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The Effect of Institutional Ownership, Financial Performance, and Sustainability Report on Firm Value in Basic Materials Sector Companies

Miftakhul Hanifah Sarjiyono[1], Januar Eko Prasetio[1*]
[1]Universitas Pembangunan Nasional Veteran Yogyakarta, Jl. Padjajaran 104 Condongcatur Sleman, Indonesia
*Corresponding Email: januar_ep@upnyk.ac.id

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ABSTRACT

Business activities in the basic materials sector significantly impact stakeholders, making information transparency a key strategy to enhance investor perception and company valuation. This study aims to analyze the effect of institutional ownership (INST), financial performance (ROA), and sustainability report disclosure (SRDi) on firm value, measured by Price to Book Value (PBV). Data were collected from annual and sustainability reports of companies listed on the Indonesia Stock Exchange (IDX) for the period 2020–2023 using purposive sampling, resulting in 62 companies and 148 usable observations after outlier removal. The results show that only financial performance significantly affects firm value, with a significance value of 0.000 (< 0.05), while institutional ownership (sig. = 0.299) and sustainability report disclosure (sig. = 0.798) have no significant effect. Simultaneous testing also confirms a significant joint influence (sig. = 0.000), although the adjusted R-squared value is only 0.129 (12.9%), indicating that the independent variables collectively explain a limited portion of firm value. These findings suggest that investors in this sector prioritize financial over non-financial information. Future research is recommended to incorporate a broader set of variables or methodologies to better capture the complexity of factors influencing firm value in the basic materials industry.

Keywords: Basic Materials Sector; Financial Performance; Firm Value; Institutional Ownership; Sustainability Reporting

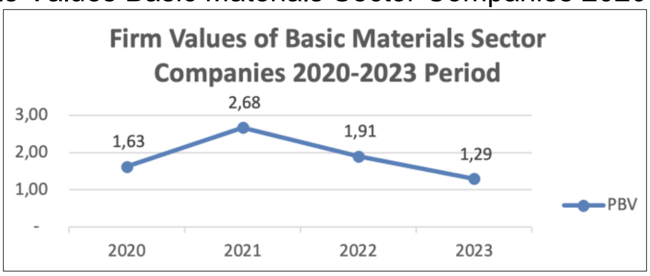
INTRODUCTION

Firm value, which is reflected in the stock price in the capital market, is one of the important indicators to assess the company's performance and prospects in the future. In this context, firm value is not only a measure of operational success but also plays a strategic role in shaping public perception and trust in the company, especially from the perspective of investors. The main objective of the establishment of a company is to maximize the value of the company in order to provide maximum profit for shareholders, so that the performance displayed can be well received by owners and interested outside parties (Sutrisno, 2013). In reality, not all companies are able to increase and maintain their value optimally, because there are still many companies that experience a decline, which is reflected in the decline in stock prices every year. One of the companies that experienced a decline in share price was PT Indocement Tunggal Prakarsa Tbk in 2023.

This decline is due to the world's economic growth slowing down again. Rising global interest rates and continuing geopolitical conflicts are the main challenges in 2023. In addition, inflation, which was still quite high at that time, could affect global economic performance in 2023. Although the global economy is slowing down compared to the previous year, Indonesia's economy can still grow quite well despite the slowdown compared to last year. Various fiscal and monetary stimuli continue to be rolled out by the government to boost economic activity. However, the pressure of a significant global economic downturn remains a serious challenge to the stability of national economic growth. One of the industries affected by this condition is the cement industry (part of the basic materials sector companies). Many private property and infrastructure projects were delayed, leading to a decline in cement demand. As a result, the national cement industry still has to face oversupply, which is predicted to continue until 2023 (PT Indocement Tunggal Prakarsa Tbk., 2024).

According to Simamora (2024), based on data from the Central Agency of Statistics Indonesia (BPS), Indonesia's economic growth in 2023 was recorded at 5.05%, a decline from 5.31% in the previous year. This slowdown affected the performance of several key commodities, including the basic materials sector, which heavily depends on export activities and global demand. The impact was not only felt by the cement industry but also by other basic industry subsectors such as coal, crude oil, and nickel, all of which faced pressure due to weakening demand and falling commodity prices. The phenomenon of oversupply in the basic materials sector companies requires investors to be more selective in investing in companies. Price to book value (PBV) is one of the indicators of company valuation. This measurement connects the stock price in the market with the book value per share (Lukiman & Hapsari, 2018). PBV can also be used to show how much the market values the book value of a company's shares. In other words, a high PBV indicates market confidence in the company's greater prospects (Saddam et al., 2021). The following is a graph of the average PBV in basic materials sector companies in the 2020-2023 period.

Figure 1. Corporate Values Basic Materials Sector Companies 2020–2023



Source: IDX Website (Data Processed by Researchers)

Changes in the PBV value in the basic materials sector companies from 2020 to 2023 show an interesting trend for further analysis. Figure 1 above displays a unique phenomenon, where the average PBV in 2023 is actually lower than in 2020. This suggests that the market's perception of firm value or potential undervaluation of stocks in this sector has increased. This trend may be a concern for investors and business management to reassess strategy, performance, and transparency of public information.

Given the downward trend in PBV among companies in the basic materials sector, a re-evaluation of the fundamental drivers of firm value is becoming increasingly essential. This study was conducted on the basis of knowing the influence of financial and non-financial aspects that are assumed to affect firm value, namely the disclosure of sustainability reports and institutional ownership as non-financial aspects, and financial performance as financial aspects. This study chose these three variables because previous findings show inconsistent results regarding their influence on firm value.

Institutional ownership is the first component that is considered to affect firm value. Research by Murti et al. (2024) shows that institutional ownership has an influence on firm value because institutional ownership is an institution that provides signals to outsiders and can make the company's financial statements good and accountable due to higher accountability demands. This mechanism ultimately builds investor and stakeholder confidence, which is reflected in an increase in firm value. However, some other studies show the opposite or insignificant results. Furthermore, the company's financial performance is the second factor that is thought to have an effect on firm value. Financial performance shows the company's ability to manage resources effectively and generate profits, which in turn can increase investor confidence. According to research conducted by Auladiyyah & Citradewi (2024) and Lumbangaol et al. (2023), financial performance affects firm value, while several other researchers say the opposite or that it is insignificant. The third factor is sustainability reporting, which is a factor that is thought to affect firm value. By demonstrating the company's level of accountability, responsibility, and transparency to investors, this report can increase shareholder interest in the company's long-term goals. According to Alfiana (2021), the disclosure of sustainability reports has an effect on increasing firm value. However, several other studies have found an insignificant relationship between sustainability reports and firm value.

This research gap indicates the need for further research by updating data coverage and considering the latest economic developments, especially in the 2020-2023 period, which is characterized by global economic uncertainty. The gap in research results opens up opportunities for deeper exploration by adjusting the context of macroeconomic dynamics that affect firm value. This research focuses on basic materials sector companies listed on the Indonesia Stock Exchange (IDX). This focus is taken to analyze the effect of institutional ownership, financial performance, and sustainability report disclosure on firm value in the 2020-2023 period. Researchers hope that these findings can make a theoretical contribution to enriching the literature regarding the relationship of financial and non-financial disclosures to firm value in the basic materials sector.

LITERATURE REVIEW

Agency Theory

According to Jensen and Meckling (2019), agency theory describes an employment contract in which one party, referred to as the principal, authorizes another party, the agent, to do things or make decisions on behalf of the principal. Since both parties act based on their respective interests, there are often differences in objectives that can lead to conflicts. Therefore, to ensure that the agent keeps the principal's interests in mind, a control or supervisory mechanism is required. Based on agency theory, institutional ownership can increase firm value due to its active role in overseeing management, reducing conflicts of interest, and ensuring the company is managed in accordance with the interests of shareholders. Consequently, institutional ownership is believed to have a positive influence on firm value, as it helps bridge the gap between managerial actions and shareholder interests, ensuring that the company is managed efficiently and in alignment with the goals of its investors.

Signal Theory

According to Brigham and Houston (2016), signal theory is an action taken by a company to show investors how management sees the company's prospects. This signal contains information about management's efforts to fulfill the owner's wishes. Signal theory explains how companies should convey information to users of financial statements. When management provides positive signals (good news), such as good financial performance, it gives a positive signal to the market and investors, which can increase the value of the company. Conversely, if financial performance is poor, then negative signals will reduce investor confidence and reduce the value of the company. The information released by the company is very important because it has an impact on the investment decisions of parties outside the company. In this context, management has the responsibility to convey accurate information about the company's condition to stakeholders. Information asymmetry between management and investors is a common phenomenon in the capital market, where internal parties have access to more complete information than external parties. To overcome this problem, the Financial Services Authority (OJK), as a capital market regulator, requires public companies to submit financial reports periodically. The aim is to ensure information transparency to investors and other external parties. The annual financial report and sustainability report act as the company's communication tools to investors to reduce the information gap. The content of both reports should reflect the real condition of the company, including information on current performance and future business prospects. Thus, investors can conduct a comprehensive analysis before making investment decisions, while minimizing errors in assessing the company's condition.

Stakeholder Theory

Freeman (1984) developed stakeholder theory. This theory states that a company must pay attention to various parties who have an interest and not only focus on shareholders. Based on stakeholder theory, organizational management needs to carry out activities that are considered important by stakeholders and provide transparent information about the steps that have been taken (Sulistyorini et al., 2025). In the modern view, the value of the company is no longer monopolized by shareholders; instead, it is the result of the way the company manages various parts. Based on stakeholder theory, disclosure of non-financial information such as environmental, social, and governance (ESG) is seen as a social investment to meet stakeholder needs and result in improved company performance (Auladiyyah & Citradewi, 2024). Companies make these disclosures with the aim of gaining support from various stakeholders. In addition, as part of the stakeholders, shareholders will consider companies that are transparent in ESG reporting or sustainability reporting more. This is due to the fact that such investors prioritize the long-term benefits of their investments.

Firm Value

Firm value is a concept that is closely related to the economic benefits and profits obtained from ownership of an asset. Increasing the maximum firm value is the main goal of a company (Maulana & Prasetio, 2025). Fundamentally, firm value reflects the appropriateness of the price of a good or service in monetary form, which is determined based on the price paid to obtain it. Furthermore, firm value also indicates a certain level

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of usefulness, importance, or utility of an asset, as well as its ability to be exchanged for other goods or services in the economic system (Saddam et al., 2021). Therefore, business owners must consider the results and returns to be obtained, as well as think about and predict potential profits for the long-term and sustainable. The higher the value of a company, the greater the prosperity that will be obtained by its owners (Avelyn & Syofyan, 2023).

Hypotheses Development

Institutional Ownership

According to Ramadhan and Linda (2023), institutional ownership is the ownership of shares held by companies managed by non-bank financial institutions or other institutions. Given the company's responsibility to shareholders, institutional owners have an incentive to ensure that company management makes decisions that maximize shareholder welfare. Institutional ownership is important in supervisory management because it encourages more optimal supervision (Tumiwa & Mamuaya, 2018). Supervision by institutional investors will ensure the interests of shareholders. The influence of institutional ownership as a regulatory body is suppressed by their large investments in the capital market. A high level of institutional ownership will lead to increased monitoring by institutional investors, thus curbing opportunistic manager behavior. This will have an impact on reducing agency conflicts in the company, which will ultimately increase firm value. According to Murti et al. (2024) and Sholikhah & Trisnawati (2022), institutional ownership affects firm value. However, these findings contradict to Gunawan et al. (2024) and Rusli et al. (2020), which state that institutional ownership has no effect on firm value.

H1: Institutional ownership has a significant effect on firm value.

Financial Performance

According to Sanjaya and Rizky (2018), financial performance plays an important role in the operational activities of a company. Thus, if the financial performance is good, the company's business operations will also run effectively and achieve optimal results. Furthermore, this metric becomes the main benchmark for all company activities to achieve the desired level of health. Specifically, financial performance shows the company's ability to manage resources effectively and generate profits, which in turn can increase investor confidence. Not only that, but there is a positive correlation between financial performance and firm value, as this indicates good business prospects to the market. Recent findings reinforce this relationship as Auladiyyah & Citradewi (2024) and Lumbangaol et al. (2023) state that strong financial performance can indeed increase firm value. But on the other hand, research by Aleffin & Rahmawati (2023) and Saputri & Supramono (2021) provides a different note, where financial performance as measured by ROA has no significant effect on firm value.

H2: Financial performance has a significant effect on firm value.

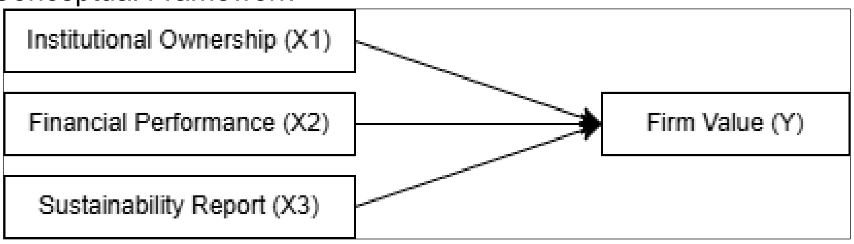
Sustainability Report

Environmental management is an aspect that must be considered and improved in the implementation of Management functions in order to achieve company goals oriented towards environmental sustainability (Sabihani et al., 2024). In this context, sustainability is no longer optional, but has become a demand as well as an obligation for business entities to pay attention to the social and environmental impacts of their operational activities. This is reflected concretely through the preparation of a sustainability report, which is a means of corporate transparency in disclosing initiatives, policies, and achievements related to ESG aspects. A Sustainability Report is a public document that informs about sustainability performance covering three pillars: economic, environmental, and social. The Sustainability Report is considered a form of accountability and transparency of Issuers and Public Companies towards the impact of their operations on the economy, environment, and society. In the context of Sustainable Development, the Sustainability Report serves as a tool that conveys information on the contribution of issuers and public companies to the achievement of Sustainable Development Goals (SDGs). The function of a company is not only to generate profits, but it is also expected to preserve the environment and show concern for social issues. The implementation of sustainable finance activities will be reflected at the end of each year in the Sustainability Report of Issuers and Public Companies (Financial Services Authority [OJK], 2020). According to research by Holly et al. (2022) and Maulana & Prasetio (2025), the disclosure of sustainability reports has no effect on firm value. This finding contradicts research by Puspita and Jasman (2022), which emphasizes how disclosure of sustainability reports increases firm value. According to Alfiana (2021), companies that present sustainability reports tend to attract shareholders to invest. The submission of information related to economic, social, and environmental performance contributes positively to the perception of firm value, so that it can strengthen the company's reputation in the eyes of stakeholders.

H3: Sustainability report has a significant effect on firm value.

Conceptual Framework
The main focus of this research is the influence of the independent variables, namely Institutional Ownership, Financial Performance, and Sustainability Report, on the dependent variable, namely Firm Value. Therefore, Figure 2 below illustrates the conceptual framework of this study.

Figure 2. Conceptual Framework



RESEARCH METHOD

This research project adopts a quantitative method using secondary data from annual reports containing audited financial statements and sustainability reports that have been published by companies either through the official website of the IDX or the company's official website. Basic materials sector companies that have an Initial Public Offering (IPO) on the IDX for the period 2020-2023 are the population in this research project. The sample selection in this study used a purposive sampling technique, which is a process in which the sample is selected according to predetermined criteria for the purpose. This study used 148 processed samples. The research criteria are outlined in Table 1.

Table 1. Research Sample Criteria

No	Description	2020	2021	2022	2023
1.	Basic materials sector companies listed on IDX for the period 2020-2023.	85	93	96	102
2.	Basic materials sector companies that do not disclose annual reports for the period 2020-2023.	(3)	(2)	(3)	(5)

3.	Basic materials sector companies that do not disclose their financial statements in rupiah currency for the period 2020-2023.	(23)	(24)	(24)	(26)
4.	Basic materials sector companies that do not have an institutional share ownership structure for the period 2020-2023.	(3)	(3)	(4)	(5)
5.	Basic materials sector companies that do not disclose sustainability reports in accordance with POJK No. 51/POJK.03/2017 for the period 2020-2023.	(46)	(14)	(10)	(7)
Observation Data		10	50	55	59
		174			
Outlier Data		(26)			
Number of Samples Processed		148			

This study analyzes data using multiple linear regression in which a dependent variable is tested with one or more independent variables. This test uses SPSS 25 software. The following is the regression equation from this study:

$$PBV = \alpha + \beta_1 INST\ it + \beta_2 ROA\ it + \beta_3 SRDi\ it + \varepsilon$$

Description:
PBV : Firm Value
α : Constant
β_1 - β_3 : Regression Coefficient
INST : Institutional Ownership
ROA : Financial Performance
SRDi : Sustainability Report
ε : Error

Institutional Ownership
Yusuf (2020) states that institutional ownership is very important to reduce agency conflicts between managers and shareholders. The presence of institutional investors is considered to function as an effective tool to oversee managers' decisions. The following is a formula for measuring institutional ownership:

$$INST = \frac{Number\ of\ Institutional\ Ownership}{Number\ of\ Shares\ Outstanding}$$

Financial Performance
According to Hamidah and Hariadi (2022), return on assets (ROA) is one of the metrics used to measure the profitability of a company. ROA is a ratio that shows how efficiently the company uses its assets to make a profit. ROA shows the net profit the company gets from the efforts that have been made by considering the assets owned by the company. High profitability will show investors that the company is in good condition. A good ROA will show investors that the business has good financial performance. Of course, this attracts investors to buy the company's shares. The following is a formula for measuring financial performance using ROA:

$$ROA = \frac{Net\ Income}{Total\ Assets}$$

Sustainability Report

OJK Regulation Indonesia No.51/POJK.03/2017 was issued because the government needs support from various parties to implement its commitment to realizing sustainability finance. This regulation was issued to support the government and ensure that every financial service institution (LJK), issuer, and public company has an awareness or commitment to the implementation of financial principles (OJK, 2020). The SRDI assessment is carried out by assigning a score of 1 if an item is disclosed and a score of 0 if the item is not disclosed. The scores are then totaled. After scoring each indicator, the results are calculated using the SRDI formula as follows:

$$SRDi = \frac{n}{k}$$

Firm Value

Firm value reflects the price per share circulating in the capital market, which must be paid by investors to obtain ownership of the company. In this study, firm value is measured using PBV. This ratio serves to assess whether the price of a stock is classified as fair, too low (undervalued), or too high (overvalued). According to Dewi and Subardjo (2020), PBV can be calculated using the following formula:

$$PBV = \frac{Market\ Price\ per\ Share}{Book\ Value\ per\ Share}$$

RESULTS

Descriptive Statistic

Table 2. Statistic Descriptive Results (N=148)

Variables	N	Minimum	Maximum	Mean	Std. Deviation
Institutional Ownership	148	0.0195	0.9943	0.655857	0.2034071
Financial Performance	148	-0.3236	0.2500	0.032074	0.0832518
Sustainability Report	148	0.4400	1.0000	0.887162	0.1209938
Firm Value	148	-1.0816	3.0174	1.104555	0.6804109
Valid N (listwise)	148				

Source: SPSS Data Processing Result (2025)

Table 2 shows that there are 148 valid data points analyzed. For the Institutional Ownership variable, the values range from 0.0195 to 0.9943, with an average value of 0.655857 and a standard deviation of 0.2034071. The Financial Performance variable has a minimum value of -0.3236 and a maximum of 0.2500, with an average of 0.032074 and a standard deviation of 0.0832518. Furthermore, the Sustainability Report variable shows a range of values from 0.4400 to 1.0000, with an average of 0.887162 and a standard deviation of 1.2090938. As for the Firm Value variable, it has the lowest value of -1.0816 and the highest of 3.0174, with an average of 1.104555 and a standard deviation of 0.6804109.

Classic Assumption Test

Table 3. Result of Classic Assumption Test

Normality	Monte Carlo Sig. (2-tailed)	0.061	Normal
Multicollinearity	Tolerance		Multicollinearity Free
	Institutional Ownership	0.918	
	Financial Performance	0.922	
	Sustainability Report	0.969	
	VIF		Multicollinearity Free
	Institutional Ownership	1.089	

	Financial Performance	1.085	
	Sustainability Report	1.032	
Heteroscedasticity	Significance		Free of Heteroscedasticity
	Institutional Ownership	0.412	
	Financial Performance	0.747	
	Sustainability Report	0.264	
Autocorrelation	Durbin Watson	1.912	No Autocorrelation

Source: SPSS Data Processing Result (2025)

All independent variables, namely Institutional Ownership, Financial Performance, Sustainability Reports, and Firm Value, are normally distributed, according to the results of the normality test in Table 3. The results of the Monte Carlo Sig. (2-tailed) using the Kolmogorov-Smirnov Test sample method shows that the data is normally distributed, with a result of 0.061, which means greater than 0.05.

According to Ghozali (2018), the multicollinearity method is used to ascertain whether the regression model shows that there is a relationship between the independent variables. A good regression model does not contain correlated or independent variables. Table 3 above shows that there are no multicollinearity symptoms in each independent variable. It can be seen that each independent variable has a tolerance value greater than 0.100. In addition, the VIF value obtained from Table 3 also shows that each independent variable has a VIF value of less than 10.00.

This study uses the Glejser test to test for heteroscedasticity (Ghozali, 2018). According to the results of the heteroscedasticity check, the Institutional Ownership variable has a statistical significance level of 0.412, the significance value of the Financial Performance variable is 0.747, and the significance value of the Sustainability Report variable is 0.264. All variables have a significance threshold greater than 0.05. Therefore, there is no indication of heteroscedasticity symptoms.

The autocorrelation test between variables evaluates the residual relationship between two datasets contained in the regression model (Ghozali, 2018). The Durbin-Watson test is used to determine whether the regression model shows a serial correlation or autocorrelation between the observed variables. The Durbin-Watson (DW) value after data transformation with the Cochrane-Orcutt technique is 1.912. The results of the Durbin-Watson value for K=3 and N=148 above show that there is no autocorrelation. This is because 4-DU (4-1.7729) is 2.2271, the upper limit value (DU) is 1.7729, and the lower limit value (DL) is 1.6902. If the above numbers are put into the Durbin-Watson equation (DU<DW<4-DU), that is 1.7729<1.912<2.2271. This result indicates that there is no autocorrelation.

Multiple Linear Regression Analysis

Table 4. Multiple Linear Regression Analysis

Coefficients[a]						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	0.864	0.284		3.048	0.003
	Institutional Ownership	-0.290	0.278	-0.084	-1.043	0.299
	Financial Performance	3.097	0.631	0.397	4.911	0.000
	Sustainability Report	-0.114	0.443	-0.020	-0.257	0.798

Source: SPSS Data Processing Result (2025)

Based on the beta value in Table 4, it can be substituted into the equation.

$$\text{Firm Value} = 0.864 + (-0.290\ X1) + 3.097\ X2 + (-0.114\ X3) + 0.284\ \varepsilon$$

The regression equation above shows that the constant coefficient value of 0.864 indicates that if the institutional ownership, financial performance, and sustainability report remain, the average firm value is 0.864. The institutional ownership and the sustainability reports have no influence on firm value, as evidenced by the significance results of 0.299 and 0.798, respectively, which means that this value has no influence on the firm value because the value is greater than 0.05. However, the significance result for the financial performance is 0.000, which means below the 0.05 threshold, indicating that the financial performance has an effect on firm value.

Hypothesis Test

Table 5. Hypothesis Test Results

Simultant Significance (F Test)	Significance Anova		X1, X2, X3 simultaneously influences the dependent variable
	Model of Regression	0.000	
Partial Significance (T Test)	Significance		
	Institutional Ownership	0.299	Does Not Affect
	Financial Performance	0.000	Affect
	Sustainability Report	0.798	Does Not Affect
Determination Coefficients	Adjusted R Square	0.129	X1, X2, X3 simultaneously able to influence or provide an explanation for the dependent variable, by 12.9%

Source: SPSS Data Processing Result (2025)

Based on Table 5, this finding shows that the independent factors have an influence on the dependent variable simultaneously, with a statistically significant difference of 0.000 below the 0.05 threshold. The value of the results in Table 5 shows that institutional ownership and sustainability reports have no influence on firm value, with a significance of 0.299 and 0.798, respectively, where the value is more than 0.05. Based on this data, it is also obtained that the financial performance variable has a significance value of 0.000, which is below 0.05. This proves that financial performance has a significant effect on firm value. The coefficient of determination test results of 0.129 or 12.9% is an adjusted R-squared. This indicates that the variables of institutional ownership, financial performance, and sustainability reports can simultaneously influence or reveal 12.9% of the dependent variable on firm value. However, the remaining 87.1% is caused by additional factors that are not taken into account by researchers.

DISCUSSION

The Effect of Institutional Ownership on Firm Value

The Institutional Ownership variable has a t value of -0.043 and a significance value of 0.299. The results show that the first hypothesis (H1) is rejected because institutional ownership does not have a significant impact on firm value in the basic materials sector companies from 2020 to 2023. The results of this study reveal that institutional investors do not intervene directly in corporate governance practices. The findings show that institutional ownership does not play an effective role in overseeing management actions, because agency theory explains that market mechanisms and employment contracts have aligned the interests of management with shareholders. This alignment should be able to increase firm value. But in reality, the existence of institutional investors does not have a significant impact on changes in firm value. These results are in line with the research of Gunawan et al. (2024) and Rusli et al. (2020), who found that firm value is not significantly affected by institutional ownership. In contrast, the findings of Murti et al. (2024) and Sholikhah & Trisnawati (2022) found that institutional ownership has a significant effect. According to Nugraheni and Risman (2025), fluctuations in global commodity prices have a significant impact on firm value, particularly in sectors that rely heavily on raw materials and international trade. These price changes can directly affect a company's revenue, production costs, and profitability.

In such conditions, external factors like global market prices often exert a stronger influence than internal controls implemented by stakeholders, including institutional investors. Although institutional investors play a role in overseeing management and ensuring good corporate governance, the highly volatile nature of global markets can diminish the effectiveness of such oversight. Therefore, in the face of external uncertainties, firm value tends to be more influenced by shifts in global market conditions than by internal monitoring mechanisms alone. Moreover, geopolitical conflicts such as wars, trade disputes, and political tensions between major economies can further intensify fluctuations in commodity prices and disrupt global supply chains. These disruptions place additional pressure on companies in the basic materials sector, making them even more sensitive to external shocks. As a result, firm value becomes increasingly shaped by global economic and political developments, reducing the relative influence of internal governance mechanisms, including the monitoring role of institutional investors.

The Effect of Financial Performance on Firm Value

The Financial Performance variable has a t value of 4.911 and a significance value of 0.000. The results showed that the second hypothesis (H2) was accepted because financial performance has a significant effect on firm value in basic materials sector companies on the IDX for the 2020-2023 period. This finding is in line with signaling theory, which states that good financial performance provides positive signals to investors through three main aspects: profitability (such as net income and ROA), financial stability, and operational efficiency. As a result, improved financial performance will strengthen investor confidence, encourage stock demand, and ultimately increase the value of the company. In practice, investors generally use financial performance indicators such as profit, ROA, and operating profit as a basis for making investment decisions. This is especially relevant in the basic materials sector, where companies often face capital intensity, commodity price volatility, and regulatory pressures. Under such conditions, robust financial performance becomes a key signal of a company's ability to navigate external shocks, maintain competitiveness, and create long-term value. Investors may perceive high profitability and efficiency as signs that the company is well-positioned to capitalize on market opportunities and manage operational risks effectively. Previous studies by Auladiyyah & Citradewi (2024) and Lumbangaol et al. (2023) found that firm value is strongly influenced by financial performance, especially with the measurement of ROA. In contrast, Aleffin and Rahmawati (2023) found that financial performance does not affect firm value.

The Effect of Sustainability Report on Firm Value

The Sustainability Report variable has a t value of -0.257 and a significance value of 0.798. The results show that the third hypothesis (H3) is rejected because sustainability reports do not affect the value of companies in the basic materials sector during 2020-2023. According to stakeholder theory, sustainability disclosures are intended to demonstrate a company's long-term commitment to environmental and social responsibility, which is expected to be well received by investors. However, these results suggest that investors may not prioritize non-financial disclosures such as sustainability reports. When making investment decisions, investors usually focus more on standard financial information. This result is consistent with research by Holly et al. (2022) and Maulana & Prasetio (2025), which concluded that sustainability reports do not affect firm value. However, the findings of Alfiana (2021) show that there is a positive correlation between sustainability reports and firm value. Sustainability reports demonstrate a company's efforts in social and environmental responsibility, but may not be enough to influence investor behavior or firm value in the basic materials sector companies. This situation shows that efforts are still needed to improve investor education and awareness of the importance of sustainability or ESG factors in the long term. Additionally, stricter regulations and standardized sustainability reporting are needed to ensure that the information provided is relevant, comparable, and highly credible. As a result, sustainability reports can go beyond mere formality and become a strategic tool that truly supports investment decision-making.

CONCLUSION

This study looks at how the basic materials sector companies on the IDX from 2020 to 2023 affect firm value through sustainability reports, financial performance, and institutional ownership. The research shows that financial performance significantly affects firm value. This suggests that investors continue to rely on conventional financial metrics such as profitability, liquidity, and revenue growth to value businesses. Meanwhile, sustainability reporting and institutional ownership do not significantly affect business value. The results suggest that, although institutional ownership is often considered an indication of stability, it is not strong enough to increase firm value in the basic materials sector companies. In the same way, sustainability reports have not been a major consideration for investors when valuing companies. This suggests that non-financial elements are still viewed as lower than financial performance.

According to this study, to attract investors, company management should improve financial performance. Investors, on the other hand, are advised to stick with financial indicators as the basis for their decision-making. However, sustainability and institutional ownership can be considered as part of long-term risk analysis. For further research, the study period can be extended, or a more in-depth analysis of the relationship between ESG factors and financial performance in other sectors that are more sensitive to sustainability issues.

LIMITATION

One of the weaknesses in this study is that it has an adjusted R-squared value of 0.129 or 12.9%. This indicates that only 12.9% of the variation in the dependent variable (firm value) can be explained by the combined independent variables (institutional ownership, financial performance, and sustainability reports). Meanwhile, the remaining 87.1% is influenced by other factors not examined in this study. Thus, the independent variables used are still too limited in explaining the dependent variable. For future research, researchers suggest adding other factors such as managerial ownership, systematic risk, exchange rate, carbon emission disclosure, capital structure, or investor sentiment to expand the analysis of firm value. In addition, this research is expanded by comparing results from various sectors, not only the basic materials sector companies.

Other findings indicate that many samples in this study have not disclosed their sustainability reports in 2020 and reported them in accordance with OJK Regulation Number 51/POJK.03/2017 concerning "the implementation of sustainable finance for financial services institutions, issuers, and public companies". Therefore, better collaboration is needed between companies and the government to improve compliance with regulations. Future researchers can also use sustainability report indicators such as

GRI or other approaches. In addition, company characteristics can also be considered to be associated with other research variables.

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DECLARATION OF CONFLICTING INTERESTS

There are no potential conflicts of interest known to the authors of this article.

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ABOUT THE AUTHOR(S)

1st Author
Miftakhul Hanifah Sarjiyono is an accounting student at the Faculty of Economics and Business UPN “Veteran” Yogyakarta. She graduated from high school.
Email: miftahtahul017@gmail.com

2nd Author
Januar Eko Prasetio is a faculty member in the Faculty of Economics and Business at UPN“Veteran” Yogyakarta. He holds a doctorate in accounting and is a lecturer in the same field.
ORCID ID: https://orcid.org/0000-0002-2161-4998
Email: januar_ep@upnyk.ac.id