

Integrated Reporting, Is It Really Matters?

Minda Muliana Sebayang¹, Azhar Maksum², Rina Bukit², Khaira Amalia Fachrudin²

¹Ph.D. student at Faculty of Economic and Business, Universitas Sumatera Utara

²Lecturer at Faculty of Economic and Business, Universitas Sumatera Utara

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Abstract: As a new model of financial reporting in the world, the using of integrated reporting in many countries nowadays has been expanded so do with the importance part of CSR disclosure and environmental disclosure in annual report. This research desires to explore the scope of integrated reporting, CSR disclosure and environmental disclosure in listed public companies in Indonesia and the enforce to company value, especially stock price. All of the consumer goods industry listed in Indonesia Stock Exchange were be part of the population in this study. Quantitative research method is used in this research and the result of this study revealed that the scope of integrated reporting quality disclosure in Indonesia is getting extensive and significantly influencing the stock price of manufacturing companies.

1 INTRODUCTION

In the new economy era, companies that were founded should not only be solely for profit maximization. The stock price indicates the value of the company. The company's performance reflected in the financial reporting will be responded by all stakeholders in the stock market and will be used to obtain funds or alternative financing (Tandelilin, 2010). Stock market can reflect the market response to company financial performance published in the annual report. The stock market price reflects the real value of the company (Sutrisno, 2012) so that the higher the price of shares, then it can be said that the value of the company is also high (Husnan, 2015). Anyhow, market member continually invest in stock market in an endeavor to acquire profits, which can be accomplished by utilize the abnormal returns involvement over a period, as a result of an anomaly market (Hirshleifer, Teoh, & Yu, 2011) and the entity must be able to provide the information they need in financial report or annual report.

Public companies at the present time should be responsible to their environment and society because they can not stand alone without the support of the community. Changes in the new economic era also makes the company should be clear in disclose all financial information and non-financial. To retain their business, companies must pay attention to the sustainability of their business in the short, medium

and long-term sustainability, and all information must be disclosed in company the annual reports. Sustainability reporting is a company forms of communication and accountability to apparent a stakeholder with regard to the environmental performance Good Corporate Governance. An integrated disclosures made by the company will be found in the annual report as a form of company accountability and transparency to the stakeholders (Baiman & Verrecchia, 1996; Clarkson, et.al., 2008). Integrated reporting is a concise and integrated financial reporting that covering all enterprise information either financial or non-financial information, for example the company profile, the management profile, good corporate governance, corporate social responsibility and audited financial statements.

2 LITERATURE REVIEW

Management, the owners of the company and stakeholders have a different concern about the entity and it makes the gap between them and boots the agency theory. Differences in information holding on the two parties also lead to information gaps called information asymmetry. Either the management or stakeholders are those who are rational and motivated by personal interest (Jensen & Meckling, 1976). Legitimacy Theory is a theory that focused on the

company interaction with the external parties. Companies need legitimacy or recognition from external stakeholders in order to maintain the company's sustainability and to keep the public trust so that the operation of the company should be reciprocal to the public (Dowling & Pfeffer, 1975; Lindblom, 1993; Deegan, et.al., 2002). As stated in the efficient market hypothesis, new information feasible in financial statements should be returned to the market immediately. Therefore, this research presents the relevance of CSR disclosure, environmental disclosure and integrated reports disclosure influence the company's stock price.

2.1 Stock Price

The stock price is formed by supply and demand mechanism in the capital market. If a stock experiences excess demand, then the stock price tends to rise. Conversely, if the excess supply then the price of shares tends to fall (Sartono, 2010). The price of a legal stock that occurs on the stock market at a particular time determined by market participants and is determined by the demand and supply of shares in the capital market (Jogiyanto, 2014). The main factor that will all affect the stock price is public companies are external and internal factors (Brigham, 2014).

2.2 Corporate Social Responsibility (CSR) Disclosure

Corporate Social Responsibility (CSR) disclosure is about how companies manage the business processes to produce an overall positive impact on society (Kusumadilaga, 2010). This definition is lifted from the philosophy of how to manage a company well in part or as a whole to get a positive impact on itself and the environment. The company must be able to manage its operating business by producing products that are positively oriented to society and the environment. The World Business Council for Sustainable Development (WBCSD) which is an international organization that stands out in 1955 and consists of 120 multinational companies from 30 countries of the world through its publication said that company should making a good business sense and have a commitment to behave ethically and attribute to economic development while improving the quality of life of the workforce and their families as well as the local community and social at large.

CSR disclosure goals is to empower the society not to deceive society and the empowerment aim to build a society autonomy. The corporate social responsibility often interpreted as a company

generosity but the point of Company Social Responsibility is how to build the entrust of the society. CSR disclosure associated with the sustainability and acceptability. Its means the company keep on sustaining and continuing run their operation business in long term. So far, the term of CSR Disclosure measured by the amount of money spent by companies for social activities but the truth is CSR activities is not only about spending money for social activities but also about general public empowerment that can not be valued in amount of fund. It shows that Corporate Social Responsibility disclosure is one form of action is lifted from ethical considerations companies to increase the employees life quality and at the same time improving the life condition around companies community and the disclosure of this information can increase the company stock price (Singh, 2017; Hussaeny, et.al, 2011).

2.3 Environmental Disclosure

Environmental Disclosure is a voluntary disclosure information both qualitative and quantitative information made by the organization to inform or to disclose its activities, where the disclosure contains of financial and non-financial information (Nurdin, 2006). Environmental disclosure as a compilation of information related to environmental management activities by companies in the past, present and future. This information can be obtained in many ways, such as qualitative statements, assertions or quantitative facts, financial statement forms or footnotes. The field of environmental disclosure includes the following matters, for example, expenses or operating costs for pollution control facilities or equipment in the past and present and the demand of this disclosure is getting expanded (Al-Tuwaijri & Christensen, 2004; Reinhard, 1999).

2.4 Integrated Reporting Quality

In the International Financial Reporting Standards (IFRS) framework declared that financial statements are a deliberated representation of the financial position and performance of an entity and the purpose of financial reporting is to provide financial information about the reporting entity that is useful to existing and potential investors, lenders and other creditors in making decisions about providing resources to the entity (IFRS Foundation, 2015). For that purposes the company's financial statement must be reliable to stakeholders as a support information for decision making.

The International Integrated Reporting Council (IIRC) describe integrated reporting as a report an integrated report as company announcement transparency reports to stakeholders. The report contains of the organization strategy, administration, performance and the company value creation in short, medium and long term (IIRC, 2015). This report will cover the lack of traditional financial reporting that does not disclose company non-financial information transparently to the stakeholders. The framework developed by IIRC will be able to increase the value of the company in the short, medium and long term (IIRC, 2013). Integrated reporting is a new advanced reporting about how organizations think about their business models and how they create value (Adams, 2013). Through Integrated reporting the company not only disclose financial information but also non-financial information and explain the process of value added development in the entity. The results of many research in various countries show that the implementation of integrated reporting can increase share prices in the short cycle of reporting and corporate value in the long term (Churet & Eccles, 2014; Martinez, 2016; Rivera-Arrubla, et.al., 2017; Willows & Rockey, 2018)

2.5 Conceptual Framework

The conceptual framework for this reserach can be seen at figure 1.

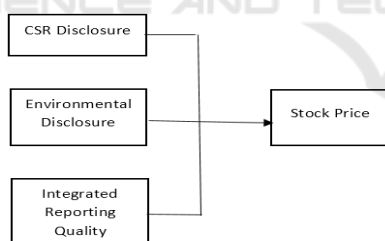


Figure 1 Conceptual Framework

In Indonesia the disclosure of CSR, environmental and integrated reporting is getting expanded and will be, in long term, increase the value of the firm, in this research is stock price. Thus, based on the conceptual framework above, the hypotheses in this study are:

H1: CSR disclosure has a positive effect on stock price in public manufacturing companies in Indonesia

H2: Environmental disclosure has a positive effect on stock price in public manufacturing companies in Indonesia

H3: Integrated reporting quality has a positive effect to the stock price at manufacturing in Indonesia

H4: CSR disclosure, environmental disclosure and integrated reporting quality have a positive effect on stock price in public manufacturing companies in Indonesia

3 RESEARCH METHODS

This study investigates the extent and content of CSR disclosure, environmental disclosure and integrated reporting quality of manufacturing firms in Indonesia. Content analysys used word count to measure the quantity of all the disclosure. We used the IDX and ICMD data base to test our hypotheses. Although not all public manufacturing companies published their annual report annually we limitation our research on consumer goods sub-sectors listed on the Indonesia Stock Exchange. Due to missing consience among these firms the final sample consisted of 31 firms, from 42 population. The hypothese were tested with a four-year panel for 2014, 2015, 2016 and 2017, amount to 124 firm-year observations.

3.1 Dependent and Independent Variable

CSR disclosure is a proprietary score developed by Rouf (2011) with 39 item to disclose in annual report. Content analysis used to count the disclosure in every observation, will give value 1 if the firm disclose the information in their annual report and 0 if not. The disclosure index of environmental will use in this research to examines the influence of environmental disclosure based on 10 item on list of disclosure items developed by Bachman and Espejo (2013) benchmark, value 1 if the firm disclose the information in their annual report and 0 if not. The Integrated reporting quality used the eight content elements developed by IIRC (2013), value 1 if the firm disclose the information in their annual report and 0 if not.

The multiple linear regression analysis used to measure the effect of all independent variables to dependen variable with the following equation:

$$Y = a + b_1 \text{ CSRD} + b_2 \text{ ED} + b_3 \text{ IRQ} + e$$

Where,
 Y = Stock price
 a = constanta

- b 1- b 3 = regression coefficient
- CSR D = Corporate Social Responsibility Disclosure
- ED = Environmental Disclosure
- IRQ = Integrated Reporting Quality
- e = Standard Error

4 FINDINGS

4.1 Descriptive Statistics

This field provide a brief overview of some of the general facts and characteristics that were identified in this study. Discussion concentrates on the minimum, average, maximum and standard deviation values of CSR disclosure, environmental disclosure, integrated reporting quality value and stock price. The minimum value of CSR disclosure is 0.82 and the maximum value of CSR disclosure is 0.87. The average of CSR disclosure in the 2014-2017 period is 0.8377 and the standard deviation of CSR Disclosure in the 2014 during research period is 0.02133. The minimum value of environmental disclosure is 0.77 and the max value is 0.87. The average value of environmental disclosure is 0.8418 with the standard deviation value is 0.02747. Integrated reporting disclosure has 0,71 minimum value and the maximum value is 0.89. The average value of integrated reporting quality is 0.8390, thus the standard deviation is 0.05022. The minimum value of the stock price during the research period is PT Pryidam Farma Tbk in 2015 and the maximum value of the share price is 390 for PT Delta Djakarta, Tbk in 2014.

4.2 Research Data Analysis Results

Afterward we ran classical assumption test before carrying out the multiple linear regression and the result of multiple linear regression analysis shows on table 1.

Table 1 Results of Multiple Linear Regression Analysis

Model	Unstandardized Coefficients	
	B	Std. Error
1(Constant)	13.247	1.250
CSR_Disclosure	15.166	6.739
Environmental_Disclosure	11.798	5.141
Integrated_Reporting Quality	4.283	2.751

Source: Data analysis result, 2019

Regression model was analyzed with CSR disclosure, environmental disclosure and integrated reporting quality as the dependent variables and stock price as dependent variables. Based on 1 the regression equation for this research is:

$$\text{Stock Price} = 13.247 + 15.166 \text{ CSR Disclosure} + 11.798 \text{ Environmental Disclosure} + 4.283 \text{ Integrated Reporting Quality}$$

It can be conclude that in every increase of CSR disclosure, environmental disclosure and integrated reporting quality will boost the company stock price about the each regression coefficient.

Partially, the results of hypothesis can be seen in the following table.

Table 2.

Variable Name	B	t _{count}	t _{table}	Sig.
Constant (a)	13.247	10.597	1.97993	0.000
CSR disclosure	15.166	2.250	1.97993	0.026
Environmental disclosure	11.798	2.295	1.97993	0.023
Integrated reporting quality	4.283	1.557	1.97993	0.022
Regression coefficient (R) = F _{count} = 7.397 F _{table} = 2.68 F _{sig} = 0.000	Predictor: (Constant) CSR disclosure, environmental disclosure and integrated reporting quality Dependent variable: stock price			

Source: Data analysis results, 2019

The table above shown that the CSR disclosure, environmental disclosure, integrated reporting quality variables is positively affect the stock price in manufacturing company in Indonesia, partially and simultaneously, because the significance value is less than α 0.05.

The coefficient determination (R²) of this research is 0.135 and can be concluded that the changes variations in stock prices are influenced by CSR Disclosure, environmental disclosure and integrated reporting of 13.5 %, while the remaining 86.5 % influenced by other factors not concluded in this research model.

5 DISCUSSION AND CONCLUSION

CSR Disclosure is a form of disclosure in company action with the public at large and can influence stakeholder perceptions in decision making. CSR activities must be carried out by the company as a form of accountability for its presence in the

community and can increase its legitimacy. The increase in legitimacy is reflected in the company's share price. Corporate Social Responsibility disclosure is one form of company adaptation with companies ethical consideration that are geared to increase community economy, accompanied by the increasing of the life quality of employees and their families, as well as well as improving quality of community more broadly.

Environmental disclosure on company's annual report is expected to increase the firm's legitimacy in society because the firms operation should be environmental impact. This is a signal to stakeholders that the company concentrating in company's sustainability. Good corporate environment performance will reduce costs to overcome future damage and loss of the company's natural resources. Environmental disclosure will be a goodnews for stakeholders sehi guns can draw invest r to invest because investors will have the assurance that the company performing maintenance on the company's resources in the future for doing prevention activities and managing environmental damage so that costs for environmental damage in the future can be diverted to increase the company's capital in carrying out its industrial activities in order to maximize the company's profit and the value of the firm. The big company is more widely disclose their environmental information in annual report because they have more complicated stakeholders.

One way of integrated reporting increase the stock price by identifying risks and opportunities in the company's financial statements, based on the clarity of the company's commitment to increasing the wealth of company's owner. This has been able to be carried out optimally by the company, then opportunities and risks can be overcome properly. The identification of opportunities and risks is carried out by the management of the company based on government policies , macro and micro economic conditions and so on.

After the issuance of Indonesian government rules No. 47 of 2012 concerning Social and Environmental Responsibility of Limited Liability Companies, compulsorily companies in accordance with those referred to in the regulation must disclose their social responsibilities, this is expected to be responded positively by investors and potential investors because they believe the company has fulfilled its obligations and in accordance with the principles of sustainable development so that investment risk is reduced which means investors will be more interested in buying the company's shares. An increase in demand for company shares will cause

stock price to rise, because stock prices are formed by the existence of transaction mechanisms in the capital market that are determined by stock demand and supply. An integrated reporting can disclose all the stakeholders information needed in one report so that can be used in decision-making.

6 CONCLUSION

The conclusions in this study are:

1. From the results of the partial testing proved that CSR Disclosure significantly affect stock prices in companies listed on the Stock Exchange Indonesia.
2. From the results of the partial examination it is evident that Environmental Disclosure significantly influences the stock price of manufacturing companies listed on the Indonesia Stock Exchange .
3. From the results of the partial test it is evident that the integrated reporting has no significant effect on the price of p on the manufacturing companies listed on the Indonesia Stock Exchange .
4. From the results of simultaneous testing, this researcher was able to prove that CSR Disclosure, Environmental Disclosure and integrated reporting affected the stock prices of manufacturing companies listed on the Indonesia Stock Exchange.

7 FUTURE RESEARCH

This study uses index standards that are not necessarily in accordance with the outward disclosure conditions in Indonesia. So it is necessary to use a standard that can represent the extent of corporate disclosure in Indonesia.

Next researcher can expand the sample, more variables and extend the observation period so that research results can be more representative because it can improve the data distribution.

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