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Disclosure of integrated reporting and its implications on investor response in property, real estate, and construction companies listed on the Indonesian stock exchange in the years 2017-2019

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Abstract
This research assesses integrated reporting and its impact on investor responses, focusing on property, real estate, and construction companies listed on the Indonesia Stock Exchange from 2017-2019. A sample of 123 companies was selected using purposive sampling. The study uses descriptive and quantitative methods, employing path analysis with intermediary variables and AMOS 24 software.
The findings indicate that profitability (X1) and stakeholder pressure (X3) have a positive but statistically insignificant influence on integrated reporting. Company size (X2) has a positive and statistically significant impact on integrated reporting. Profitability (X1) exhibits a positive but statistically insignificant relationship with investor reactions (Y), while company size (X2) and stakeholder pressure (X3) have a negative and statistically insignificant association with investor reactions (Y). Integrated reporting has a positive but statistically insignificant effect on investor responses (Y).

Keywords: Integrated reporting, profitability, size, stakeholder pressure, investor reactions

Introduction

Globalization and information technology have reshaped corporate accounting and financial reporting, which play a critical role in decision-making for investors and creditors (Kustiani, 2017) [28]. However, the traditional financial reporting format is often seen as inadequate in capturing economic impact, business innovation, and changes (Healy and Palepu, 2001) [21]. Many annual reports have grown complex and less relevant to shareholders, with minimal integration of financial and non-financial information (Financial Reporting Council, 2011; Investor Responsibility Research Center Institute, 2013).

To address these issues, the International Integrated Reporting Committee (IIRC) introduced Integrated Reporting (IR) as a more comprehensive reporting approach that focuses on value creation, governance, strategy, organizational prospects, and performance (IIRC, 2013 [23]; Kustiani, 2017) [28]. The IR framework combines various elements of reporting to provide insights into organizational value creation, aligning with commercial, social, and environmental contexts (Nazier & Umiyati, 2015) [29]. It offers a way to consolidate and streamline information, making it more strategic and relevant for investors (Cheng *et al*., 2015) [10].

Research indicates that profitability is linked to information disclosure, and corporate governance mechanisms impact the quality and transparency of this information (Kurniawan and Wahyuni, 2018) [27]. Company size also plays a role, with larger companies benefiting from effective disclosure practices, while smaller companies may face challenges due to information openness and stakeholder pressure (Ghani *et al*., 2018) [16].

Stakeholder pressure is crucial in driving companies to disclose comprehensive financial and non-financial information, particularly for larger companies (Galani *et al*., 2011[15]; Kurniawan and Wahyuni, 2018) [27]. Integrated Reporting is recognized as essential for transparency, ethics, and creating a sustainable investment climate (Akker, 2017) [6]. It can be particularly beneficial for investors, especially when evaluating companies' cumulative abnormal returns.

This study examines integrated reporting disclosure's impact on investor reactions in property, real estate, and building construction companies listed on Indonesia Stock Exchange from 2017 to 2019, using purposive sampling. The total sample size obtained is 123, using purposive sampling as the sampling method. Therefore, the research questions for this study are as follows:

1. Does profitability have an impact on integrated reporting?
2. Does the company's size have an impact on integrated reporting?
3. Does stakeholder pressure have an impact on integrated reporting?
4. Does profitability have an impact on investor reactions?
5. Does the company's size have an impact on investor reactions?
6. Does stakeholder pressure have an impact on investor reactions?
7. Does integrated reporting have an impact on investor reactions?

Theoretical framework and hypothesis formulation

Stakeholder Theory

The Stakeholder Theory emphasizes that organizations should consider not only their owners and profits but also their contributions to society, the environment, and the economy (Ulupui *et al*., 2020) [41]. Integrated Reporting (IR) is on the rise, bridging financial and non-financial aspects, which helps companies better understand stakeholder needs and value creation (Hoque, 2017) [22]. Stakeholder theory forms the basis for comprehending IR, its connection with stakeholder pressure, and investor reactions (Serafeim,

2015) [36]. Effective IR aids investors in assessing an organization's past performance and future resilience, enhancing decision-making and benefiting stakeholders (Wadee, 2011).

Signaling Theory

Signaling Theory delves into the relationship between signals and quality, addressing information asymmetry where corporate insiders possess superior information (Ghozali, 2020) [18]. It applies to various aspects of companies, including dividend policies, IPOs, capital structure decisions, and voluntary disclosure. Signaling theory is relevant to Integrated Reporting (IR) and investor reactions (Adams and Simnett, 2011 [1]; Adams, 2015) [2]. IR offers transparent insights into a company's past performance and future outlook, spanning both financial and non-financial aspects. This shift influences investors toward long-term strategies and fosters essential communication between businesses and stakeholders (Terblanche & De Villiers, 2019 [4]; Beaver 1968) [8].

Integrated Reporting (IR)

Integrated Reporting (IR) combines sustainability and financial reporting for more concise and transparent corporate communication (IIRC, 2013 [23]; Ulupui, 2020). Sustainability reporting provides insights into environmental initiatives, but IR enhances information transparency and accountability (Gnanaweera & Kunori, 2018) [20]. IR captures vital financial and non-financial data for public disclosure, supporting integrated thinking and decision-making (IIRC, 2015). It facilitates comprehensive decisions for long-term value creation (Adegboyegun *et al*., 2020 [3]; Hoque, 2017) [22]. The IIRC (2013) [23] framework includes elements like organizational review, governance, business model, strategy, and performance. Integrating these elements in reports enhances their credibility and demonstrates the organization's value creation ability. IR benefits stakeholders by improving understanding, informing decisions, increasing engagement, and reducing reputation risk (Krzus, 2011) [26]. These benefits encompass internal, external, and regulatory risk management (Eccles and Saltzman, 2011) [13]. Researchers adapt the IR index using Ulupui *et al*.'s (2020) disclosure framework, assigning 40 points for 8 elements. Each item receives a score of 1 for disclosure or 0 for non-disclosure.

Profitability

Company profitability, as highlighted by Yuliawati and Sukirman (2015) [43], is pivotal for enhancing shareholder value through profit generation from sales and investments, contributing to financial strength and business growth (Dang *et al*., 2020[12]; Bidaki and Hejazi, 2014). Research, such as that of Kurniawan and Wahyuni (2018) [27], supports the positive influence of profitability on company information disclosure and reporting. Profitability is assessed through various ratios, indicating the company's ability to generate profit and investment returns (Sheridan *et al*., 2011) [37]. Good profitability, as explained by Hermuningsih (2012), benefits stakeholders like suppliers, creditors, and investors. Studies show that profitability has a positive impact on company performance indicators and management effectiveness (Santika and Kusuma, 2002). High profitability attracts investors, increasing company value and aiming for substantial returns. In this study, the researcher employs ROA as a proxy for the profitability ratio.

Company Size

Company size serves as a metric influenced by variables such as total assets, sales, market capitalization, and employee count (Yuliawati & Sukirman, 2015) [43]. Larger companies often exhibit higher income, assets, and capital (Brigham & Houston, 2010) [9], which contribute to their enhanced performance and reputation (Ulupui *et al*., 2020). The financial advantage of larger companies allows them to potentially reduce information production costs, thus facilitating disclosure (Kurniawan and Wahyuni, 2018 [27]; Galani *et al*.; 2011) [15]. The importance of company size is evident in the adoption of Integrated Reporting (IR). In this study, it is measured by the natural logarithm of total assets. Frias-Aceituno *et al*. (2013) [14] emphasize the significance of company size in IR adoption.

Stakeholder Pressure

Stakeholder theory highlights that companies must consider the interests of various stakeholders, not just their own, benefiting parties like creditors, consumers, shareholders, and the public (Ghozali, 2020) [18]. Stakeholder pressure is the influence exerted by stakeholders, including governmental entities and major shareholders, on a company to divulge comprehensive information (Ulupui *et al*., 2020 [41]; Kurniawan & Wahyuni, 2018) [27]. The greater the stakeholder's power, the more the company adapts to meet their demands (Gray, Kouhy, and Adams, 1994). To gauge stakeholder pressure, this research employs a proxy that quantifies the pressure, based on the percentage of government-owned shares in relation to the total shareholder shares (Kurniawan & Wahyuni, 2018) [27].

Investor Reaction

Investors, whether individuals or groups, inject capital into a company, and their response can sway the company's stock price (Beaver, 1968) [8]. Company managers, in particular, supply information to align with investor expectations, which can benefit them by enhancing their career prospects (Terblanche & De Villiers, 2019) [40]. Integrated reporting (IR) strives to enhance corporate reporting by highlighting the interconnections between various types of information. Serafeim (2014) delves into the investor base of companies that practice IR, underlining the link between IR and investor investment horizons. Media articles, particularly those considered reliable, can influence investor sentiment and impact stock market prices (Nguyen & Pham, 2018) [31]. A substantial disparity between actual and anticipated returns can reveal market reactions. In this study, cumulative abnormal return serves as a measurement proxy, capturing market reactions through changes in security prices (Jogiyanto, 2007:433-434) [25].

Research framework and hypothesis

Figure 1 presents a visual representation of the theoretical framework and hypotheses that form the basis for the study. This figure serves as a graphical overview of the key concepts and relationships that the study explores and tests. Let's elaborate on each of these components:

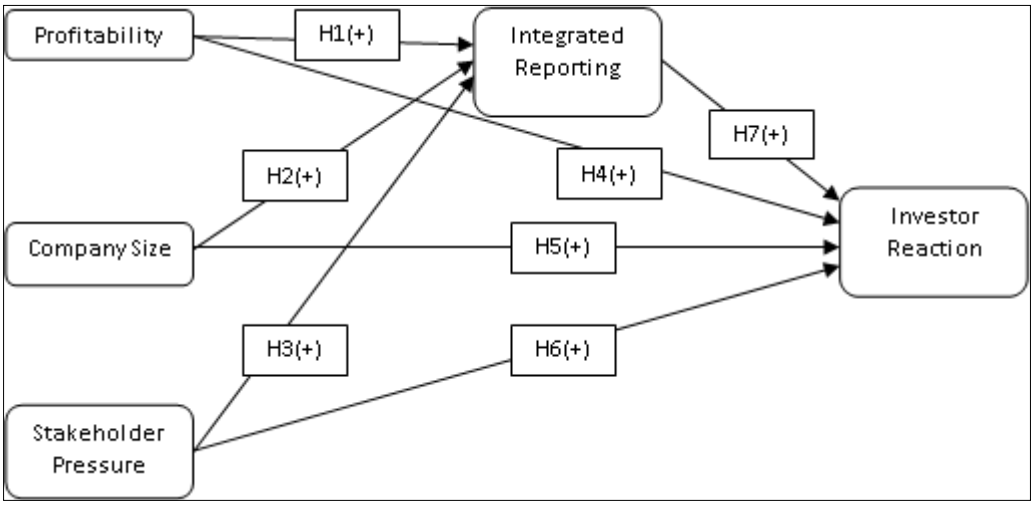

Fig 1: Theoretical Framework and Hypothesis

Translation: Profitability and Integrated Reporting

The profitability of a company is its ability to generate profits from sales and investment income, with the aim of increasing investor value (Ulupui *et al*., 2020 [41]; Yuliawati & Sukirman, 2015) [43]. Profitability is crucial for a company to maintain financial strength and business growth. Ulupui *et al*. (2020) [41] argue that businesses with high profits are more likely to enhance their sustainability reporting.

Previous studies have examined the relationship between profitability and integrated reporting. Research by Ulupui *et al*. (2020) [41] and Nguyen & Nguyen (2020) [30] indicates that more profitable businesses tend to have higher levels of sustainability reporting. In contrast, research by Ahmed, Haji, and Anifowose (2016) and Kurniawan and Wahyuni (2018) [27] suggests that a company's profitability does not affect its capability to engage in integrated reporting. Based on the explanations above, the hypothesis can be formulated as follows:

H1: Profitability has a significant and positive relationship with integrated reporting.

Translation: Company Size and Integrated Reporting

Company size is a scale used to indicate the magnitude of an entity, which is then determined or assessed based on total profit, total assets, total sales, tax expenses, and so on (Brigham & Houston, 2010) []. The higher the level of income, total capital, and total assets owned by the company, the stronger the company's performance. Larger companies tend to have higher values in these aspects. Ulupui *et al*. (2020) [41], Kurniawan and Wahyuni (2018) [27], and Galani *et al*. (2011) [15] found that larger entities may have good resource capabilities to reduce the cost of producing information in annual company reports, thereby increasing the level of disclosure. Frias-Aceituno *et al*. (2013) [14] explain that company size is an essential component in the dissemination of IR.

Previous research has examined the relationship between company size and integrated reporting. Studies by Ulupui *et al*. (2020) [41], Nguyen and Nguyen (2020) [30], Kurniawan and Wahyuni (2018) [27] indicate that company size has a significant and positive relationship with integrated reporting. Meanwhile, the research of Ahmed, Haji, and Anifowose (2016) suggests that there are no other control variables, namely company size (SIZE) and profitability (ROA), that significantly explain the level and quality of IR. Based on this argument, the following hypothesis is formulated:

H2: Company size has a significant and positive relationship with integrated reporting.

Stakeholder Pressure and Integrated Reporting

Stakeholder pressure is the pressure exerted by parties directly related to the company and company managers to disclose all information, including financial and non-financial information, which can be termed comprehensive information (Ulupui *et al*., 2020 [41]; Kurniawan & Wahyuni, 2018) [27]. In stakeholder theory, it is stated that the pressure applied can influence the company, such as access to influential media, economic resources, and the consumption of goods and services, leading the company to react in ways that satisfy stakeholder desires (Ghozali, 2020 [18]; Deegan, 2000; Ullman, 1985). Previous research has examined the relationship between stakeholder pressure and integrated reporting. Ulupui *et al*.'s (2020) [41] research reveals that Stakeholder Pressure is positively but not significantly related to Integrated Reporting. Kurniawan and Wahyuni (2018) [27] state that stakeholder pressure is negatively related to a company's capability to implement IR. This means that if stakeholder pressure increases, the company tends not to disclose financial and non-financial information in IR. Meanwhile, Vitolla *et al*. (2019) [42] found that stakeholder pressure is positively and significantly related to the quality of IR. Specifically, Vitolla *et al*. describe that pressure from customers, environmental protection organizations, employees, shareholders, and the government will support the creation of higher-quality IR publications. Therefore, the researcher formulates the following hypothesis:

H3: Stakeholder pressure has a positive and significant relationship with integrated reporting.

Translation: Profitability and Investor Response

Company profitability reflects its ability to generate profits from sales and investments, ultimately benefiting shareholders (Yuliawati & Sukirman, 2015) [43]. A good profitability ratio signals to stakeholders, including suppliers, creditors, and investors, that the company is effective in generating profits from its activities (Hermuningsih, 2012). This concept aligns with signaling theory, emphasizing the need for strong signals to influence

external parties, particularly investors (Ghozali, 2020). Prior research has delved into the link between profitability and investor response. Ulupui *et al*. (2020) [41] found a positive and significant relationship between profitability and investor response. In contrast, Dang *et al*. (2020) [12] proposed a negative correlation between profitability and financial risk, notably ROA, with statistical significance. This implies that higher ROA corresponds to higher financial risk and vice versa. Based on these insights, the researcher formulates the following hypothesis:

H4: Profitability has a positive and significant relationship with investor response.

Company Size and Investor Response

Company size is a reflection of a company's scale, often measured by total sales, assets, employee count, market capitalization, and more (Yuliawati & Sukirman, 2015 [43]; Brigham & Houston, 2010) [9]. Larger assets, more capital investment, increased sales, and a bigger market capitalization contribute to a company's reputation, influencing investor perceptions and responses (Ulupui *et al*., 2020) [41]. Previous research has explored the link between company size and investor response. Rosida and Fitria (2018) found that company size significantly and positively impacts investor response, especially in the real estate and property sector, where larger assets translate to more capital investment. Ulupui *et al*. (2020) [41] noted a positive but not significant relationship between company size and investor response. In their view, a company's reputation, often tied to its size, doesn't significantly affect investor responses. Based on these arguments, the researcher hypothesizes:

H5: Company size has a positive and significant relationship with investor response.

Research methodology

Research Variables

Investor Response

Investor response is the reaction provided by individuals, groups, or legal entities who invest, whether positive or negative, as a result of the information provided by the company's management (Jao *et al*., 2020) [24]. In this study, Cumulative Abnormal Return (CAR) is used as a proxy for the investor response variable. Cumulative abnormal return is obtained from the difference between the actual stock return and the expected return for that stock. Cumulative abnormal return is calculated by summing the abnormal returns over the observation period. In this research, the market-adjusted model is used to measure expected returns in calculating abnormal returns. According to Jogiyanto (2007: 445) [25], the market-adjusted model assumes that the best way to measure a company's expected stock return is the market index return. The formula to calculate abnormal return is described as follows:

$$\mathbf{AR_{it} = R_{it} - R_{mt}}$$

Where, AR_{it} = Abnormal Return for company I in year t

R_{it} = Stock return in period t

R_{mt} = Daily market index return

Daily stock return and daily market return will be calculated first to obtain abnormal return data. Daily stock return is calculated using the formula below:

$$\mathbf{R_{i,t} = (P_{i,t} - P_{i,t}\text{-}1) / P_{i,t}\text{-}1}$$

Where, Ri,t = Daily stock return on day t

$P_{i,t}$ = Closing stock price for stock i on day t

$P_{i,t}$-1 = Closing stock price for stock i on day t-1

Then, to determine the daily market return, the following formula is used:

$$\mathbf{R_{m,t} = (IHSG_t - IHSG_t\text{-}1) / IHSG_t\text{-}1}$$

Where, $R_{m,t}$ = Daily market index return

$IHSG_t$ = Composite Stock Price Index on day t

$IHSG_t$-1 = Composite Stock Price Index on day t-1

In this study, a 15-day period is used to calculate abnormal return. This 15-day period consists of 7 days before and 7 days after the publication of the company's annual report.

Profitability

Profitability can be defined as a company's ability to generate operating profit concerning total assets, capital, and sales (Kurniawan & Wahyuni, 2018) [27]. In this study, profitability will be proxied by the Return on Assets (ROA) ratio:

Return On Assets = (Net Income Before Tax / Total Assets) × 100%

Company Size

Company size is an identification of the magnitude of an entity, which can be assessed through various factors such as the number of employees, total sales, market capitalization, total assets, and others (Yuliawati & Sukirman, 2015) [43]. In measuring company size, the researcher uses the same proxy as the study by Kurniawan and Wahyuni (2018) [27], which is measured using the total assets with natural logarithm applied:

Company size = Ln (Total Assets)

Stakeholder Pressure

The variable stakeholder pressure in this research is defined as pressure from the government and the majority shareholders on the company's activities. The measurement of stakeholder pressure is based on the number of shares held by the government relative to the total shares of the majority shareholders (Kurniawan & Wahyuni, 2018) [27].

Stakeholder Pressure = (Total shares owned by the Government) (Total shares owned by majority shareholders)

Integrated Reporting

In theory, an intervening variable or mediation variable is one that affects the relationship between independent and dependent variables, making the indirect influence of the relationship observable (Sugiyono 2014:39) [39]. An intervening variable can be expressed as a mediating or intermediary variable, situated between dependent and independent variables, so that independent variables indirectly influence the change or emergence of dependent variables (Sugiyono 2014:39) [39].

IR can be understood as a brief communication regarding the strategy, performance, governance, and organizational prospects that, in the context of the external environment, aim to create value in the long, medium, or short term (IIRC, 2013) [23]. The IR index in this study is used as a research measurement tool (research proxy) to assess the extent of IR implementation, as previously adopted in research (Ghani *et al*., 2018 [16]; Kurniawan & Wahyuni, 2018) [27]. There are 40 items that must be disclosed. Each

item is given a value of "1" if it is disclosed in the company's report, and "0" if the company does not disclose the item (Ulupui *et al*., 2020) [41].

IR Value = Total Item Disclosure in Financial Report/Total Item Disclosure as in IR Framework.

Population and Sample

In this study, companies in the property, real estate, and construction sectors listed on the Indonesia Stock Exchange (IDX) with an observation period from 2017 to 2019 are used as the research population. Purposive sampling, as one of the methods used in the sampling technique, is applied to this research, with specific criteria for sample selection:

1. Entities in the property, real estate, and construction sectors listed on the Indonesia Stock Exchange (IDX) from 2017 to 2019.
2. Entities in the property, real estate, and construction sectors listed on the main board of the Indonesia Stock Exchange (IDX) from 2017 to 2019.
3. Entities that have published complete annual reports during the period from 2017 to 2019.

Research Method

The method used in this research is quantitative descriptive. It involves using the annual reports of companies in the property, real estate, and construction sectors listed on the Indonesia Stock Exchange (Bursa Efek Indonesia). The analysis method employed is path analysis, with intervening variables, using the AMOS 24 application.

Structural Equation 1:

Z (IR) = βPROFIT(X1) + βSIZE(X2) + βSP(X3) + e1

Structural Equation 2:

Y (REACT) = βPROFIT(X1) + βSIZE(X2) + βSP(X3) + βIR + e2

Research results and discussion

Descriptive Research Object

The sample in this study consisted of entities in the property, real estate, and construction sectors listed on the Indonesia Stock Exchange (BEI) during the period 2017-2019. The research sample was selected using the purposive sampling method. The criteria used for sample selection were companies in the property, real estate, and construction sectors listed on BEI from 2017 to 2019, listed on the main board of BEI during the same period, and that published annual reports during 2017-2019. The criteria for sample selection and the results of the sample selection process will be presented in Table 4.1.

Table 1: Sample Selection Criteria

No	Explenation	Total
1	Entities in the property, real estate, and construction sectors listed on the Indonesia Stock Exchange (BEI) during 2017-2019	76
2	Entities in the property, real estate, and construction sectors that were not listed on the main board of the Indonesia Stock Exchange (BEI) during 2017-2019	(34)
3	Published complete annual reports during the period 2017-2019	(1)
Total sample used		4 x 3 years = 123

Data Analysis

Descriptive Statistics

This analysis statistically describes the sample size (N), the maximum, minimum, mean value, and standard deviation for each variable, including the dependent variable, independent variables, and intervening variables based on the research sample. The results of the descriptive statistical analysis in this study will be presented in the following table.

Table 2: Descriptive Analysis

	N	Minimum	Maximum	Mean	Std. Deviation
X1	123	-0.097934	0.201163264	0.041835268	0.045145577
X2	123	23.874236	32.45445562	29.4727255	1.672581807
X3	123	101483200	17927395772	4691294472	4475356136
Y	123	-0.286627	0.341250658	-0.017672141	0.09174081
IR	123	0.45	0.725	0.607723577	0.070502447

Soursce: data proceed in excel

Data Normality Test

The assessment of normality is the output of testing whether our data is multivariate normal, as a prerequisite that must be met for Maximum Likelihood (ML) (Ghozali, 2016:94) [17]. The normality test is based on kurtosis (peakness) and skewness (asymmetry) values. Data can be considered normally distributed when both univariate and multivariate kurtosis and skewness values fall between -2.58 and 2.58 (Ghozali, 2016:94) [17].

The critical ratio (CR) values for skewness and kurtosis in the univariate analysis indicate a non-normal distribution because the CR values for skewness and kurtosis do not form a normal curve pattern. However, in the multivariate analysis, the kurtosis value obtained is 2.891 with a CR value of 1.916. Therefore, it can be concluded that the data is normally distributed in the multivariate context.

Outliers Test

In AMOS 24, the outlier test will appear in the Mahalanobis distance table after processing the data. Mahalanobis distance is adopted to measure whether the data we have contains outliers or not. Data is considered an outlier if the p2 column value is below 0.000 (Ghozali, 2016:95) [17]. The samples used are free from outliers because the p2 values for all samples are above 0.000.

Multicollinearity and Singularity Test

Multicollinearity in AMOS can be observed from the determinant value of the covariance matrix. According to Tabanick and Fidell (cited from Ghozali, 2016:95-96), a very small value of the determinant indicates the presence of multicollinearity or singularity issues, which can render the data unusable for research. Multicollinearity can also be observed from the sample matrix correlations between variables. When examining the values of sample matrix correlations between variables, the correlation values between variables should not exceed 0.90. The determinant value of the sample covariance matrix is 2,915,312,461,739.310. This value is far from zero, so it can be concluded that based on the determinant value of the sample covariance matrix, there are no issues of singularity and multicollinearity detected in the analyzed data. Therefore, based on the values presented and explained in the multicollinearity and singularity tests, it can be concluded that the data used is free from multicollinearity and singularity issues.

Goodness of Fit Test

Based on the path diagram processed using AMOS version 24, a goodness of fit test is conducted to assess the suitability of the structural model. The calculated goodness-of-fit values are as follows: chi-square = 0.000; CMIN/DF = \cmindf; Probability = \p; GFI = 1.000; AGFI = \AGFI; TLI = \TLI; RMSEA = \RMSEA, indicating that the generated model has a perfect fit. Additionally, the processed model results in zero degrees of freedom (df = 0), meaning it is a saturated model, and thus, the model exhibits a perfect fit to the data (Raykov, T & Marcoulides, G.A, 2006:87) [35].

Path Analysis

Path analysis is an advanced development of multiple regression analysis. A path analysis model is used to test regression equations involving multiple exogenous and endogenous variables simultaneously, allowing for the examination of intervening variables (Ghozali, 2016:89).

In this research, after forming the model based on theory, a path analysis model can be constructed with a sample of 123 without any outliers. The path diagram resulting from data processing using AMOS 24 is illustrated in the following Figure 2.

Hypothesis Testing and Results Interpretation

Hypothesis testing using AMOS version 24 in the form of regression weights for hypothesis testing and standardized regression weights to determine whether the influence is positive or negative. Hypothesis testing is carried out by observing the significance level (P-value), where a P-value less than 0.05 indicates a significant influence, while a P-value greater than 0.05 indicates an insignificant influence.

Profitability has a significant and positive influence on integrated reporting.

Hypothesis 1 investigated profitability's impact on integrated reporting. The P-value is 0.357, signifying an insignificant but positive effect (0.78). This contrasts with Ulupui *et al.* (2020) [41], who found a positive link between profitability and IR. Nguyen & Nguyen (2020) [30] also associated higher profitability with increased sustainability disclosures.

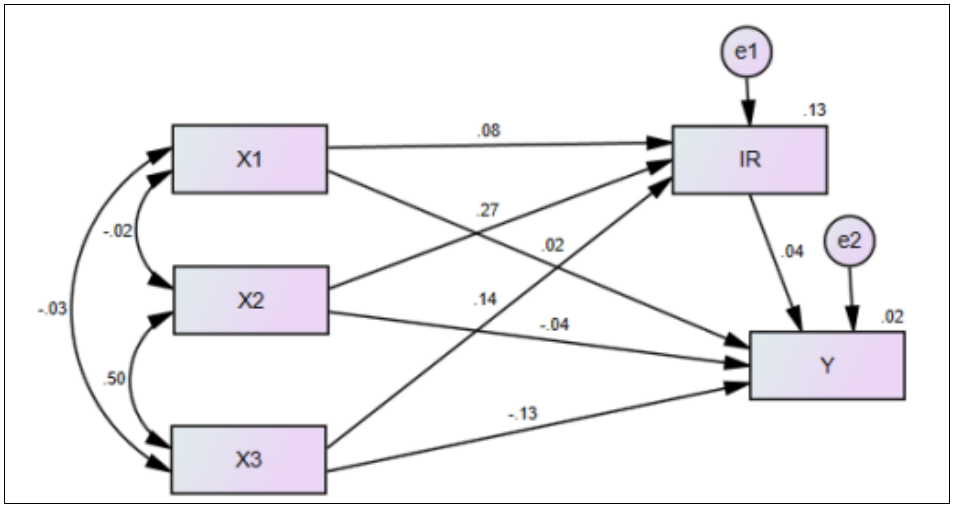

Fig 2: Path Diagram

However, this research concurs with Kurniawan and Wahyuni (2018) [27], indicating no strong connection between profitability and IR. High profitability alone doesn't drive integrated reporting. Instead, internal mechanisms within property, real estate, and construction companies listed on stock exchanges play a role. Corporate governance and the commitment of management, especially from the board of directors, are key factors in promoting corporate social responsibility and IR. This commitment is evident in annual reports, influencing internal policies and sustainability efforts.

Company size has a significant and positive influence on integrated reporting.

Hypothesis 2 explored the impact of company size on integrated reporting. The significance level (P-value) is 0.005, indicating a significant positive influence (0.272). Thus, H2 is accepted.

These findings align with Ulupui *et al.* (2020) [41], stating that large companies adopt CSR responsibilities to gain legitimacy from stakeholders and meet public expectations. Kurniawan and Wahyuni (2018) [27] found that company size supports the integrated reporting process. Large companies receive greater scrutiny from investors and stakeholders. Moreover, Nguyen and Nguyen (2020) [30] concluded that company size significantly influences sustainability disclosure. Larger companies have the resources to engage in integrated reporting. This research reinforces the view that large companies possess the capability and resources for integrated reporting.

Stakeholder pressure has a positive and significant influence on integrated reporting.

Hypothesis 3 examined the impact of stakeholder pressure on integrated reporting. The significance level (P-value) is 0.153, with a positive influence (0.139), indicating that stakeholder pressure has a positive but insignificant influence on integrated reporting. Therefore, H3 is rejected.

These findings are in line with Ulupui *et al.* (2020) [41], who suggest that stakeholder pressure doesn't lead to improved quality of integrated reporting IR. Kurniawan and Wahyuni (2018) [27] also state that stakeholder pressure is negatively related to a company's ability to perform IR. In other words, as stakeholder pressure increases, companies tend to disclose less financial and non-financial information in their IR (i.e., they have lower capability to produce IR. However,

these results don't align with Sadia, Tariq, and Saba (2015), and Vitolla, F., Raimo, N., Rubino, M., & Garzoni, A. (2019) [42], who suggest that stakeholder pressure is a key factor for higher-quality IR. Specifically, their findings demonstrate that pressure from customers, environmental protection organizations, employees, shareholders, and government supports the publication of higher-quality IR. Stakeholder pressure represents the influence exerted by stakeholders on company management to disclose financial and non-financial information. However, the processed results don't show that stakeholder pressure enhances the quality of IR.

Profitability has a positive but not significant influence on investor reactions.

Hypothesis 4 assessed the impact of profitability on investor reactions. The significance level is 0.855, with a positive influence (0.16), indicating that profitability has a positive but insignificant influence on investor reactions. Consequently, H4 is rejected.

These findings don't align with the notion that profitability serves as a measure for assessing management performance in business activities (Ulupui, 2020) [41]. However, these results are consistent with Sitorus, Jessy Safitri, *et al*. (2021) [38], stating that changes in ROA don't affect market returns. Purnamasari (2017), as cited in Sitorus, Jessy Safitri, *et al*. (2021) [38], also asserts that total return on assets doesn't influence stock returns. Similar views come from Pibrianti D.L (2014) and Ginting, S (2017) [19], suggesting that profitability alone doesn't trigger market responses to profit information. Hence, this hypothesis underscores the importance of fundamental analysis for investors, considering multiple profitability indicators like ROE and others, rather than relying solely on ROA.

Company size has a negative and not significant influence on investor reactions.

Hypothesis 5 examined the impact of company size on investor reactions. The significance level is 0.715, with a negative influence (-0.39), indicating that company size has a negative but insignificant influence on investor reactions. Consequently, H5 is rejected.

These findings are in line with Ulupui *et al*. (2020) [41], who suggest that a company's reputation, often measured by its size, doesn't affect effectiveness and is not considered reliable, thus not linked to increased investor reactions. In other words, investors' trading activities aren't influenced by company size. This aligns with Asmara, E. N.'s (2017) [7] statement that company size lacks informativeness for investors, isn't a concern for investment decisions, and can't be used as a reference for estimating abnormal returns. However, these results don't align with Nguyen & Nguyen (2020) [30], who contend that larger companies disclose more financial and non-financial information than smaller ones. This is consistent with Clacher & Hagendorff (2011) [11] and Nurhidayah (2011) (as cited in Asmara, E. N., 2017) [7], who assert that company size significantly and positively affects abnormal stock returns, leading to a positive market reaction.

Stakeholder pressure has a positive and significant influence on investor reactions.

Hypothesis 6 investigated the impact of stakeholder pressure on investor reactions. The significance level (P-value) is 0.203, with a negative influence (-0.132), indicating that stakeholder pressure negatively, but insignificantly, influences investor reactions. Consequently, H6 is rejected.

These findings concur with the study by Sinarmayani and Suwitho (2016) (as cited in Novitasari, N. L. G., & Widhiastuti, N. L. P., 2021) [32], which suggests that institutional ownership doesn't affect stock prices, and Putri and Christiana (2017) [34] reveal that institutional ownership doesn't provide effective oversight to enhance company performance. However, these results deviate from the notion that strong stakeholder pressure prompts companies to disclose financial and non-financial information. Companies with relatively large stakeholder groups would strive to offer comprehensive information, including non-financial disclosures (Kurniawan & Wahyuni, 2018) [27]. Ulupui *et al*. (2020) [41] also highlighted that higher stakeholder pressure correlates with increased investor reactions in investment decisions.

Integrated reporting has a positive and significant influence on investor reactions.

Hypothesis 7 examined the impact of integrated reporting on investor reactions. The significance level is 0.690, indicating a P-value greater than 0.05, with a positive effect (0.38). Consequently, it's concluded that integrated reporting IR has a positive but not significant influence on investor reactions, leading to the rejection of H7.

These results deviate from the belief that integrated reporting not only strategically conveys essential information for investment decisions but also illustrates its role in a company's value creation, enhancement, and sustainability across short, medium, and long terms (Zhou *et al*., 2017) [44]. Additionally, Affan (2019) [5] noted a positive IR influence on company performance, emphasizing the extensive content within the IR framework that strengthens stakeholder-manager interactions in assessing strategies, affecting performance. Vitola, Raimo, and Rubino (2019) highlighted the potential informational benefits of quality IR adoption, improving understanding of the value creation process and aligning with investor needs.

Nonetheless, these findings concur with Ulupui *et al*. (2020) [41], who found that good IR quality doesn't correlate with investor reactions in making investment decisions, and IR remains voluntary in Indonesia. Consequently, it doesn't enhance a company's ability to execute business strategies, resulting in less effective communication of company information to investors. Adhariani & Villiers (2019) [4] suggested that the low level of IR knowledge in Indonesia necessitates education, seminars, workshops, and integration into university accounting curricula, along with the establishment of mandatory regulations by relevant authorities. These perspectives provide logical explanations for the absence of a clear influence between IR and investor reactions in this research.

Conclusion

The study examines the impact of integrated reporting on investor reactions, considering profitability, company size, and stakeholder pressure as independent variables. The research involved 123 companies listed on the Indonesia Stock Exchange from 2017 to 2019. The results showed that profitability had a positive but not significant influence on integrated reporting, suggesting that larger companies have the ability and resources to create an integrated reporting

process. However, stakeholder pressure did not show an improvement in the quality of integrated reporting. The study also found that changes in return on assets (ROA) did not affect investor reactions, suggesting that other profitability ratios are necessary for better investment decisions.The study also found that company size did not determine the effectiveness or credibility of a company, and stakeholder pressure did not provide effective oversight to enhance company performance. Lastly, the study concluded that good integrated reporting quality is not related to investor reactions in investment decisions.

The research has limitations, including a subjective content analysis approach for assessing integrated reporting elements in annual reports, and focusing only on one form of information provided by companies. Future research should consider using other sources for improved results. Future research should explore Indonesia's IR policies across various sectors, including property, real estate, and building construction, using diverse variables, locations, and methodologies to provide comprehensive insights.

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