The Role of Institutional Ownership in Moderating ESG Disclosure's Impact on Firm Value

Fara Fauziah[a,1], Novita[a,2,*], Imam Nurcahyo Fambudi[a,3]

[a]Universitas Trilogi, Jakarta, Indonesia
[1]fafara.fauziah@gmail.com; [2]novita_1210@trilogi.ac.id*; [3]fambudi@trilogi.ac.id
*Corresponding Author

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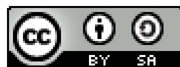
ABSTRACT

This study investigates the role of institutional ownership as a moderating variable that amplifies the effect of ESG disclosure on firm value within the Consumer Cyclical industry subsector over the period 2019-2021. Employing a quantitative approach, the study examines the relationship between ESG disclosure and firm value, with institutional ownership as the moderating variable. Leverage, measured by the debt-to-equity ratio (DER), is utilized as a control variable. The research focuses on companies in the Consumer Cyclical subsector listed on the Indonesia Stock Exchange during the specified period, with a sample comprising 38 companies selected through purposive sampling. Secondary data are used in the analysis. The findings reveal a positive effect of ESG disclosure on firm value. Furthermore, the study demonstrates that institutional ownership strengthens the association between ESG disclosure and firm value. This research contributes to the literature by emphasizing the critical role of institutional ownership in moderating the relationship between ESG disclosure and firm value.

KEYWORDS
ESG disclosure
Firm value
GCG
Institutional ownership
Debt-to-equity ratio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Introduction

Industry evolution increases global competition, requiring companies to be more creative, innovative, and competitive in achieving their goals. One of the company's goals is to maximize company profits, which will allow the company to optimize its value in the long term. Riska et al. (2021) define firm value as providing an overview of the company's performance and prospects, where this value significantly influences how stakeholders see the company. In addition, firm value is significant as an indicator of the prosperity of investors because, overall, the value of a company is an essential indicator for investors (Muchtar, 2021).

Every company must carry out optimal business planning to increase its value. This includes financial planning, taxes, and company budgets (Febriana & Rachmawati, 2023; Rachmawati & Martani, 2017; Ramayanti et al., 2024; Soraya & Rachmawati, 2020; Zamzami & Novita, 2021). Apart from disclosing financial reports, companies must also be able to disclose non-financial aspects, such as maintaining the company's environmental and social trust. Safriani and Utomo (2020) explain that the relationship between the company, society, and the environment greatly influences a company's sustainability. Hence, companies must be able to pay attention to optimal corporate governance strategies, including social and environmental activities.

Environment, Social, and Governance (ESG) disclosure is a new way of assessing Corporate Social Responsibility (CSR). CSR encompasses the idea that companies are responsible for the value of their financial performance and social and environmental issues. The existence of CSR in a company helps increase transparency in the company's financial reports and helps increase trust from stakeholders (Gillan

et al., 2021). ESG disclosure can help companies measure CSR performance better so that they can combine their business activities with their goals.

In Indonesia, the social and environmental responsibility companies carry has been regulated by regulatory bodies where companies should be responsible for each business activity. Financial Services Authority Regulation No. 51/POJK.03/2017 explains that starting in 2019, all issuers and public companies listed on the Indonesia Stock Exchange must release sustainability reports (OJK, 2017). However, the regulations issued by the government are not fully able to encourage companies to comply with good management practices and be responsible for social and environmental aspects. This is shown in a survey by the Indonesian Business Council explaining that the ESG disclosure index in Indonesia is in position 36 out of 47 capital markets in the world (Alfaruq, 2021).

Sariyer and Taşkın (2022) also explained that ESG disclosure is a principle that prioritizes environmental, social, and corporate governance aspects in business sustainability activities. ESG disclosure is generally seen in a company's annual, sustainability, or integrated financial reports. Global Reporting Initiative (GRI) is a standard widely recognized in various countries to ensure transparency in the disclosure of corporate responsibility that focuses on critical issues and relevant information (GRI, 2024). Environmental sustainability, social responsibility, and corporate governance have become crucial elements of business practice, as demonstrated by the evolution of the ESG disclosure concept. Environmental responsibility includes practices and policies to reduce a company's environmental impact, such as waste management, environmental protection, and energy efficiency (Azmi et al., 2019). Ainy and Barokah (2019) explain that environmental responsibility carried out by companies could be a frame of corporate duty to fulfill social and stakeholder commitments. In a social context, it involves internal and external information that helps companies gain investors' trust, such as annual and company sustainability reports (Aristiningtyas & Fidiana, 2023). Meanwhile, corporate governance is a step in improving company performance by implementing specific behavioral patterns evaluated from the perspective of performance, growth, ownership structure, and treatment of shareholders. Thus, corporate governance is a company's framework to establish principles for efficient, transparent, and accountable operations (Lastiati et al., 2020).

Based on stakeholder theory, ESG disclosure by the company is a form of corporate responsibility to meet stakeholder expectations by paying attention to aspects of the company's social and environmental sustainability. Meanwhile, legitimacy theory explains that companies that disclose ESG disclosures can create harmony between social values and norms in the community's social life. Previous research by Li et al. (2018) and Mohammad and Wasiuzzaman (2021) explained that ESG disclosure can help companies demonstrate transparency and accountability in increasing firm value so that companies gain the trust of stakeholders. Temporary Aydoğmuş et al. (2022) and Christy and Sofie (2023) explain that ESG Disclosure information carried out by companies can provide signals to stakeholders to optimize firm value. Besides that, Xu et al. (2021) found three main reasons why ESG disclosure parameters can be used to increase firm value. First, it explains the company's efforts to meet ESG disclosure criteria; second, it serves as an objective means of evaluating the company's performance; and third, management in emerging markets can help companies meet ESG disclosure criteria.

One way to assess a company's achievements is to examine how corporate governance creates value. Ardina and Novita (2023), in increasing shareholder confidence, it is very important to implement good corporate governance to optimize firm value, control resources, and identify company risks. Therefore, companies must understand the importance of implementing good governance in creating optimal value and assessing risks that could harm the company. The ownership structure is one type of governance mechanism that plays a role in ESG disclosure (Anatasy & Novita, 2019; Machmud & Djakman, 2008).

According to Fambudi et al. (2023), stakeholders and investors increasingly recognize the significant impact of ESG disclosure on corporate sustainability. Institutional ownership is a type of ownership that can explain the relationship between ESG disclosure and firm value. All shares owned by institutions are

called institutional ownership (Sakawa et al., 2021). Institutional investors play an important role in monitoring and maintaining caution in companies to produce influential companies with good governance (Dewi et al., 2018).

The enormous role of institutional ownership in improving company performance, including environmental and social responsibility, ultimately impacts increasing company value, where ESG disclosure becomes very important in determining investment and influencing market perceptions. Based on stakeholder theory, it shows that a company's institutional ownership level will provide positive benefits in maintaining its reputation through increased ESG disclosure. Meanwhile, according to the legitimacy theory, the explanation of ESG disclosure demonstrates recognition in the eyes of stakeholders, including the government, investors, and the public. A study by Elisabet and Mulyani (2019) shows that the presence of institutional investors can optimize firm value by expressing social and environmental responsibility. Institutional ownership of a company is significant in encouraging companies to disclose ESG disclosure, increasing the firm's value (Wu et al., 2022). Meanwhile, according to Srivastava and Anand (2023), the firm's interest in ESG institutional ownership of the company affects disclosure, affecting the company's worth. Besides that, Sembiring (2017) stated that institutional ownership would erode the link between earnings management and CSR disclosure, meaning that a company's ability to address social and environmental issues can boost its value.

Firm value can also be related to leverage. Leverage is one of the tools companies use to increase capital to increase profits, using debt as a source of funding. However, a debt ratio that is too high can increase the risk of bankruptcy, so caution is needed in managing the leverage ratio (Wijaya et al., 2020). The greater a company's leverage value, the higher its financial risk. On the other hand, the DER indicates the company's ability to meet its obligations with its capital. The DER can affect investors' perceptions of risk and firm value in the context of firm value. Investors see the DER as an indicator of the company's ability to generate stable profits and sustainable growth. Therefore, companies should be able to manage the DER to control their funding sources, which ultimately impacts increasing firm value.

This research update selects research objects and companies in the Consumer Cyclical industry subsector with the research period using the 2019-2021 period. Consumer cyclical is an industry that distributes a product or service that can influence the company's economic conditions and business cycles. The selection of Consumer Cyclical companies as research objects to examine the direct impact of ESG disclosure during the economic uncertainty of the COVID-19 pandemic, which triggered a global economic crisis, was a key focus of this study. Therefore, this study aims to ascertain how institutional ownership functions as a moderating factor to enhance the impact of ESG disclosure on the firm value in the Consumer Cyclical industry subsector. Thus, research findings can provide strategic benefits for companies in the Consumer Cyclical industry subsector because they consider ESG disclosure as a whole and optimize the role of institutional ownership in driving increased company value.

This research contributes to the literature by empirically highlighting the significant role of institutional ownership as a moderating factor that strengthens the positive relationship between ESG Disclosure and firm value within the Consumer Cyclical industry subsector. By examining companies listed on the Indonesia Stock Exchange during the 2019-2021 period, this study provides specific insights into how institutional ownership influences the dynamics between ESG practices and firm valuation, with leverage as a control variable. These findings underscore the importance of incorporating institutional ownership in strategies to enhance firm value through ESG initiatives.

Literature Review

Stakeholder Theory

In stakeholder theory, companies must provide benefits to company stakeholders. Stakeholders are called people or groups who can influence and can be influenced by the process of achieving a company's goals. Stakeholder theory is a form of how companies are responsible for maximizing profits for investors

and company owners and benefit society, the environment, society, and the government (Freeman, 1984: Aydoğmuş et al., 2022). Hörisch et al. (2020) state every party involved in the business has a significant role in the company's sustainability. As a result, companies are responsible for managing their operations by paying attention to stakeholder expectations to align with company goals.

Information about company activities and performance is a way to understand stakeholder needs and expectations. With the emergence of problems, stakeholders consider company performance from a non-financial perspective, such as corporate governance and social and environmental aspects. Sariyer and Taskin stated that companies can increase their value by improving their environmental, social, and governance aspects. Therefore, ESG disclosure shows that the company has fulfilled the rights of its stakeholders and allows stakeholders to understand ESG implementation. This can help companies increase public trust and build a positive image, which impacts firm value (Mohammad & Wasiuzzaman, 2021; Suttipun & Yordudom, 2022).

Legitimation Theory

Legitimacy theory suggests that legitimacy is considered an advantage or potential source for business sustainability (Dowling & Pfeffer, 1975; Elisabet & Mulyani, 2019). This theory is rooted in the idea that there is a social covenant between companies and society. Therefore, legitimacy theory aims to gain society's approval that the company follows the social standards and values that apply in its society. However, it cannot be denied that community and company values will always differ. The term "legitimacy gap" describes the difference between the social values of society and the company (Chariri & Ghozali, 2007; Mukhtaruddin et al., 2019). Therefore, businesses must assess social values and make changes to meet these values or society's perception of the company as a legitimate strategy.

Ningwati et al. (2022) said that legitimacy uncertainty can be reduced by holding companies accountable for their environmental, social, and governance practices. The companies can influence public judgment by adopting ESG disclosure practices. Thus, companies that can maintain legitimacy in the eyes of various stakeholders tend to gain financial and non-financial support. Therefore, positive ESG disclosure can signal the company's supportability, and the company will attempt to guarantee that its operations can meet society's values and standards.

ESG Disclosure and Firm Value

ESG disclosure is the disclosure of non-financial information by considering environmental, social, and governance principles to meet stakeholder interests. This non-financial information can be an essential tool to assess and evaluate company performance, encouraging stakeholder decisions. Buallay (2019) stated that a company's sustainability efforts can be seen from how the company increases demand and growth and attracts the attention of company stakeholders. In addition, ESG disclosure can help companies gain legitimacy in the surrounding community.

Based on stakeholder and legitimacy theory, companies must fulfill the interests of stakeholders and be able to generate profits accompanied by behavior by community values and norms. Based on previous research by Ainy and Barokah (2019), Aydoğmuş et al. (2022), Christy and Sofie (2023), Li et al. (2018), Mohammad and Wasiuzzaman (2021) shows that there is a significant favorable influence on ESG disclosure and firm value. So, this evidence indicates that ESG disclosure can create a good image for the company and provide a positive signal in firm value.
H1. ESG disclosure has a positive influence on firm value

The Role of Institutional Ownership in Moderating the Effect of ESG Disclosure on Firm Value

In this research, institutional ownership functions as a moderator, where in disclosing ESG disclosure, the company requires control carried out by institutional shareholders to create transparent and accountable financial information. According to Zaid et al. (2020), institutions have the most

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significant share ownership in a company, which causes institutional owners to influence and supervise management activities, which is one of the drivers of the level of disclosure. Ellili (2023) stated that institutional investors focus on how companies implement business by considering stakeholder interests. As a result, institutional investors encourage companies to disclose sustainable information, namely ESG disclosure, to minimize information imbalances.

Besides Ellili (2023), several other studies have investigated the relationship between institutional ownership and sustainability disclosure. According to Chen et al. (2019), institutional presence encourages management to improve CSR implementation and annual report disclosure. Meanwhile, Putra et al. (2020) suggest that many institutional investors influence overseeing corporate disclosure practices. Therefore, one could argue that institutional ownership plays a big part in pushing businesses to disclose ESG disclosure, which raises the company's worth (Wu et al., 2022). In addition, Srivastava & Anand (2023) state that the company's openness to ESG disclosure is influenced by the company's institutional ownership, which ultimately impacts the value of a company. This is based on research by Elisabet and Mulyani (2019) and Sembiring (2017), which explains that the existence of institutional ownership can monitor company management and encourage corporate social and environmental responsibility. This, in turn, increases the firm's value and helps it gain investors' trust. This research shows that institutional ownership can encourage companies to carry out ESG disclosure as an environmental and social responsibility to increase firm value.

H2. Institutional ownership structure strengthens the relationship between ESG disclosure and company value

Research Method

Based on the development of the hypothesis, the following relationship between each variable is described in Figure 1.

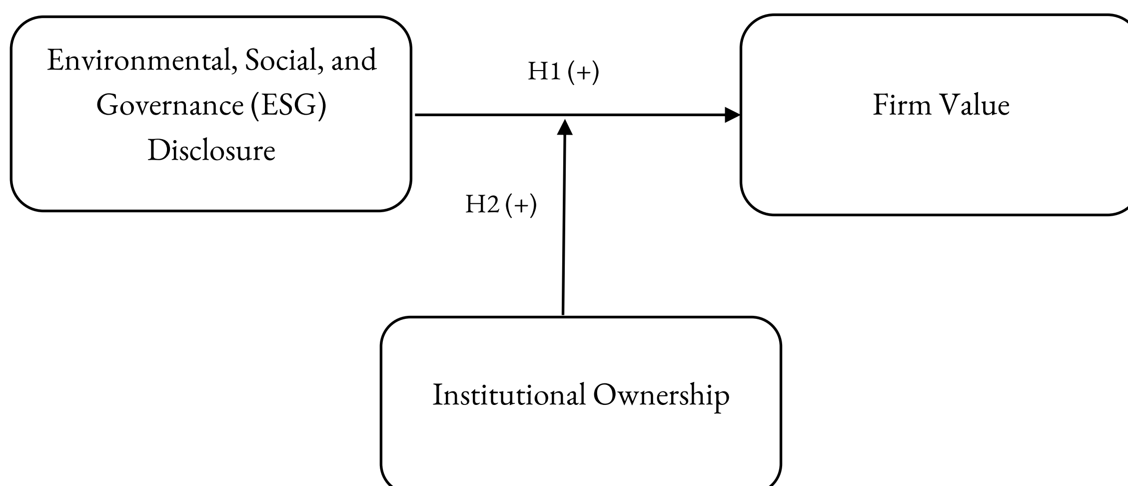

Figure 1. Conceptual Framework

Figure 1 shows a conceptual framework to describe the impact of ESG disclosure with firm value and institutional ownership as moderating variables. Based on the conceptual framework, this research hypothesis testing uses multiple regression analysis using two regression equation models, as shown in Equation (1) and (2). Equation (1) is used to analyze the direct effect of ESG disclosure on firm value, and Equation (2) analyzes the moderating effect.

$$Q = \beta_0 + \beta_1 ESG_{it} + \beta_2 DER_{it} + e \quad (1)$$

$$Q = \beta_0 + \beta_1 ESG_{it} + \beta_2 ESG_{it}{}^{*} KI_{it} + \beta_3 DER_{it} + e \quad (2)$$

This research uses quantitative methods with secondary data analysis. The target group for this research is companies in the Consumer Cyclical industrial subsector on the Indonesia Stock Exchange (BEI) in the 2019-2021 period. Sugiyono (2019) states that both the population size and its characteristics comprise the sample. So, in this research, the data sample was selected using a purposive sampling method as presented in Table 1.

Table 1. Sample Selection Process

No	Research Sample Requirements	Does not meet the criteria	Data Sample
1	From 2019 to 2021, all companies in the Consumer Cyclical sector was listed on the Indonesia Stock Exchange (BEI).		152
2	Companies that are included in Consumer Cyclical and publish the 2019-2021 Annual Report and Sustainable Report, and can be accessed via the Indonesian Stock Exchange website (https://www.idx.co.id/id) & ESGI Datastream UNAIR 2021 (https://www.esgi.ai/)	(91)	61
3	Availability of data related to each variable in the research	(23)	38
	Total Research Sample		38
	Total Sample in the 2019-2021 Research Period (three years)		114

Source: Secondary Data Processed (2024)

Table 1 shows 114 samples from 38 companies from 2019-2021 (three years). This research has four variables, as shown in Table 2.

Table 2. Operational Definition of Variables

Research variable	Measurement	Source
Firm Value (TBQ)	$TBQ = \frac{(MVE + DEBT)}{TA}$ Description: MVE=Market value common stock; DEBT=Total debt company; TA=Total company assets	Mudzakir and Pangestuti (2023); Nursasi (2020)
ESG Disclosure (ESGD)	$ESGD = \frac{\text{Number of Indicators Revealed}}{\text{Number of Indicators Provided}}$ Description: Measurement based on the GRI Index in ESGI Datastream Unair 2021 (https://www.esgi.ai/) with the disclosure of the Report Sustainability	Aristiningtyas and Fidiana (2023); Fambudi et al. (2023)
Institutional Ownership (IO)	$IO = \frac{\text{Number of Institutional Shares}}{\text{Total Outstanding Shares}} X100\%$	Qa'dan and Suwaidan (2019); Putra et al. (2020)
Leverage Ratio (DER)	$DER = \frac{\text{Total Debt}}{\text{Total Equity}}$	Mudzakir and Pangestuti (2023)

Source: Secondary Data Processed (2024)

To choose the best model among the three regression models, you need the Chow test to determine whether there are significant differences in panel data between two or more subgroups. Next, the Hausman Test was used to assess the regularity of the differences between the coefficient estimates from

the two models and to decide whether to employ the Fixed Effect Model or the Random Effect Model when analyzing panel data.

The classic assumption test ensures that the data used meets the requirements of the regression model. This study's normal distribution of the regression model is demonstrated using a normality test. This study used the Kolmogorov-Smirnov method to test for data normalcy. The multicollinearity test uses a Variable Inflation Factor (VIF) to determine multicollinearity in the regression model. The heteroscedasticity test is used in the regression model to determine whether there is a different residual variance from an observation.

Hypothesis results are seen through partial statistical tests to see how each independent variable explains the variance. The significant *p*-value was calculated at the 5% significance level. A significant *p*-value below 0.05 indicates an essential influence of one independent variable on the dependent variable. Conversely, any variable does not influence if the t value is more than 0.05. In addition, simultaneous statistical tests are used to determine whether the dependent variable is influenced by each independent variable simultaneously. The significant value of f is calculated at the 5% significance level. If the considerable value of f is below 0.05, each independent variable significantly influences the dependent variable or vice versa. If f is more than 0.05, there is no significant influence between each variable.

Results and Discussion

The results of descriptive statistics in this research are shown in Table 3, which explains the amount of data in analyzing each variable, totaling 114 samples. Firm value is measured using Tobin's Q (TBQ) variable. Table 3's data distribution indicates that the TBQ variable has a minimum value of 0.1166 and a maximum value of 1.5066. The average value of the TBQ variable is 0.8842, and the standard deviation value is 0.3019. It can be explained that the average firm value in the Consumer Cyclical industrial subsector in Indonesia is 0.8842.

Table 3. Descriptive Statistics Results

Variable	OBS	Mean	Std. Dev.	Min	Max
TBQ	114	0.8842	0.3019	0.1166	1.5066
ESG	114	0.2652	0.2827	0	1
KI	114	0.6691	0.2154	0.1333	0.9943
DER	114	1.1702	0.9837	0.1141	5.02

Source: Secondary Data Processed (2024)

According to data in research by Alfaruq (2021), 40% of companies in Indonesia have yet to be able to disclose ESG. Meanwhile, according to Fambudi et al. (2023), ESG disclosure in Indonesia is not an obligation but a form of how companies can be responsible for the environment, society, and governance. Based on this information, the research's ESG disclosure variable has a minimum value of 0, indicating that the company does not engage in ESG disclosure. The maximum value for ESG disclosure is 1 for PT Perusahaan Gas Negara Tbk., which indicates that the company discloses ESG disclosure. The average ESG disclosure is 0.2652, with a standard deviation of 0.2827. This data shows that the average company in the Consumer Cyclical industry subsector that can ESG disclosure is 0.2652, with the highest index in 2021.

Testing the moderating variable in this research uses institutional ownership structure (*Kepemilikan Institusional,* KI variable). The results show a minimum value of 0.1333 with a maximum value of 0.9943. The average value of the KI variable is 0.6691, with a standard deviation of 0.2154. So, the results of this test show that the average institutional ownership of companies in Indonesia's Consumer Cyclical industrial subsector is 0.6691. The control variable in this research is tested using the DER. The results show that the minimum value for the DER variable is 0.1141, with a maximum value of 5.02. The average

of the DER variable is 1.1702, and the standard deviation is 0.9837. So, the results of this test show that the average debt-to-equity ratio (DER) in companies in Indonesia's Consumer Cyclical industrial subsector is 1.1702.

The results of the classical assumption test show that this research is free from multicollinearity and heteroscedasticity. Based on the regression results of this research, which uses the Random Effect Model (REM), there is no need for a heteroscedasticity test because this model effectively handles these problems, so there is no need to carry out a separate heteroscedasticity test. The results of the multicollinearity test are explained through the value of the Variance Inflation Factor (VIF), with the data criteria being that if VIF <10, then the research model is free from multicollinearity. Table 4 shows that the VIF value for all variables is <10. This means there is no correlation between each independent variable that is too high, so the research model is said to be free from multicollinearity.

Table 4. Multicollinearity Test Results

Variable	VIF
ESGKI	1.94
ESG	1.71
DER	1.18

Source: Secondary Data Processed (2024)

Panel data regression analysis shows the model's suitability for reaching conclusions from the regression results in this study. In comparing which model is better, the Pooled Least Square and Fixed Effect Model, the Chow Test was conducted. The following results were obtained: probability >0.000. The probability results in the Chow test show a cross-sectional probability F value of 0.000. This means that the Fixed Effect Model is suitable model to use in this study.

The Lagrange Multiplier test detects autocorrelation in panel data and provides a conclusion between the two research models: Pooled Least Square and Random Effect Model. The following results were obtained: probability > $chibar^2 = 0.0000$. The probability results in the Lagrange Multiplier test show a probability value of 0.000<0.05. This means that the suitable model is the Random Effect Model.

After conducting the Chow Test and Lagrange Multiplier test, the Hausman Test is needed to determine between the Fixed Effect Model and the Random Effect Model, which is most suitable for this study. In this test, the following results were obtained: probability > $chi^2 = 0.3253$. The results obtained show a probability value of 0.3253>0.05. So, the Random Effect Model is the most suitable model for this study.

Based on the test results show that this research model uses the Random Effect Model. Table 5 shows the results of hypothesis testing in this research. The table reports that the ESG disclosure variable has a probability value of 0.008<0.05. It means that the probability <α indicates that ESG disclosure significantly influences firm value. Where the ESG coefficient value is 0.218, hypothesis 1 is accepted with a coefficient of 0.218, which means ESG disclosure has a positive and significant effect on firm value. Apart from that, the constant of 0.808 explains that if all independent variables are constant, the firm value will be 0.808. In stakeholder theory, ESG disclosure describes how the company has fulfilled stakeholder rights and allows stakeholders to place their trust in the company's performance. In research, Aydoğmuş et al. (2022) show that, in general, ESG disclosure can evaluate the performance and position of various issues for stakeholders in corporate sustainability. So, the more aware a company is in disclosing ESG disclosure, the better the company is at assessing risks that might cause a decline in firm value.

According to legitimacy theory, companies can gain public trust by aligning their values and norms with those of society. Aydoğmuş et al. (2022) concluded that when a company is committed to disclosing the environment, social, and governance, it will encourage the market to trust the company. So,

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companies that effectively disclose ESG disclosure will tend to be more consistent in implementing practices committed to environmental, social, and governance standards. This will have an impact on company sustainability and produce optimal performance. Therefore, legitimacy theory supports these findings, where ESG disclosure is a solid strategy for maintaining company legitimacy in the eyes of stakeholders, including government, investors, and society.

Table 5. Hypotheses Testing Results

Variable	Hypotheses	No Moderation			With Moderation		
TBQ		Coefficient	z	P>|z|	Coefficient	z	P>|z|
ESG	+	0.218	2.63	0.008	0.209	2.60	0.009
ESG*KI	+	-	-	-	0.472	3.03	0.002
DER	+	0.010	3.10	0.002	0.010	3.20	0.001
_cons		0.808	16.61	0.000	0.591	6.96	0.000
		Prob F (Statistics) 0.003			Prob F (Statistics) 0.000		
		R-Squared 0.1577			R-Squared 0.2327		

TBQit	Firm Value, company i year t
ESGit	ESG Score, company i year t
ESGit*KIit	ESG Score, company i year t times Institutional Ownership of company i year t
DER	Debt to Equity Ratio, company i year t

Source: Secondary Data Processed (2024)

The COVID-19 pandemic shows how important environmental, social, and corporate governance elements are for business resilience and sustainability. The research data shows that the firm's value decreased in 2020. This aligns with the selected research object, the Consumer Cyclical industrial subsector. Consumer Cyclical is an industry whose activities can be influenced by economic conditions and the business cycle within the company. Therefore, data for 2020 shows a decline in people's purchasing power due to the financial crisis in Indonesia. To maintain business continuity, companies must try to find innovations, as seen from the increasing number of companies disclosing ESG disclosure. At that time, ESG disclosure was considered an effort to integrate company strategy to restore stakeholder trust. The same research by Aydoğmuş et al. (2022) states that firm value increases in the eyes of stakeholders for companies that can commit to environmental, social, and governance disclosures.

In addition, based on the results of the simultaneous test (F test), the probability value is 0.003<0.05. So, it means that the independent variables influence the dependent variable together. Apart from that, based on the regression test, it shows R square 0.1577, which means that ESG disclosure can explain 15.77% of company value, and the rest is explained by other variables. These results clarify that the ESG disclosure carried out by companies in the Consumer Cyclical industrial subsector still needs more. This is related to a survey conducted by Alfaruq (2021), which concluded that the ESG disclosure index in Indonesia shows that 40% of companies still need to realize the importance of disclosure. Fambudi et al. (2023) explained that there are no regulations in Indonesia specifically regarding ESG disclosure determination, which is an obstacle to implementing ESG disclosure in Indonesia.

Apart from that, the test results in Table 5 show that the probability value of the moderating variable is 0.002 with a coefficient of 0.472. This means that the effect of ESG disclosure on firm value could be amplified by institutional ownership. Moreover, every change in ESG disclosure will enhance the relationship between ESG disclosure and the firm value of 0.472. According to stakeholder theory, a company's actions serve its internal interests and those of all interested parties (Nuryono et al., 2019). Related to stakeholder theory, the positive influence of institutional ownership can strengthen the relationship between ESG disclosure and firm value, which is explained by the fact that high institutional ownership can provide positive benefits, namely by maintaining the company's reputation through increasing environmental, social, and governance disclosures within the company itself (Wu et al., 2022).

This is because the level of institutional ownership will provide great effort to control company management policies carried out by institutional investors. Therefore, the company's institutional ownership can play a significant role in strengthening the company's ESG disclosure. Large financial institutions, such as banks, often have a long-term vision for their investments and tend to pay more attention to ESG disclosure in a company for decision-making. Thus, institutional ownership can pressure companies to strengthen environmental, social, and governance sustainability responsibilities.

COVID-19 strengthens the urgency of focusing on ESG disclosure for companies influenced by institutional ownership. The economic crisis highlighted the importance of corporate social responsibility, which became a significant concern for institutional shareholders. In line with the research results, Sakawa et al. (2021) stated that every institutional ownership provides a good level of corporate control in identifying existing social, environmental, and governance risks. Therefore, the level of institutional ownership has the power to encourage company policies to meet sustainability disclosure standards. Where companies that can carry out ESG disclosure better can overcome the challenges that occur during the pandemic, such as ensuring the safety and welfare of employees, paying attention to the social impacts surrounding company operations, and maintaining more responsible business practices. As demand from investors for ESG disclosure information increases, companies tend to strengthen their reporting to sustain trust and gain support from institutional shareholders. This is to research conducted by Elisabet and Mulyani (2019) and Zaid et al. (2020), which concludes that the existence of institutional ownership can increase the control of a company to encourage corporate responsibility towards the environment and society, which will have an impact on improving the value of the firm to gain investor trust. So, creating good ESG disclosure with support from institutional shareholders is the key to the company's success, which will further increase the firm's value.

DER is a control variable that explains the company's ability to fulfill its obligations by managing equity funding. The regression results show that the probability of the DER variable is more minor than alpha 5%, so it can be said that the DER variable has been proven to affect company value significantly. This explains how the relationship between DER and firm value is significant for company financial evaluation. DER measures how much debt a company uses to finance its operations. A high DER can indicate that the company relies more on its debt than its capital, which can increase financial risk.

The DER can influence investors' perceptions of company risk and value in the context of company value. Sari and Widiatmoko (2023) clarified how the equity ratio measures a company's leverage value in the financial report ratio. A higher leverage value corresponds to a greater financial risk for the company. Therefore, a high DER tends to make a company more vulnerable to market fluctuations, which can reduce firm value. Investors view the DER as an indicator of a company's ability to generate stable profits and sustainable growth. So, companies with a low DER tend to be capable of controlling their funding sources to minimize financial risks, which will increase firm value.

In addition, based on the results of the simultaneous test (F test), the probability value is $0.000<0.05$. This means that the independent variables influence the dependent variable together. Meanwhile, the regression test shows R square 0.2327, which means that ESG disclosure can explain the firm's value by 23.27%, and other variables explain the rest. These results explain that the existence of moderation variables causes a slight addition to how ESG disclosure can explain firm value in the Consumer Cyclical industry subsector.

Conclusion

ESG disclosure is crucial in enhancing firm value, as evidenced by the positive regression coefficient and significance level observed in this study. Grounded in stakeholder theory, ESG disclosure boosts stakeholders' confidence by demonstrating a company's commitment to their interests and adherence to environmental and social standards, aligning with legitimacy theory. This ethical commitment fosters market trust, signaling consistency in upholding environmental, social, and governance practices, which

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Vol. 11, No. 2, September 2024, pp. 108-121

enhances firm value. The study also highlights the role of institutional ownership in amplifying the positive impact of ESG disclosure on firm value. High institutional ownership supports the company's reputation and ESG efforts, leading to increased firm value through effective oversight of management policies, particularly those related to sustainability. This underscores the importance of strengthening both ESG practices and institutional ownership to create sustainable firm value and build stakeholder trust.

However, the study's reliance on sample quality and statistical techniques suggests the possibility of unmeasured variables influencing the relationship between ESG disclosure and firm value. Future research should explore specific elements within ESG disclosure and consider a broader analysis to provide deeper insights. The findings offer new perspectives on ESG disclosure in Indonesia's Consumer Cyclical sector, showing that even low levels of ESG disclosure can enhance firm value, especially during the economic crisis triggered by the COVID-19 pandemic. The study underscores the need for positive relationships with institutional shareholders to manage policies that boost firm value. The study's limitation lies in its three-year period (2019-2021), during which the pandemic-induced economic uncertainty may have influenced the results. Further research is needed to assess ESG disclosure's impact under normal conditions.

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