



The effect of sustainability report disclosure, environmental performance, and sales growth on company value in energy sector

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Abstract:

Purpose of this study is to ascertain how transparency in sustainability reports affects the value of a firm. A sample of energy-related businesses listed on the Indonesia Stock Exchange between 2019 and 2023 is used in this study.

Methods: Purposive sampling was employed in this study, and data analysis was done using Eviews 13. Regression analysis of panel data from annual financial statements is the method employed. Nine organizations are used as research samples, and observations are made for five years, for a total of 45 samples.

Results: According to this study, sales growth has a considerable impact on company value, but sustainability reports and environmental performance have no discernible effect. and concurrently, the company's value is impacted by the sustainability report, environmental performance, and sales growth.

Conclusions: The company's value is not impacted by the sustainability report, environmental performance, or sales growth, but it is impacted by sales growth, which also influences the company's worth. It is hoped that the next researcher will take more time to determine the true state of the company, further multiply the research objects, and use additional variables that can affect the value of the energy sector companies listed on the IDX 2019-2023, which contain GRI-16 and PROPER. This study has limitations.

Keywords:

Sustainability Report, Environmental Performance, Sales Growth, Company Value

1. Introduction

Because it influences how investors view a company before investing in it, corporate value is crucial. Sartono asserts that a company's selling price as an operational business represents its value. The difference between the company's liquidation value and sales value is what determines the company's worth. (Lesmono, 2024). This is in line with Harmono's theory, It maintains that the performance of the



company is reflected in the stock price, which is impacted by market supply and demand. This illustrates how the general public views the company's performance as well (Lesmono, 2024).

By increasing market trust A high stock price will increase the company's value based on its present performance and prospects for the future. To determine a company's worth, Tobin's Q is computed. The market value of the company's shares and its equity book value are compared using a method known as Tobin's Q (Ma'Ruf, 2024). where the number of outstanding shares and debt is multiplied by the stock price, and the stock price is divided by the total assets.

It is not easy for companies to maintain their value to remain stable, even large companies like HRUM in 2019 at 0.204, INDY in 2019 at 0.799, MEDC in 2019 at 0.888, and PGAS in 2019 at 0.923, whose stock prices are below 1 and tend to decline. According to CNBC Indonesia, in 2019 the IHSG grew by 1.70% although lower than the previous year. During the pandemic in 2020, the IHSG was shaken due to the Covid-19 pandemic, which had a domino effect on company performance, causing the IHSG to drop by 5.09%. The weakening of the IHSG was driven by the weakening of the energy and basic materials sectors in line with the development of commodity prices experienced by companies.

Company value can be influenced by several variables, one of which is the Sustainability Report. According to Sejati and Prastiwi (Pratama et al., 2020), Three disclosure dimensions are included in the sustainability report: social, environmental, and economic. the significance of economic, environmental, and social disclosures made by businesses as a means of advancing their operations and building a positive reputation. Context is created by the disclosure of reports, standards, and relevant laws pertaining to sustainable development. This is in line with Elkington (Ermanda & Puspa, 2022). The sustainability report's primary focus is the organization's capacity for sustainability. Measures, correspondence, and requirements for all managers responsible for the organization's needs to achieve its sustainability capabilities are included in this report.

With 224 items revealed overall by GRI16, the Sustainability Report uses the Sustainability Report Disclosure Index (SRDI) for measurement. The disclosure made by each business is then adjusted in compliance with GRI-G16. A score of 1 is assigned by the SRDI computation if one item is disclosed, and a score of 0 if none is.

The least disclosure is in the TBS company in 2021 with 14 disclosures and based on the average, the least disclosure is in the HRUM company, with an average of 27.8 disclosures. This indicates the company's lack of performance towards the surrounding environment, economy, and society, making the company seem less concerned about the impact it has on the surrounding environment and also seems irresponsible. In addition, poor performance towards the environment also makes investors uninterested in buying shares in the company.

According to study by (Nikmah & Amanah, 2019), the Sustainability Report has no effect on the value of the company; nevertheless, research by (Pujiningsih, 2020), shows that the Sustainability Report significantly affects the value of the company. A company's Environmental Performance Report and Sustainability Report may have an

impact on its worth. Tjahjono asserts that an organization's environmental performance is determined by its capacity to create and preserve a pleasant environment. (Dwi, W. & Sa'adah, 2020). Environmental performance is measured using the Ministry of Environment's PROPER (KLH). The Ministry of Environment (KLH) created the Company Performance Rating Program in Managing the Environment (PROPER) in 2002 to foster corporate responsibility for environmental preservation. The public will be frequently informed of the colors used in PROPER to classify a company's performance, which range from gold (the best) to green, blue, red, and black (the lowest). (Hamdani et al., 2022). Companies like BSSR, GEMS, HARUM, TBS, KKGI, PTRO, and TEBE that did not receive PROPER certification in certain years indicate that these companies are not consistent in their Environmental Performance, which is a consideration for some investors.

Previous research discussing Environmental Performance includes the study by (Lestari & Khomsiyah, 2023), which claims that environmental performance significantly increases the worth of a firm, while according to the research by (Sigalingging, 2019), Company value is negatively and negligibly impacted by managerial ownership and environmental performance.

Together with the Environmental Performance Report and Sustainability Report, Sales Growth can also affect Company Value. According to Budiman & Miharjo (Robbany, 2020), sales growth is the sales rate from year to year. The developments that occur can fluctuate, either increasing or decreasing.

By subtracting Current Sales (St) from Previous Sales ($St-1$) and dividing the result by Previous Sales ($St-1$), one can calculate Sales Growth. The standard is that if the resulting value is negative, the company experienced a decline in sales in that year, if the resulting value is positive, then it can be confirmed that in that year the company experienced an increase in sales. The following table shows sales growth.

Unlike the sales growth experienced by ITMG, INDY, and AKRA companies, which experienced negative growth during 2019, 2020, and 2023. The largest negative sales decline was in ITMG in 2020 with -0.309 and in 2023 with -0.347, and based on the average, the lowest sales growth was in INDY with 0.0546. High sales declines and low sales increases can result in low company profits and declining stock prices, which lead to a lack of investor interest in the company.

Prior studies on sales growth include those by Maryadi & Djohar, (2022), which found that sales growth increases company value; Anggraini & Agustiningsih, (2022), which discovered no connection between firm value and sales growth; and Santoso & Budiarti, (2020), which discovered a negative correlation between the two.

2. Literature Review

Signaling Theory. Initially this theory to explain the behavior of the labor market. According to this hypothesis, two parties act differently when they have access to different bits of information. Signaling Theory describes the steps the signaler takes to affect the signal recipient's behavior (Lee et al., 2022). Accounting, auditing, and financial management courses all make extensive use of signaling theory, which explains how management conveys information about the company to investors

through several facets of financial information disclosure. A strategy used by the business to draw in investors and raise its worth is known as signaling theory.

Legitimacy Theory. When a company's operations align with the prevailing values of the environment and society, legitimacy can be achieved. The validity of the business may be at jeopardy when there is a shift toward incongruence (Silva, S., 2021). In other words, the company's environmental suitability, seen as good by society and investors, can attract interest in the company.

Efficient Market Hypothesis Theory. Asset prices, according to the Efficient Market Hypothesis (EMH), accurately reflect all relevant information. The clear conclusion is that there is no way to "beat the market" Because market prices should only respond to fresh information or shifts in discount rates—which can be either predictable or unpredictable—they should be continuously based on risk (Dos Santos et al., 2023). The relationship between the quantity of shares, stock prices, and corporate value makes the Efficient Market Hypothesis theory relevant to this study.

2.1 Theoretical Framework

The theoretical framework is formulated based on the relationship between parameters between variables as shown in figure 1.

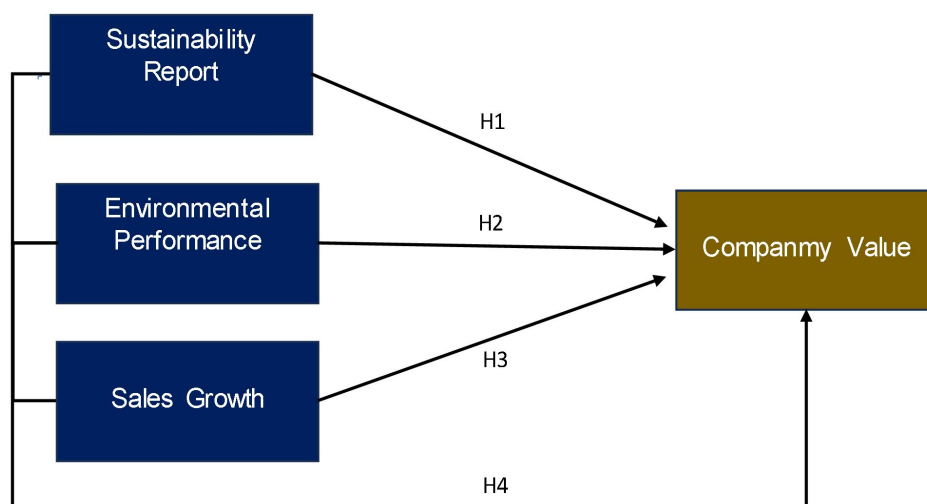


Figure 1. Research Design

2.2 Hypotheses

With the increasing influence of the environment The Sustainability Report has a big influence on investor interest in the company's sustainability, which will raise its worth. The company's obligation to its stakeholders may be demonstrated via the sustainability report. Building shareholder engagement with the company's long-term goal and demonstrating to investors in particular the company's degree of accountability, responsibility, and openness are two advantages of the sustainability report (Pujiningsih, 2020).

According to the findings of studies by (Lestari & Khomsiyah, 2023), (Pujiningsih, 2020), and (Pratama et al., 2020), The company's worth is positively and



dramatically impacted by the Sustainability Report. However, studies by (Rahayu Monika, 2023) and (Fitriyah & Asyik, 2019) claim that sustainability reports have little bearing on a company's worth.

H1 = Sustainability report affects company value.

Efforts to preserve the environment and focus on fulfilling social and A company's adherence to environmental accounting can be gauged by its environmental duties, which can also lead to positive environmental performance. The Republic of Indonesia's Environment and Forestry Minister's Regulation Number 1 of 2021 pertaining to Article 1 of the Environmental Management Company Performance Rating Program declares: "The Environmental Management Company Performance Rating Program, often known as PROPER, is an evaluation of the performance of business or activity managers in the field of environmental management" (Lestari & Khomsiyah, 2023).

Environmental management can influence and be influenced by the company and can certainly determine the company's competitive advantage, making stakeholders interested in investing because they see the company's good value. Environmental performance can be assessed based on the environmental management system's outcomes, which are connected to the regulation of its environmental elements. (Dwi Wardani & Sa'adah, 2020). According to studies on the relationship When comparing environmental performance to company value, the former positively affects the latter. (Khomsiyah & Lestari, 2023), (Dwi Wardani & Sa'adah, 2020) and (Daromes & Kawilarang, 2020). However, according to research by (Arianti, 2022), (Anggraini & Agustiningsih, 2022), and (Imawan & Triyonowati, 2021), environmental performance has little bearing on a company's worth.

H2= Environmental performance affects company value.

Growth in sales is a sign of a business's capacity to raise its standing in a sector. significant firm revenue will be reflected in significant sales growth. Since sales need to be backed by resources and strong demand, they have a strategic impact on a business (Maryadi & Djohar, 2022). From research conducted by (Matusek, 2022) shows that sales growth is the main aspect in creating business performance. This is driven by how strong the company explores several sub-aspects such as: market share, competitive position, customer retention. It would be better if the company did this by utilizing digital services by placing customer satisfaction as its main dimension. (Maryadi & Djohar, 2022), (Sherly, Y.A., 2020), and (Fajriah et al., 2022) have all undertaken studies on the relationship between sales growth and firm value, and their conclusions show that sales growth positively affects firm value. However, research indicates by (Imawan & Triyonowati, 2021), (Anggraini & Agustiningsih, 2022), (Arianti, 2022), and (Firmansyah, 2020), environmental performance has no bearing on a company's worth.

H3= Sales growth affects company value.

The explanations from the previously mentioned studies show that the sustainability report, environmental performance, and sales growth can influence company value. When the Sustainability Report, Environmental Performance, and sales growth are implemented simultaneously, they will provide positive signals and attract



investor attention to the company, which will influence investor decisions to invest and ultimately affect the company's value.

H4= Sustainability report, environmental performance, and sales growth simultaneously affect company value.

3. Methods

This study's methodology is a quantitative descriptive approach. The Purposive Sampling approach is used in conjunction with a Nonprobability Sampling strategy. Nonprobability Sampling is a method or technique of sampling using non-random criteria based on the subjective judgment of the researcher. This means that this technique depends on the ability, expertise, and honesty of the researcher. All decisions related to the sample are determined by the researcher themselves. Therefore, the results cannot be used for generalization but only for rough estimation (Sherly, Y.A., 2020). Companies that were listed between 2019 and 2023 on the Indonesia Stock Exchange comprise the study's population.

4. Results and Discussion

Method of Sampling Purposive sampling was chosen for this investigation, and the following sampling criteria were applied, as shown in table 1.

Table 1 Research Sample

NO	Information	Sum
1	Energy-related businesses that are listed between 2019 and 2023 on the Indonesia Stock Exchange	81
2	Companies that never received PROPER certification and were not consistently listed during the period 2019-2023.	(67)
3	Companies that did not disclose GRI-G16 and were not consistent during the period 2019-2023	(5)
Number of studies studied		9
Number of Research Data (Objek × Year) 9×5		45

The data from the company's annual report in the energy sector will be processed using the Eviews 13 program. This study used a variety of methods, including Panel data regression equation, panel data regression analysis, and panel data model test, determination coefficient test, classical assumption test, and hypothesis test.

4.1 Panel Data Regression Analysis

4.1.1 Common Effect Model



Common Effect Model is the simplest regression model equation technique if the current pooled data accurately reflects the situation. Using a common effect model, the panel data regression as shown in table 2.

Table 2 Common Effect Model
Panel Data Regression Model Estimation

Dependent Variable: TOBIN Q

Method: Panel Least Squares

Sample: 2019-2023

Period included: 5

Total panel (balanced) observations: 45

Variabel	Coefficient	Std. Error	t-Statistic	Prob.
C	0.021735	0.195234	0.111328	0.9119
GRI16	0.062503	0.059829	1.044703	0.3023
PROPER	0.001897	0.040545	0.046789	0.9629
SALES_GROWTH	0.200221	0.090666	2.208345	0.0329
R-squared	0.154524	Mean dependent var.		-0.027770
Adjusted R- squared	0.092660	S.D dependent var.		0.240163
S.E of regression	0.228766	Akaike info criterion		-0.027544
Sum squared resid	2.145694	Schwarz criterion		0.133043
Log likelihood	4.619790	Hannan-Quinn criter.		0.0322323
F-statistic	2.497793	Durbin-Watson stat.		1.006310
Prob(F-statistic)	0.073055			

Source: Data processed, Eviews 13 (2024)

The table above demonstrates that the independent variable, GRI16, has no bearing on the company's worth, as seen by its values of 0.3023 and 0.9629 for PROPER. where the significant level is 0.05. In contrast to Sales Growth which has an impact with a value of 0.0329 which is less than a significant level of 0.05.

4.1.2 Fixed Effect Model

The FEM model includes a dummy variable for each unit or individual in the data panel, making it possible to control for differences between individuals that are fixed. Thus, It is possible to exclude variables from the model that do not change over time. (Restat, 2023). Table 3 demonstrates that, at the significant level of 0.05, the independent variable GRI16 had no effect on the company's value (value of 0.1237) or PROPER (value of 0.3256). With a value of 0.0334, the influence of Sales Growth, in contrast, is less than the significant level of 0.05.



Tabel 3 Model Regression Model Data Panel Fixed Effect Model (FEM)

Dependent Variable: TOBIN Q

Metodh : Panel Least Squares

Sample: 2019-2023

Periode included: 5

Total panel (balanced) observations: 45

Variabel	Coefficient	Std. Error	t-Statistic	Prob.
C	0.791077	0.735262	1.075912	0.2898
GRI16	0.092190	0.058356	1.579797	0.1237
PROPER	-0.182790	0.183187	-0.997830	0.3256
SALES_GROWTH	0.178903	0.080567	2.220548	0.0334
Effects Specification				
Cross-section fixed (dummy variables)				
R-squared	0.487444	Mean dependent var.		-0.027770
Adjusted R- squared	0.316592	S.D dependent var.		0.240163
S.E of regression	0.198539	Akaike info critirion		-0.172479
Sum squared resid	1.300792	Schwaz criterion		0.309298
Log likelihood	15.88078	Hannan-Quinn criter.		0.007122
F-statistic	2.853020	Durbin-Watson stat.		1.660216
Prob(F-statistic)	0.009722			

Source: Data processed, Eviews 13 (2024)

4.1.3 Random Effect Model

The REM model assumes that independent variables have a correlation with dependent variables, but not with dummy variables. This model allows to estimate fixed effects and random effects (Restat, 2023).

Table 4 Estimation of the Random Effect Model
Panel Data Regression Model (REM)



Dependent Variable: TOBIN Q
 Method: Panel Least Squares
 Sample: 2019-2023
 Period included: 5
 Cross-section included: 9
 Total panel (balanced) observations: 45
 Swamy and Arora estimator of component variances

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.115885	0.277800	0.417154	0.6787
GRI16	0.079388	0.056219	1.412118	0.1656
PROPER	-0.015664	0.063817	-0.245446	0.8073
SALES_GROWTH	0.183145	0.079971	2.290148	0.0272
Effects Specification				
			S.D	Rho
Cross-section fixed random			0.144766	0.3471
Idiosyncratic random			0.196539	0.6529
R-squared	0.192681	Mean dependent var.		-0.014519
Adjusted R-squared	0.138609	S.D dependent var.		0.209536
S.E of regression	0.196036	Sum squared resid		1.559596
F-statistic	3.261796	Durbin-Watson stat.		1.372632
Prob(F-statistic)	0.030936			
Unweighted Statistic				
R-squared	0.129340	Mean dependent var.		-0.027770
Sum squared resid	2.158851	Durbin-Watson stat.		0.991618

Source: Data processed, Eviews 13 (2024)

At the significant threshold of 0.05, table 4 demonstrates that GRI16, the independent variable, has no bearing on PROPER's value (0.8073) or the company's worth (0.1655). With a value of 0.0272, the effect of Sales Growth, in contrast, is less than the significance level of 0.05.

4.2 Test Panel Data Model

4.2.1 Test Chow

Table 5 Chow Test Panel Data Regression Model

Redundant Fixed Effects Tests			
Equation: EQ.01			
Test cross-section fixed effects			
Effects Test	Statistic	d.f.	Prob.
Cross-section F	2.679310	(8,33)	0.0218
Cross-section Chi-square	22.522061	8	0.0040

Source: Data processed, Eviews 13 (2024)

Information:

H0: Common Effect Model

Ha: Fixed Effect Model

Prob bigger than 0.05. So, H0 is accepted



Prob bigger than 0.05. So, H_a is accepted

The probabilities in the table 5 are 0.0218 and 0.0040 less than α (0.05). Therefore, After the data regression model, H_a , passes the Chow test, it may be said that the Fixed Effect Model (FEM) model is chosen.

4.2.2 Test Hausman

Tabel 6 Hausman Test Panel Data Regression Model

Correlated Random Effects - Hausman Test			
Equation: EQ01			
Test cross-section random effects			
Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	1.565697	3	0.6672

Source: Data processed, Eviews 13 (2024)

Information:

H_0 : Random Effect Model

H_a : Fixed Effect Model

Prob bigger than 0.05. So, H_0 is accepted

Prob bigger than 0.05. So, H_a is accepted

As the probability in the table 6 is 0.6672 bigger than α (0.05). Therefore, when the Hausman test findings indicate that the data regression model, H_0 , is acceptable, one could say that the Random Effect Model (REM) model has been selected.

4.2.3 Test Lagrange Multiplier

Tabel 7 Lagrange Multiplier Test Panel Data Regression Model

Lagrange Multiplier Tests for Random Effects			
Null hypotheses: No effects			
Alternative hypotheses: Two-sided (Breusch-Pagan) and one-sided (all others) alternatives			
	Test Hypothesis		
	Cross-section	Time	Both
Breusch-Pagan	4.140532 (0.0419)	1.255403 (0.2625)	5.395936 (0.0202)

Source: Data processed, Eviews 13 (2024)



Information:

H0: Common Effect Model

Ha: Random Effect Model

Prob bigger than 0.05. So, H0 is accepted

Prob bigger than 0.05. So, Ha is accepted

The probability in the table 7 is 0.0202 less than α (0.05). Thus, it may be said that the Random Effect Model (REM) model is chosen when Ha passes the Lagrange Multiplier test for choosing data regression models.

4.3 Panel Data Regression Model Conclusion

The Random Effect Model will be used as the panel data regression model for the panel data regression equation and hypothesis test, based on the outcomes of the three data tests mentioned earlier. According to the outcomes of the three data tests that were conducted. For both the hypothesis test and the panel data regression equation, the Random Effect Model will be employed.

0.0040 less than 0.05 and 0.0218 in the *Chow Prob Test* were used to pick the *Fixed Effect Model*. REM was chosen as the *Random Effect Model* in the *Hausman Prob Test* 0.6672 bigger than 0.05. **Prob** 0.0202 less than 0.05 in the *Lagrange Multiplier Test* indicates that the *Random Effect Model* is chosen. The *Random Effect Model* test was selected from the list above.

4.4 Panel Data Regression Equation

When the same cross section unit is recorded at many points in time, Panel data regression combines cross-sectional and time series data. Regression analysis of the panel data utilized in the study produced the table 8 below.

Tabel 8 Output Regression Data Panel

Variable	Coefficient	Std. Error
C	0.115885	0.277800
GRI16	0.079388	0.056219
PROPER	-0.015664	0.063817
SALES_GROWTH	0.183146	0.079971

4.4.1 Regression Equation Analysis:

4.4.1.1 Tobins'Q Coefficient (α) value 0.115885

The Tobins'Q Constant value of 0.115885 indicates whether or whether the research includes independent factors like the Sustainability Report, Environmental Performance, and Sales Growth. Despite this, the Company Value remains at 0.115885.

4.4.1.2 The value of the GRI16 Coefficient (β_1) is 0.079388



One can infer that if the variable (X1) increases by one unit, the variable Y will likewise increase by 0.079388 since the Variable Coefficient GRI16 (X1) has a positive value (+) of 0.079388.

4.4.1.3 PROPER Coefficient Value (β_2) -0.015664

According to the PROPER Coefficient of the variable (X2), which has a negative value (-) of -0.015664, the variable Y reduces by 0.015664 for every unit increase in the variable (X2), and vice versa.

4.4.1.4 Sales Growth Coefficient (β_3) value 0.183146

Since the variable's value is positive (+), it can be deduced that a one-unit rise in the Sales Growth Coefficient Variable (X3) will result in a 0.183146 increase in the Y variable.

4.4.2 Coefficient of Determination Test

Table 9 Coefficient of Determination Test

Weighted Statistics			
R-squared	0.192681	Mean dependent var	-0.014519
Adjusted R-squared	0.133609	S.D. dependent var	0.209535
S.E. of regression	0.195036	Sum squared resid	1.559598
F-statistic	3.261795	Durbin-Watson stat	1.372632
Prob(F-statistic)	0.030936		

Source: Processed Data, Eviews 13 (2024)

From table 9 have shown that the Adjusted R-squared value of 0.133609 indicates that the independent factors contribute 13.3 percent to the dependent variable at the same time, while other variables account for 86.7 percent.

4.5 Hypothesis Testing

F-Test, or model feasibility test. One technique for determining how all independent factors simultaneously impact the dependent variable is the F-Test.

Given F Table = Df 1 is K-1 or 3
 DF 2 is n-k-1 or 40

Explanation:

k is Total Variables

n is Total sample the F table value obtained is 2.84

The F-Statistic value and the Prob value are known to be 3.261795. The independent variable (X) has a substantial simultaneous (concurrent) effect on the dependent variable (Y), according to the (F-Statistic) of 0.030936 less than (0.05). H1 was accepted.

**t-Test Given:****t Table Explanation:**

n is Total Sample

k is Total Variables

Sig is 0.05-0.025

Df is $n-k$ or $45-4$ or 41 The t table value obtained is 2.01954

4.6 Discussion

Sustainability Reports' Effect on Company Value. Hypothesis 1 is rejected since variable X_1 has no significant effect on variable Y , as shown by its t -Statistic value of 1.412118 and prob. (Significance) value of 0.1655 bigger than (0.05). Environmental Performance's Effect on Company Value. Given that variable X_2 has no discernible impact on variable Y , as demonstrated by its t -Statistic value of 0.245446 and probability, Hypothesis 2 is rejected. A significance value of 0.8073 is greater than 0.05. Sales Growth's Effect on Company Value. Hypothesis 3 is accepted since variable X_3 has a significant impact on variable Y , as indicated by its t -Statistic value of 2.290145 and prob. (Significance) value of 0.0272 less than 0.05.

5. Conclusion

The study reveals that a company's Sustainability Report does not significantly impact its value, as shown by an insignificant probability value and a low t -statistic, leading to the rejection of Hypothesis 1. Similarly, Environmental Performance has no measurable effect on firm value, with a t -statistic below the critical threshold and a high probability value, resulting in the rejection of Hypothesis 2. In contrast, Sales Growth significantly influences company value, supported by a strong t -statistic and a significant probability, confirming Hypothesis 3. The F-test results validate Hypothesis 4, indicating that sustainability report, Environmental Performance, and sales growth collectively affect firm value, though only sales growth shows individual significance. This suggests that while sustainability and environmental factors alone may not drive valuation, they contribute when combined with financial growth. Investors appear to prioritize traditional metrics like sales growth over non-financial disclosures, possibly due to a lack of standardized reporting or short-term market focus. The findings imply that companies should maintain strong financial performance while gradually integrating sustainability initiatives to align with evolving investor expectations. Regulatory improvements in sustainability reporting may enhance its future impact on valuation. The study highlights the dominance of conventional financial indicators in current valuation models. It is expected that the next researcher will take more time to determine the actual state of the business, in addition to multiplying the study items and applying other elements that may effect the value.

Future research should expand its scope by incorporating other ESG variables such as corporate governance or social impact to assess whether other dimensions of



ESG are more relevant to investors. Additionally, industry-specific analysis, particularly in ESG-sensitive sectors like renewable energy or mining, is recommended to determine if results differ. A longitudinal approach is also necessary to measure the long-term effects of ESG practices on firm value, given that sustainability benefits may only become apparent after several years. Future studies could also include moderating variables such as government regulations or institutional ownership to examine whether external factors strengthen the relationship between ESG and company value. By doing so, future findings can provide a more comprehensive perspective on integrating financial and non-financial factors in corporate valuation.

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