SUSTAINABILITY REPORT AS AN INDICATOR OF INVESTMENT DECISION: AN EMPIRICAL STUDY IN THE BANKING SECTOR

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ABSTRACT

In many industries, including banking, sustainability is becoming an increasingly important concern. In this case, sustainability reports become an important instrument for companies to demonstrate their dedication to economic, social and environmental responsibility. The purpose of this study is to assess how sustainability reports affect investment decisions made by banks listed between 2020 and 2023 on the Indonesia Stock Exchange. The findings of this study reveal that disclosure of information on economic and social performance significantly and positively impacts investment decisions, while environmental disclosure does not appear to have a significant influence. This indicates that investors prioritize the economic performance and social responsibility of banks when making investment decisions. As a result, banks that are more open and transparent in their sustainability reports, especially regarding economic and social factors, are likely to be more attractive to investors. This increased transparency increases the attractiveness of investing in the banking sector as a whole. The results highlight a clear trend that investors are increasingly likely to value economic and social disclosures over environmental disclosures, emphasizing the importance of effective sustainability reporting. By clearly communicating their initiatives in these areas, banks can build greater trust with investors and strengthen their competitiveness in the market. This study underscores the need for banks to refine their sustainability reporting practices to better align with investor priorities, which in turn can increase investment attractiveness. In short, a focus on transparent communication of economic and social aspects in sustainability reports can position banks favorably in the eyes of potential investors, thereby driving increased investment interest in the sector.

Keywords: *sustainability report, investment decision, economic, social, environmental*

INTRODUCTION

The issue of sustainability has become a major focus in many industry sectors, including the banking sector, in response to pressure from regulators, stakeholders and the public. Financial sector companies are increasingly releasing sustainability reports to demonstrate their dedication to environmental, social, and governance (ESG) responsibilities. These reports serve not only to comply with regulations, but also as a strategy to enhance their reputation and long-term competitiveness in the eyes of the public, while attracting investors who are increasingly concerned about sustainability.

In the banking sector, sustainability reports are becoming an important tool to communicate how banks are managing sustainability risks such as climate change, equality and social impact. Investors who focus on sustainable investment are increasingly considering these reports in their decision-making driven by increasing global awareness of sustainability issues. Otoritas Jasa Keuangan (OJK) as the regulator requires the publication of sustainability reports, further strengthening the role of banks in social and environmental responsibility, not only in financial performance, but also in supporting sustainable economic development.

Sustainability reports address three main aspects: economic, social and environmental. Economic aspects can be assessed using indicators such as Return on Assets (ROA), which reflects the company's efficiency in using its assets to generate profits. The social aspect, which can be represented by employee training costs, shows the company's commitment to human resource development. At the same time, the environmental aspects assesses how a company's activities affect the environment, including factors such as energy use.

Research by Clark et al. (2015) concluded that companies dedicated to sustainability typically achieve stronger long term financial performance, making them more attractive to investors. Likewise, Eccles et al. (2014) state that companies that implement ESG principles well tend to get higher value from investors because they are considered capable of managing non-financial risks better.

In the banking sector, research by Cahan et al. (2016) revealed that banks that publish high-quality sustainability reports have a positive relationship with institutional investors, who pay more attention to sustainability in their investment decisions. On the other hand, a report by Arabesque Partners (2015) concluded that 80% of studies show that good ESG practices contribute to better stock performance. The report emphasizes that corporate social responsibility is not only aligned with the interests of stakeholders, but can also generate significant financial benefits for companies.

This study examines three aspects of sustainability (economic, social, and environmental) and their impact on the stock returns of banking companies in 2020 to 2023 listed on the Indonesia Stock Exchange (IDX). Therefore, this study aims to offer a new perspective on the influence of sustainability reports on investment decisions in the Indonesian capital market.

Although there are many studies there are shown a positive relationship between sustainability reports and investment decisions, there are still few studies that specifically examine the banking sector in Indonesia. Therefore, this study is expected to fill this gap by examining the relationship between sustainability reports and investment decisions, both by individual and institutional investors, and is expected to provide a new perpective and encourage the improvement of sustainability practices. The results of this study are also expected to contribute significantly to the academic understanding and provide practical insights for banking companies regarding the importance of sustainability reporting in increasing attractiveness to investors, while strengthening the argument for the integration of ESG principles in the company's long-term strategy.

LITEATURE REVIEW AND HYPOTHESIS DEVELOPMENT

Literature Study Subject

Stakeholders are individuals or groups that can influence or be influenced by the achievement of an organization's goals. Stakeholder theory outlines the parties to whom an organization is accountable (Freeman, 1984). At its cor,e stakeholder theory highlights that an organization's survival significantly relies on the backing of the groups associated with it (Sejati and Andri, 2014).

Stakeholder theory posits that a company's sustained success depends on its capacity tos successfully manage relationships with diverse stakeholders, including customers, employees, communities, and investors (Karyawati et al., 2017). Sustainability reports are used as a key communication tool to show how the company pays attention to and fulfills the interests of these various stakeholder groups. Investors not only consider financial aspects, but also how the company treats its stakeholders. Sustainability reports provide insight into how companies contribute to society and the environment, which is important for investors implementing ESG-based investment strategies. Companies that engage well with stakeholders tend to be more attractive to investors concerned with social and environmental sustainability.

From a perspective of corporate sustainability, legitimacy theory hinges on the social agreement between the corporation and the surrounding community regarding the utilization of economic resources within their operational area (Ghozali and Chairiri, 2014: 442). Legitimacy is seen as an agreement of perceptions or beliefs that an entity's desired actions must be in accordance or consistent with a socially established framework of norms, values, beliefs, and definitions (Suchman, 1995 in Pratiwi and Chariri, 2015).

Legitimacy theory highlights that organizations aim to align their actions with the norms, values, and beliefs that society deems acceptable. Sustainability reports can be seen as a tool used by companies to gain legitimacy from stakeholders, including investors. In this context, companies use sustainability reports to show that they conduct business responsibly and in accordance with social expectations, especially regarding environmental and social issues (Simbolon and Memed, 2016).

Sustainability reports not only report the financial performance of a company, they also offer non-financial information regarding social and environmental performance, contributing to sustainable growth (Elkington, 1997). The Global Reporting Initiative (GRI) describes a sustainability report as a document produced by a company or organization that details the economic, environmental, and social effects of its daily operations. This report showcases the organization's values and governance structure, as well as how its strategies align with its dedication to fostering a sustainable global economy (Maskat, 2018). Sustainability reports by banks can increase investor confidence by showing that investments not only generate financial returns but also have a positive impact on sustainable development. Clark et al. (2015) state that companies that focus on sustainability tend to have a stronger appeal to investors, which in turn can increase demand for shares and lift the stock's return.

Investment decisions are decisions related to how funds are allocated to various forms of investment, which aim to achieve optimal returns with an acceptable level of risk. Investment decisions can be measured by stock returns because stock returns reflect the actual returns that investors receive from the capital invested in the company's shares. This return includes gains or losses from changes in stock prices as well as dividends paid. Stock returns are an objective indicator to assess how good the investment decisions made by investors are. If the stock return is positive, it means that the investment decision has succeeded in providing the expected return. Conversely, a negative return indicates that the investment did not produce the desired results.

Stock return is the most commonly used measure to evaluate investment performance, as it reflects the actual profit or loss received by investors from their investment decisions (Bodie et al., 2018). Stock returns include gains or losses from changes in stock prices as well as dividends received during a certain period, making it an important indicator in assessing the rate of return on invested capital. This return is calculated by comparing the initial and final stock prices, and taking into account dividends if any. As explained by Brigham and Houston (2019), stock returns include all income from investments, both through increases in stock prices and dividends paid by the company to shareholders.

Hypothesis Development

The Effect of Economic Aspects on Investment Decisions

Agustina et al. (2020) argue that the inclusion of economic factors in sustainability reports has a substantial impact on financial performance, subsequently influencing investors' investment decisions. Puspitandari and Septiani (2017) also highlighted that disclosure has a positive effect on investment choices. Information presented in sustainability reports on economic factors can increase the availability of competitive capital resources while minimizing risks for stakeholders, which will ultimately increase profits. When profits increase, so does investor interest in making investments. Based on the explanation above, the following hypothesis can be formulated:

H1: Disclosure of economic aspects has a positive effect on investment decisions

The Effect of Social Aspects on Investment Decisions

The social aspects outlined in sustainability reports pertain to the organization's influence on the local community and the risks associated with its interactions with various social institutions (Wijayanti, 2016). Sejati and Andri (2014) note that disclosing social aspects aims to involve stakeholders in collaboration with the company. While stakeholders seek prosperity, companies require dependable, competitive, creative, and efficient human resources to effectively manage their assets. By actively engaging in social issues, a company can gain legitimacy and support from the community. When a company receives social backing from both the community and consumers, its operations run more smoothly, enhancing its ability to generate revenue. This, in turn, can influence investment decisions. This finding aligns with research by Agustina et al. (2020), Miralles-Quiros et al. (2021), and Azwar et al. (2022), which indicates that the disclosure of social aspects in sustainability reports positively affects investment decisions. Based on the explanation above, the following hypothesis can be formulated:

H2: Disclosure of social aspects has a positive effect on investment decisions

The Effect of Environmental Aspects on Investment Decisions

The disclosure of environmental aspects aims to deliver accurate and pertinent information about the company's environmental factors to stakeholders. Stakeholders use these environmental reports to assess the effects of the company's business operations on the environment (Sejati and Andri, 2014). According to Legitimacy Theory, that companies need to demonstrate their commitment and involvement in addressing environmental issues as a way to fulfill their moral responsibility to the environment in which they operate (Simbolon and Memed 2016). This sense of responsibility will improve the company's reputation. As a result, the publication of sustainability reports is anticipated to offer concrete proof that the company's production processes take social and environmental concerns into account. This will ultimately increase stakeholder trust, which can lead to increased investment and, ultimately, higher profits for the company (Karyawati et al., 2017); Agustina et al. (2020); and Melinda & Wardhani (2020). Research conducted (Thika & Susi, 2023) indicates that disclosing environmental aspects in sustainability reports positively influences investment decisions. Based on the explanation above, the following hypothesis can be formulated:

H3: Disclosure of environmental aspects has a positive effect on investment decisions

RESEARCH METHOD

This study uses a quantitative design with an empirical approach to examine the effect of sustainability reports on investment decisions in the banking sector in 2020-2023 listed on the Indonesia Stock Exchange (IDX). This research focuses on all banking companies on the IDX, which total 61 companies. A purposive sampling method will be used to select the sample, with a particular focus on companies that consistently publish sustainability reports during the study period.

The data collection method involves conducting a documentation study by gathering secondary data from the annual and sustainability reports of each company, along with relevant stock market information sourced from trustworthy platforms, such as the bank's official website. The development of measuring instruments is carried out using predetermined performance indicators, such as Return on Assets (ROA) for economic aspects, employee training costs for social aspects, and energy use for environmental aspects.

The data analysis method applied is multiple linear regression analysis, which examines the relationship between the independent variable (sustainability reporting) and the dependent variable (investment decisions, assessed through stock returns). This approach aims to improve understanding of how sustainability disclosures affect investment decisions in the Indonesian banking sector.

RESULTS

The data collected from the sustainability reports of banking companies listed on the Indonesia Stock Exchange for the period 2020-2023 will be processed and analyzed. The analytical methodes used in this study include descriptive statistical analysis, normality test, classical assumption test, model fit evaluation, and hypothesis testing.

Descriptive Statistics

The results of descriptive statistical analysis for all variables reveal the minimum, maximum, average, and standard deviation values. In this study, the independent variable is the disclosure of sustainability reports, assessed through economic, social, and environmental aspects. While the dependent variable is the investment decision measured by stock returns. The results of descriptive statistical testing are shown in Table 1 below.

Table 1. Descriptive Statistics Test

	N	Minimum	Maximum	Mean	Std. Deviation
Economic	61	.000	.120	.02152	.017056
Social	61	7.02	12.09	10.5117	1.16010
Environment	61	5.31	8.61	7.1699	.91633
Investment Decision	61	-.660	.302	.00023	.145898
Valid N (listwise)	61				

Source: secondary data, processed in 2024

In the economic aspect, there are 61 valid samples with an average (mean) value of ROA of 0.02152 with a standard deviation of 0.017056. This shows that the sample companies have a profitability level of 2.15% of their total assets, with relatively small variations between companies. The banking companies studied have a relatively low average of around 2.15%. This suggests that these companies tend to have a small return on assets over the study period. The small variation in standard deviation suggests that most of the companies are within a similar range of profitability.

On the social aspect, this variable measures employee training costs with 61 valid samples. The minimum value is 7.02 and the maximum value is 12.09. The average employee training cost is 10.5117 with a standard deviation of 1.16010, which indicates a significant difference. This difference suggests that some companies invest more in employee training and development than others, which could have an impact on the social perception of the company, especially in relation to employee welfare.

On the environmental aspect, this variable measures the use of electrical energy, with 61 valid samples. The minimum value is 5.31 and the maximum value is 8.61, with a mean value of 7.1699 and a standard deviation of 0.91633. This shows that some companies use energy more efficiently than others, which can have an impact on environmental assessments in sustainability reports and on investment decisions that increasingly consider environmental factors.

On the company's stock return, which is used as an indicator of investment decisions, out of 61 samples, the minimum stock return is -0.660 and the maximum is 0.302. The average return is almost zero (0.00023), with a standard deviation of 0.145898. This indicates that there is considerable fluctuation in stock returns between companies, with some companies experiencing large decreases and others experiencing small increases.

Classical Assumption Test

Prior to performing multiple linear regression testing, a classical assumption test is performed, which includes tests for normality, heteroscedasticity, multicollinearity, and autocorrelation tests. The outcomes of this classical assumption test indicate that all variables satisfy the necessary criteria, allowing the research to advance to the next stage of testing.

a. Normality Test

Table 2. Normality Test

Unstandardized Residual

		Sebelum Outlier	**Setelah Outlier**
N	Valid	64	61
	Missing	0	0
Skewness		1.683	.347
Std. Error of Skewness		.299	.306
Kurtosis		5.874	-.482
Std. Error of Kurtosis		.590	.604

Source: secondary data, processed in 2024

The normality test aims to assess whether the residuals of the regression model are normally distributed. In the normality test results presented in Table 2. after removing outliers, the skewness value of the residuals is **0.347**. This value is close to 0, which indicates that the distribution is not too skewed to the left or right and is relatively symmetrical. Skewness in the range -1 to 1 is usually considered normal. The kurtosis value of **-0.482** indicates that the distribution is not too flat or too sharp, which means it is also close to a normal distribution. As a general rule, a kurtosis value between -1 to 1 indicates normality. This strengthens the validity of the regression model used in analyzing the effect of sustainability reports on investment decisions.

b. Heteroscedasticity Test

Table 3. Heteroscedasticity Test

Model		t	Sig.
1	(Constant)	2.396	.020
	Economic	.237	.813
	Environment	-.661	.511
	Social	.010	.992

a. Dependent Variable: absresidual

Source: secondary data, processed in 2024

The results of the data transformation test show that none of the independent variables in the regression model are statistically significantly related to the residuals. In Table 3. heteroscedaticity test results The three independent variables included in the model show significant numbers more than the 0.05 level (α> 0.05). So it can be concluded that the regression model does not have heteroscedasticity.

c. Multicollinearity Test

Table 4. Multicollinearity Test

Model	Variabel	Tolerance	VIF
1	Economic	.982	1.018
	Environment	.217	4.599
	Social	.218	4.592

a. Dependent Variable: Keputusan Investasi

Source: secondary data, processed in 2024

According to the multicollinearity test presented in Table 4. the tolerance value indicate that none of the independent variables fall below 0.10, suggesting no correlation among them. Additionally, all Variance Inflation Factor (VIF) values are below 10, further confirming the lack of correlation among the independent variables. Therefore, it can be concluded from the table above that there is no multicollinearity present among the independent variables in this study's regression model.

d. Autocorrelation Test

Table 5. Autocorrelation Test

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.681[a]	.464	.432	.117274	1.923

a. Predictors: (Constant), Social, Economic, Environment

b. Dependent Variable: Investment Decision

Source: secondary data, processed in 2024

The results of the autocorrelation test based on Table 5. shows that the Durbin-Watson number is 1.923. The magnitude of the DW-test number is included in the positive autocorrelation area, which is located between 0 and d_L so it is necessary to run a test to ascertain whether the DW number tends to auto or no-autocorrelation. In the number of samples (n) 61 and three independent variables (k=3) the amount of d_L = 1,4847; and d_U = 1,6904; so that 4 – d_L = 2,5153 and 4 – d_U = 2,3096. Based on these result d_U (1,6904) < DW (1,923) < 4 – d_U (2,3096), it can be concluded that the regession model is free from autocorrelation problems.

Model Fit Test

a. F Test

Table 6. F Test

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.493	3	.164	11.955	.000[b]
	Residual	.784	57	.014		
	Total	1.277	60			

a. Dependent Variable: Investment Decision

b. Predictors: (Constant), Social, Economic, Environment

Source: secondary data, processed in 2024

Based on the results presented in Table 6 of the F test, it is evident that the independent variables have no significant influence on the dependent variable when considered together. This conclusion is supported by the calculated F value of 11.955 and a probability value of 0.000. Since the probability is significantly lower than 0.05 or 5%, the regression model is considered valid to predict investment decisions, indicating that economic, social, and environmental factors jointly influence the decision.

b. Coefficient of Determination (R^2)

Table 7. Coefficient of Determination (R^2)

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.681[a]	.464	.432	.117274	1.923

a. Predictors: (Constant), Social, Economic, Environment

b. Dependent Variable: Investment Decision

Source: secondary data, processed in 2024

The results of the coefficient of determination (R^2) test in the table 7. show that the Adjusted R^2 value is 0.432 or 43%. This value indicates the ability of economic, social, and environmental aspects variables in explaining the investment decision variable proxied by stock returns, which is 43%. While the remaining 57% of investment decision variable variation is explained by other factors that are not included in the calculation model.

Hypothesis Testing

The following are the results of the tread hypothesis testing in table 8.

Table 8. Multiple Linear Regression Analysis

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-.623	.140		-4.452	.000
	Economic	2.851	.896	.333	3.183	.002
	Social	.065	.028	.517	2.326	.024
	Environment	.000	.035	.001	.004	.997

Source: secondary data, processed in 2024

Hypothesis testing is conducted using the T test, which assesses the impact of each independent variable individually on the dependent variable (Ghozali, 2016: 97). The variable representing the economic aspect is statistically significant in relation to investment decisions, as indicated by a significance value of 0.002, which is less than the threshold of 0.05. So it can be concluded that economic aspects are statistically significant to investment decisions, so that H1 with states that the disclosure of economic aspects positively influences investment decisions is **accepted**.

The variable representing the social aspect is statistically significant in relation to investment decisions, as indicated by a significance value of 0.024 which is less than the threshold of 0.05. So it can be concluded that social aspects are statistically significant on investment decisions, then H2 with states that the disclosure of social aspects positively influences investment decisions is **accepted**.

The variable representing the environmental aspect is not statistically significant concerning investment decisions, as indicated by a significance value of 0.997 which exceeds the threshold of 0.05. So it can be concluded that environmental aspects are statistically significant to investment decisions, so H3 disclosure of environmental aspects has a positive effect on investment decisions is **rejected**.

DISCUSSION

The results of testing the first hypothesis indicate that the disclosure of economic aspects positively influences investment decisions. This proves that investors are generally interested in information that shows long-term financial stability. Disclosure of economic aspects related to operational efficiency, financial risk management, and long-term profits can convince investors that the bank is on the right track to maintain sustainable growth. This is in line with the interests of investors who prioritize sustainable profits. Strong disclosure of economic aspects, such as sustainable profits, good risk management, and appropriate strategic investments, can increase public and investor confidence that the bank has solid legitimacy in running its business. Investors tend to have more trust in companies that show transparency in their economic performance, so these disclosures can provide a positive boost to investment decisions. Revealing economic aspects can enhance a company's reputation in both the commodity and capital markets. A strong corporate image tends to attract more investors, as a better image fosters greater customer loyalty and improves banking performance, ultimately leading to increased stock returns. These findings align with the studies conducted by Puspitandari & Septiani (2017), Natashya (2022), and Thika & Susi (2023), which indicate that the disclosure of economic aspects positively influences investment decisions. Puspitandari & Septiani (2017) also concluded that sustainanility reports on economic aspects, social aspects and environmental aspects have a significant positive effect on investment decisions.

The results of research related to the second hypothesis show that disclosure of social aspects has a positive effect on investment decisions. From the perspective of stakeholder theory, social welfare provided to employees and other stakeholders shows that banks value long-term relationships, which can enhance reputation and attract investors who see value in investments that have a positive social impact. Social disclosures involving corporate social responsibility (CSR), investments in community programs, or other social sustainability initiatives can attract stakeholders beyond investors, such as local communities and governments. This creates a positive image that can minimize reputational risk, increase customer loyalty, and ultimately increase investor confidence. Disclosed acts of social responsibility, such as community welfare programs, social inclusion, or support for environmental initiatives, strengthen the bank's social legitimacy. In legitimacy theory, banks that demonstrate adherence to social values are considered more credible by society, including investors. Good social disclosure enhances the bank's reputation and creates a positive view from stakeholders, which in turn encourages investment. With good social disclosure, banks can avoid potential conflicts with regulators and the public. Compliance with social and regulatory norms helps maintain a company's legal and social legitimacy, which can reduce regulatory risk or consumer boycotts. Investors value banks that have strong legitimacy as lower risks can translate into more stable profit potential. The results of this study are in line with Puspitandari & Septiani (2017), Natashya (2022), and Miralles-Quiros et al. (2021) which show that investors positively value corporate social commitment, as supported by sustainability reports. Investors tend to assign greater value to companies that are perceived to effectively manage their social responsibility towards stakeholders, particulary employees. However, it is not in line with Bukhori & Sopian (2017) and Thika & Susi (2023) who state that an increase in social performance results in a decrease in the company's financial performance. For the company, the social activities it carries out will only burden the company with the costs arising from these activities, so that in the end it will reduce investors' decisions to invest in the company.

The test results on the third hypothesis conclude that environmental disclosure has no effect on investment decisions. This situation indicates different preferences with key stakeholders (investors). This means that investors generally prioritize short-term profitability or clearly measurable financial risks, such as credit and regulatory risks. They do not view environmental disclosure as a significant factor if it is not directly related to the company's financial performance. The interests of investors who are key stakeholders are ignored, as environmental aspects are considered less relevant. Irrelevant or unclear environmental disclosures cause stakeholders, especially investors, to lack understanding of the impact of the bank's environmental activities on long-term performance or risk. As a result, investors do not see concrete added value from these disclosures, and they do not influence investment decisions. In some cases, investors see a mismatch between environmental disclosures and actual actions taken by banks. For example, banks disclose sustainability initiatives, but still fund projects that harm the environment. This inconsistency can reduce the legitimacy of the disclosure, so that the disclosure of environmental aspects is not considered important in making investment decisions. If environmental disclosures are considered only as symbolic efforts or inconsistent with real actions, then the disclosure will not provide sufficient legitimacy to influence investment decisions.

This shows that environmental responsibility is still considered an additional cost that will reduce the opportunity to obtain maximum profit. The results of this study are in line with Hapsoro & Adyaksana (2020), Alsahlawi et al. (2021), and Fahreza (2022) which state that the disclosure of environmental aspects has no significant effect on investment decisions proxied by stock returns. This is because stakeholders prefer companies that take real action without having to publish their environmental responsibility to the public (Sejati and Andri, 2014). However, it is not in line with Puspitandari & Septiani (2017), Khan et al. (2023), and Thika & Susi (2023) suggest that investors are more interested in investing in companies that are responsible for the surrounding environment and have relatively low environmental risks. Thus, the investment provided by investors can be used by the company in carrying out its corporate activities with development that continues in the long term.

CONCLUSION, LIMITATION, SUGGESTION

Conclusion

The results of this study indicate that the disclosure of sustainability reports in economic and social aspects has a significant positive effect on investment decisions proxied by stock returns. This condition illustrates that banks not only prioritize short-term profits, but also pay attention to long-term sustainability, both in terms of economic and social aspects, thus creating added value for investors who pay attention to sustainability aspects in making investment decisions. From the perspective of stakeholder theory, the disclosure of economic and social aspects contributes to investment decisions because it meets the needs of the main stakeholders, namely investors who seek long-term profits, as well as maintaining good relations with the community, government, and employees. Meanwhile, from the perspective of legitimacy theory, disclosure of economic and social aspects contributes to strengthening the legitimacy of banks, both in the eyes of the public and regulators. Banks that are transparent in terms of their economic and social performance tend to be more trusted by investors because they are perceived to comply with social norms and expectations, which reduces risk and increases attractiveness as an investment object.

However, the disclosure of sustainability reports on environmental aspects has no effect on investment decisions. From the perspective of stakeholder theory, if the disclosure of environmental aspects is irrelevant to the main stakeholders (investors), then the disclosure is likely to have no effect on investment decisions. Meanwhile, from the perspective of legitimacy theory, if environmental disclosure is considered only as a symbolic effort or inconsistent with real action, then the disclosure will not provide sufficient legitimacy to influence investment decisions.The results of this study provide implications that sustainability issues in banking have been considered as an important part of corporate business decision making to improve financial performance, that in addition to economic aspects also consider social and environmental aspects.

Limitation

The limitations of the study, among others, lie in:

1. The limited number of banks that do not disclose sustainability reports in full.
2. Disclosure of sustainability aspects is still not consistent throughout the banking industry, so the results cannot be generalized for all banks or a longer period of time.
3. The environmental measurements or indicators used do not fully reflect the real contribution to investment decisions.
4. There are additional external factors that have not been considered, including variations in investor preferences concerning environmental issues within the financial sector.
5. Stock *returns* do not always reflect broader investor preferences related to sustainability, such as preferences for long-term investments or ESG (Environmental, Social, Governance) based portfolios.
6. Research results are influenced by market conditions and regulations that apply during the research period. Changes in regulatory policies related to sustainability in the future may affect different results.
7. Abnormal data behavior may also lead to a limited number of observations used as a research sample.

Suggestion

Future research needs to:

1. Explore more relevant and detailed environmental indicators, especially for the banking sector, which may be less exposed to direct environmental impacts. A qualitative approach can be used to explore investor perceptions regarding environmental aspects.
2. Consider other variables as proxies for investment decisions, such as long-term investment preferences, stock trading volume, or the use of ESG-based portfolios. This will provide a more comprehensive picture of the effect of sustainability disclosure on investor behavior.
3. It is necessary to examine more deeply the impact of government regulations or policies related to sustainability disclosure, especially in the banking sector. Analyzing how regulatory changes affect sustainability disclosures and investment decisions can provide further insight into the relationship between regulation, disclosure, and investor decisions.
4. Should be extended to multinational or cross-border banks. This will provide insight into the different effects of sustainability disclosure in different countries with different regulatory and economic conditions.
5. Observations over a longer time span may help identify long-term trends in the effect of sustainability disclosures on investment decisions. It can also help understand whether sustainability issues, particularly environmental ones, start to have a more significant impact over a longer period of time.

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