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THE EFFECT OF ESG DISCLOSURE ON FIRM VALUE: A SYSTEMATIC LITERATURE REVIEW

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Abstract

This systematic literature review critically examines the theoretical frameworks and empirical evidence linking Environmental, Social, and Governance (ESG) factors to corporate value by analyzing 20 articles that underwent title and abstract screening, followed by a narrative synthesis using thematic analysis. studies published between 2021 and 2025. Using a PRISMA-based methodology, this review identifies patterns of positive impacts, variations in results, and mediating and moderating factors affecting firm value. The synthesis results indicate that ESG disclosure tends to have a positive impact on firm value, as measured by Tobin's Q, the market-to-book ratio, or market capitalization. This increase occurs primarily through reduced information asymmetry, enhanced reputation, and lower capital costs. Positive effects are more consistently observed in firms in emerging markets and within the governance dimension. Some studies have found a negative or insignificant relationship, particularly in the short term or in developed markets. Factors that strengthen this relationship include company size, sales growth, and competitive advantage. Meanwhile, mediators such as profitability and organizational visibility also play a role. High-quality ESG disclosures support long-term value creation when integrated with business strategy in a balanced manner. These findings provide a basis for companies to enhance the transparency of their ESG reporting to strengthen corporate value.

Keywords: Environmental Social Disclosure, Firm Value, Sustainable Development

INTRODUCTION

Companies are increasingly integrating Environmental, Social, and Governance (ESG) practices into their operational and strategic frameworks in response to the dynamics of the global economy, particularly in the formulation of investment strategies and decision-making processes. This integration is driving increased ESG disclosure as a demonstration of corporate transparency and accountability to stakeholders. The growing attention to ESG practices is influenced by various global and institutional factors, such as the United Nations' 2030 Sustainable Development Goals (SDGs), international agreements like the Paris Agreement, as well as pressure from the public, the media, and stakeholders regarding corporate social responsibility (Bagh et al., 2024). In this context, the implementation of ESG is viewed as a strategic mechanism to address economic and social challenges, making it a critical focus for academics, regulators, and practitioners (Tsang et al., 2022).

From a corporate perspective, investing in ESG plays a crucial role in supporting sustainable growth by strengthening stakeholder relationships. Implementing ESG enables companies not only to contribute to social well-being but also to mitigate environmental risks, including climate change. Although a company's primary objective has traditionally focused on maximizing shareholder value, there is a growing trend for companies to also pursue broader goals, such as social responsibility and creating value for society. However, this shift remains a subject of debate in academic literature, particularly regarding whether ESG practices can support or potentially undermine corporate value creation (Jensen, 2017).

A number of studies indicate that the benefits of implementing ESG are not always immediately apparent, as companies need time to enhance their reputation and strengthen their competitive advantage. Nevertheless, empirical evidence generally indicates that investment in ESG contributes positively to corporate performance, including through increased profitability, enhanced reputation, greater social investment, and reduced environmental and pollution risks (Liang & Renneboog, 2017).

Environmental, Social, and Governance (ESG) disclosures are increasingly integral to modern corporate reporting practices. Transparently disclosed ESG information can reduce information asymmetry and signal a company's commitment to sustainability to investors (Dhaliwal et al., 2011; El Ghoul et al., 2011). From a signaling theory perspective, such disclosures serve as indicators of corporate quality that can influence market perceptions and investment decisions (Spence, 1973). Corporate value, often measured using Tobin's Q or the market-to-book ratio, has also been shown to be influenced by the quality of ESG disclosures, as companies with good ESG practices tend to receive higher market valuations (Friede et al., 2015). Afifah et al. (2025), in a review of 30 articles, found that most studies reported a positive relationship between ESG disclosure and firm value. Kartikasary et al. (2023) also noted that the quality of ESG reporting in Southeast Asia significantly increases market capitalization.

Several studies indicate a strong positive relationship. Rohendi et al. (2024) reported a beta coefficient of 0.312 ($p < 0.01$) for the effect of ESG disclosure on firm value through competitive advantage. Sabrina et al. (2025) found that a one-unit increase in the environmental disclosure score raises Tobin's Q by 0.81%. Maysari and Endri (2025) reported a significant positive coefficient for ESG disclosure in Indonesia's energy sector. Ukpong (2025) noted that governance disclosure made the largest contribution, with a 0.95% increase in Tobin's Q per unit increase in the score.

The positive effects of ESG disclosure are more consistently observed in emerging markets. Tao (2023) found that ESG performance has a significant positive effect on firm performance among A-share companies in China. Zheng et al. (2025) reported that ESG performance enhances firm value through increased organizational visibility. Mutiah and Rusmanto (2023), across five ASEAN countries, found that environmental and social disclosure are positively associated with Tobin's Q, whereas governance disclosure is negatively associated.

However, empirical results are not always consistent. Al-Tarawneh et al. (2024) in the United Kingdom reported a negative relationship between composite ESG scores and Tobin's Q ($\beta = -0.214$, $p < 0.05$). Mikołajek-Gocejna (2024) in Poland found a negative, though not significant, coefficient between ESG ratings and firm value. Felicia et al. (2022) from Indonesia reported that environmental disclosure negatively affects firm value, whereas social disclosure positively affects firm value.

These varying results are influenced by several factors. Mulyana et al. (2025) found that firm size moderates the negative effect of ESG performance on firm value. Rahman and Wuryaningsih (2025) reported that sales growth strengthens the influence of environmental disclosure and social disclosure. Rohendi et al. (2024) and Wahyuni et al. (2024) demonstrated that competitive advantage acts as a mediator with a significant positive beta.

This systematic review analyzes twenty peer-reviewed international journal articles published between 2021 and 2025. All articles contain empirical data on ESG disclosure or quality and its relationship with firm value. This study aims to synthesize empirical evidence on the patterns of ESG disclosure's impact on firm value, identify mediators and moderators, and provide practical implications for companies in Indonesia.

LITERATURE REVIEW AND HYPOTHESIS FORMULATION

1. ESG

Environmental, Social, and Governance (ESG) is a framework used by companies to measure and report on their sustainability performance. ESG disclosure is becoming increasingly important as investors and stakeholders demand transparency regarding a company's impact on the environment, society, and governance. Afifah et al. (2025), in a systematic review of 30 articles, found that ESG disclosure is a primary factor influencing investors' perceptions of a company. Rohendi et al. (2024) reported a beta coefficient of 0.312 ($p < 0.01$) for the effect of ESG disclosure on firm value. The higher the quality of ESG disclosure, the stronger the market's signal regarding the company's commitment to sustainability.

2. ESG Dimensions

ESG consists of three main dimensions: environmental, social, and governance. Ukpong (2025) found that a one-unit increase in the environmental disclosure score raises Tobin's Q by 0.81 percent, social disclosure by 0.67 percent, and governance disclosure by 0.95 percent in oil and gas companies. Sabrina et al. (2025) in Indonesia's basic materials sector also reported a significant positive effect of these three dimensions on Tobin's Q. Kartikasari et al. (2023) in Southeast Asia found that the social dimension makes a strong contribution to increases in market capitalization. Governance disclosure consistently demonstrates the most stable effect among the three dimensions.

3. Firm Value

Corporate value reflects the market's perception of a company's performance and future prospects. This value is typically measured using Tobin's Q, the market-to-book ratio, or market capitalization. Zheng et al. (2025) report that ESG performance has a significant positive impact on corporate value through increased organizational visibility. Yang (2024) states that high-quality ESG disclosure increases corporate value by reducing information asymmetry and optimizing risk management. Rohendi et al. (2024) found a beta coefficient of 0.312 ($p < 0.01$) for the relationship between ESG disclosure and corporate value. The higher the corporate value, the greater the company's ability to attract long-term investment.

4. Dimensions Of Firm Value

Corporate value has several dimensions, including market value, book value, and intrinsic value. Tobin's Q is the most commonly used measure because it reflects the ratio of a company's market value to its book value. Mutiah and Rusmanto (2023), in a study across five ASEAN countries, found that environmental and social disclosures are positively associated with Tobin's Q, whereas governance disclosures are negatively associated. Maysari and Endri (2025) in Indonesia's energy sector reported a significant positive coefficient of ESG disclosure on Tobin's Q. Al-Tarawneh et al. (2024) in the UK found a negative relationship between the composite ESG score and Tobin's Q (beta = -0.214, $p < 0.05$). The market value dimension tends to be more sensitive to the quality of ESG disclosure compared to the book value dimension.

RESEARCH METHODS

This study employs a systematic literature review (SLR) approach to collect and analyze evidence regarding the impact of ESG disclosure on firm value. The SLR method was chosen because it allows for a structured synthesis of relevant empirical literature. The SLR process followed the PRISMA (Preferred Reporting Items for Systematic Reviews and Meta-Analyses) guidelines, which outline the stages of identification, screening, eligibility assessment, and article inclusion. The 20 articles used are peer-reviewed documents published between 2021 and 2025 that contain empirical studies on ESG disclosure or quality directly related to firm value.

Inclusion criteria include: (1) peer-reviewed articles, (2) discussing ESG disclosure or its quality, (3) containing empirical data or analysis relevant to firm value (Tobin's Q, market-to-book ratio, or other market indicators), and (4) clear research methods. All articles meeting these criteria were

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fully utilized as primary sources. Data extraction was performed manually from the main body of the articles (not just the abstracts), and the data were then synthesized narratively using thematic analysis. The synthesis focused on patterns of positive impact, variations in results, and mediating and moderating factors related to firm value. No additional interpretations were made beyond the data presented in the articles. The selection process flow is shown in Figure 1.

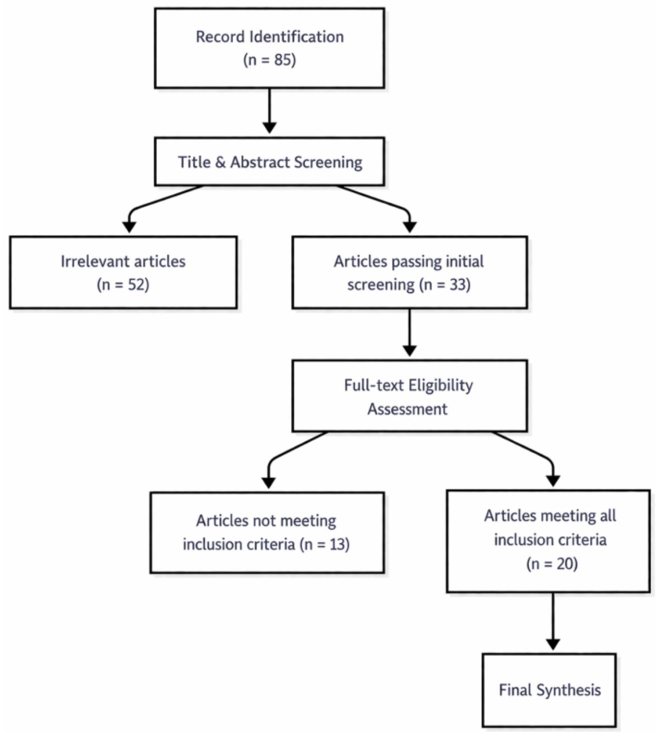

Figure 1. PRISMA FLowchart

RESULTS AND DISCUSSION

This study successfully identified twenty peer-reviewed journal articles that met all inclusion and exclusion criteria. All of these articles were published between 2021 and 2025 and contained empirical analyses of ESG disclosure or quality and its relationship to firm value. A summary of the literature review findings from these twenty articles is presented in Table 1

.

Table 1. Results of the Literature Review

No	Author(s) & Year	Research Context	Key Variables/Parameters	Research Findings
1	Afifah et al. (2025)	Systematic Literature Review (30 articles)	ESG disclosure, firm value	The majority of studies report a positive relationship between ESG disclosure and firm value
2	Aydoğmuş et al. (2022)	Large multi-company dataset	ESG performance	ESG has a positive and significant effect on firm value (coefficient = 0.008; $p < 0.01$)

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3	Kartikasary et al. (2023)	Southeast Asia companies	ESG report quality	ESG report quality significantly increases market capitalization
4	Maysari & Endri (2025)	Energy companies in Indonesia	ESG disclosure	ESG disclosure has a positive and significant effect on Tobin's Q
5	Mikołajek-Gocejna (2024)	WIG-ESG Index (Poland)	ESG rating	ESG shows a negative but insignificant effect on firm value
6	Rahman & Wuryaningsih (2025)	ASEAN (energy & basic materials sectors)	ESG disclosure	Governance disclosure has a positive and significant effect on firm value
7	Su et al. (2025)	Chinese firms	Negative ESG disclosure	Negative in the short term but positive in the long term
8	Tao (2023)	China A-share companies	ESG performance	ESG has a positive and significant effect on firm performance
9	Ukpong (2025)	Oil & gas industry in Nigeria	ESG disclosure quality	ESG improves Tobin's Q (E: 0.81%, S: 0.67%, G: 0.95%)
10	Zumente & Bistrova (2021)	Literature & CEE countries	ESG & shareholder value	ESG supports long-term firm value through improved corporate reputation
11	Mutiah & Rusmanto (2023)	Five ASEAN countries	ESG disclosure	Environmental and Social dimensions are positive, while Governance is negative toward Tobin's Q
12	Zheng et al. (2025)	Manufacturing firms in China	ESG performance	ESG positively affects firm value through organizational visibility
13	Felicia et al. (2022)	Indonesian non-financial firms	ESG disclosure	Environmental has a negative effect, while Social has a positive effect

14	Rohendi et al. (2024)	Indonesia	ESG disclosure	ESG has a positive and significant effect ($\beta = 0.312$; $p < 0.01$) through competitive advantage
15	Al-Tarawneh et al. (2024)	UK non-financial firms	ESG scores	ESG has a negative and significant effect on Tobin's Q ($\beta = -0.214$; $p < 0.05$)
16	Sabrina et al. (2025)	Basic materials sector in Indonesia	ESG disclosure	ESG has a positive and significant effect on Tobin's Q
17	Mulyana et al. (2025)	Five ASEAN countries	ESG performance	ESG has a negative effect, but is positively moderated by firm size
18	Wahyuni et al. (2024)	Indonesia	ESG disclosure	No significant effect, but positively moderated by competitive advantage
19	Mauren & Syarif (2025)	IDX ESG Leaders	Sustainability disclosure	No direct effect, but mediated by profitability
20	Yang (2024)	Global	ESG disclosure quality	ESG enhances firm value by reducing information asymmetry

Based on Table 1, the most prominent pattern is the positive impact of ESG disclosure on firm value in most studies. Such disclosure helps companies communicate their sustainability commitments, thereby increasing investor confidence and reducing risk. This positive effect is stronger in the governance dimension compared to other dimensions.

1. What are the main impacts of ESG disclosure on firm value?

Overall, ESG disclosure tends to increase firm value. Ukpong (2025) reported that a one-unit increase in the environmental disclosure score raises Tobin's Q by 0.81 percent, social disclosure by 0.67 percent, and governance disclosure by 0.95 percent for oil and gas companies. Sabrina et al. (2025) in Indonesia's basic materials sector also found a significant increase in Tobin's Q following effective ESG disclosure. Kartikasary et al. (2023) noted that the quality of ESG reports in Southeast Asia is positively associated with higher market capitalization.

Rohendi et al. (2024) found a beta coefficient of 0.312 ($p < 0.01$) for the direct effect of ESG disclosure on firm value, mediated by competitive advantage. Zheng et al. (2025) reported that ESG performance has a significant positive effect on firm value in Chinese manufacturing firms through increased organizational visibility. Tao (2023) also found a strong positive relationship between ESG

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performance and firm performance in a sample of A-shares. This positive effect is more consistently observed in emerging markets than in developed markets.

ESG disclosure makes a tangible contribution to enhancing corporate value, particularly when it is high-quality and consistent. The governance dimension often serves as the primary driver, while the environmental and social dimensions contribute to a greater extent, depending on the industry and country context. These findings indicate that ESG disclosure is not merely a regulatory obligation but also a strategy that can sustainably enhance corporate value.

Table 2. Key Impacts of ESG Disclosure on Firm Value

No	Parameter	Statistical Findings	Main Source
1	Overall ESG disclosure	Beta 0.312 ($p < 0.01$)	Rohendi et al. (2024)
2	Governance disclosure	Increase of 0.95% in Tobin's Q per unit	Ukpong (2025)
3	Environmental disclosure	Increase of 0.81% in Tobin's Q per unit	Ukpong (2025), Sabrina et al. (2025)
4	Social disclosure	Increase of 0.67% in Tobin's Q per unit	Ukpong (2025)
5	ESG performance	Positive and significant beta	Zheng et al. (2025), Tao (2023)

2. What factors influence the relationship between ESG disclosure and firm value?

Firm size and sales growth act as important moderators. Mulyana et al. (2025) found that firm size can mitigate the negative effect of ESG performance on firm value across five ASEAN countries. Rahman and Wuryaningsih (2025) reported that sales growth strengthens the influence of environmental and social disclosures on firm value in the energy and basic materials sectors across ASEAN.

Competitive advantage acts as a strong mediator. Rohendi et al. (2024) found a significant positive beta when competitive advantage was included as a mediator between ESG disclosure and firm value. Wahyuni et al. (2024) also demonstrate that competitive advantage can strengthen the relationship between ESG disclosure and corporate value relevance. Additionally, profitability functions as an important mediator. Mauren and Syarif (2025) found that profitability mediates the relationship between sustainability disclosure and corporate value among IDX ESG Leaders companies.

Organizational visibility is also a significant channel. Zheng et al. (2025) report that ESG performance enhances firm value primarily through increased organizational visibility. These factors explain why the relationship between ESG and firm value does not always yield consistent results across contexts and industries. These differences also indicate that the effectiveness of ESG disclosure is strongly influenced by firm characteristics and the market environment.

Table 3. Factors Influencing the Relationship Between ESG and Firm Value

No	Factor	Statistical Findings	Role	Main Source
1	Firm size	Weakens the negative effect	Moderator	Mulyana et al. (2025)
2	Sales growth	Strengthens E & S disclosure	Moderator	Rahman & Wuryaningsih (2025)
3	Competitive advantage	Positive and significant beta	Mediator	Rohendi et al. (2024), Wahyuni et al. (2024)

4	Profitability	Mediates the relationship	Mediator	Mauren & Syarif (2025)
5	Organizational visibility	Positive and significant beta	Mediator	Zheng et al. (2025)

3. What are the implications of ESG disclosure for corporate value in Indonesia?

Companies in Indonesia need to consistently improve the quality of their ESG disclosures to realize long-term corporate value. Focusing on the governance dimension and leveraging mediators such as competitive advantages can yield more optimal results. Integrating ESG disclosures with a balanced business strategy will help mitigate short-term cost risks while maximizing reputation and investor trust. The findings of this review also emphasize the importance of regulatory support to strengthen ESG reporting standards in the Indonesian capital market. Thus, companies can achieve long-term corporate value by increasing transparency. This approach can also help Indonesian companies compete at the regional and global levels in the era of sustainability.

Overall, the findings from these twenty studies indicate that ESG disclosure is not merely a reporting tool but a strategy that can enhance corporate value when executed with high quality and supported by the appropriate internal corporate factors.

Discussions

Overall, ESG disclosure tends to increase firm value in most of the studies reviewed. Ukpong (2025) reported that a one-unit increase in the environmental disclosure score raises Tobin's Q by 0.81 percent, social disclosure by 0.67 percent, and governance disclosure by 0.95 percent for oil and gas companies. Sabrina et al. (2025) in Indonesia's basic materials sector also found a significant increase in Tobin's Q following effective ESG disclosure. Kartikasary et al. (2023) noted that the quality of ESG reports in Southeast Asia is positively associated with higher market capitalization. Rohendi et al. (2024) found a beta coefficient of 0.312 ($p < 0.01$) for the direct effect of ESG disclosure on firm value, mediated by competitive advantage. These findings indicate that ESG disclosure makes a tangible contribution, particularly when conducted with high quality.

The positive effects of ESG disclosure are more consistently observed in emerging markets than in developed markets. Zheng et al. (2025) reported that ESG performance has a significant positive impact on firm value in Chinese manufacturing firms through increased organizational visibility. Tao (2023) also found a strong positive relationship between ESG performance and firm performance in a sample of A-shares. On the other hand, Al-Tarawneh et al. (2024) in the UK reported a negative relationship between the composite ESG score and Tobin's Q ($\beta = -0.214$, $p < 0.05$). Mikołajek-Gocejna (2024) in Poland found a negative, though non-significant, coefficient between ESG ratings and firm value. These differences indicate that market context and investor maturity significantly influence the strength of the relationship between ESG disclosure and firm value.

The governance disclosure dimension often shows the most stable contribution. Ukpong (2025) found that governance disclosure increases Tobin's Q by 0.95 percent per unit, which is higher than the other two dimensions. Rahman and Wuryaningsih (2025) in ASEAN also reported that governance disclosure is significantly and positively associated with firm value. Meanwhile, environmental disclosure and social disclosure yield more varied results. Felicia et al. (2022) from Indonesia found that environmental disclosure has a negative effect, while social disclosure has a positive effect on firm value. This variation indicates that not all ESG dimensions have the same strong impact across contexts.

Moderating and mediating factors also determine the strength of these relationships. Mulyana et al. (2025) found that firm size can mitigate the negative effect of ESG performance on firm value. Rahman and Wuryaningsih (2025) reported that sales growth strengthens the influence of environmental disclosure and social disclosure. Rohendi et al. (2024) and Wahyuni et al. (2024)

demonstrate that competitive advantage functions as a mediator with a significant positive beta. Mauren and Syarif (2025) found that profitability mediates the relationship between sustainability disclosure and firm value. Zheng et al. (2025) also reported that organizational visibility serves as a key channel linking ESG performance to increased firm value.

ESG disclosure yields greater benefits when supported by strong internal company factors. Larger companies with high sales growth tend to be better able to translate ESG disclosure into tangible corporate value. On the other hand, companies that rely on competitive advantage as a mediator will gain additional benefits from ESG disclosure. These findings confirm that ESG disclosure is not merely a reporting obligation but a business strategy that can enhance corporate value when properly integrated.

CONCLUSION

A systematic review of 20 international journal articles published between 2021 and 2025 indicates that ESG disclosure has a positive impact on firm value. Such disclosure enhances firm value by reducing information asymmetry, improving reputation, and optimizing risk management. Governance disclosure provides the most stable contribution, with an increase in Tobin's Q of up to 0.95 percent per unit of score, while environmental and social disclosures show more varied positive effects depending on market and industry context. These positive effects are more consistently observed in emerging markets such as Indonesia and across ASEAN, although some studies in developed markets report negative or insignificant short-term relationships. Company size, sales growth, competitive advantage, and profitability play a crucial role as moderators and mediators, strengthening these relationships. High-quality ESG disclosure can serve as an effective business strategy to enhance long-term corporate value when effectively integrated into company operations. For companies in Indonesia, the findings of this review recommend improving transparency and the quality of ESG reporting to maximize corporate value benefits in the era of sustainability. A balanced approach between disclosure and business strategy is the key to achieving optimal results.

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