0.0210 (< 0.05), indicating that company size has a negative and significant effect on firm value. This shows that the size of a company is not always a determinant of performance or market value. Small companies can still achieve high profitability, while large companies may not efficiently manage their assets. Thus, the signal from size value does not always reflect an increase in firm value and requires further examination.

**Table 8. Result of Coefficient of Determination**

Adjusted R-squared	0.059414
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Source: Processed Data (2025)

**Table 9. Result of Simultaneous Significance Test (F-Test)**

F-statistic	9.224366
Prob(F-statistic)	0

Source: Processed Data (2025)

**Table 10. Result of Partial Significance Test (t-Test)**

Variable	t-Statistic	Prob.
Environmental	-0.955358	0.3398
Social	0.054911	0.9562
Governance	3.608865	0.0003
Assurance	-2.955054	0.0032
Size Value	-2.313533	0.0210

Source: Processed Data (2025)

### Discussion

The results of the study indicate that the environmental variable does not have a significant effect on firm value, with a probability value of 0.3398, which exceeds the 0.05 significance threshold. This finding does not support the first hypothesis, which stated that there is a positive effect between environmental disclosure and firm value. The results suggest that environmental disclosure has not yet fully provided a strong and convincing signal to the market regarding firm value. According to signaling theory, good environmental disclosure should serve as a positive indicator that can reduce information asymmetry between the company and investors.

This may be due to investors tending to prioritize financial performance over environmental aspects as drivers of firm value. Although environmental disclosure aligns with sustainability practices, the economic benefits of these activities generally become apparent only in the long term. As a result, the market does not immediately respond to

environmental information disclosed by the company, as investors are more focused on short-term financial indicators such as profitability, cash flow, and return on investment. This condition makes the effect of environmental disclosure on firm value insignificant. Therefore, the effectiveness of environmental disclosure as a market signal needs to be evaluated and improved to genuinely influence firm value.

The findings of this study are not consistent with the research conducted by Syaputri & Linda, (2023), which stated that environmental disclosure has a significant effect on firm value. This difference may be due to the relatively low level of investor concern for environmental aspects in Indonesia when making investment decisions. Another reason is that environmental disclosure is often viewed as a form of regulatory compliance rather than a value-adding strategy. If environmental disclosure is conducted solely to meet reporting or regulatory requirements, the signal sent is not strong enough to influence investors' perception of firm value. This is in line with the studies of Chirsty & Sofie (2023), Mauludi et al., (2025) and Marsuki & Efendi (2024), which indicate that environmental disclosure does not have a significant effect on firm value and emphasize the importance of improving the quality of ESG disclosures within a company.

The social variable also shows no significant effect on firm value, with a probability value of 0.9722, far above the 0.05 significance threshold. This result does not support the second hypothesis. It indicates that corporate social responsibility (CSR). Disclosure has not yet become a primary consideration for investors in evaluating firm value. In the framework of signaling theory, social disclosure should be able to communicate the company's commitment to social responsibility as a positive signal to stakeholders.

According to signaling theory, companies should use social disclosure as a tool to send positive signals to investors regarding their commitment to employee welfare, community development, and the fulfillment of broader social responsibilities. However, these findings indicate that the signals conveyed through social disclosure are not strong enough or not yet trusted by the market. This is due to the primary orientation of social performance being aimed more at building legitimacy and good relationships with stakeholders such as the community, employees, and regulators rather than directly driving an increase in firm value.

In other words, social activities function more as a form of corporate responsibility and an effort to maintain operational sustainability, so their impact on investor perception and market value is not significant in the short term. In some sectors, social issues are not considered urgent by investors or regulators, so even if a company discloses social information, the market does not respond meaningfully. The findings of studies by Tirta Wangi & Aziz, (2024), Syaputri & Linda, (2023) and Romli & Abdurohim, (2024) support the notion that social disclosure does not affect firm value.

Unlike the previous two variables, the governance variable has a significant partial effect on firm value, with a probability value of 0.0456 ( $< 0.05$ ). This finding supports the third hypothesis, which states that corporate governance disclosure has a positive impact on firm value. It indicates that investors tend to respond positively to companies with good governance systems, as this reflects greater transparency, accountability, and risk mitigation. These results support the findings of Chirsty & Sofie, (2023) Anggarista & Ganesha, (2024) and Syaputri & Linda, (2023), which indicate that governance significantly affects firm value. Governance disclosure signals that the company has an effective and responsible management structure, ultimately increasing investor confidence in the company's business sustainability. This is also consistent with signaling theory, where governance disclosure serves as a tool to reduce information asymmetry between management and shareholders.

The assurance variable shows a negative and significant effect on firm value, with a probability value of 0.0017. This result indicates that the presence of assurance is actually responded to negatively by the market. This can occur if assurance is conducted as a form

of correction or as an indication of doubt regarding the reliability of the sustainability information presented. Therefore, this finding does not align with the hypothesis stating that assurance increases investor confidence and positively impacts firm value.

The finding of a negative and significant effect of assurance on firm value suggests that the signals sent through assurance are not always positively received by the market. In the context of signaling theory, assurance in sustainability reports is intended to enhance the credibility and reliability of the information disclosed by the company. However, in the context of the Indonesian capital market, investors' understanding and concern about the presence of assurance remain relatively low. Investors tend to focus more on the company's financial performance rather than the validity of sustainability reports obtained from third parties. As a result, the signal provided through assurance is not strong enough to influence market perception, thus having no significant impact on firm value.

Another reason can be explained by differences in industry characteristics. In highly regulated sectors such as banking, energy, and mining, the presence of assurance in sustainability reports is considered important and even mandatory to maintain information credibility. However, in other industries with relatively low regulation, assurance has not yet become a primary necessity. This can create the perception that the costs incurred by the company for assurance add a burden without providing direct benefits to financial performance. Consequently, the market may view assurance as an inefficient factor, resulting in a negative impact on firm value. This is further supported by studies by Anisa & Nikmah, (2023) and Kusumaningrum & Astuti, (2024), which reveal that external assurance does not moderate the relationship between the quality of sustainability reports and firm value.

The results of the study show that, as a control variable, size value, which has a negative effect on firm value, can also be analyzed using signaling theory. The probability value is 0.0172 ( $< 0.05$ ); however, the direction of the effect is negative. A large size value should serve as a signal of strength and stability, but in this study, that signal appears to be less effective or even perceived negatively by investors.

The negative effect of company size on firm value may be because the size of a company does not always determine financial performance or market value. Even small companies have the potential to achieve high profitability if they can manage resources efficiently and implement the right business strategies. Conversely, large companies may face more complex risks, higher operational burdens, and inefficiencies in asset management. These conditions can create negative perceptions among investors, thereby reducing firm value. Thus, the signal from size value shows a direction contrary to what is expected by theory, indicating the need for further study, particularly on how large companies manage the information they convey to the market. This finding is consistent with research by Yohana *et al.* (2021), Dewi & Praptoyo (2020) and Alifian & Susilo (2024), which revealed that size value has a significant negative effect on firm value.

## CONCLUSION

Based on the results, this study shows that environmental and social disclosures do not have a significant positive effect on firm value, whereas governance has a significant positive effect on firm value. Assurance and size value have a significant negative effect on firm value. This study has limitations in the selection of the main research variables, the use of company size as a control variable, and the limited research period. The recommendations from this study are to expand the scope by including other relevant variables, extend the observation period, and ensure that the application of assurance on sustainability reports focuses on quality, not just formality.

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