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ESG Disclosure and Firm Value in Sharia Capital Markets: Evidence from Food and Beverage Firms in Indonesia

Aizzatut Tahiyya Nafisatul Muna[1], Nyata Nugraha[2], Iwan Budiyono[3]

[1,2,3]Sharia Banking Study Program, Department of Accounting, Politeknik Negeri Semarang

ABSTRACT: This study aims to analyze the influence of Environmental, Social, and Governance (ESG) on firm value in food and beverage sub-sector companies listed in the Indonesian Sharia Stock Index (ISSI) for the 2021–2024 period. Firm value is proxied using Price to Book Value (PBV), while ESG is measured based on the disclosure of the company's environmental, social, and governance performance in annual reports and sustainability reports. This study uses a quantitative method with purposive sampling techniques so that 13 samples of companies that meet the research criteria are obtained. Data analysis was carried out using E-Views software version 13 with panel data regression to determine the relationship between ESG variables and firm value. The results of the study show that simultaneous ESG disclosure has a significant effect on firm value. Partially, the environmental aspect has a significant positive influence, the negative social aspect has no effect, while the governance aspect has a significant negative influence on the firm value. These findings suggest that the implementation of ESG can increase investor confidence and have an impact on increasing the firm value.

KEYWORDS: Environmental, Social, Governance (ESG), Firm Value, Price To Book Value (PBV), Indonesia Sharia Stock Index (ISSI)

I. INTRODUCTION

As a country with a majority Muslim population, Indonesia develops a sharia capital market that provides sharia stocks so that people can invest according to Islamic principles while encouraging an increase in the firm value in the capital market (S. W. H. P. Sari et al., 2022). Firm value creation is carried out through strategies to increase competitiveness, resource efficiency, innovation, operational excellence, and risk management, and have an impact on the ease or difficulty of accessing funding when there are fluctuations in the value in the market (Nasution et al., 2024; Salihi et al., 2024). The establishment of a company aims to obtain optimal profits, prosper investors, and increase the firm value as reflected in the share price (Parytri & Wuryani, 2024). The firm value is a benchmark for business success and sustainability because good management and a positive image are able to attract investor interest and improve the welfare of shareholders (Mursalina et al., 2025; Prabawati & Rahmawati, 2022).

Companies with high value are seen by investors as credible, stable, and highly competitive entities, so the increase in stock prices generally reflects an increase in the firm value (Ramdania & Haryati, 2025). OJK reported positive growth in the Indonesian Sharia Stock Index (ISSI) of 17.96% *year-to-date* until August 8, 2025 to 254.39 from 215.65 in 2024, with an upward trend throughout 2019–2025 although it had weakened in several periods (F. M. Sari, 2025). This performance shows promising growth prospects, especially for food and beverage sub-sector companies in ISSI which are relatively stable and play an important role in meeting the basic needs of the community.

Data from the ISSI 2024 Cross-Sector Trading Summary on Bursa Efek Indonesia shows that the Consumer Non-Cyclicals sector recorded a trading volume of 369,744.81 million shares, with a transaction value of IDR183,313.97 billion. The Financials sector dominated with a value of IDR1,011,916.58 billion, followed by Basic Materials (IDR514,714.50 billion) and Energy (IDR488,280.64 billion). In terms of volume, the Technology sector recorded the highest figure at 1,166,681.34 million shares with a value of IDR106,155.80 billion. Meanwhile, sectors with relatively low values include Healthcare (IDR84,377.87 billion), Properties & Real Estate (IDR82,696.80 billion), and Transportation & Logistics (IDR15,976.45 billion). Based on their transaction value and volume, these sectors fall within the mid-range, neither the highest nor the lowest compared to other sectors. The Consumer Non-Cyclicals sector showed a relatively balanced level of trading activity, so it can be said to have a more stable trend compared to sectors experiencing extreme fluctuations in transaction volume or value.

Data from the 2024 Trading Summary for the Consumer Non-Cyclicals Sector on the Bursa Efek Indonesia shows that the food & beverage subsector dominates the market with a volume of 280,393.33 million shares and a value of IDR126,489.18 billion, far higher than other subsectors. This confirms that the food and beverage industry plays the largest role in the economic turnover of the consumer sector. Meanwhile, the Food & Staples Retailing sub-sector ranked second with a volume of 59,798.16 million shares and a value of IDR30,778.66 billion, indicating that distribution and sales of staple goods remain high. On the other hand, the Tobacco and Nondurable Household Products sub-sectors recorded lower volumes and values, each contributing relatively little to the total value of the consumer goods industry.

According to data on the Growth of the Food and Beverage Industry Relative to GDP (2015–2024) in Putri (2025) - Techinasia, the food and beverage (F&B) processing industry in Indonesia experienced growth from 2015 to 2024. This sector experienced a positive growth trend until 2019, peaking at 9.23% in 2017. However, in 2020, there was a sharp decline to 1.58% due to the impact of the COVID-19 pandemic. Following this, the F&B industry began to show a gradual recovery, with growth of 2.54% in 2021 and an increase to 5.9% by 2024. This situation reflects that the F&B sector has successfully rebounded and is once again making a significant contribution to the national economy, particularly as a key pillar within the non-oil and gas processing industry. In line with this recovery trend, it is important to examine how company valuations, as reflected by the Price-to-Book Value (PBV) ratio, compare across sectors in the ISSI to understand the F&B sector's relative position in the market.

Based on the criteria that a PBV > 1 indicates an overvalued (expensive) stock and a PBV < 1 indicates an undervalued (cheap) stock, the Consumer Non-Cyclicals sector has a PBV of 1.74x, placing it in the overvalued category. When compared to other sectors, the Consumer Non-Cyclicals sector's PBV is lower than that of Healthcare (2.94x), Energy (2.74x), and Basic Materials (2.57x), and significantly below the Infrastructure sector (3.79x) and the Transportation & Logistics sector (5.68x), which indicate higher levels of overvaluation. On the other hand, this figure is higher than that of the Industrials sector (0.84x), which is classified as undervalued. This indicates that the Consumer Non-Cyclicals sector is expensive, yet remains at a relatively reasonable level compared to other sectors. Upon closer examination, all subsectors within Consumer Non-Cyclicals have a PBV above 1. The Food & Beverage subsector has a PBV of 1.55x, indicating a relatively reasonable valuation as it is not too far from book value. This figure is also lower than Food & Staples Retailing (3.74x) and Nondurable Household Products (5.28x), which reflect higher price levels, and slightly above Tobacco (1.11x), which is closest to book value.

In line with the growth of the Food & Beverage (F&B) subsector within Consumer Non-Cyclicals, increases in corporate value are influenced not only by financial performance but also by non-financial factors such as Environmental, Social, and Governance (ESG), which are increasingly being considered by investors when assessing sustainability and long-term risks (Saripah et al., 2024; Sabatini & Utama, 2023; Jeanice & Kim, 2023). Furthermore, rising global awareness of non-financial risks has made ESG an integral part of sustainable business strategies driven by global initiatives such as the SDGs and the Paris Agreement (Aydoğmuş et al., 2022; El-Deeb et al., 2023; Bagh et al., 2024).

The integration of ESG factors is becoming increasingly important as companies with high ESG scores are considered more responsible and sustainable by investors (Ahmed & Khalaf, 2025). ESG also serves as a framework to assess a company's response to market and non-market opportunities and risks that affect social, economic, and environmental aspects. Companies that are able to integrate these aspects have the potential to increase value sustainably, as reflected in the PBV ratio above one that shows that the market value exceeds the book value (Awaliyah, 2025). In addition, increasing demands for transparency are driving a shift from voluntary disclosure to mandatory in various countries (Mahmood et al., 2025), as well as strengthening the commitment of companies labeled as Islam in implementing ESG in accordance with social and environmental justice values (Awaludin et al., 2025).

The Mandiri Institute survey in Ahdiat (2024b) shows that the majority of large companies in Indonesia have adopted ESG, with 95% of 162 public companies implementing it to increase firm value, 91% for social-environmental contributions, 86% for regulatory compliance, 80% for maintaining reputation, and 70% supporting business strategies. However, its implementation still faces various obstacles such as difficulty in meeting performance indicators, cost limitations, and lack of understanding of ESG issues (Ahdiat, 2024b).

A survey by the Mandiri Institute in Ahdiat (2024a) shows that 95% of 162 public companies in Indonesia have implemented ESG as a corporate value, although they still face various obstacles such as meeting performance indicators, costs, limited understanding, and lack of regulatory support. To strengthen implementation, the Ministry of Finance together with UNDP has issued an Environmental, Social and Governance (ESG) Framework since November 2022 which contains 10 ESG standards and guidelines for their implementation (Ahdiat, 2024a). However, the integration of ESG with sharia principles is still relatively low, reflected in only 8 out of 956 stocks included in ESG Star Listed Companies and only 3 of them are sharia stocks (Maulida, 2025). This condition shows the need to strengthen synergy between ESG practices and sharia principles, especially for companies that are members of ISSI.

Based on data on the Top 10 Companies in Indonesia with a Heavy Risk ESG Value in Bursa Efek Indonesia, two issuers of the food and beverage subsector in ISSI, namely Charoen Pokphand Indonesia (CPIN) with a score of 42.82 and Japfa Comfeed Indonesia (JPFA) with a score of 42.61, are in a medium position compared to companies in the mining and energy sector such as Adaro Minerals Indonesia (ADMR), Harum Energy (HRUM), and Bumi Resources Minerals (BRMS) which have a higher risk. Although still included in the severe risk category, the risk level of CPIN and JPFA is relatively lower than sectors with large environmental impacts. This position shows that the food and beverage industry continues to face challenges in the application of ESG principles to maintain sustainability and competitiveness in the sharia market. This condition also confirms that there is a gap in ESG implementation between Islamic companies, so strategic efforts are needed from regulators and stakeholders so that sustainability standards are applied consistently across all sectors.

Research by Ahmed & Khalaf (2025) shows that better ESG performance and high cash holdings are able to increase the market value of companies based on data from 1,144 companies in 27 European Union countries for the period 2013–2023. ElDeeb et al. (2023) found that ESG disclosures have a positive and significant effect on the firim value in the Egyptian stock market, with audit quality reinforcing the relationship. Seok et al. (2024) proving that ESG performance increases firm value in the United States, with customer satisfaction as a key mediator, especially in industries that are sensitive to environmental issues. In contrast to the findings, Prabawati & Rahmawati (2022) stating that ESG scores actually have a negative effect on the firm value in ASEAN countries, especially on the environmental and social pillars, while governance is insignificant.

This research is in line with Ahmed & Khalaf (2025) which both discuss the influence of ESG on firm value, but are different because they do not use moderation variables such as cash holding and directly test the relationship between ESG and firm value. The focus on food and beverage sub-sector companies listed in the Indonesian Sharia Stock Index (ISSI) for the 2020–2024 period makes this study more specific in the context of the Sharia capital market and complements the literature with different market and company characteristics.

II. LITERATURE REVIEW

A. Stakeholders Theory

According to Freeman (1984), stakeholder theory emphasizes that a company's success depends on the balance of interests of all stakeholders to support long-term sustainability (Aydoğmuş et al., 2022), and the importance of considering the interests of stakeholders in every managerial decision-making (El-Deeb et al., 2023). Stakeholders utilize ESG indicators to assess the integrity and sustainability commitment of the company in investment decision-making (Seok et al., 2024), because good relationship management is proven to improve financial performance, reputation, and sustainability (Awaludin et al., 2025). The transparent implementation and disclosure of ESG is a synergistic strategy to reduce conflicts, build trust, and create long-term value and reputation for all stakeholders (Awaliyah, 2025).

B. Signaling Theory

According to Spence (1973) in Mursalina et al. (2025), signaling theory explains that management as an internal party provides signals to external parties, especially investors, to show the company's conditions and prospects that can affect investment perceptions and decisions (Awaliyah, 2025). Management's actions in conveying information to external parties serve as an important clue regarding the company's future prospects (Brigham & Houston, 2021), where signaling theory is also used to reduce information asymmetry between internal and external parties of the company (Nopianti et al., 2023). ESG disclosures are seen as positive signals that increase investor confidence and firm value (Prayogo et al., 2023), so that sustainability reporting openly reflects a stronger long-term outlook (Mahmood et al., 2025).

C. Hypothesis a. The Effect of Environmental, Social, and Governance (ESG) Disclosure on Firm Value

The disclosure of Environmental, Social, and Governance (ESG) practices reflects the efficiency of resources, social relations, and the transparency and management structure of the company, and its implementation through indicators, audits, and surveys demonstrates corporate responsibility and attracts investor interest (Ahmed & Khalaf, 2025). Companies that are transparent in ESG practices gain a positive reputation, increasing their investment attractiveness and competitive position (Awaliyah, 2025; ElDeeb et al., 2023). Based on Stakeholder Theory Freeman (1984), ESG disclosures balance stakeholder interests, increase trust, and strengthen a company's reputation (Aydoğmuş et al., 2022). Meanwhile, Signaling Theory Spence (1973) explains that ESG disclosures are a positive signal to investors about the integrity and prospects of the company, influencing their perception and investment decisions (Prayogo et al., 2023). Hypothesis 1 is supported by penelitian Ahmed & Khalaf (2025); Awaliyah (2025); ElDeeb et al. (2023), which reveals that environmental, social, & governance (ESG) disclosure has a positive and significant effect on the firm value.

H1: Environmental, Social, and Governance (ESG) Disclosure has a positive and significant effect on Firm Value

b. The Effect of Environmental Disclosure on Firm Value

Companies that are open about their environmental impact tend to have higher value and better financial performance (Nasution et al., 2024), because environmental disclosure strengthens business performance and reputation, increasing investor confidence (Salihi et al., 2024; El-Deeb et al., 2023). Based on Stakeholder Theory Freeman (1984), environmental transparency balances the interests of stakeholders and supports sustainability (Awaliyah, 2025; Aydoğmuş et al., 2022), while according to Signaling Theory Spence (1973), This disclosure is a positive signal for investors, reduces information asymmetry, and significantly increases the firm value (Mahmood et al., 2025). Hypothesis 2 is supported by research Nasution et al. (2024); Salihi et al. (2024); El-Deeb et al. (2023), which reveals that environmental disclosure has a positive and significant effect on the firm value. **H2:** Environmental Disclosure has a positive and significant effect on Firm Value

c. The Effect of Social Disclosure on Firm Value

Social disclosure enables companies to strengthen reputations, build investor trust, and increase market value through the integration of social responsibility in operations and stakeholder relationships (Liu & Lee, 2025; Salihi et al., 2024; El-Deeb et al., 2023). Social aspects such as human rights, labor welfare, and community contributions enhance the company's reputation and attractiveness to investors and customers (Aydoğmuş et al., 2022), while based on Stakeholder Theory Freeman (1984), social disclosure meets the interests of all stakeholders and supports customer loyalty (Saripah et al., 2024). In addition,, Signaling Theory Spence (1973) affirms that ESG reporting is a positive signal for investors, reduces information asymmetry, and increases firm value through perceptions of social performance and long-term prospects (Mahmood et al., 2025; Seok et al., 2024; Brigham & Houston, 2021). Hypothesis 3 is supported by research Salihi et al. (2024); Saripah et al. (2024); El-Deeb et al. (2023); Aydoğmuş et al. (2022), which reveals that social disclosure has a positive and significant effect on the firm value. **H3:** Social Disclosure has a positive and significant effect on Firm Value

d. The Effect of Governance Disclosure on Firm Value

Good governance practices increase firm value through transparency, accountability, and risk management that strengthen relationships with shareholders and attract investor trust (Nasution et al., 2024; Salihi et al., 2024 ; El-Deeb et al., 2023), thus improving market perception and competitive position. Based on Stakeholder Theory Freeman (1984), governance disclosures balance stakeholder interests, increase their satisfaction, and create sustainable competitive advantage (Awaliyah, 2025). According to Signaling Theory Spence (1973), ESG disclosure and governance practices send positive signals to investors regarding the integrity and sustainability of the company, reduce information asymmetry, and drive higher market value (Mahmood et al., 2025), So that transparent and accountable governance becomes a strategic instrument in increasing the firm value (Prayogo et al., 2023). Hypothesis 4 is supported by research Nasution et al. (2024); Salihi et al. (2024); El-Deeb et al. (2023); Aydoğmuş et al. (2022), which reveals that governance disclosure has a positive and significant effect on the firm value.

H4: Governance Disclosure has a positive and significant effect on Firm Value

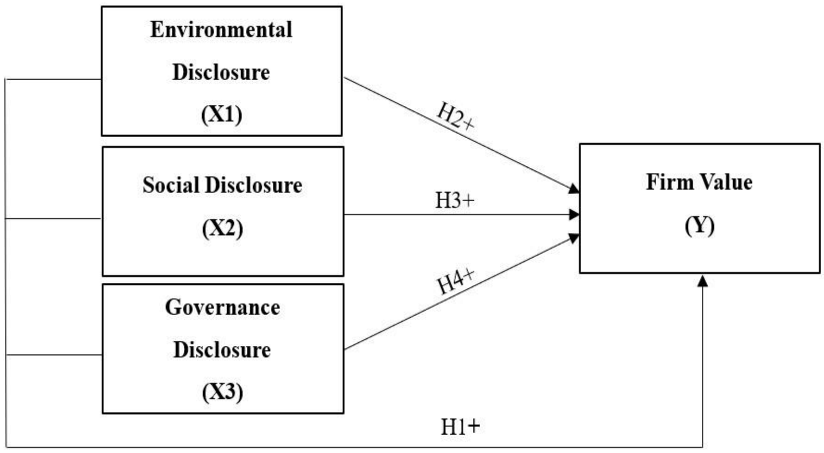

Figure 1. Conceptual Framework

III. RESEARCH METHODS

This study uses a quantitative approach to analyze the influence of ESG on firm value. The analysis is based on secondary data obtained from the Annual Report and Sustainability Report published by the company. Data collection is carried out by observing and recording the information contained in the report. The population in this study includes 46 food and beverage subsector companies indexed in the Indonesian Sharia Stock Index (ISSI) during the 2021–2024 period. Purposive sampling techniques are used for sample selection based on the set criteria (Table 1).

Table 1. Sample Criteria

No.	Description	Qty
1.	Companies in the food and beverage sub-sector in the Indonesian Sharia Stock Index (ISSI) 2021-2024.	45
2.	Companies in the food and beverage sub-sector in the Indonesian Sharia Stock Index (ISSI) 2021-2024 that do not publish the Annual Report and Sustainability Report 2021-2024 and can be accessed through the official website.	(23)
3.	Not including a Sustainability Report with a complete GRI Standard.	(7)
4.	Not presenting reports in Rupiah.	(2)
	Number of Sample Objects	**13**
	Total Sample 13 x 4 years	**52**

Based on the criteria set, 13 companies were obtained with an observation period of 4 years, so that the total sample in this study amounted to 52 observations. This study uses three independent variables consisting of Environment, Social, and Governance, as well as one dependent variable is Firm Value.

Table 2. Operational Definition

Variable	Definition	Scale	Measured
Firm Value	The firm value reflects the market value of the entire company, which is calculated as the value of market capitalization plus total liabilities minus the company's net assets (Ahmed & Khalaf, 2025).	Ratio	$PBV = \frac{Stock\ Price}{Book\ Value\ per\ Share}$ (Nopianti et al., 2023)
Environment	Environmental aspects to measure resource use efficiency, biodiversity impact management, and company transparency in handling environmental issues such as pollution and climate change (Ahmed & Khalaf, 2025).	Ratio	$Environment\ Disclosure = \frac{Environmental\ Disclosure\ Score}{Maximum\ Disclosure\ Score}$ (Awaliyah, 2025)
Social	Social aspects to assess the company's impact on society through relationships with employees, customers, and communities (Ahmed & Khalaf, 2025).	Ratio	$Social\ Disclosure = \frac{Social\ Disclosure\ Score}{Maximum\ Disclosure\ Score}$ (Awaliyah, 2025)
Governance	Corporate governance aspects Includes the structure and effectiveness of the board of directors, reporting transparency, and ethical and compliance practices (Ahmed & Khalaf, 2025).	Ratio	$Governance\ Disclosure = \frac{Governance\ Disclosure\ Score}{Maximum\ Disclosure\ Score}$ (Awaliyah, 2025)

To analyze the variables, a panel data regression model was tested with a step-by-step procedure. The model selection was carried out through the Chow Test to determine between the Common Effect and Fixed Effect models, provided that the p-value < 0.05 chose the Fixed Effect and the p-value > 0.05 chose the Common Effect. A Lagrange Multiplier (LM) test to determine between Common Effect and Random Effect models, provided that p-value < 0.05 chooses Random Effect and p-value > 0.05 chooses Common Effect. Finally, the Hausman Test is used to choose between the Fixed Effect and Random Effect models, provided that the p-value < 0.05 chooses the Fixed Effect and the p-value > 0.05 chooses the Random Effect (Sugiyanto et al., 2022). After the best model was determined, a classical assumption test was performed, including normality (Jarque-Bera, p-value > 0.05), multicollinearity (VIF < 10), heteroscedasticity (Glejser, p-value > 0.05), and autocorrelation (Sugiyanto et al., 2022). Hypothesis testing was carried out through a t-test (p-value < 0.05) (Sugiyanto et al., 2022) and F-test (p-value < 0.05), as well as the determination coefficient (R^2) to measure the magnitude of the influence of independent variables on dependents (Sahir, 2021). Hypothesis testing using panel data linear regression with the equation (Darwin et al., 2021):

$$Y = \beta\mathbf{0} + \beta\mathbf{1}X\mathbf{1} + \beta\mathbf{2}X\mathbf{2} + \beta\mathbf{3}X\mathbf{3} + \varepsilon$$

Note: Y = Firm Value, X1 = Environmental, X2 = Social, X3 = Governance, β0 = constant, β1–β3 = regression coefficient, dan ε = error term.

IV. RESULTS AND DISCUSSION

A. *RESULTS a. Statistics Descriptive*

Table 3. Statistics Descriptive

Variable	N	Mean	Median	Max	Min	Std. Dev
Firm Value	52	2.541	1.800	10.550	0.520	2.036
Environmental	52	0.524	0.520	0.940	0.030	0.231
Social	52	0.484	0.515	0.780	0.080	0.202
Governance	52	0.710	0.900	1.000	0.230	0.311

Source: Data Processed (2026)

Based on the descriptive statistical test, the Firm Value variable has a mean of 2,541. The highest value (maximum) of 10,550 is owned by the CLEO company in 2024, while the lowest value (minimum) of 0.520 is owned by the AALI company in 2024. In the Environmental variable, a mean of 0.524 was obtained. The highest value was 0.940 by TAPG companies in 2023-2024 and the lowest value was 0.030 by BISI companies in 2021. Meanwhile, the Social variable has a mean of 0.484, with the highest value of 0.780 for GOOD companies in 2024 and the lowest value of 0.080 by BISI in 2021. The Governance variable has a mean of 0.710. The highest value in this variable of 1,000 was achieved by several companies, namely AALI (2022-2024), AISA (2022 & 2024), CLEO (2022-2024), COCO (2023 & 2024), GOOD (2022-2024), ICBP (2022-2024), INDF (2022-2024), JPFA (2022-2024), MYOR (2023 & 2024), and TAPG (2023 & 2024). The lowest value in this variable was 0.230 in AISA (2021), BISI (2021), and MYOR (2021).

b. Selection of Regression Models

Table 4. Selection of Regression Models

Selection of Regression Models	Statistic	d.f.	Prob.	Selected Models
Chow Test (Cross-section Chi-square)	103.822	12	0.000 < 0.05	Fixed Effect
Hausman Test (Cross-section random)	2.403	3	0.493 > 0.05	Random Effect
Lagrange Multiplier Test (Breusch-Pagan Cross-section)	2.403	-	0.000 < 0.05	Random Effect

Source: Data Processed (2026)

Based on the results of the selection of regression models, the Chow Test shows that the Fixed Effect model is better than the Common Effect. However, the Hausman Test yields a p-value of 0.493 (> 0.05) so the more suitable model is Random Effect. The results of the Lagrange Multiplier Test also showed a p-value of 0.000 (< 0.05), thus confirming that the Random Effect is more accurate than the Common Effect. Thus, the best panel data regression model used in this study is Random Effect.

c. Normality Test

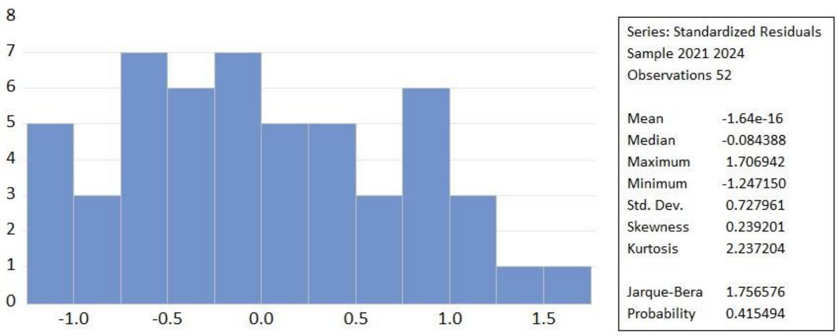

Figure 7. Normality Test

Source: Data Processed (2026)

Based on the Jarque-Bera normality test, a p-value of 0.415 > 0.05 was obtained, which indicates that the data has met the assumption of normality after logarithmic transformations were performed on all variables. The log-log transform converts the variables X and Y into logarithmic form, so that the coefficient describes the percentage change of Y due to the percentage change of X, while normalizing the distribution of the data by reducing skewness and stabilizing the variance (Hair et al., 2019).

d. Classic Assumptions

Table 5. Classic Assumptions

	Variable	Value
Multicollinearity (Centered VIF)	Environmental Disclosure	VIF 1.894 < 10
	Social Disclosure	VIF 2.038 < 10
	Governance Disclosure	VIF 1.720 < 10
Heteroscedasticity (Glejser)	Environmental Disclosure Social Disclosure	p-value 0.442 > 0.05 p-value 0.118 > 0.05
	Governance Disclosure	p-value 0.944 > 0.05
Autocorrelation (Breusch–Godfrey)	Prob. Chi-Square	p-value 0.183 > 0.05

Source: Data Processed (2026)

All variables have *a Centered* VIF value of < 10 so there is no multicollinearity. The Glejser test showed that the entire pvalue > 0.05 showed that heteroscedasticity did not occur. In addition, the Breusch–Godfrey Autocorrelation Test yielded a pvalue of 0.183 (> 0.05), so the regression model was declared free of autocorrelation.

e. Linear Regression Data Panel Random Effects

Table 6. Linear Regression Data Panel Random Effects and Hypothesis Test

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.550	0.222	2.481	0.017
Environmental	0.176	0.071	2.491	0.016
Social	-0.149	0.086	-1.728	0.091
Governance	-0.238	0.080	-2.991	0.004

Source: Data Processed (2026)

$$Y = \mathbf{0.550 + 0.176*ENV - 0.149*SOC - 0.238*GOV} + \varepsilon$$

The regression results show that a constant value (β0) of 0.550 describes a fixed Firm Value of 0.550 if the variables Environmental (X1), Social (X2), and Governance (X3) are constant. The Environmental Coefficient (β1) of 0.176 is positive, indicating that the increase in Environmental will increase the Firm Value, while the Social (β2) coefficient is -0.149 and Governance (β3) -0.238 is negative, indicating that the increase in these two variables actually decreases the Firm Value. Other factors outside of the model are included in the error that affects the Firm Value.

f. F-Test and Coefficient of Determination Test (R^2)

Table 7. F-Test and Coefficient of Determination Test (R2)

R-*squared*	0.312	Mean dependent var	0.087
Adjusted R-*squared*	0.269	S.D. dependent var	0.238
S.E. *of regression*	0.203	Sum squared resid	1.985
F-*statistic*	7.269	Durbin-Watson stat	1.385
Prob(F-*statistic*)	0.000		

Source: Data Processed (2026)

The results of the F-Test, obtained a Prob(F-statistic) value of 0.000 < 0.05 show that Environmental, Social, and Governance together have a significant effect on the Firm Value. The determination coefficient obtained an R-squared value of 0.312 indicates that independent variables (ESG) are able to explain the variation in Firm Value by 31.2%, and the remaining 68.8% is influenced by other factors outside the research model.

g. Hypothesis Test

Based on table 6, the results of the t-test show that the Environmental variable has a p-value of 0.016 < 0.05 indicating that the Environmental has a positive and significant effect on the Firm Value. The Social variable has a p-value of 0.091 > 0.05 indicating that negative Social has no effect on the Firm Value. The Governance variable has a p-value of 0.004 indicating that Governance has a negative and significant effect on the Firm Value.

B. *DISCUSSION*

a. *The Effect of Environmental, Social, and Governance (ESG) on Firm Value*

Based on the results of the F test, a probability value of 0.000 < 0.05 was obtained, indicating that the disclosure of Environmental, Social, and Governance (ESG) together had a positive and significant effect on the firm value, so that Hypothesis 1 was accepted. These findings are supported by Ahmed & Khalaf (2025); Awaliyah (2025); El-Deeb et al. (2023), stating that ESG disclosure increases the firm value. Transparent ESG reporting allows companies to drive more informed stakeholder decisions, optimize sustainable investments, and effectively manage risk (Ahmed & Khalaf, 2025). In addition, transparent ESG management increases investor trust and company reputation, thus positively impacting the company's value (Awaliyah, 2025).

Transparent ESG disclosure is in line with Stakeholder Theory by Freeman (1984), emphasizing the importance of paying attention to the interests of all stakeholders, not just shareholders (El-Deeb et al., 2023). This practice increases stakeholder satisfaction, trust, and reputation, while reinforcing the firm long-term value (Awaliyah, 2025; Seok et al., 2024). According to Signaling Theory Spence (1973), ESG is a positive signal for investors regarding the company's commitment to sustainability, influencing perceptions and investment decisions (Prayogo et al., 2023; Brigham & Houston, 2021). In the ISSI food and beverage sub-sector 2021–2024, an increase in ESG scores was seen in the CLEO companies, whose PBV rose from 5.71 in 2021 to 10.55 in 2024, while GOOD and ICBP companies also recorded similar trends. This shows that transparent ESG disclosure increases the company's reputation, investor trust, and value stability. Consistent ESG practices have proven to be an important factor in strengthening the attractiveness of investments in the capital market.

b. The Effect of Environmental Disclosure on Firm Value

The results of the study showed that environmental disclosure had a positive and significant influence on the firm value with a coefficient of 0.176 and a probability of 0.016 < 0.05, so Hypothesis 2 was accepted. These findings are in line with Masfiah & Sulistyowati (2025); Nasution et al. (2024); Salihi et al. (2024); El-Deeb et al. (2023), states that environmental transparency increases the firm value. According to Nasution et al. (2024), companies that are open about their environmental impacts tend to have better financial performance and create value for stakeholders. Salihi et al. (2024) dan El-Deeb et al. (2023) emphasizing that this transparency enhances the reputation and trust of investors, driving the increase in the market value of the company.

Associated with Stakeholder Theory Freeman (1984), Environmental disclosure helps balance stakeholder interests while increasing trust, reputation, and firm value (Aydoğmuş et al., 2022). ESG practices demonstrate corporate responsibility not only to shareholders, but also to society and employees, supporting business sustainability (Awaliyah, 2025). Signaling Theory Spence (1973) explains that environmental disclosure serves as a positive signal for investors, reducing information asymmetry and improving market perception (Mahmood et al., 2025). Analysis of data from food and beverage subsector companies listed in ISSI 2021-2024 shows that CLEO PBV increased from 5.71 in 2021 to 10.55 in 2024 with environmental disclosure from 0.42 to 0.65. Thus, TAPG, with environmental disclosure increasing from 0.87 in 2022 to 0.94 in 2024, supports the increase in the firm value from 1.30 to 1.36, confirming that the consistency of environmental disclosure supports the firm value creation.

c. The Effect of Social Disclosure on Firm Value

The results of the study showed that social disclosure had a negative and significant effect on the firm value, with a coefficient of -0.149 and a probability of 0.091 > 0.05, so Hypothesis 3 was rejected. These findings are in line with Prasetyo et al. (2025); Sedyasana & Wijaya (2024); Wangi & Aziz (2024), stating that negative social disclosure has no effect on the firm value. Social disclosures in ESG practices often have a weak or negative correlation with a firm value because the benefits are difficult to monetize and investors prioritize financial performance more (Prasetyo et al., 2025; Sedyasana & Wijaya, 2024). This is also due to social disclosure which has become a common practice, so that it no longer increases the firm value even though it still affects the perception of stakeholders (Wangi & Aziz, 2024).

Based on Stakeholder Theory Freeman (1984), although social disclosure is carried out as a form of corporate responsibility to stakeholders, it does not necessarily increase the firm value because investors remain more oriented towards financial performance in decision-making (Awaludin et al., 2025). According to Signaling Theory Spence (1973), social disclosures are supposed to be a positive signal about a company's sustainability prospects, but if the information does not provide immediate economic benefits, it becomes less effective in influencing market perception and firm value (Brigham & Houston, 2021). This phenomenon can be seen in ISSI data 2021-2024, where GOOD (social score from 0.39 to 0.78) and AALI (score from 0.39 to 0.61) PBV actually decreased, CPIN and INDF social scores were consistent but PBV weakened, while CLEO increased along with social scores, showing that social disclosure has not been a major factor for investors in assessing the value of sharia-based companies.

d. *The Effect of Governance on Firm Value*

The results of the study showed that governance disclosure had a negative and significant influence on the firm value with a coefficient of -0.238 and a probability of 0.004 < 0.05, so Hypothesis 4 was rejected. These findings are in line with Masfiah & Sulistyowati (2025); Wongso et al. (2025); Saripah et al. (2024); Prabawati & Rahmawati (2022); Suretno et al. (2022), stating that the disclosure of governance that is not optimal or excessive can cause negative perceptions of investors. Excessive disclosure of governance can cause inefficiency, conflicts of interest, and limit managerial room for maneuver, thereby lowering the company's value (Wongso et al., 2025). This condition shows that even though governance has been implemented, its implementation is still a formality and has not yet become the main consideration of investors (Suretno et al., 2022).

Based on Stakeholder Theory Freeman (1984), disclosure of governance that does not accommodate the interests of all stakeholders can trigger stakeholder distrust and reduce the firm value (El-Deeb et al., 2023; Aydoğmuş et al., 2022). According to Signaling Theory Spence (1973), if governance disclosure is not followed by optimal implementation, investors seize it as a negative signal, influencing market perception and investment decisions so that the firm value falls (Nopianti et al., 2023; Brigham & Houston, 2021). Data from companies in the food and beverage subsector listed on ISSI for the 2021–2024 period show a negative trend. In AALI companies, the governance score increased from 0.50 (2021) to 1.00 (2022–2024) but the PBV decreased from 0.89 to 0.52. A similar pattern is seen in COCO, CPIN, and GOOD, which indicate that even though governance is increasing or stable is high, the firm value tends to decline.

CONCLUSION

Based on research on the food and beverage sub-sector listed in the Indonesian Sharia Stock Index (ISSI) for the 2021–2024 period, environmental disclosure has been proven to have a positive and significant effect on firm value. Companies that transparently report on environmental impacts, such as CLEO and TAPG, gain investor trust, enhance reputation, and strengthen market value, confirming that environmental sustainability practices support long-term value creation. Social disclosure shows a negative but insignificant influence on the firm value because the benefits of social aspects are difficult to monetize in the short term, while governance disclosure has a negative and significant effect because practices that are not optimal cause negative perceptions of investors. The trend of ISSI data shows that the increase in social or governance scores does not always coincide with the increase in PBV, so these two aspects are not yet the main factors that investors consider.

Simultaneously, ESG (Environmental, Social, Governance) disclosure has a positive and significant effect on firm value.

Consistent and transparent ESG practices, such as those in CLEO, GOOD, and ICBP, increase stakeholder trust, corporate reputation, and investment decisions, confirming that integrated ESG management is an important strategy to create value and strengthen a company's position in the capital market. Based on these findings, companies in the food and beverage subsector are advised to increase transparency and consistency of environmental disclosures, optimize governance practices, and focus social disclosure on relevant and value-added programs. Investors are encouraged to critically assess ESG transparency, while further research can broaden the scope of the sector, assess long-term impacts, and develop more relevant social and governance indicators to improve the accuracy of ESG's relationship to firm value.

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