THE EFFECT OF SUSTAINABILITY REPORT DISCLOSURE ON FIRM VALUE WITH DIVIDEND POLICY AS A MODERATING VARIABLE

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Abstract

Background: The rising value of Sri-Kehati Index companies in recent years indicates that there is a change in investor orientation towards green investment. Green investment itself has now become a world and government concern which is realized through several regulations. Therefore, companies are required to disclose the sustainability business that has been carried out.
Objective: This study aims to analyze the effect of sustainability report disclosure on firm value with dividend policy as a moderating variable.
Research Methods: Multiple linear regression analysis and Moderated Regression Analysis (MRA)
Research Results: The result showed that sustainability report disclosure has a negative effect on firm value and dividend policy strengthens the negative effect of sustainability report disclosure on firm value.
Authenticity/Novelty of Research: The addition of dividend policy as a moderating variable between the relationship between sustainability report disclosure and firm value.
Keywords: Dividend Policy; Firm Value; *Sustainability Report*

Introduction

The place where investors interact with other parties who need funds to improve operational activities is often known as the capital market (Tandelilin, 2017; 25). In the capital market, high company value tends to be chosen by investors because its sustainability is guaranteed. The value of the company itself is often associated with the stock price, which is one of the comparison variables in performance assessment. Increased performance will represent the value of the company where it has a direct impact on the purchasing power and selling power of shares (Yunan, 2023).

The purpose of investors making capital investments is to make a profit. But nowadays, investors do not only refer to profits, but investors have been oriented towards green investment. Basically, investors decisions in investing refer to the company's commitment to its environmental social activities (Aprianti et al., 2023). The government in this case also supports *green investment* with regulations including PT Law number 47 of 2012 concerning social and environmental responsibility and POJK number 51/POJK.03/2017 concerning the implementation of sustainable finance. Therefore, in order to achieve green investment, companies are required to carry out *sustainability business* (Herawati, 2023).

On the Indonesia Stock Exchange (IDX) there is a stock index that represents environmental performance, governance and social relations called the Sri-Kehati index. The Sri-Kehati index was built through cooperation between the IDX and the Biodiversity Foundation on June 8, 2009 (Handoko, 2021). In recent years, the stock performance of the Sri-Kehati index has tended to fluctuate, increasing by 29,25% compared to the IDX30 dan LQ45 indices (*Google Finance*, 2023). The increase represents that Sri-Kehati index companies get a positive and attractive response in the eyes of the public.

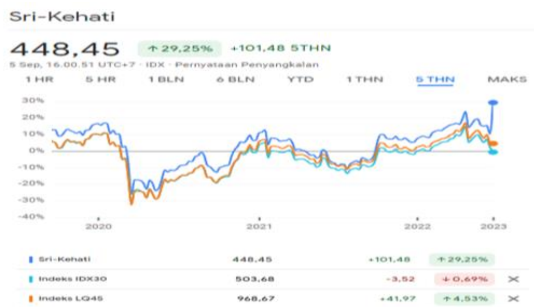

Figure 1. Sri-Kehati Index Stock Performance

Source : *Google Finance* (2023)

Companies in the Sri-Kehati index always routinely report sustainability reports in order to realize accountability and transparency of their sustainability business. Sustainability report itself is a report prepared by the company to disclosure the economic, environmental and social impacts caused by the company's activities (Setyawati, 2022). Even though it has been made mandatory in POJK number 51/POJK.03/2017, in fact in 2021 there are still around 20% or the equivalent of 153 Financial Services Institutions, issues and public companies that have issued and reported sustainability reports from the total listed companies (Malik, 2022). In fact, signaling theory explains that the disclosure of this sustainability report is an effort to signal to investors regarding the sustainability business that the company has carried out (Spence, 1973). This signal will later become a different point of view that is added value to attract investors to invest.

Previous research results Setyawati (2022) and Widyadi & Widiatmoko (2023) show that sustainability report has a positive influence on firm value. However, this seems different from the findings of Pramita *et al.* (2021) and Yunan (2023) which state that sustainability reports have a negative effect in firm value. Based on some of these studies, it can be concluded that there is still a research gap that occurs so that this makes an opportunity for further research.

In the *bird in hand* theory according to Gordon & John (1956) investors will also consider dividend policy in meeting their investment needs. This is because dividends are a representation of the benefits provided by the company to investors based on the number of shares owned. If the company chooses to distribute dividends, this will attract investors to invest their funds compared to companies that do not distribute dividends (Santikah & Syahzuni (2023). Investors like this have the mindset that is better to receive profits now than in the future. Future profits are considered to have unpredictable risks. One of these risks is the decline in the value of dividends in the future. This is supported by research Fajrin (2022), Febiyanti & Anwar (2022) and Rahmawati *et al.* (2022) which states that dividends policy strengthens the relationship to firm value. With dividend policy, investors can predict the company's future profit which, if it is getting better and more sustainable, will increase investor interest in investing so that the company's value will also increase. This supports that dividend policy will strengthen the influence of sustainability reports in firm value.

Literature Review

Signal Theory

Signal theory suggests that the owner of information can provide signals to other parties with the aim that these signals can be utilized in the future (Spence, 1973). According to Brigham & Houston (2011) signal theory is management's idea regarding the company's future development, where this idea will affect potential investor's perceptions of the company. The company will provide information to interested parties regarding its current and future performance and policies to maximize its resources so that the company is guaranteed to continue. This information will be useful for interested parties in making a decision. The relevance of signal theory to this research is that this theory is the basis that companies always want to give positive signals to get added value in the eyes of interested parties. This positive signal is realized with a sustainability report which shows the company's concern for social and environmental issues (Setyawati, 2022). The existence of a sustainability report will add value because the company has realized an attitude of transparency and accountability. Interested parties also have more confidence to invest their funds in the company.

Bird in Hand Theory

The bird in hand theory suggests that investors prefer to hold money in the hand rather than having to postpone it for something uncertain (Gordon & John, 1956). According to Patiku *et al.* (2023) the bird in hand theory states that the amount of dividends will be proportional to the share price and firm value. Investors will be willing to pay a high value to get cash dividends rather than having to wait for investment returns (capital gains) which are not necessarily in line with investor expectations. The existence of the bird in the hand theory makes the basis that with dividend policy, companies can have a great opportunity to be chosen by investors in investing. This is because dividends have little risk compared to capital gains. In addition, companies that pay dividends will be considered to have stable performance and indicate good sustainability (Ramadhanti, 2022). Investor interest in companies that pay dividends will be reflected through an increase or decrease in company value (proxies by stock prices).

Company Value

According to Setyawati (2022) firm value is the way investors view the company which is usually often associated with stock prices. While Venia (2023) argues that company value is a form of company effort in gaining public trust through improved performance from previous years. Indicators of this increase in trust are usually reflected in stock prices in the stock exchange.

Sustainability Report

Success in a business is not only reflected in a management performance and operational performance. Community support and active participation in the environmental and social aspects of a company's operations also contribute to its sustainability. Increased public recognition of the role that the company plays in the environment will result in an impetus for disclosure. This disclosure will later become a benchmark for the community in assessing either the company has carried out transparency in carrying out its business activities.

Setyawati (2022) revealed that the sustainability report is a report prepared by the company to disclose the economic, environmental and social impacts caused by the company's operational activities. Meanwhile, according to Widyadi & Widiatmoko (2023) sustainability report is the disclosure of company performance related to the economy, environment and social. The goal is to get added value in the eyes of investors which in turn can have a profitable impact on the company.

Dividend Policy

According to Dewantari *et al.* (2023) dividend policy is everything that the company considers to making a decision regarding the ratio of profit to be distributed to investors or profit to be reprocessed for smooth operational activities. Meanwhile, Ramadhanti (2022) states that dividend policy is a determination related to how many dividends will be distributed to capital owners. The amount of dividends to be distributed will be a signal for investors to be interested in investing in the company. For this reason, dividend policy is always a big consideration in investing for capital owners.

Hypothesis Development

The Effect of Sustainability Report Disclosure on Company Value

Disclosure of sustainability report signals to investors that the company has done sustainable business (Spence, 1973). The purpose of disclosing sustainability reports is so that investors and the public can assess the extent of transparency and accountability carried out by the company. This form of transparency and accountability will later influence green investment actors in giving reactions to the company. This reaction will then have an impact on the company's value with an indicator of investor interest in investing. Investor interest that will increase makes the stock price rise, where this increase in stock price is a proxy for firm value. High company value will reflect how sustainable the company is in the future. Research that supports this framework is proposed by Setyawati (2022), Annisa *et al.* (2023), and Widyadi & Widiatmoko (2023) which states that sustainability report disclosure has a positive effect on firm value. Based on the framework above, the hypotheses that can be formulated are :

H_1 : Disclosure of sustainability report has a positive effect on firm value

Dividend Policy Strengthens the Effect of Sustainability Report Disclosure on Firm Value

In investing, investors tend to choose companies that pay dividends in cash compared to companies that do not pay them. This is because investors are more interested and do not want to take a big risk on a future that is not necessarily in line with their expectations. According to investors, companies that choose to pay dividends will represent stable performance and indicate good sustainability (Ramadhanti, 2022). The above framework is in line with the bird in hand theory (Gordon & John, 1956). The higher the dividend distributed by the company, the greater the opportunity for the company to be chosen by investors. The amount of this dividend will affect investor's views regarding the sustainable business on the Sri-Kehati index. Based on research Fajrin (2022), Febiyanti & Anwar (2022) and Rahmawati *et al.* (2022) prove that dividend policy strengthens the relationship of a variable to firm value. So based on the framework above, the hypotheses that van be formulated are:

H_2 : Dividend policy strengthens the effect of sustainability report disclosure on firm value.

Research Methods

The type of research applied in this research is quantitative research. The use of secondary data in the form of audited financial statements, sustainability reports of companies included in the Sri-Kehati index 2020-2022 and a list of closing prices on the date of reporting *sustainability report*. The population that becomes the object is companies listed on the Sri-Kehati index in 2020-2022. While the method in withdrawing samples, this study uses a purposive sampling method with the following criteria:

1. Companies listed in the Sri-Kehati index in 2020-2022.
2. Has complete data related to the variables used in this study.

Operational Definition of Variables

Sustainability Report

In this study, the measurement of sustainability report uses GRI Standards 2016 with the help of dummy variables. A score of one (1) will be given if the company discloses the standard criteria and a score of zero (0) if the company does not disclose. This standard was chosen because it is a popular standard with a more flexible format and the patenting of the format will be easier to use as a comparison between sustainability reports (GRI Standards, 2016). The following is the GRI formula according to GRI Standards (2016) :

$$GRI\ Standards = \frac{the\ number\ of\ items\ disclosed\ by\ the\ company}{the\ number\ of\ items\ that\ should\ be\ disclosed}$$

Dividend Policy

The measurement of dividend policy in this study uses the Dividend Payout Ratio (DPR). This ratio was chosen because the DPR is considered to be better in explaining how much profit is distributed to capital owners. The high and low Dividend Payout Ratio indicates whether the company has used its resources well or not. The ratio can also be used by investors to predict the company's ability to distribute dividends consistently. An increasing DPR ratio indicates that the company is healthy and its sustainability is guaranteed. The following is the DPR formula based on Brigham & Houston (2011;212) :

$$DPR = \frac{Dividends\ total}{Net\ profit}$$

Company Value

The measurement of firm value carried out in this study is by using Tobin's Q ratio. This ratio was chosen because Tobin's Q is considered to be better at explaining the overall value of the company compared to PER or PBV. It can also be said that this assessment is not only seen from the financial aspect but from various aspects such as intellectual capital for growth opportunities (Widyadi & Widiatmoko, 2023). The following is the Tobin's Q formula based on Tobin (1967) :

$$Tobin's\ Q = \frac{((oustanding\ shares\ x\ closing\ price) + liabilities\ total)}{assets\ total}$$

Data Analysis

Data analysis conducted in this study is in the form of descriptive data analysis. Then proceed with the classic assumption test which includes normality test, multicollinearity test, heteroscedasticity test, and autocorrelation test. Regression modeling uses multiple linear regression analysis[1] and moderation regression analysis[2]. After that, hypothesis testing is carried out including the F test, t test and the coefficient of determination test. The following is the equation model used:

$Y = \alpha + \beta_1 X_1 + \varepsilon$ ………………………………………….. (1)

$Y = \alpha + \beta_1 X_1 + \beta_2 Z + \beta_3 (X_1 * Z) + \varepsilon$…………………….. (2)

Description:

Y = Company Value (Tobin's Q)

α = Constant

β_{1-3} = Regression Coefficient

X_1 = Sustainability Report (GRI Standards)

Z = Dividend Policy (DPR)

ε = Error

Result and Discussion

This study uses secondary data in the form of audited financial reports, sustainability report and a list of closing prices for sustainability report reporting of companies included in the Sri-Kehati Index in 2020-2022. From the results of purposive sampling conducted, 75 company samples were obtained.

The use of statistical methods in this study aims to interpret the data set by describing or describing the data to make it easier to observe. This observation is interpreted systematically in the form of average (mean), minimum, maximum and standard deviation values which are commonly referred to as descriptive statistical analysis (Sugiyono, 2019;206). The result of descriptive statistics can be observed through the table below.

Table 1. Descriptive Statistic Test Results

Descriptive Statistics					
	N	Minimum	Maximum	Mean	Std. Deviation
GRI	75	.433	.885	.60967	.109227
Tobins'Q	75	.541	7.076	1.45638	1.225919
DPR	75	.000	.997	.32811	.249895
Valid N (listwise)	75				

Source: Data processed, 2023.

This study uses GRI 2016 as a measure of the extent of sustainability report disclosure with 157 disclosure item. Based on Table 1, the average value of GRI disclosure from 75 data is 0,60967. This average shows that companies in the Sri Kehati Index in 2020-2022 disclosed items amounting to 60,9% of the total 157 disclosures. The lowest GRI disclosure value is 0,433 and the highest disclosure is 0,885. The GRI variable indicates that the data has a standard deviation value of 0,109227.

The company value as measured using Tobin's Q has an average value of 1,45638 which indicates that the development of the Sri-Kehati index company value in 2020-2022 is considered quite good. The average Tobin's value equal to or even exceeding 1 indicates that the market has valued the company equal to or exceeding the book value of its assets. Tobin's Q has the lowest value of 0,541 and the highest value of 7,076. The Tobin's Q variable indicates that the data has a standard deviation value of 1,225919.

The measurement of dividend policy in this study is projected by the DPR ratio where the average value is 0,32811. This value shows that companies in the Sri-Kehati index in 2020-2022 on average distribute cash dividends to shareholders as much as 32,8% of total net income. The dividend distribution is still considered quite reasonable because it is at the 30% level where the dividend distributed is not too low and not too high. The lowest DPR ratio of 0,000 means that the company does not pay dividends. While the highest DPR value is 0,997. The DPR variable indicates that the data has a standard deviation value of 0,249895.

Then a classic assumption test is carried out which consist of normality test, multicollinearity test, heteroscedasticity test, and autocorrelation test.

Table 2. Normality Test Results

One-Sample Kolmogorov-Smirnov Test		
	Unstandardized Residual	Description
Asymp. Sig. (2-tailed)	.000[c]	Data is not normal

Source: Data processed, 2023.

Based on the results of the normality test using *kolmogorov-smirnov* the significance result is 0,000 < 0,05. This data can be said to be not normally distributed. For this reason, researchers conducted outliers and produced data after outliers as much as 49 data. In addition, researchers also transformed the data using the residual value method and the SQRT method.

Table 3. Normality Test Results After Outliers and Data Transformation

One-Sample Kolmogorov-Smirnov Test		
	Unstandardized Residual	Description
Asymp. Sig. (2-tailed)	.200[c,d]	Normal data

Source: Data processed, 2023.

Based on the results of the normality test after outliers and data transformation, the significance result is 0,200 > 0,05. The data is said to be normally distributed.

Table 4. Multicollinearity Test Result

Coefficients[a]			
	Tolerance	VIF	Description
SQRT_GRI	.301	3.326	No multicollinearity
SQRT_DPR	.301	3.326	No multicollinearity
a. Dependent Variable: SQRT_TobinsQ			

Source: Data processed, 2023.

Based on the multicollinearity test result, it is found that each variable has a tolerance value > 0,10 and a VIF value < 10,00. It can be concluded that the research data is not indicated by multicollinearity symptoms.

Table 5. Heteroscedasticity Test Result

Coefficients[a]		
	Sig.	Description
SQRT_GRI	.972	No heteroscedasticity
SQRT_DPR	.953	No heteroscedasticity
a. Dependent Variable: ABS_RES		

Source: Data processed, 2023.

Based on the results of the heteroscedasticity test above, it shows that the independent variables and moderating variables have a significance greater than 0,05. This indicates that the data does not occur heteroscedasticity.

Table 6. Autocorrelation Test Results

Model Summary^b	
Durbin-Watson	Description
1.473	Positive Autocorrelation Occurs
a. Predictors: (Constant), SQRT_DPR, SQRT_GRI	
b. Dependent Variable: SQRT_TobinsQ	

Source: Data processed, 2023.

Based on the results of the autocorrelation test, it is known that the Durbin-Watson value is 1,473, while the dL table value with 49 data using one variable is 1,4982. From these observations it can be concluded that the value of d<dL which is indicated as positive autocorrelation. To overcome this correlation, researchers the Durbin Two Step Method test with the natural logarithm (Ln) method.

Table 7. Autocorrelation Test Results with Durbin Two Step Method

Model Summary^b	
Durbin-Watson	Description
1.819	No autocorrelation
a. Predictors: (Constant), LAG_LNDPR, LAG_LNGRI	
b. Dependent Variable: LAG_LNTobinsQ	

Source: Data processed, 2023.

Based on the results of the Durbin Two Step Method test with the natural logarithm method, the Durbin-Watson value is 1,819. The dL and dU table values with 49 data using one variable are 1,4982 and 1,5813. From these observations, it is known that 1,5813 < 1,819 < 2,4187 or dU≤d≤(4-dU) which gives the conclusion that the data does not experience autocorrelation.

Regression Result

The result of multiple linear regression analysis between the independent variable, namely sustainability report disclosure proxies by GRI and the dependent variable, namely firm value proxies by Tobin's Q are as follows:

Table 8. Multiple Linear Regression Analysis

Coefficients[a]						
		Unstandardized Coefficients		Standardized Coefficients		
Model		B	Std. Error	Beta		Sig.
1	(Constant)	.114	.024		4.815	.000
	LAG_LNGRI	-.434	.085	-.549	-5.094	.000
a. Dependent Variable: LAG_LNTobinsQ						

Source: Data processed, 2023.

Based on Table 2. above, the equation can be formulated as follows:

$$Y = 0{,}114 - 0{,}434\, X_1 + \varepsilon$$

The value of an as a constant of 0,114 is a situation where the dependent variable, namely firm value, has not been influenced by the independent variable or the disclosure of sustainability reports. The value of β_1 as the regression coefficient of X_1 of -0,434 indicates a situation where the sustainability report disclosure variable has a negative influence on firm value. This effect means that every one unit increase in the sustainability report disclosure variable will affect the company value (decrease) by -0,434.

Moderation regression analysis is conducted to examine the interaction caused by the moderating variable, namely dividend policy (proxies by the DPR ratio) on the effect of the relationship between the independent variable, namely the disclosure of sustainability reports (proxies by GRI) on the dependent variable, namely firm value (proxies by Tobin's Q). The interaction caused by this moderating variable can later strengthen or weaken the relationship between the independent variable and the dependent.

Table 9. Moderation Regression Analysis

Coefficients[a]						
		Unstandardized Coefficients		Standardize d Coefficients		
Model		B	Std. Error	Beta	t	Sig.
1	(Constant)	.195	.015		13.225	.000
	LAG_LNGRI	-.953	.112	-1.041	-8.541	.000
	LAG_LNDPR	.840	.078	1.857	10.822	.000
	LAG_LNGRIxLAG_LNDPR	.889	.204	.606	4.352	.000
a. Dependent Variable: LAG_LNTobinsQ						

Source: Data processed, 2023.

Based on table 3. above, the equation can be formulated as follows:

$$Y = 0{,}195 - \ 0{,}953X_1 + 0{,}840Z + 0{,}889\ (X_1 * Z) + \varepsilon$$

The value of an as a constant of 0,195 is a situation where the dependent variable, namely firm value has not been influenced by the interaction between the independent variable (disclosure of sustainability reports) and the moderating variable (dividend policy). The value of β_1 as the regression coefficient of X_1 -0,953 indicates a situation where the sustainability report disclosure variable has a negative influence on firm value, which means that every one unit increase in sustainability report disclosure variable will affect firm value (decrease) by -0,953. The value of β_2 as the regression coefficient of Z of 0,840 indicates a situation where the dividend policy variable has a positive influence on firm value, which means that every one unit increase in the dividend policy variable will affect firm value (increase) by 0,840. The value of β_3 as the regression coefficient of the multiplication of X_1 and Z of 0,889 indicates that the interaction between the sustainability report disclosure variable and the dividend policy variable has a positive influence, which means that every one unit increase in each variable (X_1*Z) will affect the company value (increase) by 0,889.

Hypothesis Testing

Table 10. F Test Result

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.726	3	.242	46.159	.000[b]
	Residual	.184	42	.005		
	Total	.910	45			

a. Dependent Variable: LAG_LNTobinsQ
b. Predictors: (Constant), LAG_LNGRIxLAG_LNDPR, LAG_LNGRI, LAG_LNDPR

Source: Data processed, 2023.

Based on the results of the F test, the significance result is 0,000 < 0,05 which means that all independent variables proxies by GRI and moderating variable proxies by DPR together have a significant influence on the dependent variable, namely firm value. This significance value also explains that the regression model is suitable for use in research.

Based on table 11, the significance of 0,000 < 0,05 is obtained, which means that GRI has a significant effect on Tobin's Q. The constant value of 0,114 represents the dependent variable proxies by Tobin's Q is not influenced by any variable. The coefficient value in the first model of -0,434 explain that GRI has a negative relationship to Tobin's Q. at the same time, the hypothesis regarding sustainability report disclosure has a positive influence on firm value **is rejected** because the hypothesis has a different direction.

Table 11. Mode 1 t Test Result

Coefficients[a]						
		Unstandardized Coefficients		Standardized Coefficients		
Model		B	Std. Error	Beta	t	Sig.
1	(Constant)	.114	.024		4.815	.000
	LAG_LNGRI	-.434	.085	-.549	-5.094	.000
a. Dependent Variable: LAG_LNTobinsQ						

Source: Data processed, 2023.

Table 12. Model 2 t Test Result

Coefficients[a]						
		Unstandardized Coefficients		Standardize d Coefficients		
Model		B	Std. Error	Beta	t	Sig.
1	(Constant)	.195	.015		13.225	.000
	LAG_LNGRI	-.953	.112	-1.041	-8.541	.000
	LAG_LNDPR	.840	.078	1.857	10.822	.000
	LAG_LNGRIxLAG_LNDPR	.889	.204	.606	4.352	.000
a. Dependent Variable: LAG_LNTobinsQ						

Source: Data processed, 2023.

Based on table 12, the significance of 0,000 < 0,05 is obtained from the three variables which means that GRI, DPR and the interaction between GRI and DPR have a significant influence on Tobin's Q. The constant value of 0,195 reflects the state where the Tobin's Q variable is not affected by other variables. The coefficient value of the interaction of GRI and DPR of 0,889 indicates that the interaction of the two variables on Tobin's Q has a positive effect. Along with this, it can be concluded that the hypothesis regarding dividend policy can strengthen the effect of sustainability report disclosure on firm value can be accepted.

Table 13. Model 1 Determination Coefficient Test Results

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.549[a]	.302	.290	.16313
a. Predictors: (Constant), LAG_LNGRI				

Source: Data processed, 2023.

Based on table 13, the R Square value is 0,302 or 30,2%. This value represents that the disclosure of sustainability report affects the firm value variable by 30,2%. While the remaining 69,8% is influenced by other independent variables not examined in this study.

Table 14. Model 2 Determination Coefficient Test Results

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.893[a]	.798	.781	.07243

a. Predictors: (Constant), LAG_LNGRIxLAG_LNDPR, LAG_LNGRI, LAG_LNDPR

Source: Data processed, 2023.

In table 14, the R Square value is 0,798 or 79,8%. This value provides a conclusion that the sustainability report disclosure variable that has been interacted with the dividend policy variable can affect the firm value variable by 79,8%.

Discussion

The Effect of Sustainability Report Disclosure on Company Value

Based on the test results that have been carried out, it shows that there is a significant negative influence between the disclosure of sustainability reports on firm value. The higher the disclosure of sustainability report, the lower the company value (and vice versa). The results of this study are in line with research conducted by Pramita et al. (2021), Berliana & Mayangsari (2023), Yunan (2023) which states that disclosure of sustainability reports has a negative effect on firm value.

Based on this research, signal theory does not show harmony with the research variables. Signaling theory itself reveals that with the disclosure of sustainability reports, investors will provide added value and be more interested in investing. But in reality, investors tend to be ignorant and do not respond to the disclosure of sustainability reports. This is possible because investors have not seen the implementation of sustainability business as something that is profitable or makes a difference when they make green investments. In addition, it is also possible that the focus of investors is not on the disclosure of sustainability reports. This is reflected in the test result which show R Square of only 30,2%. In Indonesia itself, investors are still profit-oriented and have not considered the disclosure of sustainability reports (Jeanice & Kim, 2023). This causes the disclosure of sustainability reports not to be the main focus making investment decisions. Not to mention the impact of covid in the observation year also weakened economic conditions in various parts of the world. This economic downturn has an impact on investor behavior where investors tend to save money rather than invest (Sari & Rahman, 2021). Even when investing, investors are very concerned about the benefits that will be obtained. This is what causes the disclosure of sustainability reports to be viewed not positively but negatively.

Dividend Policy Moderates the Effect of Sustainability Report Disclosure on Firm Value

Hypothesis testing that has been done, shows that dividend policy can strengthen the influence of sustainability report disclosure on firm value. The existence of a dividend policy will increase the negative effect of sustainability reports on firm value (and vice versa). The results of this study are in line with research conducted by Fajrin (2022), Febiyanti & Anwar (2022), and Rahmawati *et al*. (2022) which states that dividend policy can strengthen the influence of a variable's relationship to firm value..

Through testing, researchers can conclude that the variables used cannot prove the truth of the bird in hand theory. The bird in hand theory suggests that investors want high returns without risk, where these returns are obtained through the receipt of dividends (Gordon & John, 1956). Companies that pay dividends will potentially be chosen by investors in capital investment. However, based on research, in the presence of dividends, investors are less likely to favor sustainability report disclosure. This is possible because in investing, investors are not oriented towards dividend distribution. Investors may assume that in the presence of dividends, the company does not maximize its resources to reap maximum profits. The use of resources that are not maximized will affect business sustainability (Empower, 2023). This is shown through the amount of interaction between dividends and sustainability report disclosure which is at 79,8% which proves that the dislike of sustainability report disclosure is increasing. In addition, it is also possible that Indonesian investors in the observation year prefer other benefits in the form of stock returns (capital gains). This can happen because in the observation year there was a covid impact which resulted in investor behavior tending to be passive (Sari & Rahman, 2021). The weakening of the economy due to covid makes investors prefer to save rather than invest their funds. Investment decisions are also more inclined to the benefits generated by stock returns (capital gains). This is because stock returns can be distributed at any time which makes stock returns more attractive than dividends (MNC Sekuritas, 2023). So that the interaction of sustainability report disclosure and dividends which are not the main focus of investors in investing strengthens the negative relationship between sustainability report disclosure and firm value.

Conclusion

The research that has been carried out aims to analyze the effect of sustainability report disclosure on firm value and to analyze the role of dividend policy in strengthening the relationship between sustainability report disclosure and firm value. Based on the test results, it is found that sustainability report disclosure has a negative and significant effect on firm value. This reflects that the higher the sustainability report disclosure, the lower the firm value (and vice versa). In addition, it is also found that dividend policy succeeds in moderating, especially strengthening the negative effect of sustainability report disclosure on firm value. This indicates that if the company discloses a sustainability report and decides to distribute dividends, the negative relationship caused by the sustainability report on firm value will be stronger.

The findings of this study reveal a significant negative impact of sustainability report disclosures on firm value, indicating that increased transparency in sustainability reporting may actually diminish investors' perceptions of a company's value. This phenomenon can be attributed to several factors. First, sustainability disclosures often involve substantial costs for implementing environmental, social, and governance (ESG) initiatives, which investors might perceive as reducing short-term profitability. Investors may be concerned that funds allocated to sustainability efforts do not provide immediate returns or might decrease the profit margins available for dividend distribution. Second, sustainability disclosures can reveal potential risks previously unknown to the market, such as environmental or social risks, which could lower expectations for the company's future prospects.

The implications of these findings are significant for managers and decision-makers within companies. Sustainability disclosures must be carefully managed to ensure that sustainability initiatives are not merely for compliance or image-building but also support long-term business strategies that are beneficial. Companies should develop effective communication strategies to articulate the long-term benefits of sustainability practices to investors. Moreover, the findings suggest that dividend policy plays a crucial role as a moderator. Companies that disclose sustainability reports and decide to distribute dividends should exercise caution, as this combination can amplify negative perceptions among investors. Therefore, management needs to balance investments in sustainability with returns to shareholders to minimize the negative impact on firm value.

This study has limitations that may affect the research results, including: some companies have implemented the 2021 GRI Standards, the stock price timeline uses the date of the board of director's report on the sustainability report and the last reporting date based on POJK No 51 of 2017, and the amount of dividends used is when the company pays dividends. Researchers suggest that future researchers can use the last GRI Standards, use the date of integrated reporting (if any), use other moderating variables and conduct specific tests on a sample of companies that pay dividends during the observation period.

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