

THE IMPACT OF ENVIRONMENTAL SOCIAL GOVERNANCE DISCLOSURE, DIVIDEND POLICY, AND FIRM SIZE ON FIRM VALUE

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Abstract

This study examines the influence of Environmental, Social, and Governance (ESG) disclosure, dividend policy, and firm size on firm value among companies listed in the ESGSKEHATI Index during the 2021–2024 period. The study addresses the growing importance of sustainability practices in shaping corporate value and investor perceptions in emerging markets. A quantitative descriptive approach was employed using panel data from ESGSKEHATI Index companies, and the data were analyzed through panel data regression techniques. The results reveal that ESG disclosure, dividend policy, and firm size simultaneously have a significant effect on firm value. However, partial testing indicates that only ESG disclosure significantly influences firm value, while dividend policy and firm size do not have significant effects. These findings suggest that investors increasingly value sustainability-related information when evaluating companies, particularly those recognized for their ESG commitments. This study contributes to the literature by providing empirical evidence on the role of ESG disclosure in enhancing firm value within the Indonesian capital market. The findings also offer practical implications for corporate managers to strengthen ESG transparency and reporting quality, as well as for investors and regulators seeking to promote sustainable business practices and long-term value creation.

Keywords: ESG Disclosure, Dividend Policy, Firm Size, Firm Value

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1. Introduction

Every company generally aims to continuously grow its business, with the ultimate goal of maximizing profits. A company's value reflects investors' perceptions of its current performance and future prospects. A company's value is considered important because a high valuation has a significant impact on the well-being of shareholders or investors (Marlindo et al., 2025). The higher a company's value, the greater the prosperity and benefits enjoyed by its owners and shareholders (Setyawan & Ghozali, 2025). The IDX KEHATI ESG Sector Leader Index (ESGSKEHATI) is an index comprising stocks with ESG performance ratings above their sector averages and good liquidity. This index also serves as a representation of sustainability practices in the Indonesian capital market and functions as a benchmark for investors who apply sustainable investment principles. Ideally, companies listed in this index should attract more attention from investors, which is reflected in strong corporate value. However, stock prices of companies listed on the ESGSKEHATI index are relatively volatile and subject to fluctuations.

Overall, the average stock price 2021 to 2024 shows a fluctuating pattern and illustrates the average stock price trend of the Top 10 Constituents of the ESGSKEHATI Index from 2021 to 2024. In 2021, the average stock price stood at Rp. 7,460. A stock price is the value of a share that reflects a company's worth, where changes or fluctuations are largely determined by the dynamics of supply and demand in the stock market. Several factors influence a company's

value, including financial factors such as profitability, liquidity, company size, and leverage (Aryadita et al., 2024).

Over the past decade, sustainability has come into the spotlight in global capital markets. Companies are increasingly being encouraged to consider environmental, social, and governance factors as part of their long-term corporate strategies. This trend is driven by the recognition that the impacts of climate change, environmental regulations, social responsibility, and demands for good governance influence business risks and opportunities (Sumarna & Muzakir, 2022).

Awareness of environmental, social, and governance (ESG) sustainability has been a hot topic in the business world in recent years (Fakhriansyah et al., 2025). ESG performance reflects a company's commitment to sustainable business practices that prioritize a balance between economic benefits, social responsibility, and environmental sustainability. Several empirical studies have been conducted, for example, Ramdania & Haryati (2025) demonstrated that ESG disclosure has a positive impact on firm value. These findings are consistent with the research by Shafira & Astuti (2024) and Pebrianti & Mayangsari (2025) which also found that ESG disclosure has a positive impact on firm value. However, similar studies in emerging markets such as Indonesia still yield mixed results; for example, the study by Prayogo et al., (2023) found that ESG disclosure has a negative impact on firm value. Meanwhile, Olivia et al.,(2025) and Xaviera & Rahman (2023) also note that ESG scores do not influence firm value.

The second factor influencing a company's value is dividend policy, which refers to the company's policy regarding the distribution of dividends to shareholders. This policy ratio represents the percentage of the company's profits paid to common shareholders in the form of cash dividends (Pranata & Awaludin, 2024). Stable or increasing dividends are often interpreted as indicators of strong financial health and profitability, thereby enhancing corporate value. This statement is also consistent with previous research by Azmiyah & Subardjo (2024), Pratama & Juwita (2024), and Sari & Sutandijo (2025), which states that dividend policy has a positive effect on firm value. However, other studies, such as Suryani & Wahyudi (2025), indicate that dividend policy has a negative effect on firm value in the healthcare subsector. Burhan & Bagana (2024) also explain that the dividend policy variable does not affect firm value.

The third factor influencing firm value is firm size. The larger the firm, the easier it is for the firm to generate profits; firm size can also serve as a parameter for assessing a firm's scale based on its total assets—the larger the total assets, the larger the firm (Wahyuni & Kristanti, 2024). This is also consistent with research conducted by Jinan & Atiqah (2025) and Agustiningsih & Septiani (2022), who state that company size has a positive effect on a company's value. Large companies are considered more stable, easier to obtain financing, and more trusted by the market. However, this finding is inconsistent with the research by Heldayat & Sulfitri (2025), which explains that a large company size does not always guarantee an increase in firm value; growth in size can lead to high agency costs and increased financial risk. Mayandri & Priyadi (2024) also state that firm size does not affect firm value, and explain that firm size is an inappropriate benchmark for investors when making decisions regarding the purchase of a company's shares.

The aim of this study is to determine how environmental, social, and governance (ESG) disclosures, dividend policies, firm size, and firm value affect the ESGSKEHATI Index for the period 2021–2024. Theoretically, this study is expected to contribute to the advancement of knowledge and understanding regarding the impact of environmental, social, and governance

(ESG) disclosures, dividend policies, and firm size on firm value in the ESGSKEHATI index for the 2021–2024 period, as well as serve as a reference for future research aiming to test similar models in different contexts, time periods, or sectors. Furthermore, this study is also expected to provide an empirical update on the results of previous studies that still show inconsistencies. In addition, from a practical standpoint for companies, this study can serve as a reference for companies seeking to improve the quality of their ESG disclosures, determine optimal dividend policies, and manage their corporate structure. The findings of this study help companies understand the factors that have the potential to enhance investors' perceptions of corporate value, particularly for companies committed to sustainability and included in the ESGSKEHATI Index.

2. Literature Review and Hypothesis Development

2.1 Stakeholder Theory

Stakeholder Theory, introduced by Freeman (1984), argues that a firm's survival and long-term success depend on its ability to accommodate the interests of stakeholders rather than focusing solely on shareholders. Stakeholders include investors, creditors, employees, customers, suppliers, governments, local communities, and other parties that influence or are influenced by corporate activities. The theory assumes that firms operate within a network of stakeholder relationships in which organizational decisions generate economic, social, and environmental consequences (Ghozali & Chariri, 2014). In the context of ESG, this theory explains that companies act to fulfill the expectations and needs of stakeholders, so that they can maintain social support and operational desires. Consequently, corporate accountability extends beyond financial performance and requires firms to communicate information that enables stakeholders to evaluate corporate conduct and organizational sustainability. Voluntary disclosures, including environmental, social, and governance (ESG) information, represent one mechanism through which firms address stakeholders' information needs and maintain organizational legitimacy (Saputra, 2026).

Stakeholder Theory provides a relevant explanation for the relationship between ESG disclosure and firm value. ESG disclosure reduces information asymmetry by providing stakeholders with broader information regarding corporate environmental responsibility, social performance, and governance practices (Ramdania & Haryati, 2025). More comprehensive disclosure enables investors and other stakeholders to assess corporate sustainability and long-term risk more accurately. As stakeholders' confidence increases, firms are more likely to strengthen their reputation, attract investment, and improve market valuation. Under Stakeholder Theory, ESG disclosure therefore represents a strategic response to stakeholder expectations that may contribute to higher firm value (Ulum, 2017).

This study argues that the dividend policy and firm size have interconnected with firm value (Suryani & Wahyudi, 2025). Dividend payments represent management's commitment to meeting shareholders' expectations through the distribution of corporate earnings, thereby reinforcing investors' confidence in the firm's financial condition (Kumalasari et al., 2023). Firm size also influences stakeholder expectations. Larger firms receive greater public attention, face broader stakeholder scrutiny, and encounter stronger demands for transparency and accountability. These conditions encourage firms to maintain policies that preserve stakeholder confidence and organizational legitimacy (Ambarwati & Vitaningrum, 2021). Firms that respond

effectively to these expectations are more likely to strengthen market confidence, which is reflected in higher firm value.

2.2 The Impact of Environmental, Social, and Governance Disclosure on Firm Value

Environmental, social, and governance (ESG) disclosure has evolved from a voluntary reporting practice into an important source of information for investors and other stakeholders in assessing a firm's long-term prospects. Financial performance alone is often insufficient to evaluate a firm's ability to sustain future growth because it provides limited information about environmental risks, social responsibility, and governance quality. ESG disclosure complements financial reporting by providing information on how firms manage sustainability-related risks and opportunities that may affect future performance (Ghazali & Zulmaita, 2022). More comprehensive disclosure reduces information asymmetry, improves the quality of corporate information available to the market, and enables stakeholders to make more informed economic decisions. Stakeholder Theory argues that firms create value when they respond effectively to stakeholders' expectations through greater transparency, accountability, and responsible business conduct (Chirsty & Sofie, 2023). Firms that disclose ESG information more extensively demonstrate stronger commitments to sustainable business practices, which strengthen stakeholder confidence, improve corporate reputation, and increase market recognition of the firm's long-term value company (Adriani & Parinduri, 2024).

This theoretical argument has received considerable empirical support. Investors increasingly incorporate ESG information into investment decisions because sustainability performance reflects a firm's ability to manage non-financial risks, maintain business continuity, and adapt to changing regulatory and market environments (Chirsty & Sofie, 2023). Consequently, firms with more comprehensive ESG disclosure are generally perceived as having lower uncertainty and stronger long-term growth potential, leading to higher market valuations. Previous studies consistently report a positive association between ESG disclosure and firm value Farrel & Dewi (2025), Cahyonowati & Adhi (2023), Ramdania & Haryati (2025), Heldayat & Sulfitri (2025), and Cahyani et al., (2025). Building upon stakeholder theory and the existing empirical evidence, this study expects that more extensive ESG disclosure enhances firm value. Therefore, the following hypothesis is proposed:

H1: ESG Disclosure have a relationship with Firm Value

2.3 The Effect of Dividend Policy on Firm Value

Dividend policy represents one of management's strategic decisions in balancing the distribution of corporate earnings with the need to retain resources for future investment. This decision extends beyond financial allocation because it reflects how firms respond to the expectations of shareholders as the primary providers of capital. Stakeholder Theory argues that firms sustain long-term value when they maintain mutually beneficial relationships with stakeholders whose resources are essential for business continuity (Wahyuningtyas & Priyadi, 2023). Shareholders expect not only capital appreciation but also a fair return on their investment through dividend distributions. A dividend policy that aligns with these expectations demonstrates management's commitment to protecting shareholders' interests and maintaining accountability in the use of corporate resources (Ramdania & Haryati, 2025). Such a commitment strengthens stakeholders' confidence in the firm's financial discipline and its capacity to generate sustainable earnings,

creating favorable market perceptions that contribute to higher firm value (Rachmadiar et al., 2026).

The relationship between dividend policy and firm value also reflects stakeholders' evaluation of the firm's future economic prospects. Investors generally perceive stable dividend distributions as evidence that the firm possesses sufficient financial capacity to reward shareholders without compromising future operations. This perception reduces uncertainty regarding future performance and encourages stronger investment demand, which is reflected in higher market valuation. Stakeholder Theory suggests that firms capable of balancing shareholders' expectations with long-term corporate sustainability are more likely to preserve stakeholder support and enhance firm value. This argument is supported by previous studies that document a positive relationship between dividend policy and firm value Ardatiya et al.,(2022), Wahyuningtyas & Priyadi (2023), Azmiyah & Subardjo (2024), and Sari & Sutandijo (2025). Based on these theoretical and empirical arguments, the following hypothesis is proposed:

H2: Dividend Policy have a relationship with Firm Value

2.4 The Effect of Firm Size on Firm Value

Firm size reflects the scale of a firm's operations and the economic resources under its control. Larger firms generally attract greater attention from investors, regulators, creditors, and the public because their activities generate broader economic and social impacts. Greater public visibility also increases stakeholders' expectations regarding transparency, accountability, and corporate performance. Stakeholder Theory argues that firms sustain long-term value by responding to these expectations through responsible governance and consistent business performance (Olivia et al., 2025). Large firms typically possess stronger organizational capabilities, broader access to financial resources, and greater operational flexibility, enabling them to maintain stakeholder confidence and strengthen their competitive position. These characteristics increase the firm's capacity to generate sustainable value and support higher market valuation (Taufiq et al., 2024).

Stakeholders often associate larger firms with stronger financial resilience, lower business risk, and greater capacity to sustain long-term growth. These perceptions influence investment decisions because firm size is frequently regarded as an indicator of organizational stability and future performance. As investor confidence increases, demand for the firm's shares also rises, leading to higher market valuation. Previous studies consistently report that firm size has a positive effect on firm value Agustiningsih & Septiani (2022), Adriani & Parinduri (2024), Wahyuni & Kristanti (2024), Olivia et al., (2025), and Jinan & Atiqah (2025). Based on Stakeholder Theory and the existing empirical evidence, larger firms are expected to achieve higher firm value. Therefore, the following hypothesis is proposed:

H3: Firm Size have a relationship with Firm Value

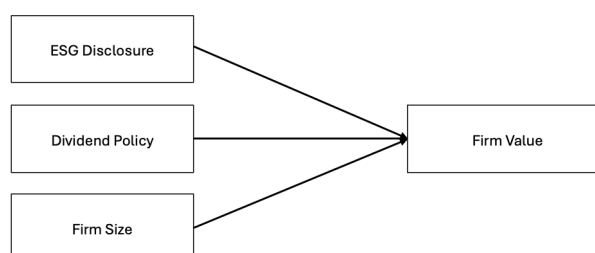


Figure 1. Research Model

3. Methodology

This study used a descriptive quantitative research method employing a case study approach on companies listed on the ESGSKEHATI Index for the years 2021–2024. The quantitative method is a method based on the philosophy of positivism that utilizes numerical data and statistical analysis on a population or sample using a causal approach, namely the reciprocal relationship between the variables under study (Sugiyono, 2025). The population in this study consists of all companies listed in the ESGSKEHATI index for the years 2021–2024. The total number of listed companies for the period 2021–2024 is 98. A sample was then selected using purposive sampling, resulting in 18 companies from the 2021–2024 ESGSKEHATI index that met the criteria.

The data analysis technique used in this study is panel data regression analysis using E-Views software. Data analysis was conducted to draw conclusions regarding the influence and relationship between the independent variables—namely, environmental, social, and governance disclosure, dividend policy, and firm size—and the dependent variable, namely firm value. The following regression models are estimated:

$$FV = \alpha + \beta_1 ESGD_{i,t} + \beta_2 DP_{i,t} + \beta_3 FS_{i,t} + \varepsilon$$

Denotes:

FV = Financial value of company (i) in year (t)

ESGD = ESG disclosure of company (i) in year (t)

DP = Dividend policy of company (i) in year (t)

FS = Firm size of company (i) in year (t)

ε = error terms

Variable Definition

Variable Independent: ESG Disclosure, Dividend Policy, and Firm Size

ESG disclosure is measured by calculating the proportion of GRI 2021 items (Ariasinta et al., 2022). If an item is disclosed, the company is assigned a score of 1; if not, a score of 0. These scores are then summed to obtain the total disclosure score. The following equation for calculating ESG disclosure is used in this study:

$$ESG = \frac{\text{Number of company disclosure items}}{\text{Total GRI Standard Disclosure Items}}$$

The dividend policy metric used in this study is the dividend payout ratio. This ratio was chosen because it is considered to reflect the percentage of each rupiah earned that is distributed to shareholders in cash, calculated by dividing cash dividends per share by earnings per share. Furthermore, the dividend payout ratio is closely linked to a company's financial performance.

$$\text{Dividend Payout Ratio} = \frac{\text{Dividend per share}}{\text{Earning per share}} \times 100\%$$

Firm size is a measure used to classify companies as large or small in various ways, including total assets, log size, sales, and market capitalization. Assets are the wealth or resources owned by a company; the larger the assets, the better the company is able to make investments and meet market demand. In this study, firm size is measured based on total assets. The firm's total assets are then transformed into natural logarithms (Ln). This transformation is performed to reduce excessive data fluctuations. The following is the formula for measuring firm size:

$$\text{Firm Size} = \text{Ln}(\text{Total Asset})$$

Variable Dependent: Firm Value

Firm value will be measured using Tobin's Q, as it reflects firm value by demonstrating management's performance in managing the firm's assets; furthermore, the use of the Tobin's Q formula is more rational because it incorporates liability components into its calculation. Additionally, Tobin's Q is used as a measure of firm valuation because it takes into account stock price potential and investment growth potential. The firm value indicator used in the Tobin's Q ratio is the sum of the total market value of equity and debt divided by total assets. A firm with a high Tobin's Q ratio ($q > 1$) indicates better investment opportunities and high growth potential, and suggests that management is effectively utilizing the assets under its control. The formula for Tobin's Q is as follows:

$$\text{Tobin's Q} = \frac{(\text{MVE} + \text{Liabilities})}{\text{Total Asset}}$$

4. Results and Discussion

4.1 Statistic Descriptive

Table 1 presents the descriptive statistics for the variables used in this study based on 72 firm-year observations. Firm value, measured using Tobin's Q, records an average of 1.12, with values ranging from 0.37 to 2.01. The average value above one indicates that the market generally values the sampled firms above the book value of their assets, reflecting positive expectations regarding future growth and long-term value creation. The lowest value of 0.37 suggests that several firms experience relatively weak market valuation, whereas the highest value of 2.01 indicates that certain firms receive substantially stronger market appreciation. The standard deviation of 0.38 shows relatively moderate variation in firm value, suggesting that the sampled firms exhibit broadly comparable market performance despite differences in their individual characteristics.

Table 1. Descriptive Statistics

	Mean	Median	Min	Max	Std. dev
ESGD	0.66	0.72	0.12	1.00	0.22
DP	0.49	0.44	0.07	1.10	0.26
FS	32.42	32.20	30.25	35.42	1.67
FV	1.12	1.04	0.37	2.01	0.38

Note(s): ESGD indicates the ESG Disclosure, DP indicates Dividend Policy, FS indicates Firm Size, and FV indicates Firm Value. Total sample observation (n) are 72. Source: Compiled by the author using e-views.

The independent variables also demonstrate sufficient variation across the sample. Environmental, Social, and Governance disclosure records an average score of 0.66, indicating that the sampled firms disclose approximately 66% of the ESG indicators adopted in this study. This result suggests that sustainability reporting has become an established corporate practice, although a considerable proportion of ESG information remains undisclosed, indicating opportunities to improve the comprehensiveness of sustainability reporting. Dividend policy reports an average value of 0.49, indicating that firms distribute nearly half of their earnings as dividends while retaining the remaining earnings to support future investment and business expansion. The relatively wide distribution of dividend payout ratios reflects differences in corporate financial policies and shareholder distribution strategies. Firm size records an average value of 32.42, with relatively limited variation across the sample, indicating that most firms possess comparable asset bases and operate on a relatively similar scale. Consequently, differences in firm value are more likely to reflect variations in ESG disclosure and dividend policy than differences in firm size.

4.2 Regression Data Analysis

Before estimating the regression model, this study first identified the most appropriate panel data specification. The model selection process was carried out using the Chow test, Hausman test, and Lagrange Multiplier test. The Chow test initially indicated that the Fixed Effects Model was preferable to the Common Effects Model. Further evaluation using the Hausman test showed that the Random Effects Model was more appropriate than the Fixed Effects Model. This result was confirmed by the Lagrange Multiplier test, which also favored the Random Effects Model over the Common Effects Model. Considering the consistency of these results, the Random Effects Model was selected as the final estimation model because it provides the most appropriate specification for the characteristics of the data used in this study.

Following the model selection process, several diagnostic tests were conducted to evaluate the adequacy of the regression model. The normality test produced a probability value of 0.1969, indicating that the residuals follow a normal distribution. The multicollinearity test also confirmed that the independent variables do not exhibit strong linear relationships, as all centered Variance Inflation Factor values ranged from 1.04 to 1.12, well below the commonly accepted threshold. The Glejser test further showed a probability value of 0.0634, indicating that the residual variance remains constant across observations. Taken together, these findings demonstrate that the selected regression model satisfies the principal statistical assumptions required for panel data estimation. The model therefore provides a reliable basis for examining the effects of ESG disclosure, dividend policy, and firm size on firm value.

Table 2. Regression Test

Variable	Coeff	Std. Error	t-stat	Prob.
C	0.60	1.61	8.86	0.71
ESGD	-0.32	0.13	-2.51	0.01
DP	-0.08	0.11	-0.66	0.51
FS	0.02	0.05	0.48	0.63

Note(s): ESGD indicates the ESG Disclosure, DP indicates Dividend Policy, FS indicates Firm Size, and FV indicates Firm Value. Total sample observation (n) are 72. Source: Compiled by the author using e-views.

The regression results show that ESG disclosure has a regression coefficient of -0.32 with a probability value of 0.01 , which is below the 5 percent significance level. These results indicate that ESG disclosure has a statistically significant relationship with firm value. Therefore, H1 is supported. The negative regression coefficient suggests that higher ESG disclosure is associated with lower firm value during the observation period. This finding indicates that the market may not immediately perceive extensive ESG disclosure as value-enhancing, possibly because investors place greater emphasis on the short-term costs associated with sustainability initiatives than on their potential long-term economic benefits (Asyifa et al., 2025).

Dividend policy reports a regression coefficient of -0.08 with a probability value of 0.51 , exceeding the 5 percent significance level. The results indicate that dividend policy does not have a statistically significant relationship with firm value. Consequently, H2 is not supported. The insignificant coefficient suggests that differences in dividend distribution do not materially influence investors' valuation of the sampled firms. This result implies that investors may place greater weight on other corporate characteristics, such as growth opportunities or future business prospects, rather than dividend payments when assessing firm value (Burhan & Bagana, 2024).

Firm size records a positive regression coefficient of 0.02 with a probability value of 0.63 , which is higher than the 5 percent significance level. These findings indicate that firm size does not have a statistically significant relationship with firm value. Accordingly, H3 is not supported. Although larger firms generally possess greater resources and operational capacity, firm size alone does not appear to determine market valuation within the sampled companies. This finding suggests that investors evaluate firm value based on broader considerations than asset size, including corporate performance, profitability, and strategic business prospects (Pitaloka & Setyabudi, 2025).

4.3 Discussion

The results demonstrate that ESG disclosure has a significant relationship with firm value, although the estimated coefficient is negative. This finding indicates that broader ESG disclosure does not necessarily translate into higher market valuation during the observation period. Instead, investors interpret extensive ESG disclosure as an indication of greater sustainability-related expenditures and compliance costs that reduce short-term financial performance. The market may therefore respond more cautiously when the economic benefits of ESG initiatives have not yet been fully reflected in corporate earnings or operating performance (Xaviera & Rahman, 2023). This result suggests that the value relevance of ESG disclosure depends not only on the quantity of information disclosed but also on investors' assessment of whether sustainability initiatives generate measurable economic benefits. Consequently, ESG disclosure alone is insufficient to increase firm value unless it is accompanied by improvements in financial performance and long-term corporate competitiveness.

Stakeholder Theory provides a useful explanation for this finding. The theory argues that firms create value by balancing the interests of multiple stakeholder groups rather than focusing exclusively on shareholders. ESG disclosure represents an important mechanism through which firms communicate their commitment to environmental responsibility, social performance, and corporate governance (Chirsty & Sofie, 2023). However, responding to stakeholder expectations often requires substantial investment in environmental programs, social initiatives, governance reforms, and sustainability reporting. These investments may increase operating costs and

reduce short-term profitability before long-term benefits become visible to the market. As a result, investors may place greater emphasis on the immediate financial consequences of ESG implementation than on its potential strategic benefits. This finding implies that ESG disclosure does not automatically increase firm value (Prayogo et al., 2023). The market appears to reward sustainability disclosure only when investors perceive that ESG practices are integrated with corporate strategy and contribute directly to future financial performance. Therefore, companies should focus not only on expanding ESG disclosure but also on demonstrating that sustainability initiatives generate tangible economic value capable of strengthening long-term shareholder wealth.

The other results indicate that dividend policy does not have a significant relationship with firm value. This finding suggests that variations in dividend distributions do not materially influence investors' valuation of the sampled firms. In other words, investors do not appear to consider dividend payments as the primary basis for assessing corporate value (Burhan & Bagana, 2024). Instead, investment decisions are likely to depend on broader considerations, including future earnings potential, business growth opportunities, financial resilience, and the firm's long-term strategic prospects. This result also implies that distributing a higher proportion of earnings as dividends does not necessarily increase market valuation, particularly when investors expect firms to retain earnings to finance future investment and support sustainable growth (Suryani & Wahyudi, 2025).

Stakeholder Theory offers an explanation for these findings by emphasizing that corporate value is created through the firm's ability to balance the interests of multiple stakeholder groups rather than focusing exclusively on shareholders. Although dividend payments represent one mechanism for fulfilling shareholders' expectations, they constitute only one aspect of corporate performance evaluated by the capital market (Wahyuningtyas & Priyadi, 2023). Investors increasingly consider a broader set of factors, including operational performance, governance quality, sustainability practices, and long-term value creation, when assessing firm value. Consequently, dividend policy alone may not provide sufficient information to alter investors' perceptions of corporate value. This finding suggests that management should not rely solely on dividend distributions to enhance market valuation (Ramdania & Haryati, 2025). Greater emphasis should instead be placed on improving the firm's long-term fundamentals and maintaining sustainable business performance, as these factors are more likely to shape investor confidence and strengthen firm value over time.

The results indicate that firm size does not have a significant relationship with firm value. This finding suggests that differences in corporate assets do not necessarily translate into differences in market valuation. Although larger firms generally possess greater operational capacity and financial resources, investors do not appear to regard firm size as a sufficient indicator of corporate value. Market participants increasingly evaluate firms based on their ability to generate sustainable earnings, maintain competitive advantages, and create long-term shareholder value rather than on the scale of their assets alone (Mayandri & Priyadi, 2024). This finding indicates that firm size no longer functions as a dominant determinant of market valuation, particularly in a business environment where investors have access to broader financial and non-financial information.

The stakeholder theory argues that corporate value is shaped by the firm's ability to create value for its stakeholders through responsible management, transparent governance, and sustainable business practices. Larger firms often face greater stakeholder expectations

because of their economic significance and public visibility. However, greater organizational scale does not automatically strengthen stakeholder confidence or improve market perceptions. Investors are more likely to respond to how effectively firms utilize their resources than to the amount of resources they control (Heldayat & Sulfitri, 2025). Consequently, firm size alone is insufficient to enhance firm value unless it is accompanied by strong financial performance, effective governance, and consistent value creation. This finding implies that corporate growth should be followed by improvements in operational efficiency and strategic performance so that increases in firm size can be translated into higher market valuation.

4.4 Practical and Theoretical Implication

This study contributes to the literature on corporate value and sustainability by extending the application of Stakeholder Theory in the context of firms included in the ESGSKEHATI Index. The findings demonstrate that ESG disclosure remains an important mechanism through which firms communicate accountability and transparency to stakeholders, supporting the argument that non-financial information has become increasingly relevant in shaping market valuation (Xaviera & Rahman, 2023). At the same time, the insignificant effects of dividend policy and firm size indicate that traditional corporate characteristics alone are insufficient to explain firm value within sustainability-oriented firms. These findings suggest that stakeholders increasingly evaluate companies based on the quality of sustainability-related information rather than relying solely on conventional financial indicators. Consequently, this study provides additional empirical evidence that stakeholder expectations continue to evolve, placing greater emphasis on corporate transparency, sustainability practices, and long-term value creation.

The findings offer several practical implications for corporate managers, investors, and regulators. For corporate management, the results highlight the importance of improving the quality and credibility of ESG disclosure rather than treating sustainability reporting merely as a regulatory requirement. ESG information should clearly communicate how environmental, social, and governance initiatives contribute to long-term business performance and corporate resilience. Investors may also benefit from incorporating ESG information into investment decisions, as sustainability disclosure provides additional insights beyond conventional financial indicators (Mubarok & Widianingsih, 2025). For regulators and standard setters, the findings emphasize the importance of strengthening ESG reporting frameworks to improve the comparability, consistency, and reliability of sustainability information. More transparent and standardized ESG disclosure can reduce information asymmetry, strengthen market confidence, and support a more efficient capital market.

5. Conclusion

This study examines the effects of environmental, social, and governance (ESG) disclosure, dividend policy, and firm size on firm value among companies included in the ESGSKEHATI Index during the 2021–2024 period. The empirical results indicate that ESG disclosure has a significant relationship with firm value, whereas dividend policy and firm size do not exhibit significant relationships with market valuation. These findings suggest that investors increasingly incorporate sustainability disclosure into their valuation decisions, while conventional corporate characteristics such as dividend distribution and firm size appear to provide limited explanatory power in determining firm value within firms recognized for their sustainability performance. The findings also reinforce the importance of ESG disclosure as a strategic mechanism for reducing

information asymmetry and strengthening corporate transparency, although the market response may vary depending on how sustainability initiatives are translated into long-term economic value.

This study is limited to companies included in the ESGSKEHATI Index and covers a relatively short observation period, which may constrain the generalizability of the findings to other market segments and different economic conditions. In addition, the empirical model focuses on ESG disclosure, dividend policy, and firm size without explicitly controlling for other firm-specific characteristics that may influence market valuation. Future studies may incorporate additional control variables, such as profitability, leverage, liquidity, or growth opportunities, to improve model specification and reduce the potential for omitted variable bias. Expanding the sample to other stock market indices or industrial sectors and extending the observation period may also provide a more comprehensive understanding of the determinants of firm value across different institutional and market environments.

Declaration of Conflicting Interests

The authors declare that there is no conflict of interest regarding the publication of this paper.

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