Environmental Social and Governance Disclosure in Relation to Firm Value and Financial Distress in Indonesian Listed Textile and Garment Companies

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Abstract

Environmental, social, and governance (ESG) disclosure is increasingly relevant to corporate sustainability, but its financial associations remain uncertain in labor-intensive industries in emerging markets. This exploratory study examines the associations of environmental, social, and governance disclosure with firm value and financial distress among textile and garment companies listed on the Indonesia Stock Exchange during 2022–2024. Purposive sampling based on listing status and report completeness yielded five companies and 15 firm-year observations. Separate GRI-based disclosure indices were entered as single observed indicators in a partial least squares path model, with Tobin's Q and the Springate score as outcomes. A higher Springate score indicates better financial health and lower distress risk. Inter-rater agreement was assessed using Cohen's kappa ($\kappa = 0.812$). The model accounted for 41.1% of the sample variation in firm value and 15.3% in the Springate score. Governance disclosure was negatively associated with firm value at the nominal 5% significance level ($\beta = -1.052$; $p = 0.032$), whereas the remaining five paths were not statistically significant. The governance result does not establish that good governance reduces firm value or that compliance costs exceed long-term benefits. The very small sample, repeated observations within firms, and disclosure-based measurement limit precision and generalizability. The findings provide preliminary sector-specific evidence and motivate larger, longitudinal analyses that distinguish disclosure intensity, implementation costs, and operational sustainability outcomes.

Introduction

It's undeniable that the textile and garment industry is a key driver of the Indonesian economy, contributing 19.87 percent of the national manufacturing workforce (Indotextiles, 2025). However, this industry also has various consequences, particularly for the environment, society, and corporate governance.

According to SIPSN data, Indonesia produces approximately 2.3 million tons of textile waste annually, accounting for approximately 12% of total household waste (Unair News, 2024). This impact can certainly increase with fluctuations in production based on market demand. This situation cannot be ignored. Several studies have shown that the disposal of textile waste without proper treatment can cause river water to become cloudy, smelly, and contain hazardous substances that pose a risk to human health (Baihaqi et al., 2024). This indicates that the impact of the garment industry is not only environmental but also begins to penetrate broader social aspects (Kurniawan et al., 2022).

The impact of the development of the textile and garment industry is not only felt on the environmental aspect, but also on the social aspect, especially those related to labor. This is because the textile and garment industry has a high dependence on human labor. So this industry has a high vulnerability to the risk of layoffs. As happened with PT Sri Rejeki Isman Tbk (Sritex), this company declared bankruptcy, which had an impact on 8,400 to 10,000 employees who experienced layoffs (Mamduh, 2025). This condition shows that problems in the textile industry are not only related to company performance, but also have a broad socio-economic impact (UMS, 2025).

In addition to the two aspects already explained, companies also need to pay attention to governance as a crucial component of maintaining business sustainability. The Financial Services Authority (OJK) emphasizes that good corporate governance is implemented to foster investor confidence, create market stability, and minimize the risk of corporate irregularities (GRC Indonesia, 2025). The implementation of clear corporate governance will ensure a healthy and trustworthy business environment for the company, which will undoubtedly have a long-term impact on the company.

Through the implementation of ESG, companies are encouraged to focus beyond profit, but also on business sustainability and its impact on stakeholders. The urgency of ESG implementation in Indonesia is supported by regulations established by the Financial Services Authority (OJK), which mandates the preparation of sustainability reports for public companies as a form of accountability to the public (OJK, 2017).

The implementation of the ESG concept in a company is ultimately closely related to how the company is perceived by investors and the market (Kartika et al., 2023).

Company value reflects investors' views on the company's ability to manage resources and generate future profits, which is generally reflected in the company's stock price on the capital market (Fadillah et al., 2025). In recent times, company value is influenced not only by financial factors, but also by non-financial factors such as ESG implementation. This is evidenced in research conducted by Kuncoro & Atiningsih (2025), which revealed that Environmental, Social, and Governance Performance have a positive and significant impact on company value. However, research conducted by Saputra B & Mei Susilowati (2025) showed different results, revealing that environmental and social disclosures have no effect on company value, while governance disclosure aspects have a negative effect on company value.

The implementation of ESG is also related to a company's financial distress. Financial distress is a condition that reflects problems in a company's financial performance. This condition occurs when a company has problems meeting its financial obligations, both current and non-current (Hidayat, 2024). Factors influencing financial distress are not only financial factors, but also how a company can address the impacts resulting from its operational activities that affect the environment, society, and corporate governance. Research conducted by Nabila Khairunnisa & Setiawati (2025) revealed that environmental disclosures have no significant effect on financial distress, while social and governance disclosures have a significant influence in reducing financial distress. This contrasts with the results of research conducted by Larasati & Mawardi (2024), which revealed that ESG overall has no effect on financial distress.

Given the inconsistent findings, this study examines the separate associations of environmental, social, and governance disclosure with firm value and financial distress in IDX-listed textile and garment companies during 2022–2024. Its contribution is an exploratory, sector-specific comparison of three disclosure dimensions and two financial outcomes. The analysis measures disclosure coverage rather than directly observing the quality of ESG implementation, and its conclusions are bounded by the small available sample.

Literature review

Signaling theory

Signaling theory explains that management with access to internal company information will convey this information to external parties, particularly investors, as a signal that can influence their assessment of the company (Lang & Lundholm, 1993). Based on signaling theory, companies with good performance tend to voluntarily disclose information as an effort to demonstrate their superiority over other companies in the market (Chow & Boren, 1987). Lee et al. (2022) explain that disclosure

of environmental, social, and governance (ESG) aspects can act as a means of conveying corporate signals to various stakeholders, such as suppliers, employees, consumers, and investors.

Signaling theory does not imply that every additional disclosure must immediately increase market value. A signal must convey credible, financially relevant information beyond routine compliance. In a labor-intensive industry, environmental investment, workforce protection, and governance controls can involve current expenditures, while gains through productivity, customer retention, risk reduction, and financing conditions may emerge later. Mandatory or standardized disclosure may also provide limited differentiation across firms. These competing timing and credibility mechanisms motivate positive expected associations while allowing the observed short-run relationships to differ; they are theoretical explanations, not mechanisms directly tested in this study.

Firm value

Company value is a representation of a company's performance, reflected in its stock price on the capital market, which is formed based on the interaction between investor supply and demand (Mayangsari, 2018). Company value contains financial information that can be used as a benchmark and indicator for investors in determining which companies to invest in. Furthermore, company value is also used for mergers, acquisitions, or to determine the company's market value (stock price) (Handayani & Karnawati, 2021). One indicator often used to measure company value is Tobin's Q. This ratio was first introduced by James Tobin (Ningrum, 2022). The operational proxy used in this study relates market equity and the specified debt adjustment to total assets (Utami & Muslih, 2018):

$$Q = (MVS + D) / TA$$

Description:

Q = Company Value

MVS = Market Value of Equity (Year-end Closing Stock Price x Number of Shares Outstanding at Year-End)

D = Debt, which is (Company's Current Liabilities - Current Assets) + Long-Term Liabilities

TA = Total Assets

The conventional benchmark for a Tobin's Q-type ratio is 1 (Sudiyatno & Puspitasari, 2010), interpreted with reference to the proxy's numerator definition:

a. $Q > 1$ indicates that the numerator exceeds the book value of total assets; it is not, by itself, proof of managerial efficiency or stock overvaluation.

b. Q < 1 indicates that the numerator is below the book value of total assets; it is not, by itself, proof of inefficient management or stock undervaluation.
c. Q = 1 indicates equality between the numerator and the book value of total assets. Because the debt adjustment used here subtracts current assets, this proxy can differ from measures using total debt without that adjustment.

Financial Distress

Financial distress is a condition in which a company experiences financial problems or a decline in its financial condition, making it unable to meet its financial obligations to creditors and potentially bankrupt. This condition usually occurs before a company enters bankruptcy or liquidation (Adrian & Supriyanto, 2024). Financial distress usually begins with a company having difficulty paying its obligations, especially short-term obligations related to liquidity and solvency (Meiliawati & Isharijadi, 2017). The model used to determine financial distress in this study is the Springate model. The model developed by Springate is as follows (Abadi & Misidawati, 2020).

S = 1.03A + 3.07B + 0.66C + 0.40D
Description:
A = working capital / total assets
B = net profit before interest and taxes / total assets
C = net profit before taxes / current liabilities
D = sales / total assets
The Springate score is interpreted as an indicator of financial health:

a. S > 0.862 indicates a comparatively healthy classification; S = 0.862 lies at the classification threshold.
b. S < 0.862 indicates potential financial distress. Higher S therefore denotes lower distress risk. The continuous score, rather than a binary bankruptcy outcome, is the modeled dependent variable.

Environmental, Social, and Governance (ESG)

ESG is a set of standards based on these three aspects to assess the sustainability of a company's business activities and its commitment to sustainability (Junanda, 2024). Environmental aspects can be a means for companies to build a positive reputation while demonstrating their commitment to social responsibility to support sustainable performance (Syaputri, 2024). Meanwhile, social aspects focus on how companies build relationships with stakeholders such as employees, consumers, the community, and other parties. Finally, governance aspects encompass the company's management and control mechanisms designed to ensure the company's activities

are carried out transparently, accountably, and responsibly. This study operationalizes ESG as disclosure coverage using a study-specific checklist based on the GRI Standards 2021. Disclosure coverage does not directly measure implementation effectiveness, expenditure, or sustainability performance.

Hypothesis Development

ESG disclosure may reduce information asymmetry and make risk-management commitments more visible to investors. Environmental disclosure can communicate resource and pollution management; social disclosure can signal workforce and stakeholder relationships; and governance disclosure can communicate accountability and oversight. Prior evidence links ESG disclosure quality with firm value (Uluelang & Natalia, 2025). The expected positive relationship is disaggregated into the three paths actually estimated:

H1a: Environmental disclosure is positively associated with firm value.

H1b: Social disclosure is positively associated with firm value.

H1c: Governance disclosure is positively associated with firm value.

ESG disclosure may also communicate practices that support business continuity and reduce financial vulnerability. Environmental efficiency may limit resource costs, social practices may support workforce stability, and governance may strengthen monitoring and risk control. Luthfi and Atmini (2025) discuss ESG in relation to financial distress. Because higher Springate scores indicate lower distress risk, the expected reduction in distress corresponds to a positive coefficient on S:

H2a: Environmental disclosure is positively associated with the Springate score, implying lower financial distress risk.

H2b: Social disclosure is positively associated with the Springate score, implying lower financial distress risk.

H2c: Governance disclosure is positively associated with the Springate score, implying lower financial distress risk.

Figure 1 depicts the six direct relationships estimated. Each disclosure dimension enters both outcome equations; no aggregate ESG factor, mediation, or direct path between the outcomes is estimated.

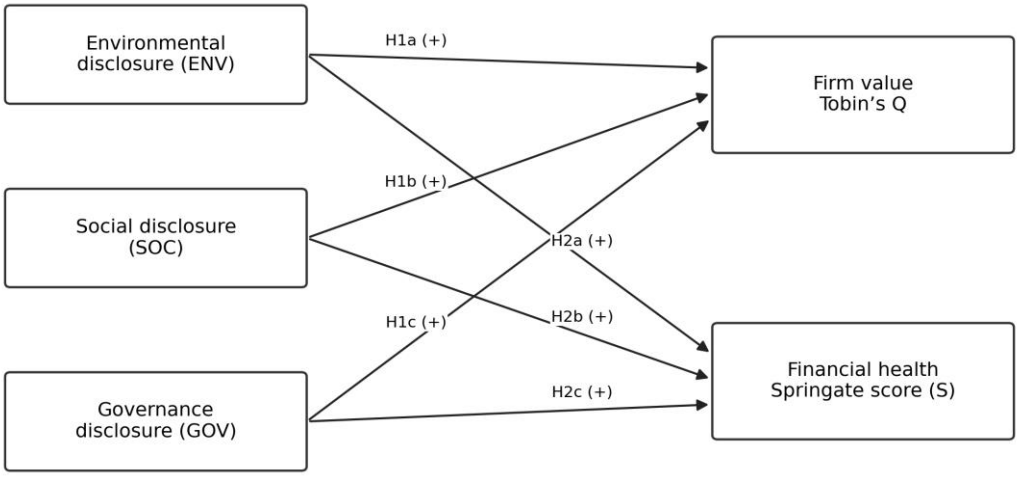


Figure 1. Conceptual framework with three disclosure dimensions and two outcomes

Research methods

This study uses a quantitative associative design to explore environmental (ENV), social (SOC), and governance (GOV) disclosure in relation to firm value (Q) and the Springate financial-health score (S). Secondary data were obtained from annual and sustainability reports published by the IDX or the companies. The population comprised 22 textile and garment companies listed on the IDX during 2022–2024. Purposive sampling based on continued listing and complete annual and sustainability reports yielded five companies observed over three years, or N = 15 firm-year observations. These are repeated observations from five firms, not 15 independent companies.

The study-specific GRI-based checklist comprises 31 environmental, 36 social, and 30 governance disclosure items. These counts describe the instrument used in this study and should not be interpreted as a universal GRI allocation into ESG pillars. Each pillar is aggregated before entering the path model, so the 97 checklist items are not modeled as 97 reflective indicators. Firm value is measured using the Q proxy defined above, and financial distress is represented by the continuous Springate score, which combines working capital, profitability, and sales ratios.

For firm i in year t, let x(d,j,i,t) = 1 when checklist item j in dimension d is disclosed in the reviewed reports and 0 when it is not disclosed. The unweighted disclosure index is:

$$I(d,i,t) = [\Sigma_{j=1}^{nd} x(d,j,i,t)] / n(d), \quad d \in \{ENV, SOC, GOV\}.$$

$$ENV(i,t) = \Sigma_{j=1}^{31} x(ENV,j,i,t) / 31; \quad SOC(i,t) = \Sigma_{j=1}^{36} x(SOC,j,i,t) / 36;$$
$$GOV(i,t) = \Sigma_{j=1}^{30} x(GOV,j,i,t) / 30.$$

Each index ranges from 0 to 1; multiplying by 100 expresses the same coverage as a percentage. For illustration, 15 disclosed environmental items produce 15/31 = 0.484 after rounding. The three pillar indices are the composites used in the analysis; no combined ESG index is entered into the tested model. An undisclosed item does not establish that the corresponding activity was absent.

The revised GRI Universal Standards became effective for reporting from 1 January 2023, with early adoption encouraged (Global Reporting Initiative, n.d.). The 2021 framework is therefore the analytical reference for the study's checklist, rather than evidence that every sampled company had adopted that version in 2022. Comparability across the reporting transition is a measurement limitation.

The first data analysis is descriptive analysis, a statistical approach used to explain, summarize, and analyze a series of data. The main focus is to provide a precise and concise description of the data, patterns, and correlations (Sugiyono, 2016). Then, interrater reliability is calculated. This is done to show the level of consistency of assessments given by two or more people regarding the same object or aspect. Reliability can be measured using various methods, one of which is using the Cohen's Kappa Coefficient (k), which is used to measure inter-rater reliability when the assessment or classification is categorical (nominal) (Reken et al., 2024). The formula for the kappa coefficient is as follows:

$$\kappa = (P_o - P_e) / (1 - P_e)$$

Description:
k = Kappa coefficient
P_o = number of matching paired ratings divided by the total number of paired ratings.
$P_e = p_1(1)p_2(1) + p_1(0)p_2(0)$, where $p_r(c)$ is rater r's marginal proportion in category c.
Cohen's kappa evaluates agreement beyond chance in the categorical disclosure coding. The 1,455 paired item assessments correspond to 97 checklist items × 15 firm-years. They are coding units for the agreement assessment, not additional independent observations for the financial model. Kappa supports coding consistency but does not establish the validity or financial relevance of the disclosure index.
PLS path modeling is retained to estimate the six direct associations in a common framework using the observed indices and financial ratios. Each variable has one input indicator, so this specification operates as an observed-variable path model rather than a validation of multi-item latent constructs. Loadings of 1.000 follow mechanically from the single-indicator specification. Internal-consistency coefficients and AVE do not provide substantive measurement evidence here, and HTMT is not assessable

without multiple indicators per construct. Accordingly, these measures are reported as not applicable rather than as evidence of perfect reliability or validity.
Sample size is constrained by report availability, not justified by PLS estimation alone. Kock and Hadaya (2018) show that the common 10-times rule is imprecise and discuss sample-size estimation based on expected effects. With three predictors per outcome, even that rough rule would suggest 30 observations, above the available 15. No adequate statistical power is claimed. Moreover, observations from the same firm may be dependent, and PLS does not automatically account for this panel structure. The analysis is therefore exploratory and cannot support causal or population-wide conclusions.

The structural specification is $Q(i,t) = \alpha Q + \beta QE\ ENV(i,t) + \beta QS\ SOC(i,t) + \beta QG\ GOV(i,t) + \varepsilon Q(i,t)$, and $S(i,t) = \alpha S + \beta SE\ ENV(i,t) + \beta SS\ SOC(i,t) + \beta SG\ GOV(i,t) + \varepsilon S(i,t)$. These equations describe the direct paths; the reported path coefficients are standardized. No firm or year effects, lagged terms, or additional control variables are included.

Structural assessment uses R^2, f^2, standardized path coefficients, and the reported p-values. Nominal statistical significance is evaluated at $p < 0.05$. The p-values are interpreted cautiously because of the very small sample, possible within-firm dependence, and six path tests. A non-significant result indicates insufficient evidence under this design, not proof that an association is absent.

Results

This study used a sample of five companies that met predetermined criteria. These criteria included textile and garment companies listed on the Indonesia Stock Exchange and not being delisted between 2022 and 2024, having complete and consistently available annual reports throughout the 2022-2024 observation period, and having complete and consistently available sustainability reports throughout the 2022-2024 observation period. Based on these criteria, the following is a list of companies that qualified for the study sample.

Table 1. Sample Details

No.	Code	Company
1	INOV	PT Inocycle Technology Group Tbk
2	ERTX	PT Eratex Djaja Tbk
3	RICY	PT Ricky Putra Globalindo Tbk
4	INDR	PT Indo-Rama Synthetics Tbk
5	PBRX	PT Pan Brothers Tbk

Source: Authors' sample selection from reports for 2022–2024 (compiled in 2026).

Descriptive Analysis

The following are the results of descriptive analysis of the variables contained in this study:

Table 2. Descriptive Analysis Results

Variable	Mean	Minimum	Maximum	SD
ENV	0.654	0.484	0.839	0.100
SOC	0.493	0.333	0.667	0.109
GOV	0.582	0.400	0.867	0.151
Q	0.276	−0.283	0.823	0.298
S	0.457	−1.061	1.525	0.609

Source: Authors' calculations in SmartPLS (2026), using 2022–2024 data. SD = standard deviation; S increases with financial health.

Table 2 summarizes the 15 firm-year observations. Mean environmental, social, and governance disclosure indices were 0.654, 0.493, and 0.582, respectively. Their ranges were 0.484–0.839, 0.333–0.667, and 0.400–0.867. The Q proxy averaged 0.276 and ranged from −0.283 to 0.823. The Springate score averaged 0.457 and ranged from −1.061 to 1.525, indicating variation in financial health across the observations. A sample mean below 0.862 does not imply that every company is classified as distressed. Table 3 reports Cohen's $\kappa = 0.812$ across 1,455 paired coding decisions, indicating strong agreement beyond chance; these decisions remain nested within 15 firm-year reports.

Table 3. Cohen's Kappa Results

Statistic	Value	Interpretation
Cohen's kappa (κ)	0.812	Strong agreement beyond chance
Paired coding decisions	1,455	97 items × 15 firm-years

Source: Authors' coding assessment in SPSS (2026). The financial model contains 15 observations.

Table 4 clarifies the single observed indicator used for each model variable. The reported loading of 1.000 is a consequence of this specification and must not be interpreted as empirical proof of perfect measurement.

Table 4. Single-indicator measurement specification

Variable	Observed indicator	Loading
Environmental	ENV disclosure index	1.000*
Social	SOC disclosure index	1.000*
Governance	GOV disclosure index	1.000*
Firm value	Q proxy	1.000*
Financial health	Springate score S	1.000*

Source: Authors' SmartPLS output (2026). *Mechanical single-indicator loading, not an empirical validity test.

Table 5 summarizes the applicability of measurement statistics. Cronbach's alpha requires multiple items; composite reliability and AVE are non-informative for these single-indicator variables; and HTMT requires within-construct indicator correlations that are unavailable here. Cohen's kappa addresses the separate issue of disclosure-coding agreement. Neither kappa nor mechanical unit loadings eliminate proxy measurement error.

Table 5. Applicability of measurement quality statistics

Statistic	Status for all five variables
Cronbach's alpha	N/A: single indicator per variable
Composite reliability	N/A: mechanical single-indicator value is not reliability evidence
AVE	N/A: unit loading does not establish convergent validity
HTMT	N/A: no within-construct indicator pairs

Note: N/A = not applicable as a substantive measurement-quality test in this single-indicator specification.

Table 6 reports incremental effect sizes. Using conventional descriptive benchmarks of 0.02, 0.15, and 0.35, the f^2 values for environmental (0.159) and social disclosure (0.328) in the Q equation are medium, whereas governance disclosure (0.679) is large. For the Springate equation, environmental (0.101) and governance disclosure (0.097) have small effect sizes, while social disclosure (0.175) has a medium effect size. Effect-size categories do not establish statistical significance and may be unstable in this small sample.

Table 6. Incremental effect sizes f^2

Disclosure dimension	Firm value Q	Springate score S
Environmental	0.159	0.101
Social	0.328	0.175
Governance	0.679	0.097

Source: Authors' SmartPLS output (2026). Effect size does not imply statistical significance.

The R^2 values in Table 7 are 0.411 for Q and 0.153 for S. Thus, the three disclosure indices account for 41.1% and 15.3% of the observed in-sample variation, respectively. The remaining variation is unexplained by the fitted equations and may reflect omitted factors, measurement error, and sampling variability. These values do not establish causal explanatory power or out-of-sample predictive accuracy, which was not evaluated.

Table 7. R Square Results

Outcome	R^2
Firm value Q	0.411
Springate score S	0.153

Source: Authors' SmartPLS output (2026). R^2 refers to in-sample fit.

Table 8 presents the six paths corresponding to Figure 1 and hypotheses H1a–H2c. Significance is reported at the nominal 5% level. A statistically significant coefficient in the direction opposite to a hypothesis does not support that hypothesis.

Table 8. Hypothesis Test Results

Hypothesis and path	β	p-value	Inference at $p < 0.05$
H1a: ENV → Q	−0.405	0.390	Not significant; not supported
H2a: ENV → S	0.387	0.466	Not significant; not supported
H1b: SOC → Q	0.805	0.215	Not significant; not supported

Hypothesis and path	β	p-value	Inference at p < 0.05
H2b: SOC → S	−0.706	0.336	Not significant; not supported
H1c: GOV → Q	−1.052	0.032	Negative, nominally significant; not supported
H2c: GOV → S	0.476	0.469	Not significant; not supported

Source: Authors' SmartPLS output (2026). β = standardized path coefficient; p-values are unadjusted. Positive coefficients on S indicate better financial health.

Environmental disclosure has a negative, non-significant association with Q (β = −0.405; p = 0.390), providing no support for H1a. Its association with S is positive but non-significant (β = 0.387; p = 0.466), providing no support for H2a. Because a higher S indicates better financial health, the positive coefficient is directionally consistent with lower distress risk, not greater distress.

Social disclosure is positively but not significantly associated with Q (β = 0.805; p = 0.215), so H1b is not supported. It is negatively and non-significantly associated with S (β = −0.706; p = 0.336), so H2b is not supported. The negative S coefficient points toward poorer financial health, but the evidence is insufficient to conclude that social disclosure increases distress.

Governance disclosure is negatively associated with Q (β = −1.052; p = 0.032). This is nominally significant but opposite to H1c, so H1c is not supported. The association with S is positive and non-significant (β = 0.476; p = 0.469), providing no support for H2c. These coefficients describe conditional associations among disclosure indices and financial proxies; they do not establish the causal effect of implementing good governance.

Discussion

Environmental disclosure and firm value show no statistically detectable association in this sample. The negative Q coefficient could be consistent with immediate expenditure on cleaner production or waste management preceding later efficiency gains, but neither expenditure nor payback periods are measured. The broad non-significant pattern is consistent with Syamsiah and Setiawati (2024). It cannot establish that investors disregard environmental information or that environmental programs destroy value. Under signaling theory, disclosure may produce a stronger valuation response when it is credible, differentiated, and connected to measurable operational outcomes.

Social disclosure has a positive but non-significant coefficient on Q, a pattern that does not establish a valuation benefit. Sedyasana and Wijaya (2024) likewise report

no significant social-disclosure relationship with firm value. In labor-intensive textile production, workforce safety, training, and stable employment may protect productivity and customer relationships, but a checklist records disclosure coverage rather than the quality or effectiveness of these practices. Benefits may also take longer than the three-year observation window to appear. These are plausible explanations for a weakly detected signal, not direct evidence about investor preferences.

The negative governance–Q association requires particular caution. Governance disclosure measures the extent of reporting, not governance effectiveness. Additional reporting may reflect routine compliance or a response to existing financial pressure; thus, reverse causality and unobserved firm characteristics are plausible alternatives to a cost explanation. Monitoring, auditing, and reporting may create short-term costs, while stronger controls can reduce longer-term agency problems and information asymmetry. The cost–benefit balance is not estimated here. The result therefore qualifies the conditions under which governance disclosure may act as a favorable signal; it does not refute signaling theory or imply that firms should weaken governance.

The standardized governance coefficient exceeds 1 in absolute magnitude. Such a coefficient can occur in multivariable models with correlated predictors or suppression, but it also warrants examination of predictor correlations, VIF, and influential observations. No such diagnostic result is claimed here. In addition, $p = 0.032$ is an unadjusted result among six tests: it would not meet an illustrative Bonferroni threshold of $0.05/6 \approx 0.0083$. Together with $N = 15$ and repeated firm observations, this supports treating the governance finding as provisional rather than robust confirmatory evidence.

Environmental disclosure is positively related to S, but the association is not statistically significant. Its direction is consistent with better financial health, although the small sample provides insufficient precision to establish a protective relationship. Environmental projects can initially require capital and operating expenditure while later reducing energy, water, or waste-handling costs. A contemporaneous disclosure index may not capture that timing. Springate ratios also respond to profitability, working capital, and sales, which can be affected by demand, input prices, and debt conditions independently of environmental reporting. These mechanisms were not separately tested.

Social disclosure is negatively related to S, but the coefficient is not statistically significant and cannot be read as evidence that social practices reduce distress. In labor-intensive firms, workforce spending can support retention, safety, and

production continuity while placing near-term demands on cash resources. Conversely, financially vulnerable firms may expand social disclosure to explain workforce restructuring, creating reverse causality. A binary checklist also assigns equal weight to disclosures that may differ considerably in financial relevance. Combined with the short period and limited statistical power, these factors may obscure a relationship. Non-significance leaves both beneficial and adverse associations unresolved.

Governance disclosure has a positive but non-significant association with S. Its direction is consistent with lower distress risk, but the data do not establish that governance disclosure improves financial health. Financial ratios may respond more immediately to liquidity, debt obligations, and sales conditions than to disclosure practices. Governance benefits may depend on actual enforcement and oversight rather than reporting volume. The distinction between disclosure and implementation, and between current compliance expenditure and longer-term risk reduction, applies to all three ESG dimensions.

Conclusions

In this exploratory sample of five Indonesian textile and garment firms observed during 2022–2024, governance disclosure is negatively associated with the Q proxy at the nominal 5% level. The direction is contrary to H1c, and the result remains provisional because of sample size, potential dependence and collinearity, and multiple testing. Environmental and social disclosure are not significantly associated with Q, and no ESG dimension is significantly associated with the Springate score. None of the six directional hypotheses is supported. These results do not show that ESG is ineffective or that good governance reduces firm value; they delimit what can be inferred from disclosure-based measures in this dataset.

The main limitation is the extremely small sample of 15 firm-years from only five firms, which restricts precision and generalizability. Report-completeness and continued-listing criteria may select more transparent or surviving firms and exclude particularly vulnerable companies. Repeated observations may be dependent, while the pooled model does not include firm or year effects, financial controls, or lagged relationships. The three-year period cannot establish long-term ESG benefits. Disclosure coverage is an imperfect proxy for implementation, and the GRI reporting transition may affect comparability. Resampling settings, confidence intervals, predictor collinearity, and influence diagnostics are not documented in the available results; therefore no robustness claim is made.

Practical implications and future research

Managers should link ESG programs to observable operational and financial targets while retaining necessary governance controls. Environmental initiatives can track energy and water use per unit of output, waste-treatment expenditure, and project payback. Social initiatives can track workplace incidents, employee turnover, training outcomes, and production continuity alongside cash requirements. Governance reporting should explain how audit findings, internal controls, and board oversight address liquidity and operational risks. Distinguishing one-time implementation costs from recurring costs and reporting expected benefit horizons would make disclosures more useful to investors.

Investors should assess disclosure together with operating cash flow, working capital, debt maturity, profitability, and evidence of implementation. Regulators and industry bodies can support comparable reporting through clear item definitions, sector-relevant guidance, and documentation of reporting boundaries. The present results do not justify reducing environmental safeguards, employee protections, or governance requirements.

Future research should enlarge both the number of firms and the time horizon, plan sample size around meaningful effect sizes, and explicitly address dependence within firms. Larger panel datasets could examine lagged ESG associations, firm and year effects, and financial controls, with resampling or inference suited to the clustering structure. Sensitivity analyses should assess alternative disclosure weights, reporting-standard transitions, Q definitions, collinearity, and influential cases. Publishing the item-to-GRI mapping, coding rules, and anonymized coding audit trail where appropriate would improve reproducibility.

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