



The Influence of Sustainability Disclosure and CSR Expenditure on Firm Value

Namira Azzliya^{1*}, Rita Meutia², Indayani³

Syiah Kuala University

Corresponding Author: Namira Azzliya, namira0203@gmail.com

ARTICLE INFO

Keywords: Firm Value, Sustainability Disclosure, CSR Expenditure, Systematic Literature Review

Received : 8 May

Revised : 24 June

Accepted : 25 July

©2025 Azzliya, Meutia, Indayani: This is an open-access article distributed under the terms of the

[Creative Commons Atribusi 4.0 Internasional](https://creativecommons.org/licenses/by/4.0/)



ABSTRACT

This study explains the relationship between sustainability disclosure and CSR expenditure on firm value. This study uses a Systematic Literature Review method. The aim is to provide insight into how sustainability disclosure and CSR expenditure contribute to firm value. The sample consists of articles published between 2020 and 2024, indexed by Scopus and Sinta. The findings of this study indicate that sustainability disclosure has received attention from stakeholders, as has transparency regarding the distribution of CSR Expenditure. This review also offers recommendations for further research

INTRODUCTION

Based on the ratification of the Paris Agreement, Law No. 16 of 2016 requires all countries to disclose their commitment to sustainability. This is also supported by Otoritas Jasa Keuangan No. 51 of 2017 concerning sustainable finance, which requires financial services institutions, issuers, and public companies to submit sustainability reports. Initially, in 2005, only one company made a voluntary disclosure (Saripah et al., 2024). However, by the end of 2023, 873 companies, representing 97 percent of the total companies listed on the Indonesia Stock Exchange, had submitted sustainability reports through information disclosure on the IDX (Antara News). For example, Garudafood Putra Putri Jaya Tbk implements its sustainability through four pillars: a sustainable supply chain involving local raw materials, an environment aligned with the Environmental Management Plan (RKL) and Environmental Monitoring Plan (RPL), business ethics, and labor. Sustainability disclosure aims to meet present needs without compromising the ability of future generations to meet their own needs (Sari et al., 2017). Appropriate sustainability disclosures that align with stakeholder expectations will positively impact the public, as management demonstrates that the company is well-sustained in the future and is capable of increasing its value (Rady Darmastika & Ratnadi, 2019).

CSR follows the 3P concept introduced by Elkington (1997): People, Planet, and Profit. Commonly referred to as the Triple Bottom Line, the People concept emphasizes that companies should not solely seek profit but should care about and participate in helping communities achieve prosperity. The Planet concept emphasizes that companies should share responsibility for preserving the natural environment. These concepts teach companies to transcend economic aspects or profit as their primary goal.

Previous research has found that sustainability disclosure has a positive effect on firm value (Atahau & Kausar, 2022; Bai et al., 2024; Buallay, 2020). However, this contrasts with the banking sector, where sustainability disclosure has a negative effect on firm value (Bifulco et al., 2023; Buallay, 2020; Sulistyawati & Ratmono, 2023). This occurs because some companies focus solely on increasing profitability and assume that ESG disclosure is less important (Igbinovia & Agbadua, 2023). Furthermore, some companies with profitability-focused investors imply that only profit can increase firm value (Faizah & Ediraras, 2021).

Furthermore, the Limited Liability Company Law and Government Regulation No. 47 of 2012 stipulate that companies are required to set aside 2 to 4 percent of their corporate funds for social responsibility programs. For example, Garudafood Putra Putri Jaya Tbk spent IDR 3.4 billion on its CSR activities. These environmental issues have impacted public awareness of the importance of implementing social responsibility, also known as CSR (Corporate Social Responsibility), in business and construction activities, a concept that is rapidly growing in the industrial world (Evelyn Stacia, 2015). Transparently distributed funds help investors make investment decisions that prioritize sustainability (Castro et al., 2021).

CSR funding impacts company value (Oware & Mallikarjunappa, 2022). However, research also suggests that CSR funding does not make a company attractive to investors, thus damaging its image (Garg & Gupta, 2021).

LITERATURE REVIEW

Firm Value

(Harmono, 2009) states that firm value is a company's performance, reflected in its share price, which is determined by capital market supply and demand, reflecting the public's assessment of the company's performance. A high firm value will bolster market confidence in the company's future prospects, not just its current performance (Pujaningrum, 2019).

Sustainability Disclosure

According to the Global Reporting Initiative (2006), sustainability disclosure can serve as a platform for communicating economic, environmental, and social performance, demonstrating both positive and negative impacts. Aspects deemed critical to the company, related to the expectations and interests of stakeholders, support sustainability disclosure. The GRI Standards provide comprehensive and globally recognized guidelines for measuring and reporting economic, environmental and social aspects (Argento et al., 2019). Stakeholders can include those who invest in the entity as well as those with other relationships with the organization. Sustainability disclosure helps entities set goals, measure performance, and manage change.

CSR Expenditure

CSR expenditure represent the costs incurred by a company to carry out its activities (Oware, 2022), reflecting the number of CSR activities undertaken by the company. Implementing CSR activities certainly requires the allocation of resources that must be spent by the company (Setyahuni & Widiar, 2022), meaning the company allocates expenditure items to support CSR activities.

METHODOLOGY

The research was conducted using a qualitative approach using the systematic literature review (SLR) method. SLR is a specific research and development conducted to collect and evaluate relevant research on a specific topic. SLR research is conducted for various purposes, including identifying, reviewing, evaluating, and interpreting all available research on a topic area of interest.

This research utilized international and national databases to find relevant articles. This research utilized databases from leading websites such as ScienceDirect, Emerald, and GoogleSchool to find related articles. This research used the keywords sustainability, sustainability report, CSR expenditure, and corporate value to find articles from these databases. Due to the limited literature matching the keywords, this study utilized all results sourced from publications. The selection of national journals accredited by the Ministry of Research, Technology, and Higher Education had a minimum SINTA 2. This search yielded 13 studies on sustainability disclosure, CSR funds, and corporate value published during the 2020-2024 period

RESULT

The research method used in this study on sustainability disclosure and CSR expenditure impact on firm value is a quantitative approach. Based on a review of 13 articles, this study identified numerous research gaps that can serve as direction and guidance for future researchers in the field of sustainability.

Table 1. Articles in These Journals.

No	Journal	Article
1	International Journal of Productivity and Performance Management	1
2	Journal Of Competitiveness	1
3	AFRE (Accounting and Financial Review)	1
4	JURNAL ASET (Akuntansi Riset)	1
5	Corporate Social Responsibility and Environmental Management	1
6	Pacific-Basin Finance Journal	2
7	British Journal Of Management	1
8	Cogent Business & Management	1
9	South Asian Journal of Business Studies	1
10	Nigerian Defence Academy	1
11	Indonesian Journal of Sustainability Accounting and Management	1
12	Jurnal Reviu Akuntansi dan Keuangan	1
Total		13

DISCUSSION

Sustainability Disclosure on Firm Value

Sustainability disclosure variables have been found to influence company value (Atahau & Kausar, 2022; Bai et al., 2024; Buallay, 2020). The positive relationship between these variables is believed to be due to sustainability disclosure's ability to provide additional information for investors to increase their investment, thereby increasing company value (Saripah et al., 2024).

Investors are not always solely focused on financial returns (Shokomi & Yahaya, 2024). Investors also consider non-financial aspects of a company, such as sustainability disclosures that cover economic, environmental, and socially responsible performance, to inform decision-making (Buallay, 2020). Sustainability disclosures can create a positive corporate image in the capital market (Bai et al., 2024). A better company's value increases consumer loyalty, thereby increasing its value, attracting more investors (Oware & Mallikarjunappa, 2019).

However, on the banking side, sustainability disclosures have been found to increase costs and have economic consequences that ultimately result in lower company value (Buallay, 2020). This, in turn, leads to a decline in the company's value in the eyes of investors (Nguyen et al., 2024)

CSR Expenditure on Firm Value

CSR funding has been found to have a positive relationship with company value (Garg & Gupta, 2021; Oware & Mallikarjunappa, 2022). This positive

relationship is believed to exist because companies that allocate funds for CSR activities can create a competitive advantage (Franco et al., 2020; Oware & Mallikarjunappa, 2022). Transparent and properly distributed use of CSR funds can add value to the company (Shokomi & Yahaya, 2024).

Appropriately distributed CSR funds can manage investor perceptions that these expenditures are long-term investments (Oware, 2022). Investment in CSR can increase company value. Allocating funds by companies for CSR expenditures can satisfy the community by increasing sustainability and can change the community's appreciation of the company (Oware & Mallikarjunappa, 2022).

Companies can make mandatory expenditures and reporting that legitimately cause the company to operate in the community or receive protection for its products in the market (Dahal et al., 2024). The magnitude of CSR is expected to lead to higher utilization of company assets or increased company value, which is a shareholder expectation (Oware, 2022).

However, according to (Garg & Gupta, 2021), mandatory CSR spending can reduce company performance, as measured by company value, because short-term investors interpret excessively large disbursements as an attempt by the company to divert attention from poor financial performance.

CONCLUSION AND RECOMMENDATION

This study aims to provide insight into the development of sustainability disclosure and CSR expenditure from 2020 to 2024, by evaluating several articles discussing these issues, which are useful in increasing company value. Current literature analysis shows that all companies have disclosed sustainability and incurred costs for social and environmental responsibility activities in line with their sustainability disclosures, thus attracting investors to invest, which ultimately leads to increased firm value.

It is hoped that potential investors can analyze the sustainability of the company in order to pay attention to the company's concern for the environment and society, not only merely to gain profits from its operations.

FURTHER STUDY

It is hoped that further research can use applications such as VosViewer to see whether company value can be influenced by other factors such as financial and non-financial factors.

REFERENCES

- Argento, D., Grossi, G., Persson, K., & Vingren, T. (2019). Sustainability disclosures of hybrid organizations: Swedish state-owned enterprises. *Meditari Accountancy Research*, 27(4), 505–533.
- Atahau, A. D. R., & Kausar, M. F. (2022). Sustainability Report terhadap Nilai Perusahaan: Studi Perusahaan yang Terdaftar dalam Sustainability Report Rating. *AFRE (Accounting and Financial Review)*, 5(2), 124–130.
- Bai, X., Zhao, W., & Tian, G. (2024). ESG certification, green innovation, and firm value: A quasi-natural experiment based on SynTao Green Finance's ESG ratings: A pre-registered report. *Pacific-Basin Finance Journal*, 86, 102453.
- Bifulco, G. M., Savio, R., Paolone, F., & Tiscini, R. (2023). The <scp>CSR</scp> committee as moderator for the <scp>ESG</scp> score and market value. *Corporate Social Responsibility and Environmental Management*, 30(6), 3231–3241.
- Buallay, A. (2020). Sustainability reporting and firm's performance: Comparative study between manufacturing and banking sectors. *International Journal of Productivity and Performance Management*, 69(3), 431–445.
- Castro, P., Gutiérrez-López, C., Tascón, M. T., & Castaño, F. J. (2021). The impact of environmental performance on stock prices in the green and innovative context. *Journal of Cleaner Production*, 320, 128868.
- Dahal, M., Sangma, A., Das, J., & Ray, P. (2024). Mandatory CSR spending, ESG and firm performance: evidence from Bombay stock exchange. *Rajagiri Management Journal*, 18(2), 137–150.
- Elkington, J. (1997). *Cannibals With Forks: The Triple Bottom Line of 21st Century Business*.
- Evelyn Stacia. (2015). Pengaruh Pengungkapan Corporate Social Responsibility terhadap Nilai Perusahaan di Sektor Pertambangan. *Business Accounting Review*, 3(2).
- Faizah, S. N., & Ediraras, D. T. (2021). MEDIATION OF PROFITABILITY ON CORPORATE SOCIAL RESPONSIBILITY TO FIRM VALUE. *Jurnal Riset Akuntansi Kontemporer*, 13(2), 51–58.
- Franco, S., Caroli, M. G., Cappa, F., & Del Chiappa, G. (2020). Are you good enough? CSR, quality management and corporate financial performance

in the hospitality industry. *International Journal of Hospitality Management*, 88, 102395.

- Garg, A., & Gupta, P. K. (2021). Does CSR Expenditure and Sustainability Reporting Improve Firm Performance? Mandatory CSR Regimes in India. *Indonesian Journal of Sustainability Accounting and Management*, 5(1).
- Harmono. (2009). *Manajemen Keuangan Berbasis Balanced Scorecard (Pendekatan Teori, Kasus dan Riset Bisnis)*. Bumi Aksara.
- Igbinovia, I. M., & Agbadua, B. O. (2023). Environmental, Social, and Governance (ESG) Reporting and Firm Value in Nigeria Manufacturing Firms: The Moderating Role of Firm Advantage. *Jurnal Dinamika Akuntansi Dan Bisnis*, 10(2), 149-162.
- Nguyen, P. M., Jubb, C., & Dias, R. (2024). Motives for environmental and social engagement and stock liquidity: The moderating role of sustainability committees. *Pacific-Basin Finance Journal*, 87, 102501.
- Oware, K. M. (2022). Mandatory CSR expenditure and firm performance in lag periods: Evidence from India. *Cogent Business & Management*, 9(1).
- Oware, K. M., & Mallikarjunappa, T. (2022). CSR expenditure, mandatory CSR reporting and financial performance of listed firms in India: an institutional theory perspective. *Meditari Accountancy Research*, 30(1), 1-21.
- Pujaningrum, N. A. (2019). Pengaruh Leverage, Profitabilitas dan Pengungkapan Tanggung Jawab Sosial Perusahaan Terhadap Nilai Perusahaan Pada Perusahaan yang Terdaftar di Bursa Efek Indonesia Periode 2014-2017. *Jurnal Ilmiah Mahasiswa FEB*, 7(2).
- Sari, N. A., Artinah, B., & H. Safriansyah. (2017). Sustainability Report dan Nilai Perusahaan di Bursa Efek Indonesia. *Jurnal Ilmiah Bisnis Dan Keuangan*, 7(1).
- Saripah, D., Diantimala, Y., & Arfan, M. (2024). Apakah Pengungkapan ESG Penting Bagi Investor? *Jurnal Reviu Akuntansi Dan Keuangan*, 14(3), 605-622.
- Setyahuni, S. W., & Widiar, R. W. I. (2022). Dampak Pandemi COVID-19 pada CSR Spending Perusahaan Go Public di Indonesia: Studi pada Perusahaan yang Terdaftar di BEI. *Jurnal Ekonomi Bisnis, Manajemen Dan Akuntansi (Jebma)*, 2(1), 38-48.

Shokomi, L., & Yahaya, O. A. (2024). Sustainability Committe and Firm Value. Nigerian Defence Academy, 1-38.

Sulistyawati, A. S., & Ratmono, D. (2023). Enhancing Firm Value: The Role of Profitability as Moderation. JURNAL ASET (AKUNTANSI RISET), 15(1), 177-186.