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THE MODERATING EFFECT OF ENVIRONMENTAL PERFORMANCE ON RELATIONSHIP BETWEEN SOCIAL SUSTAINABILITY AND FOREIGN INSTITUTIONAL OWNERSHIP

Sully Kemala Octisari[1*], Puji Lestari[2]
[1*] Department of Accounting, Jenderal Soedirman University, kemalaoct@hotmail.com
[2]Department of Accounting, Jenderal Soedirman University, puji.lestari2506@unsoed.ac.id

Abstract

This study aims to examine the relationship between social sustainability disclosure and the level of foreign institutional ownership in Indonesia with environmental performance as moderating. Environmental performance in this research is measured by ISO 140001 certification. The data used in this study is secondary data consisting of annual reports and sustainability reports of companies listed in SRI-KEHATI Index obtained from the Indonesian Stock Exchange and companies' official website from 2017 until 2021. The final sample used in this study consisted of 12 companies that met the sample selection criteria. This research used Moderated Regression Analysis with Sub Group (dummy) Method using SPSS 23 to analyze the data. The result shows that there is negative relationship between social sustainability disclosure and the level of foreign institutional ownership. Environmental performance is proven to moderate the relationship between social sustainability disclosure and the level of foreign institutional ownership of companies listed SRI-KEHATI Index.
Keywords: Social Sustainability, Environmental Performance, Foreign Institutional ownership

INTRODUCTION

This study aims to examine the relationship between Social Sustainability Disclosure and the level of foreign institutional ownership in Indonesia with environmental performance as moderating. This research is motivated by the condition of the Indonesian capital market, where in recent years there has been a significant increase in share ownership by institutional ownerships on the Indonesia Stock Exchange (IDX). Not only in Indonesia, according to Blume & Keim, (2012) the number of institutional ownerships in various countries increased from 5% to 67% from 1900 to 2010. The Indonesian coordinating minister for the Economy stated that a number of industrial sectors had opened up opportunities for foreign ownership to reach 100% in 54 sectors activities included in the Indonesian Business Field Standard Classification (KBLI) (Zulaecha & Murtanto, 2019).

Increasing institutional ownership, particularly foreign investor, has opened up new potential channels for companies to fulfill their social responsibility. With the process of

strengthening global economic communication, the institutional distance between countries will also affect the flow of information and capital in different countries, thereby affecting strategic decision making and corporate value (Tokas & Yadav, 2020). It is necessary to further explore the role of institutional distance. With the emergence of the concept of sustainable development investment, Corporate Social Sustainability has gradually become the focus of investors. For the sustainable development of businesses and society, it is crucial to understand how to use resource to create a stronger social sustainability implementation mechanism and how to carry out social sustainability activities in accordance with the traits and qualities that attract foreign investors. (Guo & Zheng, 2021).

The goal of maximizing corporate profits can essentially lead to a series of social problems, such as the rights and interests of employees, food safety and quality and environmental pollution, which hinder the attractiveness of healthy companies (Guo & Zheng, 2021). This makes companies face increasing pressure from different stakeholders, forcing listed companies to integrate sustainable strategies in their operations (Guo & Zheng, 2021). To ensure good performance, investors can also see the company's performance in environmental management through environmental performance indicators. Environmental indicator systems that are customized to a company are a crucial tool for planning, directing, and controlling environmental stress, performance, and expenses (Jasch, 2000). In Indonesia, companies listed on the Indonesia Stock Exchange given option to implement a few certifications related to environmental management performance such as ISO 140001. The goal of implementing ISO 14001 is to help and support the process of protecting environmental sustainability and preventing pollution in order to keep it in balance with needs.

The existence of sustainability reports is now one of the main points of every company to attract foreign investment which is the key to increasing competitive advantage among similar companies (Alregab, 2022). Several countries, although they have not made Sustainability Reporting mandatory, have actually considered Sustainability Reporting as an important benchmark before making investment-related decisions, either for individual investors or institutional ownerships.

There have been several studies that have tried to look at the relationship between Sustainability reporting disclosure and institutional ownership. Alregab, (2022) and Waddock, (2016) found that institutional ownership, especially foreign share investor, will increase and respond to developments in Sustainability Reporting. Meanwhile, Rubio & Vázquez, (2016) also found the same thing, there is a positive relationship between foreign and domestic institutional ownership and Sustainability Reporting disclosure caused by the lack of social controversy resulting from the transparency of Sustainability Reporting activities and reporting from a company. Arslan et al., (2021)found negative relationship between corporate social sustainability and foreign institutional investor. Mahoney & Roberts, (2007) could not find a clear relationship between Sustainability Reporting and the company's financial performance, but succeeded in proving that the disclosure of Sustainability Reporting had an effect on the level of institutional share ownership in Canada.

This research is expected to contribute by explaining whether the high and low disclosure of information regarding social sustainability reporting provided by companies can be one of the considerations for foreign institutional ownerships in planning and determining criteria for

companies that are suitable as investment targets. Companies that carry out their social sustainability have proven to be the main target for institutional ownerships to invest because they are considered more responsible and more able to maintain the trust of investors in the Malaysia Stock Exchange which is currently also dominated by institutional ownerships (M. Saleh et al., 2010; M. W. A. Saleh et al., 2020).

LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT

Signaling Theory

Signaling theory addresses information asymmetries between two parties, where the sources of asymmetric information are primarily concerned with quality or intent information (Octisari et al., 2022; Stiglitz, 2000). According to Spence, (2002) asymmetric information began when parties to an exchange (individuals or businesses) have access to diverse information. To compensate for the information gap, one party (the signaler) takes actions to communicate information about itself to the other party. The analysis of various types of signals that the signaler sends to the receiver, as well as the situations in which they are interpreted and used, is at the core of signaling theory. Signals convey information about signaler characteristics, which the receiver examines to determine signaler credibility (Ching & Gerab, 2017; Spence, 2002). The goal of signaling is for the receiver to take actions that benefit the signaler, typically, this involves the receiver choosing the signaler over alternatives. According to Su et al., (2014) adopting social and environment practices is one way for businesses to communicate their capabilities. The disclosure of sustainability reporting hopefully can reduce informational gaps between a company and its stakeholders and can be used as a communication tool to gain their support (Ching & Gerab, 2017; Thomas et al., 2021).

Foreign Institutional Ownership

Institutional ownerships can generally be defined as investment companies, banks, pooled investment funds, pension funds and asset managers. Natapura, (2009) in his research results stated that most institutional ownerships belong to the type of rational investors. This type always tries to obtain as much information as possible, always analyzes the information obtained before making investment decisions, makes long-term investments, tends to be difficult to change decisions that have been taken, and tries to minimize the risks faced.

In line with Natapura, (2009) Huang, (2015) and Rustam et al., (2019) also stated the same thing, in their research results. They argue that institutional ownerships are rational people who tend to avoid the risk of pricing errors when buying shares on the stock exchange. As a result of the rational nature of these institutional ownerships, they are always more careful in determining what stocks to buy when compared to individual investors.

Alregab, (2022); Deng et al., (2013); and Waddock, (2016) succeeded in finding a relationship between foreign institutional ownerships' preferred stocks and socially responsible companies. They believe that companies that have good social responsibility have a good reputation and are more committed. Institutional ownerships tend to have more confidence in companies that are trying to set aside their profits and are involved in various social activities

that are not directly related to company operations. This kind of social responsibility has been proven to attract institutional ownerships.

Social Sustainability Disclosure and Environmental Performance

Most of the definitions and terms of Sustainability basically refer to the definition of sustainable development given in the Brundtland Report, Our Common Future:

"Development that meets the needs of the present without compromising the abilities of future generations to meet their own needs"(WCED, 1987).

This definition captures the essence of a broad construct for addressing the real and less tangible needs of life related to growth; change the quality of growth; meeting essential needs for jobs, food, energy, water, and sanitation; ensuring sustainable population levels; preserving and enhancing the resource base; reorienting technology and managing risk; incorporate environment and economics in decision making; and reorientation of international economic relations (Vallance et al., 2011).

Magee et al., (2013)explained that there are two general approaches to Sustainability Reporting known as "top-down" or "bottom-up". The top-down approach is generally adopted by businesses, while the bottom-up approach is more frequently adopted by civil society organizations. and community. The top-down approach clearly supports standardization and comparability among other sustainability assessment efforts, to the potential exclusion of issues that really matter on the ground. In contrast, a bottom-up approach allows sustainability initiatives to speak directly to community concerns and concerns, but lacks a basis for comparison.

To assist the implementation and reporting of company's social responsibility, currently the Global Reporting Initiative (GRI) has presented the G4 Sustainability Reporting Guidelines. This guide is useful for companies to implement social responsibility in their daily operations and makes it easier for companies to prepare sustainability reporting. In the guidance provided by the GRI there are three main categories that must be discussed in sustainability reporting, economic, environmental and social. This guide also provides a list of what sustainability disclosures are mandatory for companies and what disclosures are specific disclosures. The existence of sustainability reporting is clearly a way for investors to assess and give consideration, apart from financial factors, of course, before they choose to invest in a company. The greater a company's participation in environmental activities, the better the company's image among stakeholders. It can attract the attention of stakeholders as well as users of financial reports if it has a positive image (Lukman et al., 2020).

The transparency and reputation of managers in managing the business will be indicated by the reporting of environmental performance (Lukman et al., 2020). According to International Standards Organization regarding environmental performance evaluation and indicators (ISO 14001 Environmental Performance Evaluation), environmental performance can be described as:

"An internal process and management tool designed to provide management with reliable and verifiable information on an ongoing basis to determine whether an organization's environmental performance is meeting the criteria set by the management of the organization"

Good environmental management practices can have an impact on a company's eco-efficiency (Feng et al., 2018). ISO 14001 certification is an environmental management system certification developed by the International Organization for Standardization (ISO). This ISO 14001 standard can be applied in all organizations of various types and sizes, whether private companies, non-profit organizations, or government agencies, because every organization in carrying out its activities may cause problems for the environment, such as: air pollution, noise pollution, soil pollution, water, sewage and other environmental problems. To be able to properly manage the environment in order to minimize the impact caused by the company, other environmental perspectives, such as environmental costs or cost allocation issued by the company in environmental preservation activities, must be considered (Lestari & Kusuma, 2022). The existence of this certifications is one of the reinforcing factors that supports the existence of social sustainability disclosure within the company, which responsible for the decision-making process of investors.

High sustainability disclosure that supported by good environmental performance is expected to be able to help companies build value and provide a good image in the public eye in the hope of attracting many potential new investors, according to signaling theory. Based on this theory, companies use social sustainability disclosure and result from environmental performance assessment to give a positive signal to investors, especially institutional ownerships, to invest in the company. According to the stakeholder value maximization view, social activities have a positive effect on shareholder wealth because a focus on the interests of other stakeholders increases their value, willingness to support company operations, which increases shareholder wealth. This view is in line with the contract theory and corporate theory put forward by Coase & Fowler, (1937) and expanded upon by Alchian & Demsetz, (1972) and Jensen & Meckling, (1976).

Many studies say that actually social sustainability disclosure and environmental performance assessment is presented to convince the public that actually the social responsibility planned by the company is not just a plan, but actually carried out and implemented properly (Berthelot et al., 2012). Most of the research on institutional ownership assumes that a high number of institutional ownerships can affect disclosure of company information, litigation and the level of corporate volatility (Coffey & Fryxell, 1991; Neubaum & Zahra, 2006; Sias & Starks, 2008). There have been several studies examining the relationship between Social Sustainability and institutional ownership. Miller et al., (2022; and M. Saleh et al., (2010) managed to find a positive relationship between Social Sustainability disclosure and institutional ownership in the company. Waddock et al., (2016) using the Kinder, Domini and Lydenberg (KDL) index found a significant and positive relationship between the two. They also state that the company's involvement in social activities as well as company environmental performance does not reduce the company's value in the eyes of investors, but instead functions as an addition to the company's value in the eyes of investors.

H1: Social sustainability disclosure has a positive effect on the level of foreign institutional ownership.

H2: Company environmental performance moderate the relationship between social sustainability disclosure and foreign institutional ownership.

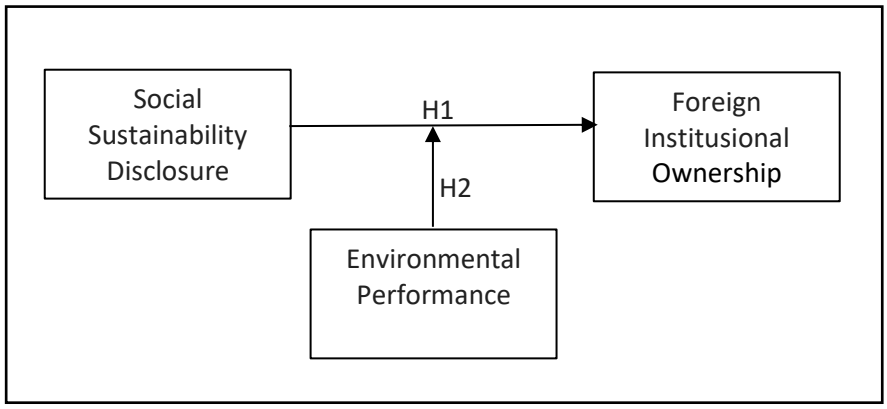

Figure 1. Research Model

RESEARCH METHOD

This research is quantitative research using secondary data. Quantitative research is a research approach used to analyze specific populations or samples, data gathering employs research tools, and data processing is quantitative or statistical, to test hypotheses (Sugiyono, 2014). The secondary data used in this research consisting of company annual reports and sustainability reports obtained from the Indonesian Stock Exchange and companies' official website from 2017 until 2021. The population and sample in this study are companies listed in SRI-KEHATI Index. Companies listed on the SRI-KEHATI index are companies that meet the selection standards that apply the principle of Sustainable Responsible Investment (SRI), as well as environmental, social and governance (ESG) principles. The sample in this study was selected using a purposive sampling method, with the following criteria:

(1) Company successively included in the list of SRI-KEHATI indexed companies during the year of research;
(2) company has complete annual report and sustainability report as well as the data needed for this research;
(3) companies that consistently earn profits during the study period.

Table 1. Sample Selection

Criteria	Total
Companies listed in SRI-KEHATI index from 2017 until 2021	37

Companies dropping out of SRI-KEHATI index from 2017 until 2021	(21)
Companies that experienced losses during the year of research	(4)
Final sample	12
Total sample 12 companies x 5 years	60

Of the total 37 SRI-KEHATI Index companies listed on the Indonesia Stock Exchange in 2017-2021 which became the population in this study, 12 companies met the research sample selection criteria. Total observation in this study is 60, which is obtained by multiplying the number of samples from 12 companies by the year period used in the study, which is 5 years.

Table 2. Variable Measurement

Variable	Measurement
Foreign Institutional Ownership	Foreign institutional ownership is measured by the percentage of shares held by foreign institutional ownerships to total shares issued by the firm (Al-Gamrh et al., 2020). This information is collected manually from company annual report.
Social Sustainability Disclosure	Measured by looking at disclosures related to social responsibility that have been communicated to stakeholders and the public through the annual report media based on the GRI Sustainability Reporting Guidelines. $$SSRD_J = \frac{\sum_{t=1}^{nj} X_{ij}}{n_j}$$ SSRD = disclosure score for the j_{th} company n_j = estimated total items for company j X_{ij} = 1 for qualitative disclosure and 0 if there is no disclosure of any information.

Environmental Performance	Environmental Performance is measured by dummy variable using ISO 14001 certification. 1 for company that have ISO 14001 certification, and 0 for company without ISO 14001 certification. This information is collected manually form annual report, sustainability reporting and company website.

Data in this research is analyze using moderated regression analysis with sub group (dummy) method by SPSS 23. The sub-group moderation test is an equation model test regression to test the effect of moderating variables by dividing the sample into two subgroups based on the chosen variable, namely the variable that is hypothesized to be the moderating variable in model. In this research, Environmental Performance is chosen as moderated variable. The sample for this research will be divided into companies with ISO 140001 certification and companies without ISO 140001 certification. The steps for conducting a moderation analysis with subgroups (dummy) can be seen below:

(1) Regressing the independent variables to the dependent variable using the total sample

$$Foreign\ Institutional\ Ownership\ =\ \alpha 1 + \alpha 2\ SSD\ +\ \varepsilon 1$$

(2) Regressing the independent variables to the dependent variable for sample with ISO 140001 certification

$$Foreign\ Institutional\ Ownership\ =\ \beta 1 + \beta 2\ SSD\ +\ \varepsilon 2$$

(3) Regressing the independent variables to the dependent variable for sample without ISO 140001 certification

$$Foreign\ Institutional\ Ownership\ =\ \lambda 1 + \lambda 2\ SSD\ +\ \varepsilon 3$$

After the regression, the restricted residual sum of squares or RSSr values for each regression model can be seen in the ANOVA table. The residual sum of squares will be used to calculate the F value using the Chow test. If the calculated F value > F Table, it means that there is a moderating effect of environmental performance on relationship between social sustainability disclosure and foreign institutional ownership.

RESULTS AND DISCUSSION

Moderation analysis with sub group (dummy) in this study was carried out using the SPSS 23. The results of the research data analysis can be seen below.

Descriptive Statictics

The test results for the descriptive statistics for this study can be seen in the table 3 below:

Table 3. Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
Foreign Institutional Ownership	60	0.07	0.94	0.4343	0.26724
Social Sustainability Disclosure	60	0.52	0.92	0.7882	0.12395
Environmental Performance	60	0.00	1.00	0.6833	0.46910

Source: processed secondary data, 2023

Based on the results of the descriptive statistics in Table 3 above, it can be seen that the number of samples used in this study was 60 samples. Average value for Foreign Institutional Ownership is 0.43 or 43% with minimum value for the Foreign Institutional Ownership variable is 0.07 or 7% and maximum value for the Foreign Institutional Ownership variable is 0.94 or 94%. The highest Foreign Institutional Ownership in the 5 year period observations occurred in the Unilever Indonesia Tbk. While the lowest Foreign Institutional Ownership in the 5 year observation period occurred in Wijaya Karya Tbk. Average value for Social Sustainability Disclosure is 0.78 or 78% with minimum value for the Social Sustainability Disclosure is 0.52 or 52% and maximum value for the Social Sustainability Disclosure is 0.92 or 92%. The highest Social Sustainability Disclosure in the 5 year period observations occurred in the Astra International Tbk. While the lowest Social Sustainability Disclosure in the 5 year observation period occurred in Kable Farma Tbk. Environmental Performance is described with dummy variable. This variable has minimum value of 0.00 which means the company does not has ISO 140001 certification and maximum value 1.00 which means the company has ISO 140001 certification.

Coefficient of Determination

The test results for the coefficient of determination for this study can be seen in the table 4 below:

Table 4. Coefficient of Determination

R	R Square	Adjusted R Square	Std. Error of the Estimate
0.398	0.159	0.144	0.14452

Source: processed secondary data, 2023

Based on the test results of the coefficient of determination in table 4 above, it can be seen that the Adjusted R Square for testing the first hypothesis has a value of 0.144. This means that 14.4% of the variation in foreign institutional ownership variables can be explained by independent variables. While the rest (100% - 14.4% = 85.6%) are explained by other reasons outside the model.

Goodness of Fit Test

Goodness of Fit Test (F Test) was conducted to test the feasibility of the model used in the study. The results of the F test are presented in Table 5 below:

Table 5. Goodness of Fit Test

Model	F	Sig.
Regression	10.943	0.002

Source: processed secondary data, 2023

Based on the F statistical test in Table 5, it can be seen that the F value is 10.943 > F table 3.162 with a significance value of 0.002 < alpha 0.05. These results indicate that the model used is feasible or fit to use.

Moderation Analysis Result with Sub Group Method

(1) Regressing the independent variables to the dependent variable using the total sample

Result from the first regression for model can be seen in table 6 below.

Table 6. Regression Result for Total Sample

Model	Unstandardized Coefficients		Standardized Coefficients	t	sig	Restricted Residual Sum of Squares
	B	Std. Error	Beta			
(Constant)	1.705	0.236	-	7.208	0.000	
X_SSD	-0.856	0.259	-0.398	-3.308	0.002	1.211

Source: processed secondary data, 2023

Based on the results of parameter estimation in Table 6, the first regression equation model is:

$$Foreign\ Institutional\ Ownership\ =\ 1.705\ -0.856\ SSD\ +\ \varepsilon 1$$

A constant value (C) of 1.705 indicates that if social sustainability disclosure does not change or is constant, then the level of foreign institutional ownership in the company is worth 1.705. The regression coefficient value of social sustainability disclosure of -0.856 shows that social sustainability disclosure has a negative effect on foreign institutional ownership or if there is an increase in social sustainability disclosure, it will reduce the level of foreign institutional ownership in companies by -0.856.

Based on the results of the t test and significance value in table 6 above, it can be seen that the significance value of the social sustainability disclosure variable is 0.002 < alpha 0.05 with a negative coefficient. This shows that there is a significant negative relationship between social sustainability disclosure and the level of foreign institutional ownership so that the first hypothesis is rejected.

(2) Regressing the independent variables to the dependent variable for sample with ISO 140001 certification

Result from the second regression model can be seen in table 7 below.

Table 7. Regression Result for Sample With ISO 140001

Model	Unstandardized Coefficients		Standardized Coefficients	t	sig	Restricted Residual Sum of Squares
	B	Std. Error	Beta			
(Constant)	1.091	0.054		20.338	0.000	
With ISO 140001	-0.138	0.060	-0.347	-2.308	0.026	0.030

Source: processed secondary data, 2023

Based on the results of parameter estimation in Table 7, the second regression equation model is:

$$Foreign\ Institutional\ Ownership\ =\ 1.091 - 0.318\ SSD\ +\ \varepsilon 2$$

A constant value (C) of 1.091 indicates that if social sustainability disclosure does not change or is constant, then the level of foreign institutional ownership in the company with ISO 140001 certification is worth 1.091. The regression coefficient value of social sustainability disclosure of -0.318 shows that social sustainability disclosure has a negative effect on foreign

institutional ownership or if there is an increase in social sustainability disclosure, it will reduce the level of foreign institutional ownership in companies with ISO 140001 certification by -0.318.

Based on the results of the t test and significance value in table 7 above, it can be seen that the significance value of the social sustainability disclosure variable is 0.026 < alpha 0.05 with a negative coefficient. This shows that there is a significant negative relationship between social sustainability disclosure and the level of foreign institutional ownership in company with ISO 140001 certification.

(3) Regressing the independent variables to the dependent variable for sample without ISO 140001 certification

Result from the third regression model can be seen in table 8 below.

Table 8. Regression Result for Sample Without ISO 140001

Model	Unstandardized Coefficients		Standardized Coefficients	t	sig	Restricted Residual Sum of Squares
	B	Std. Error	Beta			
(Constant)	2.978	0.807		3.689	0.002	
Without ISO 140001	-2.272	0.853	-0.543	-2.664	0.016	0.822

Source: processed secondary data, 2023

Based on the results of parameter estimation in Table 8, the third regression equation model is:

$$Foreign\ Institutional\ Ownership\ =\ 2.978\ -\ 2.272\ SSD\ +\ \varepsilon 3$$

A constant value (C) of 2.978 indicates that if social sustainability disclosure does not change or is constant, then the level of foreign institutional ownership in the company without ISO 140001 certification is worth 2.978. The regression coefficient value of social sustainability disclosure of -2.272 shows that social sustainability disclosure has a negative effect on foreign institutional ownership or if there is an increase in social sustainability disclosure, it will reduce the level of foreign institutional ownership in companies without ISO 140001 certification by -2.272.

Based on the results of the t test and significance value in table 8 above, it can be seen that the significance value of the social sustainability disclosure variable is 0.016 < alpha 0.05 with a negative coefficient. This shows that there is a significant negative relationship between social sustainability disclosure and the level of foreign institutional ownership in company with ISO 140001 certification.

After the regression, Chow test is used to calculate the value of F value based on restricted residual sum of squares. Based on the results of regression in table 6, 7 and 8 above, F value is calculated using the Chow test below:

$$F = \frac{(SSRT - SSRG)/k}{(SSRG)/(n1 + n2 - 2k)}$$

$$F = \frac{(1.211 - (0.03 + 0.822))/2}{(0.03 + 0.0822)/(60 - 2\,x\,2)}$$

$$F = 11.798$$

The calculated F value 11.798 > F table 3.162, these results indicate that the environmental performance variable moderates the relationship between social sustainability disclosure and the level of foreign institutional share ownership, thus the second hypothesis is accepted.

Discussion

From the results of testing the data, it was found that social sustainability disclosure has a significant negative effect on foreign institutional ownership. Environmental performance as measured by ISO 140001 certification has also been shown to moderate the relationship between the two variables. These results indicate that the higher or greater a company carries out social sustainability disclosure, the lower or less interest of foreign institutional investors to invest in the company. Because sustainability reports are voluntary disclosures by companies and do not adhere to any obligatory reporting requirements, stakeholders struggle to establish which companies are "good" (Mahoney et al., 2013). According to Mahoney et al., (2013), social sustainability disclosure is linked to two major issues in business: greenwashing and information overload. Greenwashing holds that the ''benefits'' bestowed on ''bad'' corporate outweigh those bestowed on ''good'' corporate. As a result, greenwashing predicts that ''bad'' corporate will use social disclosures more frequently (Clarkson et al., 2008). Greenwashing refers to the practice of publishing separate social disclosures reports intended to affect stakeholders' perceptions of corporations' concern for social and environmental issues. Greenwashing is the practice of using standalone Sustainability Reports to present themselves as ''good'' corporate citizens when they are not, by biased reporting that tends to be overly positive about their pro social and environmental actions, and neglecting or avoiding reporting of negative social and environmental actions (Adams, 2004; Adams et al., 1995; Lindblom, 1994; Mahoney et al., 2013)

One of the effects of the reduced interest of foreign institutional investors is global economic pressure, the threat of recession, and rising interest rates as one of the impacts of the Covid-19 pandemic that has hit the world (Hema, 2022, 2023). During the Covid-19 pandemic, many companies have disclosed social activities as a loophole to maintain business. Information regarding company social disclosure suddenly overflows, making it difficult for many investors to sort and distinguish which information and social activities are oriented towards the future and which information is only a stepping stone to attract investment. These results suggest a view opposite to signaling theory and more in line with the theories of social norms written by Becker, (2010). In his model of the theories of social norms, Becker, (2010) reveals that investors and managers can discriminate against business decisions as a result of pressure and conditions of social norms. The emerging social pressures and norms are often followed by the emergence of various additional costs that must be borne by investors and managers. The Covid-19 pandemic that has hit the world has created environmental pressure that forces stakeholders to share their financial resources to support and assist recovery amid deteriorating global

conditions. This result is in line with the results of a study by Abu Qa'dan & Suwaidan, (2019); Arslan et al., (2021); and Devinney et al., (2013) which states that there is a negative relationship between social disclosure and institutional investors. Large investors tend to abandon and sell shares when under pressure from various environmental activists and environmental activities that are in row amid uncertain environmental conditions (Hong & Kacperczyk, 2009).

CONCLUSION

The test results found that social sustainability has a negative effect on the level of foreign institutional ownership. The environmental performance which is proxied using ISO 14001 certification is also proven to moderate the relationship between social sustainability and the level of foreign institutional ownership in companies listed on the SRI-KEHATI index on the Indonesia Stock Exchange. This research also has implications and provides a deeper understanding of the behavior of foreign institutional investors. As an effect of the COVID-19 pandemic, many stakeholders are experiencing an overload of non-financial information in the form of Sustainability Reporting Disclosure because many companies are trying to cover up the falling quality of financial information that has suffered losses amid the pandemic. Based on these results, it can be concluded that non-financial information is still not fully the sole determinant of stakeholder decision-making, stakeholders still need accurate and good financial information to accompanied non-financial information such as sustainability reporting for their long-term decision-making.

This research is limited to companies on the SRI-KEHATI index in Indonesia. Further research can be carried out using companies engaged in industries that fall into the "sin stocks" category or companies engaged in the areas of alcohol, tobacco, and gaming to try to test the alignment of the results with theories of social norms.

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