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Integrating Islamic Business Ethics and Environmental Sustainability: Evidence of Green Accounting, Carbon Emission Disclosure, and Islamic Social Reporting Impacts on Firm Value

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Abstract

Objective: This study aims to examine the influence of environmental and Islamic ethical disclosure dimensions, namely Green Accounting, Carbon Emission Disclosure, and Islamic Social Reporting (ISR), on firm value among companies listed on the Jakarta Islamic Index 70 (JII70). This research seeks to provide empirical evidence regarding whether environmental cost transparency, carbon emission accountability, and sharia-based social responsibility disclosures contribute to investor valuation.

Method: This study applies a quantitative approach using secondary data from annual reports, sustainability reports, and financial statements of JII70 companies during 2023–2024. The sample was selected using purposive sampling, resulting in 32 companies with 64 observations. Data were analyzed using multiple linear regression with SPSS 25, while firm value was measured using Tobin's Q.

Results: The results show that Green Accounting has a significant negative effect on firm value, indicating that environmental costs are still perceived as financial burdens by investors. Meanwhile, Carbon Emission Disclosure and Islamic Social Reporting have no significant effect on firm value. The research model explains 59.2% of the variation in firm value.

Implications: Companies need to optimize environmental and social disclosure strategies to transform sustainability practices into long-term value creation. Regulators should also strengthen sustainability reporting standards to improve the relevance of non-financial information in investment decisions.

Originality or Novelty: This study contributes by integrating financial-environmental, physical-environmental, and Islamic ethical dimensions into a single framework. It focuses on the highly liquid JII70 index during the early implementation phase of the Indonesia Carbon Exchange, providing new evidence on sharia investor responses toward sustainability practices.

Keywords: Carbon Emission Disclosure; Firm Value; Green Accounting; Islamic Social Reporting; Jakarta Islamic Index 70.

Introduction

The business world has shown rapid economic development and growth in recent years. However, this growth is accompanied by severe ecological consequences; the environment is in

crisis, with climate science illustrating the extent of environmental degradation and the increasing recognition of this crisis as an urgent global emergency (Tregidga & Laine, 2022). Comprehending how fundamental economic gauges such as gross domestic product (GDP), GDP per capita, inflation, and global commerce interact with sustainability measures, encompassing carbon dioxide (CO2) discharges, employment of renewable energy, and availability of electrical power, is imperative for formulating policies that advocate for sustainable progress (Kankanam & Heshan, 2024). Given the current state of the global economy, corporate competition is becoming more intense, involving modern corporate objectives beyond mere short-term profit maximization toward maximizing shareholder wealth and company value (Nugrahanti & Nasrah, 2024). Firm value represents investor perception of a company's success in managing its resources, which is typically reflected in its market share price. For investors, it serves as a crucial indicator of future growth prospects and the valuation of both tangible and intangible assets, including corporate reputation. (Brigham & Houston, 2019).

Since the last financial crisis in 2008/2009, classical financial reporting has been widely criticised by shareholders and other stakeholder groups. Specifically, financial reports cannot explain the widening value gap between the balance sheet and the firm value of a company. In response, stakeholders are demanding reporting on non-financial aspects, such as environmental or social information (Velte, 2022). In the era of globalization and increased awareness of the impacts of climate change, sustainable development has become a main global concern, making the disclosure of carbon emissions and the application of green accounting crucial efforts to overcome environmental problems (Prasetyaningsih et al., 2025). This dynamic is particularly relevant in Indonesia, where companies face increasing pressure to balance financial performance with environmental responsibility, influencing investor perceptions and company value. Consequently, mitigating market volatility and investor scepticism requires a comprehensive approach, as evidence suggests that investors prioritize governance mechanisms over environmental performance, highlighting the need for enhanced governance to boost company value (Siswati & Sumayyah, 2025).

The selection of the JII70 as the research object carries particular strategic significance. Unlike the Indonesia Sharia Stock Index (ISSI), which encompasses all sharia-compliant stocks—including those with low liquidity the JII70 comprises the 70 sharia stocks with the highest market capitalization and transaction volumes. According to the Efficient Market Hypothesis (EMH), highly liquid markets are expected to respond more rapidly to information, including environmental disclosures. In reality, however, a gap persists as investors frequently encounter information asymmetry regarding the depth of commitment by sharia-compliant firms toward managing their environmental impact (Hansen & Mowen, 2017).

One non-financial factor influencing firm value is the implementation of green accounting. This concept requires that companies internalize externality costs, such as waste treatment and environmental remediation expenses, into their financial statements. Theoretically, the impact of green accounting on firm value is elucidated through Signaling Theory, where the disclosure of environmental costs is perceived as a positive signal of robust risk management, which should ideally trigger stock price appreciation. However, empirical evidence remains characterized by research gaps and inconsistent findings. A study by (Aurelia & Susilawati, 2025) and (A & Wafiroh, 2025) identified a positive relationship between green accounting and firm value.

Conversely, other research, such as (Sari, 2023), found that the market reacts negatively, as environmental costs are often perceived as a financial burden that erodes overall profitability and dividend payouts.

Beyond financial costs, firm value in the modern era is increasingly influenced by physical transparency through Carbon Emission Disclosure (CED). Following the launch of the Indonesia Carbon Exchange, investors have become more critical regarding the carbon footprints of listed companies. The relationship between CED and firm value is rooted in the demand for climate risk transparency. Firms that disclose their carbon emissions are perceived as more transparent (*siddiq*) and demonstrate superior regulatory preparedness. Consequently, such transparency can bring a competitive advantage that increases firm value (Kurnia et al., 2021; Hardiyansah & Agustini, 2021). Recent empirical studies further corroborate this, demonstrating that CED has a significant positive effect on firm value by signaling strong environmental accountability to the market (Fauziah & Siregar, 2025). However, empirical evidence remains fragmented. While some argue for its value-enhancing benefits, others highlight the drawbacks; for instance, the implementation of carbon disclosure is often costly, leading to higher expenses and lower cash flows (Kurnia et al., 2021). This financial burden, coupled with the potential for disclosures to be interpreted as a 'bad news' signal of high pollution risk exposure, can actually diminish firm value and deter investors (Marlina & Herawaty, 2024).

For companies listed in sharia indices, firm value is intrinsically linked to ethical compliance, as reflected in Islamic Social Reporting (ISR). Conventional reporting standards, such as the GRI, are often deemed insufficient to capture the spiritual dimensions of sharia-compliant entities, necessitating the ISR framework. ISR serves as a reporting standard that transcends conventional metrics by incorporating spiritual aspects, including zakat compliance, riba-free transactions, and halal status. Theoretically, extensive ISR disclosure should enhance firm value by fostering a 'spiritual bonding' with loyal sharia investors. However, empirical evidence reveals inconsistencies: while (Chairina & Yusri, 2022) identified a positive influence, (Fitriani & Purnamasari, 2023) found no significant effect. This suggests that a segment of investors in the Indonesian sharia capital market may remain pragmatic, prioritizing capital gains while overlooking the depth of spiritual disclosure.

The inconsistent empirical findings regarding the impact of Green Accounting, Carbon Emission Disclosure, and Islamic Social Reporting on firm value underpin the urgency of this study. This research aims to re-examine these factors through an integrated framework focusing on companies listed on the Jakarta Islamic Index 70 (JII70) in 2023-2024. This timeframe is specifically selected as it marks the initial full implementation phase of carbon trading in Indonesia, a pivotal moment to evaluate sharia investor responses toward business practices that are not only *halal* but also *tayyib*.

Prior research has generally examined these variables in isolation or utilized overly broad indices such as the ISSI, which often results in liquidity bias. This study fills the gap by employing the liquid JII70 index and integrating the cost dimension (green accounting), physical dimension (carbon emission disclosure), and spiritual dimension (ISR) into a single, comprehensive model following the launch of the Indonesia Carbon Exchange.

Literature Review

Theoretical Foundation

Stakeholder Theory

Stakeholder Theory explains that companies are not only responsible for achieving economic objectives but also have obligations to consider the interests of various stakeholders affected by corporate activities (Freeman, 1984). Corporate sustainability depends on management's ability to maintain relationships with stakeholders through transparency, accountability, and responsible business practices. Therefore, companies are encouraged to disclose non-financial information related to environmental and social performance to reduce information asymmetry and strengthen stakeholder trust (Jikhan et al., 2025).

In the context of sustainability reporting, Green Accounting and Carbon Emission Disclosure represent corporate efforts to communicate environmental responsibility. At the same time, Islamic Social Reporting (ISR) provides an ethical reporting framework that accommodates social and spiritual accountability. These disclosures can become important signals for investors in evaluating corporate sustainability and prospects (Veltri et al., 2023).

Sharia Enterprise Theory

Sharia Enterprise Theory (SET) expands the concept of corporate accountability by emphasizing that business activities are not only accountable to human stakeholders but also to Allah, society, and nature (Triyuwono, 2015). Within this perspective, companies act as trustees (*khalifah*) responsible for managing resources ethically and maintaining balance between economic development and environmental preservation.

SET is relevant in explaining the role of Islamic Social Reporting because ISR reflects corporate responsibility beyond financial performance by incorporating aspects of social welfare, environmental preservation, and compliance with Islamic principles (Makatita et al., 2024). Therefore, sustainability practices within Islamic business entities should be evaluated not only from an economic perspective but also from ethical and spiritual dimensions.

Green Accounting and Firm Value

Green Accounting refers to an accounting approach that incorporates environmental costs into corporate accounting systems to support sustainable decision-making. Environmental costs, such as waste management, environmental restoration, and pollution control expenditures, represent corporate responsibility in managing environmental impacts (Hansen & Mowen, 2017).

Based on Stakeholder Theory, disclosing environmental costs can provide positive information to stakeholders regarding the company's commitment to sustainability and risk management. Effective environmental management may improve corporate reputation and increase investor confidence, which ultimately contributes to higher firm value (Aurelia & Susilawati, 2025). However, empirical findings remain inconsistent. Some studies indicate that Green Accounting positively influences corporate value. In contrast, other studies reveal that investors may perceive environmental costs as additional financial burdens that reduce profitability and market valuation (Sari, 2023). Based on these arguments, the following hypothesis is proposed:

H1: Green Accounting affects Firm Value.

Carbon Emission Disclosure and Firm Value

Carbon Emission Disclosure (CED) represents corporate transparency regarding greenhouse gas emissions generated from operational activities. Increasing concerns regarding climate change and environmental regulation have encouraged companies to disclose carbon-related information as part of their sustainability reporting practices (Tregidga & Laine, 2022).

From the perspective of Stakeholder Theory, carbon emission disclosure can reduce information asymmetry by providing investors with information regarding environmental risks, regulatory preparedness, and long-term sustainability strategies. Companies that disclose carbon emissions are expected to gain greater legitimacy and competitive advantages in the capital market (Hardiyansah & Agustini, 2021).

Nevertheless, previous studies show inconsistent findings. Carbon disclosure may increase firm value because investors perceive environmental transparency as a positive signal, but it may also have limited impact when investors consider such information non-financial and of low economic relevance (Kurnia et al., 2021; Marlina & Herawaty, 2024). Therefore, this study proposes:

H2: Carbon Emission Disclosure affects Firm Value.

Islamic Social Reporting and Firm Value

Islamic Social Reporting (ISR) is a disclosure framework designed to accommodate the social and ethical responsibilities of Islamic-based organizations. ISR extends conventional corporate social responsibility reporting by including Islamic values such as zakat disclosure, halal activities, social welfare, environmental responsibility, and ethical business practices (Chairina & Yusri, 2022).

Based on Sharia Enterprise Theory, ISR reflects corporate accountability toward Allah, human beings, and nature. Higher ISR disclosure can strengthen corporate legitimacy and build investor trust, particularly among investors who consider sharia compliance as an important investment criterion (Makatita et al., 2024).

However, empirical evidence regarding the relationship between ISR and firm value remains inconclusive. Some studies found that ISR disclosure positively affects firm value because it enhances corporate reputation and investor confidence (Chairina & Yusri, 2022). Conversely, other research indicates that ISR disclosure does not significantly influence firm value because investors may still prioritize financial performance indicators over social and ethical information (Fitriani & Purnamasari, 2023). Therefore, the hypothesis is formulated as follows:

H3: Islamic Social Reporting affects Firm Value.

Research Gap and Novelty

Previous studies have generally examined environmental and social disclosure variables separately, resulting in limited understanding regarding the combined influence of environmental, physical, and Islamic ethical dimensions on firm valuation. This study addresses this gap by integrating Green Accounting, Carbon Emission Disclosure, and Islamic Social Reporting within a single research framework.

Furthermore, this study focuses on companies listed in the Jakarta Islamic Index 70 (JII70), which represents highly liquid sharia-compliant companies, unlike previous studies that commonly use broader Islamic stock indices (Nugrahanti & Nasrah, 2024). The research period of 2023–2024 also captures the early implementation phase of the Indonesia Carbon Exchange,

providing contemporary evidence regarding investor responses toward sustainability practices in the Islamic capital market.

Research Methodology

This study employs a quantitative approach with an explanatory research design to examine the effect of Green Accounting, Carbon Emission Disclosure, and Islamic Social Reporting (ISR) on firm value. The study uses secondary data obtained from annual reports, sustainability reports, and financial statements of companies listed on the Jakarta Islamic Index 70 (JII70) during the 2023–2024 period. The population consists of companies listed on the JII70 index, while the sample was selected using purposive sampling. The selection criteria include non-financial companies listed during the observation period, availability of complete annual reports and sustainability reports, disclosure of environmental costs in monetary values, and no delisting or trading suspension. Based on these criteria, 32 companies were selected, resulting in 64 firm-year observations.

The dependent variable in this study is firm value measured using Tobin's Q. The independent variables include Green Accounting, measured by the proportion of environmental costs to operational revenue; Carbon Emission Disclosure, measured based on disclosed greenhouse gas emissions (tCO_2e); and Islamic Social Reporting (ISR), measured using an ISR disclosure index.

Data analysis was conducted using multiple linear regression with SPSS version 25. The analysis involved descriptive statistics, classical assumption tests (normality, multicollinearity, heteroscedasticity, and autocorrelation), coefficient of determination (Adjusted R^2), F-test, and t-test to examine the effect of independent variables on firm value.

Results

General Overview of the Research Object

The objective of this research is to investigate the influence of non-financial determinants, namely Green Accounting, Carbon Emission Disclosure, and Islamic Social Reporting, on Firm Value. Utilizing the JII70 index as the population, a total of 64 samples were selected via purposive sampling. The specific breakdown of the sample selection process is as follows:

Table. 1
Sample Selection Criteria

No	Description	Amount
1.	Non-financial companies listed on the JII70 index during 2023-2024.	53
2.	Companies that published complete financial statements, annual reports, and sustainability reports.	53
3.	Companies that explicitly disclose environmental costs (in monetary values) for green accounting ratio calculation.	32
4.	Companies that did not experience delisting or trading suspension during the research period.	32
Total Final Sample = 32 x 2 years		64

Source: Processed Data, 2026

Descriptive Statistics

Descriptive statistics provide a summary of the data used in this study, including the Mean, Median, and standard deviation, which are presented in the table below:

Table.2
Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
NP	64	.6038	5.4064	1.444058	1.0574031
GA	64	.0001	.4055	.039873	.0683603
CED	64	4532.00	49806826.14	6566921.8534	11424485.65133
ISR	64	.6047	.8372	.780525	.0496988
Size	64	28.9896	33.7900	31.313152	.9645193
ROA	64	-1.24	34.20	8.5263	7.57055
DER	64	.08	2.93	.6959	.54927
Growth	64	-8.2784	57.6467	10.219897	11.8434149
Ind	64	0	1	.69	.467
Valid N (listwise)	64				

Source: Processed Data, 2026

The Green Accounting variable shows a mean ratio of 0.039, indicating that JII70-indexed firms allocate 3.9% of their operational revenue to environmental initiatives. This reflects a corporate commitment to internalizing environmental costs, such as waste management and green CSR programs, into their core operations.

The Carbon Emission Disclosure variable shows a mean value of 6,566,921.85 tCO2e, reflecting high GHG emissions typical of the carbon-intensive energy and materials sectors in the JII70 index. A substantial standard deviation of 11.4 million indicates a significant carbon footprint gap among sample firms, ranging from heavy industry to service sectors, in compliance with POJK No. 51/2017.

The Islamic Social Reporting (ISR) variable shows a mean of 0.837, indicating that JII70-indexed firms disclose 83.7% of the required ISR items. This high disclosure level reflects a robust corporate commitment to Sharia-based social and environmental stewardship, particularly in employee welfare and community empowerment.

The Firm Value (Tobin's Q) variable shows a mean of 1.444, indicating that the market assigns a premium valuation to JII70-indexed firms. This ratio signifies that investors are willing to pay 1.4 times the book value, reflecting a valuation driven by future growth potential and intangible assets such as corporate reputation and sustainability practices rather than physical assets alone.

Classical Assumption Test

Normality Test

The normality test, utilizing the Kolmogorov-Smirnov (K-S) method, aims to determine whether the data of specific variables follow a normal distribution.

Table.3
Normality Test Result

One-Sample Kolmogorov-Smirnov Test		
		Unstandardized Residual
N		64
Normal Parameters[a,b]	Mean	.0000000
	Std. Deviation	.63082048
Most Extreme Differences	Absolute	.064
	Positive	.064
	Negative	-.040
Test Statistic		.064
Asymp. Sig. (2-tailed)		.200[c,d]
a. Test distribution is Normal.		
b. Calculated from data.		
c. Lilliefors Significance Correction.		
d. This is a lower bound of the true significance.		

Source: Processed Data, 2026

Based on the results of the Kolmogorov-Smirnov normality test presented above, the Asymp. Sig. (2-tailed) value obtained is 0.200. This value is greater than the 0.05 significance threshold; therefore, it can be concluded that the data follow a normal distribution.

Multicollinearity Test

The multicollinearity test is conducted by detecting Tolerance and Variance Inflation Factor (VIF) values. An effective regression model should be free from multicollinearity issues.

Table.4
Multicollinearity Test Result

Coefficients[a]			
Model		Collinearity Statistics	
		Tolerance	VIF
1	(Constant)		
	GA	.904	1.106
	CED	.915	1.093
	ISR	.653	1.532
	Size	.722	1.386
	ROA	.590	1.694
	DER	.698	1.432
	Growth	.850	1.176
	Ind	.802	1.246
a. Dependent Variable: NP			

Source: Processed Data, 2026

Based on Table 4, the Tolerance value for each variable is greater than 0.1, and the Variance Inflation Factor (VIF) value is less than 10. These results indicate that the regression model does not suffer from multicollinearity issues.

Heteroscedasticity Test

The heteroscedasticity test aims to examine whether there is an unequal variance of residuals across observations within the regression model.

Table.5

Heteroscedasticity Test Result

Coefficients[a]						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	2.135	2.259		.945	.349
	GA	.038	.727	.006	.052	.959
	CED	-6.909E-10	.000	-.020	-.160	.874
	ISR	1.400	1.177	.172	1.190	.239
	Size	-.094	.058	-.225	-1.632	.108
	ROA	.015	.008	.277	1.820	.074
	DER	.087	.103	.119	.848	.400
	Growth	.009	.004	.275	2.168	.035
	Ind	-.117	.113	-.135	-1.036	.305
a. Dependent Variable: Abs_RES						

Source: Processed Data, 2026

Based on Table 5, the significance value for each variable exceeds the 0.05 threshold. Consequently, it can be concluded that the regression model is free from heteroscedasticity issues.

Autocorrelation Test

To detect potential serial correlation, this study performs an autocorrelation test using the Durbin-Watson (DW) method.

Table. 6

Autocorrelation Test Result

Model Summary[b]					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.803[a]	.644	.592	.6751363	1.696
a. Predictors: (Constant), Ind, CED, Growth, GA, ROA, Size, DER, ISR					
b. Dependent Variable: NP					

Source: Processed Data, 2026

With a sample size (n) of 64, the number of independent variables (k) of 8, and a significance level (α) of 0.05, the dU value in the Durbin-Watson table is 1.6946. The test results show that dU<d<4-dU (1.694 < 1.696 < 2.305). It can be concluded that the regression model in this study is free from autocorrelation issues.

Multiple Linear Regression Analysis

Table.7
Multiple Linear Regression Analysis

Coefficients[a]						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	13.746	4.067		3.380	.001
	GA	-2.932	1.309	-.190	-2.240	.029
	CED	2.235E-10	.000	.002	.029	.977
	ISR	3.171	2.119	.149	1.497	.140
	Size	-.465	.104	-.424	-4.479	.000
	ROA	.053	.015	.381	3.643	.001
	DER	-.387	.185	-.201	-2.090	.041
	Growth	-.005	.008	-.054	-.620	.538
	Ind	-.344	.203	-.152	-1.694	.096
a. Dependent Variable: NP						

Source: Processed Data, 2026

Based on the test results presented above, the multiple linear regression model for this study is constructed as follows:

Y = 13,746 – 2,932X1 + 2,235e-10X2 + 3,171X3 – 0,465K1 + 0,053K2 – 0,387K3 – 0,005K4 – 0,344K5 + e

a. A constant value of 13.746 indicates that if the Green Accounting, Carbon Emission Disclosure, and Islamic Social Reporting variables are held constant (zero), the value of the Firm Value variable would be 13.746.
b. The regression coefficient for the Green Accounting variable is -2.932, indicating that every one-unit increase in environmental costs is predicted to decrease Firm Value by 2.932 units.
c. The regression coefficient for the Carbon Emission Disclosure variable is 2.235e-10, indicating that every one-unit increase in carbon emission disclosure is predicted to enhance Firm Value by a very small amount of 0.0000000002235 units.
d. The regression coefficient for Islamic Social Reporting is 3.171, indicating that every one-unit increase in ISR disclosure is predicted to enhance Firm Value by 3.171 units.
e. The regression coefficient for Firm Size is -0.465, showing that a one-unit increase in company size is predicted to decrease Firm Value by 0.465 units.
f. The regression coefficient for Profitability is 0.053, indicating that every one-unit increase in profitability is predicted to improve Firm Value by 0.053 units.
g. The regression coefficient for Leverage is -0.387, suggesting that a one-unit increase in leverage is predicted to reduce Firm Value by 0.387 units.
h. The regression coefficient for the Growth variable is -0.005, indicating that every one-unit increase in growth is predicted to decrease Firm Value by a marginal 0.005 units.
i. The regression coefficient for the Industry variable is -0.344, showing that if a company operates within a high-carbon sector, its Firm Value is predicted to decrease by 0.344 units compared to non-high-carbon sectors.

Coefficient of Determination Test (R^2)

Table. 8
R^2 Result

Model Summary[b]					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.803[a]	.644	.592	.6751363	1.696
a. Predictors: (Constant), Ind, CED, Growth, GA, ROA, Size, DER, ISR					
b. Dependent Variable: NP					

Source: Processed Data, 2026

Based on the results of the coefficient of determination test above, the calculated R2 value of 0.592 indicates that the capacity of Green Accounting, Carbon Emission Disclosure, and Islamic Social Reporting, along with the control variables of Firm Size, Profitability, Leverage, Growth, and Industry, to explain the variation in Firm Value is 59.2%. Meanwhile, the remaining 40.8% is explained by other variables outside the scope of this research model.

Simultaneous Significance Test

The F-test is conducted to assess the overall impact of all independent variables in providing a significant collective effect on the dependent variable. The results of the F-test are presented as follows:

Table. 9
F Test Result

ANOVA[a]						
Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	45.371	8	5.671	12.442	.000[b]
	Residual	25.069	55	.456		
	Total	70.440	63			
a. Dependent Variable: NP						
b. Predictors: (Constant), Ind, CED, Growth, GA, ROA, Size, DER, ISR						

Source: Processed Data, 2026

In the table above, the calculated F-statistic is 12.442. The F-statistic exceeds the F-table (12.442 > 2.175), and the significance value of 0.000 < 0.05 indicates that Green Accounting, Carbon Emission Disclosure, and Islamic Social Reporting, together with the control variables, simultaneously influence Firm Value.

t-Test (Partial Significance Test)

The t-test is employed to determine the extent to which each independent variable individually influences the dependent variable. The results of the partial significance test (t-test) are presented in Table 7.

The regression results for the Green Accounting variable show a beta coefficient of -2.932 with a significance value of 0.029 < 0.05. Consequently, it can be concluded that Green Accounting has a significant negative effect on Firm Value. For the Carbon Emission Disclosure variable, the beta coefficient is 2.235e-10 with a significance value of 0.977 > 0.05, indicating that

Carbon Emission Disclosure has no significant effect on Firm Value. Furthermore, the Islamic Social Reporting variable yields a beta coefficient of 3.171 with a significance level of 0.140 > 0.05, which implies that Islamic Social Reporting does not significantly influence Firm Value within this research model.

Discussion

The Effect of Green Accounting on Firm Value

The Green Accounting variable shows a significant negative coefficient of -2.932 (t = 2.240 > 2.002; p = 0.029 < 0.05), suggesting that the market does not immediately reward environmental expenditures. From an Agency Theory perspective, investors likely perceive these costs as operational burdens that diminish financial efficiency and net profit, consequently lowering Tobin's Q as a reflection of firm value.

This phenomenon can also be explained by the current market conditions in Indonesia, where investor concern regarding environmental issues may not be fully integrated into investment decision-making processes. High costs allocated to Green Accounting without immediate, visible economic benefits in the financial statements tend to diminish the firm's attractiveness to investors. Therefore, despite the company's efforts to demonstrate social responsibility, substantial environmental expenditures act as a negative sentiment that pressures the company's stock market price within this research period.

This finding is consistent with research by (Lindawati et al., 2023), which shows that ineffective and inefficient green accounting application will become an obstacle for companies to generate profits and can even cause losses in the worst conditions. As a result, the value of the company will be affected.

The Effect of Carbon Emission Disclosure on Firm Value

Statistical results reveal that Carbon Emission Disclosure (CED) has a negligible positive regression coefficient of 2.235e-10. With a t-statistic of 0.029 < 2.002 and a p-value of 0.977 > 0.05, CED demonstrates no significant effect on Firm Value. These findings indicate that the extent of carbon emission transparency is not a primary consideration for investors in market valuation. The near-zero coefficient suggests that carbon-related data fails to generate sufficient sentiment, either positive or negative, to influence Tobin's Q. This reflects a market condition where environmental disclosures are perceived as mere administrative compliance rather than material information integrated into financial risk analysis.

This phenomenon may stem from the current nature of carbon emission disclosure in Indonesia, which remains largely voluntary and lacks standardized reporting frameworks. Consequently, investors face challenges in objectively benchmarking carbon performance across firms. In the absence of stringent regulatory mandates or clear economic incentives, carbon transparency fails to deliver a direct economic impact on market valuation. Accordingly, the hypothesis stating that Carbon Emission Disclosure influences Firm Value is rejected in this study.

The near-zero coefficient (2.235×10^{-10}) and lack of statistical significance for Carbon Emission Disclosure (CED) must be critically evaluated through the lens of the transitional impacts of the Indonesia Carbon Exchange (IDXCarbon), which was officially launched in late

2023 (Oktaviani et al., 2026; Rizaldi et al., 2025a). The research period of 2023-2024 captures the nascent transitional phase of carbon trading infrastructure in Indonesia. During this initial stage, carbon pricing mechanisms and emission ceilings (Cap-and-Tax) under OJK Regulation No. 14/2023 were predominantly mandatory only for specific high-emission sub-sectors, such as coal-fired power plants (PLTU) connected to the state electricity grid (Dilasari et al., 2022; OJK, 2024; Rico Nur Ilham et al., 2025a).

For the broader spectrum of non-financial companies listed in the highly liquid JII70 index, physical carbon disclosure under POJK No. 51/2017 is still heavily perceived by market participants as a form of voluntary administrative compliance rather than a core metric affecting immediate corporate cash flows (Zahira & Mukhtaruddin, 2026). Consequently, Sharia investors in the Indonesian capital market are currently experiencing an informational and strategic lag. In this transitional window, market liquidity within IDXCarbon remained relatively low, and the price signals generated were not yet robust enough to be integrated into standard equity valuation models or risk-premium adjustments (Rizaldi et al., 2025b).

Furthermore, from the perspective of Sharia investment behavior, while transparency (*siddiq*) and environmental clarity (*tabayyun*) are highly valued in theory, the actual operationalization of the Indonesia Carbon Exchange during 2023-2024 had not yet created strong economic penalties for non-disclosure or clear financial rewards for low-carbon performance (Rico Nur Ilham et al., 2025b). As a result, Sharia investors adopt a pragmatic, wait-and-see approach during this transition, choosing to prioritize traditional bottom-line accounting metrics (such as ROA and leverage) over emerging carbon accounting indicators (Sugiarto et al., 2023). This transitional friction helps explain why physical carbon transparency fails to generate immediate positive or negative shocks to Tobin's Q within this timeframe.

These findings align with (Gunawan., 2026), who asserts that carbon emission disclosures do not significantly affect firm value. This suggests that investors in the JII70 index may prioritize short-term financial performance, primarily profit-oriented, over climate change issues. Consequently, environmental transparency regarding carbon footprints has yet to be internalized as a value-relevant metric in the valuation of Sharia-compliant firms in Indonesia.

The Effect of Islamic Social Reporting on Firm Value

Based on the regression results, the Islamic Social Reporting variable has a regression coefficient of 3.171, indicating a positive relationship: each additional disclosure item in Firm Value is 3.171 units. However, this impact is statistically non-significant, as the t-statistic of 1.497 is lower than the t-table value of 2.002, and the significance value of 0.140 exceeds the 0.05 threshold. Consequently, the hypothesis that ISR influences Firm Value is not supported in this study.

These results highlight a pragmatic-materialistic tendency among investors within the JII70 index. Even within a Sharia-compliant framework, market participants seem to emphasize information tied to immediate financial materiality such as carbon emissions over voluntary social-spiritual metrics. Given that the JII70 comprises highly liquid blue-chip stocks, its investor profile is heterogeneous, encompassing international and conventional investors. Consequently, disclosures on zakat, Sharia adherence, or Islamic social initiatives are categorized as 'ethical excellence' but are not seen as primary drivers of profitability or long-term valuation growth.

This finding aligns with Mia Fitriani & Puji Endah Purnamasari 2023), who argued that while ISR's influence is positive, it remains statistically insignificant. They posit that ISR disclosure is frequently perceived as a symbolic gesture for image-building or mere administrative adherence rather than a source of substantial economic value. The Indonesian Sharia capital market continues to be dominated by rational economic actors who treat ISR reports as secondary information, which currently lacks the leverage to shift market equilibrium or influence pricing strategies.

Conclusion

This study concludes that Green Accounting, Carbon Emission Disclosure, and Islamic Social Reporting provide different implications for firm value among companies listed on the Jakarta Islamic Index 70 (JII70). The empirical results indicate that Green Accounting has a significant negative effect on firm value, suggesting that investors still perceive environmental expenditures as additional costs that may reduce short-term profitability. Meanwhile, Carbon Emission Disclosure and Islamic Social Reporting do not have a significant effect on firm value, indicating that sustainability and sharia-based disclosures have not yet become primary considerations in investor valuation decisions during the research period.

These findings highlight that integrating sustainability practices into corporate strategies requires stronger market recognition and regulatory support. Environmental and social disclosures should not merely function as compliance mechanisms but should be positioned as strategic instruments for creating long-term corporate value. The results also indicate that investors in the Indonesian sharia capital market may still prioritize traditional financial indicators over non-financial information related to environmental and ethical performance.

This study has several limitations. First, the observation period is limited to 2023–2024, which represents the early implementation phase of the Indonesia Carbon Exchange, making it difficult to capture long-term changes in investor responses toward sustainability disclosure. Second, the study focuses only on companies included in the JII70 index, so the findings may not be generalized to all companies listed on the Indonesia Stock Exchange. Third, the measurement of sustainability variables relies on specific indicators, which may not fully represent the complexity of environmental and social performance.

Based on these limitations, future research is recommended to extend the observation period using longer panel data to obtain more comprehensive evidence regarding sustainability disclosure impacts on firm value. Future studies may also consider expanding the research object beyond JII70 and incorporating broader ESG measurement frameworks, such as third-party sustainability ratings, to provide a more comprehensive evaluation of corporate environmental and social responsibility. Furthermore, companies are encouraged to improve the strategic quality of sustainability disclosures so that environmental and Islamic ethical practices can be recognized as sources of long-term competitive advantage.

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Author Contributions Statement

Author contributions were structured based on the research development process. The first author was responsible for conceptualizing the research framework, developing the theoretical foundation, conducting data collection, performing empirical analysis, and preparing the initial manuscript draft. The second author contributed to methodological refinement, validation of analytical procedures, critical evaluation of research findings, and manuscript improvement. The third author contributed to reviewing the theoretical consistency, strengthening the discussion section, and providing intellectual input to enhance the academic quality of the manuscript. All authors have read, critically reviewed, and approved the final version of the manuscript.

Conflict of Interest

The authors declare that there are no financial, institutional, or personal relationships that could have influenced the objectivity, integrity, or interpretation of the research findings. This study was conducted independently, and all analyses were performed based on empirical evidence and established academic procedures.

AI Usage Statement

The authors acknowledge that artificial intelligence (AI)-based tools were utilized selectively as a supporting instrument during the manuscript preparation process. AI assistance was limited to language refinement, grammatical improvement, and enhancement of academic writing clarity. The conceptual framework, research design, data analysis, interpretation of findings, and scientific conclusions were independently developed and verified by the authors. The authors remain fully responsible for the accuracy, originality, and integrity of the content presented in this manuscript.

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