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Does company size affect the relationship between non-financial information disclosure and market reaction?

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Abstract
Market reaction is closely associated with the information or news communicated to investors, as such information influences investment decision-making. Therefore, companies must manage the flow of information received by investors to reduce information asymmetry. One approach to achieving this is through the disclosure of non-financial information—specifically environmental, social, and governance (ESG) information—typically presented in sustainability reports. In accordance with signalling theory, ESG disclosure functions as a signal to investors that may be interpreted positively or negatively and, consequently, may influence market reaction.
The purpose of this study was to examine the effect of each ESG disclosure component (environmental, social, and governance) on market reaction, while profitability and leverage were included as control variables. The study also assessed whether firm size moderates the relationship between ESG disclosure and market reaction. The sample consisted of companies listed on the Indonesia Stock Exchange during 2022–2023, resulting in 230 firm-year observations obtained through purposive sampling. Data were analysed using moderated regression analysis. The findings indicate that environmental, social, and governance disclosures do not significantly influence market reaction. Furthermore, firm size did not demonstrate a significant moderating effect on the relationship between ESG disclosure and market reaction.

Keywords: ESG disclosure, market reaction, firm size, sustainability report

Introduction

Market reaction refers to the response of stock prices to disclosures, announcements, or broader economic events that convey new information to market participants. Consequently, stock prices function as an early indicator of a firm's perceived condition and influence investors' decision-making processes. The flow of information, whether financial or economic in nature, is critical as it shapes investor expectations and can trigger changes in trading behavior that affect market valuation. The adequacy of information disclosed by firms is therefore essential; insufficient disclosure may result in information asymmetry between companies and stakeholders (Hadi et al., 2021) [9]. Traditional reliance on financial information alone has been increasingly regarded as inadequate in capital market decision-making. The significance of non-financial information has been recognized in earlier studies, such as Deegan & Rankin (1999) [7] and Subbarao & Zeghal (1997) [22], which emphasize that stakeholders require broader insights beyond financial outcomes to evaluate corporate performance and sustainability. More recent evidence by Bek-Gaik & Surowiec (2024) [4] reinforces this view, demonstrating that non-financial disclosures enhance stakeholders' understanding of business models, strengthen corporate reputation, and contribute to the reduction of investment risk. Sassen et al. (2016) [19] document ESG disclosure and performance are generally negatively correlated with company risk.

In response to the increasing demand for transparency, the Indonesian government enacted the Financial Services Authority Regulation (POJK) Number 51/POJK.03/2017 concerning the Implementation of Sustainable Finance for Financial Service Institutions, Issuers, and Public Companies. This regulation mandates enhanced disclosure, particularly in the areas of environmental, social, and governance (ESG) performance, with the objective of encouraging companies not only to pursue profits but also to demonstrate responsible governance and contribute to social and environmental welfare. Compliance with ESG-related disclosure requirements can be evaluated through scoring systems provided by international rating agencies, including Bloomberg, Thomson Reuters, and Morgan Stanley Capital International (MSCI). Conceptually, firms demonstrating strong environmental performance—such as effective waste management, sustainable policy implementation, and energy efficiency—are expected to receive more favorable investor responses. Beyond environmental dimensions, investment decisions are also influenced by corporate social practices, including corporate social responsibility initiatives, employee welfare, inclusion, and diversity (Ahmadin et al., 2023) [2]. Furthermore, sound corporate governance enhances investor confidence by reducing agency risk and improving transparency, thereby serving as an important factor in capital allocation decisions (Flammer, 2015).

Although non-financial information is increasingly recognized as relevant to stakeholders, empirical findings regarding its capital market implications remain inconsistent. For example, Lestari and Suardana (2019) [19] found that environmental disclosure elicited a positive market response, whereas social disclosure did not generate a reaction from investors. In contrast, Syafrullah & Muharam (2017) [24] reported that environmental disclosure did not influence market reaction, while social and governance disclosures positively affected abnormal returns. Similarly, Admiral & Raharja (2023) [1] demonstrated varying effects across ESG components, showing that

environmental disclosure positively influenced market reaction, social disclosure produced a negative response, and governance disclosure exhibited no market effect. Such inconsistencies suggest the presence of moderating variables influencing the ESG–market reaction relationship, a condition consistent with the theoretical premise proposed by Baron & Kenny (1986) [3].

Differences in sample characteristics may partly explain the variations in empirical outcomes. Lestari and Suardana (2019) [13] analyzed 35 state-owned enterprises (SOEs) listed on the Indonesia Stock Exchange (IDX), while Syafrullah and Muharam (2017) [24] examined 11 Indonesian listed companies alongside 21 Malaysian listed companies. Of the Malaysian subsample, nine firms belonged to the Kuala Lumpur Composite Index (KLCI), representing large-scale corporations with higher market visibility and stronger governance structures. This distinction suggests that firm size may function as a contingent variable capable of moderating the relationship between ESG disclosure and market reaction. Grounded in this rationale, the present study seeks to examine whether firm size affects the association between non-financial information disclosure—measured through ESG scores—and market reaction. ESG disclosure is expected to serve as a positive signaling mechanism for stakeholders; thus, market reaction is anticipated to be more pronounced among larger firms due to their higher information credibility and stakeholder scrutiny. To address potential heterogeneity in effects, ESG components will also be analyzed individually, following prior empirical findings indicating differing impacts across environmental, social, and governance dimensions.

The structure of this study is organized into five sections. The first section introduces the research context, objectives, and expected scholarly contributions. The second section presents the theoretical framework and hypothesis development. The third section outlines the research methodology, including research design, population and sampling, data sources, variable operationalization, and analytical procedures. The fourth section reports and discusses the empirical results. Finally, the fifth section provides the conclusion, including theoretical and practical implications, research limitations, and recommendations for future inquiry.

Theory and Hypothesis Formulation

Signalling Theory

Spence (1973) [21] defines an individual's interpretation of a signal as one of the factors considered in investment decisions. The role of signal theory is also relevant in understanding how the parties involved resolve information asymmetry between the two sides. The signal sender must choose the appropriate method and information to convey to the other party, while the signal receiver needs to know how to interpret the signal (Connelly, et al., 2011) [6].

Companies provide signals related to company quality to potential investors through the quality of their disclosures. Companies that want a more positive reaction from investors need to present more specific information, one of which is achieved through ESG disclosure (Lo & Kwan, 2017). From a signalling theory perspective, the disclosure of environmental, social, and governance information is expected to send positive signals that impact market reactions by reducing information asymmetry in the relationship between companies and investors. When the environmental, social, and governance information disclosed is sufficient and accepted by investors, the interpretation based on the information received will trigger a market reaction, either positive or negative.

The Effect of Environmental, Social, and Governance Disclosure on Market Reaction

The disclosure of environmental, social, and governance (ESG) information is theorized to influence market reaction through the mechanism described by signalling theory. From this perspective, ESG disclosure functions as a credible signal demonstrating that a company engages in responsible environmental management, upholds social accountability, and maintains effective governance structures, thereby reducing information asymmetry and perceived uncertainty among investors. When ESG disclosure is viewed as reliable, verifiable, and substantive, investors are more likely to infer that the firm possesses superior long-term performance prospects and reduced non-financial risk exposure, which may subsequently result in upward revisions of firm valuation and increased investment interest (Itan et al., 2025) [11]. Supporting this reasoning, De Lucia et al. (2020) [8] argue that transparency in ESG practices enhances firm reputation and stakeholder trust, encouraging capital allocation and contributing to positive stock price responses. Empirical findings further substantiate this theoretical logic. For example, Suttipun et al. (2024) report that governance-related disclosure exerts a significant positive influence on market reaction, suggesting that investors perceive governance quality as a key indicator of managerial accountability and reduced agency problems. Similarly, Sanjaya and Sianturi (2024) [18] provide evidence that ESG disclosure yields a positive and significant effect on stock market responses in both European and Asian markets. Taken together, these theoretical foundations and empirical results support the assumption that each ESG component—environmental, social, and governance disclosure—should be positively associated with market reaction. Accordingly, the following hypotheses are proposed:

H1a: Environmental information disclosure has a positive effect on market reaction.

H1b: Social information disclosure has a positive effect on market reaction.

H1c: Governance information disclosure has a positive effect on market reaction.

The Moderating Effect of Company Size on the Relationship Between Environmental, Social, and Governance Disclosure and Market Reaction

Empirical research examining the relationship between ESG disclosure and market reaction has produced inconsistent results, as evidenced in studies such as Syafrullah and Muharam (2017) [24] and Admiral and Raharja (2023) [1]. These discrepancies suggest the presence of contextual or moderating variables that influence the strength and direction of the relationship. Firm size is considered one such determinant. ESG disclosure represents a strategic signal sent by management to communicate the quality of the firm's sustainability initiatives and governance mechanisms; however, the credibility and effectiveness of this signal depend on the firm's ability to provide verifiable and comprehensive information. Larger firms generally possess greater financial and operational resources, enabling

them to produce higher-quality sustainability reports, engage external assurance services, and apply standardized measurement frameworks, thereby enhancing the credibility of their ESG disclosures (Mulyana et al., 2025) [15]. In accordance with signaling theory, Hadi et al. (2021) [9] provide evidence that larger firms are more capable of presenting complete and accurate ESG-related information, resulting in stronger informational signals to investors.

Moreover, larger firms tend to have higher public visibility and are subject to greater scrutiny from analysts, regulators, institutional investors, and the media. This heightened visibility accelerates information dissemination and increases the likelihood that ESG disclosure will be incorporated into valuation assessments and investment decisions. Consequently, ESG disclosures issued by larger firms are more likely to trigger measurable market responses, such as abnormal returns or changes in trading volume, compared with disclosures from smaller firms, which may receive limited attention or scrutiny (Sanjaya & Sianturi, 2025) [18]. Based on this reasoning, the following moderating hypotheses are formulated:

H2a: Firm size strengthens the relationship between environmental information disclosure and market reaction.
H2b: Firm size strengthens the relationship between social information disclosure and market reaction.
H2c: Firm size strengthens the relationship between governance information disclosure and market reaction.

Figure 1 shows the conceptual framework (research model) described in the development of hypotheses that indicate the relationship between independent variables, namely environmental, social, and governance disclosure, and dependent variables in the form of market reactions, as well as the moderating variable of company size. The model also adds two control variables, namely profitability and leverage.

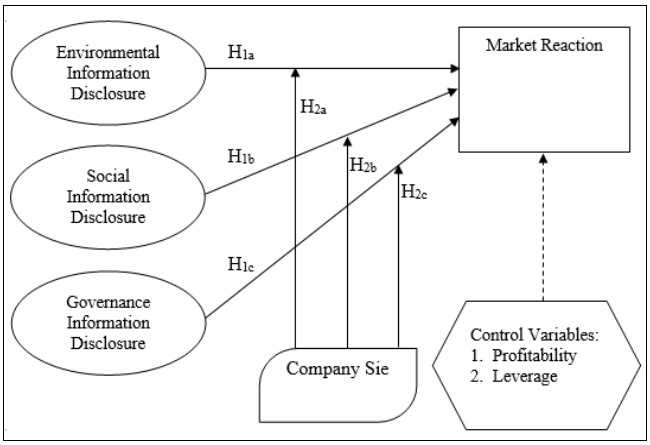

Fig 1: Theoretical Framework

Research Methodology

The population in this study comprised 1,008 companies across various industry sectors listed on the Indonesia Stock Exchange (IDX). A purposive sampling technique was employed based on five predetermined criteria to ensure the suitability of the selected firms with the research objectives. After applying these criteria and excluding outliers, the final sample consisted of 115 companies. With a two-year observation period, the total number of firm-year observations was 230. The sampling procedures and applied criteria are summarized in Table 2.

Table 1: Sampling Process

No	Criteria	Total
1.	Companies listed on the IDX during the 2022–2023 period.	1.008
2.	Annual and sustainability reports for 2022–2023 were not published.	(0)
3.	ESG scores for each component (environmental, social, and governance) for 2022–2023 were not available in the Bloomberg database.	(837)
4.	Companies were delisted during the 2022–2023 period.	(0)
5.	Required data related to research variables were incomplete or unavailable.	(48)
6.	Total Sample	123
7.	Outlier	(8)
8.	Total Sample	115
9.	Total Observations (115 companies x 2 (years of the research period)	230

The study employed a quantitative research design using secondary data extracted from the Bloomberg database. The analysis incorporated ESG disclosure variables as the independent variables and market reaction as the dependent variable. Company size was included as the moderating variable, while profitability and leverage were utilized as control variables to account for firm-level financial characteristics that may influence market responses. Operational definitions and measurement details for each variable utilized in the study are presented in Table 2.

Table 2: Variables and Measurements

Variables	Symbol	Measurements
Dependent Variabel		
Market reaction	CAR	∑ Abnormal Return Abnormal Return = Actual Return – Expected Return
Independent Variables		
Environmental information disclosure	ES	Environmental disclosure score from Bloomberg data base
Social information disclosure	SS	Social disclosure score from Bloomberg data base
Governance information disclosure	GS	Governance disclosure score from Bloomberg data base
Moderation Variable		
Company size	SIZE	Logaritma natural of total assets
Control Variables		
Profitability	ROA	Total Revenue/ total assets
Leverage	DER	Total debt / total equity

Data analysis addressing the research questions was performed using Moderated Regression Analysis (MRA). This analytical approach allows for the examination of both the direct effects of the independent variables on the dependent variable and the moderating influence of company size on these relationships. The estimation procedure employed three regression models, as specified in Equations (1), (2), and (3), which represent: (i) the baseline model assessing the effect of environmental, social, and governance disclosure on market reaction; (ii) the model incorporating the moderating variable; and (iii) the interaction model evaluating the extent to which company size moderates the relationship between ESG disclosure components and market reaction.

$$CAR = \beta_0 + \beta_1 ES + \beta_2 SS + \beta_3 GS + \beta_4 ROA + \beta_5 DER + \varepsilon \quad (1)$$

$$CAR = \beta_0 + \beta_1 ES + \beta_2 SS + \beta_3 GS + \beta_4 ROA + \beta_5 DER + \beta_6 SIZE + \varepsilon \quad (2)$$

$$CAR = \beta_0 + \beta_1 ES + \beta_2 SS + \beta_3 GS + \beta_4 ROA + \beta_5 DER + \beta_6 SIZE + \beta_7 ES \times SIZE + \beta_8 SS \times SIZE + \beta_9 GS \times SIZE + \varepsilon \quad (3)$$

Note: β0 = constant value, β1,2, 3…,9 = coefficient values, ε = residual value, (environmental information disclosure score), (social information disclosure score), GS (governance information disclosure score), ROA (profitability), DER (leverage), SIZE (company size)

Research results and Discussion

Descriptive Statistical Analysis

Table 3 presents the results of the descriptive statistical analysis. The mean value of the cumulative abnormal return (CAR), representing market reaction, is 0.00126, indicating that, on average, the market responds positively to sustainability report disclosures during the observation window. The mean scores for environmental disclosure (31.383) and social disclosure (32.995) are relatively low when assessed against the Bloomberg ESG disclosure index scale, which ranges from 0 to 100. When examined alongside the median values—which are only marginally higher—these results suggest that the level of environmental and social disclosure among the sampled firms remains limited. Although the maximum environmental disclosure score reaches 74.96, reflecting notable variation in reporting quality across firms, the maximum value for social disclosure is comparatively lower at 64.45, reinforcing the indication that social responsibility practices may not yet be consistently embedded or transparently communicated by companies in the sample.

In contrast, the governance disclosure variable exhibits a substantially higher mean score of 73.065, suggesting stronger and more consistent reporting practices in governance-related areas. This relatively high level of governance disclosure may be attributable to regulatory requirements and policy frameworks mandating good corporate governance practices, which are typically more structured, standardized, and measurable compared to environmental and social dimensions. These findings collectively imply that, while governance reporting appears well developed, environmental and social disclosures remain at an early stage of maturity within the observed firms.

Table 3: The Result of Deskriptive Statistics

	N	Min	Max	Mean	Median	Std. Dev
CAR	230	-0.15	0.17	0.0015	0.0019	0.058
ES	230	0.82	74.96	31.3833	30.1850	17.737
SS	230	7.86	64.45	32.9953	31.7850	10.601
GS	230	3.05	96.12	73.0648	75.2000	13.413
ROA	230	-0.19	0.32	0.0531	0.0386	0.070
DER	230	0.00	4.86	0.6469	0.4176	0.782
SIZE	230	28.24	35.21	31.0643	30.9548	1.432

Source: SPSS Statistics Output, 2025

Data Quality Test

Before conducting hypothesis testing, data quality testing was also carried out by conducting classical assumption testing, namely: normality testing, multicollinearity, heteroscedasticity, and autocorrelation. Normality testing showed that the three regression models met the normality assumption, as indicated by the Kolmogorov Smirnov (KS) value of the three models, which were 0.200, far above the value of α=0.05. The test results also show no multicollinearity for models 1 and 2, so the multicollinearity assumption is met, while in model 3, multicollinearity is detected due to data from interaction variables, and for this, no further action is needed. Heteroscedasticity detection was analyzed through plot graphs and reinforced by Park's test calculations using the logarithmic equation of the observed residuals. Irregular patterns with randomly scattered points were seen in the plot graphs of the three models, indicating that heteroscedasticity was not found, which indicates that the regression models are good. In line with the scatterplot analysis, the Park test on the logarithmic residual dependent variable (ln U2i) shows that all variables in the three models have a significance probability value above α=0.05, indicating that the three regression models do not exhibit heteroscedasticity. The autocorrelation problem detected in the observation residual values found that the three regression models in the study avoided the autocorrelation problem. The significance probability values of the autocorrelation test for the three models were 0.146 (Model 1), 0.086 (Model 2), and 0.234 (Model 3), which were greater than α=0.05 and indicated that the regression models used were good.

Results

The empirical results demonstrate that the explanatory power of the regression models is relatively weak, as reflected in the adjusted R-squared values of 0.027 for Model 1, 0.028 for Model 2, and 0.032 for Model 3. These findings are consistent with the outcomes of the ANOVA-based model adequacy test, which indicates that none of the estimated models are statistically significant. This outcome persists despite the dataset meeting all classical assumption criteria, suggesting that model validity is not compromised by statistical violations but rather by limited explanatory capacity. The Goodness-of-Fit results are presented in Table 4.

Consistent with the model evaluation, the hypothesis testing results show that none of the independent variables exert a statistically significant influence on the dependent variable. Specifically, in Model 1, the coefficients and significance values for environmental disclosure (ES), social disclosure (SS), and governance disclosure (GS) are 1.265 (p = 0.207), –0.827 (p = 0.409), and 0.839 (p = 0.403), respectively. Similar patterns are observed in Models 2 and 3, where no

meaningful statistical relationships emerge, including those associated with the control variables. Based on these results, all proposed hypotheses—H1a, H1b, H1c, and the moderating hypotheses H2a, H2b, and H2c—are rejected. These findings indicate that neither ESG disclosure nor company size moderates the relationship between ESG disclosure and market reaction within the sample and period examined.

Table 4: Regression Results

	Model 1		Model 2		Model 3	
T test	**t**	**Sig.**	**t**	**Sig.**	**t**	**Sig.**
ES	1.265	0.207	1.238	0.217	-0.315	0.753
SS	-0.827	0.409	-0.714	0.476	0.938	0.349
GS	0.839	0.403	0.857	0.392	-0.854	0.394
ROA	-1.634	0.104	-1.647	0.101	-1.779	0.077
DER	-1.015	0.311	-0.989	0.324	-0.947	0.345
SIZE			-0.249	0.804	-0.570	0.569
ES_SIZE					0.360	0.719
SS_SIZE					-0.973	0.332
GS_SIZE					0.890	0.374
Goodness of Fit Model						
Adjusted R Square		0.027		0.028		0.032
Anova	F	Sig.	F	Sig.	F	Sig.
	1.257	0.284	1.053	0.392	0.815	0.603
Normality Test						
Kolmogorov-Smirnov		-0.200		0.200		0.200

Source: SPSS Statistics Output, 2025

Results Discussion

The findings of this study indicate that none of the proposed hypotheses were empirically supported. Descriptive statistical analysis reveals that environmental and social disclosures remain at relatively low levels, while governance disclosure appears comparatively higher; however, this has not translated into a meaningful market response, as reflected in the low cumulative abnormal return (CAR) values. These results are inconsistent with the predictions of signalling theory, suggesting that the disclosed information did not function as an effective signal for investors or other stakeholders. In other words, ESG disclosure in its current form does not appear to reduce information asymmetry or influence investor valuation processes. Several theoretical and empirical considerations may explain why non-financial information disclosure—represented by ESG metrics in this study—has not elicited a significant market reaction.

First, mandatory disclosure requirements may weaken the credibility of ESG information and increase the potential for greenwashing, thereby reducing the likelihood that such disclosures will generate meaningful market responses (Wang et al., 2023) [26]. When ESG reporting is perceived as symbolic, compliance-oriented, or lacking independent assurance, investors may question the substantive accuracy and reliability of the disclosed information. Under these conditions, the disclosure fails to reduce information asymmetry or influence investors' expectations regarding future cash flows and risk profiles.

Additionally, regulatory mandates introduced abruptly or without sufficient implementation mechanisms may reinforce perceptions that ESG reporting is ceremonial rather than strategic. In such cases, investors may assess the costs associated with compliance—including reporting expenses and potential operational adjustments—as exceeding the informational benefits provided. Consequently, rather than interpreting ESG disclosure as a positive signal, market participants may respond minimally or, in some instances, negatively to such information. Empirical evidence increasingly supports the view that concerns regarding credibility and greenwashing represent key explanatory factors for the absence—or reversal—of market reactions to ESG-related disclosure.

Second, market and investor characteristics may also explain the absence of a significant market response to ESG disclosure, particularly in emerging economies where investment behavior remains predominantly oriented toward short-term financial performance (Budhiananto & Fatimah, 2024) [5]. In many developing markets, retail investors and portfolio managers continue to prioritize conventional financial indicators—such as profitability, cash flow, and financial ratios—as the primary basis for valuation and decision-making. Under conditions where awareness of ESG issues remains limited and institutional demand for sustainability-related data is relatively weak, ESG disclosure tends to be viewed as supplementary rather than material information within the valuation process. This perspective is consistent with the findings of Prabawati and Rahmawati (2022) [16], who report that investors in developing countries place greater weighting on financial fundamentals, rendering environmental, social, and governance disclosures less influential in shaping investment decisions.

Furthermore, insufficient analyst coverage may impede the transmission and interpretation of ESG information, resulting in delayed or muted incorporation of such information into security prices, thereby reducing the likelihood that statistical models—such as event studies or return regressions—capture meaningful price reactions. Empirical evidence also suggests that only ESG-related news deemed financially material or industry specific prompts measurable market responses, indicating that investors may react selectively rather than uniformly to sustainability information (Serafeim & Yoon, 2022) [20]. Collectively, these market dynamics imply that the lack of observable ESG-related market reaction in several regional studies may not reflect the irrelevance of ESG disclosure, but rather the current stage of market maturity and investor preference structures in emerging economies.

Third, inconsistencies in measurement and the presence of potential non-linear effects contribute to signal distortion, resulting in what Ren et al. (2025) describe as 'noisy' signaling. Substantial variation exists in ESG assessment methodologies, including differences among rating agencies, the absence of standardized metrics, and varying weighting schemes across indicators. Consequently, firms with comparable ESG performance may receive disparate ratings. This variability introduces noise into the information communicated to investors, thereby weakening the association between ESG scores or disclosures and subsequent stock price movements. Moreover, emerging evidence suggests the existence of a non-linear relationship in which disclosures that are overly limited or excessively detailed without clear emphasis on material issues diminish signal clarity. Only after ESG disclosure reaches a sufficient quality or materiality threshold does it begin to exert measurable influence on market behavior. Thus, until ESG disclosure practices achieve greater standardization, consistency, and relevance, market responses may remain limited or insignificant. Recent literature reinforces the importance of these threshold dynamics and measurement

inaccuracies as key explanations for the weak or inconsistent effects of ESG disclosure on financial returns. Velte (2023) [25] finds that the relationship between environmental performance (EP) and environmental reporting (ER) and financial outcomes varies depending on the type of financial performance metric applied. Specifically, there is consistent evidence that both EP and ER are positively associated with accounting-based financial performance indicators, such as return on assets (ROA) and return on equity (ROE). However, when market-based measures—such as Tobin's Q or abnormal returns—are used, the findings become weaker or inconsistent, with many studies failings to identify a significant effect of EP or ER on a firm's market valuation.

The finding that environmental disclosure does not significantly influence market reaction is inconsistent with the results reported by Lestari and Suardana (2019) [13] as well as Admiral and Raharja (2023) [1]. Likewise, the insignificant effects of social and governance disclosure on market response diverge from the empirical evidence presented by Syafrullah and Muharam (2017) [24]. Furthermore, the moderating role of firm size was not supported, indicating that company size does not strengthen the relationship between ESG disclosure and market reaction. This outcome contradicts the findings of Hanjani & Yanti (2024) [10], who demonstrate a positive relationship between firm size and stock price behavior. Khairunnisa (2024) [12] further suggests that the magnitude of a firm does not inherently guarantee comprehensive or meaningful ESG disclosure, which may explain the absence of a moderating effect in this study. Zulianto & Aisjah (2025) [27] reinforce this by finding evidence that company size does not moderate the relationship between ESG disclosure and market performance (Tobin's Q).

Conclusion

This study investigates the moderating role of firm size in the relationship between non-financial information disclosure—specifically Environmental, Social, and Governance (ESG) disclosure—and market reaction. The empirical results demonstrate that firm size does not moderate the relationship between ESG disclosure and market reaction. Furthermore, the findings indicate that ESG disclosure itself does not exert a significant influence on market reaction. Descriptive and statistical analyses reveal that environmental and social disclosures remain relatively low, whereas governance-related disclosure is comparatively higher. However, the prominence of governance disclosure alone is insufficient to trigger meaningful responses from market participants.

Several explanations presented in prior literature help contextualize these findings. First, investors in emerging markets tend to adopt short-term investment orientations, prioritizing immediate financial performance over long-term sustainability outcomes. Second, issues related to measurement inconsistency and the absence of standardized ESG reporting frameworks reduce the reliability and comparability of disclosed information, thereby weakening its signalling value. Third, and most relevant to this study, regulatory frameworks mandating sustainability reporting appear to reinforce a compliance-driven approach, in which companies emphasize governance elements while environmental and social factors receive limited strategic attention.

The findings of this study underscore that sustainability disclosures in the current context are predominantly symbolic rather than substantive, with firms prioritizing regulatory compliance rather than integrating sustainability into long-term strategic and operational agendas. Accordingly, these results imply the need for heightened awareness among companies, investors, regulators, and other stakeholders regarding the strategic relevance of environmental and social dimensions—not merely as compliance obligations or reputational tools, but as essential components of responsible business conduct and long-term value creation.

Although the overall data quality demonstrates satisfactory reliability and validity, the empirical model employed in this study yields relatively weak explanatory power. Whether this outcome is attributable to the mandatory nature of sustainability disclosure or to other contextual factors remains unclear and warrants further investigation. Accordingly, additional research is necessary to identify variables that may more effectively explain variations in market reaction. Moreover, the suitability of regression-based approaches for analyzing market response should be reconsidered in future studies, particularly in contexts where disclosure practices are driven by compliance rather than voluntary strategic initiatives.

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