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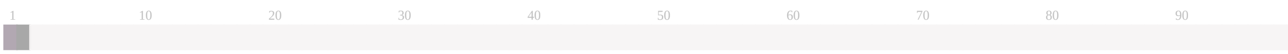

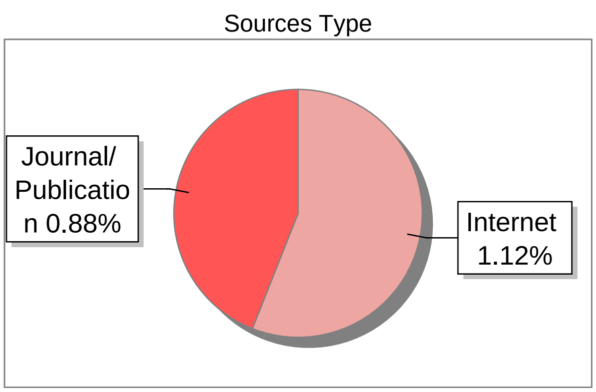

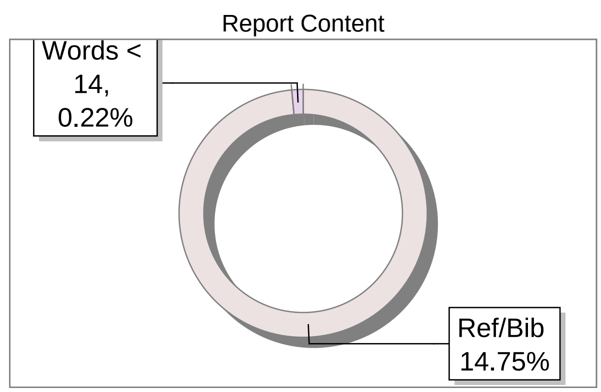

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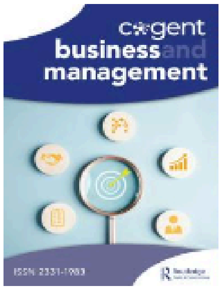

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How does environmental, social, governance disclosure and political connection performance affect firm value? An empirical study in Singapore

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ABSTRACT

This research aims to examine environmental performance disclosure, social performance disclosure, governance performance disclosure, and political linkages in increasing firm value in Singapore. The research method uses a quantitative descriptive approach using secondary data. The population is all companies listed on the Singapore Stock Exchange with a sample size of 87 companies and the research period is between 2018 and 2021. The hypothesis testing analysis technique uses panel data regression. The findings of this study indicate that disclosure of political ties, disclosure of governance performance, and disclosure of environmental performance all increase firm value. However, firm value is not influenced by social performance disclosure. This research looks at how political connections and firm value are influenced by disclosure of environmental performance, social performance, governance performance and other factors. To increase business value, it is important to disclose environmental performance, social performance, governance performance and political relationships, as this research shows. The implications of this research show that sustainability report disclosure provides a good signal that can increase firm value.

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1. Introduction

The previous ten years have seen a trade war between the United States and China, which has had a significant impact on the globalization of the economy. The impact of economic globalization is that business competition becomes very tight, and investment growth slows down, as a result, share price movements become very uncertain. This condition is reflected in the significant drop in stock and corporate bond prices, a sharp decline in economic output in the first half of this year Zimon et al. (2023). It consequently affects the value of businesses listed on the Indonesian Stock Exchange.

The corporate value is crucial because company value shows the conditions the corporate has achieved in relation to public trust in the company since the company was founded until now. The firmvalue also shows the company's prospects and reflects the total assets owned by the company. For business owners, having a high company value is the ultimate goal as it signifies their well-being.

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Conditions of tight competition and developments in stock prices on the stock exchange require investors to be more careful with a high level of astuteness in understanding and observing published financial reports. A corporation that is focused on business sustainability has a high and low value that is based on both financial and non-financial performance, such as the effect of operations on the environment and society. Therefore, companies must maintain a balance in the environmental and social ecosystem and implement effective corporate governance (Ng & Rezaee, 2015). This term is often referred to as environmental, social, governance (ESG) sustainability. This means that the entity must be able to maintain the balance of the industrial ecosystem

Investors starting to shift their main set towards business sustainability will have a long-term perspective that the entity's existence is not only profit oriented but also how to overcome the impacts arising from operations as a step to meet stakeholder demands (Lambert et al., 2007). Business sustainability is an effort made by the company to minimize negative impacts on the environment, society, both the global economy and local communities. Therefore, the concept of sustainability business is how to build a community in the fields of economic, social and ecological goals must be balanced (Székely & Knirsch (2005).

In the context of stakeholder theory, management focuses on business activities that result in non-financial voluntary activities that lead to the achievement of sustainability performance. This ESG activity is of concern to all stakeholders (Jensen, 2001). Especially in developing countries that are moving towards advanced status, ESG activities are still voluntary, but since the decade of 2020 this activity has begun to become mandatory. In the meantime, signal theory clarifies that the information's owner, the business, offers a signal in the form of data that represents the state of the business which is useful for investors (Spence, 1973). This theory attempts to overcome the problem of information asymmetry, when stakeholders have superior information about one company compared to other companies (Ross, 1977). Oware & Worae (2023) use applicable signaling theory to describe the effect of corporate performance on Indian reporting methods and frameworks for sustainability reporting. Meanwhile, Suttipun (2023) uses signal theory to reduce information asymmetry gaps, as well as conflicts of interest between corporate and their stakeholders, especially creditors related to the environmental, social and governance performance of companies in Thailand. Previous research conducted by Alonso-Almeida et al. (2018) and Wang & Jiang (2019) show that sustainability reporting tends to enhance performance since it gives businesses a competitive edge.

This research attempts to consider what each and every stakeholder needs through sustainability report disclosure and political connections as non-financial (ESG) information that can influence firm value. This study contributes to the existing literature, namely; (1) Help increase understanding of how ESG (environmental, social and governance) disclosures can impact company value. (2) Help identify the best or most effective ESG disclosure practices among companies in increasing company value. (3) Help develop policy recommendations to improve ESG disclosure by identifying the obstacles companies face and how to overcome these obstacles. (4) Increasing corporate transparency and accountability by disclosing more ESG information to investors and other stakeholders. (5) Encourage sustainable investment through effective ESG disclosure, thereby helping investors invest in companies that have good ESG performance. Thus, it is hoped that the results of this research can convince companies and policy makers that disclosure of sustainability reports and political connections is a value creator and conveys positive signals that increase company value. The importance of the concept of sustainability is explained by the fact that companies must be able to minimize the effects of their actions on the environment and do not need to avoid waste. The companies must not spend their resource reserves to maintain environmental ecosystems, increase material and energy efficiency for future generations, but companies also demand high empathy for social aspects (Al-Tuwaijri et al., 2004).

Previous research conducted by Jadiyappa et al. (2019) and Manchiraju & Rajgopal (2017) who examine mandatory reporting and business effectiveness, and also Arena et al. (2018) and Goel (2018) who examine the mandatory reporting of GRI sustainability disclosures. Other research was conducted by Oware & Worae (2023) who conducted research in the mandatory reporting environment in India on Tobin's q is used to measure the impact of sustainability reporting disclosures (Environmental, Social, Governance) and report formats on business performance. Meanwhile, this study examines environmental, social, governance report disclosure (Sustainability Report Disclosure) and political connections in increasing firm value.

2. Background

Southeast Asian companies are still low in implementing sustainability reporting. Singapore, with its limited area compared to other Southeast Asian countries, also shows that companies' awareness of maintaining ESG activities is still low. Research on business sustainability information on non-financial dimensions in the context of firm value in developing countries is still limited. This can be seen from several research results on the reflection of ESG on firm value showing that the results are still mixed.

High corporate value is also produced by companies that always maintain environmental and social effects that have an impact on company operations. Companies need to protect the environment because the company's operations are located in residential areas or even side by side in biodiversity areas where the animals and plants in it must be protected. Such conditions require companies to be able to maintain the balance of ecosystem habitats.

Research related to environmental impacts arising from company operations shows mixed results. Research findings from Plumlee et al. (2015) show the impact of environmental disclosure on the worth of a company. Nevertheless, Rinsman and Prasetyo's investigation (2020) did not uncover this effect. These results indicate that disclosure of environmental information has not been fully taken into consideration by some investors in making decisions to encourage increased company value. When a firm discloses its environmental performance, It indicates to potential investors that it has done well in this field. The company believes that this will raise the company's worth.

Furthermore, entities also need to build an image, enhance a positive image and strengthen the company's reputation among the general public. These efforts were made to get the attention of the public. This action can be done through Corporate Social Responsibility (CSR) activities. Through CSR activities, of course, there are many benefits for stakeholders, this will result in the value of the company being raised. This situation can open up new cooperation opportunities between the company and other parties. Social activities can be done by involving employees directly, seeing the needs of the surrounding community, and of course needing to prepare a company budget. The forms of corporate social responsibility include responsibilities to employees, consumers, the environment, shareholders, and the community and creditors. In connection with carrying out these activities, the company requires funding in order to carry out these social activities, so that the reported profit for the current year will be lower. However, in the long term these activities can minimize legal/fiduciary claims. Previous research related to the disclosure of social responsibility with firm value was conducted by Li et al. (2017; Jitmaneeroj (2018) showed positive results. Different results were presented by Othman et al. (2009) found demonstrated the disclosure of social responsibility has no impact on firm value. The existence of social responsibility makes the company bound to the community, this will happen if the company gets a loss as a result of bad decisions or failed products, then the situation is not only detrimental to the company financially but also socially.

Investors need quality financial statement information, because adequate information can reduce information uncertainty. Accurate and adequate information can be in the form of financial information and non-financial information. Financial information can be obtained in the financial report (annual report) while non-financial information can be obtained from the sustainability report (sustainability report). These two reports will provide complete information to investors in estimating business risk in the long term. When investors obtain financial information and non-financial information on a limited scale, as compensation, investors demand a higher rate of return because investors assume a relatively large uncertainty (Bhattacharya et al., 2012). One important aspect to reduce information asymmetry is to implement effective corporate governance (CG). The purpose of CG is internal control and oversight of strategic policies to create added value for all stakeholders (Monks, 2004). CG also provides complete information so that management and investors have the same relative quality of information. Studies related to CG on firm value show mixed results. Findings by Jallo et al. (2017), Gosal et al. (2018) and Tunpornchai & Hensawang (2018) found that CG has an effect on firm value. Coversely, thought According to Shakir (2008), governance decreases the firm value. The varied results of this study suggest that there are more factors that affect how corporate governance affects business value.

Events in politics have a direct impact on a nation's stability and economic growth. The political relationship of the company provides benefits between the two parties, namely the government and the company. The purpose of politics is to formulate public policies, including for the benefit of the business world, and the business world can support a country's politics in the form of funding.

Funding from political parties is not enough only from the contributions of their party members, but parties also need other sources of funding from contributions from companies or individuals that also involve transactional agreements. Reciprocity for donors can take the form of political lobbying, bidding for projects or policies that benefit the company or individual concerned. However, the existence of political relations can also threaten the firm value. Shleifer & Vishny (1994) state that firms with political ties can influence firm value, distort incentives, place wrong investments, and increase levels of corruption. Research Chen et al. (2010) found that analysts' predictions will be less accurate if the company has political relations when in contrast to businesses without any political ties. According to Goldman et al. (2006), political ties have an impact on corporate value. Political links to elected governors boost the value of a corporation, as demonstrated by Do et al. (2012).

The goal of this study is to address the issue of how to build a non-financial information model that can express an increase in firm value. In Asia, including Singapore, Reports on sustainability are beginning to appear more frequently. and is very interesting to research. Furthermore, as stakeholder demands grow stronger, businesses are compelled to offer responsible, transparent information as well as sound corporate governance procedures.

This research is expected to provide a theoretical contribution in the field of management accounting, especially related to environmental accounting and social accounting as a counterweight for companies in perfecting guidelines for determining a more accurate cost analysis of products from environmental impacts caused by company activities. This research is expected to provide information for investors in making investment decisions by considering long-term non-financial performance to see the impact of increasing firm value. Furthermore, management is anticipated to use this research in producing quality non-financial performance by considering the importance of assessing environmental and social interactions in light of the environmental costs and benefits to minimize environmental problems encountered and improve management efficiency. This study is anticipated to provide input for regulators in determining the direction of practices/policies related to environmental impacts, such as demanding that companies maintain a balance/conservation of the natural surroundings and demanding that companies be more transparent about what they do to the environment and social actions.

3. Theoritical literature review

3.1. Accounting information disclosure theory

The theory of accounting information disclosure explains the principles and reasons for conveying financial and non-financial information by companies to interested parties. This theory aims to determine what information should be disclosed, to whom the information should be disclosed, and how the information should be disclosed. As stated by Valletta (2005), it is hoped that the more transparent the information presented by a company coupled with the increasingly realistic implementation of good governance will increase business success in the business world on an ongoing basis, it can also be used to understand business in a company.

Accounting information disclosure theory plays an important role in ensuring that companies provide relevant and reliable information to stakeholders. By understanding the theories and factors that influence information disclosure, investors, creditors, and other interested parties can make more informed economic decisions. Wallace & Naser (1995) stated that financial disclosure is an abstract concept and cannot be measured directly. As a result, to assess the quality of disclosure in Financial Reports, certain measuring instruments are needed, for example an index, so that the disclosure of a Financial Report can be compared with the disclosure of other Financial Reports.

3.2. Agency theory dan signaling theory

The link that exists between business owners and management as agents is explained by agency theory as principals (Jensen & Meckling, 1976). The person who directs another party, the agent, to handle all tasks on his behalf is known as the principal. According to this theory there is a separation between agent control, which has direct access to company data, and principals (Nuswantara et al., 2023). Managers as agents are given the task of carrying out company operations by the owner (principal) to increase company value or shareholder prosperity. Thus, the contribution of agency theory is the main solution in this research. Apart from agency theory, this research also uses signaling theory. This theory can be applied to describe the impact of sustainability report disclosure and political connection performance on company value (Prayogo et al., 2023). Healy & Palepu (2001) in their research used signaling theory to examine company disclosure

3.3. Stakeholder theory

According to the stakeholder hypothesis (Freeman & McVea, 2001), the corporation is accountable to certain groups of people. The idea that businesses are accountable to stakeholders as well as shareholders has been further strengthened by the rise of stakeholder theory as the prevailing paradigm. Companies must engage with stakeholders by taking into account their requirements and wishes, particularly those of people who have influence over the resources that may be employed for operational operations. of the business, including its personnel, the items it sells, and other resources.

Management of the firm takes stakeholder groups into account when deciding whether to disclose or not to disclose information in corporate reports. Stakeholder theory's primary goal is to aid firm management in maximizing the value created as a consequence of actions undertaken and reducing potential stakeholder losses.

Some important stakeholders who can help the company to achieve maximum profit and survive to this day are the community or consumers. Without the community or consumers, of course the products offered by the company will not be sold, causing bankruptcy. Society or consumers can be said to be the controller of the company. When key financial resources for the business are under the hands of stakeholders, the company will act in a way that satisfies the wishes of stakeholders, in order to achieve maximum profit and survive in the midst of increasingly fierce business competition for the company.

The tendency that is observed in Singapore has seen an annual increase in the number of businesses disclosing reports on sustainability. This demonstrates that the business is already more concerned than usual about sustainability in the economic, social, and environmental spheres. Companies that provide sustainability reports do so in order to demonstrate to stakeholders their commitment to social and environmental concerns, to be transparent, and to get feedback on how well they have handled stakeholder requests for information.

4. Reference study evidence and hypotheses development

4.1. The effect of disclosure of environmental performance on firm value

The environmental aspect in the Sustainability Report explains how the form of corporate responsibility in overcoming problems in the environment around the company operates. Stakeholder theory describes to whom the company is responsible (Freeman & McVea, 2001), one of which is stakeholders related to the environment (community, environmental activists, consumers). This needs to be disclosed by the company as information to its stakeholders how the company's responsibility in overcoming environmental problems around the company operates. Companies that Publicizing the company's environmental performance can enhance its standing in the community. A positive reputation in the community will provide the business a competitive edge. The environmental performance sustainability report shows that stakeholders feel the need for information on how the company deals with the environment that has an impact on the surrounding community, including recycling the generated waste. Pumlee et al. (2015) and Iqbal et al. (2019) show that the disclosure of environmental dimensions has an effect on firm value. Environmental disclosures made by the company will give a positive signal to investors where the company has carried out environmental performance well and has an advantageous effect on the company's worth.

H_1: Environmental performance disclosure enhances the value of a company.

4.2. The effect of disclosure of social performance on firm value

The term 'social performance' refers to performance facets including society, basic human freedoms and consequent commodities. Stakeholder opinions of the company's handling of the local human resources will change as a result of the sustainability report's disclosure of the social performance components. Businesses need trustworthy, competitive, innovative, and efficient human resources to conduct their operations. The corporation uses the disclosure of its social performance to entice stakeholders to work with it. In order to manage the firm's assets, the organization requires trustworthy, competitive, innovative, and effective human resources on the one hand, and stakeholders' welfare on the other. The business anticipates that its assets will yield high production from its people resources, and in exchange, it will pay commensurate wages. According to research findings by Rais et al. (2020), The impact of corporate social responsibility on increasing firm value.

H_2: The value of the company is positively impacted by social performance disclosure.

4.3. The influence of disclosure of governance capabilities on corporate value

Corporate governance (CG) is a structure created to professionally guide a company's management based on the values of openness, responsibility, accountability, independence, justice, and equality. An effective CG implementation will guide ethical corporate conduct, assuring the management of a supportive and encouraging work environment, being accountable to the market and community, as well as delivering a healthy and sustainable financial performance. One of the CG roles carried out by independent commissioners as parties who are not connected with the directors or company owners, who do not have an interest in the company can more easily carry out their duties to supervise. The audit committee's function as an internal auditing body for the implementation of accounting records and reporting follows applicable accounting standards and prevents certain parties from committing fraudulent financial statements, resulting in the presentation of quality monetary statements and showing the company's true financial position.

A condition known as managerial ownership occurs when the management also holds company stock, or in other words, when the manager is a stakeholder in the business. The fact that a significant percentage of the company's shares are held by managers indicates this predicament. Meanwhile, institutional ownership is share ownership by other institutions. The more institutional ownership there is (at least 10% of the company's total shares), the more external oversight and control there is to rein in the opportunistic conduct of management. The existence of CG can overcome problems or limit management opportunities that lead to opportunistic behavior. The company strives so that the existing information can be distributed evenly and conveyed to parties with an interest in the company through an effective system of corporate governance. An independent audit committee, managerial ownership, and an independent board of commissioners is a step for the company in implementing corporate governance. Companies that carry out governance activities are considered companies that provide adequate protection and transparency to investors, this will make the share price reflected increase so the firm value will also increase. Corporate governance research on firm value was found by Jallo et al. (2017), Gosal et al. (2018) and Tunpornchai & Hensawang (2018) found that governance has an impact on firm value. In light of the findings of the earlier study, the hypotheses in this study were formulated as follows:

H_3: Disclosure of governance performance has a positive effect on firm value

4.4. The influence of political connection on firm value

Companies classified as politically connected do so because they have some sort of relationship with politicians. Through legislation, policies, and their execution, politicians—in this case, the government—have a say in deciding the extent of investor protection, followed by interest groups. Entrepreneurs, institutional investors, and corporate insiders will work to influence lawmakers to provide the right degree of protection.

Corporate insider groups can use company assets to cover the costs of lobbying politicians, while other interest groups need to bear the costs of lobbying directly. If political connections are successful in reducing unjust economic rents that are levied against rival businesses and customers, this might boost the company's worth (Faccio, 2006). However, if politicians and managers associated with those politicians eat all or the majority of the company's value, shareholders will only receive a small portion of the value that is still accessible. Research conducted by Maaloul et al. (2018) found that political ties increase the worth of a company. Based on these arguments, the hypotheses in this study are as follows:

H_4: Political Connection has a positive impact on company value

5. Research desaign

5.1. Sample and data collection

The research sample was collected from manufacturing companies in the industrial sector listed on the Singapore Stock Exchange between 2018 and 2020 with purposive sampling was the method employed for sample selection. We have observations of 87 manufacturing businesses conducted over a three year period from 689 manufacturing companies after filtering out data that is not registered and meets the requirements. The primary source of secondary data for environmental, social, governance, and firm value disclosures was the annual reports of corporations registered on the Singapore Stock Exchange.

Secondary data information in this research includes sustainability reports, company annual reports, and financial performance of companies listed on the Singapore Exchange (SGX). This data can be accessed and obtained openly through Bloomberg services, so the data comes from a platform that is publicly available and has been published. Therefore no further permission is required for its use in research efforts. The sample selection process is shown in Table 1 below.

5.2. Operational and variable measurement

Firm value is the study's dependent variable. Firm value is a gauge of how well management has performed in previous operations and how likely they are to persuade shareholders in the future. The measurement of firm value uses the Tobin'Q proxy (Prayogo et al., 2023). The research's independent variables include the environmental disclosure, social disclosure, and governance disclosure (ESG). Information about the effects of the company's past, present, and future environmental management initiatives is known as environmental disclosure (Campbell, 2004). Social disclosure is a process used by companies to disclose information related to company activities and their influence on the social conditions of the community (Chariri & Ghozali, 2017). A system called disclosure of governance is intended to guide a company's management in a professional manner by incorporating the values of independence, equality,

Table 1. Sample selection.

Details	Observations
Initial sample manufaktur	689
Less:	
Not preparing complete financial reports	587
Missing data	15
Final sample	87

fairness, accountability, and openness. The measurement of disclosure uses the ESG Score (Refinitiv, n.d.), Ng & Rezaee (2015), Reverte (2012) and Prayogo et al. (2023).

The dependent variable is the firm value, measured using a Tobin'Q as follows:

$$\text{Tobin'Q} = \text{Company Market Value} / \text{Company Book Value}$$

The independent variable is the ESG reporting (ESG*score*), measured using a self-constructed ESG checklist developed as follows:

$$\text{ESGScore} = \frac{\left[\text{no. of companies with a worse value} + \left(\text{no. of companies with the same value included in the current one}\right)/2\right]}{\text{no. of companies with a value}}$$

Political Connection = measured with a dummy, namely 1 if the company/organization has access or relationships with political officials, such as members of parliament, high government officials, or political parties. This also includes regular meetings, participation in political events, or financial contributions to political campaigns. While the notation is 0 otherwise.

POLCON is a political connection related to political involvement between shareholders, high officials and government. Political connections are formed through direct relationships, specifically the links and current or previous political activity between politicians, stockholders, top management, and workers formed from indirect relationships, namely contributions to campaign activities and activities in practice trying to persuade legislators to specific interests (Bianchi & Viana, 2014). Each variable's definition is shown in Table 2 below.

5.3. Empirical model and variables

The estimation method for this research analysis uses panel data with three types of estimation methods, namely common effect, fixed effect, and random effect. Selection of the appropriate estimation method is carried out in several test steps, namely conducting the Chow test, the second is the Hausman test or the Lagranger Multiplier test.

The following model is employed to investigate the effects of governance disclosure, social disclosure, environmental disclosure, and political linkage on firm value:

$$FV = \beta_0 + \beta_1 ENVDIS + \beta_2 SOCDIS + \beta_3 GOVDIS + \beta_4 POLCON + e$$

Where FV is the company value as a function of Tobin's Q. ENVDIS is environmental disclosure information. SOSDIS is a social disclosure process. GOVDIS is a governance disclosure system. ESG is environmental social disclosure, and POLCON is a political relationship.

Table 2. Variables definitions.

Variables	Symbols	Definitions
Dependent variable: Firm Value	FV	Tobin'Q proxy: Ratio used to measure the relationship between a company's market value (market capitalization) and book value (net asset value).
Independent variables: ESG Reporting Quality	ESGscore	ESG disclosure score: Disclosures made by companies to provide information to stakeholders regarding environmental, social and corporate governance activities as well as how the company manages and fulfills its responsibilities. Therefore, ESG as an independent variable is proxied by environmental, social and corporate governance.
Political Connection	POLCON	Political connections reflect the level of a company's relationship or access with political actors who have political power in a political system in business decisions, resource distribution, or social dynamics that individuals, groups, or entities have.

6. Empirical results and discussion

6.1. Descriptive statistic

This section presents the results of the study beginning with descriptive statistics that present a recap of the number of samples of Singaporean companies according to predetermined criteria. The illustration of the research sample in descriptive statistics explains that the number of initial samples is 94 observations. However, 7 observations were eliminated due to normality requirements so that the number became 87 observations as presented in Table 3 below.

Table 3 shows that the environmental variable has a mean ratio of 3796.520 and median 3644.121, this table shows that the amount of environmental disclosure is relatively high. Different conditions for the variable social disclosure have a mean ratio of 1691.195 and median 1583.164, this number shows the number of social disclosures is relatively low. The same thing also happened for the variable of governance disclosure, which has a mean ratio of 2558.078 and median 2446.154, this figure shows the number of governance disclosures is quite high. In the same situation, the standard deviation values for environmental disclosure, social disclosure, and governance disclosure in companies in Singapore are lower than the average value, this makes the data deviation low so that the values become more evenly distributed or there are no significant fluctuations. Furthermore, the average company value is 14,389 and median 13.235, meaning that the market values the company's condition quite high by comparing the asset replacement value. While the political connection variable with a value of 1 if the companies that are politically connected support KMP/KIH as many as 52 companies and with a value of 35 if companies that are not politically connected do not support KMP/KIH. This condition shows that the number of companies that have relatively many political connections means that political factors are one thing that needs to be considered and is one thing that cannot be denied. Politics is one of the determinants of the ups and downs of a business, although it is not directly involved and affected by it.

Table 4 shows the bivariate Pearson correlations between the main research variables. As shown in Table 4, firm value is positively correlated with environmental, social, governance and politics with correlation coefficients of 0.8336, 0.260, 0.672 and 0.518 respectively. The correlation between firm value and environment and governance is significant at the 0.000 level or less than 1 percent, while the correlation between firm value and social is significant at 0.069 or less than 10 percent, and the correlation between firm value and politics is significant at the 0.017 level or less than 5 percent. Among the four independent variables, it seems that the one that is most correlated with firm value is governance. The positive and significant correlation between firm value and environmental, social, governance and politics shows that there is a unidirectional relationship between these variables.

Table 3. Descriptive statistics.

	N	Minimum	Maximum	Mean	Median	Std. Deviation
Environmental	87	474.00	5089.00	3796.520	3644.121	118.954
Social	87	86.00	5248.00	1691.195	1583.164	109.962
Governance	87	824.00	3719.00	2558.078	2446.154	939.606
Firm Value	87	3.97	16.51	14.389	13.235	4.421

Source: Authors' computation.

Table 4. Correlation matrix.

	Environmental	Social	Governance	Polconn	Firm Value
Environmental	1	.248*	.602***	.611***	.836***
Significance (2-tailed)		(.074)	(.002)	(.000)	(.000)
Social	.248*	1	.322*	.435**	.260*
Significance (2-tailed)	(.074)		(.058)	(.048)	(.069)
Governance	.602***	.322*	1	.687***	.672***
Significance (2-tailed)	(.002)	(.058)		(.000)	(.000)
Polconn	.611***	.435**	.687***	1	.518**
Significance (2-tailed)	(.000)	(.048)	(.000)		(.017)
Firm Value	.836***	.260*	.672***	.518**	1
Significance (2-tailed)	(.000)	(.069)	(.000)	(.017)	

This table reports the Pearson correlation matrix of the main study variables.
Source: Authors' computation.

6.2. Regression results

The Chow test aims to determine the best model between the Common Effect Model or Fixed Effect Model which will be used to carry out panel data regression. The Chow test results are shown in Table 5 below.

The Chow Test results in Table 5 above show that the probability cross-section chi-square value is 0.0622. This value is greater than 0.05. Based on the chow test decision making criteria, the model chosen is common e ffect. This model will be used to carry out the regression. The common e ffect model takes into account that the behavior of all data is the same at all time periods.

The Lagrange Multiplier test is then performed as indicated in Table 6 below.

The breusch-pagan p-value was determined to be $0.1391 > 0.05$ based on the test findings in Table 6 above. The LM test thus demonstrates that the common e ffect model is a more suitable e stimating approach. The common e ffect model is the proper panel data analysis technique based on the results of the two tests mentioned above.

Furthermore, the results of panel data regression testing of firm value e stimates with common e ffects appear in Table 7 following.

Table 7 explains that the F test of the regression model on firm value fulfills the goodness of fit at a significance level of less than 1%. (0.005). Regression model is able to explain the firm value of 28.90 percent (adjusted $R^2 = 0.289$); while the remaining 71.10% is e xplained by other factors not included in the regression model.

$$FV = 1.496347 + 3.740221 ENVDIS + 0.513445 SOCDIS + 4.804334 GOVDIS + 16.978553 POLCON + \epsilon$$

Table 4 explains that the disclosure e nvironment h as a coefficient value of 3.740 with a sig. < 0.05 ($p = 0.0482$) means that the e nvironment h as an e ffect on firm value, it is proven that h ypothesis 1 (H_1) is accepted. Whereas social disclosure h as a coefficient value of 0.513 with a sig. value of > 0.05 ($p = 0.8053$) meaning that social does not affect firm value, thus h ypothesis 2 (H_2) is rejected. While governance disclosure h as a coefficient value of 4.804 with a sig. < 0.05 ($p = 0.0232$) means that disclosure governance affects firm value, and Hypothesis 3 (H_3) is proven to be accepted. Furthermore, political connections h ave a coefficient value of 162.978 with a sig. < 0.05 ($p = 0.0224$) means that political connections h ave an e ffect on corporate value, this result also proves that h ypothesis 4 (H_4) is accepted.

Based on the results of testing the first h ypothesis (H_1) is declared accepted. Iimplies that e nvironmental disclosure h as a positive influence on company value. This test's findings are consistent with the argument that the wider e nvironmental activities will increase the firm value. This finding e xplains that the e nvironmental aspect is a form of corporate responsibility in overcoming problems in the e nvironment in which the company operates. This means that the company must be able to overcome the environmental impact due to the operations carried out. This means that the company must be responsible to several interested parties such as the e nvironmental community, environmental activists, and consumers as e xpressed in the stakeholder theory approach (Freeman & McVea, 2001). This needs to be informed by the company to stakeholders through disclosure in the sustainability report h ow the

Table 5. Chow test results.

Effects Test	Statistic	d.f	Prob
Cross-section F	0.872059	(18,72)	0.0622*

Notes: *,. **, and. ***represent statistical significance at 10%, 5% and 1%.
Source: Authors' computation.

Table 6. Lagrange multiplier test.

	Cross section
Breusch-Pagan	2.188268 (0.1391)

Source: Authors' computation.

Table 7. Panel data regression.

Variable	Coefficient	Std. Error	t-Statistic	Prob
C	1.496347	3.84323	3.231234	0.0021
ENVIRONMENTAL	3.740221	1.858871	2.013224	0.0482
SOCIAL	0.513445	2.068452	0.248246	0.8053
GOVERNANCE	4.804334	2.060221	2.332115	0.02**
POLITICAL_CONNECTION	16.978553	6.92123	2.331458	0.02**
Weighted Statistics				
Root MSE	1.101030	R-squared		0.323063
Mean	0.170434	Adjusted R-squared		0.289106
S.D.	1.259664	S.E. of regression		1.131201
Sum squared resid	115.1653	F-statistic		4.109842
D-W Stat.	2.189573	Prob-F		0.005***

Notes: *,. **, and. ***represent statistical significance at 10%, 5% and 1%.
Dependent Variable: Firm Value.
Source: Authors' computation.

company deals with environmental problems around the company operating. There is a transparent disclosure of related information through environmental conservation actions, waste recycling, reducing carbon emissions, as well as other environmental care actions. This action is to maintain the balance of the ecosystem so that good environmental performance can improve the company's reputation. A positive reputation in the community will provide the business a competitive edge. The public will not hesitate to become a shareholder in a go public company. A positive reputation will raise investor interest in the business, which will raise share demand and have an effect on stock price increases. These results corroborate the research of Pumlee et al. (2015) and Iqbal et al. (2019) demonstrate that firm value is positively impacted by the disclosure of environmental factors. Environmental disclosure by the company will provide a positive signal for investors and have a positive impact on firm value. This finding supports the stakeholder theory which explains that the company not only prioritizes profit, but also provides benefits to stakeholders, namely carrying out the company's operational activities while maintaining the balance of the environmental ecosystem effectively with full responsibility. Nevertheless, the findings of this study do not align with with the empirical findings from Rinsman & Prasetyo (2020) who did not find this effect.

The outcomes of the second hypothesis's testing (H^2) were rejected, thus social disclosure had no impact on company value. This test's findings do not support the argument that the wider the social activities, the higher the firm value. This finding is because the company does not view important social aspects in sustainability reports such as labor practices, human rights, societies and product responsibility. There is a lack of (low) social attention so that the perception of stakeholders about the treatment of empowering human resources in the vicinity is still low. The corporation uses the disclosure of its social performance to entice stakeholders to work with it. In order to manage the firm's assets, the organization requires trustworthy, competitive, innovative, and effective human resources on the one hand, and stakeholders' welfare on the other. The corporation expects its people resources to deliver high productivity and boost sales of the company's products from its current assets. In light of this, the corporation works to create as much net profit from its entire assets as feasible. The increase in the value of the company's net income is expected to increase the company's ROA value. This finding is in line with Rusmanto et al. (2014) who failed to obtain evidence of a significant influence of corporate social responsibility disclosure, especially in companies included in the LQ45 index, on firm value. Likewise, research results from Haryono & Iskandar (2015) and Puteri et al. (2018) also did not find empirical evidence of the influence of corporate social performance on firm value. However, Rais et al. (2020) found evidence of the influence of corporate social performance on firm value.

The stakeholder theory, which holds that businesses do not always do a good job of benefiting stakeholders through social activities, is refuted by this data because these activities do not conform to the goals of sustainable development (SDGs) set by the United Nations so that companies must carry out activities that are in line with the activities of the component items in the sustainable development goals. The SDGs or sustainable development goals consist of 17 targets that have been agreed by world leaders including Singapore with the hope of being achieved by 2030. This is carried out to combat poverty, lessen inequality, and save the environment.

Based on the test results on the third hypothesis (H_3) is declared accepted, implies that governance disclosure has a positive influence on firm value. The test's findings support the claim that a company's worth increases with the scope of its management activities. The proof of this hypothesis shows that the implementation of corporate governance (CG) is carried out effectively so that it is proven that the management of the company is more professional by paying attention to the principles of transparency, accountability, responsibility, independence, fairness and equality. The adoption of CG demonstrates the company's use of ethical business practices, allowing for the management of a supportive and encouraging workplace, accountability to the market and community, and the achievement of a sound and sustainable financial performance. This shows that the role of CG which consists of independent commissioners, board of commissioners, audit committees, managerial and institutional ownership is proven to be able to more easily carry out their duties to supervise management in carrying out their duties. Not apart from the role of the audit committee as an effective internal auditing body in presenting quality financial reports and showing the actual financial position of the company, and can prevent certain parties from committing fraud on financial statements, the existence of this information can convince investors in investment decisions. Additionally, it has been observed that the more institutional and managerial ownership there is, the stronger the amount of oversight and control that is exercised by outside parties to restrain management's opportunistic conduct. Such conditions indicate ownership is a mechanism to reduce conflicts of interest between managers and shareholders (Itturiaga & Sanz, 2001). The market value of CG has increased in score from 36 to 39 during the observation period. This shows that the CG value in Singapore has increased by three points in the past two years. This information is very important for the company's stakeholders, because when corporate governance improves, the protection of stakeholders will also increase. This situation illustrates that the company provides adequate protection and transparency to investors so as to attract investors to invest in the company. This finding is in line with research by Jallo et al. (2017), Gosal et al. (2018), Tunpornchai & Hensawang (2018) and Dang et al. (2023) found that governance has an effect on firm value. This finding supports the stakeholder theory which explains that companies not only prioritize profit, but also provide benefits to stakeholders, so companies must carry out activities by implementing effective governance principles with full sincerity.

Considering the outcomes of the fourth hypothesis's testing (H_4) it was declared accepted. This is in accordance with research from Maaloul et al. (2018) and Momon et al. (2021), find that political connections have a positive influence on firm value. The results of this test are in accordance with the argument that the more a company has political connections, the more the company has certain ways of establishing political ties or seeking closeness with the government. The government has an interest in providing protection to investors through regulations, policies and implementation. Interest groups within the company, institutional shareholders, and entrepreneurs will try to lobby politicians to obtain appropriate protection, and these actions will increase the value of the company. Corporate insider groups can use corporate assets to cover politicians' lobbying costs, while other interest groups must bear lobbying costs directly. The worth of a company can be enhanced by political connections if they enable the removal of unfair economic rents at the expense of rivals and consumers (Faccio, 2006). However, shareholders will only receive a small percentage of the remaining value if politicians and management connected to them eat all or most of the company's worth. This finding is not in line with research by Ang et al. (2013) which found a negative influence of political connections on company value.

This finding supports the stakeholder theory which explains that companies not only prioritize profit and CSR activities, but also maintain the relationship between shareholders, high-ranking officials and the government. This relationship forms a group consisting of business and political groups who have the same goal of forming a regional leader election coalition with the hope that the coalition candidate wins, so that bureaucratic or government policies can be mutually beneficial with the aim of improving people's welfare. The existence of mutual support between several parties will strengthen the company's position in the public thus increasing the firm value.

The results of this research also support the accounting information disclosure theory. Transparent disclosure of accounting and environmental information helps reduce information asymmetry between companies and investors. This is done with the intention that investors have a better understanding of the risks and opportunities related to the environment facing the company, so that they can make more appropriate investment decisions. This can increase investor confidence in the company, which ultimately leads to an increase in firm value.

Comprehensive environmental disclosure demonstrates a company's commitment to sustainable business practices. This makes investors increasingly interested in companies committed to sustainability because they realize the long-term benefits of such practices, such as reduced costs, improved reputation and new business opportunities. A company's willingness to proactively disclose environmental information can be seen as an indicator of good corporate governance, which can also increase firm value.

By actively managing and disclosing its environmental impacts, companies can demonstrate to investors that they are capable of identifying, assessing and mitigating environmental risks. This can improve a company's financial stability and its growth prospects, ultimately leading to increased company value. These benefits can lead to an increase in firm value as measured by Tobin'Q.

Transparent governance disclosure provides clear information to investors about the company's governance structure, decision-making processes and internal control mechanisms. This allows investors to better assess corporate governance risks and make more informed investment decisions. Strong accountability resulting from good disclosure can increase investor confidence in the company, which ultimately leads to increased firm value.

Comprehensive governance disclosure shows a company's commitment to good governance practices. This will provide various benefits, such as more effective decision making, better risk management and increased profitability. So investors increasingly appreciate companies with good governance because they realize the long-term benefits of this practice.

Companies with good governance disclosures have more potential to attract long-term investors, which can provide a stable and sustainable source of funding. This long-term investor confidence can also increase the company's stability and reputation, which ultimately leads to increased firm value. These benefits can lead to an increase in firm value as measured by Tobin'Q.

Companies with political connections potentially have easier access to resources and opportunities that are not available to other companies, such as business permits, subsidies, or government contracts. Political connections can allow companies to influence government policies in their favor, such as tax laws, environmental regulations, or labor requirements. Political connections can also help companies reduce regulatory, legal, or political risks. Political connections can improve a company's reputation and make it more attractive to investors and customers. These benefits can lead to an increase in firm value as measured by Tobin'Q.

7. Conclusion

This research investigates the influence of sustainability report disclosure and political connections on firm value in companies listed on the Singapore Stock Exchange. Regression analysis techniques using panel data are used in this work to investigate this influence. Environmental, social and corporate governance reporting (ESGscore) is measured using an ESG checklist compiled and developed in-house. ESG disclosure scores are carried out by providing information to stakeholders regarding a company's environmental, social and governance activities as well as how the company manages and fulfills its responsibilities. Meanwhile, political connection is measured with a dummy, namely 1 if the company has access to political officials, while the notation is 0 if the opposite happens. As a testing platform, 869 companies were observed on the Singapore stock market during the 2018 to 2020 period.

The results of the first study concluded that environmental disclosure has a significant influence on increasing company value. In this way, environmental aspects that are communicated well to investors and stakeholders receive positive responses from investors. The second conclusion is that social disclosure has no effect on company value. This shows that social disclosure aspect is considered unimportant in sustainability reports. The third conclusion from this research shows that governance disclosure has a positive influence on company value. These findings suggest that the effective implementation of corporate governance (CG) has been proven to make company management more professional, thereby increasing company value. The fourth finding shows that political connections have a positive impact on company value. This implies that a company's worth will increase in direct proportion to its political connections, since investors will respond to it more favorably. Support for political involvement between shareholders, high-ranking officials and the government is needed, because it has been proven to increase company value. This research was tested strongly using panel data regression. It is recommended that companies are required to make continuous reporting related to environmental, social and corporate governance disclosures in order to add positive signals and thereby increase firm value.

This research provides a theoretical contribution by confirming that the variables used in previous research are relevant to this research (Alatawi et al., 2023; Elmghaamez et al., 2023; Ntim & Soobaroyen, 2013; Tran et al., 2021). Even though the research results make an important contribution related to non-financial information, this research has limitations with a very small number of samples. This shows that company compliance in terms of disclosure of ESG activities is still limited. The existence of a research object in Singapore, makes the research results cannot be generalized to companies in other Asian countries. The study's findings are only able to explain the limited liability company value information which is equal to 28.9 percent of non-financial information.

Social responsibility is closely related to the sustainability of the industry. Companies need to increase social activities through social disclosure by adjusting the objectives of the development of sustainability reports that have been agreed by the United Nations. Further research can conduct comparative studies between industrial sectors and between countries in examining disclosure of environmental, social and corporate governance responsibilities in non-financial companies, so as to enrich literacy and deepen analysis. Apart from that, future research also needs to pay attention to investor interest and employee involvement as well as control variables in order to strengthen their influence on company value, so that investors can obtain comprehensive information in their decision making.

8. The implication of the study

8.1. Theoritical contribution

The results of this research support the theory of accounting information disclosure which explains the principles and reasons for conveying financial and non-financial information by companies to interested parties. The findings of this study are also in accordance with agency theory which states that the relationship that occurs between company management as the agent and the company owner as the principal is that the agent is instructed by the principal to handle all tasks on the principal's behalf. The results of this study are also in accordance with signal theory which states that the company as the owner of the information provides a signal in the form of information that reflects the condition of the company which is useful for investors. Likewise, the findings of this research are also in accordance with stakeholder theory argues that businesses should put more than just profits first, but must also provide benefits to stakeholders, so companies must carry out social and environmental responsibility activities with full sincerity.

8.2. Managerial implications

Companies in Singapore must make continuous reporting related to environmental, social and corporate governance disclosures to provide a good signal to stakeholders and investors. Managers of companies in Singapore must be aware that sustainability report disclosure and political connections provide good signals that can have an impact on increasing company value. Good and profitable relationships must continue to be established through the implementation of environmental, social and corporate governance disclosure reporting obligations to provide information to stakeholders and investors. This information is necessary for companies in the Singapore capital market. Likewise, political connections between shareholders, high-ranking officials and the government are needed, because they are proven to increase firm value.

8.3. Policy implications

Companies operating in Singapore in implementing sustainability reporting disclosures and political connections provide information to policy makers that this has an impact on increasing share prices. These findings further strengthen the statement of the need to disclose sustainability reports and political connections for companies in Singapore. Disclosure of sustainability reports and political connections provides significant benefits to business performance and stakeholders, because it increases firm value.

Authors' contributions

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Authors' declaration

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Data availability statement

Data available on request from the authors. 'Upon reasonable request, the corresponding author, [P.H], will provide the data supporting the study's conclusions'. Basic, Share upon Request. Contact: Pancawati Hardiningsih. E-mail:pancawati@edu.unisbank.ac.id.

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