

The Importance of Disclosure and Transparency in Enhancing Firm Value: A Study on the LQ45 Index

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ABSTRACT

Firm value reflects investors perception of a company's success, which is commonly associated with its stock price. This study aims to examine the effect of Sustainability Report Disclosure, Analyst Coverage and ESG Disclosure on Firm Value, with Firm Age serving as a moderating variable. The research employs a purposive sampling method, involving 12 companies listed in the LQ45 Index of the Indonesia Stock Exchange during the 2021–2023 period. The analytical techniques used include multiple linear regression and moderation analysis through the Moderated Regression Analysis (MRA) method. The results of the multiple regression analysis indicate that Sustainability Report Disclosure and ESG Disclosure do not have a significant impact on Firm Value. Conversely, Analyst Coverage and Firm Age show a significant positive influence on Firm Value. Furthermore, the study finds that Sustainability Report Disclosure, Analyst Coverage, ESG Disclosure and Firm Age collectively have a significant simultaneous effect on Firm Value. Meanwhile, the moderation analysis reveals that Firm Age does not moderate the relationship between either Sustainability Report Disclosure or ESG Disclosure on Firm Value. But, it does moderate the relationship between Analyst Coverage on Firm Value.

1. Introduction

Companies aim to generate profits and meet investor expectations in their business development. However, this scenario has shifted due to the enduring effects of the COVID-19 pandemic, which has led to systemic changes in how companies operate and the sustainability of corporate entities. According to Kapsah & Kusumanigtyas (2023), the pandemic has accelerated a shift in investor focus from short term financial performance to long term sustainability. Several significant changes can be observed, including an increase in Sustainability Report Disclosure and the implementation of Environmental, Social, and Governance (ESG) principles within firms. This phenomenon has influenced changes in investor perceptions and public views of companies. Such shifts in perception have substantial implications for companies in their efforts to enhance stock prices, ultimately impacting Firm Value. According to Sembiring & Trisnawati (2023), Firm Value reflects the market's perception of a company, which can influence investment, funding, and operational decisions. Thus, Firm Value is considered capable of reflecting a company's performance

and can significantly impact investor perspectives and public trust in the organization. In this study, Firm Value is supported by signaling theory. This theory posits that high stock prices signal a positive outlook in the capital market, attracting investor interest and yielding beneficial effects for the surrounding community. Conversely, according to legitimacy theory, companies that demonstrate a commitment to sustainable practices and transparency in their ESG Disclosure will receive positive legitimacy from investors. This positive legitimacy serves as a label for investors in the eyes of the public, reducing external hesitation to invest in the company. Therefore, based on both theories, Firm Value is positively correlated with sustainability factors; the greater the Sustainability Report Disclosure and commitment to sustainable practices exhibited by the company, the higher the Firm Value will be. Companies that prioritize transparency and demonstrate a commitment to sustainable practices will create a positive perception (Putri, 2021).

As cited from the book *Organizational Behavior and Theory* by Ambarwati (2018), companies undergo different stages of development over time, with each stage characterized by unique attributes and challenges. These time influenced stages of development are referred to as Firm Age. In this study, the researcher aims to explore the moderating effect of the variable Firm Age on Firm Value. According to Kesumastuti & Dewi (2021), older companies possess a clearer track record and a better reputation, which can enhance investor confidence in sustainability information. Additionally, this research investigates the non financial factors that reflect the company's commitment and responsibility toward Firm Value. The non financial factors examined in this study include Sustainability Report Disclosure, Analyst Coverage, and ESG Disclosure, with Firm Age serving as a moderating variable. The subject of this research is companies listed in the LQ45 index on the Indonesia Stock Exchange (IDX). The IDX serves as the primary capital market in Indonesia and plays a crucial role as a platform for the public to engage in investment activities. Through the mechanism of an Initial Public Offering (IPO), companies can offer shares or similar instruments to the public, in accordance with the provisions established in capital market laws and related regulations (Indonesia Stock Exchange, 2025). Total number of companies listed on the Indonesia Stock Exchange (IDX) increased from 539 companies in 2016 to 901 companies in 2023. This rise reflects growing public confidence in investment and capital markets in Indonesia. Stock indices serve as a measure to visualize the fluctuations in stock prices, selected based on specific criteria and methods, and are evaluated periodically (Indonesia Stock Exchange, 2025). The focus of this research is on the LQ45 stock index, as nearly all stocks listed in LQ45 are recognized as leading companies in their respective fields, related to liquidity and market capitalization (Gunawan, 2023).

2. Literature Review And Hypothesis Development

2.1. Literature Review

Signaling Theory

The signaling theory developed by Ross (1977) posits that company executives who possess a deeper understanding of their organization's conditions will be motivated to convey this information to potential investors in order to enhance the company's stock price.

Legitimacy Theory

Legitimacy theory outlines a social contract between companies and society, whereby companies are expected to make improvements if their operations violate this contract. This theory can be understood as an effort by companies to operate in accordance with the regulations and norms established by society, ensuring the sustainability of their operations (Dowling & Pfeffer, 1975, as cited in Titisari, 2019).

Firm Value

Firm Value represents investors perceptions of a company's level of success, which is often associated with stock prices. This value reflects the assets owned by the company as well as the prospects for its operational sustainability (Brigham & Houston, 2019).

Sustainability Report Disclosure

Sustainability Report Disclosure refers to a company's practice of disclosing the impacts of its business activities, both positive and negative, on the sustainability of the organization. This disclosure typically adheres to the guidelines set forth by the Global Reporting Initiative (GRI), which provides a framework for reporting sustainability performance (Global Reporting Initiative, 2021).

Analyst Coverage

Analyst Coverage refers to the total results of ratings or evaluations derived from various data collected from different sustainability analyst reviews. Lang, Mark, & Lundholm (1993) explain that the level of Analyst Coverage for a company can influence the information environment.

ESG Disclosure

Kim & Li (2021) explain that ESG represents a company's efforts to fulfill its environmental, social, and governance responsibilities, as well as the application of ethics in effective management. According to Noviantanti (2020), ESG serves as a standard for corporate investment practices that integrate and implement policies aligned with environmental, social and governance principles.

Firm Age

Sudaryono in the journal by Soleman et al. (2022), explains that Firm Age refers to the duration of a company's ability to survive and capitalize on business opportunities.

2.2. Hypothesis Development

Influence of Sustainability Report Disclosure on Firm Value

Study conducted by Putri Sa'anah & Murtanto (2024) indicates that Sustainability Report Disclosure does not significantly impact Firm Value. The findings suggest that the level of Sustainability Report Disclosure does not affect the company's reputation or investor confidence. Conversely, research by Tristania Firmansyah & Sri Lastanti (2024) demonstrates a positive influence of Sustainability Report Disclosure on Firm Value. This positive effect indicates that the higher the disclosures made using GRI Standard metrics, the greater the resulting Firm Value. The findings of this study emphasize the importance for companies to be more transparent in their sustainability disclosures related to economic, environmental, and social aspects.

H₁: Suspected that Sustainability Report Disclosure has positively influence on Firm Value

Influence of Analyst Coverage on Firm Value

In a study conducted by Hou (2022), it was shown that Analyst Coverage positively impacts Firm Value. Higher ratings from external reviews lead to an increase in stock prices, resulting in an enhancement of Firm Value. In contrast, research by He & Li (2024) found that Analyst Coverage does not influence Firm Value. The level of Firm Value is not affected by ratings or external reviews. Instead, ESG Disclosure has a more significant impact on shaping investor perceptions.

H₂: Suspected that Analyst Coverage has positively influence on Firm Value

Influence of ESG Disclosure on Firm Value

According to signaling theory, ESG disclosure acts as a positive signal to external parties, indicating the company's commitment to sustainable business practices (Adenina & Sudrajat, 2024). This aligns with research conducted by Adhi & Cahyonowati (2023), which presents findings that suggest ESG disclosure positively influences firm value.

H₃: Suspected that ESG Disclosure has positively influence on Firm Value Influence of Firm Age on Firm Value

Influence of Firm Age on Firm Value

Research by Putri & Hamdi (2023) and Hasan & Meidiyustiani (2023) suggest that Firm Age does influence Firm Value. Conversely, studies by Soleman et al. (2022) and Hermawinata & Sufiyanti (2023) found that Firm Age does not significantly impact Firm Value, as investors tend to focus more on the company's performance rather than merely the duration of its operation.

H₄: Suspected that Firm Age has positively influence on Firm Value

Influence of Sustainability Report Disclosure, Analyst Coverage, ESG Disclosure and Firm Age on Firm Value

Based on signaling theory and legitimacy theory, Sustainability Report Disclosure, Analyst Coverage, and ESG Disclosure with Firm Age as a moderating variable can serve as positive signals for stakeholders, enhancing trust and perceptions of Firm Value. On the other hand, legitimacy and signal theory emphasizes the importance of social recognition obtained through disclosures and external reviews, which can strengthen the Investor confidence in the company.

H₅: Suspected that Sustainability Report Disclosure, Analyst Coverage, ESG Disclosure and Firm Age has positively influences on Firm Value Influence of Firm Age in Moderating the Relationship Sustainability Report Disclosure on Firm Value

Influence of Firm Age in Moderating the Relationship Sustainability Report Disclosure on Firm Value

In the study by Dewi & Nyoman Badera (2023), Firm Age as a moderating variable can enhance the impact of disclosures on Firm Value. The research indicates that older companies tend to have a more solid reputation, which results in a diminished impact of disclosures.

H₆: Firm Age positively influences the moderation of Sustainability Report Disclosure on Firm Value

Influence of Firm Age in Moderating the Relationship Analyst Coverage on Firm Value

According to Kesumastuti & Dewi (2021), older companies tend to have clearer track records and better reputations, which can enhance investor confidence in sustainability information.

H₇: Firm Age positively influences the moderation of Analyst Coverage on Firm Value

Influence of Firm Age in Moderating the Relationship ESG Disclosure on Firm Value

In previous research by Abdi et al. (2022), it was explained that Firm Age does not moderate the relationship between ESG Disclosure and Firm Value. This is attributed to the fact that older companies tend to have more experience and resources to invest in sustainability initiatives, making Firm Age not a strong moderator (2023).

H₈: Firm Age positively influences the moderation of ESG Disclosure on Firm Value

3. Research Methods

This study employs a quantitative research method with a descriptive quantitative approach. The data used in this research consists of secondary data, including annual reports and sustainability reports published consecutively from 2021 to 2023 by LQ45 companies listed on the Indonesia Stock Exchange (IDX). This data is obtained from the official website of the Indonesia Stock Exchange at www.idx.co.id, as well as from the official pages of the companies. In this study, the population examined consists of 58 companies listed in the LQ45 index on the Indonesia Stock Exchange (IDX) from 2021 to 2023. A total sample of 12 companies was obtained using the purposive sampling method on The specific formulation utilized in this study is as follows:

$$FV = \beta_1 SRD_{i,t} + \beta_2 AC_{i,t} + \beta_3 ESG_{i,t} + \beta_4 FA_{i,t} + \beta_5 SRD \cdot FA_{i,t} + \beta_6 AC \cdot FA_{i,t} + \beta_7 ESG \cdot FA_{i,t} + e$$

The measurement

The measurement of the dependent variable used is Firm Value, which is described as follows:

$$\text{Price to Book Value (PBV)} \rightarrow PBV = \frac{\text{Market Price per Share}}{\text{Book Value per Share}} \dots\dots\dots (1)$$

Source: Brigham & Gapenski, (1999)

The measurement of the independent variable:

- a) Sustainability Report Disclosure using the GRI Standards can be calculated with the formula:

$$\text{Sustainability Report Disclosure (SRD)} \rightarrow SRD = \frac{EcDI + EnDI + SoDI}{\text{Total of GRI Standards Item}} \dots\dots\dots (2)$$

Source: Global Reporting Initiative, (2016) and Global Reporting Initiative, (2021)

- b) Analyst Coverage can be described as follows:

$$\text{Analyst Coverage (AC)} \rightarrow AC = \frac{\sum \text{Value or Rating}}{\text{Data Used}} \text{ index} \dots\dots\dots (3)$$

Source: Lang, Mark & Lundholm (1993)

- c) ESG Disclosure can be described as follows:

$$\text{ESG Disclosure (ED)} \rightarrow ED = \text{Environment} + \text{Social} + \text{Governance} \dots\dots\dots (4)$$

Source: NASDAQ ESG Reporting, (2019)

The measurement of the moderating variable is as follows:

$$\text{Firm Age (FA)} \rightarrow FA = \text{Research Year} - \text{Year of Company Establishment} \dots\dots (5)$$

Source: Owusu & Ansah, (2000)

The study conducts hypothesis testing using multiple linear regression analysis, starting with classical assumption testing. Additionally, a Moderated Regression Analysis (MRA) is performed to assess the moderating effect of independent variables on the dependent variable. Finally, the data collected by the researcher is processed using SPSS version 25.

4. Result And Discussion

Descriptive Statistical Analysis

Table.1. Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
Sustainability Report Disclosure	36	11,84	96,55	58,3639	22,61827
Analyst Coverage	36	25,00	68,00	42,4722	11,61154
ESG Disclosure	36	30,00	70,00	53,9819	7,96115
Firm Age	36	12,00	118,00	51,7500	25,31445
Firm Value	36	,54	4,49	1,9222	1,17793
Valid N (listwise)	36				

Source: Data processed use SPSS, (2025)

Table 1 outlines the descriptive statistical outcomes for all variables examined in the study. The Sustainability Report Disclosure variable exhibits substantial dispersion, with a minimum score of 11.84 and a maximum of 96.55. The mean value of 58.36, together with a relatively high standard deviation of 22.62, underscores the wide disparity in disclosure practices. This indicates that while several firms adopt highly comprehensive approaches to sustainability reporting, others disclose only at a basic level, thereby reflecting inconsistent levels of transparency across the sample. Analyst Coverage ranges from 25.00 to 68.00, with a mean of 42.47 and a standard deviation of 11.61. These figures suggest uneven levels of external monitoring, where certain firms attract considerable analyst attention while others remain comparatively overlooked. The ESG Disclosure variable demonstrates a narrower interval, ranging from 30.00 to 70.00, with an average of 53.98 and a standard deviation of 7.96. The relatively small deviation indicates greater homogeneity in ESG reporting practices, implying that such disclosures are becoming more standardised across firms.

Firm Age presents the most pronounced variability, extending from 12 to 118 years, with a mean of 51.75 and a standard deviation of 25.31. This distribution highlights the heterogeneity of the sample in terms of corporate maturity, where younger firms may face reputational and institutional challenges, whereas older firms are likely to benefit from accumulated legitimacy and experience. Lastly, Firm Value as measured by the Price to Book (PBV), ranges from 0.54 to 4.49, with a mean score of 1.92 and a standard deviation of 1.18. These statistics reveal that although the majority of firms are valued at moderate levels, considerable variation persists in investor perceptions regarding financial stability and growth prospects.

Classical Assumption Testing

The results of the diagnostic tests demonstrate that the variables employed in this study satisfy the classical assumption requirements. The normality test, as assessed through the Kolmogorov Smirnov procedure, produced an Asymp. Sig. (2 tailed) value of 0.200. Since this value is significantly higher than the critical threshold of 0.05, it can be inferred with confidence that the data are normally distributed. This finding ensures that the regression model is free from issues of non normality, thereby fulfilling one of the fundamental statistical prerequisites for reliable parameter estimation. With respect to multicollinearity, the examination was conducted using both Tolerance and Variance Inflation Factor (VIF) indicators. The results reveal that the variables, namely Sustainability Report Disclosure, Analyst Coverage, ESG Disclosure, and Firm Age, exhibit Tolerance values well above 0.10 and VIF values comfortably below the cut off point of 10. These outcomes clearly demonstrate the absence of multicollinearity, thereby confirming that the independent variables do not exhibit problematic linear interdependence, which could otherwise distort the regression coefficients.

The autocorrelation test, conducted by employing the Durbin Watson statistic, yields a value of 1.799. When compared against the decision rule expressed as $dU < d < 4 \text{ minus } dU$, where the calculated boundaries are 1.7245 and 2.2755, the obtained value of 1.799 falls squarely within the acceptable range. This finding signifies that the residuals are not serially correlated, ensuring the independence of error terms and thereby supporting the robustness of the model. Finally, the heteroskedasticity test results demonstrate that all variables record significance values exceeding the conventional 0.05 threshold. This outcome indicates that the variance of the residuals is homoscedastic across the observations, thereby ruling out the presence of heteroskedasticity. Collectively, the results of these diagnostic tests affirm that the model meets all classical assumption criteria, thereby validating the reliability and appropriateness of the regression analysis applied in this study.

Table 2. Findings on the Impact of Disclosure and Transparency on Firm Value

Research Variables	FV = β_1 SRD _{i,t} + β_2 AC _{i,t} + ESGD _{i,t} + β_3 FA _{i,t} + β_4 SRD*FA _{i,t} + β_5 AC*FA _{i,t} + β_6 ESG*FA _{i,t} + e			
	Eks	Coeff	T-Test	P-Value
Constanta		2,696	2,519	0,017
SRD	-	-0,016	-2,250 *	0,032
AC	+	0,036	2,725 **	0,010
ESGD	-	-0,047	-2,359 *	0,025
FA	+	0,022	3,631 ***	0,001
SRD*FA	-	-0,009	-2,274	0,984
AC*FA	+	0,002	2,856 *	0,017
ESG*FA	-	-0,051	3,754	0,462
Adjus. R_Square				0,525
F-Statistic				8,164
Prob (F-Statistic)				0,000
Observations (N)				36.0

Description: FV : Firm Value (Dependent Variable), SRD : Sustainability Report Disclosure, AC: Analyst Coverage, ESGD: ESG Disclosure (Independent Variable); FA : Firm Age (Moderating Variable)

Table 2 presents the empirical findings regarding the impact of disclosure and transparency on firm value. The constant in the multiple regression model is recorded at 2.696 with a positive coefficient, indicating that when all independent variables and the moderating variable Sustainability Report Disclosure (X_1), Analyst Coverage (X_2), ESG Disclosure (X_3), and Firm Age (Z) are held at zero, the baseline value of the dependent variable, Firm Value (Y), is predicted to be 2.696. This constant serves as the intercept and provides a reference point for interpreting the effects of the explanatory variables.

The first hypothesis test evaluates the effect of Sustainability Report Disclosure (X_1) on Firm Value (Y). The regression coefficient of -0.016 reflects a negative relationship, while the t-statistic of -2.250 , which is statistically significant at the five percent level, confirms the inverse association. This finding implies that higher levels of sustainability reporting are associated with a reduction in firm value. The result stands in contrast to theoretical expectations that enhanced disclosure increases transparency and trust, suggesting instead that excessive or poorly perceived sustainability disclosure may be interpreted by investors as a cost burden, thereby diminishing firm value. Consequently, the hypothesis proposing a positive influence of Sustainability Report Disclosure on Firm Value is rejected.

The second hypothesis examines the influence of Analyst Coverage (X_2) on Firm Value (Y). The coefficient of 0.036 is positive, and the t-statistic of 2.725 , which exceeds the critical value of 2.0391 , demonstrates statistical significance. This result indicates that greater analyst coverage contributes positively to firm value, as extensive monitoring by analysts can enhance information quality, reduce information asymmetry, and strengthen investor confidence. Thus, the hypothesis suggesting a positive impact of Analyst Coverage on Firm Value is supported.

The third hypothesis concerns the relationship between ESG Disclosure (X_3) and Firm Value (Y). The regression coefficient of -0.047 , coupled with a statistically significant t-statistic of -2.359 , reflects a negative and significant effect. This outcome suggests that higher levels of ESG disclosure

are associated with declining firm value. A plausible explanation is that investors may perceive ESG initiatives as imposing additional financial and operational costs, or that such disclosures fail to translate directly into short term profitability. As a result, the hypothesis positing a positive influence of ESG Disclosure on Firm Value is rejected.

The fourth hypothesis tests the effect of Firm Age (Z) on Firm Value (Y). The coefficient of 0.022 is positive, and the t-statistic of 3.631 indicates a highly significant relationship. These findings suggest that older firms tend to exhibit higher firm value, likely due to accumulated experience, reputational capital, and organizational stability. This evidence supports the hypothesis that firm maturity has a positive impact on valuation outcomes. For moderating effects of Firm Age on the relationships between disclosure variables and firm value yield mixed results. The interaction term between Sustainability Report Disclosure and Firm Age ($SRD \times FA$) produces a coefficient of -0.009 with a significant t-statistic of -2.274 , indicating that increasing firm age weakens the relationship between sustainability disclosure and firm value. This negative moderation suggests that older firms disclosing more sustainability information may experience diminishing returns in terms of value creation, possibly because stakeholders interpret the disclosures as routine compliance rather than as indicators of innovation. Conversely, the interaction of Analyst Coverage and Firm Age ($AC \times FA$) shows a positive coefficient of 0.002 and a significant t-statistic of 2.856, implying that the positive effect of analyst coverage on firm value is amplified as firms age. By contrast, the interaction term between ESG Disclosure and Firm Age ($ESG \times FA$) is not statistically significant, with a coefficient of -0.051 , suggesting that firm age does not play a meaningful role in moderating the relationship between ESG disclosure and firm value.

Lastly, The F-test results indicate an F-statistic of 8.164, exceeding the critical value of 2.680, thereby confirming the hypothesis. This suggests that the model demonstrates a strong simultaneous fit, with Sustainability Report Disclosure, Analyst Coverage, ESG Disclosure, and Firm Age collectively exerting a significant positive influence on Firm Value. Furthermore, the analysis of the coefficient of determination reveals that the inclusion of the moderating variable enhances the explanatory power of the regression model to 52.5%, with the Adjusted R-square rising by 7.5% from its previous level of 45%. Accordingly, the independent variables, together with the moderating and interaction effects, account for 52.5% of the variation in Firm Value, while the remaining 47.5% is attributable to other factors beyond the scope of the model.

Influence of Sustainability Report Disclosure on Firm Value

The hypothesis regarding Sustainability Report Disclosure (SRD) is rejected, as indicated by its negative coefficient of -0.016 with a t-value of -2.250 and a significance level of 0.032, which is below the 0.05 threshold. This statistical evidence suggests that SRD exerts a significant negative influence on firm value. In other words, an increase in the extent of sustainability report disclosure is associated with a decline in firm value. This outcome demonstrates that although transparency in sustainability reporting can theoretically enhance investor trust, particularly when guided by the Global Reporting Initiative (GRI) Standards, the empirical findings of this research indicate the opposite. The negative effect implies that greater disclosure may increase operational and compliance costs, which in turn raises the financial burden of the firm and potentially reduces its equity base.

From the perspective of signaling theory, sustainability disclosures are intended to signal a company's commitment to sustainable practices and distinguish it from competitors. However, the evidence suggests that investors in Indonesia may not yet fully incorporate sustainability dimensions into their investment decisions, thereby muting the positive impact of such signals. Similarly, while legitimacy theory posits that disclosure strengthens a firm's social license to operate by enhancing stakeholder trust, this study finds no substantial effect of SRD on firm reputation or investor

confidence. These findings corroborate previous research by Putri Saf'anah & Murtanto (2024), Kartikasari & Laela (2023), and Ningrum et al. (2021), which likewise conclude that SRD does not improve firm value. In summary, Sustainability Report Disclosure, as reflected in its negative coefficient of -0.016 , appears to reduce rather than enhance firm value within the observed sample.

Influence of Analyst Coverage on Firm Value

The findings of this research demonstrate that Analyst Coverage exerts a positive and statistically significant influence on firm value, as evidenced by its coefficient of 0.036 , a t-value of 2.725 , and a significance level of 0.010 , which is well below the 0.05 threshold. This result confirms the hypothesis and underscores that increased Analyst Coverage contributes meaningfully to enhancing firm value. In practical terms, companies with broader and more intensive coverage from financial analysts benefit from reduced information asymmetry, as investors gain access to more transparent, reliable, and timely information concerning the company's financial and non financial performance. From the perspective of signaling theory, Analyst Coverage operates as an external signal of a firm's credibility and accountability. The analyses and reports produced by financial analysts serve to validate the firm's disclosures, thereby reassuring investors about the accuracy and reliability of the information presented. This process encourages greater investor trust and can directly translate into higher market valuations. Similarly, in line with legitimacy theory, greater transparency facilitated by Analyst Coverage allows firms to better align themselves with societal expectations and stakeholder interests, thereby strengthening their legitimacy in the eyes of the public and the investment community.

These findings are consistent with prior studies, particularly Hou (2022), who found that Analyst Coverage has a direct and positive relationship with firm value. The present study provides further empirical support for this relationship, indicating that companies capable of engaging analysts effectively are better positioned to foster investor confidence and secure favorable assessments. In turn, this facilitates the attraction of new investors, enhances the firm's reputation, and consolidates its market standing. In conclusion, the evidence reveals that Analyst Coverage significantly increases firm value. Companies that actively promote transparency and provide detailed sustainability-related and financial disclosures are able to attract greater analyst attention, which not only improves external evaluations but also creates a virtuous cycle of trust and investment. Thus, Analyst Coverage functions as a strategic mechanism for strengthening firm value by amplifying both transparency and stakeholder legitimacy.

Influence of ESG Disclosure on Firm Value

The findings of this research indicate that ESG Disclosure exerts a negative and statistically significant influence on firm value, as reflected by its regression coefficient of 0.047 , a t-value of 2.359 , and a significance level of 0.025 , which falls below the 0.05 threshold. This result leads to the rejection of the hypothesis and highlights that increasing ESG Disclosure does not contribute to firm value enhancement; instead, it is associated with a decline. While environmental, social, and governance disclosures are widely regarded as crucial mechanisms to strengthen corporate transparency and accountability, the empirical evidence suggests that investors on the Indonesia Stock Exchange have not fully integrated such metrics into their investment decision making processes. Consequently, companies engaging in more extensive ESG disclosures may not necessarily be perceived as superior by the market compared to firms with limited or no disclosures. This situation reflects a misalignment between theoretical expectations and investor practices, whereby the costs incurred to comply with ESG disclosure frameworks—such as those outlined by the NASDAQ ESG Reporting guidelines may be interpreted as financial burdens that outweigh their perceived benefits. From the perspective of signaling theory, ESG disclosures are intended to serve

as credible signals of a firm's sustainability orientation. However, when investors are either unfamiliar with or indifferent to these metrics, such signals lose effectiveness and may even provoke adverse reactions. In line with legitimacy theory, ESG disclosure is expected to reinforce a firm's social legitimacy by demonstrating adherence to societal norms and stakeholder expectations.

Nevertheless, the results reveal that the information disclosed under ESG frameworks does not necessarily strengthen legitimacy in the Indonesian context. Instead, the disclosures may fail to meet stakeholder expectations or be considered insufficiently relevant, thereby diminishing rather than enhancing firm value. This finding resonates with prior studies, such as Prayogo et al. (2023), which similarly concluded that ESG Disclosure does not exert a positive influence on firm value. Taken together, the evidence underscores the notion that while ESG reporting is theoretically advantageous in enhancing transparency and aligning corporate practices with global sustainability standards, its current application within the Indonesian market context may paradoxically erode firm value. In summary, the study demonstrates that ESG Disclosure, instead of bolstering investor confidence and legitimacy, may inadvertently reduce company value due to high implementation costs, limited investor awareness, and the lack of integration of ESG factors into mainstream investment evaluations.

Influence of Firm Age on Firm Value

The findings of this research indicate that Firm Age exerts a positive and statistically significant influence on firm value, as reflected by its regression coefficient of 0.022, a t-value of 3.631, and a significance level of 0.001, which falls well below the 0.01 threshold. This result leads to the acceptance of the hypothesis and highlights that an increase in firm age contributes to firm value enhancement. In other words, older firms are empirically demonstrated to be more valuable in the eyes of the market. Companies with longer operational histories generally possess superior knowledge of their internal processes and are better equipped to identify areas for efficiency improvement, thereby reducing costs and generating higher equity through increased stock prices. In addition, their accumulated experience and established reputation among investors, customers, and the public serve as intangible assets that strengthen investor confidence. From the perspective of signaling theory, firm longevity represents a credible signal of stability, reliability, and continuity, reassuring the market of the company's long term viability.

Moreover, according to legitimacy theory, firms with extensive operational histories are more likely to meet stakeholder expectations, adapt to evolving market conditions, and demonstrate institutional legitimacy. This legitimacy is further reinforced through the disclosure of operational performance, which conveys credibility and enhances stakeholder trust. As a result, such firms are perceived as more resilient and trustworthy, thereby elevating their overall market value. This evidence is consistent with prior studies, such as Putri and Hamdi (2023) and Hasan and Meidiyustiani (2023), which similarly found that firm age exerts a positive and significant influence on firm value. Taken together, the findings underscore that, unlike disclosure related variables whose impacts remain contested, firm age consistently enhances corporate value by strengthening both market perceptions and investor confidence.

Influence of Sustainability Report Disclosure, Analyst Coverage, ESG Disclosure and Firm Age on Firm Value

The findings of this research, as evidenced by the F-Test, reveal an F-statistic of 8.164 and significance level of 0.000. This result confirms the acceptance of the hypothesis that Sustainability Report Disclosure, Analyst Coverage, ESG Disclosure, and Firm Age collectively exert a statistically significant impact on firm value among LQ45 companies listed on the Indonesia Stock Exchange during the 2021–2023 period. From the standpoint of legitimacy theory, Sustainability Report

Disclosure and ESG Disclosure represent strategic initiatives undertaken by companies to demonstrate accountability and alignment with societal expectations. These disclosures are intended to strengthen the firm's legitimacy by showcasing its commitment to sustainability, ethical conduct, and transparency. However, in the Indonesian market context, such forms of disclosure have not yet been fully internalized or valued by investors as decisive factors in investment decision making. As a result, instead of generating positive market perceptions, Sustainability Report Disclosure and ESG Disclosure are associated with negative reactions, suggesting that investors may view the costs of implementing these disclosures as outweighing their potential benefits. For Analyst Coverage and Firm Age emerge as credible and influential indicators when analyzed through the lens of signaling theory. Extensive analyst coverage reduces information asymmetry between firms and the capital market by providing investors with reliable, timely, and independent assessments of both financial and non financial performance. This process enhances the credibility of corporate disclosures and fosters greater investor confidence. Similarly, firm age serves as a strong signal of organizational stability and resilience. Companies with a longer operational history tend to possess deeper managerial experience, a stronger reputation, and a proven ability to navigate market fluctuations, all of which reinforce investor trust and promote more favorable market evaluations.

Overall, the findings indicate that although the individual hypotheses related to Sustainability Report Disclosure and ESG Disclosure are rejected due to their adverse effects on firm value, the collective impact of all four variables is statistically significant, as confirmed by the F-Test. This demonstrates that the integration of disclosure practices, analyst monitoring, and firm maturity generates a meaningful and positive cumulative contribution to firm value. Thus, in the context of the Indonesian capital market, firm value is significantly enhanced when transparency initiatives are complemented by robust analyst scrutiny and the stabilizing influence of firm age, underscoring the interplay between legitimacy and signaling mechanisms in shaping investor perceptions and corporate valuation.

Influence of Firm Age in Moderating the Relationship Sustainability Report Disclosure on Firm Value

The results demonstrate that the moderating role of firm age in the association between sustainability report disclosure (SRD) and firm value (FV) is statistically insignificant. The interaction term between SRD and firm age (SRD*FA) yields a coefficient of -0.009 with a t-value of -2.274 and a p-value of 0.984 . This indicates that the duration of a firm's establishment does not significantly alter the effect of sustainability reporting on firm value. In other words, investors appear indifferent to whether a company is relatively new or has been operating for a longer period when assessing the implications of sustainability disclosure on firm valuation. This outcome suggests that the history and longevity of a company are not regarded as decisive considerations in investment decisions when firms disclose sustainability related information. Instead, there is evidence that the adoption of Global Reporting Initiative (GRI) standards may generate additional costs.

The coefficient for SRD itself is negative (-0.016) with a significant p-value of 0.032 , implying that sustainability report disclosure, rather than enhancing firm value, is perceived as a financial burden that potentially diminishes equity. Consequently, investors remain cautious toward firms adopting sustainability reporting practices, particularly when such practices are associated with increased operational costs. In summary, the findings confirm that firm age does not play a significant moderating role in the relationship between sustainability report disclosure and firm value. Investors appear hesitant to reward firms for sustainability transparency, particularly when compliance with international standards such as the GRI imposes financial strain, regardless of whether the firm is newly established or long standing.

Influence of Firm Age in Moderating the Relationship Analyst Coverage on Firm Value

The empirical results reveal that firm age significantly moderates the relationship between analyst coverage (AC) and firm value (FV). The interaction term AC*FA records a positive coefficient of 0.002, with a t-value of 2.856 and a p-value of 0.017, demonstrating statistical significance. This indicates that older firms, through accumulated reputation and operational experience, amplify the positive influence of external analyst coverage on their market valuation. The findings suggest that companies with longer operating histories are more likely to earn the confidence of analysts, as their performance records and proven ability to endure business cycles serve as signals of stability and resilience. This alignment of analyst evaluations with company age resonates with both legitimacy and signaling theories. From the perspective of legitimacy theory, well established firms are perceived as credible and trustworthy, which enhances the acceptance of their sustainability related disclosures and overall market assessments. In parallel, signaling theory explains that firm age itself serves as a positive signal to the market, highlighting the company's resilience and long term capacity to sustain operations.

Consequently, older firms tend to attract more analyst attention, and the evaluations provided by these external parties are likely to be valued more positively by investors. This reinforces the firm's image and strengthens investor confidence. These results are consistent with prior evidence reported by Kesumastuti and Dewi (2021), who found that established companies generally benefit from clearer track records and stronger reputations, thereby drawing greater interest from analysts and investors alike. Ultimately, the moderating role of firm age enhances the link between analyst coverage and firm value, positioning older companies more favourably in the marketplace.

Influence of Firm Age in Moderating the Relationship ESG Disclosure on Firm Value

The interaction term ESGD*FA produces a coefficient of -0.051 with a t-value of 3.754 and a p-value of 0.462, demonstrating no statistical significance. This means that whether a company is relatively young or has been established for a long period, age does not alter the effect of ESG disclosure on firm value. Investors do not seem to regard company longevity as an assurance of credibility when evaluating sustainability disclosures. Instead, the focus is directed toward the quality, reliability, and comparability of the information disclosed.

This finding highlights that investors are more concerned with how well a company demonstrates transparency and commitment to sustainability, rather than how long it has been in operation. For example, firms that adopt internationally recognised disclosure practices may be viewed more favourably, regardless of age, since such standards provide comparability across markets. Although frameworks like the NASDAQ ESG Reporting standards often attract the attention of international investors, their applicability to Indonesian firms remains less clear. This ambiguity may explain why local investors are hesitant to associate firm age with greater reliability in ESG disclosures. In a broader sense, the results stress that companies cannot rely on their age as a proxy for stability or legitimacy in the eyes of investors. A long standing operational history does not automatically translate into stronger market perceptions when sustainability performance is being evaluated. Instead, credibility must be built through consistent, transparent, and standardised ESG reporting. Until firms in emerging markets align their reporting practices with widely accepted international benchmarks, investors may remain cautious and continue to scrutinise ESG disclosures with scepticism, regardless of the company's age.

5. Conclusion

This research presents an overview of the results derived from data analysis and hypothesis testing performed on LQ45 companies listed on the Indonesia Stock Exchange (IDX) from 2021 to 2023. The main goal was to investigate the effects of Sustainability Report Disclosure, Analyst

Coverage, ESG Disclosure, and Firm Age on the value of firms. The key findings reveal that neither Sustainability Report Disclosure nor ESG Disclosure significantly influences firm value. In contrast, both Analyst Coverage and Firm Age have a positive impact. While these factors collectively shape firm value, Firm Age does not moderate the effects of Sustainability Report Disclosure and ESG Disclosure; however, it does moderate the impact of Analyst Coverage on firm value. The findings of this study hold important implications. For governmental bodies, it is crucial to promote sustainability reporting by enhancing regulations and offering recognition to companies that show commitment. Investors should consider firms with favorable analyst ratings when formulating their investment strategies. For LQ45 companies, management is encouraged to improve data transparency to reflect their dedication to sustainable practices. Lastly, future researchers should investigate alternative independent and moderating variables, such as Good Corporate Governance (GCG) or firm size, and extend the research duration to enhance the credibility of the findings. The limitations of this study are related to the range of variables analyzed, which should be examined in subsequent research.

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