Basri, Hasan; Februari, Cindi Paramita; Majid, Muhammad Shabri Abdul

Article

Does Indonesia Sustainability Reporting Award (ISRA) cause abnormal return and stock trading volume : a comparative analysis

Academic journal of economic studies

Provided in Cooperation with:
Dimitrie Cantemir Christian University, Bucharest

Reference: Basri, Hasan/Februari, Cindi Paramita et. al. (2019). Does Indonesia Sustainability Reporting Award (ISRA) cause abnormal return and stock trading volume : a comparative analysis. In: Academic journal of economic studies 5 (1), S. 74 - 79.

Academic Journal of Economic Studies
Vol. 5, No. 1, March 2019, pp. 74–79
ISSN 2393-4913, ISSN On-line 2457-5836

Does Indonesia Sustainability Reporting Award (ISRA) Cause Abnormal Return and Stock Trading Volume: A Comparative Analysis

Hasan Basri[1], Cindi Paramita Februari[2], M. Shabri Abd. Majid[3]

[1,2,3] Faculty of Economics and Business, Syiah Kuala University, Indonesia, E-mail: p_haasan@unsyiah.ac.id (Corresponding author)

Abstract

Indonesia Sustainability Reporting (ISRA) Award-winning companies promote the image of companies in the eyes of the public. In addition, award-winning companies cause their stock prices to change, representing by their stocks' abnormal return and changes in trading volume of the company. This research is aimed at empirically examining the influence of the a Indonesia Sustainability Reporting Award (ISRA) on the abnormal return and stock trading volume of the ISRA award-winning and non-winning companies for 2010-2014 period. It also attempts to test the differences in abnormal return and stock trading volume before and after the companies won the ISRA Award. The results showed that: (1) The ISRA award has no influence on the abnormal return of award-winning and non-winning companies; (2) The ISRA award did not influence the stock trading volume of the award-winning and non-winning companies; (3) There was no difference in abnormal return before and after the companies won the ISRA award; (4) There was differences in abnormal returns before and after the companies won the ISRA award; (5) There was no difference in stock trading volume before and after the companies won the ISRA award; and (6) There was difference in stock trading volume before and after the companies won the ISRA award. These findings showed that the ISRA award was perceived by the firms as the usual award, thus failed to cause the abnormal returns and stock trading volume.

Key words

ISRA award announcement, abnormal return, stock trading volume

JEL Codes: G11

Received: 9 December 2018 **Revised: 26 December 2018** **Accepted: 10 January 2019**

1. Introduction

Investors and potential investors need information that can be used as a basis for making a decision. Financial statements are one source of information for them in assessing the performance of the company and as a key reference in making investment decisions. But along with the development of global issues related to environmental and social aspects, investors begin to realize that the information disclosed in the company's financial statements cannot be the only reference in assessing the condition of the company, especially the sustainability of the company in the future.This is because environmental problems now become something that is very important for the company, because in addition to production, the company also should not damage the surrounding environment and the company must restore the damage caused to the company's production process (Linuwih, 2014). In addition, good news information in the form of award announcement event containing information that can cause a market reaction and also will impact on the decision to be taken by investors who then influence the abnormal return and stock trading volume of a company, where one of the events is Indonesia Sustainability Reporting Award (ISRA).

According to Armin (2011) ISRA is an award given to companies that have made reporting on activities and who have published sustainability reports concerning environmental and social aspects in addition to economic aspects to maintain the sustainability of the company itself.Based on signalling theory, the announcement of Indonesia Sustainability Reporting Award (ISRA) is an announcement that has information content to give a positive signal for the award-wining company, because it has good prospect in the future so that it can attract investors to buy stock, where stock market reactions can be seen through changes in stock prices after the announcement is announced. Furthermore, award-winning companies will also feel a change in their stock prices, which can be seen from the stock trading volume of the companies. In connection with this, in addition to stock prices, the stock trading volume also has to do with the presence of information in the capital market. Stock trading volume is related to investor behavior in transactions.

This research has also been done by some previous researchers, such as Linuwih and Yeterina (2014) conducting a research to analyze the difference of market reaction at the winning company of Indonesia Sustainability Reporting Award (ISRA).A similar research was also conducted by Akis *et al.* (2012) doing a research to examine the influence of the announcement of Indonesia Sustainability Reporting Awards on abnormal return and stock trading volume. The difference of this research with previous research is that previous researchers only look at award-winning companies only, while in this research besides seeing the influence on the award-winning companies, the influence on companies that do not achieve awards is also seen. In addition, in this research, the time range studied was also longer which was 5 years. This article aims to analyze the influence of Indonesia Sustainability Reporting Award (ISRA), to the abnormal return and stock trading volume of ISRA winning and non-winning companies 2010-2014. The rest of paper is structured as follows: Section 2 provides the review of relevant literature. Section 3 explained the research method used on which the analyses of the study are based. The findings are discussed in Section 4, and Finally, the conclusions are provided in the last section of the paper.

2. Literature Review

2.1. The Announcement of Indonesia Sustainability Reporting Award (ISRA)

The Indonesia Sustainibility Reporting Awards (ISRA) is a tribute to companies that have conducted sustainability reports, either published separately or integrated in annual reporting. Assessment indicators include completeness (40%), credibility (35%) and communications (25%) of company reports. According to Darwin (2012) "Indonesia Sustainibility Reporting Awards is an intercompany competition in the preparation of CSR report that contains the company's performance in three aspects, such as economic, environmental and social aspects".

The purpose of the Indonesia Sustainability Reporting Awards is to provide recognition to companies that report and publish information on integrated environmental, social and information sustainability. Along with the global issues such as global warming, ISRA is expected to provide motivation to the company to pay more attention to the environmental and social aspects in addition to economic aspects by applying Sustainability Reporting, so good corporate governance will be formed. Sihotang (2007) defines sustainable reporting as a report on its economic, social and environmental aspects in terms of rules, impacts and performance of the company and its products in the context of sustainable development (triple bottom line reporting).The disclosure of social responsibility in the annual report is one of the ways companies building, maintaining, and legitimating corporate contributions from the economic and political side (Guthrie and Parker, 1990).

Satyo (2005) states that investors experience changes in investment outlook by starting to consider the company's concern for the environment. In connection with these opinions ISRA provides benefits to investors and potential investors in realizing their views. In addition, ISRA can also be used as an additional reference in decision making for investors and potential investors.

2.2. Abnormal Return and Stock Trading Volume

Companies that can win the award will also feel a change in their stock price which can be seen from the stock's abnormal return and stock trading volume. According to Samsul (2006) Abnormal return is the difference between actual return and expected return that may occur before the information is published or leakage of information has occurred after the official information is published.While Hartono (2007) suggests that the abnormal return or excess return is the excess of the actual return occurring against the normal return. The normal return is the expected return (return expected by the investor). Stock trading volume is the number of units of stock units traded in a certain period, usually daily (Sutrisno, 2000; Khaldun and Muda, 2014). According Gunawan (2004) trading volume activity is an instrument used to see the reaction of capital markets to an information through the parameters of the movement of stock trading volume. According to Hartono (2010), Mahdaleta *et al.* (2016) and Muda (2017) information published as an announcement will provide a signal for investors inmaking investment decisions. If the announcement is a good signal (good news) for investors then there is a change in the stock trading volume.

3. Methodology of Research

This research was hypothesis testing. Hypothesis testing usually explains the nature of a particular relationship, or determines the differences between groups or the independence of two or more factors in the situation (Sekaran, 2006). Unit of analysis in this research was company. In this research time horizon used was pooling data/data panel. According to Gujarati (2003) the data panel is a combination of time series and cross-sectional, which is the same unit researched over time. The data panel used was an unbalanced data panel because this research has a different number of observations for each time/period. The population used in this research was the participants who follow the ISRA award in 2010-2014period, in other words is ISRA award-winning and non award-winningcompanies. The sampling technique used was by census. A census is a means of collecting data in which all elements of the population are investigated one by one. The research target population used in this research can be seen in Table 1.

Vol. 5 (1), pp. 74–79, © 2019 AJES

Table 1. Research Population

Type of Companies	Number of Companies									
	ISRA Winning Companies					ISRA Non-Winning Companies				
	2010	2011	2012	2013	2014	2010	2011	2012	2013	2014
Agriculture	1	0	0	0	0	1	1	0	1	0
Mining	6	1	3	3	3	1	1	2	1	2
Basic Industry and Chemistry	1	0	2	2	1	1	1	2	0	1
Other Industries	0	1	1	1	0	1	0	0	0	0
Consumption Goods Industry	0	0	1	1	0	0	2	0	0	0
Property, Real Estate & Building Construction	0	1	1	0	1	0	1	1	1	0
Infrastructure, Utilities & Transportation	2	3	3	2	2	2	1	1	3	0
Finance	2	2	1	3	3	0	0	2	3	3
Trade, Service & Investment	1	0	0	0	1	0	1	1	1	0
Total of Population	**56**					**39**				

Source: Processed Data 2016

This research was an event study, so the observation period for the calculation of research variables was done 5 days before the date of the announcement and 5 days after the date of the announcement of the Indonesia Sustainability Reporting Award.The reason for choosing this time period was because the number of working days of the stock in a week is 5 days, so it can be said that the taking of the event period of this research is a week before and a week after the announcement of ISRA. Observation period of this research variable can be seen in Table 2.

Table 2. Research Observation Period

Year	(t-5)	(t=0)	(t+5)
2010	December 7 – 14	Wednesday-Desember15	December16 – 22
2011	December 14 – 20	Wednesday-December 21	December 22 – 28
2012	November26 -30	Monday- December 3	December 4 – 10
1013	Descmber10 – 16	Tuesday- December17	December 18 – 24
2014	December3 – 9	Wednesday-December 10	December 11 – 17

Source: Processed Data 2016

Data analysis was done by using statistical analysis that was using regression analysis technique and difference test of paired samples test; regression model used in this research was linear regression with dummy variable.The model used is as follows:

$$Y_1 = \alpha + \beta D + \varepsilon \quad (1)$$

$$Y_2 = \alpha + \beta D + \varepsilon \quad (2)$$

Where, Y_1 is an abnormal return; Y_2 is the stock trading volume; α is a constant; β is the regression coefficient; D is a dummy variable; ε is an error. To test the hypothesis in this research, the writer used the t test at the confident level (confident level of 90%) or the error rate (alpha) α of 0.10.

- If the statisctis of t_{count}>statisctis of t_{table}, Ho is rejected
- If the statisctis of t_{count}<statisctis of t_{table}, Ha is rejected

At the confident level (convidentlevel 90%) or the error rate (alpha) α of 0.10 then if the significance value is between (0-0.10), it means that the hypothesis is accepted and vice versa if significant value is less than 0 or more than 0.10 then the hypothesis is rejected (Santoso, 2000).

4. Findings and Discussions

The results of testing the influence of the announcement of Indonesia Sustainability Reporting Award 2010-2014 to abnormal return and stock trading volume are as follows:

Table 3. Results of Dummy Regression of First and Second Hypotheses

Model	First hypothesis[a]			Second hypothesis[b]		
	Unstandardized Coefficients		T	Unstandardized Coefficients		t
	B	Std. Error		B	Std. Error	
Constant	-0,009	0,009	-1,037	0,002	0,001	2,547
	-0,007	0,011	-0,656	0,001	0,001	1,176

a.Dependent Variable: CAR; b.Dependent Variable: TVA

Source: Processed Data (2016)

The significance value obtained in this first hypothesis test is 0.513 so that it can be concluded that the announcement of Indonesia Sustainability Reporting Award (ISRA) 2010-2014 has no influence on the abnormal return of winning and non-award winning companies because the value of significance obtained is greater than 0.10 (> 10%).It can also be deduced that the alternative hypothesis (Ha_1) in this research was rejected and the null hypothesis (H_{01}) was accepted.It can be concluded that the announcement of ISRA is not the only one aspect of the indicators expected by investors. Investors do not only consider the ISRA announcement as a consideration, but investors are also more likely to have the idea of how the company can manage the funds invested in the company and the achievement of expectations from all investors.The results of this research are consistent with the results of research from Suci (2010) and Prayoso and Hari (2013) indicating that sustainability reporting has no significant influence on abnormal return of stock either prior to the publication of the report, during the report publication or after the publication of the report. Information in the sustainability report and corporate social responsibility report has not been able to influence investors in determining investment decisions in the capital market.

The significance value obtained in this second hypothesis testing is obtained at 0.242 so it can be concluded that the announcement of Indonesia Sustainability Reporting Award (ISRA) 2010-2014 does not influence the stock trading volume of the award-winning and non- award-winning companies because the value of significance obtained was greater than 0.10 (> 10%). It can also be concluded that the alternative hypothesis (Ha_2) in this research was rejected and the null hypothesis(H_{02}) was accepted.It can be concluded that the market does not respond in response to the information. This may be due to many factors, such as a lack of investor understanding of the importance of sustainability reporting or lack of widespread dissemination of information about the winner's announcement so that investors are unaware of the award.Investors tend not to respond to the announcement of ISRA as an information that is considered good or good news because the trust aspects of investors can influence the stock market such as the increase in stock prices (Budiman and Supatmi, 2009). The result of this research is in accordance with the research of Linuwih and Yeterina (2014) indicating that there is a difference in trading volume around the announcement of ISRA, especially on five days and two days before the announcement, as well as on the first day and the second day after the announcement.

Table 4. Testing of Third and Fourth Hypotheses

		Third hypothesis[a]				Fourthhypothesis[b]			
		Paired Differences	t	df	Sig. (2-tailed)	Paired Differences	t	df	Sig. (2-tailed)
		Mean				Mean			
Pair 1	CAR –BEFORE ISRA - CAR AFTER ISRA	-0,001	-0,139	55	0,890	0,015	2,117	38	0,041

a.Dependent Variable: CARaward-winning companies

b. Dependent Variable: CAR non-winning companies

Source: Processed Data (2016)

The results of the third hypothesis test in this research can be seen in Table 4. Based on Table 4, it can be seen that the value of t count obtained at -0.139 with a significance level of 0.890. Because the level of significance was > 0.10 it can be concluded that the average abnormal return before and after the announcement in the ISRA award-winning company is the same (no different) or in other words H_{01} (null hypothesis) is accepted and Ha_1 (alternative hypothesis) is rejected.From the result of data analysis there is no difference of abnormal return before and after announcement of ISRA award. It is very likely that investors in the Indonesian capital market pay more attention to other various information contained in the annual report. For example, Cheng and Christiawan (2011) who also conducted research on companies in Indonesia found that information on return on equity also had a significant influence on abnormal return. Not only that, Djam'an *et al.* (2011) found that information about current cash from operating activities, cash flows from investment activities and accounting earnings also have a significant influence on the abnormal return of stock. The result of the fourth hypothesis test in this research can be seen in Table 4. Based on Table 4 it can be seen that the value of t count was obtained by 2.117 with a significance level of 0.041. Due to the significance level obtained at <0.10 it can be concluded that the average abnormal return before and after the announcement on the ISRA non award-winning company is different (unlike) or in other words H_{01} (the null hypothesis) is rejected and $Ha_1$is accepted.This result also proves that if ISRA participant company does not get ISRA award it will not make stakeholder move to ISRA winning-company. The result of this research has similar result to Armin research (2011) which proves ISRA announcement has an influence on abnormal return and stock trading volume judging from the existence of difference of abnormal return and stock trading volume before and after date of announcement.

Table 5. Testing the Fifth and Sixth Hypotheses

Paired Samples Test		Fifth Hypothesis[a]				Sixth Hypothesis[b]			
		Paired Differences Mean	t	df	Sig. (2-tailed)	Paired Differences Mean	t	df	Sig. (2-tailed)
Pair 1	TVA–BEFORE ISRA - TVAAFTER ISRA	0,001	1,264	55	0,212	0,000	1,970	38	0,056

a. Dependent Variable: TVA award winning-companies

b. Dependent Variable: TVA award non-winning-companies

Source: Processed Data (2016)

The result of the fifth hypothesis test in this research can be seen in Table 5. Based on Table 5, it can be seen that the value of t count was obtained by 1.264 with a significant level of 0.212. Because the level of significance obtained was at > 0.10 it can be concluded that the average stock trading volume before and after the announcement of ISRA award-winning companies is there is no difference or in other words H_{01}(null hypothesis) is accepted and Ha_1(alternative hypothesis) is rejected.This shows that investors do not consider that the announcement of ISRA winner is an information in investment decision making, because the application of sustainability reporting in Indonesia is still voluntary and its application requires a lot of funds. An investor can even consider this as a waste action that can reduce the profit of the company, in which if the profit is reduced significantly, then investors are reluctant to invest or in other words the announcement of ISRA is responded negatively by the market.This also happened in previous research conducted by Hendrawijaya (2009), the absence of a significant market reaction reflects that investors assume that disclosure of sustainability information is not good news that will influence them in making investment decisions, so there is no significantdifference in trading volume.

The result of the sixth hypothesis test can be seen in Table 5. Based on Table 5 the value of t count obtained by 1.970 with a significance level of 0.0564. Since the significance level was < 0.10, it can be concluded that the average stock trading volume before and after announcement on theISRA awardnon-winning company has no difference or in other words Ha_1 (null hypothesis) accepted and H_{01} (Alternative hypothesis) is rejected.This research is in accordance with research conducted by Akis and Mutmainah (2012) who state that there is no difference in the stock tradingvolume of companies both before and after the ISRA announcement. Besides, this sixth hypothesis is not proven because many investors still do not understand the concept of sustainability reporting and its usefulness so that there is no difference in stock trading volume (Budiman and Supatmi, 2009).

5. Conclusions

Based on the results of hypothesis testing and analysis of research data, it can be concluded that the ISRA announcement of 2010-2014 does not influence the abnormal return and stock trading volume of the award winning and non-winning companies. Furthermore, there is no difference in abnormal returns before and after the announcement of Indonesia sustainability Reporting Award (ISRA) in award-winning companies, but there is difference in abnormal return before and after the announcement of Indonesia Sustainability Reporting Award (ISRA) in award non-winning companies. In addition, the results of the research also show that there is no difference in stock trading volume before and after the announcement of Indonesia Sustainability Reporting Award (ISRA) at award-winning companies, and there is difference in stock trading volume before and after the announcement of Indonesia Sustainability Reporting Award (ISRA) at non-winning companies.

Vol. 5 (1), pp. 74–79, © 2019 AJES

References

Akis, Aldair & Siti. (2012). The Influence of Announcement of Indonesia Sustainability Reporting Award (ISRA) Against Abnormal Return And Stock Trading Volume (Case Study At Company Awarded Isra 2009-2010). Journal of Accounting, 1 (2), 1-9.

Armin, Muhammad Isra. (2011). The Influence of Indonesia Sustainability Reporting Award (ISRA) Against Abnormal Return and Stock Trading Volume (Empirical Study at Company Awarded Isra 2009-2010). Essay. Hasanudin University.Makassar, Indonesia.

Budiman, Ferry & Supatmi.(2009). Influence of Announcement of Indonesia Sustainability Reporting Award (ISRA) to Abnormal Return and Stock Trading Volume (Case Study of ISRA Winner Company Period 2005-2008).National Symposium on Accounting XI. Palembang.

Cheng, M., & Y.J. Christiawan.(2011). Influence of Corporate Social Responsibility Disclosure to Abnormal Return. Journal of Accounting and Finance, Vol. 13, No. 01, pp. 24-26, May 2011.

Darwin, Ali. (2012). NCSR gives PT Antam two CSR awards at once. Through (http // www.antaranews.com). Retrieved February 12, 2015.

Djam'an, N. (2011). Influence of Cash Flow Statement Information, Profit and Company Size Against Abnormal Return of Shares in Manufacturing Company Listed on Indonesia Stock Exchange. Journal of Indonesian Accounting Research.

Gujarati, Dr. (2003). Basic Econometrics. (Sumarno Zain, Translator). Jakarta: Erland.

Gunawan, B. (2004). Indonesian Capital Market Reaction to Domestic Political Event (Study of Bomb Blasting Event at Jakarta Stock Exchange).Journal of Accounting and Investment, Vol 5. No.1/January 2004.

Guthrie, J. and Parker, L.D. (1990). Corporate Social Disclosure Practice: A Comparative International Analysis, Advance in Public Interest Accounting, 3, 159-175.

Hartono, J. (2007). Portfolio Theory and Investment Analysis. BPFE Yogyakarta, Fifth Edition. Yogyakarta.

Hartono, J.. (2010). Portfolio Theory and Investment Analysis.Sixth Edition. Yogyakarta: BPFE.

Hendrawijaya, Michael. (2009). Stock Price Comparison Analysis, Stock Trading Volume and Abnormal Return Shares Before and After Stock Split.Graduate Thesis Master of Management. UNDIP Semarang.

Linuwih, R. B. and Yeterina, W. N. (2014). Differences of Market Reactions to the Winning Companies of Indonesia Sustainability Reporting Award (ISRA). Business Review, 15 (1), 1-22.

Khaldun, K. I. and Muda, I. (2014). The Influence of Profitability And Liquidity Ratios on The Growth of Profit of Manufacturing Companiesa Study of Food And Beverages Sector Companies Listed on Indonesia Stock Exchange (Period 2010-2012). *International Journal of Economics, Commerce and Management*. 2(12). pp.1-17.

Muda, I. (2017). User Impact of Literacy on Treatment Outcomes Quality Regional Financial Information System. *Management Dynamics in the Knowledge Economy*. 5(2), pp.307-326; DOI 10.25019/MDKE/5.2.08.

Muda, I. (2017). Role of Dividend of Power to Buy Shares in Companies in Indonesia Stock Exchange. *Academic Journal of Economic Studies*. 3(2), pp. 41–47.

Muda, I., (2017). Perception of capital, profit and dividends affect the stock purchase intention in Indonesia public company. *Junior Scientific Researcher*, 3(1): pp. 9-18.

Mahdaleta, E.; Muda, I. and Nasir, G. M. (2016). Effects of Capital Structure and Profitability on Corporate Value with Company Size as the Moderating Variable of Manufacturing Companies Listed on Indonesia Stock Exchange. *Academic Journal of Economic Studies*. 2(3), pp. 30–43.

Prayoso, Sari, I., and Hananto, H. (2013). The Effect of Sustainability Reporting on Abnormal Return of Shares in Mining Sector Enterprises Listed on BEI Period 2010-2012. *Jurnal Ilmiah Mahasiswa Universitas Surabaya*, 2 (2), 1-12.

Samsul, M. (2006). Capital Markets & Portfolio Management. Jakarta: Erlangga Publisher.

Santoso, S. (2000). SPSS Parametic Statistics Training Book. PT Elex Media Komputindo Gramedia. Jakarta.

Satyo. (2005). Favored by Customers, Interested to Investors. Media Accounting, Issue 47 / Year XII / July 2005.

Sekaran, U. (2006). Research Methods for Business: Research Methodology for Business. Book 1, Edition 4, Kwan Men Yon Translation. Jakarta: Salemba Empat Publishers.

Sihotang, P. (2007). Sustainability Reporting: Beyond Financial Reporting. JWC News.Vol. I / V / January 2007.

Holy, S. (2010). The Influence of Winning Announcement of Indonesia Sustainability Reporting Award (ISRA) to Investor Trust.Widya Warta No.01.

Sutrisno, W. (2000). The Effect of Share Split on Liquidity and Stock Return in Jakarta Stock Exchange. Journal of Management and Entrepreneurship, 2 (2), 1-13.