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Original Article

Investigating the Roles of Stakeholders, Disclosure, and Transparency in Financial Performance and Corporate Value: Evidence from Indonesian State-Owned Banks

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Abstract: This study develops a comprehensive framework to examine the interplay between stakeholder roles, disclosure and transparency practices, financial performance, and corporate value in Indonesian state-owned banks. It explores how stakeholder engagement and transparency practices influence financial outcomes, and how these factors contribute to shaping corporate value. Financial performance is treated as a key intermediary through which the effects of internal governance practices are realized, while corporate value is conceptualized as a multidimensional construct shaped by both financial and non-financial factors. Stakeholder roles and disclosure practices are measured using formulas adapted from the ASEAN Corporate Governance Scorecard (ACGS) guidelines. Financial performance is assessed through Return on Assets (ROA), Return on Equity (ROE), and Earnings Per Share (EPS), while corporate value is evaluated using Price-to-Book Value and Price-to-Earnings ratios. A purposive sampling approach was used to select state-owned banks (BUMN) listed in the ACGS index. Data from 2013 to 2022 were sourced from official bank reports, sustainability disclosures, and publications from the Indonesian Financial Services Authority (OJK). Analysis was conducted using SEM Partial Least Squares (SEM-PLS) to accommodate multicollinearity and complex variable relationships. The findings reveal that while stakeholder roles and disclosure practices may not directly improve short-term financial performance, transparency significantly enhances company value. Financial performance remains a key driver of market valuation. Policymakers and bank management should emphasize long-term stakeholder engagement strategies and strengthen disclosure practices to improve market trust and institutional value, aligning governance reforms with both economic and social objectives.

Keywords: Corporate Governance; Stakeholder Engagement; Disclosure and Transparency; Financial Performance; State-Owned Banks.

1. Introduction

The success of a company depends not only on its business strategies and financial performance, but also on the relationships it builds with its stakeholders. Stakeholders are not passive outsiders; they are active participants who form a complex network of interests and influences. They include shareholders, consumers, employees, business partners, government entities, media, the local community, and even the natural environment. Each stakeholder contributes to the company in different ways, not only through financial transactions but also through shaping expectations, experiencing impacts, evaluating outcomes, and taking actions based on those evaluations. In this ecosystem, the company is the focal point, where various expectations, impacts, outcomes, and actions converge and interact (Liu & Yin, 2020). This is where the essence of corporate success lies. At the same time, the traditional notions of disclosure and transparency have changed significantly. Transparency practices are no longer just a matter of complying with regulations, but also a strategic tool for enhancing organizational performance (Faisal & Astuti, 2022).

Transparency, which used to be confined to financial reporting, now covers the whole decision-making process, governance structure, and communication strategies of the company (Agustina & Suryandari, 2017). In an era of increased scrutiny, understanding the complex dynamics of disclosure and transparency is essential for managing their profound impact on stakeholder relationships and organizational performance. At the heart of organizational dynamics lies the concrete metric of financial performance. It reflects the effectiveness of stakeholder engagement strategies and the impact of disclosure and transparency practices (Ridwan & Sandi, 2019). Beyond mere financial metrics, corporate value encompasses intangible assets such as brand reputation, stakeholder trust, and organizational resilience. To understand corporate value, we need to examine how stakeholder relationships, disclosure practices, and financial performance interact and contribute to the overall value of an organization. This complex interaction shapes the organizational landscape, influences market perceptions, impacts investor decisions, and determines organizational resilience in the face of market challenges.

We focus on state-owned banks (BUMN) in Indonesia, a unique context that offers a macro and micro perspective for analyzing a multitude of complex variables. Firstly, as economic entities, BUMN has a special connection with the government and society, which may affect the dynamics of relationships with stakeholders. Government involvement in ownership and oversight of BUMN can influence disclosure and transparency strategies differently from the private sector. Similarly, the role of BUMN in supporting government initiatives related to development policies and societal welfare adds complexity to these dynamics. This study can enrich the understanding of corporate governance, especially in the context of state-owned banks in Indonesia. It can reveal new findings and interconnections that can enhance theories related to corporate governance, deepen the understanding of organizational dynamics, and provide additional insights into existing theories. These findings can also serve as a basis for the government and regulators in designing more effective policies to support the growth and sustainability of the banking sector, particularly in the context of state-owned banks in Indonesia.

2. Literature Review

2.1. Stakeholder Roles

Various theories offer insights into how stakeholder roles affect financial performance and corporate value. According to Agency Theory, stakeholders, including shareholders, have a significant influence on management behavior and company performance (Jensen & Meckling, 1976). Positive relationships with stakeholders can foster trust and long-term commitment, which can improve financial performance and corporate value. Sustainability Theory adds another dimension by stressing that stakeholders should also consider the long-term impact of company policies and practices on society and the environment (Kantabutra & Ketprapakorn, 2020; Schaltegger et al., 2019). Banks that understand and respond to the sustainability-related needs and expectations of stakeholders can boost their reputation, lower operational risks, and ultimately affect financial performance and corporate value. From the Social Exchange Theory perspective, the positive and mutually beneficial relationship between banks and stakeholders is a key factor in achieving common goals (Yoganathan et al., 2015). Banks that take stakeholders' interests into account in decision-making and communicate effectively with them can create an environment that supports stable financial performance and enhances corporate value.

Corporate Social Responsibility (CSR) theory provides a framework that encompasses concern for society, the environment, and sustainability, and directly influences stakeholders' perceptions and support (Platonova et al., 2018). Banks that implement CSR practices effectively can build a positive image and enhance trust, which can lead to strong financial performance and increased corporate value. According to these theories, the role of stakeholders in the banking sector is a critical factor that affects financial performance and corporate value. Healthy and mutually beneficial relationships with stakeholders, along with awareness of social responsibility and sustainability, form a solid foundation for achieving long-term

goals in the face of the complex dynamics of the banking sector. In this context, we formulate the following hypotheses:
H1: Stakeholder Role has a significant positive effect on Financial Performance.
H3: Stakeholder Role has a significant positive effect on Corporate Value.

2.2. Disclosure Practices and Transparency

Disclosure practices and transparency in the banking sector have implications for financial performance and corporate value, as various theories explain. According to Agency Theory, one of the main frameworks, disclosure practices can reduce the information gap between management and shareholders, thus reducing agency conflicts (Jensen & Meckling, 1976). By providing more transparent information, management can improve shareholders' understanding of financial performance, which can increase corporate value. Agency Theory also emphasizes the importance of disclosure in managing relationships with other stakeholders, such as regulators and customers. Effective disclosure practices can lower uncertainty and create a more stable environment, leading to positive external evaluations of financial performance and corporate value (López-Arceiz et al., 2018; Xie et al., 2018). Signaling Theory adds another perspective by stressing that disclosure practices can serve as signals to external stakeholders about the quality and performance of the company (López-Santamaría et al., 2021). In the banking context, comprehensive and transparent information disclosure can signal that the bank understands the risks and opportunities in the market, enhancing confidence among shareholders, customers, and regulators, and ultimately supporting positive assessments of financial performance and corporate value (Bae et al., 2018).

Corporate Social Responsibility (CSR) theory provides a basis for disclosure practices that focus on sustainability aspects and the social impact of the company. Effective CSR disclosure practices can improve the company's image and increase stakeholder trust, which can positively affect financial performance and corporate value (Ali & Bouri, 2018). On the basis of the theories, disclosure practices and transparency in the banking sector are not only regulatory obligations but also vital strategies to reduce agency conflicts, improve stakeholder perceptions, and send positive signals about the quality and social responsibility of the company. By understanding the implications of these theories holistically, well-applied disclosure practices can form a strong foundation for sustainable financial performance and increased corporate value in the banking sector. In this context, we formulate the following hypotheses:
H2: Disclosure Practices and Transparency have a significant positive effect on Financial Performance.
H4: Disclosure Practices and Transparency have a significant positive effect on Corporate Value.

2.3. Financial Performance

The relationships among stakeholder roles, disclosure practices, transparency, and corporate value are complex and provide an opportunity to understand how financial performance can mediate this interaction. According to Stakeholder Theory, positive relationships with stakeholders can create a positive corporate image. Disclosure practices and transparency are ways to build trust, which can affect corporate value (Li et al., 2018; Truong et al., 2022). In this context, financial performance mediates the extent to which positive interactions with stakeholders and the effectiveness of these practices influence corporate value. High profitability, stable revenue growth, and effective risk management form a strong foundation for corporate value. Strong financial performance can also show the effectiveness of disclosure and transparency practices, having a positive impact on corporate value in the market. Therefore, through the mediating role of financial performance, the relationships among stakeholders, disclosure practices, transparency, and corporate value can be better understood. Strong financial performance not only reflects financial success but also indicates the effectiveness of corporate strategies in responding to stakeholder needs and implementing disclosure and transparency practices that support corporate value (Oncioiu et al., 2020). In this context, we formulate the following hypotheses:
H5: Financial Performance has a significant positive effect on Corporate Value.
H6: Financial Performance mediates the relationship between Stakeholder Roles and Corporate Value.
H7: Financial Performance mediates the relationship between Disclosure Practices and Transparency and Corporate Value.

3. Materials and Methods

This study integrates a comprehensive framework for the complex dynamics of stakeholders, disclosure practices, financial performance, and corporate value. It examines how the evolving roles of stakeholders and the shifting paradigms of disclosure and transparency affect financial performance. It also recognizes financial performance as a terminal point where the impacts of stakeholder relationships and disclosure practices emerge. Finally, it explores how the multidimensional construct of corporate value is influenced by the intricate relationships between stakeholders, disclosure, and financial performance. This study uses the formulas based on the guidelines provided by ACGS (Asian Development Bank, 2014) to calculate the Stakeholder Role ratio and the Disclosure and Transparency Practices. It assesses financial performance using key profitability ratios, such as Return on Assets (ROA), Return on Equity (ROE), and Earnings Per Share (EPS). It measures corporate value, or Market-based Company Performance, using Price-to-Book Value (P/BV) and Price-to-Earnings.

Table 1. Summary of Variable(s), Indicator(s) and Sources

Variable(s)	Indicator(s)	References
Stakeholder Role	Evaluation of Public Limited Companies (PLCs) by ACGS: Stakeholder Rights Assurance Active Cooperation Anti-corruption Programs and Procedures Provision of a Website Creditor Rights Employee Training and Development Programs Score= (Total Score of PLC Items/ Total Questions) × Maximum Attainable Score	Asian Development Bank (2014)
Disclosure and Transparency	Evaluation of Public Limited Companies (PLCs) by ACGS: Ownership of Shares Financial Performance Non-Financial Performance Corporate Management Business Operations Procedures for Reporting Illegal Activities Score= (Total Score of PLC Items/ Total Questions) × Maximum Attainable Score	Asian Development Bank (2014)
Financial Performance	Profitability Ratios: Return on Assets = Net Income Before Tax/ Total Assets Return on Equity = Net Income Before Tax/ Total Equity Earnings Per Share = Net Income/ Number of Outstanding Shares	Hendrawan et al. (2023) Peraturan Otoritas Jasa Keuangan (2018)
Corporate Value	Market Valuation Ratios (Stock): Price-to-Book Value = Stock Price Per Share/ Book Value Per Share Price-to-Earnings = Stock Price Per Share/ Earning Per Share	Sun et al. (2021)

This study used purposive sampling based on pre-defined criteria (Casteel & Bridier, 2021). It focused on state-owned banks (BUMN) in Indonesia that held the ACGS index. The data came from annual reports, sustainability reports, and governance publications issued by the Indonesian Financial Services Authority (OJK) and the official websites of the banks. The observation period was from 2013 to 2022. This study analyzed the data using the Partial Least Squares (PLS) approach. PLS estimates the partial least squares of regression models, also called projections onto latent structures. PLS is useful when there is a high correlation among independent/predictor variables or when the number of predictors is larger than the number of cases. It combines features from Principal Component Analysis and multiple regression.

4. Results and Discussion

Table 2 shows that all indicators have loading factors above 0.70, confirming their validity. Furthermore, the construct reliability criteria demonstrate acceptable reliability. As presented in Table 2, the Average Variance Extracted (AVE) values exceed 0.50, while both Cronbach's alpha and composite reliability values are above 0.70.

Table 2. Result of Construct Reliability and Validity

Variable(s)	Cronbach's Alpha	rho_A	Composite Reliability	Average Variance Extracted (AVE)
Financial Performance	0.857	0.886	0.914	0.781
Corporate Value	0.753	0.826	0.776	0.551
Stakeholder Role	0.951	0.914	0.952	0.773
Disclosure and Transparency	0.854	0.976	0.886	0.575

Table 3. Result of Discriminant Validity using Fornell-Larcker Criterion

Variable(s)	Financial Performance	Corporate Value	Stakeholder Role	Disclosure and Transparency
Financial Performance	0.884			
Corporate Value	0.692	0.742		
Stakeholder Role	0.241	0.183	0.879	
Disclosure and Transparency	0.206	0.271	0.357	0.758

Table 3 shows the result of discriminant validity testing. This study assesses the discriminant validity based on cross-loading with its constructs or by comparing the square root of AVE for each construct with the correlation between constructs with other constructs in the model. As Table 2 shows, the AVE for Financial Performance is 0.781, and the square root of AVE is 0.884. As Table 3 shows, the square root of AVE (0.884, as per Table 3) is significantly higher than the AVE value (0.781) for Financial Performance itself. This higher square root of the AVE value means that the Financial Performance construct has a higher correlation than the other constructs under study. This study applies similar observations to other variables, where all square roots of AVE values according to the Fornell-Larcker Criterion are not only higher than the AVE values of their respective variables but also have lower correlation with other variables.

Table 4. Result of Discriminant Validity using Heterotrait-Monotrait (HTMT)

Variable(s)	Financial Performance	Corporate Value	Stakeholder Role	Disclosure and Transparency
Financial performance	1.000			
Corporate value	0.633	1.000		
Stakeholder role	0.218	0.324	1.000	
Disclosure and Transparency	0.210	0.583	0.228	1.000

Additionally, Table 4 presents the results of the Heterotrait-Monotrait Ratio of Correlations (HTMT), an alternative method for assessing discriminant validity. This method uses a multitrait-multimethod matrix as the basis for measurement. The HTMT values should be below 0.9 to ensure discriminant validity between two reflective constructs (Hair et al., 2023). The results show that all HTMT values are < 0.90, confirming that all constructs are valid. Therefore, this study meets the criteria for discriminant validity, confirming the success in distinguishing between different constructs. This study evaluates the structural model in SEM-PLS using the R-squared of the dependent constructs. The higher the R2 value, the better the predictive ability of the proposed research model.

Table 5. Result of Coefficient Determination (R-square)

Variable(s)	R Square	R Square Adjusted
Financial Performance	0.106	0.057
Corporate Value	0.497	0.456

Table 5 shows that the R2 value for Financial Performance (Y1) is 0.106, meaning that Stakeholder Role (X1) and Disclosure and Transparency Practices (X2) explain 10.6% of its variance, while the rest is explained by other variables outside this research model. The R2 value for Firm Value is 0.497 or 49.7%.

Table 6. Result of Model Fit

Variable(s)	Saturated Model	Estimated Model
SRMR	0.120	0.120
d_ULS	2.186	2.186
d_G	1.130	1.130
Chi-Square	203.634	203.634
NFI	0.683	0.683

This study also evaluates the Goodness of Fit to measure the predictive relevance (Q-square). Using the equation: $Q^2 = 1 - (1 - R^2{}_1)(1 - R^2{}_2)(1 - R^2p)$, the Q-square value for this study is:

$Q^2 = 1 - (1 – 0.106)(1 – 0.497)$
$= 1 - (0.894)(0.503)$
$= 1 - (0.449)$
$= 0.550$

The Q-square value is 55%, which is greater than 0 and indicates good predictive relevance. Table 6 also shows that the NFI (Normed Fit Index) value for the research model is 68.3%, indicating a good fit.

Table 7. Result of Hypothesis Testing

Variable(s)	Original Sample (O)	Standard Deviation (STDEV)	T Statistics (O/STDEV)	P Values
Stakeholder Role → Financial Performance (H1)	0.252	0.255	0.204	0.218
Disclosure and Transparency → Financial Performance (H2)	0.219	0.265	0.259	0.433
Stakeholder Role → Corporate Value (H3)	0.031	0.024	0.045	0.494
Disclosure and Transparency → Corporate Value (H4)	0.137	0.142	0.061	0.026*
Financial Performance → Corporate Value (H5)	0.657	0.666	0.327	0.045*
Stakeholder Role → Financial Performance → Corporate Value (H6)	0.071	0.074	0.074	0.341
Disclosure and Transparency → Financial Performance → Corporate Value (H7)	0.043	0.053	0.069	0.530

Note: * indicates significance at 5%

Table 7 shows that the impact of Stakeholder Role on Financial Performance in state-owned banks, has a probability value of 0.218, which is above the conventional threshold of 0.05. This means that the results are not significant. Several possible reasons for this emerge from these findings. In state-owned banks, the stakeholder role may not have a direct link to financial outcomes. This may be because of the complex nature of stakeholder interactions in the banking sector, where other factors can affect financial performance. These results do not reduce the importance of stakeholder roles. They may suggest that stakeholder influence takes longer to show, affecting the bank's reputation, brand image, or long-term sustainability more than direct financial metrics (Taghian et al., 2015). This is consistent with the stakeholder theory premise, which states that considering various stakeholders helps the organization succeed and sustain (Bridoux & Stoelhorst, 2014). The non-significant results also highlight the need to understand stakeholder dynamics in state-owned banks, which have a broader social mandate and depend on political, social, and economic factors.

Disclosure and Transparency Practices do not significantly affect Financial Performance in state-owned banks, with a probability value of 0.433. This may be because the impact of disclosure and transparency practices on financial performance is long-term or indirect. Stakeholders' trust or the company's reputation may not affect the financial performance figures analyzed (Taghian et al., 2015). Another reason may be that external factors, such as market conditions or economic policies, influence financial performance more than transparency practices. This has practical implications. Based on these results, companies may focus on areas that stakeholders value more, while maintaining transparency levels that meet their expectations. This shows the importance of understanding not only the relationship between transparency practices and financial performance but also external factors that may affect the company's performance.

Stakeholder Role does not significantly affect Company Value in state-owned banks, with a probability value of 0.494. This may be because the impact of stakeholder roles on company value is longer than the observation period of this research. Building a good reputation or increasing trust may not affect company value immediately. Another reason may be that stakeholders in state-owned banks consider external factors or other variables more important in assessing company value. These factors may include market conditions, government policies, or a global business environment. Therefore, the internal aspects related to stakeholder roles may not be as significant as expected. Based on these findings, this study suggests improving internal practices related to stakeholder roles. Ensuring stakeholder rights, active cooperation, and anti-corruption programs may need improvement or change to have a more significant impact on company value. Re-evaluating stakeholder management strategies can be a first step to align the company with market expectations and priorities.

Disclosure and Transparency Practices significantly affect Company Value in state-owned banks. This means that disclosure and transparency practices are important for the market's evaluation of a company's value. The results show that clear and complete information not only builds trust and confidence among stakeholders and investors but also enhances the company's value (Martínez-Ferrero & Frías-Aceituno, 2015; Reverte, 2016). This shows the importance of providing information that is complete, accessible, and understandable for various parties. The results also show that good disclosure and transparency practices affect market perceptions and stakeholder trust, forming a solid foundation for long-term relationships (Truong et al., 2022). However, these results are specific to state-owned banks. Unique factors, such as government regulations and social objectives, make the assessment of disclosure and transparency practices more complex for stakeholders and the market (Camilleri, 2015).

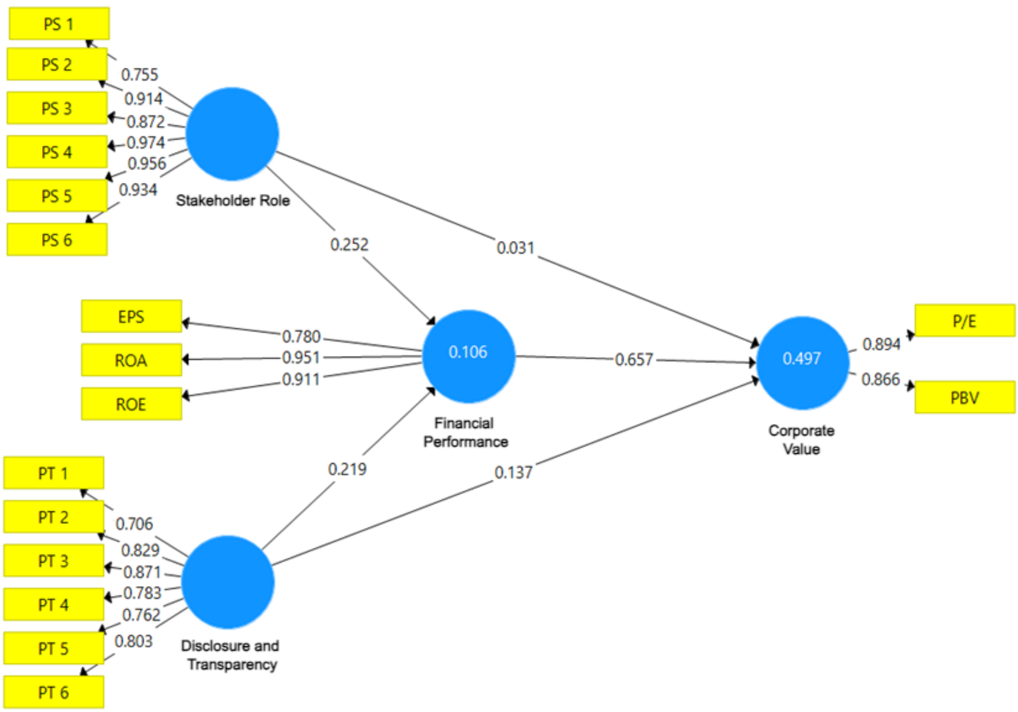

Figure 1. Result of Structural Model using PLS Algorithm

Interesting findings about the influence of Financial Performance on Company Value in state-owned banks in Indonesia. The findings show a significant impact, with a probability value of 0.045, which is below the conventional threshold of 0.05. This suggests that financial performance plays a substantial role in determining the company's value in the market. This positive impact is consistent with the view that investors and stakeholders see financial performance as a reflection of a company's health and growth potential. The literature agrees that strong financial metrics, such as ROA and ROE, create a positive perception among investors (Agustina & Suryandari, 2017; Sucuahi & Cambarihan, 2016; Suhadak et al., 2019). However, these findings highlight the need to balance the interests of strong financial metrics and ethical aspects of financial reporting. While optimizing financial performance, it is crucial to emphasize honest and transparent reporting practices as a fundamental foundation for maintaining the trust of investors and stakeholders (Bridoux & Stoelhorst, 2014). In line with these results, state-owned banks can also see these findings as an encouragement to continuously improve their financial performance. Investing in strategies that improve ROA, ROE, and EPS can be steps to strengthen competitiveness and market position in the dynamic banking industry.

Also, the financial Performance does not significantly mediate the influence of Stakeholder Role on Company Value, with a probability value of 0.341. The non-significant results may reflect the complexity of the internal and external structure of state-owned banks. Factors such as broader social objectives and government policy influence may affect how stakeholder roles interact with financial performance and company value. It is important to remember that state-owned banks often have social responsibilities that go beyond financial gains alone (Chen et al., 2020). Involvement in social goals and government policies can affect the complex relationship between stakeholders, financial performance, and company value. These results emphasize the need to understand the unique context of these banks. External factors such as changes in government policy and industry dynamics can create uncertainty and affect the internal dynamics of the company. Future research may consider additional variables, such as the impact of government policies or the level of the bank's involvement in social initiatives.

Interesting finding about the mediating role of Financial Performance in the influence of Disclosure and Transparency Practices on Company Value. This mediation does not have a significant impact, with a probability value of 0.530. This is noteworthy because it contradicts the positive results in the fifth hypothesis, which shows a direct influence of disclosure and transparency practices on company value. It is important to note that conflicting results between direct and mediating hypotheses are not uncommon in research literature. This may be because of the complex dynamics between the variables and the partial influence of the mediating variable. There may be other factors in this study that affect the relationship between disclosure and transparency practices and company value, which are crucial to consider in interpreting these findings. State-owned banks have a complex landscape, with broader social goals and government influence. These factors, along with industry dynamics and public perceptions, may shape relationships that are hard to explain by financial performance alone. It is also important to note that the relationship between the mediating variable and the dependent variable may vary in different contexts. Therefore, the non-significant findings in the mediating relationship do not mean that the mediation has no impact but may reflect the complex contextual variations.

5. Conclusions

This study shows that the impact of stakeholder roles on financial performance and corporate value is not direct but may be long-term or involve complex contextual factors. The political, social, and economic context of state-owned banks is important to consider. Even though there is no direct impact on financial performance, disclosure and transparency practices have long-term value and an indirect impact on state-owned banks. The non-significant findings suggest that stakeholders assess financial performance based on broader considerations and expect improvement in more significant areas, while keeping a level of transparency that meets their expectations. This involves the complex dynamics between internal and external factors that may affect stakeholders' perceptions and the company's sustainability. Disclosure and transparency practices contribute positively to the corporate value, which provides a solid foundation for state-owned banks to optimize the quality of information disclosure, build trust, and meet stakeholder expectations in a dynamic banking environment.

Financial performance plays a vital role in determining the corporate value in the market, which encourages state-owned banks to improve their financial performance. Investing in strategies that strengthen ROA, ROE, and EPS, while integrating sustainability principles, is a strategic step to improve competitiveness and market image. The results also highlight the need to balance the importance of strong financial metrics and the ethical aspects of financial reporting. The findings from this study show the complexity of internal relationships in state-owned banks, with financial performance not being a fully significant mediator. The unique conditions of state-owned banks, such as social goals and government policies, can affect these dynamics. External factors and social goals are determining factors that need further understanding. This research shows that the interaction between disclosure practices, financial performance, and company value requires a deeper and more contextual understanding.

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