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The Impact of Risk Disclosure Tone and Institutional Ownership on Firm Value

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Abstract

Purpose – This study aims to examine the impact of risk disclosure tone and institutional ownership on firm value in manufacturing companies within the food & beverage and chemical subsectors listed on the Indonesia Stock Exchange for the period 2020-2022.

Design/methodology/approach – This study is a causal research utilizing a quantitative approach. The population for this research includes all manufacturing companies in the food & beverage and chemical subsectors listed on the Indonesia Stock Exchange (IDX) for the period 2020-2022. The sampling method employed is purposive sampling.

Findings – The results of this study find that the tone of risk disclosure and institutional ownership have no effect on firm value.

Originality/value – This study provides a novel contribution to the literature on the tone of risk disclosure and institutional ownership in relation to firm value. First, it enriches the existing literature on the tone of risk disclosure, which remains limited in emerging markets, particularly in Indonesia, by utilizing a measurement approach that differs from similar studies. Second, this research broadens the examination of institutional ownership, which has been widely studied but has produced diverse results.

Research limitations/implications – The results of this study indicate that the tone of risk disclosure and institutional ownership do not affect firm value. The limited generalizability of the sample and research period in this study may provide an opportunity for further research. Future studies could explore a broader range of industries, longer time periods, or different geographic regions to enhance the generalizability of the findings and provide deeper insights into the relationship between these factors and firm value.

Keywords: Risk disclosure tone; institutional ownership; firm value

Article Type: Research Paper

Introduction

In the past decade, the global accounting landscape has undergone significant transformations. These changes have been influenced by multiple factors, such as the expansion of capital markets, the increasing complexity of economic events, and an enhanced understanding of accounting information by its users. The annual report serves as a medium for corporate transparency to stakeholders, reflecting not only past events but also potential future occurrences (Oliveira et al., 2021). While financial information remains a primary focus, accounting now also encompasses non-financial information within its scope (Pouryousof et al., 2023).

Companies are required to provide governance information in their annual reports in accordance with OJK Regulation No. 43/POJK.04/2020. The governance guidelines issued by the Komite Nasional Kebijakan Governance (KNKG) (OJK, 2014) emphasize the importance of risk management implementation, supported by research from Elsayed & Elshandidy (2021) indicating that risk information aids investors in decision-making. Given the importance of this information to investors, many researchers have focused on using a "tone" approach as part of their analysis. This is because risk disclosure not only contains facts and data but also reflects the views and attitudes of the individuals involved in the disclosure process (Oliveira et al., 2021). Research by Elshandidy & Zeng (2022) and Kothari et al. (2009) shows that investors tend to respond more significantly to the tone of risk disclosures compared to risk disclosures as a whole.

The tone of risk disclosure is defined as the tendency in word choice when communicating risks to external parties, where companies may use words with either positive or negative connotations (Bassyouny et al., 2022; Huang et al., 2014; Loughran & Mcdonald, 2011). The tone used can significantly impact how investors assess a company's value (Eugenia et al., 2020; Oliveira et al., 2021; Yulianto et al., 2020). This aligns with signaling theory, which explains that companies can enhance investor evaluations of their firm through the manner in which information is disclosed (Rokhlinasari, 2015).

Another governance aspect that needs to be considered when analyzing a company is its institutional ownership. Although institutional ownership has been extensively studied in previous research, the reality is that it has a significant influence on companies. This can be observed from data in the Indonesian capital market, which shows that while retail investors (individuals) dominate the market, the portfolio size of institutional investors on the Indonesia Stock Exchange (IDX) is four times that of retail investors (kontan.co.id, 2021). The high level of institutional ownership makes it a governance factor that deserves attention when analyzing a company.

Research by Glossner et al. (2020) in the United States and (Kholid & Prayoga (2023) in Indonesia found similar results, indicating that companies with significant levels of institutional ownership tended to experience sharp declines in stock prices during the COVID-19 pandemic. This is due to the fact that institutional investors hold a larger portion of ownership compared to individual investors. Furthermore, institutional shareholders are more capable of influencing corporate policies and decisions effectively compared to individual shareholders (Kholid & Prayoga, 2023). Agency theory highlights the importance of governance mechanisms, including institutional ownership, in resolving conflicts that may arise between management (agents) and shareholders (principals) (Chabachib et al., 2019).

By analyzing annual reports, the tone of risk disclosure and institutional ownership will be linked to company value. A more positive tone in risk disclosure is expected to increase company value, while a negative tone may decrease it. Similarly, significant institutional ownership is anticipated to impact company value. The higher the level of institutional investor ownership, the more effective the control over management performance (Sunarwijaya, 2016).

Bassyouny et al. (2022) conducted a mapping of research related to tone and found that tone has rarely been studied in emerging markets such as Indonesia. Therefore, it is crucial to conduct research on tone in Indonesia, especially with the increasing prominence of non-financial information. Moreover, a study by Oliveira et al. (2021) utilized DICTION software to measure tone, which is limited by the predefined dictionary embedded within the software. Thus, this study employs a different approach, using EVIEWS software and a word list developed by Elshandidy (2011).

Meanwhile, research on institutional ownership has produced inconsistent results. Holly et al. (2023) and Ling et al. (2021) found a positive relationship, whereas Glossner et al. (2020) and Kholid & Prayoga (2023) reported a negative relationship.

This study examines manufacturing companies in the food & beverage and chemical subsectors listed on the IDX during the 2020-2022 period. The manufacturing sector is a key sector in the Indonesian economy. The food & beverage and chemical subsectors were less impacted by the COVID-19 pandemic, thus avoiding a significant gap between the pandemic and recovery periods. The Indonesian Manufacturing Sector Review (2021) shows that only these two subsectors required two quarters to recover. Bilal & Akash (2023) support the notion that companies affected by COVID-19 have higher abnormal tones, so selecting these two subsectors helps avoid abnormal tone bias due to the pandemic.

This study contributes to enriching the accounting literature on risk disclosure tone, institutional ownership, and firm value. First, it fills a gap in the literature by providing empirical evidence on the impact of risk disclosure tone on firm value in emerging markets, particularly in Indonesia. Second, this study enhances the literature on institutional ownership by examining it within different economic conditions and sectors.

Literature Review

Signalling Theory

Spence (1973) introduced signaling theory in his seminal work "Job Market Signalling," which explores how an individual or entity can use certain signals to convey information about qualities or characteristics that are observable but difficult to measure directly to others. The theory also explains that a company, as the signal sender, communicates information reflecting its internal conditions, which is useful to the signal recipient, namely investors.

The information provided by the company is then analyzed by investors to determine whether it conveys a positive or negative signal (Pratama & Marsono, 2021). When the information received indicates a positive signal, investors will view the company favorably. As a result, the company's stock price is likely to increase, thereby enhancing the company's value. Conversely, if investors interpret the received signal as negative, it may lead to a decrease in investor interest and, consequently, a decline in the company's value.

Agency Theory

Agency theory was first introduced in 1976 by Jensen and Meckling. This theory reveals that an agency relationship arises when shareholders (principals) create a contractual arrangement to hire and delegate authority to management (agents) for decision-making within the company. The agency relationship can lead to two main problems: information asymmetry and conflict of interest. These agency problems can be addressed by implementing comprehensive oversight of all management activities. Institutional ownership is considered an effective control mechanism in reducing agency conflicts (Sunarwijaya, 2016).

Risk Disclosure Tone

The tone of risk disclosure refers to the choice of words used by management to communicate the company's risks to investors, allowing them to capture signals from the information, whether positive or negative. In this study, the context of risk disclosure tone does not refer to good news or bad news presented by the company, but rather to whether the company uses more positive or negative language in its disclosures, as not all positive statements reflect good news (Bassyouny et al., 2022).

Assessing the tone of risk disclosure is important because management can opportunistically mislead investors by being overly positive or negative (Huang et al., 2014). This is further supported by

Enslin et al. (2023); Oliveira et al. (2021), who suggest that management may use this tone as a strategy to influence investors, known as impression management.

Institusional Ownership

Institutional ownership refers to the proportion of shares held by institutions out of the total outstanding shares (Sunarwijaya, 2016). Thus, institutional ownership can be understood as the ownership of shares by institutions outside of the company's management, characterized by long-term investment. Institutional ownership plays a crucial role in monitoring management actions and applying pressure on management to be cautious in making opportunistic decisions, thereby protecting shareholders from potential harm. With large institutional investors or ownership exceeding 5%, this monitoring process becomes more effective in overseeing management performance to prevent opportunistic behavior (Yulianto et al., 2020). Institutional investors possess the authority, experience, and responsibility in corporate governance to safeguard the rights and interests of all shareholders.

Firm Value

Nebie & Cheng (2023) define firm value as the market value of a company, interpreted as the level of potential capability of the company to maximize investor wealth. According to Widiastuti & Usmara (2005), stock prices are indicative of a company's value, where there is a direct relationship meaning that higher stock prices correspond to a higher firm valueTherefore, firm value can be understood as the investor's assessment of the company, as reflected in its stock price (Moniaga, 2013).

Based on this, it can be concluded that maximizing firm value is crucial for a company because achieving maximum firm value also signifies achieving the company's primary objective. This aligns with the interests of shareholders or investors as owners, since an increase in firm value also enhances the owners' wealth. Thus, firm value can serve as an indicator for investors to assess the company's prospects and financial performance in the future as part of their evaluation (Sari & Wulandari, 2021).

The Impact of Risk Disclosure Tone on Firm Value

In risk disclosure, companies may use either positive or negative wording, and this choice of wording is referred to as the tone of risk disclosure. The tone of risk disclosure is not related to whether the information is bad news or good news Bassyouny et al. (2022), and positive disclosures do not always imply good news. Thus, a company may choose to use positive disclosures to convey optimism in managing risks, which could enhance investors' perceptions of the company.

This aligns with signaling theory, which suggests that companies can enhance their firm value through the disclosure of information (Bassyouny et al., 2022). To improve investor perceptions, management tends to send positive signals to investors, one of which is through the tone of the company’s disclosures (El-Deeb et al., 2022). According to this theory, investors will perceive a positive signal when a company predominantly uses a positive tone in its disclosures, whereas investors may perceive a negative signal if the company uses a negative tone.

Elshandidy & Zeng (2022) state that investors view risk disclosures as routine and do not react significantly to them. However, the tone of risk disclosures is more significant for investors when making decisions. They emphasize that investors tend to react positively to favorable disclosures, whereas unfavorable disclosures are typically viewed negatively by them. Aly et al. (2018) found that companies that disclose information in a more positive manner benefit from increased firm value. This is because investors believe that the company has performed well in managing its risks. Companies sometimes also choose to disclose in a more pessimistic manner, focusing on negative disclosures (Oliveira et al., 2021). However, investors perceive this as negative, especially during times of crisis when there is high uncertainty, leading to negative evaluations of the company (Elshandidy & Zeng, 2022)

Therefore, the tone used by the company can influence investors' perceptions or views of the company (Tan & Yeo, 2023; Yulianto et al., 2020). In this regard, the choice of wording or tone in risk disclosures used by the company can serve as a benchmark for investors to evaluate the company. Positive disclosures will create a positive impression for investors and they will react positively to the company, ultimately increasing the firm value. Conversely, negative disclosures will decrease the firm value. Based on this, the research hypothesis is formulated as follows:

H1: The tone of risk disclosure has a positive effect on firm value.

The Impact of Institutional Ownership on Firm Value

Institutional ownership refers to the percentage of shares held by institutions out of the total number of outstanding shares. These institutions consist of pension funds, investment companies, government bodies, insurance companies, and other institutional investors. Institutional investors play a crucial role in monitoring management performance, as their presence can drive more effective oversight.

In line with agency theory, institutional ownership serves as a governance mechanism to reduce agency conflicts (Haryono et al., 2017). The presence of institutional investors within a company enhances the oversight of management performance. Management is encouraged to perform well and to be cautious in making decisions that could harm shareholders (principals). The higher the level of institutional ownership, the more effective the oversight provided (Yulianto et al., 2020).

Holly et al. (2023) demonstrate that institutional ownership helps to maintain firm value stability. This is due to the optimal oversight performed by institutional investors on management performance. Effective supervision makes management more careful in decision-making and executing company activities effectively, thus increasing firm value. Institutional investors actively monitoring a company's business can reduce information asymmetry and agency problems, thereby improving company performance (Lin & Fu, 2017). Professional knowledge possessed by institutional investors allows them to oversee managers to enhance company efficiency and make business decisions aimed at increasing overall firm value (Haryono et al., 2017). In this context, institutional ownership within a company is believed to strengthen the quality of the oversight system. As institutional ownership increases, the level of external oversight on management becomes more effective, reducing opportunistic management behavior and ultimately improving company performance and firm value. Based on this, the hypothesis is formulated as follows:

H2: Institutional ownership has a positive impact on firm value.

Method

This study is a causal research using a quantitative approach. The aim of the research is to identify the effects among three variables and to provide an explanation of the relationships and impacts among these variables: risk disclosure tone and institutional ownership as independent variables, while firm value is the dependent variable. This research utilizes a quantitative approach to analyze data, interpreting the collected information to reach conclusions (Cooper & R.Pamela, 2014).

The study's population comprises all manufacturing companies within the food & beverage and chemical subsectors that are listed on the Indonesia Stock Exchange (IDX) for the years 2020 - 2022. The Indonesian Manufacturing Sector Review (2021) shows that only these two subsectors required two quarters to recover. Bilal & Akash (2023) support the notion that companies affected by COVID-19 have higher abnormal tones, so selecting these two subsectors helps avoid abnormal tone bias due to the pandemic. The sampling method used is purposive sampling, where samples are selected based on specific criteria related to the data required. The sample criteria are presented in Table 1 below.

Table 1 Sampling Criteria

No.	Description	Total
1	Manufacturing companies (food & beverage subsector and chemical subsector) listed on the Indonesia Stock Exchange (IDX) from 2020 to 2022	62
2	The company did not publish annual financial reports during the observation period and had incomplete data related to the research variables.	(24)
Jumlah Sample		38
Total Sample (x 3 Period)		**114**

Source: Processed data by the researcher

1. Firm Value

Indicators for measuring company value in this study are Tobin's Q ratio. This ratio involves all elements of assets, liabilities, and equity, providing a comprehensive measure. Tobin's Q has undergone various modifications, but in this study, the Tobin's Q ratio developed by Chung and Pruitt in 1994 (as cited in Devi et al., 2017) is used, as it represents the simplest form and can be applied in various conditions. The formula for Tobin's Q used in this study is as follows:

$$\text{Tobin's Q} = \frac{MVS+D}{TA}$$

Definition of variables:
Tobin's Q = Firm Value
MVS = Market Value Share
D = Debt
TA = Total Assets

2. *Risk Disclosure Tone*

Risk disclosure tone refers to the selection of words used by management to communicate information about the company's risks to investors. Specifically, the risk section is taken from two parts of the annual report: the risk management section on corporate governance and the notes to the financial statements (Oliveira et al., 2021). To measure the tone of risk disclosure, a word list is used to identify positive and negative disclosures. Similar studies have used the word list from the dictionary created by Loughran & Mcdonald (2011); however, this study utilizes the word list developed by Elshandidy & Zeng (2022), originally created by Elshandidy (2011). Elshandidy (2011) selection of positive and negative tone words was based on the development of a word list by collecting 10-K forms from the United States as well as annual reports from the United Kingdom and Germany. In contrast, Loughran & Mcdonald (2011) research only relied on 10-K forms from the United States, leading to notable differences due to the distinct standards applied.

Positive disclosures are identified based on the following word list: Hedge, hedging, chance, chances, diversify, diversifies, diversifying, diversified, diversification, gain, gains, increase, increased, peak, peaked, high, highest, higher than. Negative disclosures are identified using the following words: Against, catastrophe, catastrophi, challenge, challenges, decline, declined, decrease, decreased, fail, failure, less, loss, losses, low, lower, lowers, lowered, lowering, lowest, lowly, lowliness, risk, risks, risky, riskiness, risking, risked, shortage, threat, unable, uncertain, uncertainty, uncertainties, reverse, reversed. The net tone is then calculated using the following formula:

$$NT = \frac{(\text{Positive Tone} - \text{Negative } Tone)}{(\text{Positive Tone} + \text{Negative } Tone)}$$

3. Institutional Ownership

Institutional ownership is determined by the proportion of shares that institutions hold compared to the total number of shares outstanding. A higher level of institutional ownership increases the motivation for institutions to monitor management performance, which in turn encourages management to optimize their performance and prioritize the interests of shareholders. Institutional ownership is determined using the ratio applied by Yulianto et al. (2020). The formula for institutional ownership is as follows:

$$INS = \frac{Institutional\ Ownership}{Outstanding\ Shares} \times 100\%$$

4. Control Variables

Control variables are independent variables that are not included as primary independent variables in the study but are still controlled or kept constant. This approach ensures that the impact of the independent variables on the dependent variable is not affected by external factors that are not part of the study. The control variables in this research follow those used by Aly et al. (2018) and Oliveira et al. (2021) as shown in Table 2 below:

Table 2 Control Variables

Variables	Mesurement	Scale
Return on Asset	Return On Asset = $\frac{\text{Net Income}}{\text{Total Assets}}$	%
Leverage	Leverage = $\frac{\text{Total Liabilities}}{\text{Total Assets}}$	%
Liquidity	Current Ratio = $\frac{\text{Current Assets}}{\text{Current Liabilities}}$	%

Source: Adapted from Aly et al. (2018) and Oliveira et al. (2021)

The panel data regression model used in this study is as follows:

$$TQ_{it} = \alpha + \beta 1NT_{it} + \beta 2NS_{it} + \beta 3ROA_{it} + \beta 4LEV_{it} + \beta 5CR_{it} + \varepsilon$$

Results and Discussion

Overview of Research Objects

This study employed a purposive sampling method with specific criteria. Out of 62 companies, 24 did not meet the criteria, resulting in a final sample of 38 companies. The study covers three periods from 2020 to 2022, yielding a total of 114 data points. However, 6 data points were identified as outliers and had to be removed. Consequently, the final dataset for this study consists of 108 data points.

Descriptive Analysis

Table 3 shows the results of the descriptive statistics. For the dependent variable, Firm Value (TQ), the minimum value is 0.3880, the maximum value is 4.8940, the mean is 1.6242, and the standard deviation is 0.9736. This indicates that the data for the firm value variable has relatively low variability. For the Risk Disclosure Tone (NT) variable, the minimum value is -1.00, the maximum value is -0.5400, the mean is -0.7948, and the standard deviation is 0.1209. This result shows that the data for the risk disclosure tone variable is quite varied. Meanwhile, for the Institutional Ownership (INS) variable, the minimum value is 0.0000, the maximum value is 1.0000, the mean is 0.6796, and the standard deviation is 0.2880. This indicates that the data for the institutional ownership variable is less varied.

Table 3 Descriptive statistics

Deskriptive Statistics						
	N	**Min.**	**Max.**	**Median**	**Mean**	**Std Dev.**
TQ	108	0,3880	4,8940	1,3165	1,6242	0,9736
NT	108	-1,000	-0,5400	-0,7800	-0,7948	0,1209
INS	108	0,0000	1,0000	0,7690	0,6796	0,2880
ROA	108	-0,3730	0,5990	0,0560	0,0688	0,0961
LEV	108	0,0540	2,8301	0,7196	0,8799	0,8512
CR	108	0,1100	22,6200	1,9500	3,2091	3,7609

Source: Processed data by the researcher

In this study, panel data regression uses the Random Effect Model (REM) as the estimation model. The aim is to identify the relationship between independent variables, namely risk disclosure tone and institutional ownership, and the dependent variable, which is firm value. The results of the Random Effect Model (REM) regression are shown in Table 4.

Table 4 Results of Panel Data Regression Model (REM)

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	1.130872	0.905889	1.248356	0.2148
NT	-0.433913	0.954218	-0.454731	0.6503
INS	0.277923	0.458071	0.606725	0.5454
ROA	1.882938	0.689264	2.731809	0.0074
LEV	-0.010454	0.005423	-1.927536	0.0567
CR	-0.047704	0.019366	-2.463268	0.0154

Effects Specification	S.D.	Rho
Cross-section random	0.857412	0.7983
Idiosyncratic random	0.431002	0.2017

Weighted Statistics			
R-squared	0.131757	Mean dependent var	0.452691
Adjusted R-squared	0.089196	S.D. dependent var	0.444478
S.E. of regression	0.424193	Sum squared resid	18.35381
F-statistic	3.095730	Durbin-Watson stat	1.979936
Prob(F-statistic)	0.012120		

Source: Processed data by the researche

Based on Table 4, the results of the panel data regression equation are as follows:

$$\mathbf{TQ_{it} = 1{,}1309_{it} - 0{,}4339NT_{it} + 0{,}2779INS_{it} + 1{,}8829ROA_{it} - 0{,}0104LEV_{it} - 0{,}0477CR_{it} + \varepsilon_{it}}$$

1. The constant term is 1.1309, meaning that if the tone of risk disclosure and institutional ownership remain constant, the company's value will be 1.1309.
2. The coefficient of the risk disclosure tone variable is -0.4339 with a negative direction, indicating that for every one-unit increase in the risk disclosure tone variable, the company's value will decrease by 0.4339.
3. The coefficient of the institutional ownership variable is 0.2779 with a positive direction, indicating that for every one-unit increase in institutional ownership, the company's value will increase by 0.2779.
4. The coefficient of the return on assets control variable is 1.8829 with a positive direction, indicating that for every one-unit increase in return on assets, the company's value will increase by 1.8829.
5. The coefficient of the leverage variable is -0.0104 with a negative direction, indicating that for every one-unit increase in leverage, the company's value will decrease by 0.0104.

6. The coefficient of the liquidity control variable is -0.0477 with a negative direction, indicating that for every one-unit increase in liquidity, the company's value will decrease by 0.0477.

Coefficient of Determination Test

The coefficient of determination test is employed to evaluate how well the research model accounts for the variation in the dependent variable, based on the independent variables included in the analysis. Based on Table 4, the adjusted R-square value is 0.0891. This indicates that the research model is able to explain 8.91% of the variation in the dependent variable, which is firm value, based on the independent variables, namely risk disclosure tone and institutional ownership.

F-Test

The F-test is used to assess whether the overall set of independent variables (risk disclosure tone and institutional ownership) collectively impact the dependent variable (firm value). Based on Table 4, the calculated F value is greater than the table F value (3.0957 > 2.3034) and the probability value is less than the significance level (0.0121 < 0.05). Thus, it can be concluded that the independent variables collectively influence the dependent variable.

Hypothesis Test

The hypothesis testing in this study uses partial tests (t-tests). The t-statistic test is conducted to determine the partial effect of the independent variables, namely risk disclosure tone and institutional ownership, on the dependent variable, which is firm value.

Based on Table 4, it is known that the t-value for the risk disclosure tone variable is less than the table t-value (0.4547 < 1.9821) and the probability value is greater than the significance level (0.6503 > 0.05). Based on these results, it can be concluded that H1 is rejected. Therefore, it can be interpreted that the tone of risk disclosure does not affect firm value.

On the other hand, the institutional ownership variable has a t-value that is smaller than the table t-value (0.6067 < 1.9816) and the probability value is greater than the significance level (0.5454 > 0.05). Based on these results, it can be concluded that H2 is rejected. Therefore, it can be interpreted that institutional ownership does not affect firm value.

Discussion

Effect of Risk Disclosure Tone on Firm Value

Based on the hypothesis test, H1 is rejected because the research data from Indonesia shows that the tone of risk disclosure does not impact firm value. Several factors can explain why this hypothesis is rejected. First, during the three-year study period, it was observed that companies mostly engaged in negative disclosures rather than positive ones. In contrast, Aly et al. (2018) found in Egypt that tone was positively related to firm performance. In Egypt, companies predominantly engaged in positive disclosures. In the Egyptian context, the dominance of positive disclosures helps improve investor perception of the companyHowever, in this study, a decline in the tone of risk disclosure is considered a normal occurrence by investors, as all companies within the same sector faced similar conditions.

The second factor is that companies focus their disclosures on internal management and operational efficiency rather than gaining legitimacy (Oliveira et al., 2021). Companies with this focus tend to disclose risks more pessimistically to show a realistic stance. Here, realism means providing more accurate and direct information about the risks faced, without exaggerating or ignoring existing problems. Thus, the decline in net tone may occur because risk disclosures tend to be more negative. Investors view this as part of a transparent management strategy and do not interpret it as an indication that the company is in poor condition. These findings are consistent with Oliveira et al. (2021), which found that realistic risk disclosure tone is not related to firm value.

The third factor is the limitation in the generalizability of the study. This research only covers two subsectors of manufacturing companies listed on the Indonesia Stock Exchange, with a total sample of 38 companies over three research periods. In comparison, Elshandidy & Zeng (2022) in the UK had a broader scope, covering all non-financial companies on the London Stock Exchange (LSE) over nine years from 2008 to 2013, with a final data set of 1,941 companies. This difference indicates that the generalizability of this study's results may be more limited compared to studies covering a broader population and a longer time frame.

Effect of Institutional Ownership on Firm Value

Based on the hypothesis testing, H2 was rejected as the research data indicated that institutional ownership does not affect firm value. Several factors may explain this rejection. The first factor is the lack of involvement of institutional investors in managerial decision-making (Agustina et al., 2017). Although institutional investors may hold shares in a company, not all of them possess significant or large enough ownership to influence the company's strategic decisions. From the research data, while the average institutional ownership was relatively high, there were still some companies where institutional ownership was not significant. This is consistent with the findings of Lin & Fu (2017), who state that low levels of institutional ownership do not impact firm value. Even when ownership is significant, institutional investors often do not directly participate in managerial decision-making processes. This can reduce their influence in monitoring management performance and ensuring that decisions are aligned with shareholders' interests.

The second factor is the potential existence of alliances between institutional investors and company management, which can reduce the independence of institutional investors (Sari & Wulandari, 2021). When institutional investors have close relationships or alliances with company management, they may become less objective in monitoring management performance. This is because institutional investors may be more inclined to support management decisions. As a result, the monitoring function of institutional investors may not operate as intended, making the impact of institutional ownership on firm value insignificant.

Effect of ROA, Leverage, and Liquidity as Control Variables

The first control variable, ROA, has a positive and significant impact on firm value. This means that as ROA increases, firm value also increases, and as ROA decreases, firm value also declines. The second control variable, leverage, does not affect firm value. This means that changes in leverage do not impact changes in firm value. The third control variable, liquidity, has a negative and significant impact on firm value. This means that as liquidity increases, firm value decreases, and conversely, as liquidity decreases, firm value increases.

Conclusion

This study aims to investigate the impact of risk disclosure tone and institutional ownership on firm value for manufacturing companies in the food & beverage and chemical sectors listed on the Indonesia Stock Exchange during the period of 2020-2022. Based on the findings and analyse presented it is concluded that the tone of risk disclosure does not affect firm value. This may be due to several factors such as the predominance of negative disclosures, companies focusing more on internal management rather than legitimacy, and the limited scope of generalizability of the study. Similar results were also found for institutional ownership, where the presence of institutional investors in a company did not impact firm value. This may be due to the lack of involvement of institutional investors in the company and the potential existence of alliances between institutional investors and management.

There are several limitations to this study as follows:

1. The sample used in this study is limited; this study uses food and beverage companies and chemical companies that experienced the least impact and the quickest recovery during the COVID-19 pandemic, covering the years 2020-2022.

2. The study uses the risk disclosure tone variable, which is still relatively uncommon, particularly concerning firm value. Consequently, there is limited literature and references available to support this research.

Based on the conclusions and limitations of this study, several recommendations for future research are as follow

1. Future research should consider expanding to other disclosures in annual reports. The study of tone is still relatively new in Indonesia, and there are many research areas that could be explored, such as CSR disclosures.
2. Future research should examine risk disclosure tone in the State-Owned Enterprises (SOEs) sector, especially since new regulation number PER-2/MBU/03/2023, effective from 2023, requires SOEs to implement risk management.
3. Future research should expand the population and sample size. Researchers could use a broader population by including companies from other sectors as part of the research population and sample.

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