

Can Audit Opinion Change the Transparency-Volatility Link? GRC Disclosure and Dividend Policy

Kadek Yoga Suartika^{1*}, I Kadek Jonh Stiawan²

¹Ganesha University of Education, Singaraja, Indonesia

²Markandeya University, Bangli, Indonesia

Corresponding Author: Kadek Yoga Suartika yogasuartika19@gmail.com

ARTICLE INFO

Keywords: GRC Disclosure,
Dividend Policy, Audit
Opinion, Stock Price
Volatility

Received : 19, July

Revised : 12, August

Accepted: 30, September

©2026 Suartika, Stiawan : This is an
open-access article distributed under
the terms of the [Creative Commons
Atribusi 4.0 Internasional](https://creativecommons.org/licenses/by/4.0/).



ABSTRACT

This study examines the role of governance, risk, and compliance (GRC) disclosures and dividend policy in explaining stock price volatility, while also exploring whether audit opinion strengthens market responses to such information. Using a purposive sampling technique, 10 companies were selected, resulting in a total of 50 observations. The data were analyzed using panel data regression and Moderated Regression Analysis (MRA) with the assistance of STATA. The results show that governance disclosure and compliance disclosure have no significant effect on stock price volatility, whereas risk disclosure and dividend policy have a significant negative effect. These findings indicate that the market tends to be more responsive to information with direct economic relevance, particularly risk-related information and profit distribution policies. Audit opinion also does not function as a universal enhancer of all corporate information; rather, it becomes more effective when it provides additional credibility to financial information that is directly relevant to investors' interests.

INTRODUCTION

The capital market is one of the main pillars of the modern financial system, serving as a means of allocating funds from parties with surplus funds to those requiring funds to finance productive investments (Suputra et al., 2023). In Indonesia, the capital market plays a strategic role in supporting the national economy because it serves as an instrument for companies to obtain long-term financing while also providing alternative investment opportunities for the public. For investors, investment decisions are not solely based on potential returns, but also on the level of risk that must be borne. Both aspects are reflected in stock price movements, which are influenced by company performance, company prospects, and the information received by investors. Therefore, stock price stability is an important aspect that needs to be considered in investment decision-making.

One indicator that can describe the level of uncertainty and investment risk is stock price volatility. Volatility indicates the magnitude of changes in stock prices over a certain period, where a high level of volatility reflects greater uncertainty regarding stock price movements. Such changes may be influenced by differences in investor expectations, investment strategies, and market responses to various information circulating in the market. Thus, stock price volatility not only serves as an indicator of risk for investors but can also be used to assess the overall stability of the capital market.

The phenomenon of capital market volatility in Indonesia can be observed through the movement of the Indonesia Composite Index (IHSG) during the 2020–2024 period. Based on data from the Indonesia Stock Exchange, the IHSG declined by 5.09% in 2020 due to the COVID-19 pandemic, before increasing by 10.08% in 2021 in line with the economic recovery process. The IHSG increased again by 4.09% in 2022 and 6.16% in 2023, before experiencing a correction of 2.65% in 2024 (IDX, 2025). These fluctuations indicate that the Indonesian capital market remains sensitive to various external dynamics, such as global economic conditions, interest rate policies, and geopolitical tensions. High volatility is an important concern because it can increase uncertainty and the risk of investor losses and potentially encourage capital flight toward markets perceived as more stable (Rosihan et al., 2022). For companies, extreme volatility may also reduce market value and complicate long-term financial planning, particularly in maintaining the cost of equity and obtaining external financing (Gupta et al., 2024). Meanwhile, uncontrolled volatility may also concern regulators because it has the potential to affect financial system stability (Bank Indonesia, 2023).

In this context, the banking sector is one of the sectors of particular interest for examination. This sector makes a substantial contribution to the market capitalization of the Indonesia Stock Exchange while also serving as one of the anchors of national financial system stability. Based on Indonesia Stock Exchange data for 2022, the financial sector, which is dominated by the banking industry, had a market capitalization of IDR 3,390 trillion, or 35.7% of total market capitalization, considerably higher than the energy sector at 15.0% and the primary consumer goods sector at 12.1%. The dominant market capitalization of the banking sector indicates that changes in stock prices in this sector have the

potential to exert a substantial impact on overall capital market conditions. In addition, banking stocks are relatively sensitive to changes in macroeconomic conditions, including interest rates, inflation, and monetary policy. Changes in interest rate policy, for example, can be quickly reflected in market responses through changes in expectations regarding net interest margins and banking profitability (Ananda & Santoso, 2022).

The highly regulated nature of the banking sector also makes the quality of governance, risk management, and compliance important aspects for investors. As intermediary institutions that collect funds from the public and redistribute them in the form of financing, banks are required to apply prudential banking principles through good corporate governance, effective risk management, and compliance with regulations established by the Financial Services Authority (OJK) and Bank Indonesia. In recent years, attention to Governance, Risk, and Compliance (GRC) has increased, as reflected in the broader disclosure of information concerning governance, risk management, and compliance in annual and sustainability reports. Governance relates to governance structures and oversight mechanisms, risk relates to a company's ability to identify and manage risks, while compliance relates to adherence to applicable regulations, standards, and policies (Marpaung & Fathonah, 2024).

GRC disclosure can be viewed as a form of information used by investors to assess a company's condition and prospects. GRC represents an integrated approach that combines governance, risk management, and compliance within an organization (Stiawan, 2026). Based on Signaling Theory introduced by Spence (1973), information disclosed by companies can function as a signal to reduce information asymmetry between management and investors. Adequate disclosure of governance, risk management, and compliance can provide a positive signal regarding the quality of corporate management, enhance investor confidence, and ultimately reduce speculative trading activities, thereby potentially lowering stock price volatility (Harimbawa & Sulindawati, 2022).

However, empirical evidence regarding the relationship between GRC and stock price movements remains inconsistent. Gagnon et al. (2019) show that effective governance and risk management can reduce stock price fluctuations in financial sector companies, while Sherif et al. (2024) find that better compliance with GRC principles is associated with lower market risk. In contrast, Sari & Zaitul (2024) find that GRC disclosure has no significant effect on firm value. These differences in findings indicate that the relationship between GRC disclosure and market responses requires further examination, particularly in the banking sector.

In addition to GRC disclosure, dividend policy is corporate information that may influence investor perceptions and stock price volatility. Dividend policy reflects management's decision to balance the interests of distributing profits to shareholders and the company's need for reinvestment. From the perspective of Signaling Theory, dividend payments can be viewed as a signal regarding the company's financial condition and future prospects (Al-Hiyari et al., 2024). Relatively high dividend payments may be interpreted as an indication that the company has strong cash flows and sound financial conditions (Wahyuni

& Artati, 2023). Such signals can increase investor confidence and reduce uncertainty, ultimately potentially lowering stock price volatility.

Nevertheless, studies examining the relationship between dividend policy and stock price volatility have also produced mixed results. Khairunisa & Nazir (2022) find that the dividend payout ratio has a negative and significant effect on stock price volatility in manufacturing companies in Indonesia. Cahyawati & Miftah (2022) also show that dividend yield contributes to stock price stability in banking sector companies. However, Wahyuni & Artati (2023) find no significant effect of dividend policy on stock price volatility. These differences indicate that market responses to dividend policy are not always uniform and may be influenced by the credibility of the information received by investors and by company characteristics.

This condition highlights the importance of considering factors that may strengthen or weaken investor responses to corporate information. In this study, audit opinion is used as a moderating variable because it represents an independent auditor's assessment of the fairness of financial statement presentation. An audit opinion can enhance the credibility of information disclosed by a company, making signals arising from GRC disclosure and dividend policy more trustworthy to investors. Financial statements themselves are one of the primary media through which companies communicate information regarding their financial condition, performance, and business prospects to stakeholders. Therefore, an audit opinion can serve as an additional signal that helps investors assess the credibility of such information (Barr-Pulliam et al., 2026).

In relation to GRC, a positive audit opinion may strengthen the credibility of corporate information because it provides an independent assessment of the fairness of financial statement presentation. In conducting an audit, auditors focus on the fairness of the presentation and disclosure of financial statements (Sanjaya et al., 2025). The combination of sound GRC disclosure and a positive audit opinion has the potential to generate a stronger signal for investors, thereby reducing uncertainty and stock price volatility. Similarly, an audit opinion may strengthen the credibility of dividend policy because dividends are related to company profits, which constitute part of the audited financial information. When a company receives an unqualified opinion, investor confidence in the validity of the financial information underlying dividend distribution may increase.

However, empirical evidence regarding the role of audit opinion in influencing market responses also remains mixed. Supriati et al. (2021) find that audit opinion has a negative and significant effect on stock prices, whereas Abdurohman & Indra (2024) find a positive and significant effect. These differences indicate that market responses to audit opinions may vary according to company characteristics and research contexts. On the other hand, previous studies on GRC have primarily examined its effects on firm value or financial performance, while studies specifically linking governance disclosure, risk disclosure, and compliance disclosure to stock price volatility remain relatively limited. In addition, previous studies have tended to treat GRC as a single

construct, resulting in limited research examining its three components separately.

Based on these gaps, this study offers novelty by analyzing governance disclosure, risk disclosure, and compliance disclosure as separate independent variables, thereby determining whether each GRC dimension generates a different response in relation to stock price volatility. This study also incorporates dividend policy into the research model and positions audit opinion as a moderating variable to examine whether the credibility of financial information strengthens or weakens the relationships between each GRC component and dividend policy and stock price volatility. This approach is particularly relevant in the banking sector, which is characterized by a high degree of regulation, substantial risk exposure, and a significant contribution to the Indonesian capital market.

Accordingly, this study aims to analyze the effects of governance disclosure, risk disclosure, compliance disclosure, and dividend policy on stock price volatility, with audit opinion as a moderating variable, among banking sector companies listed on the Indonesia Stock Exchange during the 2020–2024 period. This study is expected to enrich the literature on the determinants of stock price volatility by integrating aspects of GRC disclosure, dividend policy, and information credibility through audit opinion, while also providing implications for companies and investors in improving information quality and investment decision-making.

THEORETICAL REVIEW

Signaling Theory

Signaling Theory explains that companies communicate information to external parties as signals to reduce information asymmetry. In the context of the capital market, disclosures regarding governance, risk, compliance, dividend policy, and audit opinion can serve as signals for investors in assessing a company's condition and prospects (Andayani & Werastuti, 2023). Transparent GRC disclosure and stable dividend policies can provide positive signals that enhance investor confidence and reduce uncertainty. Meanwhile, an audit opinion serves as external verification that can strengthen the credibility of such information.

Governance Disclosure and Stock Price Volatility

Governance disclosure provides information regarding corporate governance mechanisms, such as board structure, audit committees, and the transparency of management policies (Goh et al., 2022). Based on *Signaling Theory*, good governance disclosure can reduce information asymmetry and enhance investor confidence, thereby limiting speculative reactions and stock price volatility. Gagnon et al. (2019) and Hasanah et al. (2024) found that better governance and disclosure are associated with lower stock price volatility. Therefore:

H₁: Governance disclosure has a negative effect on stock price volatility

Risk Disclosure and Stock Price Volatility

Risk disclosure provides information regarding a company's financial, operational, and strategic risks. Transparent risk disclosure helps investors assess risks more accurately and reduces information uncertainty. Kassamany (2023) found that the quality of risk disclosure has a negative effect on stock price volatility, while Su et al. (2023) showed that risk disclosure can reduce the risk of stock price crashes. Therefore:

H₂: Risk disclosure has a negative effect on stock price volatility

Compliance Disclosure and Stock Price Volatility

Compliance disclosure indicates a company's compliance with laws, regulations, accounting standards, and internal policies. Compliance disclosure can provide a positive signal regarding the company's lower legal and reputational risks. Kurniawan & Husodo (2023) and Murata & Hamori (2021) demonstrate that transparency regarding ESG and compliance is associated with lower market risk and stock price crash risk. Therefore:

H₃: Compliance disclosure has a negative effect on stock price volatility

Dividend Policy and Stock Price Volatility

Dividend policy serves as a signal of a company's financial condition and future prospects. Stable or increasing dividends can enhance investor confidence and reduce market uncertainty. Khairunisa & Nazir (2022) found that dividend policy has a negative effect on stock price volatility. Therefore:

H₄: Dividend policy has a negative effect on stock price volatility

Moderation of Audit Opinions

Audit opinion is a means of communication through which auditors express their opinion regarding the fairness of a company's financial statements to users of the financial statements (Stiawan, 2025a). An audit opinion provides external verification of the credibility of a company's financial information. The role of audit opinion is crucial because financial statements are often used as a basis for investment decisions (Stiawan, 2025b). An unmodified opinion can strengthen investor confidence in the signals conveyed through governance disclosure, risk disclosure, compliance disclosure, and dividend policy. Conversely, a modified opinion may reduce the credibility of these signals. Studies by El Badlaoui & Cherqaoui (2023), Majeed et al. (2023), Bhuiyan et al. (2024), and Stiawan et al. (2025) support the importance of audit information in shaping market responses. Therefore, audit opinion is expected to strengthen the negative effects of each of these variables on stock price volatility.

H₅: Audit opinion strengthens the negative effect of governance disclosure on stock price volatility

H₆: Audit opinion strengthens the negative effect of risk disclosure on stock price volatility

H₇: Audit opinion strengthens the negative effect of compliance disclosure on stock price volatility

H₈: Audit opinion strengthens the negative effect of dividend policy on stock price volatility

METHODOLOGY

This study employs a quantitative approach with an associative research design to analyze the effects of governance disclosure, risk disclosure, compliance disclosure, and dividend policy on stock price volatility, as well as to examine the role of audit opinion as a moderating variable. The research objects are banking sector companies listed on the Indonesia Stock Exchange during the 2020–2024 period. The banking sector was selected based on its industry characteristics, which include stringent regulation, a relatively structured governance framework, and an important role in the Indonesian capital market.

The research population consists of 47 banking sector companies listed on the IDX during the observation period. The sample was determined using a purposive sampling technique based on the following criteria: (1) banking sector companies listed consecutively during 2020–2024; (2) companies providing complete data and information required for the study; and (3) companies consistently distributing dividends throughout the observation period. Based on these criteria, 10 companies were selected, resulting in 50 observations over the five-year observation period. The criterion of consistent dividend distribution was applied to ensure that the measurement of dividend policy using the Dividend Payout Ratio consistently represents the company's profit distribution policy.

The data used in this study consist of quantitative secondary data obtained through the documentation of annual reports, sustainability reports, and financial statements of the sampled companies, as well as stock price data required to measure stock price volatility. Data collection was conducted by accessing company documents through the IDX, after which the relevant information was tabulated according to the requirements of each research variable.

Table 1. Measurement of variables

Variable	Measurement/Indicator	Formula
Stock Price Volatility	Stock price changes based on high and low prices	$PV = (Hit - Lit) / [(Hit + Lit) / 2]$
Governance Disclosure	The governance disclosure index is based on GRI Standard 102. Each item is assigned a score of 1 if disclosed and 0 if not. A total of 56 items are used as indicators	$GD = \Sigma \text{ disclosed items} / \text{total indicators}$
Risk Disclosure	The risk disclosure index is based on ISO 31000 principles. Each item is assigned a score of 1 if disclosed and 0 if not. It comprises 11 indicators	$RD = \Sigma \text{ disclosed items} / \text{total indicators}$
Compliance Disclosure	Compliance disclosure index based on ISO 37301 principles. Each item is assigned a score of 1 if disclosed and 0 if not	$CD = \Sigma \text{ disclosed items} / \text{total indicators}$

Variable	Measurement/Indicator	Formula
Dividend Policy	The Dividend Payout Ratio (DPR) indicates the proportion of net profit distributed to shareholders	$DPR = \text{Dividend per Share} / \text{Earnings per Share}$
Audit Opinion	Dummy variable based on the type of audit opinion	1 = Unqualified Opinion; 0 = Other than Unqualified Opinion

Subsequently, data analysis was conducted using panel data regression with the Moderated Regression Analysis (MRA) approach, utilizing STATA software. Panel data regression was employed because the research data combines firm-level dimensions (cross-section) and observation years (time series). The estimation model was selected through the Chow Test, Hausman Test, and Lagrange Multiplier (LM) Test to determine whether to use the Common Effect Model (CEM), Fixed Effect Model (FEM), or Random Effect Model (REM). The MRA model was used to examine both the direct effects of the independent variables and the interaction effects between the audit opinion and each independent variable. The research model is formulated as follows:

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_1 X_1.Z + \beta_2 X_2.Z + \beta_3 X_3.Z + \beta_4 X_4.Z + e \dots\dots\dots(1)$$

RESULTS

This study utilizes 50 observations from 10 banking sector companies listed on the Indonesia Stock Exchange during the 2020–2024 period. Descriptive statistics are employed to provide an overview of data characteristics through minimum, maximum, mean, and standard deviation values. The descriptive statistics results are presented in Table 2.

Table 2. Descriptive statistical test results

Variable	Obs	Mean	Std. Dev.	Min	Max
Stock Price Volatility	50	0.383	0.127	0.166	0.689
Governance Disclosure	50	0.416	0.029	0.357	0.482
Risk Disclosure	50	0.539	0.103	0.357	0.736
Compliance Disclosure	50	0.540	0.088	0.400	0.700
Dividend Policy	50	0.461	0.130	0.221	0.784
Audit Opinion	50	—	—	0.000	1.000

Source: Processed data (2026), STATA output

Based on Table 2, stock price volatility has a mean value of 0.383 with a standard deviation of 0.127. These figures indicate variation in stock price volatility across companies during the observation period. Governance disclosure has a mean of 0.416 with a standard deviation of 0.029, indicating a relatively homogeneous level of governance disclosure. Meanwhile, risk

disclosure has a mean of 0.539 and compliance disclosure is 0.540, showing that the sample companies have generally disclosed more than half of the indicators used to measure these two variables. Dividend policy, proxied by the Dividend Payout Ratio (DPR), has a mean of 0.461, meaning the sample companies distribute, on average, approximately 46.1% of their net income as dividends. The audit opinion variable has a minimum value of 0 and a maximum of 1; out of 50 observations, 25 received an Unqualified Opinion (WTP) and 25 received a Qualified Opinion (WDP).

Regression analysis was conducted using panel data. Model selection was performed via the Chow Test, Hausman Test, and Lagrange Multiplier (LM) Test. The Chow Test yielded a Prob > F value of 0.0724, while the Hausman Test yielded a Prob > Chi-square of 0.0454. Furthermore, the LM Test yielded a Prob > χ^2 of 0.1028. Based on the final model selection results, the Common Effect Model (CEM) was used as the estimation model for hypothesis testing. The results of the model selection and assumption tests are summarized in Table 3 below.

Table 3. Model Selection and Assumption Test Results

Test	Statistics	Probability	Conclusion
Chow test	F = 1.63	0.0724	CEM
Hausman test	$\chi^2 = 9.724$	0.0454	FEM
LM test	Chibar ² = 1.86	0.1028	CEM
Normality	Adj. $\chi^2 = 2.58$	0.2758	Normal
Multicollinearity	Highest VIF = 1.91	—	Multicollinearity is not present
Heteroskedasticity	$\chi^2 = 3.16$	0.0755	Heteroskedasticity is not present
Autocorrelation	F = 2.611	0.1406	No autocorrelation occurs

Source: Processed data (2026), STATA output

Assumption testing results indicate that the model meets the requirements for use in regression analysis. The normality test yielded a Prob > Chi-square value of 0.2758 (greater than 0.05), indicating that the residuals are normally distributed. All variables also exhibited VIF values below 10 – with a maximum value of 1.91 – meaning no signs of multicollinearity were detected. Furthermore, the heteroskedasticity test yielded a probability of 0.0755 (> 0.05), and the autocorrelation test yielded a probability of 0.1406 (> 0.05). Thus, the model shows no issues with heteroskedasticity or autocorrelation.

Subsequently, hypothesis testing was conducted using panel data regression with a Moderated Regression Analysis (MRA) approach. The analysis distinguished between the direct effect of the independent variables on stock price volatility and the interaction effect of the audit opinion acting as a moderating variable.

Table 4. Hypothesis Testing Results

Hypothesis	Connection	Coefficient	t-statistic	P-value	Conclusion
H1	GD → VS	-0.134	-0.25	0.805	Rejected
H2	RD → VS	-0.456	-3.12	0.003	Accepted
H3	CD → VS	-0.132	-0.70	0.487	Rejected
H4	KD → VS	-0.452	-3.68	0.001	Accepted
H5	GD × OA → VS	-1.738	-1.31	0.190	Rejected
H6	RD × OA → VS	-1.873	-1.64	0.108	Rejected
H7	CD × OA → VS	3.154	1.26	0.215	Rejected
H8	KD × OA → VS	-4.589	-2.35	0.023	Accepted

Source: Processed data (2026), STATA output

The results regarding direct effects indicate that governance disclosure does not have a significant impact on stock price volatility. The coefficient of -0.134 suggests a negative relationship, but the probability value of 0.805 (> 0.05) indicates that the effect is not significant; thus, **H1 is rejected**.

In contrast to governance disclosure, risk disclosure has a significant negative impact on stock price volatility. A coefficient of -0.456 with a probability of 0.003 (< 0.05) indicates that higher risk disclosure is associated with lower stock price volatility; thus, **H2 is accepted**.

Furthermore, compliance disclosure does not significantly affect stock price volatility. A coefficient of -0.132 with a probability of 0.487 (> 0.05) indicates that increased compliance disclosure does not significantly explain changes in stock price volatility; thus, **H3 is rejected**.

Meanwhile, dividend policy has a significant negative impact on stock price volatility, as evidenced by a coefficient of -0.452 and a probability of 0.001 (< 0.05). These results indicate that a higher proportion of earnings distributed as dividends leads to lower stock price volatility; thus, **H4 is accepted**.

Moderation testing reveals that audit opinion does not moderate the effect of governance disclosure on stock price volatility. This is indicated by the probability value for the GD×OA interaction (0.190 > 0.05); thus, H5 is rejected. Similarly, the interaction between risk disclosure and audit opinion yielded a probability of 0.108 (> 0.05), indicating that audit opinion does not moderate the relationship between risk disclosure and stock price volatility; thus, **H6 is rejected**.

Regarding the relationship between compliance disclosure and stock price volatility, the interaction with audit opinion yielded a coefficient of 3.154 with a probability of 0.215 (> 0.05). These results indicate that audit opinion neither strengthens nor weakens the effect of compliance disclosure on stock price volatility; thus, **H7 is rejected**.

Conversely, the audit opinion was found to moderate the effect of dividend policy on stock price volatility. The interaction term (KD×OA) yielded a coefficient of -4.589 with a probability of 0.023 ($p < 0.05$). The negative coefficient indicates that an unqualified audit opinion strengthens the negative

relationship between dividend policy and stock price volatility. Thus, **H8 is accepted.**

DISCUSSION

The research findings indicate that not all corporate information has the same signaling power for investors. From the perspective of Signaling Theory, corporate information can reduce information asymmetry and uncertainty; however, its effectiveness depends on its relevance, information content, and credibility. The findings indicate that risk disclosure and dividend policy are more capable of influencing stock price volatility, whereas governance disclosure and compliance disclosure have not yet become sufficiently strong information for investors.

Governance disclosure has no significant effect on stock price volatility. Although governance disclosure can theoretically enhance transparency and investor confidence, such information in banking companies tends to be normative, formal, and related to regulatory compliance. Consequently, investors do not necessarily perceive it as new information capable of changing market expectations. This finding is consistent with Xu (2024) and Sherif et al. (2024), who indicate that governance is not always a primary determinant of stock price movements because investors tend to pay greater attention to company fundamentals and prospects.

In contrast, risk disclosure has a significant effect on stock price volatility. Risk disclosure contains more direct informational value because it helps investors understand uncertainty, risk exposure, and the company's ability to manage such risks. This is particularly relevant in the banking sector, which is characterized by complex risk profiles. Risk transparency can improve information quality, build investor confidence, and help investors form more rational expectations. This finding is consistent with Oehler & Neuss (2025) and Kim et al. (2023), who demonstrate that transparency and risk communication can enhance investor confidence and reduce market uncertainty.

Meanwhile, compliance disclosure has no significant effect on stock price volatility. Although, theoretically, compliance disclosure represents a positive signal of a company's commitment to regulatory requirements, such information in the banking sector tends to constitute mandatory disclosure. Since investors already anticipate that companies are required to comply with regulatory provisions, compliance information has relatively limited incremental information content. This finding is consistent with Elshandidy et al. (2022) and Ardianto & Sukardi (2024), who indicate that compliance disclosure does not always generate a market response because it is more likely to be perceived as a reporting obligation.

In contrast to these two forms of disclosure, dividend policy has a significant effect on stock price volatility. Based on Signaling Theory, dividends provide a signal regarding the company's ability to generate profits and maintain future cash flows. A consistent dividend policy provides greater certainty of returns, thereby enhancing investor confidence and reducing market uncertainty. This finding is consistent with Cao (2023), Wahyuni & Artati (2023), and

Cahyawati & Miftah (2022), who demonstrate that dividend policy is associated with stock price stability and positive investor perceptions.

Furthermore, the moderation results indicate that audit opinion does not strengthen the effect of governance disclosure on stock price volatility. Although audit opinion can theoretically enhance the credibility of information, the scope of an audit opinion focuses on the fairness of financial statements and does not specifically assess the quality of corporate governance. Therefore, investors may not necessarily associate audit opinion with the quality of governance disclosure. This finding is consistent with Xu (2024) and Sherif et al. (2024), who indicate that governance information does not always receive a strong market response.

Audit opinion also does not moderate the effect of risk disclosure on stock price volatility. Although audit opinion can enhance information credibility, investors in the banking context require substantive information regarding risk exposure and risk management rather than merely validation of financial statements. In addition, an audit opinion does not provide comprehensive validation of all risk-related information disclosed by a company. This finding is consistent with Majeed et al. (2023) and Bhuiyan et al. (2024), who demonstrate the importance of audit quality for investors' risk perceptions, but this does not necessarily mean that audit opinion strengthens all non-financial information.

Similarly, audit opinion does not moderate the effect of compliance disclosure on stock price volatility. This condition occurs because compliance disclosure itself has not become sufficiently relevant information for investors, while an audit opinion does not specifically provide an assessment of the effectiveness of a company's compliance implementation. This finding supports Wang et al. (2023) and Itan et al. (2025), who demonstrate that compliance information does not always influence market responses.

In contrast, audit opinion is able to moderate the effect of dividend policy on stock price volatility. This finding can be explained through the concept of *signal reinforcement* within Signaling Theory. Dividend policy provides an economic signal regarding the company's condition and prospects, while an unmodified audit opinion provides external credibility to the financial information underlying dividend distribution. The combination of these two elements makes the dividend signal more credible, reduces information asymmetry and uncertainty, and encourages a more stable investor response. Thus, audit opinion does not function as a universal enhancer of all corporate information but becomes more effective when combined with information that has direct economic consequences for investors.

Overall, the findings confirm that the strength of corporate signals is determined not only by the amount of information disclosed but also by its economic relevance and credibility to investors. Risk disclosure and dividend policy represent information that generates a more responsive market reaction, whereas governance disclosure and compliance disclosure tend to be less informative due to their formal and regulatory characteristics. Audit opinion is also not proven to moderate all relationships but is able to strengthen the signal conveyed by dividend policy because the two provide complementary information to investors.

CONCLUSIONS AND RECOMMENDATIONS

This study demonstrates that not all GRC information has the same signaling power in the market. Governance disclosure and compliance disclosure have no significant effect on stock price volatility, whereas risk disclosure and dividend policy contribute to reducing stock price volatility. Audit opinion does not moderate the relationships between governance disclosure, risk disclosure, and compliance disclosure and stock price volatility, but it is able to strengthen the effect of dividend policy on stock price volatility. These findings confirm that investors are more responsive to information directly related to risk and economic benefits, while audit opinion strengthens the signal when combined with financial information that is relevant to investors.

Banking companies are advised to improve the quality and relevance of risk disclosure, rather than merely fulfilling formal compliance requirements, and to maintain a consistent dividend policy to enhance investor confidence. For investors, risk information and dividend policy can serve as important considerations when assessing stock stability.

FURTHER STUDY

This study has several limitations. First, the study only examines companies in the banking sector over the 2020–2024 observation period; therefore, the findings may not be generalizable to other industrial sectors. Second, the measurement of governance disclosure, risk disclosure, and compliance disclosure uses disclosure indices based on content analysis, which may involve subjectivity in the identification and assessment of disclosure items. Third, the study only uses audit opinion as a moderating variable and therefore does not consider other audit characteristics that may influence investor responses. Fourth, stock price volatility may be affected by various external and fundamental factors that are not fully incorporated into the research model.

Future studies are recommended to expand the research objects to other industrial sectors and extend the observation period so that the findings have broader generalizability. Future research may also employ more objective disclosure measurement approaches, such as text analysis or machine learning, to reduce the potential subjectivity associated with content analysis. In addition, future studies could incorporate audit characteristics such as audit quality, audit firm size, audit tenure, or audit report lag, as well as fundamental and macroeconomic factors as additional variables, to obtain a more comprehensive understanding of stock price volatility.

ACKNOWLEDGMENT

The authors would like to express their sincere gratitude to all parties who provided support and assistance throughout the preparation of this study. The authors also acknowledge the contribution of the relevant institutions and data sources that facilitated the collection and analysis of the information required for this research. Finally, the authors are grateful to colleagues and reviewers for

their valuable comments and constructive suggestions, which contributed to the improvement of this manuscript.

REFERENCES

- Abdurohman, M., & Indra, J. (2024). Pengaruh Ukuran Perusahaan, Kebijakan Dividen dan Opini Audit Terhadap Harga Saham. *AKADEMIK: Jurnal Mahasiswa Ekonomi & Bisnis*, 4(3), 1181–1193. <https://doi.org/10.37481/jmeh.v4i3.906>
- Al-Hiyari, A., Kolsi, M. C., Lutfi, A., Shakkour, A. S., & Aljumah, A. I. (2024). Information asymmetry and dividend payout in an emerging market: Does corporate governance quality matter? *Journal of Open Innovation: Technology, Market, and Complexity*, 10(1). <https://doi.org/10.1016/j.joitmc.2023.100188>
- Ananda, W. C., & Santoso, A. B. (2022). Pengaruh Inflasi, Suku Bunga, dan Nilai Tukar Rupiah terhadap Return Saham pada Perusahaan Perbankan yang Terdaftar di Bursa Efek Indonesia (2018-2020). *J-MAS (Jurnal Manajemen dan Sains)*, 7(2), 726. <https://doi.org/10.33087/jmas.v7i2.559>
- Andayani, P.R., & Werastuti, D.N.S. (2023). Pengaruh Tingkat Inflasi, Right Issue, dan Earnings Per Share (EPS) terhadap Harga Saham pada Perusahaan Industri Makanan dan Minuman yang Terdaftar di BEI Periode 2017-2021. *Vokasi: Jurnal Riset Akuntansi*, 12(3). <https://doi.org/10.23887/vjra.v12i3.64353>
- Ardianto, F., & Sukardi, A.S. (2024). Pengungkapan Environmental, Social, and Governance Disclosure Terhadap Volatilitas Harga Saham Syariah Dimoderasikan oleh Likuiditas. *Jurnal Ilmiah Ekonomi Islam*, 10(3), 3171–3180. <https://doi.org/10.29040/jiei.v10i3.15431>
- Barr-Pulliam, D., Mason, S.A., & Muriel, L. (2026). Believe who you trust: auditor source credibility, PCAOB inspection outcomes, and non-professional investor judgments. *Journal of Accounting and Public Policy*, 56, 107405. <https://doi.org/10.1016/j.jaccpubpol.2026.107405>
- Bhuiyan, M. B. U., Man, Y., & Lont, D. H. (2024). Audit report lag and the cost of equity capital. *Journal of Capital Markets Studies*, 8(2), 212–241. <https://doi.org/10.1108/JCMS-02-2024-0008>
- Cahyawati, R. P., & Miftah, M. (2022). Pengaruh Volatilitas Laba, Kebijakan Dividen, Dan Leverage Terhadap Volatilitas Harga Saham Idx30. *Jurnal Riset Akuntansi Dan Keuangan*, 10(3), 541–554. <https://doi.org/10.17509/jrak.v10i3.44213>
- Cao, M.M. (2023). Dividend Policy and Share Price Volatility: Empirical Evidence from Industrial Companies in Vietnam. *RA Journal of Applied Research*, 9(8), <https://doi.org/10.47191/rajar/v9i8.03>

- El Badlaoui, A., & Cherqaoui, M. (2023). Value relevance of audit opinions in an emerging market: Evidence from Morocco. *Journal of Financial Reporting and Accounting*, 21(5), 887–905.
- Elshandidy, T., Elmassri, M., & Elsayed, M. (2022). Integrated Reporting, Textual Risk Disclosure and Market Value. *Corporate Governance: The International Journal of Business in Society*, 22(1), 173–193. <https://doi.org/10.1108/CG-01-2021-0002>
- Gagnon, L., Jeanneret, A., Andrei, D., Berrada, T., Chaigneau, P., Dudley, E., Fournier, M., Karolyi, A., Klasa, S., Masulis, R., Mehrotra, V., Nikolov, B., Rizzo, E., Schroth, E., Sen, R., Valta, P., Wang, N., & Wang, X. (2019). How Does Corporate Governance Affect Equity Volatility? Worldwide Evidence and Theory * How Does Corporate Governance Affect Equity Volatility? Worldwide Evidence and Theory. In *European Finance Association conference*. www.alexandrejeanneret.net.Electroniccopyavailableat:https://ssrn.com/abstract=3222818
- Goh, C., Kusnadi, Y., Pan, G., & Seow, P.S. (2022). Governance, risk and compliance (GRC) in digital transformation: Investor views. *Accountancy Business and the Public Interest*. 21, 200–223. https://ink.library.smu.edu.sg/soa_research/1980
- Gupta, R., Nielsen, J., & Pierdzioch, C. (2024). Stock market bubbles and the realized volatility of oil price returns. *Energy Economics*, 132. <https://doi.org/10.1016/j.eneco.2024.107432>
- Harimbawa, I.N.T.R., & Sulindawati, N.L.G.E. (2022). Pengaruh Volume Perdagangan Saham, Order Imbalance, Frekuensi Perdagangan, Dan Volatilitas Laba Terhadap Volatilitas Harga Saham. *Vokasi: Jurnal Riset Akuntansi*, 11(01).
- Hasanah, N., Adrianto, F., & Hamidi, M. (2024). Pengaruh Kinerja Environmental, Social, and Governance (ESG) dan Volatilitas Laba terhadap Volatilitas Harga Saham Syariah dengan Effective Tax Rate sebagai Variabel Moderasi (Studi Empiris pada Perusahaan yang terdaftar di Jakarta Islamic Index 70 periode tahun 2018-2023). *R2J*, 6(6). <https://doi.org/10.38035/rrj.v6i6>
- Itan, I., Sylvia, S., Septiany, S., & Chen, R. (2025). The influence of environmental, social, and governance disclosure on market reaction: evidence from emerging markets. *Discover Sustainability*, 6(1). <https://doi.org/10.1007/s43621-025-01085-0>
- Kassamany, T. (2023). Impact of risk disclosure on the volatility, liquidity, and performance of the UK and Canadian insurance companies. *Corporate Governance: The International Journal of Business in Society*.

- Khairunisa, N., & Nazir, N. (2022). Pengaruh Leverage, Kebijakan Dividen Dan Ukuran Perusahaan Terhadap Volatilitas Harga Saham. *Jurnal Ekonomi Trisakti*, 2(2), 833–844. <https://doi.org/10.25105/jet.v2i2.14419>
- Kim, J.-B., Wang, C., & Wu, F. (2023). The Real Effects of Risk Disclosures: Evidence From Climate Change Reporting in 10-Ks. *Review of Accounting Studies*, 28(4), 2271–2318. <https://doi.org/10.1007/s11142-022-09687-z>
- Kurniawan, M., & Husodo, Z. A. (2023). The effect of ESG performance on stock price volatility: A study of emerging markets in Asia. *BISMA (Bisnis Dan Manajemen)*, 28–46. <https://doi.org/10.26740/bisma.v16n1.p28-46>
- Majeed, A., Basiruddin, R., & Khaleed, S. (2023). Financial reporting quality, audit quality and idiosyncratic volatility: Moderating role of family ownership concentration. *Global Business and Economics Review*, 29(4), 492–508.
- Marpaung, R. H., & Fathonah, A. N. (2024). Governance, Risk and Compliance (GRC) and Intellectual Capital's Impact on the Financial Performance of Indonesian Stock Exchange-Listed Companies That Win Top GRC Awards in 2020–2023. *Journal of Economics and Business*.
- Murata, R., & Hamori, S. (2021). ESG Disclosures and Stock Price Crash Risk. *Journal of Risk and Financial Management*, 14(2). <https://doi.org/10.3390/jrfm14020070>
- Oehler, A., & Neuss, C. (2025). The effect of risk management disclosure on idiosyncratic risk: evidence from annual reports. *Review of Managerial Science*. <https://doi.org/10.1007/s11846-025-00944-4>
- Rosihan, R., Nurhayati, I., & Aminda, R. S. (2022). Analisis Volatilitas Harga Saham Terhadap Indeks Harga Saham Gabungan (Ihsg) Periode Maret 2019 – Februari 2021. *Business Management Analysis Journal (BMAJ)*, 5(2), 175–188. <https://doi.org/10.24176/bmaj.v5i2.7667>
- Sanjaya, P. A., Sujana, E., Diatmika, I.P.G. (2025). Pengaruh Pendidikan, Tekanan Waktu, dan Anggaran Dana Audit terhadap Kualitas Audit dengan Etika Auditor sebagai Variabel Moderasi (Studi Empiris pada Inspektorat Daerah di Provinsi Bali). *Jurnal Ilmiah Mahasiswa Akuntansi Universitas Pendidikan Ganesha*, 16(01), 16–28. <https://doi.org/10.23887/jimat.v16i01.92463>
- Sari, D. M., & Zaitul, Z. (2024). Corporate Governance and Stock Return Volatility. *Akademik: Jurnal Mahasiswa Ekonomi & Bisnis*, 4(2), 904–919. <https://doi.org/10.37481/jmeb.v4i2.790>
- Sherif, M., El-Diftar, D., & Shahwan, T. (2024). Do Internal Corporate Governance Practices Influence Stock Price Volatility? Evidence from Egyptian Non-

- Financial Firms. *Journal of Risk and Financial Management*, 17(6).
<https://doi.org/10.3390/jrfm17060243>
- Stiawan, I.K.J. (2025a). Opini Audit dan Reaksi Pasar: Apakah Penerapan GRC Memperkuat Keterkaitannya?. *Jurnal Akuntansi dan Keuangan Universitas Jambi*, 10(4), 462-473. <https://online-journal.unja.ac.id/jaku>
- Stiawan, I.K.J. (2025b). The Effect of Audit Opinion on Market Reaction: GRC as Moderator. *International Journal of Accounting, Management, Economics and Social Sciences*, 3(6), 2004-2015. <https://doi.org/10.61990/ijamesc.v3i6.629>
- Stiawan, I. K. J., Sinarwati, N. K., & Musmini, L. S. (2025). The Role of Audit Opinion as a Moderator of the Influence of ESG and GRC Disclosure on Market Reaction. *Dinasti International Journal of Economics, Finance & Accounting*, 6(3), 1859–1868. <https://doi.org/10.38035/dijefa.v6i3.4566>
- Stiawan, I.K.J. (2026). Market Reaction and Firm Value: A Governance, Risk and Compliance Disclosure Perspective. *International Journal of Economics, Management and Accounting*, 3(1), 163-170. <https://doi.org/10.61132/ijema.v3i1.1131>
- Su, F., Lili, Z., and Jianmei, L. (2023). Do MD&A Risk Disclosures Reduce Stock Price Crash Risk? Evidence from China. *International Journal of Financial Studies* 11: 147. <https://doi.org/10.3390/ijfs11040147>
- Supriati, Arum, E.D.P., & Zulma, G.W.W.M. (2021). Dampak Opini Audit Terhadap Reaksi Pasar Saham Pada Perusahaan Manufaktur Yang Terdaftar Di Bursa Efek Indonesia. *Neraca Keuangan: Jurnal Ilmiah Akuntansi dan Keuangan*, 16(01), 1-11. <https://doi.org/10.32832/neraca.v16i1.4580>
- Suputra, K.P., Purnamawati, I.G.A., & Werastuti, D.N.S. (2023). Pengaruh Pertumbuhan Ekonomi, Kapitalisasi Pasar, Suku Bunga Bank Indonesia, Inflasi, Dan Volatilitas Harga Saham Sebagai Variabel Moderating Terhadap Kinerja Pasar Saham Perbankan Syariah Di Indonesia. *Jurnal Ilmiah Mahasiswa Akuntansi Universitas Pendidikan Ganesha*, 14(01). <https://doi.org/10.23887/jimat.v14i01.53016>
- Xu, Z. (2024). The Impact of ESG Performance on Stock Market Volatility. *Journal of Applied Economics and Policy Studies*, 15(1), 11–16. <https://doi.org/10.54254/2977-5701/2024.19656>
- Wahyuni, S. L., & Artati, D. (2023). Pengaruh Kebijakan Dividen, Leverage Dan Earning Volatility Terhadap Volatilitas Harga Saham Pada Perusahaan Yang Terdaftar Dalam Indeks Lq45. *Jurnal Ekonomi Perjuangan (JUMPER)*, 5(1), 23–39.

Wang, J., Hu, X., & Zhong, A. (2023). Stock Market Reaction to Mandatory ESG Disclosure. *Finance Research Letters*, 53, 103402.
<https://doi.org/10.1016/j.frl.2022.103402>