Governors
Volume: 03 | Number 02 | August 2024 |
E-ISSN: 2962-5505 | DOI: doi.org/10.47709/governors.v3i2.4394

Investor Reaction To The Implementation Of Sustainability Reporting

Riski Hamdani Pulungan[1*], **Khomsiyah**[2]
[1,2] *Universitas Trisakti, Jakarta, Indonesia*
riskihamdanipul@gmail.com

Corresponding Author

ABSTRACT

The purpose of the disclosure of Sustainability Reporting is to solve social and environmental issues and may have an impact on achieving sustainable development in the face of social responsibility issues. In addition, Sustainability Reporting Disclosures can be used to achieve company goals. This study aims to analyze the implementation of Sustainability Reporting and whether it affects investor reactions in considering investment decisions. Sustainability Reporting disclosure in this study was tested as an independent variable with control variables EPS, PBV, and Dividends. An increase or decrease in stock prices indicates that investors react to the information disclosed, in this study, stock prices were tested as the dependent variable. The total research sample is 30 companies listed on the Indonesia Stock Exchange, with the category of companies getting an assessment rating from the National Center for Sustainability Reporting (NCSR). The results of hypothesis testing show that Sustainability Reporting disclosures have a significant effect on stock prices, so it can be concluded that Sustainability Reporting disclosures can provide a reaction to investor decisions. Control variables EPS, PBV, and Dividend Policy significantly affect stock prices.

Keywords: Dividend, EPS, PBV, Stock Price, Sustainability Reporting

INTRODUCTION

The growth of investment in environmental social governance has undergone rapid changes around the world, especially in Indonesia this shows a trend that is moving forward towards Sustainable Goals. In the course of social environmental change is a problem that has not been solved properly in Indonesia and requires a solution so that it does not have the potential to slow down economic growth, this happens because of the wrong perception from companies regarding the importance of environmental social governance.

Sustainability Reporting disclosure is considered one of the important management systems to enable the improvement of the economic, social, and environmental performance of the Company's activities. Environmental social changes have a negative impact not only on the environment but a direct impact on the economy, Sustainability Reporting is a type of environmental accounting that describes efforts to incorporate environmental benefits and costs into economic decision-making.

The main role of Sustainability Reporting Disclosure is to address social environmental issues and may have an impact on the achievement of sustainable development in any Country and influence the behavior of companies in dealing with social responsibility issues. In addition, Sustainability Reporting Disclosure can be used to achieve the company's goals for responsibility to the company's stakeholders.

Indonesia's capital market is the first step to implementing the importance of the Company's attention to the environment, society, and Governance. In December 2020, the Indonesia Stock Exchange launched the Environmental, Social, Governance (IDX ESG) Leader’s Index. This index consists of 30 stocks that are considered to have good Environmental, Social, and Governance (ESG) assessments. This is evidenced by the development of ESG-based mutual funds (environment, social, and good governance) in Indonesia, the total funds under management reached 3 trillion published from the data of the Indonesian stock exchange.

The concept of ESG investment does not pursue profits alone, but also pays attention to the aspect of business benefits for the environment, society, and the government can make the company's value increase significantly in the long term. Environmental damage, social disparities, and corporate crimes regarding the negative impact on the environment, society, and society have not been properly resolved.

The problem with the social environment is that not all companies are willing to spend a certain amount of money on carrying out environmental social responsibility for company activities. Because these costs are considered to reduce the amount of profit obtained it will have an impact on the company's financial performance. Companies in carrying out their business activities need to prioritize sustainability strategies to support overall sustainable development.

Based on the discussion that has been explained earlier, the biggest challenge is the company's willingness to spend several costs allocated for social, environmental, and community benefits. Companies have not been able to assess the importance in today's business world of paying attention to social and environmental aspects in measuring business in the future. Sustainability reports are one of the real steps that are good for the company, especially to obtain more competitive funding alternatives in line with the shift in global investor focus towards sustainability. The purpose of this study is to find empirical evidence of Sustainability Reporting Disclosure that can provide a reaction to investors' decisions to invest by looking at the Company's stock price movements.

The population in this study is companies listed on the Indonesia Stock Exchange from 2016 to 2020, with the criteria for companies to receive an assessment rating from the National Center for Sustainability Reporting (NCSR). The population of criteria that meet the research sample collection is only 30 companies. The research sample with a total of 30 companies received an assessment rating from the National Center for Sustainability Reporting (NCSR) from 2016 to 2020 with the category of companies listed on the Indonesia Stock Exchange.

Some studies note that obligatory sustainability disclosures assist investors by raising corporate value, improving the information environment, increasing stock liquidity, and lowering investment risk (Chen, 2024). Companies are expected to disclose their sustainability efforts. Sustainability disclosure demonstrates the company's commitment to sustainable development. Furthermore, it can assist firms in setting goals, measuring performance, and managing change to reduce the risk of business errors in the long run. It can also assist businesses acquire the trust of the community and stakeholders (Lako, 2018).

LITERATURE STUDY

Triple Bottom Line Theory

John Elkington popularized the concept of the triple bottom line in 1997 through his book "Cannibals with Forks, the Triple Bottom Line of 21st Century Business" in which there are economic, environmental, and social factors that are currently popularized as the 3P (Profit, Planet, People). This new paradigm describes the company's focus in the future the company does not only focus on economic benefits (profit) alone but must pay attention and care to the environment (planet) and society (people) so that the company can continue to operate sustainably.

Triple Bottom Line (TBL), better known as the 3P – profit, planet, and people is an accounting framework to report the influence of company resources which contains three pillars of sustainability. These three pillars of sustainability are used to measure the success value of a company with three criteria: economic, environmental, and social. This approach has been widely used since the beginning of 2007 along with the development of the full cost accounting approach which is widely used by public sector companies.

The Triple Bottom Line concept implies that the company must prioritize the interests of stakeholders, namely all parties involved and affected by the company's activities rather than the interests of shareholders or shareholders. A major factor that is undeniable is that companies will not be able to be sustainable and successful in the long run if they neglect the key interests of stakeholders. This concept will increase the transparency and accountability of companies in reporting what they do and the impact on the conditions around which the company operates.

Signaling Theory

According to (F. E., & H. F. J. Brigham, 2015) signaling theory provides an overview that a signal or signal is an action taken by company management that provides instructions for investors on how management views the company's prospects.
According to (JAMA'AN, 2008) put forward the Signalling theory about how a company should provide signals to users of financial statements. The annual report is one of the types of information that can be used by investors in making decisions to invest. The annual report provides in-depth information on how the company activities during the one year, such as information on asset position, costs, and income within one year.

Legitimacy Theory

The theory of legitimacy states that organizations or companies must continuously ensure that they have operated within the norms upheld by society and that their activities can be accepted by outsiders (legitimacy). The theory of legitimacy postulates that organizations must not only appear to pay attention to the rights of investors but also to the rights of the public in general (Deegan et al., 2002). (Imam. and A. C. Ghozali, 2016) states that the underlying theory of legitimacy is the "social contract" between the company and the society in which the company operates and uses economic resources.

This theory is as suitable for use in environmental accounting as the Continuous Report Disclosure itself. Legitimacy in companies that care about the environment is important so that the company can be accepted by the environment where the company is located and can continue to be sustainable in the future (Agustina & Tarigan, 2016) From this it is explained that to legitimize the company's activities in the eyes of the public, companies tend to use environment-based performance and good environmental information disclosure.

The definition of Legitimacy Theory according to Lincoln (Saputra et al., 2019) is a condition or status that occurs where the value system of an entity corresponds to the value of the larger social system that is the place or part of the entity. So, if there is a difference between the two value systems, it will be able to threaten the legitimacy of the entity itself.

Sustainability Reporting

Sustainable Financial Reporting is an all-round support from the financial services sector to create sustainable economic growth by aligning economic, social, and environmental interests. Sustainable Finance Products or Services are financial products or services that integrate economic, social, and environmental aspects, as well as governance in their features.

Sustainability reports play an important role in identifying organizational risks and opportunities, especially regarding future non-financial issues, which are rapidly expanding. Another meaning of the Sustainability Report is to ensure the organization considers the impact of sustainability issues, increases transparency useful for decision-making, and builds and maintains trust in the business and the government.

Regulations Related to Sustainability Reporting Disclosure

The enactment of Law No. 32 of 2009 concerning environmental protection and management explains that the declining quality of the environment has threatened the survival of human life and other living creatures, so it is necessary to carry out serious and consistent environmental protection and management by all stakeholders.

Law No. 25 of 2007 which contains Investment. This law regulates the obligation of every investor in the form of a business entity or individual to carry out corporate social responsibility, preserve the environment, and respect the cultural traditions of the surrounding community.

In 2017, the Financial Services Authority issued Regulation Number 51/POJK.03/2017 concerning the implementation of sustainable finance for financial service institutions, issuers, and public companies. In the content of the explanation of POJK Number 51, to achieve a stable, inclusive, and sustainable national economy, support from the financial system is needed that prevent the occurrence of funding or investment practices in business activities that use resources excessively, can increase social inequality, and result in environmental damage.

Stock Price

The definition of shares according to Fahmi (2018) is: First, proof of participation in capital ownership or funds in a company. Second, a paper that clearly states the face value, and company name, followed by rights and obligations is explained to each holder. Third, Inventory that is ready to sell. Tandelilin (2019) defines that shares are proof of ownership of the assets of the company that issues shares. By owning shares in a company, investors will have rights to the company's income and wealth, after deducting the payment of all the company's obligations.

According to Tandelilin (2019), stock prices reflect investors' expectations for the factors of earning, cash flow, and the level of return required by investors, which are also greatly influenced by the macroeconomic conditions of a country and global economic condition. (Ngoc Hung et al., 2018) states that maximizing the stock price is the same as maximizing the value of the company and is equivalent to the value of the assets owned by shareholders so that the share price of a company is a benchmark of the value owned by the company to maximize the welfare of the company owner.

Earning Per Share (EPS)

Earning Per Share or income per share is a form of profit given to shareholders from each share owned (Fahmi, 2018). According to (James C. Van Horne & John M. Wachowicz, 2014) earnings per share is "Earning after taxes (EAT) divided by the number of common shares outstanding". The earnings-per-share ratio is used to measure the profit level of the company (Hermuningsih, 2012). Earnings per share or earnings per share shows the amount of the company's net profit that is ready to be distributed to shareholders. High EPS is an attraction for investors. The higher the EPS, the higher the company's ability to provide income to its shareholders. According to (Tandelilin, 2019) earnings per share is a ratio that shows the share of profit for each share. Earning per share describes the profitability of the company as depicted on each share. EPS is generally a concern for investors, the greater the EPS value, the greater the profit that investors get for each share.

Price to Book Value (PBV)

PBV is a comparison between the stock price and the company's book value. According to (Sugiono & Untung, 2016) A company that has good management is expected to have a PBV of the company at least 1 or above the book value (overvalued), and if the PBV number is below 1 then it can be ascertained that the market price of the stock is lower than the book value (undervalued). According to (Setianto, 2016), a low PBV indicates a decline in the quality and fundamental performance of the issuer concerned. Ismawati et al. (2021) explained that the PBV ratio is a comparison between the stock price and the book value of the company's equity, showing the level of the company's ability to create value relative to the amount of capital invested by the investor.

Dividend

One of the benefits that investors will get when investing in stocks is dividends. The dividend is a reward or remuneration provided by the company to shareholders, which comes from the profit generated by the company. The amount of dividends distributed to shareholders is by the number of shares owned by each shareholder. According to (Wiyono & Kusuma, 2017), dividends are the distribution of profits provided by the company and come from the profits generated by the company. Meanwhile, according to (Sartono, 2014) Dividends are the distribution of profits earned by the company to shareholders that are proportional to the number of shares owned. Based on some of the definitions above, it can be concluded that dividends are the distribution or distribution of profits by a company to its shareholders according to the number of shares it owns and can be in the form of cash dividends or stock dividends. Dividend payments are at the discretion of the board of directors and shareholders.

Volume: 03 | Number 02 | August 2024 |
E-ISSN: 2962-5505 | DOI: doi.org/10.47709/governors.v3i2.4394

METHOD

The method used in the study is quantitative. Research to (Creswell, 2013) quantitative research is the method to test certain theories by examining the relationship between variables. The researcher wanted to test how much the relationship between one variable and another variable was carried out by testing several samples of companies (cross sections) in a certain population for several years (time series). The data source in the study is companies listed on the Indonesia Stock Exchange from 2016 to 2020 with the criteria that the company received an assessment rating from the National Center for Sustainability Reporting (NCSR). This selection is used to focus more on companies that truly carry out sustainability reporting, especially CSR. The independent variables used in this study as Sustainability Reporting Disclosure (X1), Control variables used three indicators Earning Per Share (C1), Price to Book Value (C2), and Dividend (C3). The dependent variables used in this study are Stock Price (Y1). Hypothesis analysis uses the Path Coefficient Analysis. Path analysis is simply a standard partial regression coefficient that divides the correlation coefficient into measures of direct and indirect effects of a set of independent variables on dependent variables, this is also known as a cause-and-effect relationship (Ghozali, 2014). The data analysis method uses statistical tools with SmartPLS (Partial Least Square) 3.0.

RESULTS AND DISCUSSION

Outer Loadings Test

Outer loadings are tables that contain loading factors to show the magnitude of the correlation between indicators and latent variables. The value of the loading factor must be greater than 0.7 then it is said to be valid. The output of outer loadings can be obtained from the PLS Algorithm Report SmartPLS. After conducting an estimate of testing the stock price for 5 (five) days of observation before and after the issuance of the assessment rating from the Asia Sustainability Report (NCSR), it can be found that each indicator has a loading factor value above 0.7. All indicators have a positive relationship with each latent variable and the loading factor for each indicator is greater than 0.7 and is said to be quite high. The results show that the use of each of these indicators is stated to be able to measure latent variables accurately.

Furthermore, the testing of the outer loading value of the stock price was carried out for 5 (five) days of observation before and after the release date of the annual financial statements on the Indonesia stock exchange website, it can be found that each indicator has a loading factor value above 0.7. All indicators have a positive relationship with each latent variable and the loading factor for each indicator is greater than 0.7 and is said to be quite high. The results show that the use of each test indicator is stated to be able to measure latent variables precisely.

Average Variance Extracted (AVE) Test

The measurement used to test reliability is AVE. The AVE value aims to measure the degree of variance of a construction component collected from its indicator by adjusting to the error level. Testing with an AVE value is more critical than composite reliability. The minimum recommended AVE value is 0.50.

The AVE output obtained by each latent variable is greater than 0.5, which shows that the testing of AVE data 5 (five) days before and after the release of the rating assessment by the NCSR institution shows that the results of each latent variable have been said to be valid. The results show that the data of this study meets the second requirement of convergent validity. The outer loading value test and the AVE (average variant extracted) test indicate that this study is valid for convergence and is eligible to continue testing to the next stage, namely the Discriminant Validity test.

Furthermore, AVE testing was carried out before and after the release of the company's financial statements, the AVE output was obtained by testing the stock price for 5 (five) days before and after the release of the issuer's financial statements, the test results showed that each latent variable was greater than 0.5, which indicated that each latent variable had been said to be valid. The results show that the data of this study meets the second requirement of convergent validity. The outer loading value test and the AVE (average variant extracted) test indicate that this study is valid for convergence and is eligible to continue testing to the next stage, namely the Discriminant Validity test.

Discriminant Validity Test

The Validity Discrimination Test is a test of the level of differentiation of an indicator in a measuring instrument setting. To test the validity of the discrimination, the intersection, i.e. the correlation coefficient (loading) of the relevant setting indicator can be compared with the correlation coefficient (intersection) of other configurations. The value of the metric correlation coefficient is higher for the relevant configuration than for the other configurations, and a larger value indicates the suitability of an indicator describing the relevant configuration compared to the one describing the other configuration. Another test of the validity of discrimination is by comparing the correlation between variables with the root form of AVE (√AVE). The test model has good discriminant validity if the result of the √AVE value of each variable is greater than the correlation between variables. The test of the discriminant validity value produced by SmartPLS and discussed in this study is the Fornell-Lacker Criterion by comparing the correlation between variables.

The results of the Fornell-Lacker Criterion output of the observation period before and after 5 (five) days of the release of the assessment rating from the NCSR are read based on column rows. The √AVE value in the Independent Sustainability Reporting (X1) variable of 1.0 is greater than the correlation with other variables. The control variables EPS, PBV, and Dividend from the Fornell-Larcker Criterion data show the same results, each variable has a greater correlation with other variables as well as the dependent variable of stock price, therefore the requirements for the discriminant validity test have been met.Analysis of the results of the Fornell-Larcker table for the observation period before and after 5 (five) days of the issuance of the issuer's financial statements on the Indonesia stock exchange website based on column rows. The √AVE value in the Independent Sustainability Reporting (X1) variable of 1.0 is greater than the correlation with other variables. The control variables EPS, PBV, and Dividend from the Fornell-Larcker Criterion data show the same results, each variable is more correlated with other variables as well as the stock price dependent variable, therefore the requirements for testing discriminant validity have been met.

Test Research Results with Structural Model (Inner Model)

The structural model test aims to test the presence or absence of influence between the construct and the R square. The structural model was evaluated using p-value to determine the significance of the structural path parameter coefficient and R Square to determine the influence of independent latent variables on dependent latent variables and whether they had a substantive influence.

Coefficient of Determination (R Square)

The R Square value before the release Rating assessment by the NCSR institution obtained an R Square value of 0.53 or 53%, and the R Square value testing after the release Rating assessment by the NCSR institution obtained an R Square value of 0.69 or 69% where the stock price was tested before and after 5 (five) days of the announcement of the rating rating from NCSR. The results show that Sustainability Reporting as an independent variable and EPS, PBV, and Dividend as control variables are variables that contribute to or affect the stock price. While the remaining 47% and 31% are large contributions given by other factors that are not studied.

The R Square value before the release of the annual financial report on the Indonesia stock exchange website obtained an R Square value of 0.68 or 68%, the R Square value test after the release of the annual financial report on the Indonesia stock exchange website obtained an R Square value of 0.61 or 61% where the stock price was tested before and after 5 (five) days of the announcement of the annual financial statements. The results show that Sustainability Reporting as an independent variable and EPS, PBV, and Dividend as control variables are variables that contribute to or affect the stock price. While the remaining 32% and 39% are large contributions of influence given by other factors that are not studied.

Volume: 03 | Number 02 | August 2024 |
E-ISSN: 2962-5505 | DOI: doi.org/10.47709/governors.v3i2.4394

Hypothesis Test (Patch Coefficients)

The hypothesis test was carried out with Patch Coefficients on smartPLS3.0 or commonly referred to as the t-test, the purpose was to see the effect of independent variables on dependent variables partially. In this study, a value of α = 5% or 0.05 was used. If the p-value< 0.05 then H0 is accepted means, there is an influence. Conversely, if the p-value >0.05 then H0 is rejected means there is no effect. Below are the results of the evaluation of the structural model in testing the hypothesis that has been described earlier. This test was carried out using the PLS Bootstrapping Report SmartPLS 3.0 method.

Path Coefficients test before NCSR rating release

Table 1. Hypothesis Test Before the Release of NCSR Ratings

The Effect	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics (|O/STDEV|)	P Values
Sustainability Reporting (X1) -> Stock Price (Y)	0,103	0,121	0,057	1,823	**0,069**
EPSC1 -> Stock Price (Y)	0,679	0,634	0,167	4,062	**0,000**
PBVC2 -> Y Stock Price (Y)	0,202	0,202	0,100	2,012	**0,045**
DIVIDENC3 -> Y Stock Price (Y)	0,087	0,099	0,049	1,775	**0,076**

Source: Data processed SmartPLS 3.0, 2021.

Path Coefficients test after NCSR rating release

Table 2. Hypothesis Test After NCSR Rating Release

The Effect	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics (|O/STDEV|)	P Values
Sustainability Reporting (X1) -> Stock Price (Y)	0,134	0,145	0,004	3,041	**0,002**
EPSC1 -> Stock Price (Y)	0,794	0,789	0,069	11,520	**0,000**
PBVC2 -> Y Stock Price (Y)	0,167	0,153	0,057	2,918	**0,004**
DIVIDENC3 -> Y Stock Price (Y)	0,084	0,087	0,040	2,079	**0,038**

Source: Data processed SmartPLS 3.0, 2021.

Test-Path Coefficients Before Release of Corporate Financial Statements

Table 3. Hypothesis Test Before Financial Report Release

The Effect	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics (|O/STDEV|)	P Values
Sustainability Reporting (X1) -> Stock Price (Y)	0,205	0,203	0,063	3,238	**0,001**
EPSC1 -> Stock Price (Y)	0,152	0,164	0,050	3,046	**0,002**
PBVC2 -> Y Stock Price (Y)	0,767	0,751	0,089	8,598	**0,000**
DIVIDENC3 -> Y Stock Price (Y)	0,105	0,133	0,049	2,163	**0,031**

Source: Data processed SmartPLS 3.0, 2021.

Test-Path Coefficients after the Release of the Company's Financial Statements

Table 4. Hypothesis Test After the Release of Financial Statements

The Effect	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics (|O/STDEV|)	P Values
Sustainability Reporting (X1) -> Stock Price (Y)	0,136	0,147	0,050	2,701	**0,007**
EPSC1 -> Stock Price (Y)	0,710	0,690	0,118	6,010	**0,000**
PBVC2 -> Y Stock Price (Y)	0,227	0,216	0,081	2,804	**0,005**
DIVIDENC3 -> Y Stock Price (Y)	0,118	0,128	0,053	2,216	**0,027**

Source: Data processed SmartPLS 3.0, 2021.

Discussion

The results of the Sustainability Reporting Disclosure Test on the Company's Stock Price.

Based on the results of the data test with the criteria of comparing the influence on the company's share price before and after the issuance of the sustainability reporting assessment rating by the NCSR institution. The stock price was tested 5 (five) days before and after the issuance of the assessment rating from NCSR, the results of the Sustainability Reporting (SR) test before the issuance of the NCSR rating had a significance level of 0.06 greater than α=0.05 with a positive value of 1.823 T-test, meaning that Sustainability Reporting (SR) had an effect on the stock price but was not significant. The Sustainability Reporting (SR) Variable Test after the NCSR rating was issued with a positive value of 3.041 with a significance level of 0.002 less than α=0.05. Since the significance level is less than α=0.05, hypothesis 1 is successfully supported. Thus, this study succeeded in proving that the implementation of Sustainability Reporting by companies can react to the stock price at the time of the release date of the rating assessment from NCSR. Testing of Sustainability Reporting (SR) Variables Before the issuance of the company's annual financial statements, the positive value was 3.238 with a significance level of 0.001 less than α=0.05. For the Sustainability Reporting (SR) Variable Testing after the issuance of the company's annual financial statements, the value is positive at 2.701 with a significance level of 0.007, less than α=0.05. Since the significance level is less than α=0.05, hypothesis 1 is successfully supported. Thus, this study successfully proves that the implementation of Sustainability Reporting by companies can react to stock prices at the time of the release date of financial statements on the Indonesia Stock Exchange website.

This study is in accordance with research conducted by Miralles-Quirós & Daza-Izquierdo (2021) which states that the quality of sustainability reporting can increase stock prices. Good quality sustainability reporting can increase shareholder confidence, so that market demand for the company's shares can increase and can affect the increase in stock prices. Similar results were stated by Marshela, Azib, & Setiyawan (2022) namely that by publishing sustainability reporting, investors can see the company's commitment to the environment, so that it can make investors interested in buying the company's shares and it is hoped that the company's shares can become leading stocks.

Results of Earning Per Share (EPS) Testing as a Control Variable on the Company's Stock Price

Testing the data before the issuance of the rating rating from NCSR, the control variable was measured using the EPS test indicator against the Stock Price, based on the results of the Patch Coefficients test or t-test, it can be found that the EPS has a positive value of 4.062 with a significance level of 0.000 less than α=0.05. Testing the data after the issuance of the rating rating from the NCSR institution, the control variable was measured using the EPS test indicator against the Stock Price, based on the results of the Patch Coefficients test or t-test, it can be found that the

EPS has a positive value of 11.520 with a significance level of 0.000 less than α=0.05.

Testing the data before the issuance of the company's financial statements, the control variable was measured using the EPS test indicator against the Stock Price, based on the results of the Patch Coefficients test or t-test, it can be found that the EPS has a positive value of 3.046 with a significance level of 0.002 less than α=0.05. After the publication of the company's financial statements, it can be found that the EPS has a positive value of 6.010 with a significance level of 0.000, less than α=0.05. From the results of the differential test before and after the issuance of financial statements with an observation period of 5 days, the test results on the company's stock price are less than α=0.05, thus this study succeeds in proving that companies that achieve an assessment rating from NCSR have better financial performance as evidenced by the influence of EPS on the company's stock price.

Results of Price To Book Value (PBV) Testing as a Control Variable on the Company's Stock Price

The price-to-book value variable as a control variable was tested before and after the issuance of the rating from NCSR, through the Patch Coefficients test or the t-test of the Control Variable PBV with a positive value of 2.012 with a significance level of 0.045 and after the publication of the financial statements the Control Variable PBV had a positive value of 2.198 with a significance level of 0.004 smaller than α=0.05. Because the significance level is less than α=0.05, thus this study succeeded in proving that PBV affects the company's stock price.

Testing the data after the issuance of the company's financial statements, the control variable was measured using the PBV test indicator against the Stock Price, based on the results of the Patch Coefficients test or t-test, it can be found that before the issuance of the financial statements, the PBV variable has a positive value of 8.598 with a significance level of 0.000 and after the issuance of the annual financial statements has a positive value of 2.084 with a significance level of 0.005 smaller than α=0.05. Thus, this study succeeded in proving that PBV affects the company's stock price.

Results of Dividend Testing as a Control Variable on the Company's Stock Price

Testing the data before the issuance of the valuation rating from NCSR, the control variable was measured using the Dividend test indicator against the Stock Price, based on the results of the Patch Coefficients test or t-test, it can be seen that the Dividend has a positive value of 1.775 with a significance level of 0.076 greater than α=0.05. This means that dividends as a variable control have an effect on the stock price but are not significant. Testing the data after the issuance of the rating rating from NCSR, the control variable was measured using the Dividend test indicator against the Stock Price, based on the results of the Patch Coefficients test or t-test, it can be found that the Dividend has a positive value of 2.079 with a significance level of 0.038 less than α=0.05. Testing the data before the issuance of the company's financial statements, the Dividend variable through the Patch Coefficients test or t-test can be found that the Dividend has a positive value of 2.163 with a significance level of 0.031 less than α=0.05. Testing the data after the issuance of the company's financial statements, the Dividend variable through the Patch Coefficients test or t-test can be found that the Dividend has a positive value of 2.216 with a significance level of 0.027 smaller than α=0.05. Because the level of significance is less than α=0.05, thus this study successfully proves that dividends affect the company's stock price.

CONCLUSION

The study aimed to compare the impact of sustainability reporting on a company's share price before and after the issuance of a rating from the NCSR institution. The stock price was tested five days before and after the rating, with the results showing that sustainability reporting had an effect on the stock price but was not significant. After the rating, the value of the sustainability reporting variable was positive, indicating that companies can react to stock prices at the time of the release date of the rating assessment. The study concluded that companies that achieve an assessment rating from NCSR have better financial performance, as evidenced by the influence of

Volume: 03 | Number 02 | August 2024 |
E-ISSN: 2962-5505 | DOI: doi.org/10.47709/governors.v3i2.4394

EPS on the company's stock price. The study successfully supports the hypothesis that companies can react to stock prices at the time of the release of financial statements on the Indonesia Stock Exchange website. Investors' reactions to financial statements and rating ratings from NSCR regarding sustainability reporting significantly impact stock prices. This is in line with signaling theory, which suggests that investors distinguish between high-quality and non-quality companies. Research shows that companies that disclose environmental social reports are better evaluated by investors. The implementation of continuous sustainability reporting on stock prices has a significant effect on stock prices. Companies that disclose good environmental and social performance can improve financial performance, benefiting stakeholders like investors, management, decision-makers, and industry regulators. Companies that achieve sustainable development goals show better financial performance, leading to increased capital inflows for companies. Sustainability reports force issuers to implement sustainability principles, resulting in capital inflows for the company's management.

References

Agustina, C., & Tarigan, J. (2016). Perilaku pemilik atas isu manajemen lingkungan dilihat dari sektor regional dan ukuran perusahaan. *Business accounting review*, *4*, 0–12.

Brigham, E. F., & Houston, J. F. (2019). *Dasar - Dasar Manajemen Keuangan* (14th ed., Vol. 2). Salemba Empat.

Brigham, F. E. , & H. F. J. (2015). *Fundamentals Of Financial Management.*

Chen, J. (2024), "Market reaction to mandatory sustainability disclosures: evidence from Singapore", Journal of Applied Accounting Research, Vol. 25 No. 3, pp. 748-775. https://doi.org/10.1108/JAAR-02-2023-0060

Creswell, J. W. (2013). *Research Design Qualitative, Quantitative, and Mixed Methods Approaches* (4th Edition). SAGE Publications.

Deegan, C., Rankin, M., & Tobin, J. (2002). An examination of the corporate social and environmental disclosures of BHP from 1983-1997. *Accounting, Auditing & Accountability Journal*, *15*(3), 312–343. https://doi.org/10.1108/09513570210435861

Ezeagba, C. E., Rachael, J.-A. C., & Chiamaka, U. (2017). Environmental Accounting Disclosures and Financial Performance: A Study of selected Food and Beverage Companies in Nigeria (2006-2015). *International Journal of Academic Research in Business and Social Sciences*, *7*(9). https://doi.org/10.6007/IJARBSS/v7-i9/3315

Fahmi, I. (2018). *Pengantar Manajemen Keuangan*. Alfabeta.

Fasua, H. K., & Osifo, O. I. U. (2020). Environmental Accounting and Corporate Performance. *International Journal of Academic Research in Business and Social Sciences*, *10*(9). https://doi.org/10.6007/IJARBSS/v10-i9/7711

Ghozali, I. (2014). *SEM Metode Alternatif dengan menggunakan Partial Least Squares (PLS), dilengkapi Smartpls 3.0, Xlstat 2104, Warppls 4.0* (4th Edition). Universitas Diponegoro.

Ghozali, Imam. dan A. C. (2016). *Teori Akuntansi* (15,20). Universitas Diponegoro.

Hermuningsih, S. (2012). Pengaruh profitabilitas, size terhadap nilai perusahaan dengan sruktur modal sebagai variabel intervening. *Jurnal Siasat Bisnis*, *16*(2), 232–242. https://doi.org/10.20885/jsb.vol16.iss2.art8

JAMA’AN. (2008). Pengaruh Mekanisme Corporate Governance, dan Kualitas Kantor Akuntan Publik Terhadap Integritas Informasi Laporan Keuangan. *Http://Eprints.Undip.Ac.Id/8115/1/Jamaan.Pdf*, 1–52.

James C. Van Horne, & John M. Wachowicz, J. (2014). *Prinsip-Prinsip Manajemen Keuangan* (13th ed.). Salemba Empat.

Lako, A. (2018). Sustainability Reporting, Apa Manfaatnya? Fakultas Ekonomi Dan Bisnis Universitas Katolik Soegijapranata Semarang, 2018.

Lufti Ayu Ismawati, Wijayanti, A., & Nikmatul Fajri, R. (2021). Pengaruh Net Profit Margin, Price To Book Value, dan Dividend Per Share terhadap Harga Saham pada Perusahaan Indeks LQ 45. *JAE (JURNAL AKUNTANSI DAN EKONOMI)*, *6*(3), 40–48. https://doi.org/10.29407/jae.v6i3.14107

Marshela, J. M., Azib, H., & Setiyawan, S. (2022). Pengaruh sustainability report terhadap harga saham pada perusahaan yang terdaftar di Bursa Efek Indonesia dan menerbitkan laporan keberlanjutan (sustainability report) tahun 2019-2020. Bandung Conference Series: Business and Management, 2(1), 208–211.

Mike Maya. S, Mukhzardfa2, & Enggar Diah P.A. (2018). Analisis Pengaruh Penerapan Green Accounting Terhadap Kinerja Perusahaan (Studi Kasus Pada Celebrate the Success of Top 20 Companies In Asia). *Universitas Jambi*, 0–46.

Miralles-Quirós, M. M., Miralles-Quirós, J. L., & Daza-Izquierdo, J. (2021). The assurance of sustainability reports and their impact on stock market prices. Cuadernos de Gestion, 21(1), 56– 58.

Ngoc Hung, D., Duc Cuong, P., & Thi Bich Ha, V. (2018). Effects of financial statements information on firms’ value: evidence from Vietnamese listed firms. *Investment Management and Financial Innovations*, *15*(4), 210–218. https://doi.org/10.21511/imfi.15(4).2018.17

Ningsih, W. F., & Rachmawati, R. (2017). Implementasi Green Accounting dalam Meningkatkan Kinerja Perusahaan. *JABE (Journal of Applied Business and Economic)*, *4*(2), 149. https://doi.org/10.30998/jabe.v4i2.2142

Saputra, K., Martini, & Pradnyanitasari. (2019). *Akuntansi sosial dan lingkungan* (Edisi asli/pertama). Indomedia Pustaka.

Sari, M. R. (2016, December 1). Dampak Green Accounting Terhadap Kinerja Keuangan. *SWA*, 0–2.

Sartono, A. (2014). *Manajemen Keuangan Teori dan Aplikasi* (Edisi Empat). BPFE-Yogyakarta.

Setianto, B. (2016). *Benchmarking Ratio Keuangan Perusahaan public sub sector Pertambangan & Mineral di BEI dengan Perusahaan public di NYSE Data laporan keuangan Q3 dan Q4 tahun 2015* (1st ed.).

Sugiono, A., & Untung, E. (2016). *Panduan Praktis Dasar Analisa Laporan Keuangan*. Gramedia Widiasarana Indonesia.

Tandelilin, E. (2019). *Pasar Modal: Manajemen Portofolio dan Investasi*. Kanisius.

Volume: 03 | Number 02 | August 2024 |
E-ISSN: 2962-5505 | DOI: doi.org/10.47709/governors.v3i2.4394

Wiyono, G., & Kusuma, H. (2017). *Manajemen Keuangan Lanjutan Berbasis Corporate Value Creation*. UPP STIM YKPN.

Zhao, H., Gao, Q., Wu, Y., Wang, Y., & Zhu, X. (2014). What affects green consumer behavior in China? A case study from Qingdao. *Journal of Cleaner Production*, *63*, 143–151. https://doi.org/10.1016/j.jclepro.2013.05.021

Zulhaimi, H. (2015). Pengaruh Penerapan Green Accounting Terhadap Kinerja Perusahaan. *Jurnal Riset Akuntansi Dan Keuangan*, *3*(1), 603. https://doi.org/10.17509/jrak.v3i1.6607