

The Impact of ESG Disclosure on Firm Value: Systematic Literature Review Approach

Lulu Islami Nur Afifah^{1*}, Sekar Ayu Cahyaningtyas¹, Wisnu Maward¹

¹ Universitas Diponegoro, Semarang, Indonesia
luluislami10@email.com

Abstract

This study investigates the impact of Environmental, Social, and Governance (ESG) disclosure on firm value using a Systematic Literature Review (SLR) approach. The growing global emphasis on sustainable business practices has made ESG disclosure a key instrument in signaling corporate responsibility and long-term value creation. However, empirical findings across sectors and regions remain inconsistent. This paper synthesizes 30 reputable international articles (indexed as Q1/Q2) from 2020 to 2025 to identify prevailing patterns and gaps. The results show that many studies report a significant positive relationship between ESG disclosure and firm value. Nevertheless, only a minority of studies explore profitability as a moderating variable, and its moderating effect appears statistically insignificant. The review highlights that organizational characteristics such as firm size may play a more decisive role in enhancing the value effects of ESG disclosure. The paper contributes to sustainability literature by offering an integrated conceptual framework and suggesting future empirical directions, particularly concerning moderating variables in different institutional and industrial contexts.

Keywords

ESG Disclosure, Firm Size, Firm Value, ROA

1. Introduction

Sustainability issues in the business world have become a global concern that can no longer be ignored. Companies today are expected not only to pursue profitability but also to act responsibly in terms of environmental, social, and governance (ESG) aspects. In this context, ESG disclosure has emerged as a crucial instrument through which companies can demonstrate their commitment to sustainable business practices (Hardiningsih et al., 2024; Hutauruk, 2024; Jafar & Setiawan, 2025). ESG disclosure is believed to enhance investor trust, strengthen corporate reputation, and create long-term value for stakeholders. Therefore, examining the relationship between ESG disclosure and firm value becomes both relevant and urgent, especially in the post-pandemic era, where public expectations of corporate responsibility have intensified (Fuadah et al., 2022; Fayyaz et al., 2023; Cai et al., 2024; Abdi et al., 2024).

Numerous studies have explored the link between ESG disclosure and firm value. Recent research has yielded diverse and context-dependent results. For example, Chung, Bayne, and Birt (2023) found that ESG disclosure has a positive effect on corporate financial performance in Hong Kong, particularly in the social dimension. Conversely, ESG's impact on financial performance in the energy sector tends to be insignificant, indicating that the effect may vary across different industrial sectors. Other studies, such as those conducted by Ali et al. (2025) and Hussain et al. (2024), support the argument that ESG disclosure contributes to profitability and market value, particularly in developing countries. Nevertheless, differences in methodological approaches, geographical contexts, and firm characteristics have led to inconclusive findings, underscoring the need for a more comprehensive synthesis of literature (Zhang et al., 2020; Yordudom & Suttipun, 2020).

In response to this situation, the present study aims to contribute academically through a Systematic Literature Review (SLR) approach. This method allows for the structured and critical identification of patterns, inconsistencies, and trends within the existing body of research. Unlike individual studies that focus on specific samples or contexts, an SLR enables a broader and more objective analysis of the relationship between ESG disclosure and firm value, by examining how the environmental, social, and governance dimensions are reported and how they influence investor perception and market performance.

The objective of this article is to explore and synthesize empirical findings on the impact of ESG disclosure on firm value, as published in recent academic literature. Employing a Systematic Literature Review approach, this article filters, classifies, and analyzes reputable academic publications to construct a more comprehensive and in-depth understanding. The study is grounded in a central issue—namely, the lack of strong consensus regarding the impact of ESG disclosure on firm value across different industries and geographical settings. Through this review, the author aims to contribute conceptually to the development of

sustainability theory while also offering practical recommendations for policymakers, investors, and corporate management.

2. Literature Review

This literature review aims to serve as the theoretical core of the article and provide a comprehensive understanding of the relationship between Environmental, Social, and Governance (ESG) disclosure, profitability, and firm size to firm value. Rather than merely summarizing previous research findings, this section synthesizes published academic work and critically evaluates the contributions and limitations of each study within a broader conceptual framework. The literature review supports the development of theoretical arguments and offers an empirical foundation for the present study (Khanchel et al., 2023; Schrank & Kijkasiwat, 2024).

2.1. ESG Disclosure: Concept and Strategic Role

ESG disclosure refers to the communication of a company's policies, practices, and impacts related to environmental, social, and governance dimensions to its stakeholders. ESG functions not only as a tool for non-financial accountability but also as a signal of managerial quality that can enhance the firm's market value (Chung et al., 2023). According to Hussain et al. (2024), the higher the quality and quantity of ESG disclosure, the greater the investor confidence in the company's long-term sustainability. As such, ESG disclosure has become a corporate strategy aimed at strengthening legitimacy and improving access to financial resources (Aydoğmuş et al., 2022).

Several studies emphasize that ESG disclosure can enhance corporate reputation, improve stakeholder relationships, and reduce both operational and regulatory risks (Ali et al., 2025; Dorothy & Endri, 2024). Furthermore, sectoral and geographical characteristics are crucial factors that determine the extent to which ESG disclosure contributes to firm value. In developing countries such as Saudi Arabia, ESG disclosure has been found to have a significant impact on profitability and market value (Hussain et al., 2024). However, in the energy sector in Turkey, findings indicate an insignificant relationship, highlighting the contextual nature of ESG's effectiveness (Rizki & Nugroho, 2024).

2.2. Firm Value and Measurement Indicators

Firm value generally reflects investors' perceptions of a company's future prospects and is commonly measured using indicators such as Tobin's Q, Price to Book Value (PBV), or market capitalization. ESG disclosure is hypothesized to have a positive correlation with firm value, as it is perceived as an indicator of long-term performance sustainability. A study by Chung et al. (2023) demonstrates that high-quality ESG disclosure significantly enhances firm value, particularly in markets with stringent disclosure regulations, such as Hong Kong. Similarly, Binh and Lee (2024) reinforce this argument by stating that the impact of ESG on firm value can be

influenced by firm-specific characteristics, including company size and carbon emission intensity.

Nevertheless, not all studies report consistent findings. Some research indicates that only specific components of ESG contribute to firm value. For instance, the study by Dorothy and Endri (2024) finds that governance and social components have a more significant influence compared to the environmental component. These findings highlight the need for a more nuanced approach in evaluating each dimension of ESG separately, rather than generalizing their overall effect on firm value (Abdi et al., 2022).

2.3. Inconsistencies in Findings and the Importance of Systematic Literature Review (SLR)

Although a substantial body of literature supports a positive relationship between ESG disclosure and firm value, the findings remain far from consistent. These inconsistencies stem from variations in industry contexts, differences in national regulations, firm size, and the methods used to measure both ESG disclosure and firm value (Alias et al., 2016; Husna et al., 2023; Alodat & Hao, 2025). Some studies, such as the one conducted by Rohendi et al. (2024), even argue that ESG disclosure does not exert a direct influence on firm value but rather operates through mediating factors such as competitive advantage.

In this context, the application of a Systematic Literature Review (SLR) becomes highly relevant. SLR not only systematically collects and organizes prior research findings, but also critically evaluates the methodologies, contexts, and theoretical contributions of each study. As a result, SLR can provide a comprehensive conceptual map and offer recommendations grounded in a wide and current body of empirical evidence.

3. Methods

This study employs a Systematic Literature Review (SLR) approach to examine the impact of Environmental, Social, and Governance (ESG) disclosure on firm value. The SLR method was chosen for its ability to collect and evaluate previous research findings in a comprehensive, structured, and evidence-based manner. This approach allows the researcher to identify patterns, inconsistencies in results, and gaps in the existing academic literature. Each stage in this study is designed to ensure that the processes of literature selection, analysis, and synthesis are scientifically replicable and accountable. Through this systematic review, the researcher aims to explore more deeply the analysis of the impact of ESG disclosure on firm value.

The target population in this study consists of all scholarly articles that investigate the relationship between ESG disclosure and firm value, both directly and indirectly, and are published in reputable international journals. The unit of analysis includes both quantitative and qualitative research articles examining the influence of ESG on firm value, without restriction to any industry sector. The literature search

focused on articles published between 2020 and 2025 to capture the latest developments and emerging trends in the literature related to ESG disclosure and firm value. Data was collected through a literature search and selection process following the PRISMA (Preferred Reporting Items for Systematic Reviews and Meta-Analyses) protocol. This process consists of four main stages: identification, screening, eligibility assessment, and inclusion.

In the identification stage, literature searches were conducted using specific keywords such as “ESG disclosure,” “firm value,” “corporate size,” and “ROA” across major academic databases, primarily Scopus. In the screening and eligibility assessment stages, the selection process was supported by the use of the Watase Uake platform, a web-based tool designed to facilitate systematic filtering and classification of articles based on titles, abstracts, keywords, and publication years. With the aid of this technology, the screening process became more efficient and targeted, ensuring that only articles meeting the inclusion criteria were selected for further analysis. The inclusion criteria applied in this study were as follows: (1) articles published between 2020 and 2025; (2) peer-reviewed publications; and (3) studies explicitly discussing the relationship between ESG disclosure, profitability (ROA), firm size, and firm value.

4. Results

Figure 1 presents the data from the systematic literature review in the form of a PRISMA (Preferred Reporting Items for Systematic Reviews and Meta-Analyses) flow diagram, which aims to enhance the quality and consistency of systematic literature reviews. The data was retrieved from the Watase Uake platform, with sources drawn from the Scopus database, using the keywords environmental, social, and governance disclosure, firm value in Indonesia, corporate size, and ROA. The selected articles are Scopus-indexed publications ranked Q1–Q2, published between 2020 and 2025. Out of an initial 598 articles, 384 were excluded for not meeting the preliminary selection criteria, leaving 214 articles for further screening. Following the screening process, only 33 studies were deemed eligible for data extraction; however, 9 of these could not be accessed. In the end, 30 articles met all criteria and were included in this systematic review to analyze the impact of ESG disclosure on firm value.

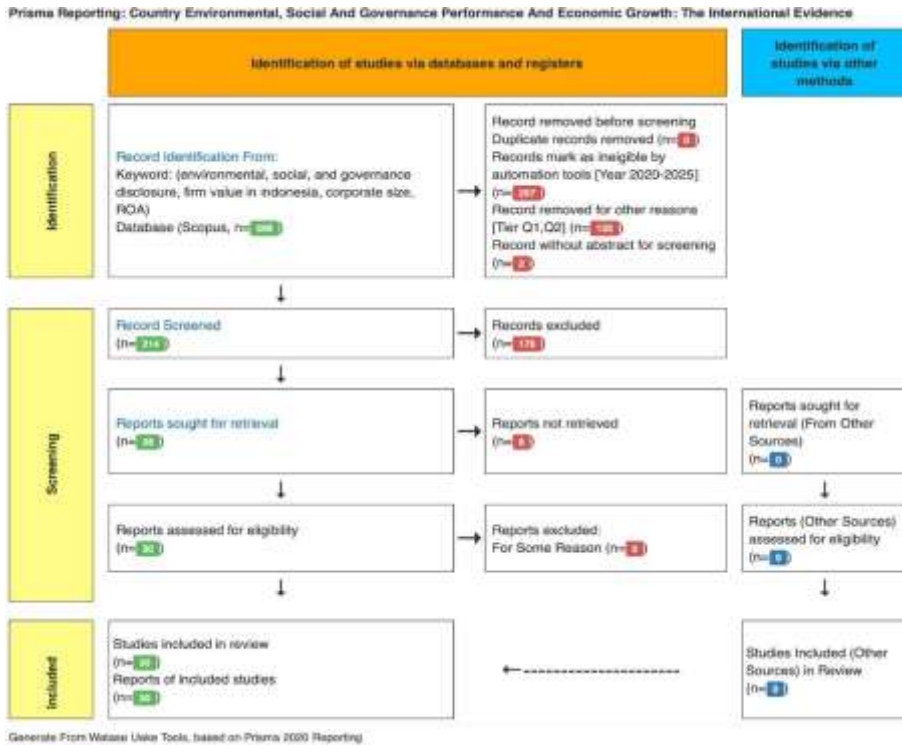


Figure 1: PRISMA

This study examines 30 relevant scholarly articles published in reputable international journals between 2020 and 2025. Based on a systematic analysis, the review explores the impact of Environmental, Social, and Governance (ESG) disclosure on firm value, while considering supporting variables such as firm size and Return on Assets (ROA). In general, many studies indicate that ESG disclosure has a positive effect on firm value. This impact is particularly evident in companies with strong board structures, high financial transparency, and active stakeholder engagement. Several studies also highlight the moderating role of firm size and audit committees in either strengthening or weakening the relationship between ESG disclosure and firm value.

However, the findings are not entirely consistent. For instance, one study conducted in China reported a negative correlation between ESG disclosure integration and firm value, attributed to cultural factors and the relatively low sophistication of investors. Firm size plays a significant role in enhancing the influence of ESG, with larger firms typically showing a stronger relationship between ESG disclosure and firm performance or value compared to smaller firms. Meanwhile, ROA, as a measure of profitability, is often used to assess the indirect relationship between ESG and firm value and has also been found to have a positive correlation in the context of ESG disclosure. Additionally, several articles emphasize

that ESG disclosure affects the cost of capital, corporate reputation, and market reaction—all of which serve as indirect channels through which firm value can be improved.

Therefore, the findings of this review reinforce the argument that ESG disclosure is not merely a matter of regulatory compliance, but a strategic initiative that contributes to enhancing corporate value and competitiveness in the market. The findings of this review indicate that ESG disclosure generally has a positive impact on firm value and performance. These results align with previous literature that highlight ESG as a positive signal to investors as well as a strategic tool to enhance corporate transparency and reputation. However, profitability is more frequently used as a dependent variable rather than as a moderator. Only a few studies have examined its role as a reinforcing variable in the relationship between ESG and firm value, and the results tend to be insignificant. This suggests that profitability likely exerts a direct influence on firm value, rather than acting as a mediator or moderator.

In contrast, internal factors such as firm size, board diversity, and the presence of a sustainability committee consistently moderate the ESG–firm value relationship positively. This underscores the importance of governance quality and organizational capacity in effectively managing ESG practices. Geographical context also plays a significant role. Countries with stringent ESG regulations, such as Saudi Arabia and Hong Kong, exhibit a stronger linkage between ESG disclosure and firm value, whereas different outcomes are observed in regions with less developed institutional frameworks. The effectiveness of ESG disclosure depends heavily on a combination of internal and external factors. Further research is necessary to explore additional interactive variables to develop a more comprehensive understanding of the mechanisms through which ESG creates firm value.

5. Conclusion

This study concludes that Environmental, Social, and Governance (ESG) disclosure plays a significant role in influencing overall firm value and performance. The majority of studies reviewed demonstrate a positive and significant relationship between ESG disclosure and firm value, affirming that companies which actively and transparently report their sustainability practices tend to receive favorable responses from the market and stakeholders. These findings reinforce the position of ESG as a value-creating strategy rather than merely a reporting obligation. Nevertheless, this review also identifies limitations in the literature regarding the role of profitability—such as Return on Assets (ROA) as a moderating variable. ROA is more commonly employed as a dependent variable, and only a few studies explicitly assess its role in strengthening the relationship between ESG and firm value. For example, studies examining profitability’s moderating effect, such as Dorothy and Endri (2024), report insignificant results. This suggests that internal financial indicators may be insufficient to fully explain the variations in ESG’s impact, whereas variables like

firm size, board diversity, and the presence of sustainability committees exhibit more stable and consistent moderating effects.

A primary limitation of this study lies in its reliance on a Systematic Literature Review (SLR) approach. Although SLR provides a broad overview of existing literature, the heterogeneity in contexts, methodologies, and variables across individual studies constrains the consistency of result interpretations. Furthermore, the absence of quantitative methods such as meta-analysis limits the ability to statistically determine the strength of effects. Therefore, it is recommended that future research explore the moderating role of profitability more deeply using robust quantitative approaches, such as interaction regression models or meta-analytical frameworks. Studies could also focus on cross-country or cross-industry comparisons to better understand the influence of institutional contexts on the effectiveness of ESG disclosure. Such findings would enrich theoretical understanding and offer sharper practical insights for companies and policymakers in formulating long-term sustainability strategies.

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