ENVIRONMENTAL, SOCIAL, AND GOVERNANCE (ESG) DISCLOSURE ON COMPANY VALUE: EMPIRICAL EVIDENCE ON JAKARTA ISLAMIC INDEX 30 COMPANIES

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Abstract

This research analyzes the impact of Environmental, Social, and Governance (ESG) disclosure on firm value within Sharia-compliant firms listed in the Jakarta Islamic Index 30 (JII30) over the 2023–2024 period. In response to the rising importance of sustainability considerations in investment decision-making, companies are increasingly required to provide more comprehensive non-financial disclosures as part of their accountability to stakeholders. Adopting a quantitative research approach, this study employs secondary data extracted from the annual and sustainability reports of 22 selected firms, resulting in 44 firm-year observations obtained through purposive sampling. Firm value is operationalized using the Price to Book Value (PBV) metric, while ESG disclosure levels are constructed based on indicators stipulated by the Global Reporting Initiative (GRI). The hypotheses are tested using multiple linear regression analysis after all classical assumption criteria are satisfied. The empirical results demonstrate that ESG disclosure, when evaluated collectively, has a statistically significant influence on firm value. Nevertheless, further analysis at the dimensional level reveals that environmental disclosure is negatively associated with firm value, whereas social and governance disclosures do not show significant effects. These findings indicate heterogeneous investor reactions to ESG information across different dimensions in the context of Islamic equity markets.

Keywords: ESG, corporate value, JII30, sustainability, sharia companies

1. INTRODUCTION

Company value is a key indicator that reflects market perception of the quality, prospects and sustainability of a company's future performance (Amin & Sulfati, 2024) From a capital market perspective, company value is an aggregate representation of investor responses to various information received regarding the company's condition and strategy (Indrayani et al., 2025). Increases in company value are generally reflected through increases in share prices and market ratios such as Price to Book Value (PBV), thus becoming an important signal for investors in assessing the success of management in managing the company (Handini, 2022).

According to Signaling Theory, there is information asymmetry between company management and external parties, especially investors (Sutarman, A., Karamoy, H., & Gamaliel, 2022). Therefore, companies need to convey signals to the market through various forms of information disclosure to reduce information asymmetry. Credible and relevant signals are expected to be positively perceived by investors and reflected in increased company value.(Pasaribu, 2025).

In the context of modern capital markets, the signals conveyed by companies are no longer limited to financial information, but also include non-financial information related to the sustainability and responsibility of the company.(Farilla, MI, & Abiprayu, nd). Increasing investor awareness of environmental risks, social issues, and the quality of corporate governance has led to ESG becoming a non-financial signal that is increasingly being considered in investment decision-making.(Nguyen et al., 2023). Thus, ESG disclosure acts as a signal that demonstrates management's commitment to sustainable, ethical, and long-term oriented business practices.(Setyaningrum, NT, & Hasanah, 2025).

Sustainability reports constitute a strategic disclosure instrument through which corporations communicate Environmental, Social, and Governance (ESG)–related information to demonstrate their commitment to sustainable business practices to relevant stakeholders (Durlista, MA, & Wahyudi, 2023). By disseminating ESG information, firms explain the extent to which their operational processes integrate environmental responsibility, social considerations, and sound governance principles grounded in transparency and accountability (Yudistiara, 2025). The Global Reporting Initiative (GRI) is frequently adopted as a reference framework for ESG disclosure because it offers standardized, comprehensive, and inter-firm comparable indicators, thereby strengthening the credibility and signaling value of sustainability information in capital markets (Monika, S., & Murniati, 2023). Within the Indonesian regulatory environment, ESG disclosure has evolved beyond a voluntary practice following the enactment of Financial Services Authority Regulation (POJK) No. 51/POJK.03/2017, which obliges issuers and public companies to implement sustainable finance principles and publish sustainability reports, effectively positioning ESG disclosure as a formal regulatory signal.

The relevance of ESG as a market signal becomes even more interesting when examined in the context of companies included in the Jakarta Islamic Index 30 (JII30).(Ardianto, F., & Sukardi, 2024)Companies in this index have undergone a sharia-compliant screening process that encompasses business activity limitations, funding structures, and ethical aspects. These characteristics give sharia-compliant companies a relatively higher ethical reputation and compliance rate than conventional companies.(POJK, 2017)From a Signaling Theory perspective, Sharia compliance itself is a positive signal for investors. Therefore, ESG disclosures in JII30 companies have the potential to serve as a reinforcing signal, strengthening market perceptions of the company's quality and sustainability.(Ardianto & Sukardi, 2024).

Phenomena related to the research variables can be observed through initial data from companies included in the Jakarta Islamic Index 30 (JII30). To provide an initial overview of the relationship between ESG disclosure and company value, the following is an example of data from three JII30 companies, demonstrating changes in ESG scores and Price to Book Value (PBV) during the 2023–2024 period.

Table 1 Changes in ESG and PBV of Selected Companies JII30

No.	Company Code	Company name	ESG 2023	PBV 2023	ESG 2024	PBV 2024
1	ACES	Ace Hardware Indonesia Tbk	1.54	1.98	1.72	2.08
2	ADRO	Adaro Energy Indonesia Tbk	2.51	0.67	2.43	0.86
3	AKRA	AKR Corporindo Tbk	2.28	2.11	2.38	1.54
4	ANTM	Aneka Tambang Tbk	2.64	1.31	2.64	1.14
5	ASII	Astra International Tbk	2.20	0.91	2.26	0.73

Source: Processed Data, 2026

Empirical evidence suggests that ESG signals are not always uniformly captured by the market. Based on preliminary data from JII30 companies for the 2023-2024 period, it appears that increases in ESG scores are not always accompanied by increases in company value. Some companies demonstrate consistency between ESG improvements and PBV increases, while others experience decreases in company value despite increasing ESG scores. Conversely, some companies experience decreases in ESG scores but increase in company value. This phenomenon indicates that ESG signals are not always effective or trusted by the market, resulting in varying investor responses to these signals.

The ineffectiveness of ESG signals can be caused by several factors, including investor perceptions of disclosure credibility, the relevance of ESG information to short-term financial performance, and the market's ability to interpret non-financial information. Within the framework of Signaling Theory, signals that are unclear, inconsistent, or perceived as lacking credibility have the potential to fail to reduce information asymmetry, resulting in a negative market response.(Lindrianasari et al., 2025).

Previous empirical findings also show inconsistent results regarding the influence of ESG on firm value.(Vivianita et al., 2021)found that ESG has a positive effect on company value, whereas(Sedyasana & Wijaya, 2024)The results show that environmental, social, and governance aspects do not significantly influence company value. This inconsistency indicates an empirical gap regarding the effectiveness of ESG as a market signal.

Furthermore, there is a contextual gap because most previous research has focused on conventional companies or specific sectors, while research examining the effectiveness of ESG signals in Islamic companies, particularly those listed in the JII30, is still very limited. This is despite the fact that the characteristics of Islamic companies, which emphasize ethics, transparency, and Sharia compliance, have the potential to influence how ESG signals are perceived and interpreted by investors.(Marsuni, 2024).

Furthermore, there is a methodological gap indicated by the differences in ESG measurement tools in previous studies, such as the use of indicators such as POJK 51.(Sedyasana & Wijaya, 2024a), ESG Combined Score from Thomson Reuters(Kartika et al., 2023), and general ESG scores(Afdhal & Wuryan Andayani, 2024)). To date, there has been no research that specifically uses GRI standards as a basis for measuring ESG disclosure in the context of Islamic companies (JII30). The use of GRI standards is expected to produce more structured and credible ESG signals, thereby providing a more accurate understanding of the relationship between ESG and company value.(Masfiah & Sulistyowati, 2025).

Based on Signaling Theory as well as empirical, contextual, and methodological gaps identified in previous studies, this research is considered important to be conducted. This study is expected to contribute theoretically by broadening the application of Signaling Theory in explaining ESG disclosure as a form of non-financial signal that influences firm value in Islamic companies. Practically, the findings of this research are anticipated to serve as a reference for JII30 company management in formulating more effective ESG disclosure strategies as positive signals to the capital market, as well as assisting investors in interpreting ESG-related information more accurately.

Accordingly, this research examines how Environmental, Social, and Governance (ESG) disclosure, operationalized using the Global Reporting Initiative (GRI) framework, influences firm value among companies included in the Jakarta Islamic Index 30 (JII30) on the Indonesia Stock Exchange over the 2023–2024 period.

2. METHODOLOGY

This research is designed as a quantitative explanatory study aimed at assessing how Environmental, Social, and Governance (ESG) disclosures are associated with firm value. The unit of analysis comprises publicly listed companies that are part of the Jakarta Islamic Index 30 (JII30) on the Indonesia Stock Exchange. From this population, 22 firms are selected through purposive criteria, specifically those that consistently maintained their JII30 membership throughout the 2023–2024 observation period. The study utilizes secondary data sourced from corporate annual reports and sustainability reports, obtained via systematic document review. Firm value is represented by the Price to Book Value (PBV) indicator, whereas ESG variables are constructed based on the breadth of disclosure aligned with the Global Reporting Initiative (GRI) framework. To test the proposed relationships, the data are analyzed using multiple linear regression modeling.

## 3. RESULTS AND DISCUSSION
3.1 Descriptive Statistical Analysis
Table 2 Descriptive Statistics Results

Descriptive Statistics					
	N	**Minimum**	**Maximum**	**Mean**	**Standard Deviation**
Environmental	44	38.00	88.00	669,545	1,501,930
Social	44	16.00	89.00	559,318	2,005,272
Governance	44	38.00	100.00	973,636	1,225,142
Firm Value	44	1.00	398.00	1,400,455	10,223,319
Valid N (listwise)	44				

Source: SPSS Data Processing Results, 2026

Based on the results of the descriptive statistical analysis, this study utilized 44 observations. The Environmental variable recorded a mean value of 66.95 with a standard deviation of 15.02, indicating that environmental performance among the sampled companies is relatively good with moderate variability. The Social variable showed an average value of 55.93 and a standard deviation of 20.05, reflecting substantial differences in the implementation of social aspects across companies. Meanwhile, the Governance variable exhibited a very high mean value of 97.36 with a standard deviation of 12.25, suggesting that corporate governance practices have generally been implemented consistently. In addition, the Firm Value variable recorded a mean value of 140.05 with a standard deviation of 102.23, indicating a high level of variation in firm value among the observed companies.

3.2 Normality Test
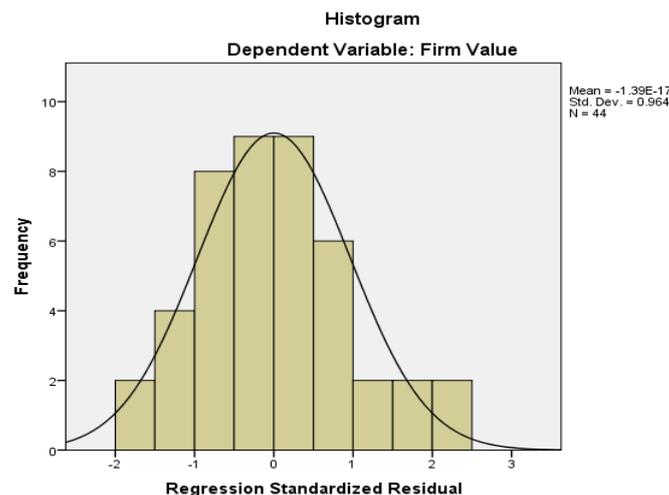
Source: SPSS Data Processing Results, 2026

Based on the histogram of the Regression Standardized Residual on the dependent variable Firm Value, it can be seen that the residual distribution is spread relatively symmetrically around the zero value and follows a normal curve pattern. The average residual value of -1.39E-17 (close to zero) and the standard deviation of 0.964 indicate that the standardized residual is within reasonable limits. In addition, there are no extreme deviations or striking distribution patterns to the left or right. Thus, it can be concluded that the residual data is normally distributed, so the normality

assumption in the regression model has been met and the regression model is suitable for use in further analysis.

3.3 Multicollinearity Test

Table 3 Multicollinearity Test Results

Model	Collinearity Statistics	
	Tolerance	VIF
Environmental	.794	1,260
Social	.738	1,356
Governance	.862	1,160

Source: SPSS Data Processing Results, 2026

The evaluation of multicollinearity reveals that the Environmental, Social, and Governance variables consistently exhibit tolerance values above the critical level of 0.10, along with Variance Inflation Factor values that remain below the acceptable threshold of 10. These results confirm that no substantial linear dependence exists among the independent variables. Therefore, the estimated regression model can be regarded as free from multicollinearity concerns and is considered to have satisfied the classical assumption criteria required for reliable estimation.

3.4 Heteroscedasticity Test (Scatterplot)
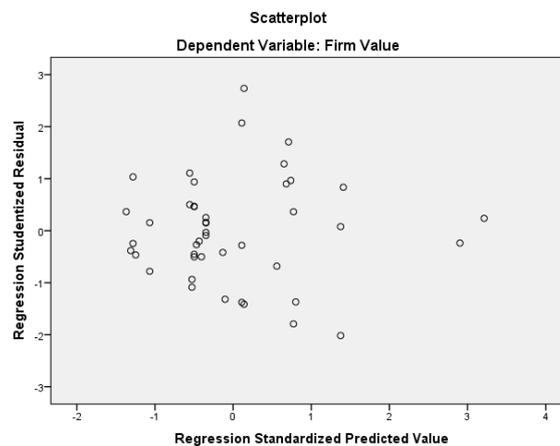
Source: SPSS Data Processing Results, 2026

Based on the scatterplot analysis between the standardized predicted values and the studentized residuals for the firm value variable, the residual points are randomly distributed above and below the zero line. The distribution does not form any specific pattern, such as funnel-shaped, widening, or wave-like structures. This condition indicates that the residual variance remains relatively constant across predicted values, suggesting that the regression model does not experience heteroskedasticity.

3.5 Coefficient of Determination Test

Table 5 Results of the Determination Coefficient Test

R Square	Adjusted R Square	Standard Error of the Estimate
.217	.158	957150176.4

Source: SPSS Data Processing Results, 2026

The coefficient of determination, as reflected by an R-square value of 0.217, indicates that the independent variables incorporated in the model collectively account for 21.7 percent of the variation in firm value, while the remaining 78.3%percent is attributable to factors not captured within the scope of the research model. In addition, the adjusted R-square value of 0.158 suggests that, after controlling for the number of independent variables, the model explains approximately 15.8 percent of the variability in firm value

3.6 Partial Test (t-Test)

Table 7 t-test

Variables	Coefficient (B)	Std. Error	t count	Sig.	Information
(Constant)	4,913,979,073.75	1,238,936,772.	3,966	0	Significant
Environmental	-25,833,964.13	10,908,361.07	-2,368	0.023	Significant
Social	2,806,264.78	8,475,646.25	0.331	0.742	Not significant
Governance	-20,579,975.56	12,833,704.96	-1,604	0.117	Not significant

Source: SPSS Data Processing Results, 2026

The partial hypothesis testing reveals that the Environmental dimension demonstrates a statistically significant association with firm value, as reflected by a probability value of 0.023, which is below the critical level of 0.05. In contrast, the Social and Governance dimensions record probability values of 0.742 and 0.117, respectively, both exceeding the accepted significance threshold, thereby indicating the absence of a statistically meaningful effect of these variables on firm value.

The empirical evidence further suggests that higher levels of environmental disclosure are not necessarily interpreted by the market as value-enhancing information. This finding corroborates the results reported by Rahman and Widyasari (2023), who identified a significant but inverse relationship between ESG disclosure and firm value. Meanwhile, several other empirical studies (Afdhal & Wuryan Andayani, 2024; Sedyasana & Wijaya, 2024; Ghozali & Hariyanto, 2024) documented that environmental disclosure does not exert a statistically significant influence on firm value.

Furthermore, the partial test results indicate that the Social variable does not have a significant effect on firm value. This finding aligns with the studies of Afdhal and Wuryan Andayani (2024) and Sedyasana and Wijaya (2024), which state that social disclosure has not yet become a primary consideration for investors in

assessing firm value. However, this result differs from the findings of Ghozali and Hariyanto (2024), who reported a positive and significant effect of social disclosure on firm value. These differences may be attributed to variations in research objects, sample characteristics, and investor awareness of social issues across different stock indices.

The partial testing of the Governance variable also indicates that corporate governance disclosure does not have a significant impact on firm value. This finding is consistent with previous studies (Afdhal & Wuryan Andayani, 2024; Sedyasana & Wijaya, 2024; Ghozali & Hariyanto, 2024), which suggest that governance disclosure has not been proven to significantly influence firm value. This implies that governance practices are generally perceived as minimum compliance requirements, particularly for companies included in certain stock indices, thereby limiting their role as additional signals for investors in evaluating firm value.

Overall, the results of this study indicate that the influence of ESG disclosure on firm value is heterogeneous across its dimensions. This finding confirms that investor responses to ESG disclosure in the Indonesian capital market remain selective and are influenced by industry characteristics, observation periods, and the stock indices examined.

4. CONCLUSION

The findings of this study indicate that the disclosure of Environmental, Social, and Governance (ESG) information is relevant in explaining variations in firm value among firms listed in the Jakarta Islamic Index 30. Empirical testing confirms that ESG disclosure, when evaluated in aggregate, has a statistically significant effect on firm value. However, further examination at the dimensional level shows that only environmental disclosure is significantly associated with firm value, whereas disclosures related to social and governance aspects do not demonstrate a statistically significant linkage. This evidence suggests that market participants respond differently to ESG-related information depending on its specific dimension within the context of Islamic equity markets. Consequently, strengthening the reliability, consistency, and overall quality of ESG disclosure is essential to support the sustainable enhancement of firm value in the long term.

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