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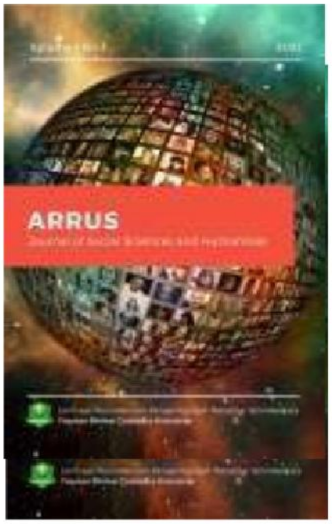

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RESEARCH ARTICLE

Impact of Sustainability Reporting Quality on Indonesian Non-Financial Firm Value

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Abstract: In the context of growing global concern for sustainability, the quality of sustainability reporting has become a critical issue in evaluating corporate performance, particularly its influence on firm value. This study aims to examine the impact of Sustainability Reporting Quality (SRQ) on firm value, measured using Tobin's Q, among non-financial firms listed on the Indonesia Stock Exchange (IDX) during the 2020-2024 period. Employing a quantitative explanatory approach, the research utilizes panel data from 30 companies over five years, analysed using multiple linear regression (OLS) with STATA 16. The findings reveal that SRQ does not significantly affect firm value, indicating that enhanced sustainability reporting has not yet translated into higher market valuation in the Indonesian capital market. Control variables such as leverage, firm size, and firm age also exhibit statistically insignificant effects. These results highlight the potential gaps in investor perception and the limited strategic integration of sustainability information in emerging markets. Theoretically, the study extends the application of Legitimacy Theory, Stakeholder Theory, and Resource Dependence Theory (RDT) by emphasizing the contextual limitations of sustainability disclosures in Indonesia. Practically, the findings urge regulators to enhance quality-based disclosure frameworks and encourage firms to treat sustainability reports as value-generating strategic instruments rather than mere compliance outputs.
Keyword: Sustainability Reporting Quality, Tobin's Q, Firm Value, Non-Financial Firms, Indonesia Stock Exchange, Multiple Linear Regression, Legitimacy Theory, Stakeholder Theory.

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1. INTRODUCTION

1.1 Amid increasing attention to environmental and social issues, ESG disclosure has become a key focus in corporate reporting practices. ESG reports are no longer just a complement, but have become an integral part of the decision-making process for investors and stakeholders. Studies show that transparent ESG reporting practices contribute to increased market confidence and company valuation because they are able to reflect the company's responsibility to sustainability aspects (Alkhalaileh et al., 2024; Clarkson et al., 2013; Hummel & Schlick, 2016). In global capital markets, companies with good ESG reporting tend to have lower systemic risk and more stable rates of return on investment.

Although many companies have published sustainability reports, the quality of them is still a major challenge. Reporting that is symbolic and uninformative can actually create distrust in the eyes of investors and the public. The quality of reporting which includes aspects of completeness, scalability, and third-party verification is a key determinant of the effectiveness of ESG disclosure in creating economic value for companies (Alshurafat et al., 2021; Fatemi et al., 2018; Ozili, 2020). As is the case in the context of forensic accounting, only auditors with relevant competencies can have a positive impact on the integrity of reports (Alkhalaileh et al., 2024).

In emerging markets, including Indonesia, the challenges to the quality of sustainability reporting are more complex. Companies often report sustainability information only to meet regulatory obligations, not as a risk management strategy or strategic communication. Lack of institutional capacity, weak enforcement, and limited professionalism in reporting are the main obstacles in achieving the expected transparency (Alkhalaileh et al., 2024; El Chaarani et al., 2022; Kaur et al., 2023). This has an impact on the low credibility of the ESG reports published, and ultimately fails to create added value for the company.

Sustainability Reporting Quality (SRQ) has a central role in bridging stakeholder expectations and the credibility of the information conveyed by the company. High SRQ can reduce information asymmetry, improve the quality of decision-making by investors, and strengthen institutional legitimacy (Adedire Temitope, 2016; Al Amosh & Khatib, 2023; Honigsberg, 2020). Within the framework of Resource Dependence Theory, the quality of sustainability reporting can be seen as a strategic external resource that increases the value of a company in the eyes of investors and the capital market (Hillman et al., 2009).

Although sustainability reporting has become an obligation in Indonesia through OJK regulations, empirical studies examining the influence of the quality of such reporting on company value are still very limited. Most studies still focus on the compliance aspect and frequency of reporting, not its quality. This creates a research gap in testing whether SRQ is really able to make a significant contribution to the company's market performance and valuation (Abdullatif et al., 2019; Alkhalaileh et al., 2024; Deswanto & Siregar, 2018).

Based on this background, the main question asked in this study is: *Does the quality of sustainability reporting have a significant effect on the value of non-financial companies in Indonesia?* Using a quantitative approach, this study will examine the relationship between SRQ and the value of the company proxied by the Tobin's Q ratio, as well as control for the variables of leverage, size, and age of the company as is common in studies related to financial reporting and performance (Ahmed et al., 2020; Alkhalaileh et al., 2024).

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This study aims to analyse the influence of sustainability reporting quality on company value, as well as to enrich the sustainability accounting literature with empirical evidence from the Indonesian market. This study is also expected to make a practical contribution for regulators, companies, and auditors in improving the quality of sustainability reporting as a corporate value creation strategy. Theoretically, this study expands the application of Legitimacy Theory and Resource Dependence Theory in the context of ESG reporting (Alkhalaileh et al., 2024; Hillman et al., 2009; Pfeffer & Salancik, 1978).

1.2 Sustainability Reporting Quality (SRQ)

Sustainability Reporting Quality (SRQ) refers to the level of depth, clarity, and credibility of the information conveyed in a company's sustainability report. The SRQ not only reflects compliance with regulations or reporting standards such as the GRI (Global Reporting Initiative), but also demonstrates the extent to which non-financial information is able to provide strategic value for stakeholder decision-making (Clarkson et al., 2013; Fatemi et al., 2018). The quality of ESG reporting is increasingly relevant in an era where capital markets demand greater transparency, especially regarding environmental, social, and governance risks.

SRQ has strategic value in reducing information asymmetry between management and investors. Quality reports allow users to objectively evaluate a company's sustainability performance and its long-term strategy. Study by (Hummel & Schlick, 2016) indicates that a high SRQ increases the perception of legitimacy and leads to a more positive market valuation. In the context of emerging markets such as Indonesia, SRQ's role is becoming increasingly important given the fluctuating level of market confidence due to uneven disclosure quality (Deswanto & Siregar, 2018).

The main dimension of the SRQ is completeness of information, i.e. the extent to which the report covers all material aspects of the company's sustainability activities, including environmental, social, and governance issues (GRI 102-103). Completeness is important to ensure that no material information is intentionally or unintentionally omitted that could mislead stakeholders (Clarkson et al., 2013). Incompleteness of reports is often attributed to an intent to hide negative performance or unethical practices.

Verifiability refers to the extent to which the information in a sustainability report can be independently tested and verified. Reports that have external verification, such as assurance statements from third parties, are generally considered more credible and trusted by investors (Fatemi et al., 2018). According to (Alkhalaileh et al., 2024), reporting practices supported by forensic competence or external audit professionalism had a positive correlation with improved integrity of reported information.

The third dimension is consistency, which is the company's ability to report sustainability information repeatedly over time in the same format and indicators. Consistency allows for comparisons between years and similar companies, making it easier to analyse long-term trends (Hummel & Schlick, 2016). Good comparability demonstrates the company's commitment to sustainable transparency and helps investors identify companies with stable and responsible ESG performance.

1.3 Firm Value (Tobin's Q)

Tobin's Q is an indicator of a company's value obtained from a comparison between the market value of a company's assets and their replacement costs. This ratio reflects investors' perception of the company's future growth prospects. A Q ratio greater than 1 indicates that the market values a company's assets higher than its book value, implying attractive investment potential. Conversely, a Q value of less than 1 indicates that the market rates the company as undervalued or has less promising

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prospects.

Tobin's Q is widely used as a central indicator in financial research because it combines market information and internal financial performance. This ratio is able to capture intangible aspects such as reputation, strategy, and growth expectations that are not directly reflected in conventional financial statements. In the context of sustainability reporting, Tobin's Q is an important metric to test how non-financial information such as the quality of ESG reporting can affect market perception and a company's valuation.

The value of a company is influenced by various internal factors, one of which is profitability. Companies with high profits tend to have a larger valuation because they are perceived to be more able to generate cash flow in the future. On the other hand, high levels of leverage can have a negative impact as they add financial risk and uncertainty of returns for investors (Ahmed et al., 2020; Alkhalaileh et al., 2024; Alshurafat et al., 2021). A balanced capital structure is key in maintaining a positive perception of the market.

In addition to internal factors, the company's value is also influenced by external determinants such as the quality of reporting and the company's reputation in the eyes of stakeholders. The high quality of sustainability information can strengthen the company's legitimacy, reduce information asymmetry, and ultimately increase market value (Deswanto & Siregar, 2018; Hummel & Schlick, 2016). Companies that consistently convey relevant and verifiable ESG information are more likely to be positively rated by institutional investors.

Tobin's Q was chosen in this study because of its ability to reflect the market's response to non-financial factors in a more sensitive way compared to traditional financial ratios such as ROA or ROE. This ratio has been used extensively in the literature to test the influence of sustainability disclosure, ownership structure, and governance on company value (Fatemi et al., 2018; Hillman et al., 2009; Pfeffer & Salancik, 1978). Therefore, Tobin's Q is considered an appropriate indicator to assess whether the quality of sustainability reporting has a real impact on the value of non-financial companies in Indonesia.

1.4 The Effect of Sustainability Reporting Quality on Firm Value

A number of empirical studies show that the quality of sustainability reporting has a positive influence on company value. (Fatemi et al., 2018) states that high-quality ESG disclosures can increase investor confidence, lower capital costs, and increase market valuation. (Hummel & Schlick, 2016) It also found that consistent and verifiable sustainability transparency contributes to positive perceptions of the market, especially in large globally exposed companies. Similar findings were also reported by (Al Amosh & Khatib, 2023), which confirms that companies with high ESG scores tend to have significantly larger Tobin's Q ratios.

However, not all studies found a positive association. Some studies suggest that SRQ's impact on a company's value can be negative or insignificant, especially when the market has not fully valued sustainability information or if reporting is done symbolically. For example, (Clarkson et al., 2013) mentioned that reporting that only aims to meet regulatory pressure without strategic substance can actually reduce the company's credibility. In the context of developing countries, (Deswanto & Siregar, 2018) found that the influence of environmental reporting on company value is weak due to low investor awareness of ESG issues.

One of the main theoretical mechanisms that explains the influence of SRQ on firm value is the role of information asymmetry. High SRQ is believed to reduce the information gap between management and stakeholders, thereby strengthening the legitimacy and efficiency of the market (Hillman et al., 2009; Hummel &

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Schlick, 2016). (Alkhalaileh et al., 2024) emphasizing that professional competence in the reporting process is essential to ensure the reliability of information, so as to reduce risk perception and increase investor confidence in the company's intrinsic value.

In the context of Indonesia as a developing market, the influence of SRQ on firm value is strongly influenced by institutional quality and market awareness of sustainability issues. (El Chaarani et al., 2022) shows that the effectiveness of sustainability reporting practices is highly dependent on the strength of governance and applicable law enforcement. When regulatory systems are weak, sustainability information tends to be unreliable and fails to create a valuation effect. Therefore, it is important to judge SRQ not only by its existence, but also by the integrity and validity of its content.

Based on the results of previous studies and the existing theoretical framework, it can be concluded that SRQ has great potential in increasing firm value, but the results are contextual. This study will expand the literature by empirically examining the relationship in Indonesia, with a quantitative approach and control of relevant variables. These findings are expected to strengthen the role of legitimacy theory and Resource Dependence Theory as the conceptual basis of the relationship between sustainability reporting and corporate economic value (Alkhalaileh et al., 2024; Fatemi et al., 2018; Pfeffer & Salancik, 1978).

1.5 Theoretical Framework

Legitimacy Theory explains that organizations seek to maintain support from the community by ensuring that their activities are in accordance with dominant social norms, values, and beliefs. In the context of sustainability reporting, SRQ becomes a key tool for companies to strengthen institutional legitimacy by demonstrating that they are socially and environmentally responsible (Hummel & Schlick, 2016; Suchman, 1995). When companies face social pressures or reputational issues, quality reporting becomes a symbolic and substantive means of maintaining social license to operate (Clarkson et al., 2013; Deegan, 2002).

Stakeholder Theory assumes that companies are not only accountable to shareholders, but also to various stakeholders such as customers, employees, regulators, and the wider community. High-quality sustainability reporting strengthens the relationship between companies and their stakeholders by providing relevant and trustworthy information regarding social and environmental impacts (Fatemi et al., 2018; Freeman, 1984). As stakeholders' expectations of transparency and accountability increase, the quality of disclosure becomes an important instrument for maintaining relational legitimacy and supporting the achievement of long-term value (Al Amosh & Khatib, 2023).

According to RDT, organizations rely on external resources controlled by actors outside the organization, such as investors, regulators, and ESG rating agencies. The quality of sustainability reporting can be seen as a strategic asset that helps companies secure access to capital, market preferences, and policy support (Hillman et al., 2009; Pfeffer & Salancik, 1978). SRQ enables companies to proactively manage these dependencies by reducing information asymmetry and strengthening external credibility, which in turn increases competitiveness and market value (Alkhalaileh et al., 2024; Deswanto & Siregar, 2018).

1.6 Hypothesis Development

This hypothesis is based on a framework of thinking built from Legitimacy Theory, Stakeholder Theory, and Resource Dependence Theory (RDT). These three theories provide justification that Sustainability Reporting Quality (SRQ) plays an important

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role in shaping stakeholder perceptions and strengthening the company's position in the market. High SRQ strengthens organizational legitimacy (Deegan, 2002), meet the information needs of stakeholders (Freeman, 1984), and become a strategic resource that reduces dependence on external parties (Hillman et al., 2009).

Some previous studies support that SRQ has a positive influence on a company's value. (Fatemi et al., 2018) indicates that companies with high ESG disclosure levels gain higher market valuations due to investors' perceptions of non-financial risk management. Similarly, a study by (Hummel & Schlick, 2016) found that consistent and verifiable reporting quality correlated with an increase in Tobin's Q as a firm value indicator. Additional evidence is also shown by (Al Amosh & Khatib, 2023), that document that a good ESG score has a significant impact on a company's value, especially amid uncertainties such as the pandemic.

Based on these theories and empirical findings, this study proposes the following hypotheses:

H_1: Sustainability Reporting Quality has a significant positive effect on firm value.

This hypothesis will be tested using quantitative data of non-financial companies in Indonesia as well as a linear regression approach that controls for financial and governance variables, to ensure the validity of the causal relationship between SRQ and company value.

2. METHODS

This study uses a quantitative approach with an explanatory design to test the effect of Sustainability Reporting Quality on firm value in non-financial companies listed on the Indonesia Stock Exchange. The explanatory design was chosen because it aims to explain the causal relationship between variables based on a previously constructed theory (Hair et al., 2019). The data used is panel data, which is a combination of time series and cross-section data, so that it is able to capture dynamics between companies and between times simultaneously, increasing inferential validity (Hsiao, 2014). This approach is relevant to evaluate the strategic implications of SRQ on corporate value in the context of emerging markets such as Indonesia (Alkhalaileh et al., 2024).

The population in this study includes all non-financial companies listed on the Indonesia Stock Exchange (IDX) during the period 2020 to 2024. The selection of non-financial companies is based on the consideration that the financial sector has different regulatory characteristics and reporting structures, particularly in the aspects of sustainability and ESG disclosure (Fatemi et al., 2018). A five-year period was chosen to obtain sufficient panel data in identifying trends and controlling for annual fluctuations that may affect the relationship between the quality of sustainability reporting and the value of the company (Hsiao, 2014). In addition, this period also reflects the post-adoption era of OJK regulations related to gradual sustainability reporting that began in 2017, so it is relevant to analyse.

The sample was selected through purposive sampling techniques with the following criteria: (1) non-financial companies that consistently publish sustainability reports during 2020–2024; (2) have complete financial data and ESG disclosure during the observation period; and (3) not in a condition of delisting or suspension of trading. These criteria are intended to ensure the validity of data and consistency of measurements between times (Al Amosh & Khatib, 2023). By applying this filtering, it is hoped that the sample obtained has representative data quality and is relevant to the purpose of the research to empirically test the influence of *Sustainability Reporting Quality* on *firm value* in emerging markets such as Indonesia.

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This study adopts a panel linear regression model to test the relationship between Sustainability Reporting Quality (SRQ) and company value proxied with Tobin's Q. This model also considers several control variables that are believed to affect firm value, such as leverage, company size, and company age. The regression model estimated in this study is formulated as follows:

$$TobinQ_{it} = \alpha + \beta_1 SRQ_{it} + \\ = \beta_2 Leverage_{it} + \beta_3 Size_{it} + \beta_4 Age_{it} + \varepsilon_{it} \quad (1)$$

Where:

a. $TobinQ$ = Company Values (market value to asset replacement cost),
b. SRQ = Sustainability Reporting Quality Index,
c. Leverage = Total debt to total assets ratio,
d. Size = Natural logarithm Total Company Assets,
e. Age = The company's age since IPO,
f. α = Constanta,
g. β_1–β_4 = Regression Coefficient,
h. ε = error term.

This model is based on a framework that has been applied in previous studies, such as Fatemi et al. (2018) and Hummel and Schlick (2016), which show that firm value can be influenced by both the quality of ESG reporting and the financial characteristics of a company. The use of control variables aims to isolate the influence of SRQ more accurately in determining the value of a company in the context of developing countries such as Indonesia (Alkhalaileh et al., 2024).

This study uses five main variables, consisting of one dependent variable (Tobin's Q), one main independent variable (Sustainability Reporting Quality / SRQ), and three control variables (leverage, size, and age). Each variable is measured by a quantitative approach based on secondary data obtained from annual reports, sustainability reports, and external sources such as Bloomberg and Indonesia Stock Exchange publications.

Tobin's Q is used as an indicator of a company's value and is calculated by comparing the company's total market value to the book-value of assets. The use of Tobin's Q is common in financial research because it reflects investors' perceptions of a company's growth potential (Fatemi et al., 2018). The SRQ variable is measured through the completeness score of reporting content based on GRI Standards and the existence of *external assurance*, as applied in the study of Hummel and Schlick (2016). Control variables include leverage (ratio of liabilities to total assets), company size (natural log of total assets), and the life of the company since the initial listing of the shares, all of which are relevant as determinants of the company's value (Clarkson et al., 2013; Alkhalaileh et al., 2024).

Here is a table of operational definitions and data sources:

Table 1. Operational Variable

Variable	Operational Definition	Data Source
Tobin's Q	Total market value / book value of assets	Bloomberg / Factbook
SRQ	GRI content score + external assurance	Sustainability Report
Leverage	Total liabilities / total assets	Annual Report
Size	Logaritma natural total aset	Annual Report
Age	The company's age since the IPO	IDX & Annual

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	Report

Source: Data Processing Results (2025)

Data analysis in this study was carried out through several stages of statistical tests that aimed to ensure the validity of the results and support empirical hypothesis testing. First, a descriptive analysis was carried out to describe the data distribution of each variable, including mean values, standard deviations, minimum values, and maximums. This stage is important to understand the basic characteristics of the data and detect any outliers that have the potential to affect the estimation results (Gujarati & Porter, 2009).

Furthermore, to test the potential for multicollinearity between independent variables, *the Variance Inflation Factor* (VIF) test was carried out. A VIF value of < 10 indicates that there are no serious symptoms of multicollinearity in the regression model, so the relationships between variables can be analysed independently (Hair et al., 2019). The main analysis was performed using multiple linear regression of the *Ordinary Least Squares* (OLS) method based on the data panel, with fixed-effect or random-effect estimation depending on the results of the Hausman test. This model was used to test the effect of sustainability reporting quality (SRQ) on company value (Tobin's Q), with controls for leverage, size, and age.

All statistical tests were performed at a significance level of 5% ($\alpha = 0.05$). The regression result will be considered statistically significant if the *p-value* is < 0.05, which indicates that the relationship between SRQ and firm value does not occur by chance. The analysis process is carried out using statistical software such as Stata or EViews which supports panel model estimation with robust standard errors to improve the reliability of the results (Wooldridge, 2016).

3. RESULTS AND DISCUSSION

1.1. Descriptive Statistics

Table 2. Descriptive Statistics

Variable	N	Mean	Standard Deviation	Min	Max
TobinQ	150	1.9588	0.4712	0.6901	3.2316
SRQ	150	0.6011	0.1743	0.3030	0.8940
Leverage	150	0.5589	0.2171	0.2076	0.8951
Size	150	14.4194	1.0345	12.1981	17.5789
Age	150	27.4733	13.5313	5.0000	49.0000

Source: Data Processing Results (2025)

Table 2 presents descriptive statistics of the five main variables used in this study based on 150 observations from 30 non-financial companies during the period 2020 to 2024. The average value of Tobin's Q is 1.9588 with a standard deviation of 0.4712, which indicates that most of the companies in the sample have a higher market valuation than their book value. Tobin's Q minimum value is 0.6901, while the maximum value is 3.2316, indicating a fairly high variation in market value between companies.

The Sustainability Reporting Quality (SRQ) variable has an average value of 0.6011 with a range between 0.3030 to 0.8940, reflecting a substantial difference in the quality of sustainability reporting between companies. This value shows that some companies have implemented relatively good ESG reporting, while others are still at a basic level. This is in line with conditions in emerging markets such as Indonesia, which do not yet have uniform reporting quality standards.

The Leverage control variable shows an average value of 0.5589, which means that the average capital structure of a company consists of about 56% of liabilities against

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total assets. The minimum leverage value is 0.2076, while the maximum value reaches 0.8951, signalling the difference in funding strategies between companies in the sample. This variability is important to control in regression models because the level of leverage can affect investors' risk and perception of the company.

Company size (*Size*) measured using the natural logarithm of total assets shows an average of 14.4194, with a standard deviation of 1.0345. This value reflects that the majority of companies in the sample are classified as medium to large in asset scale.

The *Age* variable, which represents the age of the company since its inception, has an average of 27.47 years, with an age range from 5 to 49 years. This shows that the sample includes companies with varying levels of operational maturity.

Overall, these descriptive statistics indicate considerable diversity in market value, sustainability reporting quality, capital structure, business scale, and age of the analysed firms. This diversity is important in building a robust empirical model and ensuring the validity of generalizations of research results.

3.2 Multicollinearity Test

Table 3. Multicollinearity Test

Variable	VIF
Const	3.3944
SRQ	1.1621
Leverage	1.0744
Size	1.1445
Age	1.0387

Source: Data Processing Results (2025)

The multicollinearity test was performed to ensure that there was no high correlation between independent variables in the regression model. Based on the results of the calculation of the Variance Inflation Factor (VIF) shown in **Table 3**, all variables have a VIF value below 5, with a range between 1.0387 to 1.1621. This value is well below the commonly used multicollinearity tolerance threshold, which is VIF > 10 (Hair et al., 2017), or conservatively VIF > 5 (Gujarati & Porter, 2009).

The SRQ value has a VIF of 1.1621, which indicates that this variable is independent of the other variables in the model. Similarly, Leverage and Size have VIF of 1.0744 and 1.1445, respectively, suggesting that the correlation between the control variables in the model is very low. The Age variable also shows the lowest IF of 1.0387, indicating that the age of the company does not show overlapping information with other predictors.

Thus, it can be concluded that there is no problem of multicollinearity in this regression model, and that all free variables are feasible to be included in multiple linear regression analysis without the need for variable transformation or deletion.

3.3 Regression Analysis

Table 4. Regression Analysis

Variable	Coefficient	Std. Error	t-stat	p-value	95% CI Below	95% CI Top
Const	2.1169	0.5662	3.739	0.0003	0.9979	3.2359
SRQ	-0.2259	0.2235	-1.011	0.3138	-0.6676	0.2158

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Leverage	-0.0838	0.1804	-0.464	0.6431	-0.4402	0.2727
Size	-0.0016	0.0377	-0.0427	0.9660	-0.0761	0.0729
Age	0.0017	0.0029	0.6007	0.5490	-0.0040	0.0075

Source: Data Processing Results (2025)

Multiple linear regression analysis was conducted to test the influence of Sustainability Reporting Quality (SRQ) on the value of the company proxied with *Tobin's Q*, by controlling for *the variables Leverage*, *Size*, and *Age*. The results of the estimation presented in **Table 4** show that the SRQ variable has a coefficient of -0.2259, but it is not statistically significant at a confidence level of 95% (p = 0.3138). These results show that empirically, the quality of sustainability reporting has not had a significant impact on the market valuation of companies in Indonesia during the 2020-2024 observation period.

The Leverage control variable also showed a negative coefficient (-0.0838) but not significant (p = 0.6431), which means that the debt structure of a company does not directly contribute to the difference in market value between companies. In contrast, Size has a very small and negative coefficient (-0.0016) with a significance that is far from significant (p = 0.9660), suggesting that the scale of the company (based on total assets) does not directly affect Tobin's Q in this model. Meanwhile, the Age variable had a small positive coefficient (0.0017) but also insignificant (p = 0.5490), indicating that the age of the company was not the primary predictor of market value in this sample.

Although the model as a whole is able to explain some of the variation in *Tobin's Q*, there is not a single independent variable in the model that is statistically significant at a significance level of 5%. These results may be influenced by industry sector heterogeneity, varying quality of reporting implementation, or other moderation/mediation effects that have not been considered.

In general, these findings reinforce the need to review the institutional and regulatory context in emerging markets such as Indonesia, where the quality of sustainability reporting has not yet fully translated into strong market signals for investors. Advanced research can integrate factors such as information asymmetry, ESG communication strategies, or stakeholder engagement to understand the deeper mechanisms of these relationships.

3.4 Discussion

The results of this study show that Sustainability Reporting Quality (SRQ) does not have a significant influence on the value of companies (Tobin's Q) in the Indonesian capital market in the 2020-2024 period. These findings are in contrast to a number of studies that have found a positive relationship between the quality of sustainability reporting and market perception and increased company value, especially in developed markets (Bhatia & Tuli, 2017; Cormier et al., 2011). However, these results are in line with several studies in emerging markets that reveal that investors' appreciation of sustainability reporting is still low, and the quality of reporting has not yet been a strong enough signal in the valuation process (Al-Haddad et al., 2022; de Villiers & Marques, 2016).

Theoretically, this result can be explained through the framework of Legitimacy

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Theory. In the Indonesian context, many companies may draft sustainability reports more as a symbolic form of regulatory compliance, rather than as a strategic instrument to build long-term legitimacy in the eyes of investors (Suchman, 1995; Cho & Patten, 2007). When the report only emphasizes existence without paying attention to the quality, consistency, and verifiability of the content, then the impact on market perception is minimal.

From the perspective of Stakeholder Theory, SRQ's failure to influence *firm value* also indicates that stakeholder expectations have not been fully accommodated in reporting, or that the market has not been sufficiently sensitive to the sustainability signals communicated by companies (Freeman, 1984; Muralikrishna & Manickam, 2017). In addition, investors in Indonesia may still focus more on conventional financial indicators, such as earnings and dividends, rather than ESG metrics.

This discovery can also be attributed to the Resource Dependence Theory (RDT), which states that external resources such as social legitimacy and stakeholder relations can be used to improve organizational performance (Pfeffer & Salancik, 1978). However, if SRQ is not considered a strategic resource by investors or by the company's internal management, then its impact on market value will be limited. In this case, SRQ has not been fully functioned as a reputation management tool or an instrument for strengthening external relationships.

In terms of policy, these findings show that there is still a need for regulations that encourage sustainability reporting not only in the form of disclosure, but also in quality aspects including external verifiability and linkage with corporate strategy. Regulators such as the OJK may consider the preparation of a reporting quality index or a standardized SRQ scoring system integrated into the rating system of public companies.

Practically, companies need to view SRQ as part of a long-term value-based corporate communication strategy, not just administrative compliance. On the other hand, education of retail investors is also needed so that they can understand and appreciate non-financial information that is relevant to the long-term risks and sustainability of the company's value.

3.5 Theoretical and Practical Implications

Theoretically, the results of this study contribute to the development of the accounting literature on sustainability and corporate strategic management in emerging markets. The insignificance of the influence of *Sustainability Reporting Quality* (SRQ) on *firm value* shows that the mechanism of legitimacy and stakeholder expectations on which *Legitimacy Theory* (Suchman, 1995) and *Stakeholder Theory* (Freeman, 1984) are based may not have worked optimally in the Indonesian context. Thus, this study highlights the importance of considering aspects of the institutional context and culture of corporate governance in testing the effectiveness of sustainability reporting.

Furthermore, these findings also indicate that SRQ is not yet fully an external strategic resource, as stated in *Resource Dependence Theory (RDT)* (Pfeffer & Salancik, 1978). In many cases, sustainability reports are still seen as *a compliance-driven* instrument, rather than a value-added strategy that reduces information asymmetry and strengthens relationships with investors. Therefore, this study expands the understanding of the theoretical limitations of western models when applied directly to the context of emerging markets.

From a practical point of view, the study provides some important implications for regulators and company management. For regulators such as the Financial Services Authority (OJK) and the Indonesia Stock Exchange (IDX), policies are needed that

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not only require sustainability reporting, but also encourage quality improvement through objective assessment standards and third-party verification mechanisms. Quality-based regulations, such as the integration of SRQ scores in national ESG indices, will help investors make more informed decisions.

Meanwhile, for company management, these findings signal that the mere existence of sustainability reports is not enough to increase market confidence. A more comprehensive, consistent, and integrated reporting strategy is needed with the company's long-term goals. By increasing the credibility of reports through *assurance*, *stakeholder engagement*, and materiality-based reporting, companies can position SRQ as a valuable *intangible asset* in strengthening investor perception.

3.6 Limitations and Future Research

Although this study makes an empirical contribution to understanding the relationship between *Sustainability Reporting Quality* (SRQ) and *firm value*, there are several limitations that need to be considered. First, this study only focuses on non-financial companies listed on the Indonesia Stock Exchange (IDX) during the 2020-2024 period. Thus, geographical context and limited industry sectors may limit the generalization of these findings to companies in the financial sector or to countries with different market and governance structures.

Second, SRQ measurements are still based on GRI content scores and the existence *of assurance*, which may not fully reflect substantive aspects of reporting quality. The quality of sustainability reporting is multidimensional, including aspects of stakeholder engagement, linkage to business strategy, and the significance of material information. Therefore, the development of a more comprehensive SRQ index, including *textual analysis* or *machine learning-based scoring*, is a potential research direction worth exploring.

Third, this research model uses a typical linear regression (OLS) approach without considering the potential mediating or moderation effects, which may explain the indirect or conditional relationship between SRQ and company value. For example, the role of corporate reputation, environmental performance, or ESG risk as intervening variables can provide a deeper understanding of the dynamics of SRQ's influence. Further research may consider Structural Equation Modelling (SEM) or data regression with fixed/random effects panels to overcome these methodological limitations.

Finally, the secondary data used in this study came from published reports, so the quality and reliability of the data is highly dependent on the integrity of the presentation by the company. Qualitative or mixed methods research through interviews with stakeholders, such as investors, auditors, or regulators, can be a complementary approach that uncovers the social and institutional dimensions of SRQ that have not been covered in the quantitative approach.

With these limitations in mind, future research is expected to develop more complex and contextual analytical models to more accurately and relevantly capture the relationship between sustainability reporting and market performance.

4. CONCLUSION

This study aims to examine the influence of Sustainability Reporting Quality (SRQ) on company value (proxied by Tobin's Q) in non-financial companies listed on the Indonesia Stock Exchange during the period 2020-2024. Using a quantitative explanatory approach based on multiple linear regression and panel data from 30 companies over 5 years (N = 150 observations), this analysis yielded several key findings.

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First, the SRQ variable shows a negative but not significant coefficient, which indicates that improving the quality of sustainability reporting has not been statistically proven to improve a company's market valuation. These findings suggest that sustainability information is not yet fully considered a key determinant of company value in the Indonesian market, in contrast to trends found in a number of studies in developed countries.

Second, the Leverage control variable also has a negative influence on firm value, although it is not significant. This indicates that the high proportion of debt in the capital structure does not directly affect the market value in the context of the company being studied. In contrast, the Size and Age variables, which represent the scale and maturity of the company, show positive but also insignificant coefficients, indicating that these fundamental factors have not yet been the main drivers of the variability of the company's value in this model.

Overall, there were no variables that showed statistical significance at the level of $\alpha = 5\%$, indicating the possibility that other factors whether mediation, moderation, or external variables played a role in shaping the company's market value. These results emphasize the need for a more comprehensive approach to understanding the relationship between sustainability reporting and corporate valuation in emerging markets.

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