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The Effect Of Sustainability Reporting On Company Value With Intellectual Capital As A Moderation

(Study on Jakarta Islamic Index Issuers)

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Abstract

This study examines the relationship between sustainability reporting and firm value and investigates whether intellectual capital strengthens this relationship in companies listed in the Jakarta Islamic Index (JII). Firm value is proxied by Price to Book Value (PBV), sustainability reporting is measured using the Global Reporting Initiative (GRI) disclosure index, and intellectual capital is assessed using the Value Added Intellectual Coefficient (VAIC™) model. The sample consists of 30 JII-listed firms in 2024, analyzed using Structural Equation Modeling–Partial Least Squares (SEM-PLS).

Drawing on signaling theory and the resource-based view, sustainability reporting is expected to function as a credible signal of long-term value creation, while intellectual capital is assumed to enhance the firm's ability to transform sustainability disclosure into competitive advantage. However, the findings indicate that sustainability reporting does not significantly affect firm value, and intellectual capital does not moderate this relationship.

These results suggest that sustainability disclosure in the Islamic capital market context may not yet be perceived as value-relevant information by investors. The absence of a significant effect also raises concerns regarding disclosure quality and the potential perception of greenwashing, where sustainability reporting fulfills regulatory compliance but lacks substantive strategic integration. The study contributes to the literature by highlighting the signaling limitations of sustainability reporting and the underutilized strategic role of intellectual capital in emerging Islamic markets.

Key words: Sustainability Reporting; Firm Value; Intellectual Capital;Jakarta Islamic Index

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INTRODUCTION

Firm value reflects investors' overall assessment of a company's performance and future prospects. In capital markets, firm value is commonly proxied by market-based indicators such as Price to Book Value (PBV), which represents the premium investors are willing to pay over a firm's book value (Astuti & Yadnya, 2019; Yanti & Darmayanti, 2019). A higher firm value indicates stronger investor confidence and effective managerial performance in creating shareholder wealth (Sadipun & Mildawati, 2022). However, share prices in the Jakarta Islamic Index (JII) constituents tend to fluctuate.



Figure 1. Stock Price Graph of JII Constituents

Fluctuations in the stock prices of companies listed on the JII can influence investor interest in those companies. Stock price fluctuations are a key factor investors consider before making investment decisions. To achieve this increase in company value, one way companies can achieve this is through non-financial disclosures, one of which is Sustainability Reporting.

In recent years, sustainability reporting has gained increasing attention as a mechanism for enhancing transparency and corporate accountability. Sustainability reporting, guided by frameworks such as the Global Reporting Initiative (GRI), discloses corporate performance across economic, environmental, and social dimensions (So et al., 2021). From a signaling theory perspective, voluntary and comprehensive disclosure is expected to serve as a positive signal to investors regarding long-term value creation and responsible governance (Rismayanti, 2020). Therefore, sustainability reporting should theoretically contribute to higher firm value.

In Indonesia, sustainability reporting has evolved from a voluntary initiative to a regulatory requirement following OJK Regulation No. 51/POJK.03/2017. Despite this

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regulatory development, sustainability disclosures remain heterogeneous in quality and depth. Unlike financial statements that follow strict accounting standards, sustainability reports allow greater managerial discretion, potentially reducing comparability and credibility across firms. This condition raises concerns that sustainability reporting may be perceived merely as compliance rather than as substantive strategic commitment.

Empirical evidence regarding the effect of sustainability reporting on firm value remains inconclusive. Some studies document a positive association, indicating that sustainability disclosure enhances corporate reputation and market valuation (Anggraini, 2024; Situmorang & Bimo, 2021). However, other findings suggest that only certain dimensions—particularly the economic dimension—are valued by investors, while social and environmental disclosures show insignificant effects (Yulianty & Nugrahanti, 2020; Sarwanto, 2022). These inconsistencies suggest that the impact of sustainability reporting may depend on internal firm capabilities that determine how effectively sustainability initiatives are integrated into business strategy.

One potential internal capability is intellectual capital. According to the resource-based view, intellectual capital represents a strategic asset that generates competitive advantage through knowledge, human expertise, and organizational systems (Orens et al., 2009). Measured using the Value Added Intellectual Coefficient (VAIC™), intellectual capital captures the efficiency of capital employed, human capital, and structural capital in creating value (Aprianti, 2018; Muasiri & Sulistyowati, 2021). Firms with strong intellectual capital are theoretically better positioned to transform sustainability initiatives into strategic value and credible market signals.

However, empirical findings on intellectual capital and firm value are also mixed. While some studies find a positive and significant relationship (Setyawati & Fidiana, 2023), others report insignificant or even negative effects (Muslim et al., 2023; Maharani et al., 2024; Fadillah & Noormansyah, 2023). Interestingly, recent evidence suggests that intellectual capital may function more effectively as a moderating variable rather than as a direct determinant of firm value (Rahmawati & Suwarno, 2025).

The Islamic capital market context provides an important setting for further examination. Companies listed in the Jakarta Islamic Index (JII) are expected to adhere not only to financial performance standards but also to ethical and sharia principles emphasizing accountability and social responsibility (Idowati et al., 2020). Conceptually, sustainability reporting aligns closely with Islamic values such as accountability (hisbah) and public benefit (maslahah) (Anggraini, 2024). Therefore, sustainability disclosure should theoretically have stronger value relevance within this market segment.

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Nevertheless, the limited and inconsistent market response raises questions about whether sustainability reporting in this context genuinely serves as a value-relevant signal or is perceived as symbolic disclosure. The potential perception of greenwashing—where sustainability reporting emphasizes image rather than substantive performance—may weaken investor response, particularly when disclosure quality does not reflect genuine strategic integration.

Based on these theoretical and empirical gaps, this study aims to examine the effect of sustainability reporting on firm value and to test whether intellectual capital moderates this relationship in JII-listed firms. By integrating signaling theory and the resource-based view within the Islamic capital market context, this research contributes to the ongoing debate regarding the value relevance of sustainability disclosure and the strategic role of intellectual capital in emerging markets.

LITERATURE ANALYSIS AND METHODOLOGY

Theorecital Foundation

Signaling Theory

Signaling theory posits that corporate disclosure serves as a mechanism to reduce information asymmetry between management and investors. Firms voluntarily disclose information to signal quality, performance, and long-term prospects to the market (Rismayanti, 2020). In this context, sustainability reporting is expected to function as a positive signal indicating responsible governance, risk management capability, and long-term value creation. Comprehensive sustainability disclosure should therefore enhance investor confidence and increase firm value.

However, the effectiveness of signaling depends on credibility. When sustainability reporting lacks depth or consistency, investors may question its reliability. Consequently, the signal conveyed through sustainability disclosure may not be fully reflected in market valuation.

Agency Theory

Agency theory explains the relationship between principals (shareholders) and agents (managers), where conflicts of interest may arise due to differing objectives. Information asymmetry enables managers to engage in opportunistic behavior, including selective disclosure (Jensen & Meckling, 1976).

Sustainability reporting can function as a monitoring mechanism to reduce agency conflicts by increasing transparency and accountability. Nevertheless, agency theory also suggests that disclosure may be strategically used to protect managerial interests. In such

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cases, sustainability reporting may become symbolic or compliance-oriented rather than substantive, potentially limiting its impact on firm value. This perspective provides theoretical justification for examining whether sustainability reporting truly influences market-based valuation.

Stewardship Theory

In contrast to agency theory, stewardship theory assumes that managers act as stewards whose interests align with those of shareholders. Managers are motivated to maximize organizational performance and long-term sustainability rather than pursue personal gains.

Within this framework, sustainability reporting reflects managerial commitment to ethical responsibility and long-term corporate welfare. This perspective is particularly relevant in the Islamic capital market context, where firms listed in the Jakarta Islamic Index (JII) are expected to uphold accountability, transparency, and social responsibility principles. Sustainability disclosure, therefore, should theoretically align with both ethical and economic objectives.

RESEARCH METHODOLOGY

Population and sample

The population consists of companies listed in the Jakarta Islamic Index (JII) in 2024. The JII comprises 30 sharia-compliant companies with high liquidity and large market capitalization.

This study applies a saturated sampling technique (census method), in which all 30 companies listed in JII in 2024 are included as the research sample. The use of census sampling ensures comprehensive coverage of the Islamic index during the observation period.

Data Source

The study utilizes secondary data obtained from:

- Annual reports
- Sustainability reports
- Financial statements
- Official company websites

All data correspond to the fiscal year 2024.

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Variable Measurement

Firm Value (Dependent Variable)

Firm value is proxied by Price to Book Value (PBV), which reflects the market's valuation relative to the company's book value.

***PBV* = Harga Pasar per Saham/ Nilai Buku per Saham.**

Sustainability Reporting (Independent Variable)

Sustainability reporting is measured using a disclosure index based on the Global Reporting Initiative (GRI) standards. Each disclosed item is scored "1" and undisclosed items are scored "0". The total score is then divided by the maximum applicable disclosure items.

Intellectual Capital (Moderating Variable)

Intellectual capital is measured using the Value Added Intellectual Coefficient (VAIC™) method. VAIC reflects the efficiency of value creation through capital employed, human capital, and structural capital.

VAIC is calculated as: VAIC= VACA +VAHU+STVA

1. *VACA(Value Added Capital Employed Efficiency)* = VA / CE
2. *VAHU(Value Added Human Capital Efficiency)* = VA / HC
3. *STVA (Structural Capital Efficiency)* = SC / VA

Data Analysis Technique

The data are analyzed using Structural Equation Modeling–Partial Least Squares (SEM-PLS) with the following stages:

Measurement Model (Outer Model Evaluation)

The measurement model is assessed using:

- Convergent validity (factor loadings > 0.70)
- Average Variance Extracted (AVE > 0.50)
- Composite reliability (> 0.70)

Since the variables are measured using index and ratio data, reflective measurement is applied.

Structural Model (Inner Model Evaluation)

The structural model is evaluated using:

- Coefficient of determination (R^2)

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- Path coefficients
- T-statistics and p-values (bootstrapping procedure)

Hypothesis testing is conducted using bootstrapping with a significance level of 5%.

Hypothesis Development

Sustainability Reporting and Firm Value

According to signaling theory, sustainability reporting functions as a strategic communication tool to reduce information asymmetry and convey positive information regarding long-term corporate performance. Firms that disclose comprehensive sustainability information signal responsible governance, risk awareness, and future-oriented strategies, which should increase investor confidence and market valuation.

From the agency theory perspective, sustainability reporting can serve as a transparency mechanism to mitigate conflicts between managers and shareholders. By disclosing non-financial information, managers demonstrate accountability and reduce monitoring costs. Enhanced transparency is expected to improve market perception and positively influence firm value.

Meanwhile, stewardship theory suggests that managers act in the best interest of the organization and its stakeholders. In this context, sustainability reporting reflects managerial commitment to long-term value creation and ethical responsibility. This perspective is particularly relevant for firms listed in the Jakarta Islamic Index (JII), where adherence to ethical and social responsibility principles is integral to corporate identity.

Although empirical findings remain mixed, these theoretical arguments support the expectation that sustainability reporting contributes positively to firm value.

Therefore, the first hypothesis is proposed as follows:

H1: Sustainability reporting has a positive effect on firm value.

Intellectual Capital as a Moderatig Variable

The effectiveness of sustainability reporting in influencing firm value may depend on the firm's internal capabilities. Intellectual capital reflects the firm's ability to manage knowledge, human expertise, and organizational systems efficiently. Firms with strong intellectual capital are theoretically more capable of integrating sustainability initiatives into core business processes and translating disclosure into strategic outcomes.

From the signaling perspective, intellectual capital enhances the credibility of sustainability reporting. When firms possess strong human and structural capital, sustainability disclosure is more likely to reflect substantive performance rather than symbolic compliance.

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Agency theory further suggests that firms with efficient knowledge systems and strong organizational structures are better positioned to implement transparent governance practices, thereby strengthening the value relevance of sustainability information.

Under stewardship theory, managers with strong intellectual resources are more capable of acting as effective stewards, aligning sustainability objectives with long-term corporate performance.

Thus, intellectual capital is expected to strengthen the relationship between sustainability reporting and firm value.

Accordingly, the second hypothesis is formulated as follows:

H2: Intellectual capital strengthens the positive relationship between sustainability reporting and firm value.

RESEARCH METHODOLOGY

Research Design

This study employs a quantitative explanatory research design to examine the effect of sustainability reporting on firm value, with intellectual capital as a moderating variable. The analysis uses Structural Equation Modeling–Partial Least Squares (SEM-PLS), which is appropriate for predictive analysis, complex models with moderating effects, and relatively small sample sizes.

Population and sample

The population consists of companies listed in the Jakarta Islamic Index (JII) in 2024. The JII comprises 30 sharia-compliant companies with high liquidity and large market capitalization.

This study applies a saturated sampling technique (census method), in which all 30 companies listed in JII in 2024 are included as the research sample. The use of census sampling ensures comprehensive coverage of the Islamic index during the observation period.

RESULTS AND DISCUSSION

Research overview

This study aims to examine the effect of Sustainability Reporting on Company Value with Intellectual Capital as a moderating variable in companies included in the Jakarta Islamic Index (JII) for the 2024 research period. JII is an index containing the 30 most liquid sharia stocks on the IDX and includes issuers from various business sectors, such as energy and mining/raw materials, industry, consumer goods (cyclical and non-cyclical), health,

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infrastructure and telecommunications, property, technology, transportation/logistics, and sharia finance.

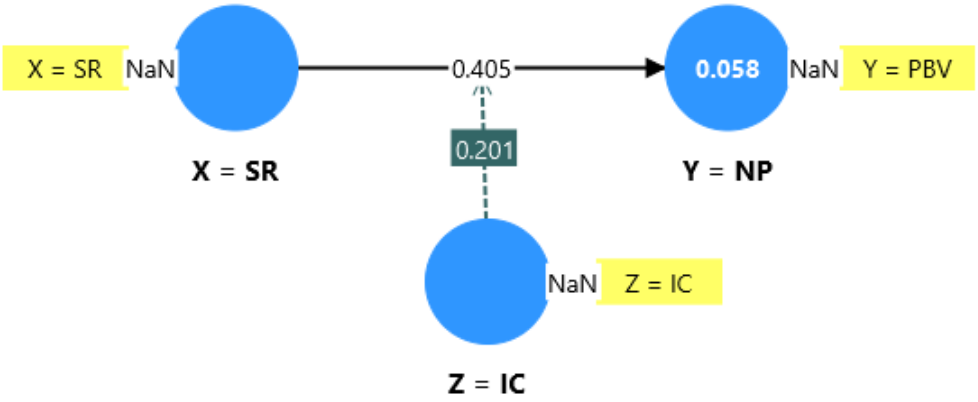


Image 2. of the results of the moderation analysis

The figure above shows the results of the analysis of the relationship between the variables Sustainability Reporting (X = SR), Company Value (Y = PBV), and the role of Intellectual Capital (Z = IC) as a moderating variable in the X → Y relationship.

Measurement Model Evaluation (Outer Model)

Table 1. Outer loadings-matrix results

	Sustainability Reporting	Company Value	Intellectual Capital	Sustainability Reporting X Intellectual Capital
X	1.000			
Y		1.000		
Z			1.000	
IC X SR				1.000

Source: Data processed in 2025

An outer model evaluation was conducted to assess the validity and reliability of the constructs. However, because all research variables used single-item constructs, the factor loading value was automatically set at 1.000 for each construct.

The use of a single indicator resulted in:

1. Convergent validity could not be analyzed because there was no variability between indicators.

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2. Discriminant validity could not be tested because there was no cross-loading between indicators.
3. Reliability (Cronbach's Alpha, Composite Reliability, AVE) could not be calculated.
However, Hair et al. (2017) stated that single-item measurement can be used if the indicators are objective, specific, and easily observed, such as financial ratios, company size, and other composite indicators. Therefore, all constructs were deemed suitable for further structural model analysis.

Structural Model Evaluation (Inner Model)
Coefficient of Determination (R^2)

Table 2. R square (R2) test results

	R-square	R-square adjusted
Company Value	0.058	-0.050

Source: Data processed in 2025

The coefficient of determination (R^2) is 0.058, indicating that sustainability reporting and its interaction with intellectual capital explain only 5.8% of the variance in firm value. This suggests that the model has weak explanatory power.

Approximately 94.2% of the variation in firm value is influenced by other factors not included in the model, such as financial performance, firm-specific characteristics, and external market conditions. According to Chin (1998), an R^2 value of this magnitude falls within the weak category, indicating limited predictive relevance of the structural model.

These findings imply that sustainability disclosure and its interaction with intellectual capital are not primary determinants of firm value within the observed sample.

Effect Size Value (F-Square)

Table 3. Effect Size (F-square) test results

	Company Value	Interpretasi
Sustainability Reporting	0.003	Efek Sangat Kecil
Intellectual Capital X Sustainability Reporting	0.043	Efek Kecil-Menengah

Source: Data processed in 2025

Based on the effect size (f^2) results, sustainability reporting has an f^2 value of 0.003, while the interaction term (Sustainability Reporting × Intellectual Capital) has an f^2 value of

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0.043. Referring to Cohen (1988), f^2 values of 0.02, 0.15, and 0.35 indicate small, medium, and large effects, respectively.

The f^2 value of 0.003 indicates that sustainability reporting has a negligible effect size, falling below the threshold for a small effect. This suggests that the inclusion of sustainability reporting in the model does not meaningfully increase the explained variance of firm value.

Meanwhile, the interaction term shows an f^2 value of 0.043, which falls within the small effect category. Although numerically higher than the direct effect, its contribution to improving the model's explanatory power remains limited.

Overall, both sustainability reporting and its interaction with intellectual capital exhibit low effect sizes, indicating that their substantive contribution to explaining firm value in the structural model is minimal.

Hypothesis Test Results (Path Coefficient)

Table 4. *Path Coefficient*

	Path Koefisien	T statistics	P Values	F Square
Sustainability Reporting->Nilai Perus-ahaan	-0.052	0.239	0.405	0.003
Intellectual Capital x Sus-tainability Reporting -> Nilai Perusahaan	0.195	0.836	0.201	0.043

Source: Data processed in 2025

Interprestasi:

1. The hypothesis testing results indicate that sustainability reporting has a path coefficient of –0.052, with a t-statistic of 0.239 and a p-value of 0.405. Since the p-value exceeds 0.05 and the t-statistic is below 1.96, sustainability reporting does not have a significant effect on firm value. Therefore, H1 is rejected.

   Although the coefficient shows a negative direction, the relationship is statistically insignificant and thus cannot be meaningfully interpreted. This indicates that variations in sustainability reporting are not associated with significant changes in firm value.

   Furthermore, the effect size (f^2) is 0.003, which is below the threshold for a small effect according to Cohen (1988). This confirms that sustainability reporting contributes negligibly to the model's explanatory power.

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Overall, these findings suggest that sustainability reporting is not a strong predictor of firm value among companies listed in the Jakarta Islamic Index during the observed period. The variation in firm value appears to be driven by other factors not included in the model.

2. The interaction term between sustainability reporting and intellectual capital shows a path coefficient of 0.195, with a t-statistic of 0.835 and a p-value of 0.201. Since the t-statistic is below 1.96 and the p-value exceeds 0.05, the moderating effect is not statistically significant. Therefore, intellectual capital does not moderate the relationship between sustainability reporting and firm value, and H2 is rejected.

   Although the coefficient is positive—indicating a potential strengthening effect—the relationship is not statistically significant and thus cannot be interpreted as meaningful. This suggests that intellectual capital does not enhance the impact of sustainability reporting on firm value within the observed sample.

   The effect size (f^2) of the interaction term is 0.043, which falls within the small category according to Cohen (1988). This indicates that the additional explanatory contribution of the moderating variable is limited.

   Overall, the findings demonstrate that the proposed moderation model does not receive empirical support. Intellectual capital does not significantly strengthen the relationship between sustainability reporting and firm value in companies listed in the Jakarta Islamic Index during the study period.

DISCUSSION

The Influence of Sustainability Reporting on Company Value

The findings reveal that sustainability reporting does not have a statistically significant effect on firm value among companies listed in the Jakarta Islamic Index. This result extends beyond mere hypothesis rejection and carries broader conceptual implications. Specifically, the commonly held theoretical assumption that sustainability disclosure directly enhances market valuation does not appear to operate universally, particularly within the Indonesian Islamic capital market context.

Several prior studies (e.g., Linda & Paramitha, 2023; Fadillah & Noormansyah, 2023; Maharani & Widiatmoko, 2024; Febriyanti, 2021) similarly document insignificant relationships between sustainability reporting and firm value across various sectors. This consistency suggests that, in Indonesia—especially within the Islamic capital market—sustainability disclosure has not yet been fully internalized as value-relevant information by investors. However, contrasting evidence from Rusmiani & Rahayu (2024) and Putra & Natalia (2023) indicates positive effects in specific contexts, highlighting sectoral

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differences, variations in disclosure quality, and methodological distinctions. These inconsistencies substantiate the research gap addressed in this study.

From a theoretical standpoint, the results do not fully align with Signaling Theory, which posits that high-quality disclosure should transmit positive signals regarding long-term prospects and governance quality. The researcher argues that signaling effectiveness is contingent upon two critical conditions: the credibility of the signal sender and the sensitivity of the signal receiver. If investors do not prioritize sustainability considerations in their investment evaluation, even extensive disclosure will fail to generate a significant market response. The findings therefore imply that sustainability information has not yet achieved sufficient economic salience among investors in the Islamic capital market.

Beyond investor sensitivity, the lack of uniform reporting standards and assurance mechanisms may also contribute to skepticism. The flexibility inherent in sustainability disclosure frameworks can create room for perceived greenwashing, where companies emphasize symbolic narratives rather than substantive performance improvements. Contemporary literature indicates that selective ESG disclosure, weak regulatory enforcement, and limited verification mechanisms may undermine information credibility. In this context, the researcher contends that investor hesitation may stem from uncertainty regarding the substantive quality and strategic integration of reported sustainability practices.

From the perspective of Agency Theory, sustainability reporting is expected to reduce information asymmetry by enhancing transparency and accountability. However, the empirical evidence suggests that such disclosure may be perceived primarily as regulatory compliance rather than as an indicator of strategic value creation. This interpretation is further supported by qualitative insights indicating that Islamic investors tend to prioritize financial stability and sharia compliance over sustainability narratives.

Similarly, Stewardship Theory assumes that managerial commitment to long-term sustainability should strengthen firm value. Yet the absence of a significant market response suggests that ethical or long-term orientation alone is insufficient to influence valuation when investor decision-making remains predominantly financially driven.

Critically, the researcher maintains that while Signaling Theory, Agency Theory, and Stewardship Theory are normatively robust, their explanatory power is context-dependent. Sustainability may be institutionally embedded at the regulatory and academic levels but not yet behaviorally embedded in investor decision-making within emerging Islamic markets. This indicates a structural gap between theoretical expectations and market realities.

The study therefore contributes conceptually by demonstrating that the relationship between sustainability reporting and firm value is conditional rather than universal. The

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capacity of sustainability disclosure to generate market value depends on investor awareness, regulatory rigor, reporting credibility, and the degree to which sustainability practices are integrated into core business strategy. These findings call for further investigation into the contextual boundaries of value-relevance theory in Islamic and emerging capital markets.

The role of Intellectual Capital as a moderator

The empirical results indicate that intellectual capital does not moderate the relationship between sustainability reporting and firm value among companies listed in the Jakarta Islamic Index. In other words, intellectual capital neither strengthens nor weakens the impact of sustainability disclosure on market valuation. This finding is theoretically significant, given that intellectual capital is frequently conceptualized as a strategic enabler capable of enhancing corporate effectiveness, including the implementation of sustainability initiatives.

The result is consistent with prior studies such as Muslim et al. (2023) and Fadillah & Noormansyah (2023), which report that intellectual capital does not significantly influence firm value in certain sectors. Muslim et al. (2023) argue that firms in asset-intensive industries tend to prioritize physical and financial capital efficiency over intangible asset management, leading investors to focus more heavily on tangible resources. Similarly, Fadillah & Noormansyah (2023) suggest that intellectual capital contributes to value creation only when productivity gains exceed associated human capital costs. Inefficient allocation of training or human resource investment may therefore dilute its impact on firm valuation.

However, other studies (e.g., Rahmawati & Suwarno, 2025; Setyawati & Fidiana, 2023) demonstrate that intellectual capital can strengthen the positive influence of sustainability reporting under certain industrial or reputational conditions. These contrasting findings suggest that the moderating role of intellectual capital is context-dependent and may vary across industries and market structures.

From a theoretical perspective, Resource-Based logic conceptualizes intellectual capital as a valuable, rare, inimitable, and non-substitutable asset. Human capital fosters innovation and expertise; structural capital enhances organizational systems and reporting quality; relational capital strengthens stakeholder trust and legitimacy. In principle, these components should enhance the credibility and strategic integration of sustainability reporting.

However, the present findings indicate that such synergy has not materialized within the observed sample. The researcher argues that intellectual capital may not yet be

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strategically aligned with sustainability objectives. Sustainability reporting may still function primarily as a compliance or legitimacy mechanism rather than as a core value-creation strategy. Simultaneously, intellectual capital may be directed toward operational efficiency rather than toward strengthening sustainability integration and market communication.

From a Signaling Theory perspective, intellectual capital should theoretically enhance signal credibility. Firms with strong intellectual resources are assumed to produce more reliable, measurable, and strategically integrated sustainability disclosures. Yet signal effectiveness ultimately depends on investor interpretation. The researcher contends that within the Indonesian Islamic capital market, investors continue to exhibit strong orientation toward conventional financial metrics. Consequently, even sustainability signals reinforced by intellectual capital fail to translate into significant valuation effects.

From an Agency Theory standpoint, intellectual capital is expected to reduce information asymmetry by improving managerial competence and reporting quality. However, if sustainability disclosure itself is not perceived as economically material, improvements in reporting sophistication may not alter investor response.

Similarly, under Stewardship Theory, intellectual capital reflects managerial capability for long-term value stewardship. Although prior research suggests that firms with stronger intellectual capital are better positioned to manage sustainability strategically, the absence of a moderating effect indicates that such capabilities have not yet been recognized by the market as value-enhancing signals.

Importantly, the researcher emphasizes that moderation failure must also be interpreted in light of the primary relationship. When sustainability reporting itself does not significantly affect firm value, the scope for intellectual capital to strengthen that relationship becomes inherently limited. Thus, the absence of moderation cannot be isolated from the weak direct association between sustainability disclosure and valuation.

These findings suggest that the integration between sustainability strategy and intellectual capital remains incomplete within JII firms. The market may not yet perceive intangible knowledge assets as drivers of sustainability-based competitive advantage. This reflects a transitional stage in which sustainability discourse is institutionally acknowledged but not fully embedded in investment behavior.

Statistically, intellectual capital in this study does not meet the criteria of a pure or quasi moderator, as the interaction term is not significant. Its contribution to firm value, if any, may occur through alternative pathways not captured in the present model.

Strategically, the findings imply that firms must move beyond parallel implementation of sustainability reporting and intellectual capital development. Instead, a

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deeper strategic alignment is required—where intellectual capital is deliberately directed toward ESG integration, innovation, risk management, and long-term stakeholder engagement. Particularly in the Islamic capital market context, the integration of sustainability principles with ethical and sharia-based values presents an opportunity to reposition intellectual capital as a credibility-enhancing mechanism.

Overall, this study demonstrates that intellectual capital does not function as a moderating variable in the relationship between sustainability reporting and firm value within the Jakarta Islamic Index. The findings underscore that value creation through sustainability and intangible assets requires stronger strategic coherence and greater investor recognition of non-financial information. This opens avenues for future research to explore alternative mechanisms through which sustainability initiatives may be translated into economic value in emerging Islamic markets.

CONCLUSION AND RECOMMENDATIONS

Conclusion

Based on the research conducted by the researcher, the following conclusions were drawn:

1. Sustainability Reporting has no effect on the Company Value of Jakarta Islamic Index issuers in 2024, indicating that Sustainability Reporting has no significant impact on the Company Value of Jakarta Islamic Index (JII) issuers in 2024.
2. Intellectual Capital is unable to strengthen the influence of Sustainability Reporting on company value.

Recommendations

1. Expand the sample to companies in the LQ45, IDX80, or all industrial sectors on the IDX.
2. Use quantitative-qualitative (mixed methods) to explore investor perceptions of SR.
3. Compare Islamic and conventional companies to obtain richer results.

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