DOES VOLUNTARY ADOPTION OF INTEGRATED REPORTING AFFECT FIRM VALUE?

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ABSTRACT

This study aims to examine the effect of voluntary integrated reporting adoption on firm value with ESG performance as a moderating variable. This study uses the last 5 years of data between 2018-2022 on 83 companies listed on the Indonesia Stock Exchange with a total of 299 firm-years. Researchers used the weighted least squares (WLS) method to test the research hypothesis. The result of this study is that integrated reporting has a significant positive effect on firm value. The results also show that ESG performance has a positive effect on firm value. In addition, the results prove that ESG performance as a moderating variable can strengthen the relationship between integrated reporting and firm value. This research contributes to developing previous research that is still contradictory by using the latest data and conducted in a wider sector. In addition, this study will add ESG performance as a moderating factor for integrated reporting on firm value.

Keywords: ESG Performance, Firm Value, Integrated Reporting

INTRODUCTION

Every company is required to make financial reports, especially for public companies because the reports will be published on the stock exchange and used by users such as investors. Since the last global financial crisis in 2008/2009, classic financial reporting has been heavily criticized by shareholders and other stakeholder groups (International Integrated Reporting Council, 2020; Velte, 2022). Therefore, to respond to this problem, the International Integrated Reporting Council was established in 2010, previously called the International Integrated Reporting Committee (IIRC) and a reporting process called integrated reporting was developed in December 2013 (Deloitte, 2023). To date, the concept of integrated reporting has been implemented by over 2,500 companies in more than 70 countries, including in leading countries such as the UK, Australia, Malaysia and the Netherlands (International Integrated Reporting Council, 2020).

Integrated reporting is a process that leads to communication by a company about value creation over time, especially in the form of integrated reporting on a regular basis (International Integrated Reporting Council, 2013). Integrated reporting will be a concise communication that explains the organization's strategy, governance, performance, and prospects. In other words, this report summarizes how the organization creates value in the short, medium, and long term by presenting each topic in the context of the organization's external environment (International Financial Reporting Standards, 2023). Integrated reporting focuses not only on financial, environmental, and social value, but also intangible value, such as intellectual capital and human capital, and tangible value, such as manufactured capital and the increasing need to address the global infrastructure gap (International Integrated Reporting Council & Kirchhoff Consult AG, 2020) so that the integrated report can also be referred to as "One Report" where the company does not only make separate reports for financial and non-financial results, but the company can integrate both into one integrated report (Eccles & Krzus, 2010).

Studies show that integrated reporting has a positive impact on external and internal parties. Integrated reporting can reduce information asymmetry between company insiders and external capital suppliers (García-Sánchez & Noguera-Gámez, 2017; Nurkumalasari et al., 2019; Odriozola & Baraibar-Diez, 2017) and integrated reporting can provide useful information for the capital market (Zhou et al., 2017). In addition, with the implementation of integrated reporting, companies began to disclose their strategic goals transparently (KPMG Azsa & Company, 2021; Sukhari & De Villiers, 2019) so that integrated reports can be used as a tool to demonstrate corporate transparency and accountability (Manes-Rossi et al., 2021) and can help management to make decisions with higher sustainability values (Esch et al., 2019) and produce more balanced sustainability disclosures (Montecalvo et al., 2018). Thus, it can be seen that integrated reporting has an important role in building image and providing value to a company.

Although integrated reporting has a positive impact, the implementation of integrated reporting is still voluntary (Carmo et al., 2023), including in countries that are members of the G20, except in South Africa where companies listed on the Johannesburg Securities Exchange (JSE) have been required since March 2010 (Baboukardos & Rimmel, 2016; De Villiers et al., 2014; International Financial Reporting Standards, 2013). Whereas the International Federation of Accountants (IFAC) has encouraged all G20 countries to make integrated reporting (International Federation of Accountants, 2017). Lee & Yeo (2016) conducted a study in South African listed companies that have been required to implement integrated reporting and the study showed that integrated reporting is positively associated with firm valuation. The results of the study on average show that integrated reporting provides benefits that exceed the costs incurred to make the integrated report. Cosma et al. (2018) in their research on listed companies in South Africa shows that the market values high-quality integrated reporting in all industries. Another study by Moloi & Iredele (2020) which was also conducted on listed companies in South Africa found that the quality of integrated reporting makes a significant difference to firm value where this shows the quality of integrated reporting provides a value adding effect.

Similar results were shown for other G20 countries that adopted integrated reporting voluntarily. Sokil et al. (2020) conducted research in German and Ukrainian companies. They found that integrated reporting is positively associated with firm value consistently across all company sizes. Likewise, in Indian companies listed on the stock exchange, integrated reporting has a significant impact on firm value (Gupta & Bhalla, 2022). Moreover, in Portugal the implementation of integrated reporting has a positive impact on the company's image and equity market even though integrated reporting involves costs. However, integrated reporting will only be done if the expected benefits exceed the costs (Carmo et al., 2023). Abogazia et al. (2022); Akpan et al. (2022); El-Deeb (2019) also found the same results that integrated reporting disclosure has a positive impact on firm value so that integrated reporting will improve the performance and value of companies in the stock market.

However, research from Nurkumalasari et al. (2019) conducted in the Asian region on non-financial public companies shows different results regarding this integrated reporting. The results showed that integrated reporting does not affect firm value. Disclosure of integrated reporting in the Asian region has not been able to become the right signal to reduce information asymmetry between stakeholders and companies and integrated reporting has not affected the increase in firm value. Other research conducted by Cooray et al. (2020); Wahl et al. (2020) also show that the adoption of voluntary integrated reporting has no significant impact on firm value. This means that there are still inconsistencies in research results related to the adoption of integrated reporting.

Integrated reporting discloses many aspects, one of which is environmental, social, and governance (ESG) performance, although in some companies this disclosure is reported separately (Landau et al., 2020). Fatemi et al. (2018) found that ESG performance disclosure can increase firm value. According to them, ESG disclosures play an important moderating role because these disclosures can mitigate the negative impact of corporate weaknesses. With this ESG disclosure, the company can convince investors that the company has committed to developing their operations. Yoon et al. (2018) also

conducted research on the effect of ESG performance on firm value. They analyzed Corporate Social Responsibility (CSR) using ESG score to evaluate CSR performance. Their results show that CSR performance has a positive effect on firm value in the market. Other research from Ademi & Klungseth (2022); Aydoğmuş et al. (2022); Chang & Lee (2022); Cheng et al. (2023); Wu et al. (2022) also show that ESG performance has a positive effect on firm value so that it can be said firm value is strengthened by the ESG performance of the company.

This research will contribute to previous research. First, this study will fill the research gap whose results are still contradictory by conducting research on companies listed on the Indonesia Stock Exchange. Indonesia is a member of the G20, but compared to G20 countries that have implemented integrated reporting, the implementation of integrated reporting in Indonesia is still limited (IAPI, 2021) and not yet required (Setiawan, 2016). Research on the adoption of integrated reporting in Indonesia has previously been conducted by several researchers: Komar et al. (2020); Kurniawati (2018); Utomo & Hapsari (2022). However, the study used data from previous years so that research development is needed using the latest data and carried out in a wider sector. Second, this study will complement previous research results related to the effect of integrated reporting adoption on firm value where this study will add ESG performance as a moderating factor for integrated reporting on firm value (Srivastava & Anand, 2023; Yu et al., 2018; Wong et al., 2020). Finally, this study provides informative conclusions and recommendations to investors and companies so that they are aware of the role of integrated reporting adoption in contributing to firm value.

The systematics of this research is organized as follows: Section 2 describes the literature review and hypothesis development. Section 3 describes the methods used in the research. Section 4 presents the results and discussion. In the last section, the researcher writes conclusions and recommendations for further research.

LITERATURE REVIEW

Signaling Theory

Signaling theory is a conceptual framework that involves two main roles, namely as a signaler and receiver. In a business context, signalers are companies or individuals that send information to receivers, which in this case are investors or other stakeholders (Ching & Gerab, 2017). The signaler uses information to create signals or clues to the receiver. The signal reflects the condition of the company and is designed to paint a favorable picture for potential investors (Richardson et al., 2015). The understanding of this theory emphasizes that the information conveyed by companies is not only limited to financial statements, but also includes non-financial aspects that can increase positive perceptions of the company.

Based on previous research, it is found that signaling theory is widely used to explain the proliferation of non-financial reporting over the past 20 years (Zijl et al., 2017). This theory explains the relationship between ESG and IR by suggesting that companies use these signals to communicate their sustainability practices and performance to stakeholders (Rezaee, 2017). In another study, it was found that companies voluntarily publish sustainability reports as a medium to show how their values, goals, and results address social, environmental, and ethical issues (Torelli et al., 2020). Therefore, companies that use IR to communicate ESG performance will signal to stakeholders that the company is committed to sustainability, able to manage non-financial risks and opportunities effectively.

Legitimacy Theory

Legitimacy theory plays an important role in explaining how companies interact with stakeholders and the general public. In this context, legitimacy refers to the positive perception of society that companies operate in accordance with the norms, values and expectations recognized by society (Rochayatun & Kholifah, 2021). Legitimacy theory provides a strong mechanism to understand voluntary social and

environmental reporting made by companies (Lokuwaduge & Heenetigala, 2017). This theory assumes that companies actively seek to maintain or improve their legitimacy, as this is essential to maintain the support of society and stakeholders who support the survival and growth of the company (Kuruppu et al., 2019). When applied in the context of integrated reporting (IR), legitimacy theory describes the use of IR as a symbolic strategy by a company's top management. The symbolic use of IR is linked to greenwashing behavior, a practice in which companies present overly positive information about their environmental practices, without reflecting actual practices (Velte, 2022).

Stakeholder Theory

Stakeholder theory is an important foundation in understanding the dynamics of modern business. It emphasizes that companies are not only accountable to shareholders, but also to various stakeholder groups that are affected by the company's operations and decisions (Freeman, 1994). This theory includes employees, customers, suppliers, local communities, environmental groups, and governments. Understanding and satisfying the needs of all these parties is key to building sustainable relationships and ensuring the long-term sustainability of the company (Pratama & Deviyanti, 2022). According to McAbee (2022), in the context of project management, this theory involves all parties. By understanding the needs and interests of stakeholders, management can make wiser decisions and reduce the risk of conflict and rejection (Velte, 2022). This theory provides the basis for a holistic and sustainable approach to companies and allows companies to consider the interests of all relevant parties to be more successful and have a positive impact on the surrounding community and environment.

Effective IR procedures require an appropriate governance system that reflects the interests of stakeholders. This theory states that IR can be used to increase stakeholder engagement, improve transparency, and enhance corporate legitimacy (Hoque, 2017). Stakeholders theory is related to firm value and ESG. Companies that consider the interests of stakeholders, including ESG practices, are considered more legitimate and trustworthy, so that they can improve their reputation and relationships with stakeholders, which in turn will increase firm value (Kong et al., 2023; Srivastava & Anad, 2023).

Integrated Reporting

Integrated reporting is a reporting approach that includes information on both financial and non-financial company performance (Kumar & Vincent, 2020). Key features of IR include strategic focus, which provides a comprehensive overview of long-term strategy and its relationship to sustainability goals (Girella et al., 2019). IR is also future-oriented, considering the impact of current decisions on the company's future. It also emphasizes responsiveness to stakeholders, taking into account the needs of investors, employees, customers and communities (Lakshan et al., 2021; García-Sánchez et al., 2020). In addition, IR involves reporting on governance and remuneration, reflecting the management of the company and how this supports long-term goals. Research shows that IR adoption can increase firm value and reduce reputational risk (Hoque, 2017). Factors such as board composition, stakeholder pressure, and non-financial performance influence IR adoption and quality (Suttipun, 2017).

Firm Value

Firm value reflects the market's overall evaluation of the value of a company (Dunakhir, 2023). The concept involves many factors, including the company's past and current performance, as well as market expectations regarding the company's future prospects. A good enterprise value not only takes into account common equity but also describes all claims held by creditors and shareholders, including short-term and long-term debt, preferred stock, common stock, as well as cash or cash equivalents on the company's balance sheet. Firm value reflects the actual performance of the firm. Factors such as corporate governance and financial performance significantly affect firm value (Resti et al., 2019; Tarigan et al., 2019). Firm value also reflects market expectations of the company's future prospects. If the market has high confidence in the company's ability to generate sustainable profits, the company value tends to increase (Fernando, 2023).

ESG Performance

ESG performance refers to a company's environmental, social and governance performance. ESG performance is an investment concept and corporate evaluation standard that focuses on environmental, social and governance issues (Shen, 2023). ESG performance is an innovative method of evaluating corporate activities and is linked to IR and corporate value (Kumar, 2023). Companies with a high ESG score are more attractive to investors because they believe that the company is sufficiently protected from future risks posed by the company itself such as pollution or poor corporate governance. Integrating ESG performance into integrated reporting can help build stronger stakeholder trust, improve decision-making, and provide more comprehensive assurance. ESG performance is measured using ESG scores that are used to evaluate a company's activities in the areas of environmental, social, and governance factors. ESG scores are an important tool for investors and stakeholders to assess a company's sustainability and responsible business practices (Halid et al., 2023). Refinitiv is an ESG score provider that measures companies' ESG performance based on reported and verifiable data in the public domain with data dating back to 2002. Refinitiv ESG Scores are derived from publicly available third-party sources and formulated based on Refinitiv's transparent and objectively applied methodology. The scores are designed to transparently and objectively measure companies' ESG performance, commitment and effectiveness across 10 key topics and 3 pillars with over 600 criteria based on publicly reported data. The underlying measures are based on considerations around comparability, impact, data availability, and industry relevance that vary by industry (Refinitiv, 2022).

Integrated Reporting and Firm Value

Integrated Reporting (IR) is an innovative approach to business reporting that includes material information about the various forms of capital owned by the company, including natural capital, production capital, intellectual capital, human, social, and relationship capital, and financial capital (Velte, 2022). IR aims to provide a more holistic and integrated picture of the company's performance and value, beyond the purely financial aspects. According to Research by Islam (2021), the adoption of IR has a significant positive impact on firm value. The integrated approach within the organization that emerges through IR encourages integrated thinking across the company, enables better management of the company's financial resources, and strengthens resource allocation. Disclosure through IR is also positively associated with a company's operational, financial, and market growth performance, which can be measured through metrics such as Return on Asset (ROA), Return on Equity (ROE), and the ratio of market value to book value. In addition, IR adoption and quality have a positive relationship with firm value, suggesting that companies that implement IR well tend to have a higher market value (Islam, 2021; Velte, 2022). Good board composition and pressure from stakeholders who pay attention to non-financial aspects also contribute positively to the quality of integrated reporting (Chouaibi et al., 2022; Fayad et al., 2022). Signaling theory suggests that companies use IR to demonstrate their commitment to transparency and accountability, which can enhance their reputation and attract more investors. This is reinforced by a study in Egypt which found that the implementation of IR in the company will improve the performance and value of the company in the stock exchange market (El-Deeb, 2019). When linked to stakeholder theory, companies have a responsibility to consider the interests of all stakeholders, not just shareholders. Studies in India found a significant positive relationship between IR quality and firm value (Makri & Kabra, 2023). This hypothesis is also in line with legitimacy theory where companies use IR to legitimize their operations and demonstrate their compliance with social and environmental standards. A study in Taiwan found that companies with higher levels of environmental and social disclosure in their IR have higher firm value (Grassmann, 2021).

H1: Integrated reporting has a positive effect on firm value

ESG Performance and Firm Value

A literature review shows that there is a positive relationship between ESG performance and firm value. Companies that perform well in ESG factors are considered more legitimate and trustworthy, so they can improve their reputation and relationships with stakeholders, thus leading to an increase in firm value (Zumente & Bistrova, 2021). Companies with superior ESG performance have better financial

performance and market value compared to their industry ESG performance has a positive impact on firm value (Ademi & Klungseth, 2022). Stakeholders and fund managers believe that companies with high ESG scores will generate better operational performance, higher returns, and lower corporate risk (Aydoğmuş et al., 2022; Halid et al., 2023). In line with signaling theory, scholars point to a positive relationship between ESG performance and firm value (Wu et al., 2022). A study in China found that ESG performance has a positive and highly significant relationship with firm value and profitability (Aydoğmuş et al., 2022).
H2: ESG performance has a positive effect on firm value

The Moderating Effect of ESG Performance
Based on a review of journal literature, the moderating effect of ESG performance with integrated reporting as the independent variable and firm value as the dependent variable is positive. ESG performance has a greater impact on firm value with higher executive ownership compared to companies with lower executive ownership (Wu et al., 2022). Companies that perform well in ESG are considered more legitimate and trustworthy, which can improve reputation and relationships with stakeholders (Meng et al., 2023). Companies that integrate ESG performance into IR can help build stronger stakeholder trust, improve decision-making, and provide more comprehensive stakeholder assurance, leading to increased firm value (Jin & Lei, 2023). A study found that ESG performance has a positive relationship with firm value, supporting stakeholder theory. The study also found that ownership concentration moderates the relationship between ESG performance and firm value, suggesting that the positive influence of ESG performance on firm value is stronger in firms with higher ownership concentration (Srivastava & Anand, 2023).
H3: ESG performance moderates the effect of integrated reporting on firm value

METHODOLOGY

Model of Analysis
The analysis model in this study uses quantitative data with integrated reporting as the independent variable, firm value as the dependent variable, and ESG performance as the moderating variable. This study uses control variables that can affect firm value (TOBINSQ); firm size, firm leverage, and firm growth. Firm size is a variable that significantly and positively affects firm value (Lumapow & Tumiwa, 2017) because large companies are able to reduce costs and increase firm value (Dang & Do, 2021). Firm leverage can also have a significant effect on firm value (Jihadi et al., 2021). Maryana & Carolina (2021) found that firm size and firm leverage can significantly affect corporate disclosure. Firm growth shows the extent to which the company has increased its sales each year. Firm growth has a positive and significant effect on firm value (Shuaibu et al., 2019).

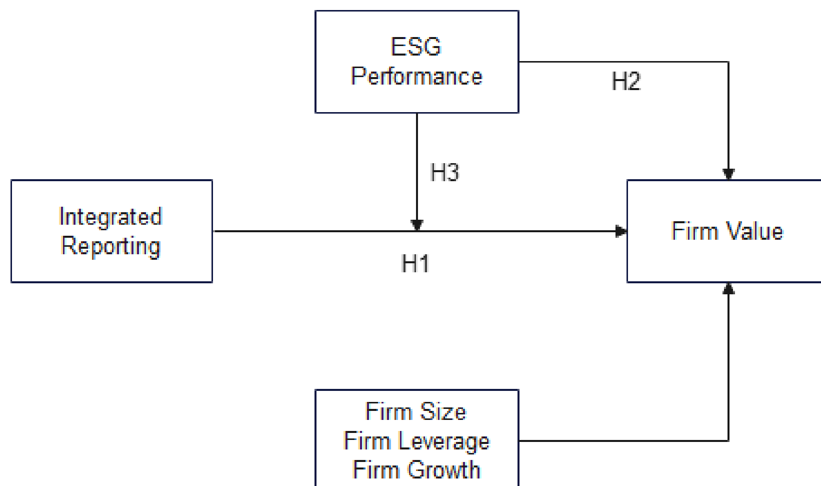

Figure 1. Model of Analysis

The analysis model of this study used in hypothesis testing is stated as follows:

$$TOBINSQ_{i,t-1}=\beta_0+\beta_1 DUMIR_{i,t-1}+\beta_2 ESGSCORE_{i,t-1}+\beta_3 DUMIR_{i,t-1}*ESGSCORE_{i,t-1}+\beta_4 FSIZE_{i,t-1}+\beta_5 LEV_{i,t-1}+\beta_6 GROWTH_{i,t-1}+\varepsilon_{i,t} \quad (1)$$

Description:
$TOBINSQ_{i,t-1}$ = Firm value i at year t-1
$\beta_0\beta_1\beta_2\beta_3\beta_4\beta_5\beta_6$ = Regression coefficient
$DUMIR_{i,t-1}$ = Dummy variable of integrated reporting of company i at year t-1
$ESGSCORE_{i,t-1}$ = ESG Performance of company i at year t-1
$FSIZE_{i,t-1}$ = Control variable of firm size
$LEV_{i,t-1}$ = Control variable of firm leverage
$GROWTH_{i,t-1}$ = Control variable of firm growth
$\varepsilon_{i,t}$ = error term

Variable's Operationalization

Dependent variable

Following the research of Abogazia et al. (2022); Aydoğmuş et al. (2022); Lee & Yeo (2016) firm value will be measured using Tobin's Q. Tobin's Q is calculated by the market value of equity plus total debt divided by the book value of equity plus total debt.

$$TOBINSQ_{i,t} = \frac{MVEi,t + DEBTi,t}{BVEi,t + DEBTi,t} \quad (2)$$

where subscripts i and t denote company i and year t.

Independent variables

This study uses integrated reporting as a dummy variable. Researchers distinguish the category of integrated reporting adoption where number 1 is for companies that implement integrated reporting and number 0 is for companies that do not implement integrated reporting.

Moderating variables

This study uses ESG performance as a moderating variable. To measure ESG performance, researchers use data from Refinitiv to obtain ESG score. Several studies have been conducted using ESG score from Refinitiv to measure ESG performance (Aydoğmuş et al., 2022; Almaqtari et al., 2022; Giannopoulos et al., 2022). Table 1 provides a description of the Refinitiv ESG Score Range (Refinitiv, 2022).

Table 1. ESG Score Range

Score Range	Description
0 to 25	Scores within this range imply poor relative ESG performance and insufficient degree of transparency in public reporting of material ESG data.
> 25 to 50	Scores within this range imply satisfactory relative ESG performance and moderate degree of transparency in public reporting of material ESG data.
> 50 to 75	Scores within this range imply good relative ESG performance and above average degree of transparency in public reporting of material ESG data.
> 75 to 100	Score within this range imply excellent relative ESG performance and high degree of transparency in public reporting of material ESG data.

Control variables

1. Firm size (FSIZE) is calculated by the natural logarithm of the company's total assets (AlHares, 2020; Juniarti et al., 2023; Velte, 2017).
2. Company growth (GROWTH) is the potential increase of the company in the future. Company growth is obtained by calculating the ratio of current year's sales minus previous year's sales, then divided by previous year's sales (AlHares, 2020; Juniarti et al., 2023; Wahl et al., 2020).
3. Firm leverage (LEV) is calculated with total debt divided by total assets (AlHares, 2020; Ruan & Liu, 2021).

Research Sample

This study uses a sample of public companies listed on the Indonesia Stock Exchange. Researchers used purposive sampling method to select research samples. Samples were taken based on the following criteria: (1) The company must have an ESG score between 2018-2022 depending on data availability because ESG implementation in Indonesia is still limited (Lubis & Rokhim, 2021). (2) In addition, companies must have annual reports that can be accessed on the Indonesia Stock Exchange or the company's official website between 2018-2022. The final sample for this study obtained 83 companies with a total of 299 firm-years from 2018-2022. The number of companies in each year is shown below.

Table 2. Sample from Each Year

Year	Number of Companies
2018	42
2019	46
2020	50
2021	78
2022	83
Total	299

Table 3. Samples based on the company sector

No	Sectors	Total	Percentage
1	Communication Services	11	13.25%
2	Consumer Discretionary	3	3.61%
3	Consumer Staples	11	13.25%
4	Energy	8	9.64%
5	Financials	24	28.92%
6	Health Care	1	1.21%
7	Industrials	6	7.23%
8	Information Technology	2	2.41%
9	Materials	10	12.05%
10	Real Estate	5	6.02%
11	Utilities	2	2.41%
	Total	83	100%

Data Analysis Technique

The data obtained is processed using GRETL software. This study uses panel data type because the research data is a combination of cross section and time series data. The panel data regression test used in this study is the weighted least squares (WLS) method. WLS can be used to maximize the efficiency of parameter estimation by reweighting the data so that all observations provide the same level of information for regression parameter estimation. WLS is useful for overcoming heteroscedasticity problems that exist in research data because the WLS model uses weights that are inversely proportional to the variance of each variable to produce the most appropriate coefficient estimates. Some researchers have used the WLS method in their research (Ademi & Klungseth, 2022; Chelawat & Trivedi, 2016; Zhao et al., 2018).

ANALYSIS AND DISCUSSIONS

Analysis

Descriptive Statistics

Table 4 shows descriptive analysis for companies that adopt integrated reporting and companies that do not adopt integrated reporting, while table 5 shows descriptive analysis of the entire sample. Based on table 4, the TOBINSQ variable in companies that adopt integrated reporting has an average of 2.191. Meanwhile, companies that do not adopt integrated reporting have a lower average TOBINSQ value of 1.618, but still above 1. In the entire sample, the TOBINSQ variable has an average value of 2.105. This means that the company has a higher market value than its asset value where the TOBINSQ value above 1 indicates that the company has a strong market performance. ESGSCORE has an average value above 50, namely 51.132 in companies that adopt integrated reporting and 50.040 in the overall sample, which means that overall the company has good ESG performance and above-average disclosure transparency, while companies that do not adopt integrated reporting have an average ESGSCORE value of 43.874, which means that overall the company has relatively satisfactory ESG performance and moderate disclosure transparency. FSIZE both in companies that adopt integrated reporting or not and the entire sample has a value far above 1, namely 31.513, 30.664, and 31.385 respectively. This means that the total assets owned and borrowed by the company are quite large. LEV has an average value of less than 1, namely 0.547 in companies that adopt integrated reporting, 0.470 in companies that do not adopt integrated reporting, 0.536 in the entire sample, which means that the company has more assets than liabilities. GROWTH has an average of 0.089 in companies that adopt integrated reporting, 0.054 in companies that do not adopt integrated reporting, 0.084 in the whole sample, which means that the company's growth is on average 8.9%, 5.4%, and 8.4%, respectively.

Table 4. Descriptive Statistic of Integrated Reporting Adopters and Non Adopters

Variable	IR Adopters (N=254)				Non IR Adopters (N=45)			
	Minimum	Maximum	Mean	Std. dev	Minimum	Maximum	Mean	Std. dev
TOBINSQ	0.318	26.578	2.191	2.925	0.737	5.120	1.618	1.030
ESGSCORE	10.201	88.092	51.132	19.126	13.626	85.113	43.874	20.517
FSIZE	27.589	35.084	31.513	1.492	26.124	32.999	30.664	1.497
LEV	0.040	0.961	0.547	0.232	0.126	1.467	0.470	0.241
GROWTH	-0.694	1.406	0.089	0.269	-0.368	0.451	0.054	0.144

Table 5. Descriptive Statistic of Full Sample

Variable	Full Sample (N=299)			
	Minimum	Maximum	Mean	Std. dev
TOBINSQ	0.318	26.578	2.105	2.731
ESGSCORE	10.201	88.092	50.040	19.480
FSIZE	26.124	35.084	31.385	1.521
LEV	0.040	1.467	0.536	0.235
GROWTH	-0.694	1.406	0.084	0.254

Equations

Table 6 shows the results of heteroscedasticity test. The test used is white's test. The null hypothesis states that heteroscedasticity is not present. The test results show a significant p-value of 0.000417 so that the null hypothesis is rejected. This means that the research data contains heteroskedasticity. To overcome the heteroskedasticity problem, this study uses the weighted least squares (WLS) method.

Table 7 shows the results of hypothesis testing using the WLS method. Model 1 shows the hypothesis testing result of the effect of variables; integrated reporting (DUMIR) on firm value measured using TOBINSQ without seeing the moderating effect of ESG performance (ESGSCORE) and the effect of ESGSCORE on firm value (TOBINSQ). Meanwhile, model 2 shows the results of hypothesis testing of

the moderating effect of ESG performance (ESGSCORE) on the relationship between integrated reporting (DUMIR) and firm value (TOBINSQ).

Table 6. Heteroscedasticity test

Test Summary	Chi-square statistic	p-value
White's test	52.5890	0.0004

Table 7. Hypothesis Test Result

Variable	Model 1 (Hypothesis 1 & Hypothesis 2)				
	Coefficient	Std. error	t-ratio	p-value	
Const	9.1706	0.9427	9.7280	0.0000	***
DUMIR	0.4964	0.0929	5.3420	0.0000	***
ESGSCORE	0.0138	0.0023	5.8130	0.0000	***
FSIZE	-0.2484	0.0340	-7.2900	0.0000	***
LEV	-1.3572	0.1773	-7.6510	0.0000	***
GROWTH	0.1504	0.1140	1.3180	0.1884	
	R-Squared			0.4507	
	Adj. R-Squared			0.4414	
	F-Stat			48.0965	
	Sig			0.0000	
Variable	Model 2 (Hypothesis 3)				
	Coefficient	Std. error	t-ratio	p-value	
Const	9.0915	1.0579	8.5930	0.0000	***
DUMIR	0.0135	0.2322	0.0584	0.9535	
ESGSCORE	0.0019	0.0049	0.3981	0.6909	
FSIZE	−0.2314	0.0339	−6.8120	0.0000	***
LEV	−1.3598	0.1513	−8.9870	0.0000	***
GROWTH	0.1713	0.1378	1.2430	0.2149	
DUMIR*ESGSCORE	0.0118	0.0055	2.1370	0.0334	**
	R-Squared			0.3915	
	Adj. R-Squared			0.3790	
	F-Stat			31.3135	
	Sig			0.0000	

*** significant at the 1% level; ** significant at the 5% level; * significant at the 10% level

Based on Table 7 above, it can be seen that the Adjusted R-Squared value of model 1 is 0.4414 and decreased to 0.3790 in model 2 after including the moderating role of the ESGSCORE variable. This shows that the variable differences of DUMIR, ESGSCORE, FSIZE, GROWTH, LEV (in model 1), and DUMIR*ESGSCORE (in model 2) contribute 44.14% in model 1 and 37.90% in model 2 to firm value. While the other 55.86% and 62.10% are clarified by varieties of various factors not analyzed in this study. The F-stat in model 1 and model 2 are 48.0965 and 31.3135 respectively where the higher F-stat indicates a better model. Meanwhile, the significance values for both models have values less than 0.05 which means all variables are jointly significantly able to influence firm value (TOBINSQ).

In partial hypothesis testing, the results of Table 7 (model 1) show that the DUMIR variable has a positive coefficient of 0.4964 and a significance value (p-value) smaller than the significance level α = 0.01, which means that the DUMIR variable has a positive effect on the TOBINSQ variable so that H1 is accepted. In addition, Table 7 (model 1) also shows that the ESGSCORE variable has a positive coefficient of 0.0138 and a significance value (p-value) smaller than the significance level α = 0.01, which means that the ESGSCORE variable also has a positive effect on the TOBINSQ variable so that H2 is accepted. In model 2, a comprehensive data sample test was conducted. The results show that DUMIR and ESGSCORE become insignificant to TOBINSQ. However, the DUMIR*ESGSCORE variable has a positive coefficient of 0.0118 and a significance value of less than 0.05, which means

that the DUMIR*ESGSCORE variable has a significant positive effect on the TOBINSQ variable and moderates the relationship between integrated reporting and firm value so that H3 is accepted.

The control variables of this study show mixed effects. The GROWTH variable has a positive coefficient of 0.1504 in model 1 and 0.1713 in model 2 but has no significant effect on firm value as shown by the p-value of 0.1884 in model 1 and 0.2149 in model 2. These results indicate that company growth is not the main focus of investors because company growth will still be reduced by operational costs. The FSIZE variable has a significant negative effect on firm value with a coefficient value of -0.2484 in model 1 and -0.2314 in model 2 and a p-value below 0.01 in both models. The decision of small companies to reduce long-term debt has a negative impact on the market value of the company's equity so that small companies with lower long-term debt have higher firm value. Meanwhile, the decision of large companies to increase long-term debt has a negative impact on the market value of corporate equity where large companies with higher long-term debt have a lower market value of equity (Diantimala et al., 2021). The LEV variable also has a significant negative effect with a coefficient value of -1.3572 in model 1 and -1.3598 in model 2 and a p-value below 0.01 in both models. These results are in line with previous research where LEV has a negative impact on firm value (Ibrahim & Isiaka, 2020; Santosa et al., 2022) so that management must be careful in using company's debt because greater debt can reduce firm value.

Discussion

The results of the hypothesis testing show that integrated reporting (DUMIR) has a positive effect on firm value (TOBINSQ). If the company adopts integrated reporting, the firm value will increase. This means that the market appreciates the adoption of integrated reporting by the company. This result is in line with research conducted by Abogazia et al. (2022); Akpan et al. (2022); El-Deeb (2019); Gupta & Bhalla (2022); Lee & Yeo (2016); Moloi & Iredele (2020); Sokil et al. (2020) that integrated reporting has a positive effect on firm value. This result is also in line with signaling theory and stakeholder theory where the adoption of integrated reporting signals to stakeholders that the company is committed to providing good information from financial and non-financial aspects to stakeholders and is able to manage company risks and opportunities effectively (Rezaee, 2017). In addition, integrated reporting can provide perceptions to the public about how companies run their business so that companies can gain legitimacy from the community where this is in line with legitimacy theory (Rochayatun & Kholifah, 2021).

The results of hypothesis testing show that ESG performance (ESGSCORE) has a positive effect on firm value (TOBINSQ). In other words, good ESG performance can increase firm value. This shows that stakeholders also consider the company's non-financial condition before making decisions. These results are in line with previous research conducted by Ademi & Klungseth (2022); Aydoğmuş et al. (2022); Chang & Lee (2022); Cheng et al. (2023); Fatemi et al. (2017); Wu et al. (2022); Yoon et al. (2018) that ESG performance has a positive effect on firm value. ESG disclosure can be an evaluation of companies that focus on environmental, social, and corporate governance issues (Shen, 2023) and can be a signal to communicate their sustainability performance to stakeholders where this is in line with stakeholder theory (Rezaee, 2017).

The results of hypothesis testing show that ESG performance moderates the relationship between integrated reporting and firm value significantly. This result is in line with the research of Srivastava & Anand (2023); Wu et al. (2022) that ESG performance plays an important role in increasing firm value. The results of hypothesis testing are also in line with stakeholder theory where integrating ESG into integrated reporting can build trust and transparency of the company to its stakeholders (Pratama & Deviyanti, 2022).

CONCLUSIONS AND RECOMMENDATIONS

Based on the results of hypothesis testing, it can be concluded that integrated reporting has a significant positive effect on firm value. Likewise, ESG performance is found to have a significant positive effect on firm value. In addition, ESG performance also significantly moderates the relationship between integrated reporting and firm value where this moderation strengthens the relationship.

There are implications for investors and management from the results of this study. First, investors need to consider financial and non-financial aspects before making investment decisions. In integrated reporting, the company has presented information that can provide a complex picture of the company to investors. Second, management needs to keep up with investors in the market by providing information that investors want, such as how the company creates value and what the company's long-term plans are.

This study focuses on the effect of integrated reporting adoption on firm value so that it is only limited to whether the company has adopted integrated reporting or not. For future research, researchers can analyze the quality of integrated reporting that has been published by the company. In addition, future research can expand the research sample to companies in other countries in order to increase data validity and compare the adoption of integrated reporting. Different moderating variables can also be used to identify the relationship between integrated reporting and firm value.

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