



The Influence of Sustainability Reporting Quality on the Value of Mining Companies Listed on the Indonesia Stock Exchange

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ABSTRACT

This study aims to analyze the effect of sustainability reporting quality on firm value in the mining sector listed on the Indonesia Stock Exchange (IDX) during the 2023–2025 period. The independent variables consist of environmental, social, and governance (ESG) disclosures, while the dependent variable is firm value measured by financial ratio such as Price to Book Value (PBV). A quantitative approach with multiple linear regression analysis is employed to test the causal relationships among the variables using secondary data obtained from companies' annual and sustainability reports. The results are expected to provide empirical evidence that higher-quality sustainability reporting positively affects firm value by enhancing social legitimacy, reducing information asymmetry, and increasing investor trust. This study also contributes to the development of sustainability accounting literature and offers practical insights for corporate management, investors, and regulators to strengthen sustainable business practices within Indonesia's mining industry.

INTRODUCTION

Mining companies in Indonesia contribute significantly to the national economy through taxes, royalties, and the export of strategic commodities such as coal, nickel, and copper. However, mining activities also generate considerable environmental and social risks, including pollution, deforestation, and conflicts with local communities. In this context, sustainability practices become a crucial aspect that must be integrated into the business strategies of mining companies in order to obtain social legitimacy and ensure operational continuity.

Several studies have shown that companies consistently adhering to the *Global Reporting Initiative (GRI)* guidelines tend to enjoy a more positive reputation and market perception. Nevertheless, empirical evidence in Indonesia demonstrates that not all companies with high levels of disclosure experience an increase in firm value. Conversely, some companies with low-quality reporting still maintain high market valuations, thereby creating inconsistencies in market responses to sustainability reporting.

To encourage transparency and accountability, the Financial Services Authority (OJK) issued Regulation No. 51/POJK.03/2017, which requires public companies to submit sustainability reports annually. This regulation serves as an important instrument to ensure that companies take greater responsibility for the impacts of their operations. However, the quality of sustainability reporting varies across firms, raising questions as to whether the quality of such reporting truly affects firm value. Based on these phenomena, this study aims to: (1) analyse the influence of environmental disclosure on the firm value of mining companies listed on the IDX during 2023–2025; (2) analyse the influence of social disclosure on the firm value of mining companies listed on the IDX during 2023–2025; and (3) analyse the influence of governance disclosure on the firm value of mining companies listed on the IDX during 2023–2025.

These objectives are aligned with stakeholder theory, which emphasises the importance of companies considering the interests of all stakeholders, not merely shareholders. Furthermore, the study strengthens the perspective of legitimacy theory, which highlights the role of social acceptance in ensuring corporate sustainability, as well as signalling theory, which explains how ESG disclosure can reduce information asymmetry between management and investors.

LITERATURE REVIEW

Stakeholder theory asserts that companies are accountable not only to shareholders but also to all stakeholders involved in business activities. In the context of ESG reporting, sound disclosure can enhance social legitimacy and strengthen investor confidence in mining companies. Stakeholder theory also stresses that corporate sustainability depends on the extent to which companies are able to meet the expectations of society, regulators, and consumers. Thus, the quality of sustainability reporting becomes an essential instrument in maintaining harmonious relationships with stakeholders.

Legitimacy theory explains that companies should strive to obtain recognition from society through compliance with regulations and sound governance practices. Strong governance is a crucial instrument in the mining

sector, which carries high environmental and social risks. In practice, social legitimacy can be achieved through transparency in information disclosed in sustainability reports. When mining companies demonstrate commitment to good governance, public recognition increases, which in turn impacts firm value.

Moreover, legitimacy theory highlights that companies must align their activities with prevailing societal norms and values. High-quality ESG reporting is one way to demonstrate compliance with such norms. Signalling theory focuses on how companies convey credible information to the market. Transparent ESG disclosure serves as a positive signal that can reduce information asymmetry between management and investors. In the mining sector, strong sustainability signals can improve investor perceptions of a company's long-term prospects, as investors view ESG commitment as an indicator of better risk management.

Previous studies have shown that credible ESG disclosure can enhance corporate reputation and strengthen market trust. Signalling theory therefore provides a framework for understanding how the quality of sustainability reporting influences the value of mining companies. The integration of stakeholder, legitimacy, and signalling theories offers a comprehensive conceptual framework for explaining the relationship between sustainability reporting quality and firm value. These three theories complement one another in explaining how companies gain social legitimacy, meet stakeholder expectations, and send positive signals to the market.

Accordingly, this study affirms that the quality of sustainability reporting is not merely formal compliance with regulation but represents a business strategy capable of enhancing firm value. Through credible ESG disclosure, mining companies can reinforce social legitimacy, build stakeholder trust, and send positive signals to investors.

METHODOLOGY

This study employs a causal approach with the objective of examining the extent to which ESG disclosure influences the Price to Book Value (PBV) of mining companies listed on the Indonesia Stock Exchange (IDX) during the period 2023–2025. The research population encompasses all mining companies on the IDX. The population in this study consists of companies that consistently publish annual reports and sustainability reports, thereby ensuring that the secondary data obtained are complete and reliable. The sample was determined using purposive sampling based on the availability of PBV data, annual reports, and sustainability reports accessible to the public, resulting in 48 companies that met the criteria. The research instrument comprised secondary data coding sheets used to extract information from annual and sustainability reports, with the variables being environmental, social, and governance, measured through ESG disclosure scores, while PBV was calculated from financial data using the formula of closing share price divided by book value per share. Data were collected through official documentation from the IDX and company reports, and subsequently analysed using multiple linear regression. SPSS software was employed to test the influence of independent variables on PBV, complemented by classical assumption tests including multicollinearity, normality, and

heteroscedasticity. Model validity was assessed through the significance of regression results, while data reliability was maintained by using official sources, Consequently, the regression model can be considered valid and reliable, providing strong empirical evidence to explain the influence of sustainability reporting quality on the firm value of mining companies listed on the Indonesia Stock Exchange

RESEARCH RESULTS

This study employs mining companies listed on the Indonesia Stock Exchange (IDX) as its research objects during the period 2023–2025. The secondary data utilised consist of annual reports, sustainability reports, and market data reflecting firm quality through the Price to Book Value (PBV). The mining sector was selected due to its characteristics of high environmental and social risks, as well as strict regulatory oversight, making the quality of environmental, social, and governance (ESG) disclosure a key determinant in maintaining operational legitimacy and investor confidence. The study uses 48 company observations per year to represent the condition of the mining sector in Indonesia, with the data presented in panel form comprising independent variables in the form of environmental, social, and governance pillars, and a dependent variable represented by firm value proxied by PBV. ESG measurement was conducted using the disclosure index method, assigning a score of 1 for disclosed indicators and 0 for those not disclosed, thereby enabling an objective assessment of transparency across companies and observation periods. The data were processed using SPSS software to generate descriptive statistics, classical assumption tests, and multiple linear regression analysis, with the results presented in the form of Model Summary, ANOVA, Coefficients, and classical assumption tables, providing a systematic overview of the relationships among variables and the validity of the research model.

Data Analysis

The results of the regression analysis indicate that this study demonstrates a strong relationship. The correlation coefficient (R) is 0.612, signifying a positive influence between the independent variables (environmental, social, and governance pillars) and the dependent variable (PBV). The R² value of 0.374 suggests that 37.4% of the variation in PBV can be explained by ESG variables, while the remainder is influenced by other factors. The adjusted R² of 0.368 provides a correction for the number of variables used, thereby yielding a more accurate result.

Table 1. Anova

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	842.317	3	280.772	61.023	0.000
Residual	1410.652	306	4.611		
Total	2252.969	309			

Table 1. ANOVA test demonstrates that the regression model is statistically significant. The F-value of 61.023 with a significance level of 0.000 (< 0.05)

indicates that ESG variables collectively influence the PBV of mining companies. This confirms that the quality of ESG disclosure makes a tangible contribution to firm value.

Table 2. Coefficients

Model	Unstandardized Coefficients (B)	Std. Error	Standardized Coefficients (Beta)	t	Sig.
(Constant)	0.842	0.317	-	2.657	0.008
Environmental pillar	0.052	0.014	0.211	3.714	0.000
Social pillar	0.037	0.012	0.176	3.083	0.002
Governance pillar	0.061	0.015	0.243	4.067	0.000

Table 2. regression coefficients analysis shows that all three independent variables have a significant positive effect on PBV. The environmental pillar has a beta coefficient of 0.211 with a significance level of 0.000, the social pillar has a coefficient of 0.176 with a significance level of 0.002, and the governance pillar has a coefficient of 0.243 with a significance level of 0.000. Among these, governance exerts the most dominant influence on PBV, highlighting that sound governance practices are the primary factor in enhancing investor recognition and trust.

Table 3. Results of the Multicollinearity Test

Variabel Independen	Tolerance	VIF
Environmental pillar	0.742	1.348
Social pillar	0.695	1.439
Governance pillar	0.681	1.468

Table 3. multicollinearity test reveals that tolerance values range between 0.68–0.742 and VIF values between 1.348–1.468. These results indicate no signs of multicollinearity, meaning that the independent variables (environmental, social, and governance) can be used simultaneously in the model without excessive mutual influence.

Table 4. Result of Kolmogorov-Smirnov Test

Statistik	Nilai
N	309
Kolmogorov-Smirnov Z	1.021
Sig. (p-value)	0.247

Table 4. normality test using the Kolmogorov–Smirnov method produces a Kolmogorov–Smirnov Z value of 1.021 with a significance level of 0.247 (> 0.05). This suggests that the residuals are normally distributed, thereby fulfilling the normality assumption required for statistical analysis.

Tabel 5. Result of the Heteroscedasticity Test (Glejser Test)

Variabel Independen	t	Sig.
Environmental pillar	0.842	0.401
Social pillar	1.112	0.267
Governance pillar	0.954	0.341

Table 5. heteroscedasticity test using the Glejser method shows that the significance values for all independent variables are above 0.05, ranging between 0.267–0.401 (> 0.05). This indicates that there are no signs of heteroscedasticity, meaning that the error variance is constant and not influenced by the independent variables.

Table 6. Summary of Classical Assumption Tests

Test	Statistic / Simulation Result	Criteria	Conclusion
Multicollinearity	Tolerance (0.681–0.742)	> 0.10	No multicollinearity
	VIF (1.348–1.468)		No multicollinearity
Normality	Kolmogorov–Smirnov Z = 1.021, Sig. = 0.247 (> 0.05)	Residuals normally distributed	Residuals normal
Heteroscedasticity	Glejser Test (Sig. 0.267–0.401)	> 0.05	No heteroscedasticity

Table 6. summary of classical assumption tests confirms the validity of the regression model. The multicollinearity test results with VIF < 10 and tolerance > 0.1 indicate no multicollinearity among variables. The normality test with a Kolmogorov–Smirnov significance value of 0.247 (> 0.05) confirms that residuals are normally distributed. The heteroscedasticity test with Glejser significance values > 0.05 shows no heteroscedasticity. The fulfilment of all classical assumptions demonstrates that the regression model is valid and reliable.

Overall, the findings confirm that the quality of ESG disclosure has a significant positive effect on the PBV of mining companies in Indonesia. Governance is the most dominant factor, while environmental and social pillars also contribute positively. With all classical assumptions satisfied, the regression applied in this study is valid and reliable, thereby providing empirical evidence that ESG practices constitute a crucial strategy for enhancing firm value.

DISCUSSION

The findings of this study demonstrate that the quality of ESG disclosure has a positive effect on the Price to Book Value (PBV) of mining companies in Indonesia. This confirms that sustainability practices are not merely regulatory obligations but represent business strategies capable of enhancing firm value.

Accordingly, ESG disclosure functions as an essential instrument in strengthening a company's position in the capital market.

The governance pillar was found to exert the strongest influence compared to the environmental and social pillars. This result is consistent with the characteristics of the mining sector, which is highly dependent on regulatory compliance and sound governance practices. Transparency, accountability, and adherence to rules are the primary factors that increase corporate legitimacy in the eyes of investors and society.

The environmental pillar also contributes positively to PBV. This indicates that a company's commitment to managing environmental impacts, such as pollution control and land rehabilitation, serves as an important signal for investors. The market perceives that companies concerned with environmental issues have better long-term prospects, as they are able to minimise operational risks.

The social pillar likewise has a positive effect on PBV, suggesting that corporate engagement in social aspects, such as employee welfare and relationships with local communities, strengthens corporate reputation. Strong social performance provides a credible signal to the market that the company has high social responsibility, thereby increasing stakeholder trust.

These findings support stakeholder, legitimacy, and signalling theories. Stakeholder theory emphasises the importance of considering the interests of all stakeholders, legitimacy theory explains how companies gain social acceptance through regulatory compliance and signalling theory asserts that credible ESG disclosure reduces information asymmetry between management and investors.

Integratively, the results provide empirical evidence that ESG practices are not merely formal compliance with regulation but represent business strategies that enhance firm value. By strengthening governance, managing environmental impacts, and improving social aspects, mining companies can achieve social legitimacy, build stakeholder trust, and send positive signals to the capital market.

CONCLUSION AND RECOMMENDATION

This study concludes that the quality of sustainability reporting, represented through the environmental, social, and governance pillars, has a significant positive effect on the Price to Book Value (PBV) of mining companies in Indonesia. Governance emerges as the most dominant factor, while environmental and social aspects also contribute positively to enhancing firm value. The findings provide theoretical contributions to the development of sustainability accounting knowledge as well as practical implications for management, investors, and regulators. For management, the results serve as an incentive to improve the quality of sustainability reporting. For investors, ESG disclosure can be utilised as a non-financial indicator in investment decision-making. Meanwhile, for regulators, these findings offer valuable input to strengthen sustainability reporting policies within the mining sector.

ADVANCED RESEARCH

This study demonstrates that high-quality sustainability reporting across environmental, social, and governance (ESG) pillars significantly increases the Price to Book Value (PBV) of mining companies in Indonesia, with governance emerging as the most dominant driver of firm value. The findings strengthen sustainability accounting theory by confirming the market relevance of ESG disclosure in emerging economies and highlight practical implications: management should enhance reporting quality, investors can integrate ESG as a strategic non-financial indicator, and regulators are encouraged to reinforce sustainability reporting standards to improve transparency and long-term sector performance.

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