International Journal of Education, Social Studies, And Management (IJESSM)
e-ISSN : 2775-4154
Volume 6, Issue 3, October 2026
The International Journal of Education, Social Studies, and Management (IJESSM) is published 3 times a year (**February, June, October**).
Focus : Education, Social, Economy, Management, and Culture.
LINK : http://lpppipublishing.com/index.php/ijessm

Sustainability Reporting Analysis on Cumulative Abnormal Returns Through Political Connections

Veni Yuliana[1], Nugroho Budi Wirawan[2], Destin Alfianika Maharani[3]
[1,2,3] *Perwira Purbalingga University, Indonesia*

ARTICLE INFO
Article history:
Received
21 September 2026
Revised
15 October 2026
Accepted
01 November 2026

ABSTRACT

This study aims to analyze the effect of sustainability reports on cumulative abnormal return (CAR) with political connection as a mediating variable in mining companies listed on the Indonesia Stock Exchange during 2021–2024. The study is motivated by investors' increasing attention to non-financial information, particularly sustainability disclosures, and the importance of political connections in the highly regulated mining industry. This research uses a quantitative approach with secondary data obtained from annual reports, sustainability reports, and capital market data. The population consists of 47 mining companies, while the sample includes 42 companies selected through purposive sampling, resulting in 168 samples. Data were analyzed using descriptive statistics, classical assumption tests, linear regression, and path analysis with SPSS version 25. The results indicate that sustainability reports positively affect political connection and cumulative abnormal return. Political connection also positively affects cumulative abnormal return and mediates relationship between sustainability reports and cumulative abnormal return.

Keywords
Sustainability Report, Political Connection, Cumulative Abnormal Return, Signaling Theory, Mining Companies.

Corresponding Author : veniyuliana0703@gmail.com

INTRODUCTION

The contemporary business environment has undergone a substantial transformation in which corporate success is no longer evaluated solely through financial performance but also through the organization's commitment to social responsibility and environmental stewardship. This shift has intensified the importance of Environmental, Social, and Governance (ESG) principles as critical indicators of corporate sustainability and long-term value creation. ESG practices are increasingly considered by investors, regulators, and other stakeholders as essential measures of governance quality and organizational capability in addressing economic, environmental, and social risks (Hardiningsih et al., 2024). Consequently, firms have expanded their disclosure

practices beyond traditional financial reporting by publishing sustainability reports that communicate their sustainability-related activities and performance. Such reports function not only as accountability mechanisms but also as strategic communication tools that demonstrate corporate commitment to sustainable development (Zhou et al., 2024). From a signaling theory perspective, sustainability reporting serves as a positive signal that reduces information asymmetry between corporate management and investors, thereby enhancing market confidence (Desai, 2024).

In Indonesia, the relevance of sustainability reporting has increased significantly due to regulatory initiatives introduced by the Financial Services Authority (OJK), which encourage listed companies to improve transparency regarding sustainability-related activities. The growing demand for non-financial information reflects the evolving preferences of modern investors, who increasingly incorporate sustainability considerations into investment decisions (Sun et al., 2024). Sustainability disclosures provide insights into a firm's compliance with regulatory requirements while simultaneously reflecting its ability to maintain operational resilience, corporate reputation, and long-term competitiveness (Wang et al., 2025). Therefore, sustainability reports have emerged as important informational resources capable of influencing capital market reactions and shaping investor perceptions regarding corporate value and future prospects.

Investor responses to corporate disclosures are commonly reflected in stock price movements and investment returns. Within capital market research, cumulative abnormal return (CAR) is frequently employed to capture the aggregate difference between actual returns and expected returns over a specified event window, thereby indicating the informational content of a particular disclosure (Jogiyanto, 2018). CAR is particularly relevant in evaluating market reactions to sustainability reporting because sustainability-related information may alter investors' assessments of corporate risk, growth opportunities, and overall firm value (Nguyen et al., 2024). When sustainability reports are perceived as credible and decision-useful, investors are more likely to respond favorably, leading to positive abnormal returns. Such reactions are especially important in industries characterized by substantial environmental and social impacts, where stakeholders closely monitor corporate sustainability performance.

The mining sector represents one of the most appropriate contexts for examining this relationship due to its direct involvement in natural resource extraction, environmental degradation risks, carbon emissions, and social consequences for surrounding communities (Maharani et al., 2025). Compared

with many other industries, mining companies face stronger pressures to demonstrate accountability and sustainable business practices. Moreover, the Indonesian mining industry has experienced considerable market volatility driven by fluctuations in global commodity prices, downstream industrialization policies, energy transition initiatives, and regulatory changes (Putri et al., 2022). Empirical evidence indicates that average stock returns in the mining sector declined from 16.98% in 2021 to 12.07% in 2022, followed by further decreases to 4.41% in 2023 and 2.41% in 2024, reflecting increasing investor sensitivity toward ESG-related information and governance quality (Determinants of Stock Returns and Their Implications for Dividend Policy of Mining Sector Companies on the Indonesian Stock Exchange, 2025). These developments suggest that market responses are increasingly influenced by non-financial disclosures, including sustainability reporting.

Another important characteristic of the mining industry is its strong dependence on government regulations, making political connections a potentially influential factor in investor assessments. Political connection refers to the relationship between a company and political actors or governmental institutions that may provide privileged access to regulatory support, policy information, or operational advantages (Faccio, 2006). In highly regulated industries such as mining, investors often perceive political connections as strategic assets capable of mitigating regulatory uncertainty and enhancing corporate stability (Asmoro et al., 2024).

Furthermore, political connections may strengthen the effectiveness of sustainability reporting by increasing the credibility and legitimacy of corporate sustainability initiatives (Lestari & Muthmainnah, 2025). However, prior studies have produced inconsistent findings regarding both sustainability reporting and political connections. While Noviantini and Jati (2021) documented a positive market response to sustainability disclosures, Lindawati et al. (2023) reported insignificant effects on abnormal returns. Similarly, evidence regarding political connections remains inconclusive (Maharani & Merina, 2025).

These inconsistencies indicate the existence of a research gap concerning the mechanism through which sustainability reporting influences cumulative abnormal return, particularly through the mediating role of political connections. Accordingly, this study investigates the effect of sustainability reporting on cumulative abnormal return through political connections among mining companies listed on the Indonesia Stock Exchange during the 2021–2024 period.

RESEARCH METHOD

Type of Research

According to Sugiyono (2022), quantitative research is a research approach grounded in empirical and measurable data, emphasizing the use of numerical information that can be statistically analyzed to test hypotheses and draw objective conclusions. This method is commonly applied to investigate populations and samples using structured research instruments and statistical techniques. In this study, an associative research design is employed to examine the relationship among variables and determine the causal effects between them. Associative research aims to identify, analyze, and explain the influence of one variable on another, thereby providing empirical evidence regarding the relationships among the variables under investigation (Sugiyono, 2022).

Population and Sample

Population refers to a generalized group consisting of objects or subjects that possess specific characteristics and qualities determined by the researcher for investigation and conclusion drawing (Sugiyono, 2022). Based on this definition, the population of the present study comprises mining companies listed on the Indonesia Stock Exchange (IDX) during the 2021–2024 period, totaling 42 companies. Meanwhile, a sample represents a subset of the population that reflects its characteristics and is selected to facilitate empirical analysis (Sugiyono, 2022). This study employs a purposive sampling technique to select observations that meet predetermined criteria. The final sample consists of 168 firm-year observations derived from 42 mining companies over the 2021–2024 research period.

Data Types and Sources

Data employed in this study are secondary data obtained from existing sources rather than collected directly from respondents. Secondary data refer to information acquired through intermediary sources, published documents, archival records, and other documented materials that have been previously compiled for research or reporting purposes (Sugiyono, 2022). The data utilized in this research consist of annual reports, sustainability reports, and financial statements of mining companies listed on the Indonesia Stock Exchange (IDX) during the 2021–2024 period. In addition, relevant information was collected from academic books, scientific journals, prior studies, and other supporting literature. Corporate reports and financial data were primarily obtained from the official Indonesia Stock Exchange website, ensuring the reliability, accuracy, and credibility of the research data.

Operational Definitions of Variables

Operational definitions provide specific guidelines for measuring research variables and ensuring consistency in data collection and analysis. They describe the concepts, indicators, measurement methods, scales, and units used to operationalize the variables under investigation. In this study, three variables are examined, namely Sustainability Reporting as the independent variable, Political Connection as the mediating variable, and Cumulative Abnormal Return as the dependent variable.

Sustainability Reporting (X) refers to a company's disclosure of its economic, social, and environmental performance and responsibilities to stakeholders. The level of sustainability reporting is measured using the Sustainability Report Disclosure Index (SRDI), calculated as:

$$SRDI = n/k$$

where n represents the number of sustainability disclosure items reported by the company and k represents the total disclosure items expected to be disclosed. This study employs 83 disclosure items based on the applicable sustainability reporting framework. The resulting index ranges from 0 to 1, with higher values indicating greater disclosure quality and comprehensiveness (Amalia et al., 2021). Sustainability Reporting is measured using a ratio scale.

Political Connection (Z) refers to the relationship between a company and government officials, politicians, or political institutions that may influence corporate activities and decision-making processes. Political connection is measured using a dummy variable approach. A value of 1 is assigned if the company has at least one director, commissioner, or major shareholder who currently holds or previously held a governmental, legislative, or political position, or has a close relationship with political actors. Conversely, a value of 0 is assigned if no such political affiliation exists within the company's governance structure (Manihuruk & Novita, 2022). Therefore, Political Connection is measured on a dummy scale.

Cumulative Abnormal Return (Y) represents the accumulated difference between actual stock returns received by investors and expected returns over a specified event period. Actual return is calculated as:

$$R_{it} = (P_t - P_{t-1} + D_t) / P_{t-1}$$

where P_t is the stock price at time t, P_{t-1} is the stock price in the previous period, and D_t is the dividend distributed during the period. Abnormal return is computed as:

$$AR_{it} = R_{it} - E(R_{it})$$

where $E(R_{it})$ represents the expected return. Subsequently, Cumulative Abnormal Return (CAR) is determined by summing abnormal returns during the observation window:

$$CAR_i(t_1,t_2) = \Sigma\, AR_{it}$$

for $t = t_1$ to t_2 (Jogiyanto, 2018). Cumulative Abnormal Return is measured using a ratio scale.

Data Analysis Techniques

This study employs a quantitative analytical approach to examine the relationships among Sustainability Reporting, Political Connection, and Cumulative Abnormal Return. The research data are transformed into numerical values and analyzed using IBM SPSS Statistics Version 25. The analysis begins with descriptive statistical analysis to provide an overview of the characteristics of the research variables through measures such as the mean, minimum value, maximum value, and standard deviation. Prior to hypothesis testing, classical assumption tests are conducted to ensure the validity of the regression model. These include the Kolmogorov–Smirnov normality test, where data are considered normally distributed if the significance value is greater than or equal to 0.05; the multicollinearity test, assessed through Tolerance and Variance Inflation Factor (VIF) values, with a VIF below 10 and Tolerance above 0.10 indicating the absence of multicollinearity; and the Glejser heteroscedasticity test, where a significance value greater than 0.05 indicates that heteroscedasticity is not present in the regression model (Sudaryono, 2021).

Hypothesis testing is performed using Path Analysis to examine both the direct and indirect effects among the study variables, particularly the mediating role of Political Connection in the relationship between Sustainability Reporting and Cumulative Abnormal Return. The significance of each path coefficient is evaluated using the t-test, where a significance value below 0.05 indicates a statistically significant relationship between variables (Sudaryono, 2021). Furthermore, the F-test is employed to determine whether the independent variables jointly influence the dependent variable and whether the regression model is statistically fit, with a significance level of 0.05 serving as the decision criterion. Finally, the coefficient of determination (R^2) is used to measure the proportion of variation in the dependent variable explained by the independent variables included in the model. A higher R^2 value indicates greater explanatory power of the model in predicting the dependent variable (Ghozali, 2018). Additionally, R^2 reflects the percentage contribution of the independent variables in explaining changes in the dependent variable (Sugiyono, 2020).

RESULT AND DISCUSSION

Overview of Research Objects and Subjects

The object of this study consists of mining companies listed on the Indonesia Stock Exchange (IDX) during the 2021–2024 period. The mining sector was selected because of its strong association with sustainability issues, government regulations, and political interests. Mining activities generate significant environmental and social impacts, making sustainability reporting an important mechanism for corporate accountability. Furthermore, the sector plays a strategic role in the Indonesian economy, contributing approximately Rp2,198 trillion or 10.5% of Indonesia's Gross Domestic Product (GDP) in 2023 and serving as a major source of Non-Tax State Revenue (PNBP) (Ministry of Energy and Mineral Resources, 2023). The study employs purposive sampling, resulting in 42 mining companies that consistently published annual reports, sustainability reports, and complete data related to the research variables during the observation period.

Classical Assumption Test

The classical assumption tests were conducted to ensure that the multiple regression model met the statistical requirements necessary for producing reliable and unbiased estimates. The normality test using the Kolmogorov–Smirnov method showed an Asymp. Sig. (2-tailed) value of 0.098, which exceeds the significance threshold of 0.05. Therefore, the residual data are normally distributed, indicating that the model satisfies the normality assumption (Ghozali, 2018). Furthermore, the multicollinearity test revealed a Tolerance value of 1.000 and a Variance Inflation Factor (VIF) value of 1.000 for both Sustainability Reporting and Political Connection. These results indicate the absence of strong correlations among the independent variables, confirming that multicollinearity is not present in the regression model (Hair et al., 2020).

In addition, the Durbin–Watson statistic of 1.936 falls between the upper bound (du = 1.774) and 4 − du (2.226), indicating that the model is free from autocorrelation and that residuals are independent across observations (Santoso, 2020). The heteroscedasticity test using the Glejser method further demonstrated significance values of 0.633 for Sustainability Reporting and 0.517 for Political Connection, both of which exceed 0.05. These findings suggest that neither variable significantly affects the absolute residual values, indicating the absence of heteroscedasticity. Consequently, the regression model satisfies all classical assumption tests and is appropriate for subsequent hypothesis testing and path analysis.

Descriptive Statistical Analysis

The descriptive statistics of the study variables are presented in Table below. A total of 168 observations were analyzed. The Cumulative Abnormal Return (CAR) variable recorded a minimum value of -6.31 and a maximum value of 28.63, with a mean value of 15.277 and a standard deviation of 675.408. These results indicate substantial variation in market reactions among mining companies during the observation period. The Sustainability Reporting (SR) variable ranged from 0.40 to 0.69, with an average value of 0.5365 and a standard deviation of 0.05825. This finding suggests that the level of sustainability disclosure among the sampled companies was relatively moderate and homogeneous. Meanwhile, the Political Connection (POL) variable had a minimum value of 0 and a maximum value of 1, reflecting its dummy-variable measurement. The mean value of 0.1786 indicates that a relatively small proportion of firms possessed political connections, while the standard deviation of 0.38414 demonstrates variation in political affiliation across companies.

Table 1.
Descriptive Statistic

Variable	N	Minimum	Maximum	Mean	Std. Deviation
Sustainability Reporting (SR)	168	0.40	0.69	0.5365	0.05825
Cumulative Abnormal Return (CAR)	168	-6.31	28.63	15.277	675.408
Political Connection (POL)	168	0.00	1.00	0.1786	0.38414

The frequency distribution of the Political Connection variable is presented above. Out of 168 observations, 138 companies (82.1%) were classified as having no political connection, whereas 30 companies (17.9%) were identified as politically connected. These findings indicate that the majority of mining companies in the sample operated without direct political affiliations. Nevertheless, the existence of politically connected firms remains an important phenomenon because such connections may provide strategic advantages, including improved access to government policies, regulatory support, and business opportunities. The distribution also demonstrates sufficient variation in the Political Connection variable, making it suitable for further analysis regarding its role in influencing cumulative abnormal returns.

Table 2.
Political Connection Frequency

Category	Frequency	Percentage (%)	Cumulative Percentage (%)
No Political Connection	138	82.1	82.1
Political Connection	30	17.9	100.0
Total	**168**	**100.0**	**100.0**

Path Analysis

The path analysis results indicate that all relationships proposed in the research model are statistically significant. Sustainability Reporting (SR) has a significant positive effect on Cumulative Abnormal Return (CAR), with a significance value of 0.015 (< 0.05). Likewise, Political Connection (POL) significantly influences CAR, as indicated by a significance value of 0.011. Furthermore, SR significantly affects POL, with a significance value of 0.004. These findings suggest that Sustainability Reporting not only directly influences market reactions but may also exert an indirect effect through Political Connection. The Sobel test further confirms the mediating role of Political Connection, producing a test statistic of 1.665 and a p-value of 0.0157, which is below the 0.05 significance level. Therefore, Political Connection significantly mediates the relationship between Sustainability Reporting and Cumulative Abnormal Return, indicating that companies with stronger sustainability disclosures tend to possess greater political connections, which subsequently enhance positive market responses.

Partial Significance Test

The partial significance test results are presented in table below. In Model 1, which examines the effects of Sustainability Reporting (SR) and Political Connection (POL) on Cumulative Abnormal Return (CAR), Sustainability Reporting exhibits a positive and significant effect on CAR (B = 1.704; Sig. = 0.018 < 0.05). Similarly, Political Connection positively and significantly affects CAR (B = 0.894; Sig. = 0.008 < 0.05). In Model 2, Sustainability Reporting significantly influences Political Connection (B = 1.029; Sig. = 0.004 < 0.05). These findings indicate that Sustainability Reporting directly enhances Cumulative Abnormal Return while also strengthening Political Connection, suggesting its potential mediating role in the relationship between Sustainability Reporting and market performance.

Table 3.
Partial Significance Test Results

Model	Variable	B	Std. Error	Beta	t-value	Sig.
Model 1*	Constant	0.648	4.877	–	0.493	0.014
	Sustainability Reporting (SR)	1.704	9.025	0.015	1.189	0.018
	Political Connection (POL)	0.894	1.369	-0.011	0.642	0.008
Model 2**	Constant	0.194	0.276	–	0.704	0.013
	Sustainability Reporting (SR)	1.029	0.512	0.445	1.458	0.004

*Model 1: Effect on Cumulative Abnormal Return (CAR)
**Model 2: Effect on Political Connection (POL)

Simultaneous Significance Test

Based on the results of the F-test presented in Table 4.8, the calculated F-value is 8.028 with a significance level of 0.012, which is lower than the threshold of 0.05. This result indicates that the regression model is statistically significant and appropriate for further analysis. Therefore, Sustainability Reporting and Political Connection jointly have a significant effect on Cumulative Abnormal Return (CAR). The findings suggest that the independent variables collectively explain variations in CAR, demonstrating that the proposed research model has adequate explanatory power. Consequently, the regression model is considered fit, and further analysis can be conducted to examine the individual effects of each independent variable on Cumulative Abnormal Return.

Table 4.
Simultaneous Significance Test (F-Test)

Model	Sum of Squares	df	Mean Square	F-value	Sig.
Regression	2.583	2	1.291	8.028	0.012
Residual	7,615.553	165	46.155	–	–
Total	7,618.136	167	–	–	–

Coefficient of Determination Test (R2 Test)

Based on the coefficient of determination results, the Adjusted R Square value is 0.212, indicating that Sustainability Reporting (SR) and Political Connection (POL) jointly explain 21.2% of the variation in Cumulative Abnormal Return (CAR). The remaining 78.8% of the variation is explained by other factors not included in the research model. These findings suggest that the explanatory power of the independent variables is relatively limited, implying that additional determinants may influence market reactions. Factors such as

macroeconomic conditions, commodity price fluctuations, corporate profitability, firm-specific characteristics, and investor sentiment may also contribute significantly to variations in Cumulative Abnormal Return. Nevertheless, the model provides evidence that Sustainability Reporting and Political Connection play a meaningful role in explaining investors' responses within the Indonesian mining sector.

The Effect of Sustainability Reports on Political Connections

The findings of this study indicate that Sustainability Reporting has a positive and significant effect on Political Connection. This result suggests that companies with more comprehensive and higher-quality sustainability disclosures are more likely to establish and strengthen relationships with government institutions, regulators, and other strategic stakeholders. From the perspective of Signaling Theory proposed by Spence (1973), sustainability reports serve as credible signals of corporate transparency, accountability, and commitment to sustainable business practices. Such disclosures reduce information asymmetry and enhance the company's reputation, making it more attractive to external stakeholders, including governmental authorities. Companies that consistently communicate their environmental and social responsibilities are often perceived as having lower risk exposure, stronger governance structures, and greater regulatory compliance.

Furthermore, Legitimacy Theory explains that sustainability disclosures enable organizations to gain social acceptance and institutional support from external parties. By demonstrating commitment to environmental protection and social responsibility, firms can strengthen their legitimacy within society and improve their relationships with policymakers and regulators. These findings are consistent with Nugrahanti and Natasya (2023), who reported that politically connected firms tend to increase sustainability disclosures to maintain legitimacy and favorable government relations. Similarly, Wibowo (2022) found a positive association between political connections and corporate social responsibility disclosure, suggesting that sustainability practices can function as strategic tools for institutional relationship-building. However, these results differ from those of Maharani and Merina (2025), who reported no significant relationship, potentially due to differences in industry characteristics, regulatory environments, and research samples.

The Effect of Sustainability Reports on Cumulative Abnormal Returns

The results of this study demonstrate that Sustainability Reporting has a positive and significant effect on Cumulative Abnormal Return (CAR). This finding suggests that investors respond favorably to sustainability-related disclosures because such information reflects a company's long-term prospects

and its ability to manage various business risks, including environmental, regulatory, and reputational risks (Zhou et al., 2024). In the mining industry, environmental risks may arise from pollution, ecosystem degradation, carbon emissions, and social conflicts with local communities, all of which can lead to substantial legal liabilities and remediation costs (Wang et al., 2025). By providing comprehensive sustainability disclosures, companies signal their commitment to regulatory compliance, environmental stewardship, and social responsibility, thereby enhancing investor confidence in corporate stability and future performance (Desai, 2024).

Furthermore, sustainability reporting provides broader information regarding how organizations identify, assess, and mitigate environmental, social, and governance (ESG) risks. Social issues such as labor disputes, community conflicts, and human rights concerns, as well as governance problems including corruption and inadequate transparency, may negatively affect corporate reputation and increase uncertainty for investors (Sun et al., 2024). Consequently, firms with higher-quality sustainability disclosures are generally perceived as having stronger risk management practices and more sustainable business models. Consistent with Signaling Theory (Spence, 1973), sustainability reporting serves as a positive signal that reduces information asymmetry between management and investors, leading to more favorable market reactions. These findings support the results of Mujiani et al. (2020), who reported that sustainability disclosures positively influence stock returns. However, the findings differ from Lindawati et al. (2023), who found no significant market reaction, potentially due to differences in investor awareness of sustainability issues and the institutional context of the study.

The Effect of Political Connections on Cumulative Abnormal Returns

The findings reveal that Political Connection has a positive and significant effect on Cumulative Abnormal Return (CAR), indicating that politically connected firms tend to receive more favorable market reactions. Investors often perceive political connections as indicators of institutional strength, business stability, and privileged access to government policies and regulatory support (Faccio, 2006). From the perspective of Signaling Theory, political connections function as valuable non-financial signals that communicate a firm's strategic position and strong relationships with government officials and regulators, thereby reducing information asymmetry between companies and investors (Ross, 1977). As a result, politically connected firms are generally viewed as having greater resilience against external uncertainties and regulatory challenges, which enhances investor confidence and contributes to positive abnormal returns.

Furthermore, political connections may provide firms with access to strategic resources, including accelerated licensing processes, government contracts, financing opportunities, and early access to policy-related information. These advantages can strengthen operational efficiency and improve future profitability, leading investors to anticipate better financial performance (Nguyen et al., 2024). According to Signaling Theory, such benefits represent positive signals of institutional support and effective risk management capabilities, particularly in highly regulated industries such as mining (Desai, 2024; Sun et al., 2024). Consequently, investors interpret political connections as indicators of lower business risk and stronger growth prospects, resulting in higher market valuations and increased CAR. These findings are consistent with Nisa and Ahmadi (2025), who documented a significant relationship between political connections and abnormal returns, as well as Azizah (2021), who reported that political factors influence market reactions. However, the results differ from those of Yulia and Utami (2025), who found no significant effect, potentially due to differences in political events, regulatory environments, and investor sensitivity to political information.

Political Connections Mediate the Relationship between Sustainability Reports and Cumulative Abnormal Returns

The results indicate that Political Connection significantly mediates the relationship between Sustainability Reporting and Cumulative Abnormal Return (CAR). This finding suggests that sustainability disclosures influence market reactions not only directly but also indirectly through the enhancement of a firm's strategic position and institutional relationships. Companies that provide comprehensive sustainability reports tend to gain greater legitimacy and credibility, which can strengthen their relationships with government institutions and regulatory authorities, ultimately generating more favorable investor responses (Lestari & Muthmainnah, 2025). In line with Signaling Theory (Spence, 1973), sustainability reporting serves as a signal of corporate transparency, accountability, and commitment to sustainable development. However, in highly regulated industries such as mining, sustainability disclosures alone may not be sufficient to convince investors. Political connections function as an additional signal that enhances the credibility of sustainability information by indicating stronger institutional support, regulatory access, and risk management capabilities (Faccio, 2006).

The combination of Sustainability Reporting and Political Connection creates a more comprehensive signal for investors regarding a firm's quality, stability, and long-term prospects. While sustainability disclosures demonstrate responsibility toward environmental, social, and economic issues, political

connections reflect the firm's ability to navigate regulatory challenges and maintain operational stability in a dynamic policy environment (Nguyen et al., 2024). From a Legitimacy Theory perspective, sustainability reporting strengthens social legitimacy, whereas political connections extend legitimacy into the institutional and political sphere. Consequently, investors are more likely to perceive such firms as possessing competitive advantages and strategic protection, leading to higher abnormal returns (Zhou et al., 2024; Sun et al., 2024). These findings are consistent with Aji and Juliarto (2018), Azizah (2021), and Nugrahanti and Natasya (2023), who reported that sustainability disclosures and political factors positively influence market perceptions. However, the results differ from those of Lindawati et al. (2023) and Yulia and Utami (2025), possibly due to differences in industry characteristics, regulatory intensity, firm attributes, and investor sensitivity to sustainability and political information.

CONCLUSION

This study concludes that Sustainability Reporting positively and significantly influences Political Connection, indicating that companies with more comprehensive sustainability disclosures tend to possess stronger legitimacy and closer relationships with government institutions and regulatory bodies. The findings also reveal that both Sustainability Reporting and Political Connection positively affect Cumulative Abnormal Return (CAR). Investors perceive sustainability disclosures as positive signals regarding a firm's long-term prospects, transparency, and ability to manage environmental, social, and governance risks. Likewise, politically connected firms are viewed as having greater business stability, regulatory support, and access to strategic government resources, resulting in more favorable market reactions. Furthermore, Political Connection is found to mediate the relationship between Sustainability Reporting and CAR, suggesting that sustainability disclosures become more influential when supported by strong institutional and political legitimacy.

The practical implication of this study is that mining companies should enhance the quality, transparency, and consistency of their sustainability disclosures while maintaining ethical and well-governed relationships with policymakers and regulators. Such efforts may strengthen investor confidence and improve market performance. Academically, this research contributes to Signaling Theory by demonstrating that the effectiveness of sustainability-related signals can be reinforced through Political Connection, thereby influencing investor decision-making and market reactions. However, this

study is limited to mining companies listed on the Indonesia Stock Exchange during 2021–2024 and employs a dummy variable to measure Political Connection. Future studies are encouraged to examine other industries, extend the observation period, and incorporate additional variables such as corporate governance, environmental performance, profitability, firm size, or macroeconomic factors to provide a more comprehensive understanding of market responses.

ACKNOWLEDGEMENT

We would like to thank all the parties involved in this research.

REFERENCES

Aji, B. S., & Juliarto, A. (2018). Pengaruh pengungkapan sustainability report terhadap reaksi investor pada perusahaan sektor pertambangan dan manufaktur yang terdaftar di BEI periode 2014–2015. *Diponegoro Journal of Accounting, 7*(1), 1–7.

Amalia, L. Z., & Santosa, P. B. (2022). Pengaruh pemilihan umum tahun 2019 terhadap abnormal return dan trading volume activity di Bursa Efek Indonesia (Studi perusahaan yang tercatat dalam Jakarta Islamic Index 70). *Diponegoro Journal of Islamic Economics and Business, 2*(2), 138–158.

Azizah, M. N. (2017). Pengaruh isu politik terhadap reaksi pasar modal Indonesia. *Jurnal Ilmu dan Riset Akuntansi, 6*(5), 1742–1756.

Global Reporting Initiative. (2022). *G4 sustainability reporting guidelines: Reporting principles and standard disclosures*. https://www.globalreporting.org

Jogiyanto, H. (2018). *Studi peristiwa: Menguji reaksi pasar modal akibat suatu peristiwa*. BPFE.

Lestari, R., & Muthmainnah, D. R. (2025). The impact of earnings management on perceived quality of earnings: The moderating role of ESG. *Asian Journal of Accounting Research, 10*(3).

Lindawati, A., Setyaningrum, S., & Mulyawan, A. N. (2023). Analysis of capital market reaction before and after sustainability reporting award. *JAFA, 10*(2), 69–78.

Maharani, S., & Merina, C. I. (2025). Pengaruh sustainability report, political connection, dan firm size terhadap kinerja keuangan pada perusahaan sektor energi yang terdaftar di BEI. *Jurnal Media Wahana Ekonomika, 21*(4), 686–699.

Mujiani, S., Soraya, E., & Yuliawati, S. (2020). Faktor-faktor yang mempengaruhi abnormal return saham pada perusahaan sektor

pertambangan yang terdaftar di Bursa Efek Indonesia. *Jurnal Akuntansi dan Bisnis Indonesia (JABISI), 1*(1), 1–11.

Nguyen, A. T., & Nguyen, N. T. (2024). How does investor sentiment affect stock market crash risk? Evidence from Asia-Pacific markets. *Cogent Economics & Finance*, *12*(1), 2422959.

Nisa, A. M., & Ahmadi, M. A. (2025). Reaksi pasar saham terhadap peristiwa politik "Peringatan Darurat". *Jurnal Manuhara: Pusat Penelitian Ilmu Manajemen dan Bisnis, 3*(1).

Nugrahanti, Y., & Natasya, D. (2023). Apakah koneksi politik mempengaruhi pengungkapan lingkungan? *Jurnal Akademi Akuntansi, 6*(4), 581–594.

Ross, S. A. (1977). The determination of financial structure: The incentive-signalling approach. *The Bell Journal of Economics, 8*(1), 23–40.

Spence, M. (1973). Job market signaling. *Quarterly Journal of Economics, 87*(3), 355–374.

Sudaryono. (2021). *Statistik I: Statistik deskriptif untuk penelitian*. Andi Offset.

Sugiyono. (2020). *Metode penelitian kualitatif untuk penelitian yang bersifat eksploratif, interpretif, dan konstruktif*. Alfabeta.

Sugiyono. (2022). *Metode penelitian kuantitatif*. Alfabeta.

Wibowo, F. (2022). Pengaruh koneksi politik terhadap pengungkapan corporate social responsibility.

Yulia, F., & Utami, P. (2025). Event study: Pengaruh PP Nomor 10 Tahun 2025 terhadap reaksi pasar saham. 869–877.