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THE EFFECT OF SUSTAINABILITY DISCLOSURE AND CORPORATE GOVERNANCE ON FIRM VALUE: EVIDENCE FROM INDONESIA'S INFRASTRUCTURE SECTOR

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Abstract

This research investigates how sustainability disclosure and corporate governance affect the valuation of infrastructure firms listed on the Indonesia Stock Exchange from 2021 to 2024. Utilizing a quantitative design, it applies panel data regression via the Fixed Effect Model with cross-section weights (EGLS). Drawing from 160 firm-year observations chosen through purposive sampling with defined criteria, key insights emerge, sustainability disclosure negatively impacts firm value, hinting that markets in capital-heavy sectors may not quickly value detailed sustainability reports. Conversely, governance elements like the board of directors, independent board of commissioners, and audit committee exert positive, significant effects on value. Ownership structure, however, lacks notable influence. Overall, these patterns suggest investors prioritize swift governance enhancements over expansive sustainability efforts, especially in infrastructure where heavy investments and extended projects prevail.

Keywords: Sustainability Disclosure, Corporate Governance, Firm Value, Infrastructure Sector

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INTRODUCTION

While infrastructure companies are crucial for economic growth in Indonesia, they also contribute significantly to carbon emissions, especially in the transportation sector (Pambudi et al., 2023; Sharif & Tauqir, 2021). To support climate mitigation and the energy transition, the sector is expanding electricity networks, energy storage systems, EV charging stations, and renewable energy infrastructure (Antony et al., 2023). Indonesia's Enhanced Nationally Determined Contribution (ENDC) targets, seeking a 31.89% independent cut in greenhouse gas emissions or up to 43.2% with global assistance alongside net-zero emissions by 2060, are fully supported by these efforts (Pambudi et al., 2023; Zhong et al., 2022). Consequently, infrastructure companies are encouraged to strengthen sustainability disclosure and adopt sustainable practices.

Nevertheless, implementing sustainability reporting often entails considerable expenses, especially with the use of standards like the Global Reporting Initiative (GRI). These costs may divert resources from traditional value-enhancing activities and reduce short-term profitability, leading investors to perceive sustainability initiatives as value-reducing expenditures (Ahadiat et al., 2024; Friske et al., 2023). In some cases, managers may also allocate resources to sustainability initiatives mainly to improve corporate reputation rather than efficiency (Liu & Tian, 2019).

The complexity of infrastructure projects, characterized by high capital intensity, uncertainty, and multi-party collaboration, further increases the risk of agency conflicts and inefficient investments (Ketchoua et al., 2025; Wang et al., 2023). Weak governance structures may exacerbate these issues and reduce investor confidence (Kim, 2021). Therefore, strong corporate governance is essential to strengthen monitoring mechanisms, improve accountability, and ultimately enhance firm value (Uddin et al., 2021).

Given the intricate nature of Indonesia's infrastructure sector, it is crucial to investigate how corporate governance and sustainability disclosure influence market reactions. This study aims to assess whether investments in green transition initiatives create economic value and to examine how corporate governance can improve supervision and information reliability, thereby reducing investor concerns related to high project risk and limited accountability.

This study examines the effect of sustainability disclosure and corporate governance on firm value in Indonesia's infrastructure sector. Prior studies show mixed findings. Ahadiat et al. (2024) found that sustainability reporting negatively affected firm value in Indonesia's energy sector, whereas studies

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Nguyen & Duong (2025) and Younis (2023) in Saudi Arabia and Vietnam reported positive effects. Similarly, research on corporate governance also produces inconsistent results. Muslih & Nurlina (2024) observed that both managerial and institutional ownership tend to diminish firm value, in contrast to audit committees and independent commissioners, which boost it. Meanwhile, Hidayat et al. (2025) indicated that just the board of directors plays a key role in enhancing firm value. Such conflicting results underscore the importance of additional studies within Indonesia's infrastructure industry.

LITERATURE REVIEW

Agency Theory

According to agency theory, the dynamic between managers (acting as agents) and stakeholders (serving as principals) involves delegating decision-making authority to managers, who must then answer for their choices (Darmawan & Umaimah, 2025; Subroto & Endaryati, 2024). Differences in interests between the two parties can create agency problems. Voluntarily disclosing details in annual reports serves to lessen information gaps and mitigate agency problems (Purba, 2023). The results support agency theory, indicating that sustainability disclosure is associated with lower firm value, as stricter sustainability reporting may be perceived as a cost that reduces shareholder wealth (D. T. T. Nguyen, 2020). From a corporate governance perspective, effective supervision and management can help companies address economic challenges and enhance firm value (Yulias & Oktorina, 2024).

Signaling Theory

Signaling theory, as proposed by Spence (1973), describes the process through which informed parties transmit signals to alleviate information imbalances within the market. These signals provide information about a firm's quality and performance, which influence investor perceptions and market responses (Purba, 2023). Investors perceive these signals in either a favorable or unfavorable light, with positive ones elevating firm value and negative ones lowering it (Subroto & Endaryati, 2024). Therefore, firm value is closely related to signaling, as market reactions often reflect the signals conveyed by management (Muslih & Nurlina, 2024).

Sustainability Disclosure

Sustainability has received increasing attention as stakeholders demand greater social and environmental responsibility from companies (Saputra & Bernawati, 2020). Sustainability disclosure is a component of management's duty

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to inform stakeholders about the company (Budianto & Isnalita, 2024). Through sustainability disclosure, companies can assess and share their performance across economic, environmental, and social dimensions, which in turn aids in establishing objectives and fostering internal enhancements (Younis, 2023). Following prior studies by Younis (2023) and H. C. Nguyen & Duong (2025), assesses sustainability disclosure via a GRI-derived index grounded in the Triple Bottom Line framework, encompassing economic, environmental, and social elements. Drawing from the GRI 2021 standards (GRI 3, 200, 300, and 400), a score of 1 is assigned to each disclosed item and 0 to those omitted.

Corporate Governance

This encompasses the set of principles and processes employed to guide and oversee a company's activities, ensuring they remain consistent with stakeholders' objectives (Muslih & Nurlina, 2024). The Indonesian Code of Corporate Governance (PUGKI) 2021 emphasizes five core principles: fairness, transparency, independence, accountability, and responsibility. This research evaluates corporate governance based on key elements, including the board of directors, independent board of commissioners, audit committee, institutional ownership, and managerial ownership.

Board of Directors

The board of directors oversees the company's overall operations and holds the authority to make strategic decisions concerning resource allocation, performance improvement, and the enhancement of stakeholder value (Darmawan & Umaimah, 2025). The size of the board is determined by counting the total directors listed in the firm's annual report (Hapsari et al., 2025).

Independent Board of Commissioners

Within corporate governance, the independent board of commissioners acts as an external oversight tool, staying separate from management and dominant shareholders. Its proportion is computed as the percentage of independent members relative to the total commissioners at fiscal year-end (Muslih & Nurlina, 2024).

Audit Committee

The audit committee supports the board of commissioners by taking on a vital oversight function for the company (Bertasari et al., 2024; Wardasari et al., 2025). Its careful supervision of financial reporting and internal controls reduces information gaps and increases transparency. In this analysis, the audit committee's size, based on the total number of members noted in the annual report, indicates its responsibility for monitoring financial reporting and internal controls (Wahyuningtiasari & Sulastiningsih, 2024).

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Institutional Ownership

Institutional ownership refers to the proportion of company shares owned by institutional investors, including entities like government bodies, banks, corporations, foreign organizations, investment funds, and similar formal groups (Pratiwi & Hariyati, 2024). Institutional ownership is measured as the share of outstanding stock held by institutional investors (Muslih & Nurlina, 2024).

Managerial Ownership

Asrini & Musnaini (2025) define managerial ownership as the company shares owned by internal bodies such as meetings or boards. It represents the portion of firm stock controlled by key insiders, like directors, commissioners, and top executives, computed by dividing their shares by the overall total(Ubuddiyah & Ardillah, 2023).

Firm Value

Firm value indicates the overall worth of a company as perceived by its shareholders and mirrors the market's trust in its operational success (Hapsari et al., 2025). It indicates both current performance and future growth potential, with positive investment opportunities attracting investors (Faizah & Pujiono, 2022). In this research, firm value is assessed through the Price-to-Book Value (PBV) ratio, which contrasts the market price against the book value (Mawei & Tulung, 2019)

Hypothesis Development

The Effect of Sustainability Disclosure on Firm Value

Sustainability disclosure offers details on a firm's economic, environmental, and social effects that matter to its stakeholders (Weli & Tamin, 2025). Adopting sustainability reporting standards like the Global Reporting Initiative (GRI) demands significant time, resources, and financial outlays to comply with the required guidelines (Friske et al., 2023). D. T. T. Nguyen (2020) found that greater adherence to GRI guidelines among large German public companies is associated with lower firm value, possibly due to investor concerns about implementation costs and potential greenwashing practices.

H1: Sustainability disclosure has a negative effect on firm value

The Effect of the Board of Directors on Firm Value

The board of directors directs the firm's resources, enhances its performance, and contributes to increasing shareholder value. The board serves as a connector among different stakeholders, helping to prevent conflicts and promote stronger, more sustainable financial outcomes (Hapsari et al., 2025).

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Darmawan & Umaimah (2025) highlights how a bigger, effectively structured board strengthens oversight, facilitates superior strategic choices, and ultimately elevates both corporate performance and market valuation. Consequently, the makeup and competencies of the board shape investor perceptions of a company's worth.

H2a: The board of directors has a positive effect on firm value

The Effect of the Independent Board of Commissioners on Firm Value

Having independent board of commissioners is expected to strengthen oversight and raise the quality of financial reporting. Effective supervision helps reduce the chances of management engaging in fraudulent activities when preparing and presenting financial statements (Wardhani, 2019). Independent board of commissioners act as internal watchdogs, scrutinizing the choices and conduct of senior executives. Boosting their presence enhances monitoring efforts, potentially leading to higher market valuation for the firm. (Candradewi & Rahyuda, 2023).

H2b: The Independent board of commissioners has a positive effect on firm value

The Effect of Audit Committee on Firm Value

The audit committee fosters trust among investors and shareholders regarding the reliability of the company's financial statements. Maintaining transparency is essential in reducing access to information and increasing market efficiency through regular sharing (Ni'mah & Kusumaningtias, 2025). Muslih & Nurlina (2024), demonstrate a positive link between the audit committee and firm value. An expanded and competent committee bolsters supervision of financial disclosures, thereby building investor trust and contributing to elevated firm valuation (Bukari et al., 2024).

H2c: Audit committee has a positive effect on firm value

The Effect of Institutional Ownership on Firm Value

Institutional investors contribute to better corporate performance through rigorous monitoring and by steering management toward greater efficiency (Khoerunisa & Muslim, 2021). Greater institutional ownership empowers these investors with increased control, spurring them to pursue measures that boost firm value and, in turn, elevate its market perception (Wibowo et al., 2021).

H2d: Institutional ownership has a positive effect on firm value

The Effect of Managerial Ownership on Firm Value

In the company, when there is higher managerial ownership, management is more likely to focus on improving performance to benefit both investors and themselves. This form of ownership helps bring together the interests of both parties, allowing each to directly benefit from the decision and also share in the

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resulting outcomes (Ubuddiyah & Ardillah, 2023). Hapsari et al. (2025), indicate that higher managerial ownership benefits firm value by better synchronizing the goals of managers with those of shareholders.

H2e: Managerial ownership has a positive effect on firm value

RESEARCH METHOD

This research takes a quantitative approach, relying on secondary data pulled from annual and sustainability reports (2021–2024) of infrastructure companies listed on the Indonesia Stock Exchange. Sourced from the IDX website and company sites, the sample includes 40 firms that fit the criteria, generating 160 observations across four years, all processed with EViews 12.0. Key independent variables consist of sustainability disclosure, gauged through a GRI index rooted in the Triple Bottom Line (encompassing economic, environmental, and social factors per GRI 3, 200, 300, and 400), alongside corporate governance indicators like board of directors, independent commissioners, audit committee, and ownership structure. Firm value serves as the dependent variable, proxied by the Price-to-Book Value (PBV) ratio. To refine analytical precision, control variables such as firm size, return on assets (ROA), and debt-to-assets ratio (DAR) are incorporated.

RESULTS AND DISCUSSION

Descriptive Statistic Test

The table below presents the outcomes of descriptive statistical analysis for the independent variables and moderated dependent variables:

Table 1.

Descriptive Statistic Results

Variable	Mean	Median	Standard Deviation	Maximum	Minimum
Firm Value	1.47	0.99	2.05	13.8	-7.73
Sustainability Disclosure	0.69	0.70	0.16	0.95	0.24
Board of Directors	4.72	5.00	1.55	9.00	2.00
Independent Board of Commissioners	0.44	0.43	0.11	0.71	0.20
Audit Committee	3.24	3.00	0.57	6.00	3.00
Institutional Ownership	0.77	0.86	0.26	1.00	0.01
Managerial Ownership	0.11	0.00	0.25	0.99	0.00
Firm Size	15.6	15.5	1.97	19.5	11.5
Return on Assets	0.03	0.03	0.09	0.50	-0.42
Debt to Assets Ratio	0.62	0.52	0.52	3.60	0.08

Source: Output EViews 12, 2026

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Descriptive statistics describe the distribution of the study variables. Firm value (FV) ranges from -7.73 to 13.84 with an average of 1.46, indicating moderate variability. Sustainability disclosure ranges from 0.24 to 0.95 with a mean of 0.69, showing relatively uniform reporting among firms. Governance variables show that the Board of Directors (BOD) averages 4.72 members, the Independent Board of Commissioners (BIND) averages 0.44, and the Audit Committee (AC) averages 3.24 members with low variation. Institutional Ownership (IO) averages 0.77, indicating dominant institutional shareholding, while Managerial Ownership (MO) remains relatively low with an average of 0.11. Firm Size (SIZE) averages 15.58, Return on Assets (ROA) averages 0.03 indicating modest profitability, and the Debt to Assets Ratio (DAR) averages 0.61, reflecting variation in company leverage.

Model Analysis

The Chow test assesses whether a Common Effect Model (CEM) or Fixed Effect Model (FEM) provides a superior fit for analyzing panel data.

Table 2.
Chow Test Results

Effect Test	Statistic	d.f.	Prob.
Cross-section F	5.175209	(39,111)	0.0000
Cross-section Chi-square	165.782365	39	0.0000

Source: Output EViews 12, 2026

As presented in Table 2, the Chow test yields a cross-section F probability of 0.0000, falling under the 0.05 threshold. This outcome points to notable variations across companies, favoring the Fixed Effect Model (FEM) over the Common Effect Model (CEM). Following the choice of FEM, researchers apply the Hausman test to decide between FEM and the Random Effect Model (REM). If the p-value exceeds 0.05, REM is deemed suitable. Conversely, a p-value under 0.05 supports FEM for delivering more reliable estimates (Ismanto & Pebruary, 2021).

Table 3.
Hausman Test Results

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	30.492725	9	0.0004

Source: Output EViews 12, 2026

Table 3 displays the Hausman test outcomes, showing a probability of 0.0004, which leads to dismissing the Random Effect Model. As a result, the Fixed Effect Model (FEM) is chosen for the ultimate analysis.

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Multicollinearity Test

The table below outlines the findings from the multicollinearity test conducted in this research:

Table 4.
Multicollinearity Test Results

Variable	Coefficient Variance	Uncentered VIF	Centered VIF
SDI	0.064303	87.98936	1.388552
BOD	0.005272	336.9108	1.610957
BIND	0.190185	107.5427	1.144991
AC	0.006060	183.4422	1.309757
IO	0.245181	417.3303	1.559968
MO	0.686852	23.70155	1.204706
SIZE	0.102580	71145.20	1.649004
ROA	0.060093	1.482915	1.326129
DAR	0.347810	379.2607	1.523881

Source: Output EViews 12, 2026

From Table 4, every Centered VIF value remains under 10, signaling the absence of multicollinearity issues and confirming that the independent variables lack strong correlations.

Heteroscedasticity Test

The table below presents the outcomes of the heteroscedasticity test performed in this research:

Table 5.
Heteroscedasticity Test Results

Variable	Coefficient	Std. Error	t-Statistic	Prob.
SDI	-1.191318	0.518966	-2.295563	0.0236
BOD	0.094427	0.118382	0.797645	0.4268
BIND	0.518418	0.672441	0.770949	0.4424
AC	0.071292	0.222645	0.320204	0.7494
IO	-0.625028	0.936760	-0.667223	0.5060
MAU	-0.712394	0.788920	-0.902999	0.3685
SIZE	0.128634	0.340305	0.377996	0.7062
ROA	0.911268	0.886756	1.027643	0.3064
DAR	2.789286	0.522324	5.340143	0.0000

Source: Output EViews 12, 2026

Table 5 reveals that the Glejser test identifies SDI and DAR with p-values under 0.05, confirming the presence of heteroskedasticity. Given that the Fixed

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Effect Model (FEM) relied on OLS estimation, we re-run it via the cross-section weight approach, effectively converting OLS to Weighted Generalized Least Squares (WGLS) for improved estimate robustness (Alghifari, 2021).

Autocorrelation Test

The findings from the Durbin-Watson (DW) autocorrelation test are presented below:

Table 6.
Autocorrelation Test Results

Mean dependent var	4.210876
S.D. dependent var	5.981282
Sum squared resid	143.9457
Durbin-Watson stat	1.884185

Source: Output EViews 12, 2026

Table 6 indicates a Durbin-Watson statistic of 1.884185. For 9 independent variables and 160 observations, the lower (dl) and upper (du) bounds stand at 1.6244 and 1.8614, respectively. Given that the DW value falls between du and 4 – du (1.8614 < 1.884185 < 2.1386), the regression model shows no signs of autocorrelation.

Normality Test

The outcomes of the normality test conducted here are displayed in the image below.

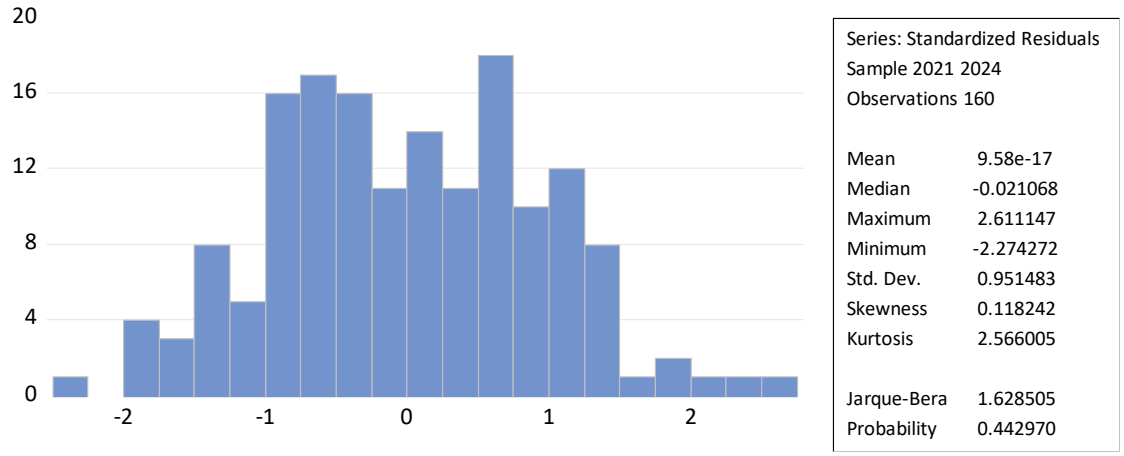

Figure 1.
Normality Test Results
Source: Output EViews 12, 2026

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Figure 1 shows a Jarque-Bera probability of 0.443, exceeding the 0.05 level. Consequently, the residuals from the regression follow a normal distribution, satisfying the normality requirement for the data.

Panel Data Regression Test

Table 7.
Panel Data Regression Test Results Using FEM with WGLS

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	30.36692	4.988426	6.087476	0.0000
SDI	-1.792042	0.253580	-7.066970	0.0000
BOD	0.256910	0.072607	3.538376	0.0006
BIND	0.987132	0.436102	2.263535	0.0255
AC	0.436309	0.077845	5.604812	0.0000
IO	0.843419	0.495157	1.703335	0.0913
MO	0.028485	0.828765	0.034371	0.9726
SIZE	-2.023353	0.320280	-6.317441	0.0000
ROA	1.412589	0.245140	5.762382	0.0000
DAR	0.157110	0.589755	0.266399	0.7904
R-squared	0.949892	Mean dependent var		4.210876
Adjusted R-squared	0.928224	S.D. dependent var		5.981282
S.E. of regression	1.138775	Sum squares resid		143.9457
F-statistic	43.83817	Durbin-Watson stat		1.884185
Prob (F-statistic)	0.000000			

Source: Output EViews 12, 2026

Table 7 presents the outcomes of the panel data regression employing the fixed effect model, incorporating cross-section weighted estimates.

$$FV_{it} = 30.36692 - 1.792042SDI_{it} + 0.256910BOD_{it} + 0.987132BIND_{it} + 0.436309AC_{it} + 0.843419IO_{it} + 0.028485MO_{it} - 2.023353SIZE_{it} + 1.412589ROA_{it} + 0.157110DAR_{it} + \varepsilon_{it}$$

The equation results outlined above can be interpreted in the following manner:

a. Across the full sample, the intercept stands at 30.36692, suggesting that with all independent variables at zero, the dependent variable rises by this amount.
b. The coefficient of Sustainability Disclosure (SDI) is –1.792042, indicating a negative relationship. This means that each one-unit rise in SDI lowers the dependent variable by 1.792042 units.

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c. The coefficient of Board of Directors Size (BOD) is 0.256910, this variable shows a favorable link, where a one-unit increment in BOD boosts the dependent variable by 0.256910..
d. The coefficient of the Independent Board of Commissioners (BIND) is 0.987132, the 0.987132 coefficient signals a positive tie, so a one-unit increase in BIND elevates the dependent variable by 0.987132.
e. The coefficient of Audit Committee (AC) is 0.436309, a coefficient of 0.436309 points to a constructive relationship, meaning each additional unit in AC raises the dependent variable by 0.436309.
f. The coefficient of Institutional Ownership (INST) is 0.843419, the coefficient indicates a beneficial effect, with a one-unit gain in INST increasing the dependent variable by 0.843419.
g. The coefficient of Managerial Ownership (MO) is 0.028485, the coefficient denotes a positive connection, whereby a one-unit uptick in MO lifts the dependent variable by 0.028485.
h. The coefficient of the control variable Firm Size (SIZE) is –2.023353, reveals a negative correlation. Hence, a one-unit expansion in SIZE reduces the dependent variable by 2.023353.
i. The coefficient of the control variable Return on Assets (ROA) is 1.422589, it exhibits a positive influence, as a one-unit improvement in ROA augments the dependent variable by 1.422589.
j. The coefficient of the control variable Debt to Assets Ratio (DAR) is 0.157110, the coefficient suggests a positive relationship, so each one-unit rise in DAR increases the dependent variable by 0.157110.

Hypothesis Testing

Regression Model Feasibility Test (F-Test)

Table 7 reveals a Prob (F-statistic) of 0.0000, well below the 0.05 threshold, alongside an F-statistic of 43.83817 exceeding 4. These figures confirm the regression model's validity and its strong statistical power in capturing how sustainability disclosure and corporate governance influence firm value. Additionally, the t-test results point to at least one or potentially all independent variables exerting a meaningful partial impact.

Coefficient of Determination Test (Adjusted R^2)

From Table 7, the adjusted R-squared stands at 0.928224, meaning that 92.8% of the changes in firm value can be accounted for by sustainability disclosure, board of directors, independent board of commissioners, audit

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committee, institutional ownership, managerial ownership, firm size, ROA, and DAR. The other 7.2% stems from factors not included in this model.

Partial Test (t-test)

Table 7 highlights that certain variables exert a significant influence on firm value, significant at the 5% level. Sustainability disclosure (p = 0.0000) and firm size (p = 0.0000) show negative effects, suggesting that higher levels of these factors are linked to lower firm value when other factors are constant. On the other hand, the board of directors (p = 0.0006), independent board of commissioners (p = 0.0255), audit committee (p = 0.0000), and return on assets (ROA) (p = 0.0000) positively influence firm value, indicating that effective governance and stronger profitability enhance market valuation. Meanwhile, institutional ownership (p = 0.0913), managerial ownership (p = 0.9726), and the debt to asset ratio (DAR) (p = 0.7904) lack statistical significance, suggesting that ownership structure and debt levels by themselves exert minimal influence on firm value.

The Effect of Sustainability Disclosure on Firm Value

The findings indicate that sustainability reporting adversely affects firm value, leading to the acceptance of the first hypothesis. Increased sustainability disclosure tends to receive a negative response from the market because it is perceived as increasing implementation and operational costs related to sustainability activities. As a result, investors may view sustainability disclosure as reducing company efficiency and profitability, and therefore consider it more as a cost burden rather than a strategic investment. Based on agency theory, sustainability activities can increase agency costs because management uses company resources for activities whose economic benefits are not immediately realized by shareholders. Signaling theory posits that sustainability disclosure ought to act as a favorable indicator of a firm's future viability. Yet, markets often view it differently in reality, associating it with elevated regulatory expenses and extended investments that erode short-term profits and cash flows. These results align with Ahadiat et al. (2024) and D. T. T. Nguyen (2020), who state that sustainability disclosure can increase corporate costs and potentially reduce profits, which may lead to negative investor perceptions and ultimately decrease firm value.

The Effect of the Board of Directors on Firm Value

Findings reveal that a larger board size positively and significantly influences firm value, confirming the hypothesis. Expanding the board enhances strategic choices and bolsters monitoring of management, which in turn promotes

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greater transparency and responsibility. According to agency theory, a larger board helps reduce conflicts between managers and shareholders by enhancing monitoring and lowering agency costs. From a signaling perspective, an effective board structure signals strong corporate governance and managerial quality to investors. This signal increases investor confidence and supports higher market valuation. These findings are consistent with Darmawan & Umaimah (2025) and Laiya et al. (2023), who show that board size can enhance oversight effectiveness and firm value.

The Effect of the Independent Board of Commissioners on Firm Value

Results demonstrate a positive and statistically significant impact of the independent board of commissioners on firm value, upholding the hypothesis. By bolstering managerial oversight, elevating the quality of financial disclosures, and curbing self-serving actions by executives, they play a key role. Agency theory underscores how these independent figures mitigate shareholder-manager disputes through impartial and expert monitoring. From a signaling perspective, an independent board structure signals strong corporate governance and commitment to transparency, thereby increasing investor confidence. Improved monitoring and governance practices ultimately contribute to higher firm value. These findings are consistent with Muslih & Nurlina (2024) who show that independent commissioners enhance oversight and accountability in corporate governance.

The Effect of Audit Committee on Firm Value

Analysis confirms that the audit committee exerts a positive and significant influence on firm value, validating the hypothesis. A robust and properly formed committee bolsters supervision of financial statements and executive actions, fostering greater openness and responsibility. Through the lens of agency theory, it alleviates tensions between executives and owners by curbing self-interested behavior and bolstering the credibility of financial disclosures. According to signaling theory, a strong and independent audit committee signals transparency and good governance to investors, increasing market confidence. As a result, stronger monitoring mechanisms can enhance firm value. These findings are consistent with Wahyuningtiasari & Sulastiningsih (2024), who show that an effective audit committee improves firm value through reliable financial reporting and stronger internal controls.

The Effect of Institutional Ownership on Firm Value

The findings reveal no significant influence of institutional ownership on firm value, rejecting the hypothesis. Evidently, greater stakes by institutional investors do not reliably elevate a company's market value. While agency theory

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posits that such investors curb agency issues via active oversight, many opt for passive approaches, curbing their sway over executive choices. Signaling theory suggests institutional holdings signal firm strength, yet if monitoring appears lax or focus skews short-term, markets discount this cue. As a result, shifts in institutional ownership rarely provoke strong reactions or affect valuation much. This aligns with Hapsari et al. (2025), who found institutional ownership fails to consistently enhance performance or value.

The Effect of Managerial Ownership on Firm Value

Research results show no meaningful link between managerial ownership and firm value, implying that managers' shareholdings do not reliably shape market assessments. Agency theory holds that such ownership bridges the gap between executives and owners, but real-world outcomes often fail to boost performance or reassure investors. This may occur because managerial ownership is often too small to provide meaningful influence in strategic decision-making. In capital-intensive industries, industry characteristics and regulatory factors may also limit its effectiveness. From a signaling perspective, managerial shareholding may indicate confidence in the firm, but when it does not lead to better performance, its impact on market perception becomes limited. These findings support Ubuddiyah & Ardillah (2023) who found that managerial ownership does not necessarily enhance firm value.

CONCLUSION

The findings indicate that, between 2021-2024, sustainability disclosure and corporate governance have distinct impacts on the value of infrastructure companies in Indonesia. In the short term, sustainability disclosure can diminish firm value due to associated costs, whereas robust governance, via the board of directors, independent board of commissioners, and audit committee, tends to elevate it. Such outcomes emphasize how vital solid oversight mechanisms are for building investor trust and improving market worth. On the other hand, neither institutional nor managerial ownership shows notable standalone impacts, suggesting that mere ownership stakes fail to enhance perceptions unless paired with sound governance. Collectively, the model's variables account for a large share of the variation in firm value, demonstrating strong explanatory power in the context of the infrastructure sector. This confirms that the proposed empirical framework is robust in capturing key determinants of market valuation in capital-intensive industries.

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From a theoretical perspective, the results reinforce the relevance of agency theory and signaling theory in explaining firm value dynamics. Effective governance mechanisms mitigate agency conflicts and enhance monitoring quality, thereby reducing information asymmetry and strengthening positive market signals. Conversely, sustainability disclosure appears not to be fully internalized by investors as a credible indicator of improved financial prospects, particularly when its economic returns are not immediately observable. Despite its findings, the study faces several limitations. The analysis is confined to a specific sector and a relatively short observation period, and it does not explicitly incorporate industry-specific characteristics such as long-term project risk, regulatory certainty, or macroeconomic volatility. Future studies should include more sectors, longer time periods, and additional factors to better capture what drives firm value in infrastructure and related industries. Managers should strengthen governance systems to enhance market trust, while policymakers should standardize sustainability reporting to improve investor confidence.

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