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The Relationship of Sustainability Report with Firm Values Jakarta Islamic Index

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Abstract: Sustainability reporting reveals information related to sustainability issues, including environmental, social and governance. This report is to measure the extent to which sustainability efforts can create value, minimize risks and meet stakeholder expectations. This condition is to identify areas that require improvement and optimize sustainability strategies to support long-term growth and sustainability. The aim of this research is to analyze the influence of environmental dimensions, social dimensions and governance dimensions of sustainability reports on company value. The research sample used the 30 most liquid sharia stocks included in the Jakarta Islamic Index sector for the 2019-2022 observation period. Multiple linear regression analysis techniques are used to determine cause and effect relationships and help understand the extent to which environmental dimensions, social dimensions and governance dimensions influence company value. The test results found that environmental performance disclosure and social disclosure had a positive effect on company value as reflected by the Tobin'Q and PBV models. On the other hand, corporate governance disclosure does not have a positive effect on company value. The Tobin'Q model shows better model suitability than the PBV model. These findings make it clear that the Tobin' Q model is superior because it reflects the company's overall assets, reflects market sentiment, reflects the company's intellectual capital, and can overcome the problem of estimating the rate of profit or marginal costs. These findings can inspire Bapepam; IAI; and other regulators to consider preparing environmental accounting standards and as input in improving the quality of existing standards and regulations.

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INTRODUCTION

High firm value is the desire of company owners because with a high value the prosperity of shareholders is also high (Nurlela & Ishaluddin, 2008). High corporate value is determined by the quality of the information. Investors need quality information, because it can reduce uncertain situations (Fatemi et al, 2018). The information in question can be in the form of financial information and non-financial information that is presented fairly and adequately. Financial information is obtained through annual financial reports, while non-financial information is obtained through sustainability reports.

The rapid development of the stock exchange demands high accuracy and foresight in understanding and scrutinizing published financial reports. The level of firm value that leads to a sustainable business is not only determined by financial performance but also by non-financial performance (Iman et al, 2021). Non-financial information arises from how the company maintains a balance in the industrial ecosystem that has an impact on the environment, social and implements effective corporate governance (Ghoul et al, 2016). This term is often called environmental, social, governance sustainability (ESG).

The trend of business sustainability leads to how companies deal with operational impacts that arise as stakeholder demands. Business sustainability is an effort made by companies to minimize negative impacts on the environment, society, both the global economic community and local communities. Therefore the concept of sustainability business is how to build a community in the economic, social and ecological goals must be balanced (Szekely, 2005). Because ESG activities are currently a concern of stakeholders (Jensen, 2001).

This research tries to take into account the needs of all stakeholders through non-financial information (ESG) that can affect company value. The importance of the concept of sustainability is applied because companies must be able to reduce environmental impacts due to their operations and do not need to avoid waste (Syafrullah & Muharam, 2017). This means that companies must reserve resources to protect the environmental ecosystem, improve material and energy efficiency for future generations, but also demand high empathy for social aspects (Al-Tuwaijri and Christensen, 2004).

The implementation of sustainability reporting for companies listed on the IDX is still low. The companies that are members of the Jakarta Islamic Index (JII) are no exception, also showing low awareness of maintaining ESG. Research on business sustainability as a non-financial dimension that is reflected by ESG in the context of firm values shows mixed results (Melinda & Wardhani, 2020). High corporate value is generated because the company maintains a balance of environmental and social effects that impact company operations, and always maintains effective governance.

This low awareness is because they think that sustainability reports are still voluntary. However, the existence of a circular letter from the Financial Services Authority (OJK) starting in the decade of the 20s, the disclosure of non-financial information began to become mandatory. The existence of such a situation makes researchers interested in conducting research on the JII sector. Because the JII sector is the most liquid collection of sharia stocks or blue chips, namely as company shares that as a whole have a good reputation listed on the Indonesia Stock Exchange (IDX). This means that some of the advantages of investing in Islamic stocks include having a high return and the movement of Islamic stocks is more stable. Another benefit of sharia investment is that it has a greater focus on social activities. Even so, the list of blue chip stocks experienced pressure in value due to the sentiment of the Covid-19 pandemic. However, it finally recovered in March 2020. One of the reasons for this is the Stimulus Package II issued by the government. Basically, stocks that are classified as blue chips come from companies that are fundamentally healthy, but are non-fundamental (non-financial) also seen in the Islamic stock group remaining consistent in maintaining the balance of the industrial ecosystem?

This research provides a theoretical contribution in the field of management accounting, especially related to environmental accounting and social accounting as a counterweight for companies in perfecting guidelines for determining a more accurate cost analysis of products from the environmental and social impacts caused by company activities (Harjoto & Laksmana, 2018). It is hoped that the results of this study can be used by management in producing quality non-financial performance by taking into account the importance of evaluating environmental and social activities from the point of view of environmental costs and benefits or effects (economic benefits) to minimize environmental problems faced and improve management efficiency (Gultom et al., 2013). Environment Furthermore, this research is also expected to be able to provide adequate non-financial information through effective governance practices to minimize information asymmetry. Contributions are also expected for regulators in determining the direction of practices/policies related to environmental impacts such as demanding that companies continue to maintain a balance/conservation of the natural surroundings and demanding that companies be more transparent about what they do to the environment and social actions (Farida et al., 2019).

This study uses a stakeholder theory approach. Stakeholders Theory is an approach used in business management and ethics which recognizes that companies not only have obligations towards shareholders but also towards various interested parties (stakeholders) in company operations (Jain et al., 2013). This includes employees, customers, suppliers, local communities, and a number of other parties who may be affected by the company's actions or have influence over the company. Implementing stakeholder theory involves recognizing and managing relationships with these various parties to achieve business goals while considering their diverse contributions and impacts on society and the environment (Onasis & Robin, 2016). The main aim of stakeholder theory is to assist company management in increasing value creation as a result of the activities carried out and minimizing losses that arise for stakeholders (Regalli & Soana, 2012). The implementation of stakeholder theory is a holistic approach that changes the way a company operates and interacts with the outside world. It aims to achieve a balance between profit objectives and social and environmental considerations, as well as ensuring that the company fulfills its responsibilities to all parties involved in its business.

ESG (Environmental, Social, and Governance) issues carried out by companies can have a complex and diverse impact on company value. Some problems that arise from the impact of ESG activities on company value include environmental uncertainty such as climate change, natural disasters and drought (Tarigan and Semuel, 2015). Companies must manage these risks and plan mitigation actions. ESG activities can also carry financial risks that must be managed by companies, for example, companies that do not comply with environmental regulations will face sanctions and fines from stakeholders (Lima & Sanvicente, 2013). However, companies with good ESG records tend to have relatively stable share prices and better long-term performance. ESG policies can influence relationships with stakeholders such as employees, customers and society, and in some cases, actions that support ESG can increase employee engagement and gain customer support (Loh et al., 2017). For this reason, companies need to understand and comply with ESG regulations that apply in their operational areas. Violations of these regulations can negatively impact company value through sanctions and reputational harm.

The problems mentioned above also occur in the Jakarta Islamic Index (JII) stock group consisting of companies whose shares meet Islamic financial and ethical criteria. Companies in this group must comply with Islamic economic principles which include the prohibition of usury (interest), the prohibition of business practices that conflict with Islamic moral and ethical principles, as well as improving the welfare of society (Jallo et al., 2017). Several problems arise from the impact of ESG activities on the value of companies in the JII group, including (1) JII group companies face problems when they have to ensure the environmental impact of their operations is in line with sustainable ESG principles in accordance with Islamic ethics; (2) JII groups face problems if they are involved in businesses that are controversial from a sharia perspective or industries that damage the environment; (3) the JII group faces pressure from sharia-based investors to ensure that ESG policies are in accordance with Islamic values, because maintaining investor trust is important in maintaining firm value.

The existence of these problems requires an empirical study to answer the problem of how to build a non-accounting information model that can express firm value. Furthermore, this research was conducted to answer the question how does the social dimension, environmental dimension, and governance dimension influence the sustainability report on firm value?

Furthermore, this study aims to analyze how the influence of sustainability reports on the environmental dimensions, social dimensions, and governance dimensions on firm value in the Jakarta

Islamic Index. The results of this study are expected to produce quality non-financial performance by taking into account the importance of evaluating environmental and social activities from the standpoint of environmental costs and economic benefits in order to minimize environmental problems and increase efficiency in environmental management (Masruroh & Makaryanawati, 2020). The research results are also expected to be able to provide adequate non-financial information through real activities effectively to minimize information asymmetry (Lambert et al., 2012). For regulators, the results of this research are expected to determine the direction of practices/policies related to environmental impacts, such as demanding that companies continue to maintain balance/conservation of the natural surroundings and demanding that companies be more transparent about what they do to the environment and social actions.

LITERATURE REVIEW AND HYPOTHESES

This study uses a stakeholder theory approach because it can help company management in increasing value creation as a result of the activities carried out and minimizing losses that may arise for stakeholders. For this reason, companies must maintain relationships with their stakeholders by accommodating the wishes and needs of their stakeholders, especially stakeholders who have power over the availability of resources used for the company's operational activities, such as labor, the market for company products and others (Ghozali & Chariri, 2007). Stakeholder theory as the dominant paradigm reinforces the concept that companies are responsible not only to shareholders but also to stakeholders (Maulida & Adam, 2012).

Stakeholder theory is a theory which states that a company is not an entity that only operates for its own sake, but must provide benefits to all its stakeholders such as shareholders, creditors, consumers, suppliers, government, community, analysts, and other parties (Ghozali & Chariri, 2007). It is this stakeholder group that is taken into consideration for company management in disclosing or not disclosing information in the company's report. The main objective of stakeholder theory is to assist company management in increasing value creation as a result of the activities carried out and minimizing losses that arise for stakeholders.

Each stakeholder has an interest in a company's environmental performance, such as environmental groups may be concerned with a company's efforts to reduce carbon emissions and waste, while investors may be more interested in long-term profitability. Apart from interests, the influence of stakeholders also needs to be evaluated. Stakeholders with a high level of influence can influence company decisions significantly, such as governments having regulatory powers that can force companies to comply with certain environmental standards. Companies must next decide to what extent they will disclose information about their environmental performance, through sustainability reports, environmental policies and green practices.

Stakeholder theory recognizes that companies not only have obligations towards shareholders but also towards other stakeholders in the company's operations. When companies disclose good environmental performance, this can build a positive reputation among stakeholders, including customers, communities, governments, and investors. Transparent disclosure and positive environmental performance create trust and goodwill among stakeholders. Companies that express sustainable practices and commitment to environmental protection can attract customers who will be more environmentally conscious. This can have a positive impact on sales and customer loyalty. On the other hand, many institutional investors and sustainable funds are integrating ESG factors, including environmental performance, into investment decisions. Companies that disclose good environmental performance can attract investors who care about ESG factors, which can increase demand for company shares and support share prices. When a company has a good reputation in terms of environmental performance, it will be easier to access external capital, such as bank loans and equity investment. Disclosure of environmental performance helps companies identify and manage risks related to environmental issues, such as climate change, environmental regulations, or potential negative impacts. Good risk management can avoid significant financial losses. When companies focus on environmental performance it can encourage companies to seek innovations that reduce negative impacts on the environment and increase operational efficiency. This can reduce costs and increase firm value.

Investors assess that environmental information is capable of explaining (explanatory power) what is needed (Gu, 2007). This condition has an impact on the market value of company equity, because assessment (valuation) by stakeholders is based on the usefulness of information, for example environmental information and concentrates on the market value resulting from the transformation of financial instruments, such as increases in share prices (Abbasali et al., 2011). For this reason, the importance of corporations paying attention to the presentation of information with utility value along with the importance of financial markets, institutions and investment instruments has grown over the last few years (Sutopo et al., 2018). Overall, the company must accommodate the interests of stakeholders and balance them to create long-term value. By disclosing good environmental performance, companies can meet the interests of various stakeholders, improve reputation, support corporate values, and achieve sustainable growth.

Previous empirical results show environmental disclosure and its relationship with market valuation and find that there is a significant positive relationship in markets in both developed and developing countries. (Du et al., 2017); Middleton, (2015) ; Zhou & Yin, (2018). Findings in Indonesia, environmental disclosure on firm value also has a positive direction by Anggraeni (2015); Hermawan et al. (2018). Referring to this explanation, the following hypothesis is formulated.

H1: Disclosure of environmental performance has a positive effect on firm value

Stakeholder theory recognizes that companies have various interested parties (stakeholders) other than shareholders, and good relationships with other stakeholders. When a company discloses its social performance well, this shows that the company is paying attention to the needs and interests of stakeholders, including employees, customers, communities, suppliers and others. This can increase company trust and reputation (Belkaoui & Karpik, 1989). Employees are one of the most important stakeholders. Companies that prioritize social issues, such as employee well-being, equality, and social responsibility, tend to have more satisfied and motivated employees. Employee satisfaction can increase productivity and retention, which contributes to firm value. Companies that are committed to social responsibility can attract customers who will be more socially conscious. Customers who feel that a company cares about social issues tend to be more loyal and may be willing to pay a premium for the company's products or services. This statement is supported by Grimmer and Bingham (2017) that consumers prefer products from corporations that carry out high social responsibility activities.

Disclosure of positive social performance and positive contributions to the community can build good relationships with local communities, which can support company operations and permit growth. Strong social investing can attract investors who consider social factors in investment decisions. Disclosure of good social performance also reflects better risk management and higher levels of compliance with social regulations. This can reduce legal and financial risks that can harm the company (Waddock & Graves, 1997).

Companies with a focus on social performance can encourage companies to seek innovation in their business practices that are more sustainable and social. This innovation can reduce operational costs and increase efficiency (Ghozali & Chariri, 2014:440). Disclosure of positive social performance can build a strong brand and a good reputation in the eyes of stakeholders. A good reputation can provide a competitive advantage and support firm values (Putri & Raharja, 2013). The same support was also expressed by Widyanti (2014) that disclosure of social responsibility means that investors will consider added value in investment decisions. The higher the responsibility carried out by corporations towards the environment, the greater the company branding will increase the attractiveness of investors (Syafrinaldi, 2019).

Stakeholder theory explains that the existence of corporations does not only operate for their own interests but must be beneficial for stakeholders (Rosiana, et al., 2019). Through stakeholder theory, disclosure of social responsibility carried out by corporations will increase public trust, reputation and support for corporations, this will have an impact on increasing company performance and value. By expressing good social performance and investing in social responsibility, companies create long-term value by meeting the expectations and interests of their stakeholders, which in turn has a positive impact on firm value.

Several previous research findings using a stakeholder theory approach found that social responsibility disclosure influences firm value (Ardiyanto & Haryanto, 2017; Harjoto & Laksmana, 2018 ; Hudoyo & Juniarti, 2015 ; Jitmaneeroj, 2018; Jo & Harjoto, 2011; Khafa & Laksito, 2015; Li et al., 2016; Maryanti & Tjahjadi, 2013; Nahda & Harjito, 2011; Putri & Raharja, 2013) . Jitmaneeroj (2018) found the same results for corporations in the United States that there was a positive relationship between social responsibility and firm value. In Asian countries, there is also a positive relationship between social responsibility performance and firm value by Li, et al. (2018). Referring to this explanation, the following hypothesis is formulated.

H2: Disclosure of social performance has a positive effect on firm value

Corporate governance is a system designed to direct the management of a company professionally based on the principles of transparency, accountability, responsibility, independence, fairness and equality. The existence of corporate governance is useful for directing and controlling the company so that it complies with statutory regulations, meets the expectations of stakeholders, and complies with applicable business norms and ethics (Yoon & Byun, 2018). The main objective of good corporate management is to provide adequate protection and treat shareholders and other interested parties fairly.

Corporate governance is one of the important things in the sustainability of a company. Corporate governance will influence setting, achieving company goals, monitoring and assessing business risks. Apart from that, corporate governance is also useful for maximizing performance improvement and developing work culture in the company environment. Implementation of the principles of Good Corporate Governance (GCG)/good corporate governance through internal control and supervision systems, reporting mechanisms for suspected irregularities, information technology governance, ethical behavior guidelines, etc. can improve company performance and long-term economic value for investors and stakeholders (Munawaroh et al, 2018). GCG is a company's effort to create a conducive relationship pattern between stakeholders in the company. Conducive relationships between stakeholders are a prerequisite for realizing good company performance, which in turn supports increasing firm value.

Implementing transparent corporate governance disclosures can increase shareholder trust. Shareholders will feel more confident that the company is well managed and prioritized interests will be able to provide positive support to share prices. Companies with good governance practices will find it easier to access external capital, such as bank loans or equity investments. This can provide additional resources for company growth and development.

The existence of good governance can also help companies identify and manage risks more effectively. Proper risk management can prevent significant financial losses. Through good governance, including fair and transparent policies related to employee compensation and policies, employee satisfaction can be increased, so they tend to be more productive, contributing to better company performance.

Through good governance, companies will be seen as more respected and chosen as business partners, thereby improving business relationships and company performance. This condition reflects a responsible and ethical company, thereby increasing its good reputation and providing a competitive advantage and creating positive brand value.

Stakeholder theory views, companies are considered as entities that interact with various interested parties, by implementing good governance practices, companies create long-term value by meeting stakeholder expectations and interests, which in turn has a positive impact on firm value.

The implementation of corporate governance will have a positive influence on firm value, because when there is a lot of information about GCG, such as the large number of independent commissioners who carry out their functions and roles as supervisors and coordinators. Furthermore, the important role of institutional share ownership will influence corporate governance and actively participating in determining the company's dividend policy will provide control to management so that it can reduce agency costs and maximize firm value. Furthermore, the role of the audit committee in building an accounting control system (Effendi, 2016). The role of the audit committee as an internal audit body ensures that the implementation of accounting records and reporting follows applicable accounting standards and prevents fraudulent financial reports. This role will attract investors' interest in investing, resulting in an increase in firm value.

Several previous research findings were produced by Yunita and Prayitno (2019); Wahyuni (2018) ; and Yohendra and Susanti, (2019) stated that the size of the independent board of commissioners has a positive and significant effect on firm value. Similar results by Syafitri et al. (2018); Dewi & Nugrahanti (2017) say that independent commissioners influence firm value. Onasis & Robin (2016); Syafitri et al. (2018); and Isnawati et al. (2018) found that audit committees influence firm value. Thanatawee (2018) research on non-financial companies in Thailand found that institutional ownership had a positive effect on firm value. Tahir et al. (2019) and Ali et al. (2019) research in Karachi-Pakistan found a significant positive relationship and influence of institutional ownership on firm value.

H3: Disclosure of governance performance has a positive effect on firm value

METHODS

This research approach uses explanation research, namely conducting a study of empirical models that have been carried out before. Based on the results of that study, then formulates a model of the influence of Environmental, Social, Governance (ESG) disclosure on firm value. Furthermore, the implementation (action) of model development is carried out by analyzing ESG disclosure along with the control variables ROA, ROE, and Size which dominantly affect firm value.

The population of this study is the Jakarta Islamic Index (JII) group of companies listed on the Indonesia Stock Exchange in 2019-2022. Sampling used a purposive sampling method, namely the selected sample using certain considerations that are adjusted to the research objectives or research problems being developed. This research collects company data using several criteria, namely (1) having a sustainability report for 2019-2022; (2) not experience delisting in 2019-2022; and (3) have complete data required for research variables.

This study uses secondary data obtained indirectly through intermediary media, both published and unpublished through documentary studies. Data that has been collected for purposes other than solving the problem at hand. quantitative data, then the numbers obtained are analyzed further. This study consists of three variables, namely environmental disclosure, social disclosure, and governance disclosure as the independent variable and firm value as the dependent variable. Obtaining ESG score information/data is taken from the Bloomberg BGK ESG Index. As for the completeness of the financial ratio information as a control variable taken from the company's financial statements and IDN Financials. Secondary data in this study is in the form of financial statements of each public company for the 2019-2021 period. This research consists of three variables, namely environmental disclosure, social disclosure, and governance disclosure as independent variables. The three disclosures (ESG) are each measured by an ESG score as done by (Refinitiv, n.d.); Ng and Rezaee (2015); and Reverte (2012) .

$$\text{ESG score} = \frac{\text{[no. of companies with a worse value + (no. of companies with the same value included in the current one)/ 2]}}{\text{no. of companies with a value}}$$

Meanwhile, company value as the dependent variable is measured by Tobin's Q = Market value of company equity / Book value of company equity and PBV = Current share price / Book value per share. And the control variable ROA is measured by Profit After Tax/Total Assets; ROE is measured by Profit After Tax/ Total Equity; and size is measured by Ln Total Assets.

Analysis of the research data uses multiple linear regression analysis techniques which can be formulated based on the hypothesis developed as follows:

Model 1

$$Tobin'Q = a + \beta_1 En + \beta_2 So + \beta_3 Gov + \beta_4 ROA + \beta_5 ROE + \beta_6 Size + \varepsilon it$$

Model 2

$$PBV = a + \beta_1 En + \beta_2 So + \beta_3 Gov + \beta_4 ROA + \beta_5 ROE + \beta_6 Size + \varepsilon it$$

RESULTS AND DISCUSSION

Descriptive statistics

The number of research samples according to the observation period and meeting the research criteria totaled 120 units of analysis. However, this number was eliminated due to normality testing requirements so that it became 117 units of analysis. This condition can be seen in the descriptive statistics which describe the characteristic profile of the central tendency for each research variable and control variable which includes the lowest value, highest value, mean (mean) and standard deviation as shown in table 1 below.

Tabel 1. Descriptive statistics

	N	Minimum	Maximum	Mean	Std. Deviation
PBV	117	.01	8.10	2.9477	1.5911
Tobin_Q	117	4.41	177.00	97.1700	11.5000
Environmental	117	7.85	44.21	22.3738	8.5614
Social	117	7.85	89.76	45.9222	8.0538
Governance	117	9.50	50.88	28.7527	9.2327
ROA	117	0.138	0.447	0.265	0.081
ROE	117	1.533	3.451	2.126	1.353
Size	117	27.436	35.084	31.334	1.547

Source: processed secondary data, 2023

Table 1 shows the mean, median, maximum, minimum, and standard deviation values of each variable. The PBV, Tobin'Q, Environmental, Social, and Governance variables have a standard deviation value lower than the mean value. This condition indicates that the data is more homogeneous. The PBV mean value is 2.9477, indicating that the company has high growth with low risk, meaning that the company is valued higher than its book value. Tobin'Q's mean value is 97.1700, illustrating that the market has managed to value the company higher than its fair value. This means that the market responds high because the market value is higher than the book value. Furthermore, the Environmental, Social, and Governance scores each have an average value of 22.3738, 45.9222, and 28.7527, this shows the high performance of the JII group of companies in terms of environment, social and business governance. This also illustrates that the JII group of companies does not experience obstacles in creating values, in fact, on the contrary, they have high awareness in maintaining ESG. Meanwhile, the control variables ROA and ROE show relatively moderate mean values, meaning that the average profit earned by JII group companies is relatively high. Likewise, the control variable Size shows relatively high mean values, meaning that the assets owned by JII group companies are quite large. The existence of large assets is expected to be able to attract the market.

Normality Test

Normality testing is carried out to assess the distribution of data in the research model whether the data distribution is normally distributed or not. Normality testing was carried out for residual errors in the regression model by looking at the skewness and kurtosis ratios. The calculation results show that the

Zskweness value is 1,819 while the Zkurtosis value is 1,151 with a critical value of ± 1.96 (significant at α = 0.05). So it can be concluded that the research data has a normal distribution.

Classic Assumption Test

Classical assumption testing as a prerequisite test is carried out before carrying out further analysis of the data that has been collected. This classic assumption test is intended to produce a regression model that meets the BLUE criteria (Best Linear Unbiased Estimator). The classic assumption test consists of a multicollinearity test, autocorrelation test, and heteroscedasticity test.
The results of the autocorrelation test for model 1 and model 2 with the Durbin Watson Test appear in table 2 below.

Table 2. Autocorrelation Test

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.612[a]	.375	.357	2.30158	1.912
2	.583[a]	.339	.321	0,091267	1.897

a. Predictors: (Constant), Governance, Social, Environmental

b. Dependent Variable: Tobin'Q and PBV

Source: processed secondary data, 2023

The autocorrelation test is seen in the Durbin Watson/DW test statistics (Gujarati, 2009). The results of the autocorrelation test for model 1 and model 2 with the Durbin Watson Test obtained a Durbin-Watson value of 1.912 for model 1 (Tobin'Q), while 1.897 for model 2 (PBV). Sample 117 and the number of independent variables 3 (k = 3), then the value du = 1.4273 and the value dl = 1.6754. Because the DW value is 1.912 for model 1 and the DW value is 1.897 for model 2 which is less than the upper limit (du) 1.4273 and less than, 4-1.6754 (4-du) which results is 2.324, so the research model is declared to have no autocorrelation.

The results of multicollinearity test for research model with the tolerance and variance inflaction factor (VIF) Test appear in table 3 below.

Table 3. Multicollinearity Test

Variable	Tolerance	VIF	Conclusion
Environmental	.574	2.650	There is no multicollinearity
Social	.650	1.221	There is no multicollinearity
Governance	.566	1.735	There is no multicollinearity
ROA	.726	1.231	There is no multicollinearity
ROE	.734	1.216	There is no multicollinearity
Size	.897	1.895	There is no multicollinearity

Source: processed secondary data, 2023

The results of the multicollinearity test show that the tolerance value for the independent variable Environmental is 0.574, Social is 0.650, and Governance is 0.566 which has a number greater than 0.1. While the VIF value for the Environmental variable is 2,650, the Social variable is 1,221, and the Governance variable is 1,735. While the control variables ROA, ROE, and Size also have a VIF value of 0.726, 0.734, and 0.897 respectively, which means they have a VIF value <10, so it can be concluded that there is no multicollinearity between the independent variables.

The results of Heteroscedasticity test for research model with the Glejser test appear in table 4 below.

Table 4. Heteroscedasticity Test

Variable	t	Sig.	Conclusion
Environmental	-1.258	0.211	There is no heteroscedasticity
Social	-.624	0.534	There is no heteroscedasticity
Governance	-1.255	0.212	There is no heteroscedasticity
ROA	0.306	0.760	There is no heteroscedasticity
ROE	-0.351	0.726	There is no heteroscedasticity
Size	0.004	0.997	There is no heteroscedasticity

a. Dependent Variable:absres

Source: processed secondary data, 2023

Heteroscedasticity test was carried out with the Glejser test. This Glejser test proposes to regress the absolute value of the residuals to the independent variables with the regression equation $|Ut| = \alpha + \beta Xt + vt$. The results of the heteroscedasticity test show that the value of Sig. for the Environmental variable is 0.211, the Social variable is 0.534, and the Governance variable is 0.212. While the control variables ROA, ROE, and Size have significant values of 0.760, 0.726 and 0.997 respectively. All variables have values above 0.05, so it can be concluded that there are no heteroscedasticity symptoms in the research model.
The results of the model suitability test are shown in table 5 below

Table 5. Coefficient of Determination and F Test

Model	**R**	**R Square**	**Adjusted R Square**	**Std. Eror of The Estimate**	**F**	**Sig**
Tobin'Q	.612	.375	.357	0,070055	16,58	0,003
PBV	.583	.339	.321	0,091267	13,12	0,007

Source: processed secondary data, 2023

Testing the suitability of the model (goodness of fit) aims to determine how appropriate the observed frequency is with the expected frequency. The model fit test also aims to find out whether a data distribution from a sample follows a certain theoretical distribution or not. Testing the goodness of fit of the model can be done in two ways, namely by looking at the results of the coefficient of determination (R-square value) and the F test. The results of the coefficient of determination regression model of Environmental, Social, and Governance research on Tobin'Q and PBV conclude that the the proposed method meets the goodness of fit at a significance level of less than 1% (0.000). This shows that the regression model has the ability to explain the Tobin'Q model by 31.7 percent (adjusted R2 = 0.317) while the remaining 68.3%. Meanwhile, the PBV model is able to explain 29.8 percent while the remaining 70.2% is explained by other factors that are not included in the regression model. While the F test is used to determine the extent to which the independent variables together are able to explain the dependent variable. The results of the F test show an F significance value of 0.003 <0.01 for model 1 and an F significance of 0.007 <0.01 for model 2, so the regression model can be used to predict the dependent variable, namely the independent variable research on disclosure Environmental, Social, Governance, ROA , ROE, and Size jointly affect the value of the JII group companies.

Hypothesis Testing and Discussion

The results of hypothesis testing serve as a framework for researchers, provide work direction, and facilitate the preparation of research reports. The results of hypothesis testing the effect of Environmental, Social, and Governance disclosures on the value of the JII group companies appear in table 6 below.

Table 6. Hypothesis Test

	Model 1	Tobin'Q			Model 2	PBV			
Variable	**B**	**Std.Er**	**t**	**Sig.**	**B**	**Std. Er**	**t**	**Sig.**	**Information**
(Constant)	1.614	.506	3.191	.002	1.652	.501	3.295	.001	
Environmental	.385	.034	2.072	.041	.315	.035	2.008	.047	H1 is proven
Social	.304	.021	2.090	.039	.361	.021	2.072	.041	H2 is proven
Governance	.153	.028	.946	.347	.025	.027	.927	.356	H3 is not proven
ROA	1.875	.290	3.635	.000	1.264	.390	3.125	.006	Significant
ROE	.894	.268	2.214	.028	0.686	.168	2.325	.017	Significant
Size	.142	.139	.835	.236	.037	.132	.724	.439	Not significant

Source: processed secondary data, 2023

Referring to table 6 the results of multiple linear regression analysis can be formulated the following regression equation model 1 and model 2.

$$\text{Tobin'Q} = 1{,}614 + \beta_1 0{,}385\ \text{En} + \beta_2\ 0{,}304\ \text{So} + \beta_3 0{,}153\ \text{Gov} + \beta_4\ 1{,}875\ \text{ROA} + \beta_5\ 0{,}894\ \text{ROE} + \beta_6\ 0{,}142\ \text{Size}$$

$$\text{PBV} = 1{,}652 + \beta_1 0{,}315\ \text{En} + \beta_2 0{,}361\ \text{So} + \beta_3 0{,}025\ \text{Gov} + \beta_4\ 1{,}264\ \text{ROA} + \beta_5 0{,}686\ \text{ROE} + \beta_6\ 0{,}037\ \text{Size}$$

Model 1 and model 2 in table 2 show that Environmental has a positive effect on Tobin'Q (sig. 0.041) and PBV (sig. 0.047) (**H1 is proven**). The more disclosure of environmental aspects from year to year, the higher the level of Tobin'Q and PBV. This condition indicates that the company has good performance and is highly valued by the market. Disclosure of social aspects also has a positive effect on Tobin'Q (sig.0.039) and PBV (sig.0.041) (**H2 is proven**). The more social activities, the higher the disclosure of social aspects, this is responded by investors which can be seen in the market reaction to the upward movement, so that it has a positive effect on Tobin'Q and PBV. On the other hand, disclosure of governance does not have a positive effect on Tobin'Q (sig. 0.347) or PBV (sig. 0.356) (**H3 is not proven**). Next for the control variables ROA and ROE have significant values of 0.000 and 0.028 respectively for the Tobin'Q model while 0.006 and 0.17 for the PBV model. This figure shows that the control variables ROA and ROE have an influence on firm value. In contrast, the control variable Size has a significant value of 0.835 for the Tobin'Q model and 0.439 for the PBV model, meaning that the control variable Firm Size has no effect on firm value in the JII group of companies.

Furthermore, the model analysis shown in table 7 shows that the Tobin'Q model is better than the PBV model. This can be seen that Tobin'Q is able to explain 35.7% greater firm value than the PBV model (32.1%). Likewise in table 8 it appears that the Tobin'Q model has a calculated F value of 16.58 greater than the PBV model (13.12). This shows the suitability of the Tobin'Q model together being able to explain higher firm value. Furthermore, Table 9 shows that the dominant variable affecting the Tobin'Q model is environmental disclosure, while social disclosure is more dominant in the PBV model. This shows that the two models complement each other in explaining firm value.

The results of hypothesis testing 1 show that disclosure of environmental performance affects firm value as proxied by Tobin'Q and PBV. These findings illustrate that the JII group is responsible according to what has been programmed to protect the environment through managing various environmental aspects in its business. This finding is in line with the opinion of Zhou & Yin (2018) that JII group companies do this in anticipation of a negative market reaction if the company has poor environmental performance. This finding also supports the opinion of Wahba (2008) that environmental responsibility gives a positive response to the market value of corporations. The existence of a positive relationship between spending on environmental responsibility programs by carrying out various environmental protection innovations has proven to be able to prove that it has motivated external investors that the JII group of companies is more active in environmental protection activities. The green accounting program as a form of sustainable business to preserve the environment has become the company's slogan (Cai & He, 2018). This condition proves that the JII group companies are able to maintain environmental responsibility activities properly so as to increase market valuation. The theme that is mostly carried out is reducing carbon dioxide (CO_2) emissions and leading to new and renewable energy (EBT).

Since the 2020 period after the OJK released regulations requiring companies to issue sustainability reports, the company's awareness of protecting the environment has grown higher. This condition is as reported by the Ministry of Energy and Mineral Resources (ESDM) that the realization of reducing carbon dioxide (CO_2) emissions in Indonesia has decreased from year to year. Even though in reality Indonesia is still in a high contributing position because of the use of fossils that triggers global warming. This was also mentioned by the Global Carbon Project that in 2021, Indonesia would be ranked 10th on the list of the world's largest emitting countries.

This is because the most CO_2 emissions from coal (fossil). However, when viewed based on the fuel, most of the amount of GHG emissions in PLN's low carbon scenario comes from burning coal. Even though the trend of emissions continues to increase, the low carbon scenario has lower emissions than the 'optimal scenario' and 'business as usual' (BAU) scenario prepared by PLN. In the PLN optimization scenario, it is necessary to increase the new and renewable energy (EBT) mix to 23% starting in 2025, but the use of coal is still high with a portion of around 64%. This scenario is projected to produce GHG emissions of 363 million tons of CO_2 in 2030. Meanwhile, in PLN's business as usual (BAU) scenario, there is absolutely no addition of EBT or low-carbon technology to the national energy mix. This scenario is projected to produce GHG emissions of 433 million tons of CO_2 in 2030.

The existence of such conditions is also triggered by the high demands of stakeholders and investors regarding environmental information. The higher the responsibility that corporations carry out for environmental effects will increase the company's branding thereby increasing the attractiveness of investors (Syafrinaldi, 2019). Entering the last 20 years, empirical studies show that the rapid growth of investment in the JII group of companies that are responsible for social and environmental activities is proven to be able to provide safe and responsible investments in the long term. Currently, the global industry is implementing environmental management to increase environmental efficiency through environmental costs. Information on environmental costs is used to assess output levels and achievements each year to ensure improvement in environmental performance in order to attract investors (Cai & He, 2014).

Investors consider that environmental information is able to explain what is needed (Gu, 2007). This condition has an impact on the market value of the company's equity, because stakeholder assessments are based on the usefulness of information, such as environmental information and concentrate on market value resulting from the transformation of financial instruments, namely stock price increases (Abbasali et al., 2011). Realizing this, JII group corporations provide information through disclosures that have utility value to support financial markets, institutions and investment instruments that have grown over the past few years.

This finding is also in line with Du et al. (2017); Middleton (2015); and Zhou and Yin, (2018) that environmental disclosure and its relation to market valuation and found that there is a significant positive relationship in the markets of both developed and developing countries. Likewise the findings in Indonesia by Anggraeni (2015); and Melinda and Wardhani (2020) that the Environment Score has a significant positive relationship to firm value. The same results were also carried out by Aboud and Diab, (2018); Fatemi et al., (2018); and Yoon et al., (2018).

The results of hypothesis testing 2 show that social disclosure has an effect on firm value, which is reflected by Tobin'Q and PBV. These findings illustrate that the JII group companies have various forms of responsibility towards all of their stakeholders, both consumers, employees, shareholders, communities from social and environmental aspects. This condition proves that companies must weigh the social and environmental impacts arising from their decisions, both for the short term and for the long term. This goal is formulated as the company's contribution to the goal of sustainable development by minimizing negative impacts and maximizing positive impacts on all stakeholders.

CSR is an ongoing commitment by the business world to act ethically and contribute to the development of the local community or society at large, along with improving the standard of living of its workers and their entire families. The main activities of CSR are environmental management, eco-efficiency, responsible sourcing, stakeholder engagement, labor standards and working conditions, employee and community relations, social equality, gender balance, human rights, good governance, and anti- corruption. Implementation of CSR properly can bring various competitive advantages, such as increased access to capital and markets, increased sales and profits, reduced operational costs, increased productivity and quality, efficient human resource base, improved brand image and reputation, increased customer loyalty, decision making better decision and risk management processes.

Various types of social responsibility such as philanthropy, diversity and employment practices, and charitable activities. Companies need to bring technology to communities around the world. A successful company requires not only continuous innovation, but also building the next generation capable of understanding, using and improving technology. Even small scale companies benefit from alignment with philanthropic goals. Local car wash operations can offer washing training aimed at fundraising religious events. The restaurant is holding a fundraiser to help schools or local charities in need. To support these goals is a good marketing technique, by inviting business people, having good experience, and seeing the company positively. Management needs to recognize that diversity in the workplace benefits when everyone gets along and works as a team. However, employment policies must apply to all employees, both low and high levels. Management also needs to review the diversity policy and protocol for dealing with complaints and types of violations. Because this will bring the company's image also helps build a positive corporate culture with good morale and high productivity.

Business management needs to be productively involved in the community within the company, such as providing opportunities for employees to help nearby schools with planting trees or working with the city government in tackling homelessness in employees' neighborhoods. Opportunities are also given to volunteer to spend time helping the local area with the company.

This explanation is in line with the opinion of Belkaoui & Karpik (1989) that the social activities carried out by the JII group of companies are responsible for increasing competitive advantage. This finding is in line with Putri and Raharja (2013) that sales results will bring profit and are proven to increase consumer loyalty which is manifested in the implementation of social activities in the corporate environment which have proven to have an important role in increasing firm value. This finding is also supported by Grimmer and Bingham (2017) that consumers prefer products from corporations that carry out high social responsibility activities. Social responsibility gets high appreciation from stakeholders because it can reduce community risks and conflicts (Waddock & Graves, 1997) . The same support is also provided by Widyanti (2014) that disclosure of social responsibility increases added value as an investor's consideration in investing. These findings support the stakeholder theory that the existence of a corporation does not only operate for its own interests but must be of benefit to stakeholders (Rosiana, et al., 2019) . The disclosure of social responsibility by corporations will increase trust, reputation and public support for corporations, this will have an impact on increasing company performance and value.

Several previous research findings with a stakeholder theory approach found that disclosure of social responsibility affects firm value (Ardiyanto & Haryanto, 2017; Harjoto & Laksmana, 2018; Hudoyo & Juniarti, 2015; Jitmaneeroj, 2018; Jo & Harjoto, 2011; Khafa & Laksito, 2015; Li et al., 2016; Maryanti & Tjahjadi, 2013; Nahda & Harjito, 2011; and Putri & Raharja, 2013). The same results for corporations in the United States found by Jitmaneeroj (2018) found that there is a positive relationship between social responsibility and firm value. The findings are also in line with Du et al., (2017); Middleton (2015); Zhou & Yin, (2018); and Li et al. (2018) that in Asia social disclosure and its relation to market valuation there is a significant positive relationship in the markets of both developed and developing countries.

The results of hypothesis testing 3 show that the disclosure of corporate governance (CG) has no effect on firm value as reflected by Tobin'Q and PBV. These findings illustrate that a system designed to direct the management of JII group companies has not been professionally based on the principles of transparency, accountability, responsibility, independence, fairness and equality. The existence of such conditions does not support the stakeholder theory approach because it makes corporate governance unable to direct and control the company so that it is in accordance with laws, does not comply with stakeholder expectations, and does not comply with applicable business norms and ethics. So that it has not been able to provide adequate protection and treat shareholders and other interested parties fairly. This condition is evident in the independent board of commissioners who have not been maximal in providing oversight over the actions and decisions of company managers.

Managerial ownership is considered unable to reduce agency problems because management is still focused on its own goals. The Independent Board of Commissioners is considered less effective in carrying out its function of supervising management actions. The proportion of DKI has also not been able to provide a dominant effect on any policies of the board of commissioners. DKI also has not acted independently in monitoring management policies. The existence of these conditions illustrates that DKI has not succeeded in protecting the interests of shareholders against opportunistic management actions. In addition, it appears that several companies owned by the government indicate political intervention in the independence of supervision.

The implementation of the principles of Good Corporate Governance (GCG) of the JII group of companies that have not been good has resulted in internal control and supervision systems, reporting mechanisms for suspected irregularities, information technology governance, ethical behavior guidelines, etc. not being able to increase long-term economic value for investors and stakeholders. This makes the relationship less conducive between stakeholders so that the company's performance is not good, which in turn does not support increasing the value of the company.

The existence of several roles in the corporate governance of the JII group that are not optimal is also due to the limited or inadequate disclosure of information related to corporate governance, thereby reducing the impact on the assessment of investors and other stakeholders. Corporate governance in the JII group is very complex and involves many aspects that are difficult to measure or assess easily. Therefore, investors find it difficult to measure the impact of corporate governance directly on firm value. The impact of corporate governance practices will take longer to be seen in increasing firm value. Investments in good governance may take time to produce measurable and sustainable results.

This finding is in line with Yohendra and Sisanty (2019) finding that managerial ownership, independent board of commissioners, audit committees, and institutional ownership have no significant effect on firm value in the non-financial group of companies. Likewise Noviarti and Stefhani (2022) that the board of independent commissioners has no effect on the firm value of the Infrastructure company group on the IDX. Onasis and Robin (2016) also found that foreign ownership and managerial ownership have no effect on firm value in the financial sector. Yunita et al (2017) also found that corporate governance has no effect on company value in the Pharmaceutical Sub-Sector group.

The increase in company value is also proven to be influenced by the company's fundamental factors. Profitability as an indicator of a company's ability to earn profits also affects the increase in firm value. Renee (2017); Purnomo and Erawati (2019); and Iman and Pujiati (2021) found that profitability has an effect on firm value. However, company size has not been shown to play an important role in giving investors confidence in the company's ability to manage assets and access capital. Suwardika et al. (2017); and Khoeriyah (2020) found company size had no effect on firm value. This concludes that companies that have large total assets may not necessarily be able to convince investors to invest and manage the company with the aim of increasing the value of the company. However, investors pay more attention to aspects that show the company's performance as seen in the financial statements

CONCLUSION

Disclosure of environmental performance influences company value as reflected in the Tobin'Q and PBV models. These findings provide an illustration that the JII group is responsible in accordance with the program that has been programmed to protect the environment through managing various environmental aspects in its business.

Social disclosure influences company value as reflected in the Tobin'Q and PBV models. These findings provide an illustration that JII group companies have various forms of responsibility towards all stakeholders including consumers, employees, shareholders, society from social and environmental aspects. This condition proves that companies must consider the social and environmental impacts arising from their decisions, both in the short and long term.

Disclosure of corporate governance does not have a positive effect on company value. This condition shows that the supervisory role of independent commissioners, audit committees and institutional share ownership has not been effective, including the frequency of holding meetings on decisions taken by directors, in accordance with governance principles so that they have not been able to prevent acts of abuse of responsibility by directors which have an impact on reducing investor confidence. and society, so it has no effect on increasing company value. This shows that the role of the audit committee does not yet have the responsibility to supervise the quality of the preparation and publication of the company's financial reports and has not been able to reduce fraud in financial abuse and ensure good transparency in the publication of financial reports. Given these conditions, limited disclosure of the roles and responsibilities of corporate governance has proven unable to convince investors to invest in corporations so that it does not have an impact on company value.

This research has limitations, including (1) the available analysis units are limited due to the elimination of normality test requirements, (2) the research model is only able to explain a limited amount, namely 35.7%, meaning there are many others. factors that are better able to explain company value, and (3), this research is not able to represent all existing companies, because it is limited to the JII group. The limited choice of 30 sharia shares will create potential bias. However, to overcome potential selection bias, a careful and measured approach is needed, namely: (1) objective and measurable stock selection methods, such as fundamental analysis, technical analysis, or factor strategy; (2) The portfolio includes stocks from various sectors and industries to reduce the risk of sector concentration; (3) Regular review of the company to ensure its portfolio remains relevant to market conditions and applicable sharia principles; and (4) Ensure consistent sharia compliance, by involving sharia experts or a sharia board who can provide views on shares that are in accordance with sharia principles.

Through this research, it is hoped that companies need to strengthen the level of supervision and governance in order to increase company value. Future researchers are expected to add other groups of sharia companies so that the results of further research can generalize. Further research needs to develop external factors such as exchange rates, inflation, the amount of money circulating in shares, and interest rates.

The results of this research can be used by Bapepam, IAI and other regulators in considering the preparation of environmental accounting standards and as input in improving the quality of existing standards and regulations. Next, it is necessary to consider the impact of ESG disclosure on company value which varies between industries. Some industries may be more sensitive to governance than others due to the different nature of business. The influence of changes over time is also an important thing to consider regarding ESG disclosures that affect company value in the short or long term.

Finally, the implications of these findings for business practitioners are how companies should consider ESG disclosures in their business strategies in the modern era to ensure that ESG disclosures have a more significant impact on company value. In integrating ESG transparency into its business strategy, business actors need to consider a number of important implications, including: (1) business actors must ensure that companies comply with government regulations, as violations can result in legal sanctions and reputation damage; (2) by disclosing ESG in a transparent and sustainable manner, companies can guarantee customer trust and increase customer loyalty; (3) ESG disclosure can improve the reputation of stakeholders such as investors, business partners and employees; (4) ease of accessing more funds needed for growth and innovation; (5) can take preventive actions to better reduce the impact of risks; (6) Companies can develop more sustainable products, increase operational efficiency, and reduce negative impacts on the environment; and (7) consumers are increasingly concerned about ESG issues and will purchase products or services from companies that express a commitment to those values.

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