

THE EFFECT OF SUSTAINABILITY REPORT AND GOOD CORPORATE GOVERNANCE ON FIRM VALUE IN MANUFACTURING COMPANIES LISTED ON THE INDONESIAN SHARIA STOCK INDEX (ISSI)

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ARTICLE INFO	ABSTRACT
<p>Article History</p> <p>Submission : 23/09/2025 Review : 27/09/2025 Revised : 06/10/2025 Accepted : 06/10/2025 Published : 11/10/2025</p>	<p>This study aims to determine the effect of sustainability reports and boards of commissioners on company value in manufacturing companies listed on the Indonesian Sharia Stock Index (ISSI) from 2021 to 2023. A quantitative method was used in this study. The secondary data used were annual financial reports and company sustainability reports obtained from official websites and www.idx.co.id. The sampling technique used was purposive sampling. This study used panel data regression analysis as its analysis method. The findings show that sustainability reports have a positive and significant effect on company value, while the board of commissioners (GCG) has a negative and significant effect on company value.</p>
<p>Keywords</p> <p>Sustainability Report Good Corporate Governance Firm Value</p>	

Introduction

Rapid technological advancements and increasingly intense competition have become crucial factors in determining current economic development. The competence of corporate management, particularly in the financial aspect, serves as an important indicator of organizational success that cannot be overlooked. Firm value has emerged as a primary concern, as it reflects the company’s performance, future prospects, and attractiveness in the eyes of investors (Yani & Wijaya, 2024). In the context of the Islamic capital market, firm value as reflected through stock prices and other financial indicators serves as an important signal for investors in making investment decisions. In this study, firm value is measured using the Price to Book Value (PBV), which reflects the extent to which a company is able to generate value relative to the amount of capital invested.

A high PBV indicates that investors perceive the company’s future performance prospects as increasingly promising. The following is a graphical representation of the average PBV of manufacturing sector companies listed in the Indonesia Sharia Stock Index (ISSI).

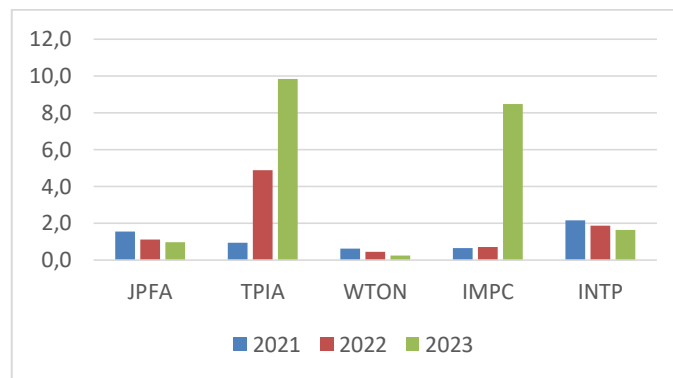


Figure 1. Graph of Firm Value Movements of Manufacturing Companies Listed in the Indonesia Sharia Stock Index (ISSI) for the Period 2021–2023.

Source: www.idx.co.id (processed data, 2025).

Figure 1 illustrates the firm value of five companies, namely JPFA, TPIA, WTON, IMPC, and INTTP, during the 2021–2023 period. The data reveal considerable variation, for instance, TPIA experienced a sharp increase from around 1 in 2021 to more than 10 in 2023, while WTON remained relatively stagnant with a consistently low value. This indicates that although these companies are all listed in the ISSI, firm value as reflected in the market is highly influenced by both internal and external factors specific to each company (Aizah & Priyadi, 2016), including the implementation of sustainability reporting and good corporate governance (GCG).

On the other hand, global environmental issues in recent years have increasingly attracted public attention. The complexity of environmental problems resulting from human socio-economic activities has caused damage that not only affects the present but also threatens the sustainability of future generations. For companies, efforts to preserve the environment through sustainable business practices not only reflect social responsibility but also have the potential to enhance reputation and firm value in the eyes of stakeholders (Handayani & Hati, 2018).

Social and environmental responsibility must be taken into account to minimize the occurrence of environmental damage that has previously happened in Indonesia, such as the Lapindo mud case in Sidoarjo, toxic sludge in residential areas of Karawang, crude oil spills by Pertamina along coastal areas, pollution in the tributaries of the Citarum River, and pharmaceutical waste such as paracetamol in Jakarta Bay (Awaluddin, 2019). The existence of a sustainability report can encourage companies to strengthen their competitiveness in the market while building a positive reputation by portraying themselves as organizations that are socially conscious and responsible.

Given the increasing risks and challenges faced by companies in the era of globalization, Good Corporate Governance (GCG) has become critically important. One notable example of a significant GCG failure is the case of PT Asuransi Jiwasraya, which was unable to fulfill policy claims due to poor management and ineffective implementation of governance practices. Research indicates that this failure was triggered by a lack of transparency, neglect of accountability and fairness principles in risk management, as well as weak regulatory oversight of insurance companies (Harahap, 2021).

Thus, the consistent implementation of Good Corporate Governance (GCG) is believed to strengthen a company's competitiveness, enhance firm value, and enable more efficient and effective management of resources and risks. This, in turn, reinforces the trust of shareholders and stakeholders while supporting sustainable corporate growth (Andayani & Yanti, 2021).

Previous studies have shown that sustainability reports have an influence on firm value, as examined by Virgoria Dwi Pujiningsi (2020). However, the findings of Anggi Rizki Amalia, Fitri Rahmawati, Siti Laeli Rizki Amalia, and Sugiyanto (2021) indicate that sustainability reports have no significant effect on firm value. Meanwhile, Ayu Suci Annisa, Ika Wulandari, Endang Sri Utami, and Hasim As'ari (2023) found that good corporate governance has a positive influence on firm value. In contrast, the study conducted by Wahyu Gusriandari, Mega Rahmi, and Yosep Eka Putra (2022) reported that good corporate governance does not significantly affect firm value.

Based on these considerations and the lack of consistent research findings, this article aims to address the knowledge gap by providing empirical evidence on the relationship between sustainability reporting, the board of commissioners, and firm value in manufacturing companies listed in the Indonesia Sharia Stock Index (ISSI) from 2021 to 2023

Method

This study employs a causal research design, which identifies the relationship between two or more variables. In this context, the relationship between the variables is causal, meaning that one variable influences the other. Furthermore, the study applies a quantitative approach, as it utilizes numerical data that can be measured and analyzed statistically.

The population of this study consists of all manufacturing companies listed in the ISSI during the observed period, totaling 107 companies. From this population, the sample was selected using a purposive sampling technique based on specific criteria, resulting in 11 companies that met the requirements.

Table 1. Operational Definition of Variables

Variable	Definition	Formula
<i>Sustainability Report (X₁)</i>	A report published by the company that discloses both financial and non-financial information across the economic, social, and environmental dimensions, measured based on the GRI Standards (2021).	$SRDI = \frac{\text{Total item lingkungan yang diungkapkan perusahaan}}{\text{Total item yang diharapkan diungkapkan perusahaan}}$

Variable	Definition	Formula
Good Corporate Governance (X₂)	A mechanism that reflects the company's understanding in enhancing performance by exercising control over management activities and ensuring accountability to shareholders based on applicable regulations.	<i>Dewan Komisaris</i> $= \frac{\text{Jumlah Keseluruhan Anggota Dewan Komisaris}}{\text{Jumlah Anggota Dewan Komisaris}}$
Nilai Perusahaan (Y)	An illustration of stock price in relation to firm performance, measured using the market ratio Price to Book Value (PBV), which represents the comparison between the market price per share and the book value per share.	$PBV = \frac{\text{Harga Pasar Saham}}{\text{Nilai Buku Saham}}$

Source: Compiled from various sources, 2025.

The data collection technique was carried out through documentation by accessing the companies' annual reports and sustainability reports. Data analysis was performed using EViews 12 software through several stages, including descriptive statistical analysis, panel data regression model selection using the Chow test, Hausman test, and Lagrange Multiplier (LM) test. After determining the best model, classical assumption tests and hypothesis testing were conducted.

Results and Discussion

Results of Data Analysis

Descriptive Analysis

This study employs firm value as the dependent variable and two independent variables, namely the sustainability report and the board of commissioners (good corporate governance). The following table presents the descriptive analysis results for each research variable:

Table 2. Descriptive Analysis

Variable	N	Minimum	Maximum	Mean	Std. Deviasi
<i>Sustainability Report</i>	33	0,23	0,94	0,52	0,20
Dewan Komisaris	33	2	15	14,31	3,22
Nilai Perusahaan	33	0,17	142,94	5,30	39,76

Source: Processed data, 2025.

Based on the results of the descriptive analysis, the sustainability report variable has a minimum value of 0.23 and a maximum value of 0.94, with a mean of 0.52 and a standard deviation of 0.20. This indicates that the level of sustainability report disclosure among the sampled companies is relatively moderate, with relatively small variations between companies. The board of commissioners variable shows a minimum value of 2 and a maximum value of 15, with a mean of 14.31 and a standard deviation of 3.22. These results suggest that the number of board members in the sampled companies is relatively uniform, with only slight differences. Meanwhile, the firm value variable has a minimum value of 0.17 and a maximum value of 142.94, with a mean of 5.30 and a standard deviation of 39.76. The relatively high standard deviation indicates a significant disparity among companies, where most companies have relatively low firm values, but a few companies have very high values, resulting in substantial data skewness.

Regression Model Testing

The panel data regression model approach was conducted using the Chow test, followed by the Hausman test, and finally the Lagrange Multiplier (LM) test. The following are the results of the Chow test in this study:

Table 3. Chow Test

Redundant Fixed Effects Tests
Equation: Untitled
Test cross-section fixed effects

Effects Test	Statistic	d.f.	Prob.
Cross-section F	505.0662	(10,20)	8.9918
Cross-section Chi-square	182.6713	10	6.5313

Source: Processed data, 2025.

Based on the results in Table 3, the cross-section Chi-Square probability value is 6.5313 > 0.05. Therefore, the Common Effect Model (CEM) is more appropriate to use in this study than the Fixed Effect Model (FEM). The next step is to conduct the Hausman test, and the results are as follows:

Table 4. Hausman Test

Correlated Random Effects - Hausman Test
Equation: Untitled
Test cross-section random effects

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	2.875142	2	0.2375

Source: Processed data, 2025.

Based on the results in Table 4, the cross-section probability value for the random model is $0.2375 > 0.05$, indicating that the Hausman test results show the Random Effect Model (REM) is more appropriate. Next, the Lagrange Multiplier (LM) test was conducted, and the results of the LM test in this study are as follows:

Table 5. Lagrange Multiplier Test

Lagrange Multiplier Tests for Random Effects
Null hypotheses: No effects
Alternative hypotheses: Two-sided (Breusch-Pagan) and one-sided
(all others) alternatives

	Cross-section	Test Hypothesis Time	Both
Breusch-Pagan	25.53000 (0.0000)	0.510082 (0.4751)	26.04009 (0.0000)

Source: Processed data, 2025.

Based on the results in Table 5 above, the Breusch-Pagan value is $0.0000 < 0.05$, indicating that the Random Effect Model (REM) is more suitable for the regression analysis in this study.

Classical Assumption Tests

Classical assumption tests were conducted to ensure the suitability of the panel data regression model. In this study, the tests included multicollinearity and heteroskedasticity checks, which are necessary to ensure that the regression estimates obtained are valid and reliable (Ghozali, 2011). The following are the results of the multicollinearity test:

Table 6. Multikolinearitas Test

	Sustainability Report	Dewan Komisaris
Sustainability Report	1.000000	0.505027
Dewan Komisaris	0.505027	1.000000

Source: Processed data, 2025.

Table 6 shows that the correlation coefficients between the independent variables (X) are all below 0.90. Therefore, it can be concluded that the data are free from multicollinearity symptoms. The following are the results of the heteroskedasticity test:

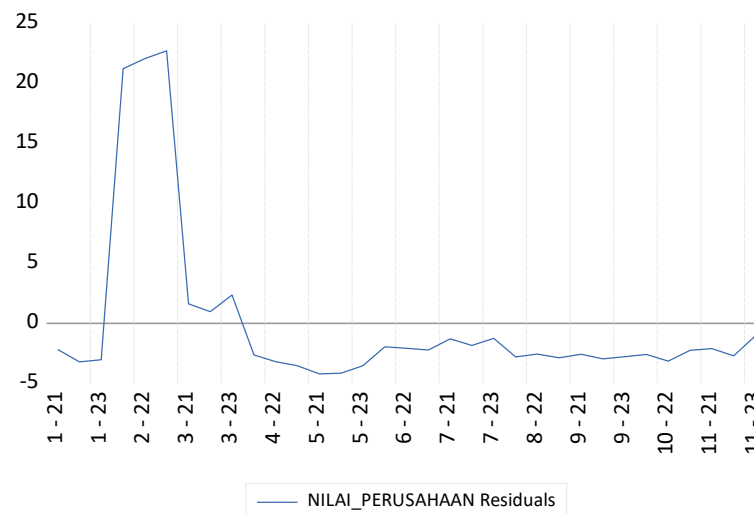


Figure 2. Heteroskedasticity Test

Source: Processed data, 2025.

Based on Figure 2 above, the residual plot (blue dots) does not exceed the boundaries (500 and -500), indicating that the residual variance is constant. Therefore, there are no signs of heteroskedasticity, and the model passes the heteroskedasticity test (Siburian et al., 2024).

Panel Data Regression Analysis

In the regression of $Y = a + \beta_{1x1} + \beta_{2x2} + e$ Having been determined using the Random Effect Model (REM), the results of the REM model in this study are as follows:

Table 7. Results of Panel Data Regression Analysis Using the REM Model

Dependent Variable: NILAI_PERUSAHAAN
Method: Panel EGLS (Cross-section random effects)
Date: 09/18/25 Time: 15:11
Sample: 2021 2023
Periods included: 3
Cross-sections included: 11
Total panel (balanced) observations: 33
Swamy and Arora estimator of component variances

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	12.08025	2.427031	4.977377	0.0000
SUSTAINABILITY_REPORT	2.629691	0.805051	3.266492	0.0027
DEWAN_KOMISARIS	-0.862249	0.199571	-4.320515	0.0002
Effects Specification				
			S.D.	Rho
Cross-section random			7.136682	0.9945
Idiosyncratic random			0.530203	0.0055

Source: Processed data, 2025.

The above equation can be interpreted as follows:

1. The constant is 12.08025, which means that if the independent variables are equal to zero (0), the firm value will be 12.08025, assuming *ceteris paribus*.
2. The regression coefficient for the sustainability report variable (X₁) is 2.629691 with a probability value of 0.0027. This indicates that if the sustainability report variable increases by one unit, the firm value will increase by 2.629691.
3. The regression coefficient for the board of commissioners variable (good corporate governance) (X₂) is -0.862249 with a probability value of 0.0002. This indicates that if the board of commissioners variable increases by one unit, the firm value will decrease by 0.862249.

Hypothesis Testing

$Y = 12.08025 + 2.629691X_1 - 0.862249X_2$. The hypothesis testing for the panel data regression equation will be presented in the table below:

Table 8. Hypothesis Testing

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	12.08025	2.427031	4.977377	0.0000
SUSTAINABILITY_REPORT	2.629691	0.805051	3.266492	0.0027
DEWAN_KOMISARIS	-0.862249	0.199571	-4.320515	0.0002
Effects Specification				
			S.D.	Rho
Cross-section random			7.136682	0.9945
Idiosyncratic random			0.530203	0.0055
Weighted Statistics				
Root MSE	0.512849	R-squared		0.451245
Mean dependent var	0.372462	Adjusted R-squared		0.414662
S.D. dependent var	0.703044	S.E. of regression		0.537881
Sum squared resid	8.679476	F-statistic		12.33462
Durbin-Watson stat	1.776904	Prob(F-statistic)		0.000123

Source: Processed data, 2025.

Based on the results of the hypothesis testing in Table 8, the panel data regression equation shows that the sustainability report variable has a positive and significant effect on firm value, with a coefficient of 2.629691 and a probability value of $0.0027 < 0.05$. This indicates that the higher the level of sustainability report disclosure, the higher the firm value. Conversely, the board of commissioners variable has a negative and significant effect on firm value, with a coefficient of -0.862249 and a probability value of $0.0002 < 0.05$, meaning that a larger number of board members reduces firm value.

Furthermore, the F-statistic value of 12.33462 with a probability of $0.0001 < 0.05$ indicates that the regression model is significant simultaneously, suggesting that the independent variables

together influence firm value. The R-squared value of 0.451245 indicates that 45.12% of the variation in firm value can be explained by the sustainability report and the board of commissioners, while the remaining 54.88% is explained by other variables outside the scope of this study.

Discussion

Effect of Sustainability Report on Firm Value

Based on the results obtained, it is evident that the sustainability report has a positive and significant effect on firm value. This indicates that the higher the level of sustainability disclosure by the company, the higher the firm value in the eyes of investors and other stakeholders. Sustainability reporting sends a positive signal regarding the company's commitment to social, environmental, and good governance issues, thereby enhancing the company's reputation and attractiveness. This finding is consistent with the study by Suhartini, Tjahjadi, & Fayanni (2024), which found that sustainability reporting significantly contributes to increasing investor confidence and firm value in the Indonesian manufacturing sector.

Effect of the Board of Commissioners on Firm Value

Based on the processed results, it is found that the board of commissioners has a negative and significant effect on firm value. This indicates that the role of the board of commissioners does not positively contribute to increasing firm value. This may occur because an excessively large number of board members can lead to less efficient decision-making processes, reduced oversight effectiveness, and potential dominance of certain interests within the board, thereby lowering market confidence. This finding aligns with the study by Syafitri, Firdausi, and Nurlaily (2018), which showed that the larger the number of board members, the more likely firm value will decrease due to suboptimal decision-making.

Conclusion

This study aimed to examine and analyze the effect of sustainability reporting and the board of commissioners on firm value in manufacturing companies listed in the Indonesian Sharia Stock Index (ISSI) during 2021–2023. The conclusions drawn from this study are as follows:

1. Sustainability reporting has a positive and significant effect on firm value in manufacturing companies listed in the Indonesian Sharia Stock Index (ISSI) during 2021–2023.
2. The board of commissioners (GCG) has a negative and significant effect on firm value in manufacturing companies listed in the Indonesian Sharia Stock Index (ISSI) during 2021–2023.

This study has several limitations that may lead to inconsistent results. First, the research was conducted only on manufacturing companies listed in the ISSI during 2021–2023, which represents a relatively short sampling period. Second, the variables used were limited to sustainability reporting, the board of commissioners, and firm value. Therefore, future research is expected to include companies from other sectors to strengthen the findings, extend the research period to obtain a larger sample and more comprehensive data, and analyze additional variables beyond those used in this study. Moreover, future studies should further investigate variables that showed negative effects in this study to assess the consistency of the results.

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