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AUDIT REPORT QUALITY, SUSTAINABILITY AND PROFITABILITY ON STOCK PRICE IN INDONESIA SECURITIES EXCHANGE

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Abstract

This study examines the relationship between audit reports, sustainability reports, and profitability to stock prices on the Indonesia stock exchange, especially manufacturing companies in the basic industrial and chemical sectors, miscellaneous industrial sectors, and consumer goods industry sectors. Secondary data is generated through audit reports and sustainability reports provided in a structured manner. The population for this study consisted of 211 company populations using 16 samples of manufacturing companies that published audited financial reports and sustainability reports in 2019-2021. The hypothesis was tested using the Multiple Linear Statistical Test. The test was conducted at a significance level of 0.05. The findings of this study reveal that there is a significant relationship between profitability and stock price. Meanwhile, audit reports and sustainability reports do not provide a relationship to stock prices on the Indonesia Stock Exchange. This study recommends increasing the educational aspects of the capital market and investment for the Indonesian people, especially investors so that it will slowly increase the knowledge of investors and potential investors in Indonesia about the importance of audit reports and sustainability reports.

Keywords: *Audit Report, Sustainability Report, Stock Price*

Abstrak

Penelitian ini menguji hubungan antara laporan audit, laporan keberlanjutan, dan profitabilitas terhadap harga saham di bursa efek Indonesia, khususnya perusahaan manufaktur sektor industri dasar dan kimia, sektor aneka industri, dan sektor industri barang konsumsi. Data sekunder dihasilkan melalui laporan audit dan laporan keberlanjutan yang disediakan secara terstruktur. Populasi penelitian ini terdiri dari 211 populasi perusahaan dengan menggunakan 16 sampel perusahaan manufaktur yang mempublikasikan laporan keuangan dan laporan keberlanjutan yang telah diaudit pada tahun 2019-2021. Hipotesis diuji dengan menggunakan Uji Statistik Linier Berganda. Pengujian dilakukan pada tingkat signifikansi 0,05. Temuan dari penelitian ini mengungkapkan bahwa terdapat hubungan yang signifikan antara profitabilitas dan harga saham. Sementara itu, laporan audit dan laporan keberlanjutan tidak memberikan hubungan terhadap harga saham di Bursa Efek Indonesia. Penelitian ini merekomendasikan untuk meningkatkan aspek edukasi mengenai pasar modal dan investasi bagi masyarakat Indonesia, khususnya para investor, sehingga secara perlahan akan meningkatkan pengetahuan para investor dan calon investor di Indonesia mengenai pentingnya laporan audit dan laporan keberlanjutan.

Kata Kunci: *Laporan Audit, Laporan Keberlanjutan, Harga Saham*

JEL Classification: M42, E22, L97

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INTRODUCTION

Indonesia's economic growth is very fast and rapid Based on IMF data, Indonesia is included in the group of 10 countries with the largest economy or gross domestic product (GDP) in the world. Quoting the IMF's World Economic Outlook (2022) Indonesia's GDP reached USD4.02 trillion based on the Purchasing Power Parity (PPP) approach. The high purchasing power of the community has an impact on the emergence of various types of companies operating in Indonesia. So the importance of capital in a business makes companies increasingly busy to obtain funds either from loans or from investors. Many companies in Indonesia have sold their shares by going public on the Indonesia Stock Exchange (IDX) to facilitate access to funding by the general public. This is reflected in the increasing public interest in investing in the Indonesian capital market. The total number of investors in the Indonesian capital market as of December 29, 2021, has increased by 92.7 percent to
7.48 million investors from the previous 3.88 million investors as of the end of December 2020. The manufacturing industry is one of the businesses in Indonesia that continues to show its development. Based on data from the Ministry of Industry, the manufacturing sector contributed significantly to the national GDP in the second quarter of 2021, amounting to 17.34%. Companies engaged in manufacturing carry out many activities to convert raw materials into finished goods, which have a high selling value and can be directly used by consumers. The Manufacturing Industry on the Indonesia Stock Exchange is divided into several sectors, namely the basic and chemical industry sector, miscellaneous industry sector, and consumer goods industry sector.

Public companies are required to submit financial reports prepared by financial accounting standards and have been audited by public accountants registered with the OJK (Financial Services Authority). The financial statements can be used as a source of investment analysis before buying shares of interest. This shows that financial reports play an important role in detecting stock price movements and as an investment decision-making tool. The share price is a mirror of the company's condition, companies with good prospects will have a high share price, to convince investors that the financial statements presented are reliable information, The company takes audit services to audit the financial statements to provide evidence and confidence for users that the financial statements that have been made reflect the actual state of the company.

Companies are responsible for their positive and negative impacts on economic, social, and environmental aspects. The implementation of this responsibility is contained in the form of a report that is separate from the company's financial statements, namely the Sustainability Report. The lack of awareness of companies in Indonesia to make sustainability reports is also a supporting factor for the issuance of regulations from OJK number 51 / POJK.03 / 2017. Information in sustainability reporting reflects the company's overall level of activity to enable the company to grow continuously (sustainable performance). Through sustainability reporting, stakeholders, especially investors, can find out information on how their funds are managed not only in economic aspects but also in social and environmental aspects. In the financial statements and sustainability reports, the company's profitability is presented. For investors, information about profitability ratios is a very basic need in decision-making needs. The development of stock prices is inseparable from the development of company performance as indicated by the company's profitability.

Audited financial statements & sustainability reports and company profitability ratios will increase trust in company reports so that the reports obtained will affect the attention of investors and potential investors in buying shares in a company. Research on audit quality has been conducted previously by Chandra (2016) which has the results of audit quality having a significant effect on stock prices. Meanwhile, according to Nugrahani's research (2018), audit quality does not affect stock prices. Dewi Zakia's research (2018) shows that the sustainability report variable affects stock prices. Meanwhile, Beate Canisie's research (2015) shows that there is no effect of disclosure of sustainability reports on changes in stock prices. Amalya (2018), shows that profitability has a positive and insignificant effect on stock prices. Meanwhile, Nurlia (2016) shows that profitability has a positive and insignificant effect on stock prices. The inconsistency in the results of previous studies regarding the relationship between audit reports & sustainability reports on stock prices encourages researchers to re-examine the topic the difference in previous research is that this study uses companies listed on the Indonesia Stock Exchange (manufacturing companies in the basic industrial and chemical sectors, miscellaneous industrial sectors, and consumer goods industry sectors). The purpose of this study is to determine whether audit reports, sustainability reports, and profitability affect stock prices on the Indonesia Stock Exchange (Manufacturing companies in the basic industrial and chemical sectors, miscellaneous industrial sectors, and consumer goods industry sectors).

LITERATURE REVIEW

According to Bergh et al., (2014), signal theory explains how to reduce information asymmetry in financial reports between signalers, namely companies, and signal recipients, namely customers or users of financial statements. Signal theory explains the relationship between information issued by the company as an announcement that will provide a signal for investors to make investment decisions. When information is announced, investors will first assess or analyze the information as good news or bad news. Signaling to investors on audit reports & sustainability reports can be done through the publication of an audit report containing the auditor's opinion on the fairness of the contents of the company's financial statements and the complete disclosure of a company's sustainability report. If the announcement of the audit report & sustainability report causes an increase in stock prices in the capital market, it is considered a good signal for investors, that investors will be interested in making stock investments, If announcement of the audit report and sustainability report causes a decrease in stock prices, it will bring negative signals to investors, so that investors are not interested in making stock investments. This shows that audit reports containing auditor opinions and sustainability reports play an important role in helping investors make investment decisions. Based on the description above, to facilitate understanding of the main problem to be studied, the following is a description of the framework below:

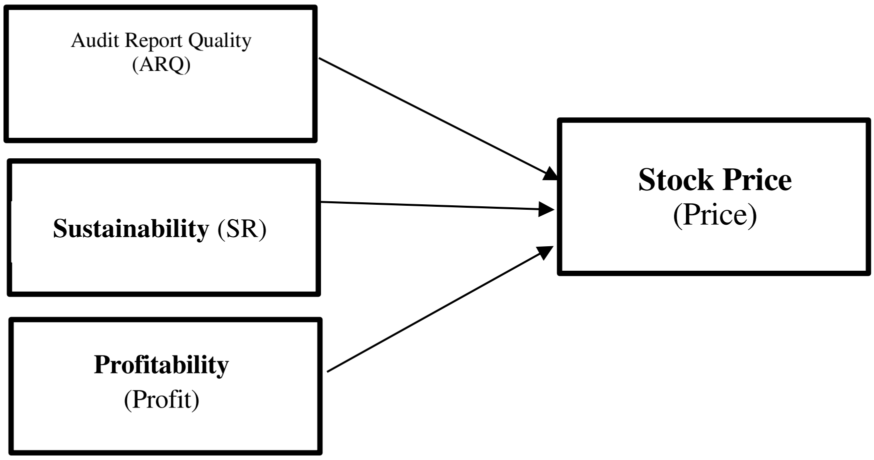

Figure 1
Conceptual Framework

Research on the relationship between Audit Reports and stock prices has been done a lot before, some of which are Chandra and Arisman's research (2016) resulting in the conclusion that the audit report on the financial statements provides determination to the stock price. These results are directly proportional to Sidabutar's (2014). However, research by Nugrahani and Ruhiyat (2018) states that the stock price is not determined by the audit report.

H_1: Audit Reports Quality Have a Positive Effect on Stock Prices.

Research on the relationship between Sustainability Reports and stock prices was conducted in Dewi Zakia's research in 2018 (2018) showing that the sustainability report variable affects stock prices. Meanwhile, Beate Canisie's research (2015) shows that there is no effect of disclosure of sustainability reports on changes in stock prices.

H2: Sustainability Report Has a Positive Effect on Stock Price.

Amalya's research (2018), shows that Profitability has a positive and insignificant effect on stock prices. Meanwhile, Nurlia's research (2016) shows that profitability has a positive and insignificant effect on stock prices. **H2: Profitability Has a Positive Effect on Stock Price.**

RESEARCH METHODS

The type of research used is descriptive with a quantitative approach using secondary data in the form of financial ratio data, the data comes from www.idx.co.id for 211 Company Population using 16 Samples of manufacturing companies that published audited financial reports and sustainability reports in 2019-2021.

Table 1
Purposive sampling

Sample Criteria	Total
Manufacturing companies listed on the Indonesia Stock Exchange in 2018 - 2021.	211
Manufacturing companies do not publish audited annual reports from 2018 - 2021	(54)
Manufacturing companies that do not publish Sustainability Report 2018-2021.	(141)

Sample Criteria	Total
TOTAL (3 years)	16 x 3 = 48 firms years

This quantitative approach aims to test theories, build facts, show the relationship between the variables tested, provide statistical descriptions, and estimate and predict the results. The research design using this quantitative approach is structured, uses a certain format, is formal, and is pre-designed. The dependent variable in this study is the stock price. Stock price data in this study is measured by the natural log of the Stock Price. The Independent Variable in this study is the audit opinion given by KAP to the company being examined, this variable is measured on a Likert scale where category 4 is for companies that have an unqualified audit opinion, 3 is for companies that have an unqualified audit opinion and unqualified with explanatory paragraphs, 2 is for companies that get an *adverse opinion* and 1 is for companies that get an audit report with no opinion (*Disclaimer*). The second independent variable is the sustainability report which is measured on a ratio scale, namely After the sustainability *report disclosure is* assessed based on the index list, the final score will be calculated by summing the score of the *sustainability report disclosure* made by the company divided by the disclosure that should be made (total disclosure of *sustainability report* based on the disclosure index according to GRI. The third independent variable is profitability which is measured using the Return on Asset (ROA) ratio.

Multiple linear regression is used for research that has more than one independent variable. According to Ghozali (2018), multiple linear regression analysis is used to determine the direction and how much influence the independent variable has on the dependent variable.

$$\mathbf{Y = \alpha - \beta1.\ X1 - \beta2\ .\ X2 - \beta3\ .\ X3 - \varepsilon}$$

Description:
Y = Stock Price
α = Constant
β1-3 =Regression
Coefficient X1= Audit Report
X2 = Sustainability Report X3 = Profitability
ε = error

RESULTS AND DISCUSSION

Table 2.
Descriptive Analysis
Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
AUDIT	48	3.00	4.00	3.8125	.39444
SR	48	.18	.71	.4183	.16051
RQA	48	-405	41.62	8.0467	1.084175
LNSAHAM	48	5.04	9.85	7.4825	1.29604

Source: Data processed (2022)

The Audit Report shows a minimum value of 3.00 and a maximum of 4.00 with a standard deviation of 0.39444, while the mean (average) is 3.8125. Sustainable Report shows a minimum value of 0.18 and a maximum of 0.71 with a standard deviation of 0.16051, while the mean (average) is 0.4183. Return On Asset shows a minimum value of -4.05 and a maximum of

41.62 with a standard deviation of 10.84175, while the mean (average)

is 8.0467. The Share Price shows its minimum value of 5.04 and its maximum of 9.85 with a standard deviation of 1.29604, while the mean (average) is 7.4825.

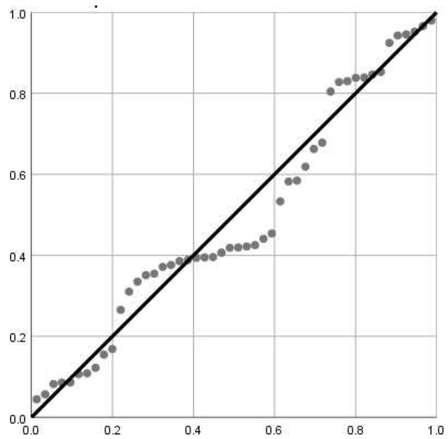

Figure 3.

Normality Test

Source: Data processed (2022)

According to Imam Ghozali (2018) stated he the regression model is said to be normally distributed if the data plots (dots) that describe the real data follow the diagonal line. The regression model in the study was normally distributed.

Table 3
Multicollinearity Test

	Tolerance	VIF
AUDIT	.960	1.042
SR	.907	1.102
RQA	.932	1.073

Source: Data processed (2022)

According to Imam Ghozali (2018), there are no symptoms of Multicollinearity. If the Tolerance Value>
0.100 and the VIF value < 10.00. So there are no symptoms of Multicollinearity in the study.

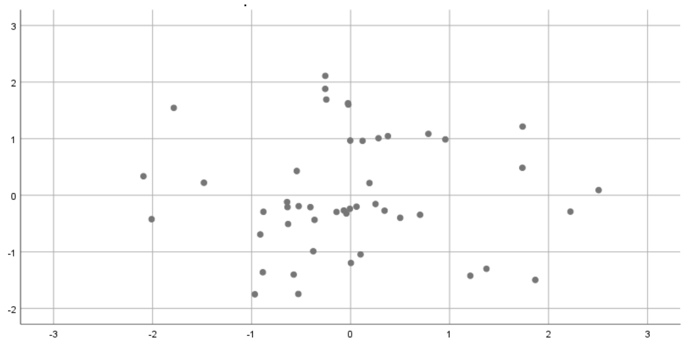

Figure 4

Heteroscedasticity Test

Source: Data processed (2022)

According to Imam Ghozali (2018), there is no Heteroscedasticity if there is no clear pattern. And the dots spread above and below the number 0 on the Y-axis. So there are no symptoms of Heteroscedasticity in the study.

Table 4
Autocorrelation Test

Mode l	R	R. Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.406[a]	.165	.108	1.22409	1.032

Source: Data processed (2022)

Based on Table 6 in the autocorrelation test, it can be seen that the DW value is 1.032, this value will be compared with the Durbin-Watson d Statistic table value: Significance Point For dl and du AT 0.05 Level of Significance using a significance value of 5%, the number of samples 48 (n) and the number of independent variables 3 (k = 3), then in the Durbin-Watson table the following values will be obtained the lower limit value (dl) is 1.4064 and the upper limit value (du) is 1.6708. If seen from the basis of decision making including 4-du < d < 4-dl, then there is no decision from the Durbin-Watson test results on the regression model. To further confirm the presence or absence of autocorrelation in the regression model, the Run Test is further used. The Run Test is used to test whether there is a high correlation between residuals or not.

Table 5.
Autocorrelation Test (Run Test)
Test Runs

	Unstandardized Residual
Test Value	-25083
Cases<Test Value	24
Cases>=Test Value	24
Total Cases	48
Number of Runs	18
Z	-1.1897
Asymp. Sig. (2-tailed)	.058

Source: Data processed (2022)

It is known that the value of Asymp. Sig. (2-tailed) value of 0.058> from 0.05, it can be concluded that there are no symptoms of autocorrelation, so multiple linear regression can be continued.

Table 6.
Partial t-Test

	Unstandardized B	Coefficients Std. Error	Standardized Coefficients Beta	t	Sig.
(Constant)	3.972	1.920		2.069	.044
AUDIT	.726	.462	.221	1.571	.123
SR	1.035	1.168	.128	.886	.381
ROA	.039	.017	.323	2.263	.029

Source: Data Processed (2022)

According to V. Wiratna Sujarweni (2014) if the value of Thitung> Ttabel, it means that the independent variable (X) partially affects the dependent variable (Y).
Formula: Thitung = (α/2; n-k-1) = (0.05/2; 48-3-1) = (0.025; 44) = 2.01537
According to Imam Ghozali (2018) if the Sig. value <0.05, it means that the independent variable (X) partially affects the dependent variable (Y).

Table 7.
Simultaneous Test
ANOVA*

Model		Sum Of Squares	Df	Mean Square	F	Sig.
1	Regression	13.018	3	4.339	2.896	.046b
	Residuals	65.930	44	1.498		
	Total	78.947	47			

According to V. Wiratna Sujarweni (2014) if the Fcount> Ftabel value, it means that the independent variable (X) simultaneously affects the dependent variable (Y).
Formula: Ftable = (k; n-k) = (3; 48-3) = (3; 45) = 2.81

Fcount> Ftable = 2.896> 2.81. Audit Opinion, Sustainability Report, and Return On Asset simultaneously affect the stock price.

- **Quality Audit Report does not affect stock price**

Based on the t-test that H1, it is known that the t value is 1.571, while the t table is 2.015, and a significant value of 0.123 with a significance level of 0.05 is obtained. Thus it can be concluded, that t count < t table or 1.571 < 2.015 and a significance value of 0.0.123 > 0.05 so H1 is rejected, which means that the audit report has no significant effect on stock prices.

It can be concluded that the results of the audit report are not in line with signal theory which states that information will be a signal for investors to react in the capital market as illustrated in the test results that the audit report has no significant effect on stock prices. This situation shows that audit opinion is unable to provide signals for investors to make investment decisions. If information in the capital market is unable to influence stock prices, then the market is said to be inefficient. According to Jogiyanto (2016), inefficient markets are caused because there are still straightforward individuals (*naive investors*) and *unsophisticated* (unsophisticated investors), meaning that there are still many investors who have limited ability to interpret and interpret the information received and because they are not sophisticated, so they often make mistakes in investing.

- **Sustainability does not affect stock prices**

Based on the t-test of H2, it is known that the value of the t count is 0.886, while the t table is 2.015 and obtained a significant value of 0.381 with a significance level of 0.05. Thus it can be concluded, that t count < t table

or 0.886 < 2.015 and a significance value of 0.381 > 0.05 so H2 is rejected, which means that sustainability reports have no significant effect on stock prices.

It can be concluded that investors in Indonesia do not react to the information generated by sustainability reporting practices. This is most likely because investors in the Indonesian capital market do not yet understand the importance of managing companies in a sustainable manner. As a result, investors are not yet concerned about the company's sustainability performance, so they are not enthusiastic about information related to the sustainability aspects of the company. This shows that there is a lot of other information, apart from sustainability reporting, which influences the consideration of investors in the capital market. In addition, on the company side, many sustainability reports carried out in Indonesia are still in the form of corporate philanthropy and are still trapped in biases, namely camouflage, generic, directive, and lip service.

- **Profitability has a significant positive effect on stock prices**

Based on the t-test that H3, it is known that the t value is 2.263, while the t table is 2.015, and a significant value of 0.029 with a significance level of 0.05 is obtained. Thus it can be concluded, that t count> t table or 2.263>

2.015 and a significance value of 0.029 <0.05 so that H3 is accepted which means profitability has a significant positive effect on stock prices

It can be concluded that profitability supports the signaling theory which states that companies that have profitability provide a good signal or good news to investors because it shows the effectiveness of the company in managing its assets to provide benefits to investors and increase the company's share price.

CONCLUSION, LIMITATIONS, SUGGESTION

Thus, this study concludes that there is a significant positive influence between profitability on stock prices. Furthermore, audit reports & sustainability reports do not influence stock prices on the Indonesia Stock Exchange. For practitioners of financial performance companies pay more attention to these indicators in companies listed on the stock exchange to get a positive response from investors which can result in a good stock price. Increasing the educational aspects of the capital market and investment for the Indonesian people, especially investors, will slowly increase the knowledge of investors and potential investors in Indonesia about the importance of audited reports and sustainability reports.

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