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Integrating the Global Sustainability Agenda into Corporate Value Creation: The Moderating Role of the SDGs in the Effect of Social Performance in the Indonesian Capital Market

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ABSTRACT

This study examines whether social performance affects firm value, and whether the Sustainable Development Goals (SDGs) moderate that relationship, among firms listed on the Indonesia Stock Exchange (IDX) between 2020 and 2024. A descriptive quantitative design was used, with purposive sampling yielding 120 firms and 600 firm-year observations. Firm value is proxied by Return on Assets (ROA), an earnings-based measure of fundamental value. Social performance is operationalised through an index of 19 GRI social indicators, and SDG alignment is captured through content analysis of published sustainability reports. The data were analysed using panel regression estimated by Panel EGLS. Social performance carries a positive and significant coefficient on firm value (coefficient 0.017; prob. 0.019), which suggests that firms with stronger social records achieve higher earnings-based firm value. The SDGs, however, do not moderate this relationship (interaction coefficient -0.023; prob. 0.109). The negative sign hints at a possible dampening tendency, but the estimate cannot be distinguished from zero. A plausible reading is that SDG reporting in Indonesia remains voluntary, is not yet standardised, and has not been fully absorbed into investment decisions in the domestic capital market. The findings point to a clear regulatory implication: standardising sustainability reporting would make SDG disclosure far more relevant to long-term value creation.

Keywords: Social Performance, Firm Value, SDGs, ESG, Indonesia Stock Exchange

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INTRODUCTION

Changes sweeping through global business have reached Indonesian firms, and companies listed on the Indonesia Stock Exchange (IDX) increasingly think differently about where firm value actually comes from. Financial performance once carried nearly all the weight in that calculation. Today, public companies face growing pressure to build sustainability considerations into the way they operate, including social performance and the implementation of the Sustainable Development Goals (SDGs). The rising number of published sustainability reports, the wider adoption of ESG standards, and regulatory encouragement from bodies such as the Financial Services Authority (OJK) all indicate that firms are responding to heightened demands for transparency and accountability. Viewed in this light, the SDGs function as more than a normative obligation; they serve as a strategic instrument capable of lifting corporate performance and value through stronger sustainability practices (Barkat et al., 2024; Beretta et al., 2024; Gariba et al., 2024). The orientation of Indonesian firms appears to be shifting toward a more inclusive and durable form of long-term value creation.

Alongside this development, corporate social performance has attracted closer attention from IDX-listed issuers. Many firms have expanded their social responsibility programmes, strengthened community relations, and given greater weight to employee welfare as part of their business strategy. These practices serve a purpose beyond regulatory compliance: they help build reputation and investor confidence in the capital market. Social performance is closely tied to the achievement of the SDGs, particularly along social dimensions such as poverty reduction, education, and community welfare. Earlier work indicates that SDG implementation can improve both corporate social performance and corporate sustainability (Dar et al., 2020), and that it shapes how markets perceive and respond to firms (Amoako et al., 2020). Social performance therefore matters for competitiveness and for firm value in the Indonesian capital market.

In practice, however, the link between social performance and firm value in Indonesia produces mixed results that merit closer examination. Firms with strong social records do not automatically enjoy a significant increase in value, which suggests that other factors intervene in the relationship. The SDGs may act as one such factor, strengthening or perhaps weakening the effect of social performance on firm value. Among IDX-listed firms, the extent and quality of SDG implementation still vary considerably, both in the depth of information disclosed and in the consistency of reporting. Prior studies report a positive association between SDG disclosure and financial performance, and find that such disclosure can reinforce the link between sustainability practices and corporate outcomes (Beretta et al., 2024; Zampone et al., 2022). Firms that integrate the SDGs more comprehensively may therefore attract a more favourable market response.

The issue carries particular weight in an emerging market such as Indonesia, where sustainability practice is still in transition toward greater maturity. National commitment to the SDGs is reasonably strong, yet implementation at the firm level continues to face obstacles, among them the absence of reporting standardisation and limited investor attention to non-financial information. Empirical evidence nevertheless shows that the factors supporting SDG achievement carry significant consequences for economic and social sustainability (Barkat et al., 2024; Del-Aguila-Arcentales et al., 2022; Guillamón et al., 2025). Examining the moderating role of the SDGs in the relationship between social performance and firm value among IDX-listed companies therefore offers a useful contribution, clarifying how a global sustainability agenda is translated into the setting of the Indonesian capital market.

Corporate Social Performance

Corporate Social Performance (CSP) is a multidimensional construct reflecting the degree to which a firm embeds social responsibility in its strategy and operations. It covers labour relations, occupational health and safety, community empowerment, human rights, diversity, and responsible supply chain practices, all of which sit within the social pillar of the ESG framework. Empirical evidence generally supports a positive contribution of CSP to corporate performance and value (Aydoğmuş et al., 2022). Bilyay-Erdogan and Öztürkkal (2023) report that the social dimension of ESG significantly affects profitability and firm value, while Griffin et al.

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(2021) explain that social performance raises firm value by improving cash flows, lowering risk, and reducing the cost of equity. Saini et al. (2022) reinforce this pattern, showing that ESG disclosure has a positive effect on financial performance. The relationship is not uniformly consistent, however, because contextual factors such as investor characteristics and the institutional environment intervene. Yadav (2020) finds that certain types of institutional investors respond negatively to the social dimension of CSP, which underlines the importance of accounting for moderating variables when explaining how CSP relates to firm value.

Sustainable Development Goals (SDGs)

The Sustainable Development Goals constitute a global development agenda initiated by the United Nations through the 2030 Agenda for Sustainable Development, comprising 17 goals and 169 targets designed to balance economic growth, social inclusion, and environmental protection by 2030. Within the corporate setting, the SDGs provide a strategic framework that encourages firms to integrate sustainability principles into their business models and decision-making, including through ESG practices, sustainable innovation, and social responsibility disclosure. A body of research indicates that corporate adoption of the SDGs improves legitimacy and reputation while also benefiting performance and value, largely because it attracts long-horizon investors and reduces business risk (Friede et al., 2015; Lafortune et al., 2020). The SDGs additionally operate as a global governance mechanism that strengthens corporate transparency and accountability in the creation of shared value for stakeholders (Van Zanten & Van Tulder, 2018).

Firm Value

Firm value reflects a company's capacity to generate sustainable economic value and is commonly linked to internal financial performance, often through profitability indicators such as Return on Assets (ROA). ROA captures how effectively a firm deploys its total assets to generate earnings; a higher ROA therefore signals more efficient asset use and sends a more favourable signal to investors about the firm's prospects. Under the Efficient Market Hypothesis, Fama and French (1992) argue that financial performance information such as ROA becomes embedded in share prices, which represent firm value. Jensen (2017), for his part, maintains that improvements in operating performance drive the optimisation of firm value. Empirically, ROA shows a positive association with firm value because it reflects earning capacity, which investors use as a basis for assessing corporate performance and risk (Brigham et al., 2004; Kasmir, 2012). ROA thus serves not only as a profitability indicator but also as an important determinant of firm value, working through improved market confidence and operational efficiency.

METHODS

This study adopts a descriptive quantitative approach as its principal methodological framework, that is, a research design that systematically describes, analyses, and tests empirical phenomena by processing numerical data with standardised statistical instruments. Substantively, the study investigates the effect of social performance on firm value while positioning corporate commitment to the Sustainable Development Goals (SDGs) as a moderating variable expected to strengthen or weaken that causal relationship. The research object comprises all public companies listed on the Indonesia Stock Exchange (IDX) across a five-year observation window running from 2020 to 2024, a span long enough to capture both the dynamics and the consistency of the relationships among variables. The population covers every firm listed on the IDX, while sampling proceeded through purposive sampling, a non-probability technique that prioritises the fit between sample characteristics and the specific aims of the research. Five selection criteria were applied strictly: (1) the firm was continuously listed on the IDX throughout 2020–2024; (2) the firm published audited financial statements consecutively across the research period; (3) the firm consistently issued a sustainability report, which serves as the basis for measuring SDG engagement; (4) the firm's shares were actively traded on the IDX during the observation period; and (5) complete data were available for all research variables. Applying these five criteria produced a final sample of 120 firms, which in turn generated 600 units of analysis (firm-year observations) for hypothesis testing.

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Table 1. Research Population and Sample

Description	Number
Firms listed on the Indonesia Stock Exchange as of December 2024	941
Firms publishing a sustainability report	873
Firms meeting the sample criteria	120
Research period (years)	5
Total units of analysis (firm-year observations)	600

Source: Processed data (2026)

The independent variable is social performance, which represents the extent to which a firm delivers tangible benefits to the welfare of its employees, local communities, and its wider ecosystem of stakeholders. The theoretical grounding for this variable comes from stakeholder theory (Freeman, 2020), which holds that corporate sustainability depends heavily on a firm's ability to meet the expectations and interests of the various groups affected by its activities. Social performance is operationalised through a disclosure index comprising 19 social indicators covering 40 aspects derived from the Global Reporting Initiative (GRI) standards, an internationally recognised sustainability reporting framework. The index is computed as follows:

SP = Number of Social Indicators Disclosed / 40

The moderating variable is the Sustainable Development Goals, understood as a global framework for achieving a better future by optimising a firm's resources in ways that also improve its financial performance (Shi et al., 2019). Here the SDGs are operationalised as the extent to which a firm discloses the seventeen development goals in its published sustainability report. Measurement proceeds through content analysis of these reports, assigning a value of 1 where the firm discloses information related to one of the 17 SDGs and 0 where no such disclosure appears. The SDG disclosure index is then calculated as:

SDG Disclosure = Number of Disclosures / 17 SDGs

This measurement approach follows Lhutfi et al. (2024), who examine the relationship between SDG disclosure, ESG performance, and firm value in the Indonesian context. The dependent variable is firm value, which reflects a firm's ability to create and maximise wealth for all its stakeholders as the accumulated result of management's strategic decisions. Firm value is measured using Return on Assets (ROA), a profitability proxy widely used in the finance literature to represent how efficiently a firm generates earnings from the assets under its control. Kasmir (2012) notes that firms with higher profitability gain easier access to financing, which matters a great deal for funding future investment and growth. Profitability may further be treated as a key input into managerial decision-making, where firms pursue not only short-term earnings but also the consistent creation of long-term sustainable value (Brigham & Houston, 2013). On this conceptual basis, ROA is calculated as:

ROA = (Net Income + Other Comprehensive Income) / Total Assets

Using ROA as the only proxy for firm value needs an explicit defence, because capital market research usually separates market-based valuation (Tobin's Q, Price to Book Value) from accounting returns. The two do not measure the same thing. Market ratios bundle fundamentals together with investor expectations about growth, so they also move with sentiment, liquidity, and macroeconomic news. ROA records what a firm has actually earned from the assets it controls. This study therefore treats firm value in its fundamental, earnings-based sense: the ability of the asset base to produce returns that eventually belong to shareholders. That view rests on the long-standing finding that accounting earnings carry information reflected in share prices (Ball & Brown,

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1968) and on valuation models in which equity value is built from earnings and book values (Ohlson, 1995). Jensen (2017) reaches the same point from the side of the corporate objective function, arguing that gains in operating performance drive value, and Brigham and Houston (2013) and Kasmir (2012) place profitability at the centre of how a firm's worth is judged.

Four considerations specific to this study support the choice. First, ROA sits closest to the channel through which social performance is expected to work. Better relations with employees and communities are argued to raise productivity, reduce conflict costs, and lower operating risk (Hasan et al., 2018), and these effects show up first in operating earnings; a market ratio would add investor sentiment that has nothing to do with the mechanism. Second, research on corporate social performance has frequently used accounting returns as the outcome (McGuire et al., 1988; Waddock & Graves, 1997), and the meta-analysis by Orlitzky et al. (2003) reports that social performance correlates more strongly with accounting-based than with market-based measures, so ROA keeps the results comparable with that literature. Third, the IDX is an emerging market where ownership is often concentrated and trading in many shares is thin, so prices can reflect liquidity and speculative flows more than fundamentals, and Tobin's Q additionally requires replacement cost and the market value of debt, which are rarely observable and are usually approximated. Fourth, the data come from audited annual financial statements (selection criterion 2) and annual sustainability reports, so ROA yields one comparable, audited figure for every firm-year, whereas a year-end price ratio would be exposed to the large swings of 2020 to 2024, including the pandemic shock and the recovery, that are unrelated to disclosure. The numerator of ROA also contains other comprehensive income, which brings fair-value and revaluation changes into the measure and moves it somewhat closer to a comprehensive notion of value than net income alone.

ROA is still not a market valuation, and it should not be treated as interchangeable with Tobin's Q or Price to Book Value. The estimates reported below are therefore interpreted as the effect of social performance on earnings-based firm value, and any statement about how the market prices social performance is made with that restriction in mind. This limitation is taken up again in Section 4.2, where market-based measures are proposed as a robustness check.

To produce estimates that are more accurate and less exposed to confounding influences, the study includes two control variables with established theoretical and empirical relevance. Firm size is measured as the natural logarithm of total assets (Abidin et al., 2021):

SIZE = Ln (Total Assets)

Firm age is calculated as the difference between the year of the annual report and the year of initial listing (Belitski & Desai, 2019):

AGE = Annual Report Year − IPO Year

All data were analysed using panel data regression, chosen for its capacity to accommodate cross-firm variation while simultaneously capturing change over time.

Regression Model and Analytical Technique

Panel data for the 120 sampled firms were estimated using the Fixed Effect Model (FEM), a choice arrived at only after a staged model-selection procedure rather than assumed at the outset. The Chow test was run first to weigh Pooled OLS against FEM, followed by the Hausman test to weigh FEM against the Random Effect Model (REM); the Lagrange Multiplier test was then applied as a further check confirming that FEM offered the better fit among the three candidate estimators. Because FEM absorbs each firm's unobserved, time-invariant characteristics as an individual fixed parameter estimated jointly with the slope coefficients, it produces coefficient estimates that remain unbiased and consistent even where such firm-specific heterogeneity would otherwise contaminate the results.

Consistent with the two hypotheses set out earlier, estimation proceeds through two regression models run in sequence. Model 1 isolates the direct effect of social performance on firm value and corresponds to H1. Model 2 builds on Model 1 by adding an interaction term between social performance and the SDGs, which allows the moderating role of the SDGs (H2) to be tested directly. Both specifications are shown below.

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Model 1 (Direct Effect of Social Performance on Firm Value)

$FV_{it} = \alpha + \beta_1 SP_{it} + \beta_2 SIZE_{it} + \beta_3 AGE_{it} + \varepsilon_{it}$

Model 1 regresses firm value (FV) on social performance (SP) as the variable of primary interest, together with firm size (SIZE) and firm age (AGE) as controls. Support for H1 requires β_1 to be positive and statistically significant, which would indicate that firms disclosing stronger social performance are valued more highly by the market. The subscripts *i* and *t* index the firm and the observation year respectively, α denotes the intercept, the β terms are the estimated slope coefficients, and ε_{it} is the idiosyncratic error term.

Model 2 (Moderating Effect of the SDGs)

$FV_{it} = \alpha + \beta_1 SP_{it} + \beta_2 M_{it} + \beta_3 (SP_{it} \times M_{it}) + \beta_4 SIZE_{it} + \beta_5 AGE_{it} + \varepsilon_{it}$

Model 2 extends the first specification by entering SDG alignment (M) and the interaction term SP × M, the product of social performance and SDG disclosure that captures whatever moderating influence the SDGs exert on the social-performance–firm-value link. H2 is supported only if β_3 is positive and statistically significant, in which case stronger SDG alignment would be read as reinforcing the positive effect of social performance on firm value; a non-significant β_3, by contrast, would indicate that the SDGs neither strengthen nor weaken that relationship. Both models are estimated using the Fixed Effect Model, with standard errors corrected for heteroskedasticity to keep the resulting inference valid.

The notation used across the two specifications is summarised in Table 2.

Table 2. Notation Used in the Regression Models

Notation	Description
FV_{it}	Firm value of firm *i* in year *t*, measured by Return on Assets (ROA)
SP_{it}	Social performance of firm *i* in year *t*, measured by the 19-item GRI social disclosure index
M_{it}	SDG alignment of firm *i* in year *t*, measured by the 17-goal SDG disclosure index
$SP_{it} \times M_{it}$	Interaction between social performance and SDG alignment (the moderating variable)
$SIZE_{it}$	Size of firm *i* in year *t*, measured as Ln(Total Assets)
AGE_{it}	Age of firm *i* in year *t*, measured as the difference between the annual report year and the IPO year
α	Constant (intercept) of the regression model
β_1 to β_5	Estimated coefficients for the respective independent variables
ε_{it}	Error term (residual) of firm *i* in year *t*

Source: Developed by the researchers (2026)

Hypothesis testing proceeded in two sequential stages. The first stage tested the direct effect of social performance on firm value (H1). The second introduced an interaction term between social performance and the SDGs into the estimation model in order to test the moderating role of the SDGs (H2).

The most appropriate estimation model among the Fixed Effect Model, the Random Effect Model, and Pooled OLS was determined in stages using the Chow test, the Hausman test, and the Lagrange Multiplier test, so that the final model genuinely reflects the structure of the data.

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RESULTS AND DISCUSSION

Descriptive Statistics

Table 2. Descriptive Statistics

Variable	N	Min	Max	Mean	Std. Dev.
Firm Value (Y)	600	-1.7701	6.9977	0.0632	0.3154
Social Performance (X)	600	0.0750	0.9722	0.5390	0.2099
SDGs (M)	600	0.0588	0.9412	0.5741	0.2059
SP × SDGs (XM)	600	0.0065	0.8366	0.3164	0.1751
Firm Size (C1)	600	25.7094	35.4255	30.6269	1.6884
Firm Age (C2)	600	2.0000	129.000	41.5333	20.9638

Source: Processed data, 2026

Table 2 reports descriptive statistics for all research variables across 600 observations drawn from 120 firms over the 2020–2024 period. Firm value (Y) has a mean of 0.0632, a median of 0.0374, and a standard deviation of 0.3154. Its fairly wide range, from -1.7701 to 6.9977, reflects substantial variation in earnings performance across firms; negative values correspond to firm-years in which the firm recorded a net loss. Social performance (X) records a mean of 0.5390, a median of 0.5516, and a standard deviation of 0.2099, pointing to a relatively symmetric distribution with moderate dispersion. Values range from 0.0750 to 0.9722, which captures differences in firms' commitment to disclosing social performance. The SDG variable (M) follows a similar pattern, with a mean of 0.5741, a median of 0.5882, and a standard deviation of 0.2059 over a range of 0.0588 to 0.9412, illustrating how unevenly firms align with the sustainable development agenda. The interaction term SP × SDGs (XM), which proxies the moderating effect, has a mean of 0.3164, a median of 0.3048, and a standard deviation of 0.1751, spanning 0.0065 to 0.8366, consistent with the variation in its two component variables. Firm size (C1), proxied by the natural logarithm of total assets, has a mean of 30.6269 and a median of 30.4284, values close enough to one another, with a standard deviation of 1.6884 across a range of 25.7094 to 35.4255, suggesting a reasonably normal distribution. Firm age (C2) averages 41.5333 years with a standard deviation of 20.9638 years and a notably wide range from 2 to 129 years, reflecting considerable diversity in the maturity and experience of the sampled firms.

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Panel Estimation

Table 3. Panel Estimation Results

Variable	Coefficient	Std. Error	t-Statistic	Prob.
Constant	1.150	0.395	2.909	0.044**
Social Performance (X)	0.017	0.005	3.796	0.019**
SDGs (M)	0.001	0.008	0.180	0.866
SP × SDGs (XM)	-0.023	0.011	-2.054	0.109
Firm Size (C1)	-0.044	0.015	-2.859	0.046**
Firm Age (C2)	0.006	0.002	2.983	0.041**
R-squared	0.826			
Adjusted R-squared	0.780			
F-statistic	18.108	Prob(F-stat)		0.000
Durbin-Watson	1.692	Observations		600

*Note: ** significant at α = 5%; probability values are reported to three decimal places. Dependent variable: Firm Value (Y). Period: 2020–2024. N = 600.*
Source: Processed data, 2026

The Panel EGLS estimates in Table 3 show that the model is significant overall, with an F-statistic of 18.108 (prob. 0.000) and an adjusted R-squared of 0.780, meaning the independent variables account for 78.0 per cent of the variation in firm value. Social performance (X) has a positive and significant effect on firm value, with a coefficient of 0.017 and a probability of 0.019, indicating that stronger social performance corresponds to higher firm value as measured by ROA. The SDG variable (M) shows no significant direct effect (coefficient 0.001; prob. 0.866), and the interaction term SP × SDGs (XM) likewise produces no significant moderating effect (coefficient -0.023; prob. 0.109). The SDGs therefore neither strengthen nor weaken the relationship between social performance and firm value. Among the control variables, firm size (C1) has a significant negative effect (coefficient -0.044; prob. 0.046), whereas firm age (C2) has a significant positive effect (coefficient 0.006; prob. 0.041).

Social Performance and Firm Value

Testing of the first hypothesis shows that social performance has a positive and significant effect on firm value among companies listed on the Indonesia Stock Exchange, with a coefficient of 0.017 and a probability of 0.019. Firms that consistently disclose and improve their social performance tend to achieve stronger earnings performance, which registers as an increase in firm value. The result aligns with stakeholder theory, which holds that firms capable of meeting stakeholder expectations, social responsibility among them, secure stronger legitimacy and, in turn, shape investor perceptions of their long-term prospects favourably (Farrukh, 2024; Tarczynska-Luniewska et al., 2022).

Mechanically, good social performance can raise firm value through several channels: a stronger corporate reputation, greater investor confidence, and improved operational efficiency that ultimately feeds through to financial performance. Hasan et al. (2018) demonstrate that corporate social responsibility improves financial performance with productivity acting as a mediating variable, which indicates that the benefits of social

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performance are operationally fundamental rather than merely reputational. Bardos et al. (2020) further find that publicly visible CSR disclosure has a positive effect on firm value through improved product market perceptions, a mechanism relevant to IDX-listed firms given their high visibility among the public and investors.

Evidence from several market contexts supports this finding. In a study of 9,218 Asian firms over 2012–2019, Alsayegh et al. (2022) find that the social dimension significantly improves investment efficiency and firm value, confirming that social performance matters not only in developed markets but across Asia, Indonesia included. In similar fashion, Yu and Xiao (2022) report a significant positive relationship between social performance and firm value among Chinese firms over 2010–2019, a market whose emerging-market characteristics are comparable to those of the IDX.

The SDGs, Social Performance, and Firm Value

Testing of the second hypothesis shows that the SDGs do not moderate the relationship between social performance and firm value among IDX-listed companies. The SP × SDGs interaction carries a coefficient of -0.023 with a probability of 0.109, above the 5 per cent significance threshold. The moderation hypothesis is therefore rejected, which indicates that the degree to which firms align with the Sustainable Development Goals neither significantly strengthens nor weakens the effect of social performance on firm value in the Indonesian capital market. The coefficient is nevertheless negative, and that direction is examined in the subsection that follows.

Several arguments help explain this non-significant moderating effect. First, disclosure of SDG alignment in Indonesia remains voluntary and relatively recent, so the market has yet to fully incorporate such information into equity valuation. Investors on the IDX may respond more directly to signals of social performance than to the extent of a firm's alignment with the SDG framework. This reading is consistent with Ramos et al. (2022), who find no significant direct effect of SDG coverage on corporate performance, and with Mustafa Rehman et al. (2022), who report mixed results when testing the role of the SDGs in moderating the relationship between sustainability variables and corporate financial performance.

Second, the effectiveness of moderation in the relationship between social performance and firm value appears to depend more on internal governance mechanisms than on alignment with a global framework such as the SDGs. Fuadah et al. (2022) find that the audit committee significantly moderates the relationship between ESG disclosure and firm value, which suggests that moderating variables rooted in internal governance structures carry more weight than external sustainability frameworks. Ooi et al. (2022) similarly show that revisions to corporate governance codes strengthen the relationship between corporate social performance and firm value, further supporting the view that internal institutional variables dominate as moderators in emerging markets such as Indonesia. Alamoudi (2025) also finds that the moderating role of sustainability reporting in the social performance–firm value relationship across the BRICS countries depends heavily on the quality and consistency of disclosure, conditions that current SDG reporting practice in Indonesia has yet to satisfy.

The Negative Sign of the SDG Interaction

The interaction coefficient in Table 3 is negative (-0.023), so the direction of the SDG moderation deserves a short comment even though the estimate is not significant (prob. 0.109). A non-significant coefficient gives no grounds for saying that SDG alignment weakens the value effect of social performance, and the sign is best treated as a tendency that the data cannot confirm. It is still informative. Combining the coefficients for social performance (0.017) and the interaction term (-0.023), the implied marginal effect of social performance on firm value is 0.017 − 0.023 × SDG. At the lowest SDG score in the sample (0.059) this effect is roughly 0.016. At the sample mean (0.574) it falls to about 0.004, and it reaches zero near an SDG score of 0.75, turning marginally negative for the most intensive disclosers. Put differently, the payoff from social performance appears to sit

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with firms that say little about the SDGs and to fade among firms that say a lot. Because the standard errors around such conditional effects are wide, these figures are illustrative only (Brambor et al., 2006).

Several features of emerging-market ESG disclosure could produce this dampening direction. The first is informational overlap. The social performance index and the SDG index are both built from the same sustainability report, so SDG mapping often repeats what investors have already read in the social disclosures and adds little new. The overlap has a statistical side as well: an interaction term formed from two variables with similar means (0.539 and 0.574) is likely to correlate strongly with its components, which inflates standard errors and can make the sign unstable (Aiken & West, 1991). The second is symbolic reporting. Where SDG disclosure is voluntary and unaudited, some firms may attach SDG labels to existing activities mainly to gain legitimacy, a form of greenwashing that investors may discount (Lyon & Montgomery, 2015), and a claimed contribution to many of the 17 goals can look less credible than a focus on a few material ones. The third is the timing of costs. SDG programmes and the reporting that accompanies them cost money now, and ROA, being an earnings measure, absorbs those costs in the current year, while the legitimacy and investor-base benefits arrive later and may fall outside a five-year window disturbed by the pandemic. The fourth is the reporting environment itself. Sustainability reporting has been required of issuers and public companies since OJK Regulation No. 51/POJK.03/2017, but the regulation does not prescribe SDG-specific content, measurement, or assurance. Every firm in the sample publishes a sustainability report (selection criterion 3), so SDG scores differ mainly in breadth and not in whether firms report at all, which leaves limited contrast for detecting any moderation.

The negative sign is better read as a hint that wider SDG disclosure does not substitute for substantive social performance under current Indonesian reporting conditions, and not as evidence that SDG engagement harms value. Whether the tendency strengthens or disappears should be tested with standardised and verifiable SDG measures, centred interaction terms, and market-based indicators of firm value, as proposed in Section 4.2.

CONCLUSION

This study finds that social performance has a positive and significant effect on firm value among companies listed on the Indonesia Stock Exchange over 2020–2024, with a model of strong explanatory power (adjusted R-squared of 0.780). Improving and disclosing social performance can therefore enhance firm value (measured here by ROA) as part of a long-term value creation strategy. The SDGs, by contrast, do not moderate this relationship. Alignment with the global sustainability agenda apparently has yet to become a primary consideration for investors, most likely because disclosure remains voluntary, lacks standardisation, and has not been fully integrated into investment decision-making in the Indonesian capital market, leaving its influence weaker than that of firm-level internal factors. In practical terms, these results confirm the importance of social performance for management, the need for regulators to standardise SDG reporting, and the relevance of social information for investors making ESG-based decisions. Two qualifications apply. Firm value is measured by ROA, so the conclusions concern earnings-based value and not market valuation. The negative sign of the interaction coefficient, although not significant, points to a possible dampening tendency that future studies should test with better SDG measures.

Recommendations

Future research would benefit from broadening and balancing the sample across sectors so that findings generalise more readily. Exploring alternative moderating variables that better capture internal governance mechanisms, such as institutional ownership or board quality, offers another promising direction. Adopting more standardised and verifiable SDG measures would improve estimation accuracy, while extending the observation period into the post-pandemic years would capture more recent sustainability dynamics. Finally, stronger methodological approaches such as two-stage least squares (2SLS) or instrumental variable

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estimation would help address potential endogeneity between social performance and firm value, producing more robust findings. Replacing ROA with market-based measures such as Tobin's Q or Price to Book Value, or using them alongside it, would also show whether the present results survive a market-price definition of firm value. Centring the variables before forming the interaction term would reduce collinearity and give a cleaner reading of the moderating sign.

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