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The Influence of Intellectual Capital and Sustainability Report Disclosure on Firm Value of Companies Listed in The Sri-Kehati Index 2020-2024 with Investment Opportunity Set as a Moderating Variable

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ABSTRACT

Companies are now required to enhance long-term value through the management of knowledge-based resources and transparency regarding sustainability practices. Intellectual capital is viewed as a means to create a competitive advantage, while sustainability reporting plays a role in building stakeholder trust. This study aims to analyze the influence of intellectual capital and sustainability reporting on firm value, with investment opportunity set as a moderating variable, in companies listed on the SRI-KEHATI Index for the 2020–2024 period. This research employs a quantitative approach, involving 9 companies consistently listed in the SRI-KEHATI Index over five consecutive years from 2020 to 2024. The results indicate that intellectual capital and sustainability report disclosure do not influence firm value, and the investment opportunity set does not moderate this relationship. However, the investment opportunity set has a direct effect on firm value. The study's findings are expected to provide an understanding of the conditions under which intellectual capital and sustainability disclosure can be genuinely recognized and valued by the market.

1. INTRODUCTION

Companies today can no longer rely solely on physical assets as determinants of advantage and value. Evolving competition demands that companies manage knowledge, experience, and internal capabilities more strategically. Intellectual capital has become a crucial resource that supports innovation and efficiency, serving as a differentiator that is difficult for competitors to imitate. This aligns with research findings indicating that intellectual capital plays a role in shaping firm value through enhanced organizational capabilities and productivity (Yudha et al., 2024). This ability affects not only internal operations but also the market's perception of the company's growth prospects.

Simultaneously, companies are also facing increasing demands for socially and environmentally responsible business practices (Abdi et al., 2022; Setiawan & Veny, 2023). The public is becoming more critical of the impact of corporate activities, while stakeholders view sustainability transparency as a measure of a company's commitment to long-term value. Disclosure through sustainability reports serves as a means for companies to communicate this responsibility. Research by Rahma and Maryanti (2024) shows that sustainability disclosure can strengthen stakeholder image and trust, thereby impacting the perception of firm value. Evolving regulations and reporting frameworks are further encouraging companies to treat sustainability reporting not merely as a compliance exercise, but as part of a strategy to communicate corporate legitimacy to the public.

This context is particularly important for companies listed in the SRI-KEHATI Index, a group of companies assessed as having a higher commitment to sustainability issues. Companies in this index are under greater public scrutiny, as they are perceived to represent business practices focused not only on profit but also on social and environmental responsibility. However, a study by

Hartawan et al. (2023) shows that sustainability commitments and intellectual capital management do not always automatically translate into increased firm value if they are not accompanied by clear market perception and growth opportunities. This indicates that companies need to ensure that the management of intellectual capital and sustainability disclosure is carried out strategically, consistently, and is able to send strong signals to investors.

To comprehensively examine the relationship between intellectual capital, sustainability reporting, and firm value, companies with complete disclosure of information through both annual reports and sustainability reports over a consistent period are required. Therefore, the companies studied must have complete reporting for at least five consecutive years, so that changes or trends can be observed clearly and are not incidental. In this context, sustainability disclosure referring to the Global Reporting Initiative (GRI) is important because this standard unifies information related to a company's economic performance, social responsibility, and environmental impact in a structured and comparable manner across periods (Sahetapy, 2023). Through sustainability reports, companies not only communicate what has been achieved but also demonstrate their direction and commitment to future sustainability (Rahma & Maryanti, 2024; Jawas & Sulfitri, 2022; Sahetapy, 2023).

On the other hand, intellectual capital is a knowledge-based resource that supports innovation, efficiency, and added value in company operations, thus potentially contributing to increased firm value if managed well (Yudha et al., 2024; Tangisalu, 2021). Similarly, consistently prepared sustainability reports can strengthen stakeholder trust, build a positive image, and signal that the company has a long-term orientation and is responsible. However, the influence of these two factors on firm value does not stand alone. The market also considers the extent to which a company has future growth opportunities, reflected in its Investment Opportunity Set (IOS). When the IOS is high, investors tend to view that the company's intellectual capital and sustainability commitments can yield greater future returns, thus strengthening their relationship with firm value. Conversely, if the IOS is low, the signals from the company's strategy and sustainability commitments may not be sufficient to drive an increase in market value (Hartawan et al., 2022; Wahasusmiah & Arshinta, 2023).

The objective of this research is to determine the influence of intellectual capital and sustainability report disclosure on the firm value of companies listed on the SRI-KEHATI Index for the 2020–2024 period, and to analyze the role of the investment opportunity set as a variable moderating the relationship between intellectual capital and sustainability reporting on firm value within this group of companies.

This research has dual benefits. Academically, it enriches references in the fields of financial accounting and management by providing empirical evidence on the influence of sustainability aspects and intellectual capital on firm value. For stakeholders, on the other hand, this research serves as a guide for identifying the determinants of firm value. This insight is highly valuable given that investment has now become one of the key instruments for achieving profits in an increasingly volatile and unpredictable business environment.

2. LITERATURE REVIEW

2.1 Stakeholder Theory

Stakeholder theory explains that a company has a broader responsibility than just fulfilling the interests of its shareholders (Saputra et al., 2023). The company must also consider the interests of all parties who can affect or are affected by its activities, such as employees, customers, suppliers, the community, regulators, and investors. This theory is rooted in the thinking of Freeman (1984), who asserted that a company's long-term sustainability is determined by its ability to manage relationships with its stakeholders. According to this theory, firm value is not only measured by financial performance but also by the level of trust and satisfaction of stakeholders with the behavior and policies of management.

In the context of sustainability disclosure, stakeholder theory provides the foundation that companies issue sustainability reports as a form of accountability and transparency to stakeholders (Selly et al., 2022). The report serves as a communication tool to show that the company is not only profit-oriented but also pays attention to the social and environmental impacts of its operational activities. As found in one of the journals you sent, companies that actively communicate through sustainability reports are considered more capable of maintaining stakeholder support and gaining market trust. This aligns with Freeman's view, which emphasizes the importance of stakeholder engagement in shaping firm value through mutually beneficial relationships between the company and its environment.

Furthermore, stakeholder theory also explains the role of Intellectual Capital (IC) in creating value for stakeholders. IC, which encompasses the knowledge, skills, and innovation of human resources and organizational systems, is a crucial asset that forms the basis for long-term value creation. Several studies in the journals you provided indicate that IC disclosure can strengthen relationships with stakeholders by providing information about the company's growth potential and innovative capabilities. Thus, the higher the company's transparency regarding its intangible assets, the greater the opportunity to gain support and trust from stakeholders, which ultimately affects the increase in firm value.

2.2 Firm Value

Firm value essentially reflects the market's perception of a company's performance and prospects, which is typically reflected in its stock price in the capital market (Wibawa & Khomsiyah, 2022). The better the company's ability to create shareholder wealth, the higher its firm value (Kammagi & Veny, 2023). Furthermore, firm value can also be understood as an indicator of how management manages assets and liabilities to generate trust from investors and creditors. One of the most widely used measures is Tobin's Q, as this ratio illustrates the comparison between the market value of the company's assets (calculated from market capitalization plus the book value of liabilities) and the total book value of assets (Ermanda & Puspa, 2022; Gantino et al., 2023). This ratio is considered more informative because it includes all elements of capital and debt, thus reflecting the company's ability to create value comprehensively.

2.3 Intellectual Capital

Intellectual capital is an intangible asset of a company that has the potential to be a source of competitive advantage. According to PSAK 19 (revised 2015), intangible assets are identifiable non-monetary assets without physical substance. Intellectual capital falls into this category as it includes elements such as knowledge, creativity, and innovation that can strengthen a company's competitiveness. IOS plays an important role as a moderating variable in the relationship between internal company factors such as Sustainability Report and Intellectual Capital on firm value. Companies with a high level of IOS generally have better growth prospects because the market perceives that these companies have promising investment opportunities. This is reflected in the high market value of the company's shares, which illustrates investor optimism about potential future profits.

2.4 Sustainabiility Report

According to Elkington (1997), a sustainability report is a document containing both financial and non-financial information. The non-financial section displays various social and environmental activities that reflect the company's commitment to long-term sustainability and serves as a basis for formulating goals, developing strategies, and assessing performance. This report functions as a form of transparency and corporate accountability for its operational impacts. The obligation for its implementation is also supported by national regulations, such as Article 74, paragraph 1 of Law No. 40 of 2007, which requires natural resource-based companies to carry out social and environmental responsibilities, and POJK No. 51/POJK.03/2017, which regulates the implementation of sustainable finance for financial service institutions, issuers, and public companies.

2.5 Investment Opportunity Set

The investment opportunity set describes the collection of investment opportunities that a company can utilize in the future to achieve the best possible rate of return. Investment decisions play a crucial role, not only in supporting short-term targets such as profit increase but also in ensuring the achievement of the company's long-term goals and increasing value for shareholders (Wahasusmiah & Arshinta, 2022).

2.6 The Influence of Intellectual Capital on Firm Value

Intellectual capital is viewed as a strategic asset that helps companies create added value through knowledge, competencies, innovation, and the quality of relationships with stakeholders. When intellectual capital is managed effectively, companies are better able to enhance efficiency, respond to market changes, and maintain a competitive advantage, thereby fostering investor confidence in their long-term prospects. Previous research findings also indicate that companies with high levels of intellectual capital tend to be perceived as more stable and possess stronger growth capacity (Pamungkas & Meini, 2023).

H1: Intellectual capital has a positive effect on Firm Value.

2.7 The Influence of Sustainability Report Disclosure on Firm Value

Companies that regularly disclose sustainability reports are considered more responsible as they provide a comprehensive overview of their economic, social, and environmental performance (Puspita & Jasman, 2022). This information helps reduce the information gap between the company and its stakeholders, leading investors to view the company as more transparent and possessing a clear sustainability strategy (Widyadi & Widiatmoko, 2023). Previous research findings show that sustainability reports send positive signals to the market because they are perceived as a form of long-term commitment and better risk management, thereby enhancing firm value (Siregar & Safitri; Wardoyo et al., 2022). Thus, the more comprehensive the sustainability disclosure, the higher the potential for increasing firm value.

H2: Sustainability Report Disclosure has a positive effect on Firm Value.

2.8 Investment Opportunity Set Moderates the Influence of Intellectual Capital on Firm Value

Intellectual capital is an intangible asset that plays a crucial role in creating value by supporting innovation, efficiency, and competitiveness. However, its benefits become more pronounced in companies with significant investment opportunities. When the investment opportunity set is at a high level, the market views the company's ability to manage its intellectual capital as an indicator of a promising future, thereby strengthening the link between intellectual capital and firm value. Several studies indicate that IOS can strengthen this relationship because companies with high growth prospects are better able to leverage knowledge and innovation to enhance market value (Yudha et al., 2024).

H3: Investment Opportunity Set strengthens the influence of Intellectual Capital on Firm Value.

2.9 Investment Opportunity Set Moderates the Influence of Sustainability Report Disclosure on Firm Value

Sustainability report disclosure signals a company's commitment to sustainable practices, but its impact on firm value is more pronounced when the company has broad investment opportunities. A high investment opportunity set indicates that the market sees significant growth potential, so positive sustainability information further strengthens investor confidence. Previous research shows that IOS can moderate this relationship because the combination of favorable investment prospects and sustainability transparency creates an image that the company is capable of growing while being responsible towards the environment and society, ultimately increasing firm value (Habibi & Andraeny, 2018; Fitriyah & Asyik, 2019).

H4: Investment Opportunity Set strengthens the influence of Sustainability Report Disclosure on Firm Value.

3. RESEARCH METHODOLOGY

This study is a descriptive quantitative research focusing on companies listed in the SRI KEHATI index. This index is known as a group of stocks with high attention to environmental, social, and sustainable governance aspects. From all companies in the index, 9 companies were selected using the purposive sampling method. These nine companies were chosen because they were consistently listed in SRI KEHATI during the 2020-2024 period and provided complete annual reports and sustainability reports.

Research data was obtained through observation of the annual reports and sustainability reports published by each company. All financial information, sustainability indicators, and stock market data were collected from publicly accessible official documents. Variable measurement was conducted using several approaches commonly used in previous studies: Intellectual Capital was calculated using the Pulic method, Sustainability Report disclosure was measured based on GRI guidelines (Setiawan et al., 2021), firm value was calculated using the Tobin's Q approach, and Investment Opportunity Set (IOS) was determined based on the comparison of market value and book value of equity. Firm Size, Dividend Policy, and Return on Equity also served as control variables in this study.

After all data was collected, the next stage involved tabulation and data processing for each company and observation year using the SmartPLS software. The data was then analyzed to examine how Intellectual Capital and Sustainability Report disclosure affect firm value, while also assessing the extent to which IOS plays a role as a variable that strengthens or weakens this relationship. The analysis results are used to provide an overview of the role of intellectual capital and sustainability practices in shaping the value of companies categorized as green stocks such as SRI KEHATI.

Table 3.1 Operational Variable

Variable	Measurement	Scale
Y = Firm Value	Tobin's Q = (Market Value Equity + Total Debt)/Total Asset Ermanda & Puspa, 2022	Ratio
X1 = Intellectual Capital	Value Added Intellectual Coefficient (VAIC) = HCE + SCE + CEE Anggaredho et al., 2024	Ratio
X2 = Sustainability Report	Quantitative Content Analysis 0 = No Information is disclosed in accordance with the indicators 1 = Sentence 2 = Paragraph 3 = 2-3 paragraphs 4 = 4-5 paragraphs 5 = More than 5 paragraphs Setiawan et al., 2021: 46	Rasio
Z = Investment Opportunity Set	IOS= Market Value of Equity/Book Value of Equity Rahma & Maryanti, 2024	Ratio

4. RESULTS AND DISCUSSIONS

4.1 Descriptive Analysis

The descriptive analysis reveals the characteristics of the research data. The variables exhibit wide ranges, as shown by their minimum and maximum values. For example, one variable has an observed minimum of 30,000 and a maximum of 71,400,000, while another ranges from 4,000.00 to 750,000. A third variable shows a spread from 4,550,000 to 60,000,000. The substantial standard deviations, such as 448,262 and 1,293,483, confirm a significant dispersion of data points around their respective mean values across the sample.

4.2 Results of Measurement Model Testing (Inner Model)

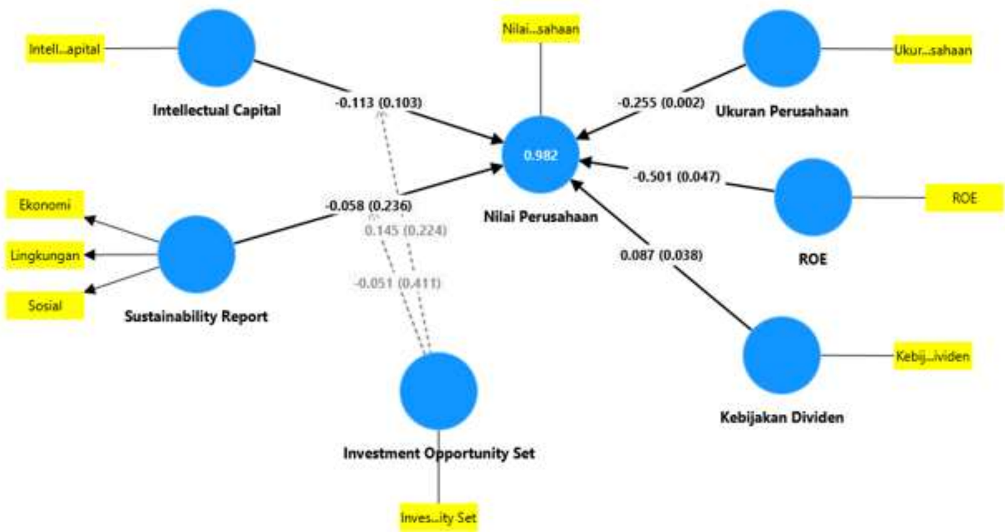

Figure 1:

The analysis results in Figure 1 reveal a coefficient of determination (R-Square) of 0.982. This indicates that 98.2% of the variation in the dependent variable can be explained by the independent variables used in the model. The remaining 1.8% is influenced by other variables not included in this study.

4.3 Hypothesis Testing Results (Path Coefficients)

Table 4.1 Coefficient Value

Variable	Coef	T stat	P values	Result
Intellectual Capital -> Firm Value	-0.113	1.264	0.103	No significant effect
Sustainability Report -> Firm Value	-0.058	0.719	0.236	No significant effect
Investment Opportunity Set -> Firm Value	1.085	4.743	0.000	Positive effect
Investment Opportunity Set x Sustainability Report -> Firm Value	-0.051	0.226	0.411	No significant effect
Investment Opportunity Set x Intellectual Capital -> Firm Value	0.145	0.758	0.224	No significant effect

The results in Table 1 above show that intellectual capital and sustainability report disclosure do not affect firm value in SRI-KEHATI index issuers during the 2020-2024 period. Both variables have significance levels above 0.05, thus proving unable to influence firm value. These findings are consistent with Hartawan et al. (2023) and Tjandra et al. (2023), but differ from Pangestuti et al. (2023) and Jawas & Sulfitri (2022).

On the other hand, investment opportunity set proves to have a positive and significant effect on firm value, indicating that the market responds well to growth prospects. However, investment opportunity set is unable to moderate the relationship between either intellectual capital or sustainability report and firm value, as both interaction terms show significance values that do not meet the criteria. Thus, the moderating role is not proven in this model.

5. CONCLUSION AND RECOMMENDATIONS

Based on the above discussion, it can be concluded that firm value, which should be the main attraction for investors, is not influenced by sustainability report disclosure nor intellectual capital in companies listed in the SRI-KEHATI index. These two variables have not demonstrated direct relevance to market valuation during the research period. Conversely, investment opportunity set has proven to provide a strong positive contribution to firm value, confirming that growth prospects and investment opportunities remain the most closely watched indicators by investors. These findings open opportunities for future research to explore factors beyond sustainability disclosure and intellectual capital, or to consider more comprehensive measurement approaches to capture the dynamics of firm value more accurately.

Based on the research results, companies are advised to maximize growth opportunities and investment strategies, as these aspects have proven to have the greatest influence on firm value. For future research, it is necessary to develop models by incorporating other relevant variables and considering the use of different methods or measurements for sustainability reporting and intellectual capital. More diverse approaches are expected to provide a more comprehensive picture of the factors determining firm value, particularly for issuers with sustainability characteristics such as members of the SRI-KEHATI index.

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