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THE EFFECT OF SUSTAINABILITY REPORT DISCLOSURE AND SUSTAINABILITY REPORT ASSURANCE ON FIRM VALUE: EVIDENCE FROM INDONESIAN FAST-MOVING CONSUMER GOODS (FMCG) COMPANIES DURING THE 2019–2024 PERIOD

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Abstract

This study examines the influence of sustainability report disclosure and sustainability report assurance on firm value in Indonesia's fast-moving consumer goods (FMCG) sector. Although sustainability reporting has increasingly become a regulatory mandate, evidence regarding its economic relevance in emerging markets remains mixed. Using panel data consisting of 174 firm-year observations from FMCG companies over the 2019–2024 period, this research applies panel regression analysis to evaluate whether sustainability disclosure and the provision of external assurance contribute to higher firm value, measured by price-to-book value (PBV). The Fixed Effects Model was selected based on panel model specification tests. The results show that sustainability report disclosure has a positive and significant effect on firm value, indicating that investors in the Indonesian market have begun to incorporate ESG-related information into pricing decisions, although its contribution remains relatively limited. In contrast, sustainability report assurance does not have a significant effect on firm value, despite showing a negative coefficient. This finding suggests that ESG-related disclosure may have begun to be reflected in investors' valuation decisions and its role in strengthening the credibility of sustainability information remains limited. The study contributes to the literature by demonstrating that the value relevance of sustainability reporting is beginning to emerge, while the effectiveness of sustainability assurance remains context-dependent, particularly in emerging markets where ESG maturity and investor awareness are still developing.

Keywords: sustainability report, sustainability assurance, firm value, FMCG, ESG disclosure

INTRODUCTION

The adoption of sustainability practices in the business world has seen a significant increase over the past two decades. Amid the complexity of environmental, social, and governance (ESG) issues, companies are increasingly expected not only to focus on short-term profitability but also to ensure that their operations do not have a negative impact on society or the environment. This paradigm shift has driven an increasing demand for non-financial information, particularly through sustainability reporting. This tool serves as a vital means for companies to demonstrate accountability, transparency, and a long-term commitment to sustainable business practices.

According to Harymawan et al. (2020), sustainability reporting plays a role in reducing information asymmetry between companies and stakeholders, particularly investors. Sustainability information presented credibly can improve market valuation as it is seen to reflect a company's ability to manage risks and demonstrate a commitment to operational sustainability. In the context of developing countries like Indonesia, Harymawan et al. (2020) also emphasize that investors are increasingly incorporating ESG factors into their investment decision-making processes, making transparency through sustainability reports increasingly important.

The urgency of implementing sustainability reporting in Indonesia is reinforced by the introduction of POJK No. 51/POJK.03/2017 on the Implementation of Sustainable Finance, which requires issuers and public companies to prepare sustainability reports on a regular basis (Financial Services Authority, 2019). This regulation took effect in 2019 and has driven an increase in the number of companies publishing sustainability reports. The Fast-Moving Consumer Goods (FMCG) industry is one of the sectors most significantly impacted by this regulation due to its extensive supply chain, high levels of consumer demand, and significant exposure to environmental issues such as single-use plastic, packaging waste, energy consumption, and raw material management. The regulation has gradually encouraged listed companies to issue sustainability reports. These conditions have placed FMCG companies at the center of the sustainability discourse in Indonesia and increased the need for higher-quality sustainability disclosures. This study extends prior research by focusing specifically on the FMCG sector, which has high environmental and consumer-related sustainability exposure.

Nevertheless, research on the impact of sustainability reports on firm value in emerging markets has yielded inconsistent results. Sholekha & Astuti (2024) found that sustainability reporting does not have a significant effect on firm value because investors in Indonesia still focus on traditional financial indicators and do not yet fully understand the benefits of sustainability information in investment decisions. Conversely, Sahetapy (2023) demonstrated a positive effect, indicating that some industrial sectors may be more responsive to ESG information than others. These differing results may be attributed to variations in firm characteristics, industrial sectors, and the level of investor appreciation for sustainability information.

In addition to sustainability reporting, assurance practices regarding sustainability reports have also garnered attention in the literature. Assurance is believed to enhance the credibility of reports by providing independent verification of the reliability of the information presented. However, empirical findings vary. Sholekha & Astuti (2024) state that assurance does not have a significant impact on firm value, while Harymawan et al. (2020) found that emerging markets are beginning to appreciate assurance as a signal of increased credibility. This inconsistency highlights the need for further research, particularly in the FMCG sector, which has high ESG exposure and is one of the sectors most affected by regulatory changes and public pressure.

In addition, the 2019-2024 study period is considered relevant because it encompasses the early stages of the implementation of POJK 51/2017, the COVID-19 pandemic, which influenced market sensitivity to sustainability issues, and a phase of growing public awareness regarding corporate social responsibility. Differences in industry context, observation periods, and the level of investor understanding of ESG issues can influence the relationship between sustainability reports, assurance, and corporate value.

Therefore, it is important to re-examine how sustainability report disclosures and assurance affect corporate value, particularly in the FMCG sector in Indonesia. The research questions derived from the background above are: (1) Does the level of sustainability report disclosure affect firm value, (2) Does assurance affect firm value, and (3) Is there a difference in firm value between FMCG firms with assured sustainability reports and those without assurance? Answering these questions is expected to provide an empirical contribution to the literature on sustainability reporting in emerging markets and offer practical implications for companies in improving the quality and credibility of the sustainability information they disclose.

LITERATURE REVIEW AND HYPOTHESIS FORMULATION

Legitimacy Theory

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Legitimacy theory explains how companies strive to acquire, maintain, and restore social legitimacy through actions that align with societal values and expectations (Suchman, 1995). In the context of modern companies, legitimacy is no longer merely about legal compliance but also relates to business sustainability, environmental responsibility, and social commitment. Companies perceived as illegitimate risk losing public trust, facing consumer boycotts, and experiencing a decline in market value.

A sustainability report is one of the primary tools companies use to build a perception of legitimacy. Through the disclosure of a sustainability report, companies demonstrate that their operational activities have adopted sustainability principles. According to Rasidah & Alsayegh (2021), the disclosure of sustainability reports in industries highly exposed to environmental issues can enhance legitimacy because the public views transparency as a company's commitment to responsible practices.

In the Fast-Moving Consumer Goods (FMCG) industry, legitimacy is a critical issue. The industry faces significant criticism regarding plastic waste, carbon footprints, the exploitation of raw materials, and the social impacts of supply chains. Research by Agyabeng-Mensah et al. (2023) indicates that companies facing high environmental and social pressures tend to increase the disclosure of sustainability reports to mitigate the risk of losing legitimacy. Consequently, FMCG companies that comprehensively disclose sustainability aspects are more likely to be perceived as responsible entities.

Assurance regarding sustainability reports also holds strong relevance from a legitimacy perspective. Assurance serves as an institutional tool to enhance the credibility of information. Utami et al. (2024) found that assurance can strengthen perceptions of external legitimacy because the presence of an independent party provides assurance that the company is not merely engaging in image-building or greenwashing. Companies that provide reports with assurance are perceived as more responsible, more transparent, and more trustworthy.

Several recent studies also indicate that companies with high levels of exposure to environmental issues are more likely to use assurance as a strategy for legitimacy. For example, a study by O'Dwyer et al. (2011) found that industries with significant ecological impacts, including the FMCG sector, are significantly more likely to employ assurance to maintain their legitimacy in the eyes of the public and regulators. Thus, legitimacy theory provides the foundation for the argument that both the publication of sustainability reports and assurance serve as corporate legitimacy strategies, particularly for the FMCG industry, which is highly sensitive to public scrutiny. Increased legitimacy, in turn, has the potential to enhance corporate value.

Signaling Theory

Spence's Signaling Theory (1973) states that companies can reduce information asymmetry between internal and external parties by sending specific signals. In the context of capital markets, investors often face information constraints regarding management quality, operational risks, and the company's long-term prospects. Sustainability reports serve as a key signal reflecting the quality of corporate governance, management's ability to manage sustainability risks, and stable long-term prospects.

Garcia-Sanchez et al. (2022) demonstrate that the publication of a comprehensive sustainability report serves as a signal of management's reliability and professionalism in addressing ESG risks. Investors interpret a comprehensive sustainability report as an indication that a company has a robust sustainability management system and is capable of mitigating future risks, consequently, the market's response to such reports tends to be positive.

Assurance reinforces this signal. According to Harymawan et al. (2020), assurance is a credibility signal indicating that a company is willing to incur additional costs to guarantee the accuracy of its sustainability information. Investors view such companies as entities that take sustainability management more seriously and are less likely to engage in reputation manipulation.

A study by Al-Shaer et al. (2024) shows that companies that obtain assurance for their sustainability reports achieve higher abnormal returns upon the publication of their sustainability reports compared to companies without assurance. This indicates that the market perceives assurance as a signal of quality. Other recent studies, such as Caskey (2022), have also found that assurance enhances the credibility of ESG information, particularly in developing countries where the quality of CSR disclosures remains low and investors require additional signals to assess data integrity.

In the context of FMCG, assurance serves as a critical signal because this industry faces high environmental risks and is highly susceptible to reputational damage. The use of assurance allows companies to signal that they are seriously addressing sustainability issues, thereby boosting investor confidence and enhancing corporate value. Overall, signaling theory supports the argument that sustainability reports and assurance serve as important signals that can influence investor perceptions and contribute to an increase in corporate value.

Stakeholder Theory

Freeman’s Stakeholder Theory (1984) posits that companies do not operate solely in the interests of shareholders but also to address the interests of a broader range of stakeholders, such as consumers, regulators, environmental organizations, local communities, employees, and suppliers. In this context, the sustainability report serves as the primary medium for demonstrating a company’s accountability to its stakeholders.

The FMCG industry has very influential stakeholders, particularly consumers and environmental groups. Consumers are increasingly demanding environmentally friendly products and ethical companies. According to Sulemana et al. (2025), companies facing high pressure from environmental stakeholders will improve the quality of their sustainability disclosures to address stakeholders’ information needs and expectations.

Effective sustainability disclosure can foster more positive relationships with stakeholders and enhance a company’s reputation, which in turn increases its value. Sahetapy (2023) demonstrates that the publication of sustainability reports in Indonesia has a significant impact on a company’s market value, particularly in sectors directly related to consumers.

Assurance also plays a role in the stakeholder context by providing confidence that the information presented by the company is trustworthy. According to Fajarini et al. (2023), companies facing high stakeholder pressure are more likely to seek assurance to ensure that sustainability disclosures are not only complete but also credible.

Research by Lee et al. (2025) shows that institutional investors and consumers respond positively to companies that obtain assurance for their sustainability reports, thereby enhancing the company’s reputation and market performance. Thus, stakeholder theory provides the foundation that sustainability reports and assurance represent a company’s response to stakeholders’ needs for transparency and accountability, which in turn influence corporate value.

H1: Sustainability report disclosure has a positive effect on firm value

The publication of a sustainability report is one way for companies to demonstrate transparency by sharing non-financial information relevant to various stakeholders. From the perspective of legitimacy theory, companies strive to maintain alignment between organizational values and prevailing social values. The Fast-Moving Consumer Goods (FMCG) industry is one of the sectors most vulnerable to legitimacy pressures because its operational activities have a direct impact on the environment and the broader community, such as the use of single-use plastics, packaging waste, energy intensity, and worker welfare issues within the supply chain.

These conditions drive FMCG companies to prepare more comprehensive sustainability reports as a form of accountability and public communication, demonstrating that the company has managed environmental and social impacts responsibly. Research by Rasidah & Alsayegh (2021) indicates that companies in sectors with high environmental exposure tend to improve the quality of their sustainability report disclosures to maintain their legitimacy in the eyes of regulators and the public.

Furthermore, based on signaling theory, sustainability reports serve as a credibility signal sent by companies to investors. Detailed and comprehensive sustainability disclosures indicate that company management possesses robust internal controls and effective ESG risk management systems. García-Sánchez et al. (2022) explain that high-quality sustainability reports are perceived as a signal that a company has stable long-term prospects, leading investors to assign a more positive market valuation. FMCG companies operating in highly competitive markets and heavily reliant on consumer perception can derive significant benefits from sustainability report disclosures as a signal of commitment to sustainability and quality governance.

From a stakeholder theory perspective, sustainability reports serve as a tool to meet the diverse information needs of stakeholders, such as consumers, investors, regulators, suppliers, and local communities. Stakeholders in the FMCG sector are highly sensitive to sustainability issues because the products they consume are directly related to health, safety, and the environment. Sulemana et al. (2025) found that companies that successfully respond to stakeholder demands by improving their sustainability reports tend to experience lower reputational risk and improved market performance. Therefore, the higher the level of disclosure in a sustainability report, the greater the potential for increasing corporate value through improved stakeholder relationships. In line with Sahetapy's (2023) research, sustainability reports have a positive impact on corporate value in Indonesia because investors view sustainability disclosures as a form of accountability and risk management.

H2: Sustainability report assurance has a positive effect on firm value.

Assurance of sustainability reports is a crucial mechanism that strengthens the credibility of the non-financial information presented by companies. Within the signaling theory framework, assurance is viewed as a credibility signal because companies must incur additional costs, engage independent parties, and be willing to open their internal reporting processes to verification. Harymawan et al. (2020) found that companies that undergo assurance receive a more positive market reaction compared to those that do not, particularly in sectors with high environmental risks. This indicates that investors view assurance as a strong indicator that a company's sustainability report is not merely symbolic but genuinely reflects actual sustainability performance.

From a legitimacy theory perspective, assurance plays a key role in the social validation process. Assurance enables companies to reduce public perceptions of potential greenwashing, a condition where companies engage in disclosure solely for image-building rather than actual commitment to sustainability. Research by Utami et al. (2024) shows that assurance significantly enhances a company's external legitimacy and reinforces the perception that the company has a long-term commitment to sustainability. In the FMCG industry, which faces intense public scrutiny, assurance serves as a critical tool for mitigating the risk of consumer distrust.

Meanwhile, stakeholder theory explains that assurance helps companies meet stakeholders' demands for the accuracy and reliability of information. Fajarini et al. (2023) found that companies facing high pressure from institutional investors and environmental activists are more likely to engage in assurance because these stakeholders require verified sustainability information. Thus, assurance improves the quality of a company's relationships with stakeholders and enhances market perceptions of the company.

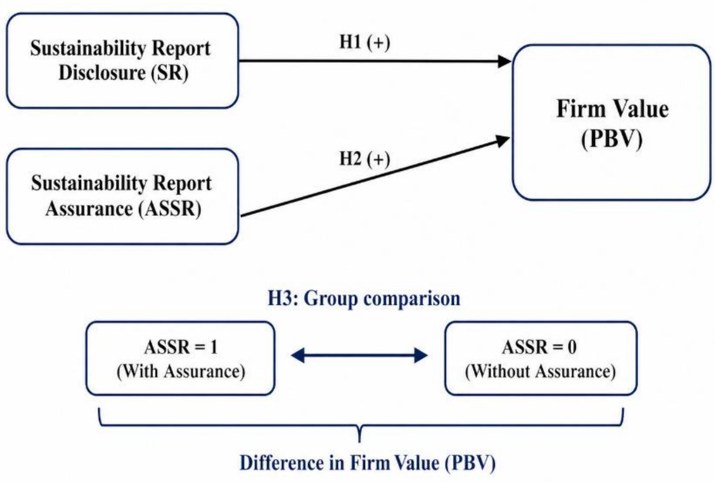
Recent empirical studies such as Al-Shaer et al. (2024) and Caskey (2022) also indicate that assurance has a significant impact on improving the quality of sustainability reports and generating positive market responses. However, some studies have found the opposite results in certain sectors, such as Sholekha & Astuti (2024) in the energy and basic materials industries, suggesting that the relationship between assurance and corporate value remains context-dependent. Given that the FMCG industry has distinct characteristics and higher reputational risks, the role of assurance is likely to be more significant.

H3: Firms with assured sustainability reports have higher firm value than firms without assured sustainability reports.

In addition to the direct impact of assurance, the difference in enterprise value between companies that undergo assurance and those that do not is also worth examining. The FMCG industry has greater environmental and social exposure compared to other sectors, making consumers and investors more sensitive to the quality of sustainability disclosures and the credibility of such information. Companies that undergo assurance provide a higher level of confidence to investors and stakeholders regarding the integrity of their sustainability reports. Briones & Reis (2024) demonstrate that FMCG companies in Asia consistently command a market premium when they demonstrate a strong commitment to sustainability through external verification practices.

From a legitimacy theory perspective, FMCG companies that undergo assurance demonstrate a stronger commitment to aligning with societal values regarding sustainability. In signaling theory, assurance sends a stronger signal regarding a company's integrity compared to companies without assurance. Meanwhile, in stakeholder theory, assurance builds trust among consumers and investors, particularly because sustainability values in the FMCG industry significantly influence consumer preferences and investment decisions. In line with Velte (2025), FMCG companies that undergo assurance tend to achieve higher enterprise value because assurance enhances perceptions of the quality of sustainability risk management.

Figure 1. Research Model



RESEARCH METHODS

This study employs a quantitative approach to examine the effect of sustainability report disclosure and sustainability report assurance on firm value in the Fast-Moving Consumer Goods (FMCG) industry in Indonesia. The subjects of this study are FMCG companies listed on the Indonesia Stock Exchange (IDX) during the 2019–2024 period. The research sample was selected using purposive sampling based on the following criteria: (1) the company belongs to the FMCG sector and was listed on the IDX during the 2019–2024 period; (2) the company published sustainability reports during the observation period; (3) the company published complete annual reports and financial statements during the 2019–2024 period; and (4) the company provided sufficient information to identify whether its sustainability report was assured or not. Companies that did not meet these criteria were excluded from the sample. Based on these criteria, the final sample consisted of 29 FMCG companies, resulting in 174 firm-year observations over the six-year observation period.

The data used in this study are secondary data obtained from sustainability reports, annual reports, company financial statements, the official website of the Indonesia Stock Exchange, and the official websites of the respective companies. The dependent variable in this study is firm value, measured using the Price-to-Book Value (PBV) ratio. PBV reflects the ratio between a company's market value and its book value of equity. PBV was selected because it is widely used in accounting and capital market research to capture how investors value a company based on both financial and non-financial information.

The independent variables in this study consist of sustainability report disclosure and sustainability report assurance. Sustainability report disclosure (SR) is measured using the Global Reporting Initiative (GRI) disclosure index, namely the proportion of disclosed items to the total relevant disclosure items. Sustainability report assurance (ASSR) is measured using a dummy variable, where a value of 1 is assigned to companies whose sustainability reports are assured by an independent party, and a value of 0 is assigned to companies whose sustainability reports are not assured (Harymawan et al., 2020). In addition, this study includes firm size, leverage, and profitability as control variables to account for other firm-specific factors that may influence firm value.

Data analysis was conducted using panel data regression to examine the effect of sustainability report disclosure and sustainability report assurance on firm value. The regression model used in this study is as follows:

$$PBV = \alpha + \beta_1 SR + \beta_2 ASSR + \beta_3 FS + \beta_4 LEV + \beta_5 PROF + \varepsilon \quad \text{..} \quad (1)$$

Where PBV represents firm value, SR represents sustainability report disclosure, ASSR represents sustainability report assurance, FS represents firm size, LEV represents leverage, PROF represents profitability, α represents the constant, β_1–β_5 represent the regression coefficients, and ε represents the error term. The data processing and hypothesis testing were conducted using statistical software. The results of the analysis were used to test the research hypotheses and provide empirical evidence regarding the effect of sustainability report disclosure and sustainability report assurance on firm value in Indonesian FMCG companies during the 2019–2024 period.

RESULTS AND DISCUSSION

RESULTS

This section presents the results of the panel data analysis used to test the effect of sustainability report disclosure and sustainability report assurance on firm value. The research data were processed using EViews software. Before estimating the regression model, model specification tests were conducted to determine the most appropriate panel data model. The Chow test and Hausman test results indicated that the Fixed Effects Model (FEM) was the most appropriate model for this study. The selection of the Fixed Effects Model suggests that firm-specific characteristics that are not directly observed may influence firm value and therefore need to be controlled in the model. Accordingly, the panel data regression analysis in this study was conducted using the Fixed Effects Model AS SHOWN IN Table 1 below.

Table 1. Results of the Panel Data Regression Analysis (FEM).

DPR = -3.295275 + 2.367455X1 + (-0.287309X2) + 0.063743X3 + 0.082958X4 + 0.026762X5				
Variables	Prediction	Coefficient	Sig.	
Constant		-3.295275	0.0677	
SR	+	2.367455	0.0167	*
ASSR	-	-0.287309	0.1718	
FS	+	0.063743	0.2477	
LEV	+	0.082958	0.7775	
PROF	+	0.026762	0.0000	*
F-Statistic	7.055268			
Sig (F-Statistic)	0.000005			
R-Square	0.173539			
Description: Significance: for alpha 5%* SR: Sustainability Report ASSR: Assurance FS: Firm Size LEV: Leverage PROF: Profitabilitas				

Source: Data Analysis with Eviews, 2025

The results of the panel data regression analysis using the Fixed Effects Model indicate that the overall research model is statistically significant. This is shown by the F-statistic value of 7.055268 with a probability value of 0.000005, which is lower than the 5% significance level. This finding indicates that sustainability report disclosure, sustainability report assurance, firm size, leverage, and profitability jointly influence firm value.

Partially, the sustainability report disclosure variable has a coefficient of 2.367455 with a significance value of 0.0167, which is lower than 0.05. This result indicates that sustainability report disclosure has a positive and significant effect on firm value. Therefore, H1 is supported. This finding suggests that broader sustainability disclosure is associated with higher firm value in Indonesian FMCG companies.

Meanwhile, the sustainability report assurance variable has a coefficient of -0.287309 with a significance value of 0.1718, which is higher than 0.05. This result indicates that sustainability report assurance does not have a significant effect on firm value. Therefore, H2 is not supported. The negative coefficient should not be interpreted as evidence that assurance reduces firm value, because the effect is statistically insignificant. Rather, this result suggests that assurance has not yet become a major factor considered by investors in valuing FMCG companies in Indonesia.

For the control variables, firm size and leverage do not show significant effects on firm value, with significance values of 0.2477 and 0.7775, respectively. In contrast, profitability has a positive coefficient of 0.026762 and a significance value of 0.0000, indicating that profitability has a positive and significant effect on firm value. This result suggests that investors still place strong emphasis on financial performance when assessing firm value.

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The coefficient of determination, as shown by the R-square value of 0.173539, indicates that approximately 17.35% of the variation in firm value can be explained by the variables included in the model. The remaining variation is explained by other factors outside the model. The relatively low R-square value indicates that firm value is influenced by broader market and firm-specific factors beyond sustainability report disclosure, assurance, firm size, leverage, and profitability. This condition also suggests that although sustainability disclosure has begun to show value relevance, ESG-related information may not yet be fully internalized by investors in emerging markets such as Indonesia.

Table 2. Results of Indepentent Sample T-test

Variables	Group	N	Mean	Coefficient	Sig.
Firm Value	With Assurance	56	0.43	-0.346389	0.7295
Firm Value	Without Assurance	118	0.50		

Source: Data Analysis with Eviews, 2025

Based on Tabel 2. the independent sample t-test was conducted to examine whether there is a significant difference in firm value between companies with assured sustainability reports and companies without assured sustainability reports. The results show a t-statistic value of -0.346389 with a probability value of 0.7295, which is higher than the 5% significance level. Therefore, H3 is not supported.

This result indicates that there is no statistically significant difference in firm value between firms that provide sustainability report assurance and firms that do not. The mean firm value of companies with assurance is 0.43, while the mean firm value of companies without assurance is 0.50. Although the mean firm value of companies with assurance is slightly lower than that of companies without assurance, the difference is not statistically significant. Therefore, assurance cannot yet be considered a distinguishing factor in firm value among Indonesian FMCG companies during the 2019–2024 period.

DISCUSSION

1.The Effect of Sustainability Report Disclosure on Firm Value

The results of this study indicate that sustainability report disclosure has a positive and significant effect on firm value. Therefore, H1 is supported. This finding shows that broader sustainability disclosure is associated with higher firm value among Indonesian Fast-Moving Consumer Goods (FMCG) companies during the 2019–2024 period. This result suggests that investors have begun to consider sustainability-related information as part of firm valuation, although the relatively low R-square value indicates that sustainability disclosure is not the only determinant of firm value.

From the perspective of signaling theory, sustainability report disclosure can be interpreted as a positive signal delivered by management to investors and other external parties. Spence (1973) explains that signaling is used to reduce information asymmetry between parties with different levels of information. In this context, companies that disclose sustainability information more extensively may be perceived as having better transparency, stronger governance, and greater ability to manage environmental, social, and governance risks. This is particularly relevant in the FMCG sector because companies in this industry are closely connected to consumers and are exposed to sustainability issues such as packaging waste, plastic use, supply chain responsibility, product safety, and labor practices. Therefore, sustainability disclosure may improve investor confidence and contribute to higher firm value. This argument is also supported by García-Sánchez et al. (2022), who explain that sustainability-related disclosure can strengthen corporate transparency and accountability in responding to non-financial risks.

From the perspective of legitimacy theory, sustainability report disclosure serves as a mechanism for companies to obtain, maintain, or repair social legitimacy. Suchman (1995) states that legitimacy reflects the perception that organizational actions are desirable and appropriate within a socially constructed system of norms, values, and beliefs. FMCG companies face considerable public scrutiny because their products are widely consumed and their business activities may create environmental and social consequences. By disclosing sustainability information, companies demonstrate that their operations are aligned with social expectations, regulatory demands, and environmental responsibility. This explanation is consistent with Rasidah and Alsayegh (2021), who found that ESG disclosure is related to corporate efforts to respond to environmental and social expectations.

Stakeholder theory also provides support for this finding. Freeman (1984) argues that companies should not focus solely on shareholders, but also consider the interests of various stakeholders, including consumers, employees, regulators, suppliers, communities, and investors. Sustainability reports provide information that helps stakeholders evaluate corporate responsibility and long-term sustainability. In the FMCG industry, stakeholder pressure is relatively high because company products are directly consumed by the public and are closely related to environmental, health, and ethical issues. Sulemana et al. (2025) found that stakeholder pressure encourages companies to improve sustainability disclosure in emerging markets. Therefore, broader sustainability report disclosure can help companies build stronger stakeholder relationships, improve reputation, and increase firm value.

Empirically, the finding of this study is consistent with Sahetapy (2023), who found that sustainability reporting has a positive effect on firm value in Indonesia. Sahetapy (2023) argues that sustainability reports are viewed as a form of accountability and as an indication of the company's ability to manage long-term risks. This finding is also supported by Harymawan et al. (2020), who explain that sustainability-related information can reduce information asymmetry and improve market perception when the information is considered relevant and credible.

However, this finding differs from Sholekha and Astuti (2024), who found that sustainability reports do not significantly affect firm value. The difference in findings may be caused by differences in industry characteristics, research period, sample selection, and the level of ESG exposure. The FMCG sector has direct interaction with consumers and is more vulnerable to reputational risks than some other sectors. Therefore, sustainability disclosure in FMCG companies may receive greater attention from investors and stakeholders. Nevertheless, the relatively low explanatory power of the model indicates that firm value is also influenced by financial performance, market conditions, growth prospects, corporate governance, and other firm-specific factors outside the model.

2.The Effect of Sustainability Report Assurance on Firm Value

The results of this study show that sustainability report assurance has a negative but statistically insignificant effect on firm value. Therefore, H2 is not supported. This finding indicates that the presence of assurance has not yet become a major consideration for investors in valuing Indonesian FMCG companies. The negative coefficient should not be interpreted as evidence that assurance reduces firm value, because the effect is not statistically significant. Rather, the result suggests that assurance has not yet provided clear value relevance in the Indonesian FMCG sector during the observation period.

From the perspective of signaling theory, sustainability report assurance is expected to function as a credibility signal. Companies that obtain assurance involve an independent party to verify sustainability information, indicating that they are willing to increase the reliability and transparency of their disclosures. Based on Spence (1973), credible signals can reduce information asymmetry between companies and investors. Harymawan et al. (2020) also argue that external assurance can improve the credibility of sustainability reports and provide a positive signal to the market. However, the insignificant result of this study indicates that the assurance signal has not yet been effectively captured by investors. Investors may still place greater emphasis on financial indicators, such as profitability, rather than on non-financial assurance information.

From the perspective of legitimacy theory, assurance should strengthen corporate legitimacy by increasing confidence in sustainability disclosures and reducing concerns about greenwashing. Suchman (1995) explains that organizations seek legitimacy by aligning their actions with social expectations. O'Dwyer et al. (2011) also show that assurance on sustainability reporting can be used as a mechanism to strengthen the legitimacy of non-financial disclosures. In addition, Utami et al. (2024) found that assurance is related to corporate efforts to improve the credibility of sustainability reporting practices among Indonesian listed companies. However, the findings of this study suggest that the legitimacy obtained through assurance has not yet translated into higher firm value.

Stakeholder theory suggests that assurance should increase stakeholder trust because verified sustainability information is expected to be more reliable. Freeman (1984) emphasizes that companies need to respond to the interests and information needs of various stakeholders. Fajarini et al. (2023) found that stakeholder pressure influences sustainability reporting practices, indicating that companies may improve reporting credibility in response to external expectations. Nevertheless, in the Indonesian FMCG context, assurance may not yet be viewed by investors as a decisive factor in firm valuation. This may be due to limited ESG literacy, differences in assurance quality, variations in assurance providers, and the absence of strong market pressure for externally verified sustainability reports.

This finding is consistent with Sholekha and Astuti (2024), who found that assurance does not significantly affect firm value. Their study suggests that investors in Indonesia may not yet fully understand or use assurance information in investment decision-making. This result also supports the argument that assurance practices in emerging markets may not automatically create economic value if the market has not recognized their credibility-enhancing function.

However, this finding differs from Harymawan et al. (2020), who found that external assurance on sustainability reports can positively affect firm value because it improves the credibility of sustainability information. It also differs from Velte (2025), who states that sustainability assurance may influence firm value by improving transparency, accountability, and perceived reporting quality. The difference in findings may be explained by differences in market maturity, investor ESG literacy, assurance quality, and institutional pressure. In more mature markets, assurance may be more strongly valued because investors have a better understanding of its role in improving the reliability of sustainability information. In contrast, in emerging markets such as Indonesia, assurance may still be perceived as a compliance activity rather than as a value-relevant signal.

3. The Difference in Firm Value between Firms with and without Sustainability Report Assurance

The independent sample t-test results show that there is no significant difference in firm value between companies with assured sustainability reports and companies without assured sustainability reports. Therefore, H3 is not supported. The p-value of 0.7295 is higher than the 5% significance level, indicating that assurance status does not significantly differentiate firm value among Indonesian FMCG companies during the 2019–2024 period.

From the perspective of signaling theory, companies with assured sustainability reports are expected to send stronger credibility signals than companies without assurance. Assurance indicates that a company is willing to involve an independent party to verify the reliability of its sustainability information. Referring to Spence (1973), such a signal should reduce information asymmetry and improve investor perception. Harymawan et al. (2020) also explain that assurance can strengthen the credibility of sustainability information and provide positive market signals. However, the findings of this study show that investors do not significantly differentiate between firms with assured sustainability reports and those without assurance. This indicates that assurance has not yet functioned effectively as a distinguishing signal in the Indonesian FMCG sector.

From the perspective of legitimacy theory, companies with assured sustainability reports should obtain stronger legitimacy because independent assurance can increase public confidence in the credibility of sustainability disclosures. Suchman (1995) states that legitimacy is obtained when organizational actions are perceived as appropriate within social norms and expectations. O'Dwyer et al. (2011) also argue that assurance can help organizations strengthen the legitimacy of sustainability reporting. However, the insignificant difference between the two groups suggests that the additional legitimacy generated by assurance has not yet been recognized by the market as a factor that increases firm value.

Stakeholder theory also predicts that companies with assurance should gain greater stakeholder trust than companies without assurance. Freeman (1984) explains that companies need to manage relationships with stakeholders by providing relevant and reliable information. Fajarini et al. (2023) show that stakeholder pressure can encourage companies to improve sustainability reporting practices. However, the results of this study indicate that the presence of assurance has not yet translated into higher firm value. This may occur because investors and other market participants still focus more on financial performance, market prospects, and business fundamentals than on assurance status.

This finding is consistent with Sholekha and Astuti (2024), who stated that assurance has not yet become a distinguishing factor in firm valuation in the Indonesian market. The result is also consistent with the regression analysis in this study, which shows that sustainability report assurance does not significantly affect firm value. Therefore, both the regression and t-test results indicate that assurance has not yet functioned as a value-enhancing mechanism in Indonesian FMCG companies.

However, this finding differs from Velte (2025), who suggests that sustainability assurance can influence firm value by improving transparency, credibility, and perceived reporting quality. This finding also differs from Briones and Reis (2024), who discuss the importance of integrating environmental sustainability practices in FMCG companies and indicate that stronger sustainability practices may improve corporate competitiveness and market perception. The difference may be explained by the level of market maturity, investor awareness, and the quality of assurance practices. In markets with higher ESG literacy, assurance may be more likely to create a valuation premium. In Indonesia, however, assurance may still be viewed mainly as a formal reporting practice rather than as a factor that significantly differentiates firm value.

All of the findings indicate that sustainability report disclosure has begun to show value relevance in Indonesian FMCG companies, while sustainability report assurance has not yet demonstrated a significant economic effect. This suggests that investors may respond more to the extent of sustainability disclosure than to whether the report has been externally assured. Therefore, FMCG companies should not only publish sustainability reports or obtain assurance, but also improve the quality, substance, comparability, and credibility of sustainability information so that it becomes more useful for investors and other stakeholders.

CONCLUSION

This study examines the effect of sustainability report disclosure and sustainability report assurance on firm value in Indonesian Fast-Moving Consumer Goods (FMCG) companies during the 2019–2024 period. Based on the results of panel data regression using the Fixed Effects Model, sustainability report disclosure has a positive and significant effect on firm value. This finding indicates that broader sustainability disclosure is associated with higher firm value. It also suggests that investors have begun to consider sustainability-related information as part of their firm valuation process, particularly in the FMCG sector, which is closely related to consumers, environmental issues, and social responsibility.

In contrast, sustainability report assurance has a negative but statistically insignificant effect on firm value. This result indicates that the presence of assurance has not yet become a major factor considered by investors in valuing Indonesian FMCG companies. The insignificant result also shows that assurance has not yet functioned effectively as a credibility signal capable of increasing firm value. In the context of emerging markets such as Indonesia, investors may still place greater emphasis on financial indicators than on assurance of sustainability information.

The independent sample t-test results also show that there is no significant difference in firm value between companies with assured sustainability reports and companies without assured sustainability reports. This finding confirms that assurance status has not yet become a distinguishing factor in firm valuation among Indonesian FMCG companies during the 2019–2024 period. Overall, the findings indicate that sustainability report disclosure has begun to show value relevance, while sustainability report assurance has not yet demonstrated a significant economic effect on firm value.

Based on the findings of this study, several recommendations can be proposed. First, FMCG companies are encouraged to improve the quality, substance, and comparability of sustainability report disclosure. Since sustainability report disclosure has a positive and significant effect on firm value, companies should not only disclose sustainability information as a form of compliance, but also present relevant, measurable, and decision-useful information for investors and stakeholders.

Second, companies need to strengthen the credibility of sustainability information by improving the quality of assurance practices. Although assurance does not have a significant effect on firm value in this study, assurance may still be important for increasing transparency, reducing the risk of greenwashing, and building stakeholder trust. Companies should consider using independent and competent assurance providers, clearly disclose the scope and level of assurance, and ensure that the assurance process covers material sustainability issues.

Third, regulators are expected to strengthen sustainability reporting and assurance standards in Indonesia. Clearer guidelines regarding sustainability disclosure, assurance scope, assurance providers, and assurance quality may help improve the credibility and comparability of sustainability information. Regulators and capital market institutions also need to improve ESG literacy among investors so that sustainability information and assurance can be better understood and used in investment decision-making.

Fourth, investors are encouraged to consider sustainability report disclosure as part of long-term investment analysis. The findings show that sustainability disclosure has value relevance, meaning that non-financial information can provide useful insight into a company's risk management, governance quality, and long-term prospects. However, investors should also evaluate the quality of the disclosure, not merely the existence of a sustainability report.

Finally, future researchers are advised to develop this study by including additional variables that may influence firm value, such as corporate governance, firm growth, liquidity, market risk, ESG performance, and ownership structure. Future studies may also use other proxies for firm value, such as Tobin's Q or market capitalization, and examine the quality of assurance by considering assurance provider type, assurance level, and assurance scope. In addition, future research may expand the sample to other industries or compare several sectors to obtain broader and more generalizable findings.

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