Impact of Financial Reports, Auditors, and Management on Food & Beverage Investments

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Abstrak

Keputusan investasi adalah proses yang melibatkan penilaian dan pemilihan alokasi sumber daya ke dalam berbagai jenis aset atau proyek dengan tujuan untuk mencapai hasil keuangan yang diinginkan. Fenomena rata-rata keputusan investasi yang diproksikan oleh *Price Earning Ratio* (PER) menunjukkan pola yang fluktuatif dari tahun 2019 hingga 2023. Penelitian ini menyelidiki bagaimana laporan keuangan, laporan auditor independen, dan kualitas manajemen memengaruhi keputusan investasi di perusahaan makanan dan minuman Indonesia. Dengan menganalisis data sekunder dari laporan keuangan dan tahunan perusahaan yang terdaftar di Bursa Efek Indonesia dari 2019 hingga 2023, penelitian ini menggunakan metode kuantitatif. Data diambil dari 12 perusahaan yang dipilih melalui purposive sampling selama periode 2019–2023, menghasilkan 60 observasi. Keputusan investasi diperlakukan sebagai variabel dependen, sementara laporan keuangan, laporan auditor, dan kualitas manajemen berfungsi sebagai variabel independen. Analisis data dilakukan menggunakan regresi data dengan perangkat lunak SPSS 27. Hasil penelitian mengungkapkan bahwa laporan keuangan memiliki dampak signifikan terhadap keputusan investasi, sementara kualitas manajemen dan laporan auditor tidak. Temuan ini menyoroti peran penting laporan keuangan dalam pengambilan keputusan investasi, menyarankan bahwa investor harus fokus pada data keuangan daripada mengevaluasi kualitas manajemen atau laporan auditor.

Kata Kunci: Laporan Keuangan, Laporan Auditor, Keputusan Investasi, Kualitas Manajemen, Perusahaan Makanan dan Minuman Indonesia.

Abstract

Investment decisions are a process involving the assessment and selection of resource allocation into various types of assets or projects with the aim of achieving desired financial outcomes. The average investment decision phenomenon, proxied by the Price Earning Ratio (PER), shows a fluctuating pattern from 2019 to 2023. This study investigates how financial reports, independent audit reports, and management quality influence investment decisions in Indonesian food and beverage companies. By analyzing secondary data from financial and annual reports of companies listed on the Indonesia Stock Exchange from 2019 to 2023, this study uses a quantitative method. Data were obtained from 12 companies selected through purposive sampling during the 2019–2023 period, resulting in 60 observations. Investment decisions are treated as the dependent variable, while financial reports, audit reports, and management quality serve as independent variables. Data analysis was performed using regression with SPSS 27 software. The study reveals that financial reports have a significant impact on investment decisions, while management quality and audit reports do not. These findings highlight the crucial role of financial reports in investment decision-making, suggesting that investors should focus on financial data rather than evaluating management quality or audit reports.

Keywords: Auditor Report, Financial reports, Investment decisions, Management Quality, Indonesian Food and Beverage Companies.

INTRUDUCTION

According to Law Number 8 of 1995 on Capital Markets, Article 1, paragraph 13 defines an Issuer as an entity that issues securities (such as shares or bonds) to the public to raise capital, typically for business financing, investment, or working capital. This public offering can take place either through the stock exchange or outside it, in compliance with relevant regulations. The organization in charge of setting up and supplying the infrastructure and facilities needed to make trading of securities (stocks, bonds, and other financial instruments) on the Indonesian capital market easier is the Indonesia Stock Exchange (IDX), also referred to as Bursa Efek Indonesia (BEI) in Indonesian. Following the merger of the Surabaya Stock Exchange (BES) and the Jakarta Stock Exchange (BEJ) in 2007, the Indonesia Stock Exchange (BEI) was established (Abubakar et al., 2024). The food and beverage sector, being the largest segment of Indonesia's economy and contributing 37.9 percent to the country's manufacturing GDP, is the focus of this study. In 2020, this sector significantly contributed to the country's exports, reaching a total value of USD 15.8 billion. Consequently, food and beverage companies have demonstrated notable success (Puspita et al., 2024).

Investment decision is the process by which an investor or company chooses to allocate funds into a specific asset or project with the hope of gaining profits in the future. This decision involves the analysis of various factors, such as potential profits, risks, liquidity, investment duration, and the overall impact on financial performance (Putri & Tanno, 2024). Investment decisions often include choices between different investment alternatives, such as stocks, bonds, real estate, or specific business projects. The main objective of investment decisions is to maximize the value of the invested funds while considering an acceptable level of risk (Hamid, 2022). Every company has a different performance in achieving success or, conversely, experiencing a decline in performance. The price earnings ratio (PER), which measures a stock's affordability based on the company's capacity to turn a profit, yields the following results.

Figure 1. Average PER Graph of Food and Beverage Companies Listed on the IDX for the Period 2019-2023

Source: IDX, Data processed by the author (2024)

The phenomenon of average investment decisions projected by the Price Earnings Ratio (PER) shows a fluctuating pattern from 2019 to 2023. In 2020, the Price Earnings Ratio (PER) increased from 16.84 percent to 25.41 percent, indicating investor optimism. However, in 2021, there was a slight decline in PER to 24.23 percent, followed by a further decrease in 2022 to 22.86

percent, reflecting uncertainty in the market. Then, in 2023, PER experienced a sharp spike to 39.47 percent, showing a significant increase in investor expectations regarding future profit prospects. As a result of that achievement, net profit surged.

Financial reports are an essential tool for investment managers in managing mutual fund portfolios, especially in the food and beverage sector. The financial performance of companies in the portfolio, such as revenue, net profit, cash flow, ROE, and DER, directly affects the value of the mutual fund. Companies with strong financial performance are selected to enhance the stability and growth of the mutual fund, while poor performance can decrease the portfolio value (Omokehinde, 2021). However, the food and beverage sector faces its own challenges, such as fluctuations in raw material prices, changing consumer preferences, and government regulations related to food safety and environmental sustainability. These challenges can influence investment decisions, as volatility in these aspects can significantly impact a company’s financial performance (Pranata et al., 2023).

Therefore, a careful analysis of financial reports is crucial to keep mutual fund portfolios optimized according to investment goals. Additionally, the independent auditor reports plays a crucial role in assuring investors of the legitimacy of a company’s financial reports (Riyazahmed et al., 2022). An unqualified audit opinion provides assurance that the financial reports have been prepared in accordance with applicable accounting principles. However, investor confidence does not solely rely on the audit opinion (Galanis et al., 2023). The food and beverage sector also faces risks related to regulatory compliance, such as stringent health and hygiene standards, which can be a concern for auditors and investors. Non-compliance with these regulations could result in significant losses, thus increasing investment risks (Rahmadi et al., 2023).

Management quality also plays a significant role. If management is considered inadequate or incompetent in running the company, it can lower investor confidence, even if the audit report shows that the financial reports are fair and accurate (Cosmulese et al., 2023). In the food and beverage sector, management challenges include the ability to adapt to rapidly changing consumer trends, continuous product innovation, and efficient supply chain management. Therefore, evaluating management quality should be conducted alongside financial report and audit analysis to provide a more comprehensive picture of a company’s health and prospects.

The Independent Auditor's Report is an official document issued by an external auditor after conducting an audit of a company's or entity's financial reports (Werdaningrum & Laksito, 2021). According to Umar et al. (2022), the independent auditor's report plays a critical role in providing confidence to stakeholders, such as investors, creditors, and regulators, that the company's financial reports can be trusted and reflect the true financial condition.

Management quality refers to how effectively a company’s management handles resources, makes strategic decisions, and achieves the company’s goals. Management quality reflects managerial ability to run company operations efficiently, lead the organization towards sustainable growth, and create value for shareholders and other stakeholders.

Previous research by Hidayat et al., (2023), Yani & Cerya (2023), Syauqiyah & Kurniawati (2023) and Tang & Haryono (2023) states that financial reports, as proxied by return on assets, influence investment decisions. According to other relevant studies conducted by Listiani & Soleha (2023), Febrianti & Isnurhadi (2023) and Putri & Sudiyatno (2023) independent auditor reports also affect investment decisions. The next relevant research conducted by Niswah & Cahya (2023) and Dewantari et al., (2023) indicates that management quality affects investment decisions. The population, research sample, and research object are where this study differs from earlier research. According to research by Mahardhika & Asandimitra, (2023) overconfidence has little effect on investment decisions, while risk tolerance, return, financial literacy, and financial technology all significantly positively influence them. Safryani *et al*., (2020) demonstrates that: (1) financial literacy influences decisions about investments with a path coefficient value of 0.455; (2) financial behavior influences decisions without a path coefficient value of 0.165; and (3) income influences decisions about investments with a path coefficient value of 0.337. The subsequent study by Kharel & Upadhyaya (2024) demonstrates prudent spending practices and reading to broaden knowledge in the area of finance. Research indicates that parental influence has the biggest impact on financial decisions. Media and internet exposure come in second and third. While there are certain areas that require development, most notably in comprehending investment risks, respondents usually exhibit a positive financial perspective and show understanding in a variety of financial literacy areas.

Based on the above findings, the researcher selected the investment decision variable due to its significant influence on financial performance and company value. These variables demonstrate a substantial impact on investment outcomes, making them the primary focus of this research to understand how investment decisions affect company performance. This study also offers a new contribution to the literature by highlighting the relationship between financial report performance, auditor opinions, and management quality, particularly in the food and beverage sector, which has been underexplored in previous empirical studies. Thus, this research adds knowledge about how these factors simultaneously influence investment decisions and provides a more comprehensive perspective on decision-making in this highly volatile sector. The novelty of this research lies in the integration of the analysis of three key elements financial reports, independent auditor reports, and management quality which have not been widely explored together in the context of investment in the food and beverage industry.

LITERATURE REVIEW

Financial Statements

Financial reports are formal documents that present financial information about an entity, such as a company, organization, or government, over a specific period. According to Kasmir (2020), these statements are prepared in accordance with Generally Accepted Accounting Principles (GAAP) or International Financial Reporting Standards (IFRS) and aim to provide an overview of the financial condition, performance, and cash flows of the entity to stakeholders. Financial reports are used by various parties to assess the financial performance, debt repayment capacity, profitability, and financial stability of an entity. . Mahardhika & Asandimitra (2023), found that financial reports significantly influence investment decisions. This is because the information contained in financial reports helps investors assess the performance and prospects of the company. Specifically, this research shows that key elements in financial reports, such as net income, cash flow, and financial ratios, provide strong signals to investors regarding the company's financial condition. Investors use this information to make more informed decisions, reduce uncertainty, and choose investments that are expected to yield optimal returns.

H1: Financial reports have a positive influence on investment decisions.

Independent Auditor Report

An Independent Auditor Report is an official document issued by external auditors after they conduct an audit of a company's financial reports (Werdaningrum & Laksito, 2021). According to Santoso et al. (2021), independent auditors are responsible for planning and performing the audit to ensure that the financial reports are free from material misstatements, whether due to error or fraud. The independent auditor's report plays a crucial role in providing assurance to stakeholders,

such as investors, creditors, and regulators, that the company's financial reports are reliable and reflect its true financial condition (Umar &Suemdra, 2022). Al-Shouha & Khasawneh (2023), found that independent auditor reports significantly influence investment decisions. This is because their study revealed that investors tend to trust and be more interested in investing in companies with financial reports audited by reputable independent auditors who provide a fair opinion. This indicates that the quality of the auditor's report can influence investors' perceptions of risk and potential investment returns.
H2: Independent auditor reports influence investment decisions

Management Quality

Management Quality refers to how effectively a company's management utilizes resources, makes strategic decisions, and achieves the company's objectives. According to Prabowo & Sari (2021), management quality reflects the managerial ability to run the company's operations efficiently, lead the organization toward sustainable growth, and create value for shareholders and other stakeholders. Management quality is a key factor that can influence company performance and investor confidence. High-quality management is often associated with successful and sustainable companies (Hutagalung, 2021). Singh et al. (2024) found that management quality influences investment decisions, as high-quality management is capable of making effective strategic decisions, efficiently managing company resources, and navigating market challenges more effectively. Competent management instils confidence in investors that the company is capable of achieving sustainable growth and generating long-term profits. In addition, experienced and transparent management enhances investor confidence by demonstrating their ability to maintain financial stability and implement good governance, making investors feel more secure in investing their capital.
H3: Management quality has a positive impact on investment decisions.

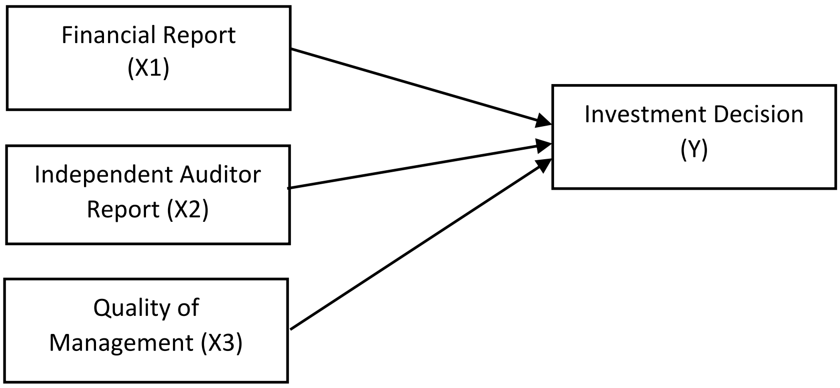

Figure 2. Conceptual Framework

METHOD

This study employs a quantitative methodology coupled with descriptive statistical analysis. According to Kieso, Weygandt, and Warfield (2021), descriptive statistics are frequently applied in financial and accounting research to summarize and explain financial data without making broader inferences or predictions. The research focuses on several key factors, including company value, capital structure, profitability, dividend policy, and company size. Measurements such as maximum and minimum values, standard deviations, and averages are used to assess these factors. The dependent variable in this study is investment decisions, while the independent variables consist of financial reports, independent audit reports, and management quality. These variables are evaluated using secondary data and quantitative methods.

Data were sourced from the financial reports of food and beverage companies listed on the Indonesia Stock Exchange (IDX) and their official websites for the period 2020–2023. The population of the study includes all food and beverage companies listed on the IDX during the specified period. Purposive sampling was applied to select a sample of 12 companies, which met specific criteria such as having complete financial reports and independent audit reports available for the entire study period. This resulted in a total of 60 observations.

To ensure the validity and accuracy of the analysis, multiple regression analysis was employed, accompanied by classical assumption tests, including tests for normality, multicollinearity, and heteroscedasticity. Furthermore, hypothesis testing was conducted using F-tests to examine the joint effect of the independent variables on the dependent variable, and t-tests to evaluate the significance of each independent variable individually. The coefficient of determination (R^2) was also calculated to assess the overall explanatory power of the model. All data analyses were carried out using Statistical Product and Service Solutions (SPSS) Version 27. Below is the result of the descriptive statistical analysis regarding financial reports, audit reports, management quality, and investment decisions recorded on the IDX for the 2020–2023 period:

Table 1. Descriptive Statistics Test Results

	N	Minimum	Maximum	Mean	Std. Deviation
Investment Decisions	60	.01	203.84	25.7616	32.78809
Financial Reports	60	-.97	12.75	1.0748	2.78790
Independent Auditor Reports	60	.00	1.00	.6167	.49030
Management Quality	60	.00	.30	.0697	.06597
Valid N (listwise)	60				

Source: Data processed with SPSS 27 (2024)

Based on the descriptive statistical test results from 60 samples consisting of 12 companies over 5 years (2020–2023):

a. Investment Decision (Y): The highest value is 203.84 (PT FKS Food Sejahtera Tbk, 2023), and the lowest value is 0.01 (PT Indofood Sukses Makmur Tbk, 2019). The standard deviation of 32.79 is larger than the average of 25.76, indicating considerable data variation.
b. Financial Reports (X1): The highest value is 12.75 (PT Multi Bintang Indonesia Tbk, 2019), and the lowest is -0.97 (PT Delta Djakarta Tbk, 2022). The standard deviation of 2.79 is smaller than the average of 1.07, indicating minimal data variation.
c. Independent Auditor Reports (X2): The highest value is 1.00 (PT FKS Food Sejahtera Tbk & PT Tri Banyan Tirta Tbk, 2019–2023), and the lowest is 0.00 (PT Wilmar Cahaya Indonesia Tbk & PT Sariguna Primatirta Tbk). The standard deviation of 0.49 is smaller than the average of 0.62, indicating minimal data variation.
d. Management Quality (X3): The highest value is 0.30 (PT Multi Bintang Indonesia Tbk, 2020), and the lowest is 0.00. The standard deviation of 0.066 is smaller than the average of 0.070, indicating minimal data variation.

RESULTS

A series of diagnostic assessments were conducted to ensure the regression model's robustness, focusing on heteroskedasticity, multicollinearity, and normality.

Table 2. The Regression Model's Robustness

Normality Test		**Sig.**
Asymp. Sig. (2-tailed)[c]		.093
Multicollinearity Test	**Tolerance**	**VIF**
Financial Reports	.991	1.009
Independent Auditor Reports	.991	1.009
Management Quality	.996	1.004
Heteroskedasticity Test		**Sig.**
Financial Reports		.285
Independent Auditor Reports		.118
Management Quality		.768

a. Dependent Variable: Investment Decisions.

Source: Data processed with SPSS 27 (2024)

The Kolmogorov-Smirnov test demonstrated that the data conform to a normal distribution, with a significance level of 0.093, which is higher than the 0.05 threshold. Multicollinearity was evaluated through the variance inflation factor (VIF), with X1, X2, and X3 all yielding values of 1.009 and 1.004, respectively, significantly below the critical limit of 10, and tolerance levels exceeding 0.10, indicating an absence of multicollinearity. Additionally, the heteroskedasticity test showed significance values above 0.05, including a notable value of 0.768, suggesting that residual variance remains stable across various levels of the independent variables. Collectively, these results affirm the reliability and validity of the regression model.

Table 3. Results of the Multiple Linear Regression Test

Model		**Unstandardized Coefficients B**	**Unstandardized Coefficients Std. Error**	**Standardized Coefficients Beta**	**t**	**Sig.**
1	(Constant)	14.228	6.155		2.312	.015
	Financial Reports	1.250	1.157	.141	1.081	.025
	Independent Auditor Reports	10.441	6.578	.207	1.587	.118
	Management Quality	14.457	48.758	.038	.297	.768

a. Dependent Variable: Investment Decisions.

Source: Data processed with SPSS 27 (2024)

After examining the aforementioned data processing outcomes, the following equation is produced:

$$\mathbf{Y = \alpha + \beta_1.X1 + \beta_2.X2 + \beta_3.X3 + \varepsilon} \quad (1)$$

Keputusan Investasi : 14.228 + 1.250 laporan keuangan + 1.250 laporan auditor indepen + 1.250 kualitas manajemen + e

Explanation:

Y = Investment Decision

α = Constant

β1 β2 β3 = Regression Coefficients

X1 = Financial reports

X2 = Independent Auditor's Report
X3 = Management Quality
ε = Error

The information derived from the multiple regression equation reveals that the constant term is 14.228. This implies that if the values for management quality, independent auditor reports, and financial reports are all zero, the investment decision would be 1422%. According to the regression coefficient for financial reports (X1), which is 1.250, a 1% increase in the value of financial reports would lead to a 125% increase in the investment decision. Similarly, the regression coefficient for the independent auditor reports (X2), which is 10.441, indicates that a 1% rise in the value of the independent auditor reports would result in a 1044% increase in the investment decision. Lastly, with a regression coefficient for management quality (X3) of 14.457, a 1% increase in management quality would cause a 1445% increase in the investment decision.

Table 4. Results of the t-Statistic Test

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	14.228	6.155		2.312	.015
	Financial Reports	1.250	1.157	.141	1.081	.025
	Independent Auditor Reports	10.441	6.578	.207	1.587	.118
	Management Quality	14.457	48.758	.038	.297	.768

a. Dependent Variable: Keputusan investasi
Source: Data processed with SPSS 27 (2024)

The study's findings reveal that financial reports significantly affect investment decisions.

a. The financial report variable (X1) has a significance value of 0.025 < 0.05 with a calculated t-value smaller than the t-table value of 1.6895 (1.081 < 1.6895), indicating that the financial report influences investment decisions. Thus, H1 is accepted.
b. The independent auditor reports variable (X2) has a significance value of 0.118 > 0.05 with a calculated t-value smaller than the t-table value of 1.6895 (1.587 < 1.6895), indicating that the independent auditor reports does not influence investment decisions. Thus, H2 is rejected.
c. The management quality variable (X3) has a significance value of 0.768 > 0.05 with a calculated t-value smaller than the t-table value of 1.6895 (0.297 < 1.6895), indicating that management quality positively influences investment decisions. Thus, H3 is rejected.

Table 5. Simultaneous Significance Test (F Statistic Test)

	Model	Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	17.231	4	4.308	2.985	.032[b]
	Residual	50.512	35	1.443		
	Total	67.742	39			

a. Dependent Variable: Investment Decisions
b. Predictors: (Constant), Financial Reports, Independent Auditor Reports, Management Quality
Source: Data processed with SPSS 27. (2024)

According to Table 5, the F-test results indicate that the calculated F-statistic of 2.985 exceeds the critical value of 2.641 at a significance level of 0.05. This leads to the rejection of the null hypothesis (H0) in favor of the alternative hypothesis (Ha), suggesting that management quality, independent auditor reports, and financial reports significantly impact investment decisions. Thus, changes in these factors are likely to influence investment choices.

Table 6. Results of the Coefficient of Determination (R^2) Test

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.504[a]	.254	.169	1.201328

a. Predictors: (Constant), Financial Reports, Independent Auditor Reports, Management Quality
b. Dependent Variable: Investment Decisions

Sumber: Data diolah dengan *SPSS* 27 (2024)

The coefficient of determination test reveals an adjusted R-squared value of 0.169, which translates to 16.9%. This indicates that 16.9% of the variation in investment decisions within food and beverage companies listed on the IDX between 2019 and 2023 can be attributed to the independent variables studied: financial reports, independent auditor reports, and management quality. Therefore, 83.1% of the variability in investment decisions is attributed to factors outside the scope of this analysis.

DISCUSSION

The Influence Between Financial Reports and Investment Decisions.

The research results indicate that financial reports have a positive impact on investment decisions, with a coefficient of 1.081 and a significance value of 0.025, which means the influence is significant at a 95% confidence level. This positive impact suggests that the better the quality of the financial statements, the greater the likelihood that investors will make positive investment decisions.

Financial reports provide transparent information regarding the performance and financial position of a company, which is crucial for investors. With accurate and up-to-date information, investors can evaluate the financial health of the company and minimize risks in their investment decision-making. For example, strong performance in financial reports indicates that the company is worthy of investment. For instance, the research by Fridana & Asandimitra (2020), supports this finding by stating that the quality of financial reports is a key factor in investment decision-making.

However, companies need to realize that the quality and transparency of financial reports are very important. The company must ensure that financial reports are prepared in accordance with applicable accounting standards and audited by independent auditors (Alexeyeva, 2024). This not only enhances investor confidence but also helps the company attract more investments.

On the other hand, some studies show that not all investors rely on financial reports as the sole source of information in their investment decision-making. According to Abernathy et al. (2014), investors also consider external factors, such as market conditions and macroeconomic information. This indicates that while financial reports are important, companies should also pay attention to external factors and provide relevant information to enhance investment appeal.

Based on this analysis, it is recommended that companies not only focus on preparing good financial reports but also prioritize communication and transparency with investors regarding other factors that may influence investment decisions. In this way, companies can build better relationships with investors and increase the chances of attracting larger investments.

The Influence of Independent Auditor Reports on Investment Decisions

The research results indicate that independent auditor reports have a coefficient of 1.587 and a significance value of 0.118, meaning that their influence is not significant at the 95% confidence level. This shows that independent auditor reports do not have a positive impact on investment decisions.

Independent auditor reports provide an objective assessment of the integrity and accuracy of a company's financial statements. Independent auditors evaluate and verify the financial information presented by the company, ensuring that the reports comply with applicable accounting principles and are free from material misstatements or fraud. Investors use the results of these audits as a tool to assess the credibility and transparency of the company's financial statements. When independent auditors issue a positive or unqualified opinion, it can enhance investor confidence in the quality of the company's financial reports. Conversely, a disappointing audit opinion or significant remarks from the auditor can affect investor perceptions regarding the company's risk and reliability.

Although this study's findings suggest that independent auditor reports do not significantly influence investment decisions, research by Safittri et al, (2023), supports this finding by emphasizing that the effectiveness of independent auditor reports heavily relies on investors' perceptions of the auditor's credibility and integrity. If auditors are not considered independent or have a poor reputation, the audit results may not significantly impact investment decisions. This indicates that companies need to pay attention to the auditor's reputation and the quality of the audits performed.

On the other hand, research by Abernathy et al. (2014) adds that investors tend to prioritize other factors, such as the company's financial performance and industry news, in their investment decision-making process. This shows that while independent auditor reports are important, companies also need to focus on improving financial performance and effective communication regarding relevant industry news to attract investor attention.

Furthermore, research by DeFond et al. (2024), reveals that board composition can influence the timeliness of financial reporting, which in turn impacts investment decisions. This study indicates that companies with more diverse boards can enhance investor confidence in their financial reports. This is supported by the study conducted by Narváez-Castillo et al. (2024), which states that the characteristics of audit committees significantly relate to the timeliness of financial reporting, which is a crucial factor in investment decision-making.

To enhance the impact of independent auditor reports, companies must ensure that these reports are prepared by reputable auditors recognized within the industry. This will help increase investor confidence and ensure that the financial information they use has been verified by a neutral third party. In this way, companies can help investors make more informed investment decisions and reduce the risks associated with financial statement uncertainties.

The influence Between Management Quality and Investment Decisions

The effect of management quality on investment decisions shows a coefficient of 0.297 (positive) with a significance value of 0.297 > 0.05. Therefore, it can be said that management quality does not significantly affect investment decisions. Management quality plays an important role in investors' assessments of a company's investment potential. High-quality management can demonstrate effective leadership, the ability to make good strategic decisions, and skills in managing the company's resources (Imran & Rautiainen, 2022).

Investors often assess managerial capability as an important indicator of a company's performance and future potential. High-quality management can provide clear and transparent information about the company's strategies and performance, helping investors make more informed investment decisions. However, the findings of this study align with the research by Tala et al. (2024), which states that management quality does not influence investment decisions. This is due to investor perceptions often focusing more on short-term financial performance rather than management quality, which is more relevant for long-term strategies.

To enhance investment attractiveness, companies need to focus on managing short-term performance that can be immediately observed by investors. Additionally, companies should also strive to improve communication regarding management quality and long-term strategies. This can be achieved through transparent presentations of business plans and clear operational results, as well as demonstrating a commitment to sustainable managerial development.

However, it is also important to critique these findings using other studies that support or contradict them. For instance, research by Chen (2022), shows that good management positively affects investment decisions by increasing investor confidence. Furthermore, Biard et al. (2022), emphasize that high-quality management can contribute to reducing risks associated with investments, thereby positively influencing investor decisions. Research by Abbas et al. (2022), adds that the presence of strong management can create sustainable added value for the company, increasing its attractiveness in the eyes of investors.

By understanding this relationship, companies can better align their strategies to attract the investments needed for long-term growth and success.

CONCLUSION

Based on the findings of the research on the influence of financial statements, independent auditor reports, and management quality on investment decisions, it can be concluded that these three factors play different roles in affecting investment decisions. First, financial reports have a significant positive impact, where high-quality reports increase the likelihood of investors making favorable investment decisions. Second, independent auditor reports do not show a significant influence on investment decisions, as their effectiveness largely depends on investors' perceptions of the auditor's credibility and integrity. While audit reports play an important role, investors tend to focus more on the company’s financial performance and external factors such as market conditions. Third, management quality does not significantly influence investment decisions, although high-quality management can provide clear and transparent information that assists investors in their decision-making. These findings indicate that companies need to prioritize improving the quality of financial reports and ensuring transparent communication with investors. Additionally, it is essential for companies to maintain auditor reputation and enhance management quality to attract more substantial investments. By understanding the interrelationship between these factors, companies can design more effective strategies to enhance their appeal to investors while driving sustainable long-term growth.

SUGGESTION

1. Practical Suggestions : Companies are advised to improve the quality of financial reports and transparency in their communication with investors to attract more investments. Enhancing the credibility of financial reports will assist investors in making better investment decisions. Additionally, independent auditors should focus on their reputation and credibility by improving audit methodologies and providing clear and detailed reports. Market regulators can also play a role by promoting compliance with stricter reporting standards, creating a more transparent and accountable environment for investors.
2. Theoretical Suggestions : This research has limitations in terms of sample size and the context used, so further research is recommended to involve a larger and more diverse sample while considering various industry sectors to strengthen the findings. Additionally, external variables such as economic conditions and government policies that may influence investment decisions should be considered in future research. Subsequent studies are also encouraged to explore other factors, such as product innovation and risk management, that may contribute to investment decisions, thereby providing a more comprehensive understanding of investment dynamics.

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