

sdhSCOPUS_Q2_CEACILIA_IJE EP_Vol.10_No.2_2020.pdf

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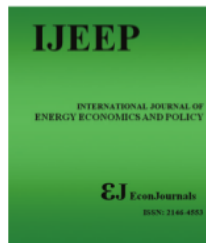
Submission date: 24-Mar-2020 02:46AM (UTC+0700)

Submission ID: 1280605453

File name: sdhSCOPUS_Q2_CEACILIA_IJEEP_Vol.10_No.2_2020.pdf (398.86K)

Word count: 7196

Character count: 40713



81

The Effect of Sustainability Information Disclosure on Financial and Market Performance: Empirical Evidence from Indonesia and Malaysia

Pancawati Hardiningsih^{1,2}, Indira Januarti¹, Etna Nur Afri Yuyetta¹, Ceacilia Srimindarti², Udin Udin^{3*}

¹Faculty of Business and Economics, Diponegoro University, Indonesia, ²Faculty of Business and Economics, Stikubank University, Indonesia, ³Faculty of Business and Economics, Universitas Muhammadiyah Yogyakarta, Indonesia.

*Email: udin_labuan@yahoo.com

38

Received: 07 August 2019

Accepted: 01 December 2019

DOI: <https://doi.org/10.32479/ijeeep.8520>

9

ABSTRACT

This study aims to analyze the effect of sustainability information disclosure on financial and market performance. Using positive sampling, this study obtains 21 mining sector companies in Indonesia and 18 companies in Malaysia. Regression analysis with WarpPLS is used to test the proposed hypotheses. The results show that environmental and social disclosure has a significant effect on return on assets, return on equity, price-earnings ratio, and Tobin's Q in Indonesia and Malaysia. Overall, there is no significant difference in financial and market performance between Indonesia and Malaysia. Good sustainability information disclosure further improves financial performance and trust among stakeholders and regulators in decision making, which in turn, increases corporate value.

Keywords: Environmental Disclosure, Social Disclosure, Financial Performance, Corporate Value

JEL Classifications: E44, M14, Q56

1. INTRODUCTION

Investment growth in environmental social governance (ESG) has experienced rapid change throughout the world and to date. It shows a promising trend and moving towards Asia, especially ASEAN member countries. In contrast, several ASEAN countries investment in the ESG sectors is poorly managed and utilized. This is due to many factors, i.e., erroneous perceptions surrounding ESG investment, limited ability to fully integrate ESG investment, and inadequate guidance and support from government and industry. Besides, there is still a gap between ESG investment and the success of ESG. With these obstacles, it is important to develop ESG activities to enhance company performance and increase company value.

ESG investment is suitable for all investors. ESG is not only important for inviting investors but also for maximizing profits in

companies. However, all companies, regardless of size or whether they have been listed on the stock exchange, must integrate ESG investment into their core business strategies and consider it as an important part of realizing growth strategies. ESG investment helps corporations cut costs and increase revenues and profits. Some key findings show that the corporations which implement ESG on average have higher profitability than non-ESG. The ratio of net profit to income reached 11.4% for ESG companies compared to 9.6% for non-ESG.

ESG investment needs to be implemented innovatively and creatively. Some ESG companies in ASEAN integrate ESG investments into their business strategies innovatively and creatively. The highest Global United Nations Compact participating countries, such as Spain, France, and Japan include ESG investment as one of the policies of business management

30

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no effect on operational performance. Susanto and Tarigan (2013) also found different conditions that social performance has a negative effect to financial performance. Even investors in the UK consider CSR disclosure information for investment decision making important, while Japanese investors do not consider CSR disclosure as additional information for company valuations (Bowerman and Sharma, 2016).

Manufacturing companies are companies that interact the most with society because they process raw materials to become goods that are ready to be marketed by involving various sources of raw materials, production processes, and technology, and have a significant contribution to social problems. Therefore, manufacturing companies are companies that are closely related to the social and the surrounding environment or have the broadest coverage of stakeholders so that they must construct sustainability report disclosure in accordance with the Limited Liability Company Law No. 40 article 74 of 2007.

Sustainability report research as a form of economic, environmental and social disclosure continues to develop and becomes an interesting topic to study in Indonesia and Malaysia. Given that in Asia, information sustainability is still growing. This is to see whether the sustainability report disclosure through information sustainability, namely ESG disclosure has an impact on companies in the mining, energy, and in manufacturing fields as a report response by stakeholders. The results of this study are expected to provide long-term value for the company and increase awareness of the importance of managing performance well in the economic, environmental and social fields.

57

2. LITERATURE REVIEW

2.1. Stakeholder Theory

Stakeholder theory describes which parties an organization or company is responsible for (Freeman, 2010). Stakeholders are groups and individuals who can influence or be influenced by the process of achieving organizational goals (Freeman, 2010). Stakeholders have the ability to control or influence the use of economic resources used for company operations. Therefore, stakeholder strength is determined by the size of the power possessed by these economic resources. In the stakeholder theory concept, a company is not only an entity that operates for the interests of its own company but also must provide benefits to other stakeholders such as shareholders, creditors, consumers, suppliers, government, society, analysts and other parties. Thus, the existence of a company is strongly influenced by the supporting of stakeholders to the company (Ghozali and Chariri, 2007).

2.2. Legitimacy Theory

Legitimacy theory confirms that companies continue to operate within the framework and norms that exist in society or the environment (Deegan, 2019). The opinion of Wibowo and Faradiza (2014) emphasize that companies operating in a changing external environment always try to ensure that their behavior is in accordance with the boundaries and norms of the community where they are located. Likewise, Ghozali and Chariri (2007) explain that legitimacy theory is based on social contracts between

companies and communities both explicitly and implicitly, that survival and growth are based on the final results given to the community.

When organizations contribute socially, the existence and activities of the company are recognized from the community and the environment in which the company's operations are carried out. Legitimacy gaps will arise when there is a difference between corporate values and social values that have an impact on the ability to continue their business and identify a power-possessed public that is able to give legitimacy to the company. Guthrie et al. (2012) state that when the company starts to be questioned its legitimacy, it is necessary to carry out resistance strategies, such as (1) educating and informing stakeholders about changes that occur, (2) changing mindset stakeholders without changing company behavior, (3) diverting stakeholders' attention to other issues that is related and interesting, and (4) changing and influencing external parties' expectations about the company's performance.

2.3. Financial Performance

Financial performance is a situation of the company that is analyzed through financial analysis to both the financial condition and financial performance of the company at a certain time (Wibowo and Faradiza, 2014). Financial statements are financial performance in a particular year or comparison with the previous year to know whether or not the company is consistent (Soelistyoningrum and Prastiwi, 2011). According to Ross et al. (2008), financial performance can be demonstrated through financial ratio analysis. There are five dimensions of financial ratios that are used as financial performance, include asset management, profitability, leverage, liquidity, and market dimensions.

2.4. Market Performance

Market performance is one dimension used by internal and external parties to see the development of the company. There are several ways to measure company market performance. One of the proxies that provide the first information is Tobin's Q ratio (Wibowo and Faradiza, 2014). Tobin's Q is used as the measurement of company performance because it can be known the company's market value, which reflects the company's future profits. When a company has a greater value than the previous, it will have a cost to increase and to get a return. The incentive to make new investment capital is high when securities (shares) provide future profits that can be sold at a higher price than the investment costs (Vivianita and Nafasati, 2018). One advantage of using Tobin's Q ratio is to consider the development of potential stock prices and potential management capabilities in managing company assets, as well as considering investment growth potential (Geldenhuys, 2014).

43

3. HYPOTHESES DEVELOPMENT

3.1. The Effect of Environmental and Social Disclosure on Financial Performance

Sustainability report has 3 performance aspects includes economic, social and environmental performance. These three aspects illustrate how the company is responsible to stakeholders for economic, social and environmental performance when carries out its operational activities. Research of Wijayanti (2014)

shows that economic, social, and environmental dimensions in sustainability report affect profitability performance. Shareholders need transparency of information related to the company economic performance as a basis for making policies. Policies taken by shareholders require increasing the level of net income so that shareholders do not withdraw their shares. Shareholders' trust will encourage companies to increase the level of net income from existing total assets.

The social dimension in the sustainability report is related to the impact of the company's operations on the community and explains the risks resulting from the interaction with other social institutions. The social dimension is divided into four aspects, namely human rights, responsibility for products, labor, and decent work. Therefore, disclosure of social performance in sustainability report is important to influence performance. Ghozali and Chariri (2007) explain that companies are bound by social contracts with the community, that survival and growth are based on the final results that can be given to the community. A acceptance from the community (legitimacy) is expected to increase company value through a good corporate image which ultimately affects sales and company profits (Karim and Rutledge, 2004).

Disclosure of social responsibility about labor is also responded positively by stakeholders because it can increase the company average stock price. It also increases employee welfare and loyalty and reduces turnover. This opinion is also reinforced by Sejati and Prastiwi (2015) that disclosure of social performance affect stakeholder perceptions of how the company treats human resources around it. Companies need reliable, competitive, creative, and effective resources to manage company assets in order to generate maximum profits. Therefore, sustainability report disclosure in the social dimension is very important to influence organizational financial performance. Burhan and Rahmanti's research (2012) and Susanto and Tarigan (2013) state that social aspects in the sustainability report have a significant effect on financial performance. Therefore, stakeholders such as employees, suppliers, government, groups of activists, investors, and communities around the business are important to consider because, without their credibility and trust, the business cannot run well. The results of the study were reinforced beforehand by Waddock and Graves (1997) also showing a positive and significant relationship between social and financial performance. This means that when social performance increases, it can improve financial performance. Likewise, Arief et al. (2001); Bhuyan and Perera (2017); and Platonova et al. (2018) found that social disclosure has a positive effect on company performance.

The higher corporate social responsibility will attract investors to pay attention to non-financial aspects to invest. The sustainable environmental dimension is the impact of the company's production activities on the environment including the materials used, energy and consumption, ecosystems, land, air and water and their consumption, emissions disposal, the release of waste (liquid, solid, gas), and others. Some cases of companies related to the environment are one of the triggers stakeholder demands, such as the case of the burning of oil spills that spread in the waters of Balikpapan bay. Therefore, it is necessary to prepare a

sustainability report in responding to the demands of stakeholders about the company performance on environmental impacts. It will respond positively by providing funding from companies publications. The quality of environmental disclosure and company value has a positive relationship. The company's ability to communicate environmental activities is considered important to enhance the reputation and trust of stakeholders, including consumers to increasing income. Sustainable activity is one of the organization's efforts to contribute to sustainable development. The utilization of natural resources in the environment must be carried out efficiently and responsibly, so as not to reduce the capacity needs of future generations. Ngwakwe (2008); Aggarwal (2013); Wijayanti (2014) note that environmental performance has a positive and significant effect on financial performance. Therefore,

H_{1a}: Disclosure of social performance has a positive effect on financial performance.

H_{1b}: Disclosure of environmental performance has a positive effect on financial performance.

3.2. Effect of Environmental and Social Disclosure on Corporate Value

To expecting profits from corporate investment, shareholders must also be prepared to face the risk of losing investment capital in the company. Therefore, shareholders need information transparency regarding company economic performance. Transparency of economic performance is needed by companies and stakeholders to obtain information about economic performance and provide perceptions to the company. Stakeholder perceptions about the company have an impact on the company's investment decisions. Stakeholders and investors prefer companies that are profitable on the economic side because investors will invest their capital to gain profits (Sejati and Prastiwi, 2015). Companies do the disclose information on the company economic performance will have their own added value and attract investors to invest so that the shares will rise and the value of the company increases.

Disclosure of the social dimension in the sustainability report is expected to provide concrete evidence that the production process is not only profit-oriented but also concerns on social issues. Disclosure of social performance explains the company's operations in the applicable regulations and the form of corporate responsibility towards stakeholders. Qiu et al. (2018) find that disclosure of the social dimension sustainability report is positively and significantly related to market performance. Utama (2015) shows that social performance has a positive effect on stock performance. Disclosure of the sustainability report on social performance dimensions impacts stakeholder perceptions of the company's treatment of surrounding human resources. By implementing and reporting social responsibility to stakeholders, it not only can increase the company average share price but also increase the employee welfare and loyalty and reduce employee turnover intention. When productivity increases, the performance of employees will also increase in producing quality products. When consumers assess the performance of employees is good, the market value will increase, so that the performance of the company will be considered good.

The company's operating activities will impact the environment in which the company stands. Therefore, it is important to disclose the environmental aspects of the sustainability report to improve reputation and stakeholders trust because it makes the company more existent and more participatory in overcoming environmental problems. Companies that express environmental performance will certainly give a good reputation in the public view and create competitive advantages (Sejati and Prastiw, 2015). It will increase investor confidence in the survival of the company so that it will increase the value of the company. The study of Guidry and Patten (2010) and Kurniawan et al. (2018) found that the quality of financial statements measured based on broad disclosure of environmental dimensions has a significant effect on firm value. The responsibility of the entity to the environment will enhance the image of the company which ultimately impacts on the demand for shares. Investment decisions are made by investors because the company has environmental responsibility. It means that the issuer has a relatively low environmental risk. Transparency will increase investor trust so that the demand for company shares and market value will increase (Chabachib et al., 2019; Hersugondo et al., 2019; Riyadh et al., 2019). Thus,

- H_{2a}: Disclosure of social performance has a positive effect on corporate value
- H_{2b}: Disclosure of environmental performance has a positive effect on corporate value.

4. RESEARCH METHODS

4.1. Samples

The population of this study is companies listed on the Indonesia Stock Exchange and Bursa Malaysia in the period of 2015-2018. The sampling technique used is purposive with the following criteria includes companies publishing the sustainability and annual report during the period of 2015-2018 and companies reveal sustainable information on environmental and social dimensions during the period of 2015-2018. Based on the criteria, there are 63 companies from Indonesia and 54 companies from are selected to be sampled in this study.

4.2. Types and Data Sources

This study uses secondary data, namely environmental disclosure score, social disclosure score, price-earnings ratio, Tobin's Q, return on assets (ROA), return on equity (ROE) and debt to assets. The data is obtained from Bloomberg, www.idx.co.id, www.bursamalaysia.com, www.bi.go.id, yahoo finance and company's official website.

4.3. Measurement

Social performance disclosure is measured by the social disclosure score. Environmental disclosure is measured by using the environmental disclosure score related to environmental performance in the sustainability report consisting of greenhouse gases, carbon dioxide, energy, water, and waste. ROA is a ratio that measures how efficient a company in managing its assets to generate profits during a period. ROE is one of the financial ratios that are often used by investors to analyze stocks. This ratio shows the level of effectiveness of the company's management

team in generating profits from funds invested by shareholders. Company value is market performance as one of the indicators used by internal and external parties to measure the progress and development of the company through Tobin's Q ratio. Tobin's Q describes the company's market value, which reflects the company's future profits (Wibowo and Faradiza, 2014). Company value can also be seen from the price-earning ratio (PER) that used to assess the fairness of stock prices (Christi and Wacana 2014).

4.4. Data Analysis

Using purposive sampling, this study obtains 21 mining sector companies in Indonesia and 17 companies in Malaysia. Regression analysis with WarpPLS is used to test the proposed hypotheses. Therefore, the model of the equation can be formulated as follows:

$$ROA/ROE = \alpha + \beta_1 EDS_{t-1} + \beta_2 SDS_{t-1} + \beta_3 SIZE_{t-1} + \beta_4 LEV_{t-1} + e \quad (1)$$

$$TQ/PER = \alpha + \beta_1 EDS_{t-1} + \beta_2 SDS_{t-1} + \beta_3 SIZE_{t-1} + \beta_4 LEV_{t-1} + e \quad (2)$$

ROA: Return on assets; ROE: Return on equity; TQ: Tobin's Q; EPS: Earning per share; EDS: Environmental disclosure score; SDA: Social disclosure score; Size: Firm size (Total asset); LEV: Leverage (Debt equity ratio).

5. RESULTS

Table 1 shows the fit of research models in Indonesia and Malaysia.

Table 1 shows that the model has a good fit in Indonesia and Malaysia. P-value for average path coefficient is 0.002, average r-squared and average adjusted R-squared is <0.001. These results indicate that the values match the criteria. Likewise, the average block value of VIF and average full collinearity VIF is ≤3.3. It means that there are no problems with multicollinearity between indicators and variables. Tenenhaus GoF (GoF) is ≥0.36 which means that the model is very good.

Tables 2 and 3 show the hypothesis testing for financial and market performance.

Table 2 shows that in Indonesia the EDS_{t-1} and SDS_{t-1} significantly affect ROA and ROE with P < 0.001. Each path coefficient is 0.473 and 0.410 for ROA, 0.322 and 0.304 for ROE. Likewise, in Malaysia, the EDS_{t-1} and SDS_{t-1} significantly affect ROA and ROE with P < 0.001. Each path coefficients is 0.493 and 0.451 for ROA and equal to 0.450 and 0.451 for ROE. LEV_{t-1} and Size_{t-1} as control variables in Malaysia also have a significant effect on ROA and ROE with P < 0.001. Each path coefficient is 0.169 and 0.144 for ROA and at 0.290 and 0.12 for ROE, respectively. In Indonesia, the LEV_{t-1} and Size_{t-1} as control variables also have a significant effect on ROA and ROE at P level < 0.05. Thus, environmental and social disclosure has a positive and significant effect on ROA and ROE in Indonesia and Malaysia.

Table 3 shows that in Indonesia the EDS_{t-1} and SDS_{t-1} have a significant effect on EPS and Tobin's Q with P < 0.001. Each path coefficient is 0.373 and 0.303 for PER and 0.422 and 0.314 for Tobin's Q. Likewise in Malaysia, the EDS_{t-1} and SDS_{t-1} have a

83

Table 1: Model fit and quality indices

6 dices	Indonesia	Malaysia
Average path coefficient	0.241, $P=0.002$	0.249, $P=0.002$
Average R-squared	0.637, $P<0.001$	0.540, $P<0.001$
Average adjusted R-squared	0.624, $P<0.001$	0.521, $P<0.001$
Average block VIF	1.182, ideally ≤ 3.3	1.186, ideally ≤ 3.3
Average full collinearity VIF	2.387, ideally ≤ 3.3	2.049, ideally ≤ 3.3
Tenenhaus GoF	0.798, large ≥ 0.36	0.735, ≥ 0.36
Simpson's paradox ratio	0.875, acceptable if ≥ 0.7	0.750, acceptable if ≥ 0.7
R-squared contribution ratio	0.999, acceptable if ≥ 0.9	0.995, acceptable if ≥ 0.9
Statistical suppression ratio	0.898, acceptable if ≥ 0.7	0.847, acceptable if ≥ 0.7

Table 2: Path coefficients of financial performance

Variable	EDS _{t-1}	SDS _{t-1}	LEV _{t-1}	Size _{t-1}
Indonesia				
ROA	0.473	0.410	0.263	0.258
P-values	<0.001	<0.001	0.015	0.020
ROE	0.322	0.304	0.254	0.230
P-values	<0.001	<0.001	0.019	0.023
Malaysia				
ROA	0.493	0.451	0.169	0.144
P-values	<0.001	<0.001	<0.001	<0.001
ROE	0.450	0.452	0.290	0.199
P-values	<0.001	<0.001	<0.001	<0.001

ROA: Return on assets, ROE: Return on equity

Table 3: Path coefficients of corporate value

Variable	EDS _{t-1}	SDS _{t-1}	LEV _{t-1}	Size _{t-1}
Indonesia				
PER	0.373	0.303	0.291	0.275
P-values	<0.001	<0.001	0.003	0.011
Tobin'Q	0.422	0.314	0.285	0.262
P-values	<0.001	<0.001	0.009	0.016
Malaysia				
PER	0.392	0.351	0.279	0.244
P-values	<0.001	<0.001	<0.001	<0.001
Tobin'Q	0.345	0.289	0.266	0.323
P-values	<0.001	<0.001	<0.001	<0.001

PER: Price-earning ratio

significant effect on PER and Tobin'Q with $P < 0.001$. each path coefficient is 0.392 and 0.351 for PER and 0.345 and 0.289 for Tobin'Q, respectively. The LEV_{t-1} and Size_{t-1} as control variables in Malaysia have a significant effect on PER and Tobin'Q with $P < 0.001$. Each path coefficient is 0.279 and 0.244 for PER and 0.266 and 0.323 for Tobin'Q. In Indonesia, the LEV_{t-1} and Size_{t-1} as control variables also have a significant effect on PER and Tobin'Q at the level of $P < 0.05$. Thus, environmental and social disclosure have a significant effect on PER and Tobin'Q in Indonesia and Malaysia.

Table 4 shows that the adjusted R-square value is 0.291 for ROA and 0.222 for ROE in Indonesia. It means that the contributions of EDS_{t-1}, SDS_{t-1}, Lev_{t-1}, and Size_{t-1} is 29.1% of ROA and 22.2% of ROE. The adjusted R-square value is 0.233 for ROA and 0.247 for ROE in Malaysia. It means that the contribution of EDS_{t-1}, SDS_{t-1}, Lev_{t-1}, and Size_{t-1} is 23.3% of ROA and 24.7% of ROE. Furthermore, the adjusted R-square value is 0.232 for Tobin'Q and 0.208 for PER in Indonesia. It means that the contributions of EDS_{t-1}, SDS_{t-1}, Lev_{t-1}, and Size_{t-1} is 23.2% of Tobin'Q and 20.8% of PER. The adjusted R-square value is 0.213 for Tobin'Q and

0.206 for PER in Malaysia. It means that the contributions of EDS_{t-1}, SDS_{t-1}, Lev_{t-1}, and Size_{t-1} is 21.3% of Tobin'Q and 20.6% of PER. The Q-square value generated by ROA, ROE, Tobin'Q, and PER in Indonesia are 0.350; 0.339; 0.329; and 0.334 > 0 . It means that the model has predictive relevance. Likewise, in Malaysia, the Q-square value generated by ROA, ROE, Tobin'Q, and PER are 0.389; 0.317; 0.436; and 0.337. While the value of collinearity VIFs for each construct is also very good. Thus, it can be concluded that there are no collinearity problems in the research model of two countries.

Table 5 shows the F value of Levene's test for equality of variances is 4.673 with a significance of 0.049. It indicates that the data is not homogeneous. Significant value (2-tailed) performs 0.282 $> \alpha$ (0.05). It can be concluded that there is no significant difference in financial and market performance between Indonesia and Malaysia.

6. DISCUSSION

The results of hypothesis testing reveal that information in environmental and social disclosure conducted by companies becomes interesting information for investors. The high scores of environmental and social disclosure in sustainability report show that the activities concern the environment and social activities are increasingly to impact company performance. This finding is in line with Nkomo (2008) and Wijayanti (2014) that environmental disclosure has a positive effect on financial performance. It is also in line with Ruf et al.(2001); Soelistyoningrum and Prastiwi (2011); Burhan and Rahmanti (2012); Susanto and Tarigan (2013); Wijayanti (2014); Utama, 2015); Bhuyan and Perera (2017); and Plaksha et al. (2018). Thus, stakeholders need information through environmental and social disclosure of companies in making policies. Investors consider companies that issue environmental and social disclosure have better value than companies that do not issue. The stakeholder responds positively to these companies and they have a better market value compared to the companies that do not do environmental or social disclosure. This finding reinforces the research of Qiu et al. (2016) and Vivianita and Nafasati (2018) that social disclosure has a positive effect on company value. Likewise in line with the findings of Guidry and Patten (2010); Kurniawan et al. (2018) that disclosure of the environmental sustainability report has a positive effect on company value, both in Indonesia and in Malaysia.

The results of the tests also show that there were no differences in financial performance and market performance between Indonesia

Table 4: Latent variable coefficients

Variable	EDS _{t-1}	SDS _{t-1}	Return on assets	ROE	Tobin'Q	Price-earning ratio	Lev _{t-1}	Size _{t-1}
Indonesia								
R-squared coefficients			0.340	0.283	0.289	0.276		
Adjusted R-squared coefficients			0.291	0.222	0.232	0.208		
Q-squared coefficients			0.350	0.339	0.329	0.334		
Full collinearity VIFs	1.575	1.201	2.155	2.541	1.166	1.124	1.050	1.004
Malaysia								
R-squared coefficients			0.237	0.251	0.217	0.210		
Adjusted R-squared coefficients			0.233	0.247	0.213	0.206		
Q-squared coefficients			0.389	0.317	0.436	0.337		
Full collinearity VIFs	2.166	1.910	2.109	2.867	1.131	1.028	1.022	1.031

Table 5: Different test results for Indonesia and Malaysia

Variable	Levene's test	For equality variance	t-test	Equality	Means
	F	Sig.	t	df	Sig.(2-tail)
Equal variances assumed	4.673	0.049	0.989	114	0.324
Equal variances not assumed			1.060	107.665	0.282

and Malaysia. However, environmental and social disclosure as sustainability information still has low contributions in both countries. It shows that the condition of the capital market in Indonesia and Malaysia is the same about the company's awareness of the importance of sustainability report disclosure. It is considered not voluntary, but the sustainability report has begun to be integrated into the business model and corporate strategic decisions. This is evidenced every year with an increase in the number of companies issuing sustainability reports, although the increase is still relatively small.

The higher score of disclosure in the sustainability report carried out by the company will increase the company profitability and value in the coming year. This shows that the sustainability report disclosure through the environmental and social dimensions is proven to provide positive information about the practices done by the company related to economic, environmental, labor, product, and other social issues. However, the information in sustainability reports can serve as one of the media promotions for the public so that the positive attitude of the community towards the company will be better. This condition has an impact on improving company performance and ability to obtain profits (Karim and Rutledge, 2004). Thus, the more complete the company in expressing its activities, it will increase the company profitability and value. With the increasing image of the company in the eyes of investors and also the public, it will impact on the company financial performance, resulting in an increase the company value. With the good performance of environmental and social disclosure, companies can improve financial performance, which has significant meaning for stakeholders such as investors, management, decision-makers, and industry regulators (Zhao et al., 2018). In fiduciary, long-term investment orientation responsibility becomes important for all investors by aligning investor interest with broader community goals (Warren, 2014).

7. CONCLUSION

This study concludes that environmental and social disclosure have a significant effect on ROA, ROE, price-earnings ratio, and Tobin'Q in Indonesia and Malaysia. Overall, there is no significant difference in financial and market performance between

Indonesia and Malaysia. However, this study has some limitations. First, there are very few companies in Indonesia and Malaysia to publish sustainability reports. Most of the companies still do not have ESG disclosure scores. Second, the adjusted R2 value of the model is relatively low. There are many factors influence company value and performance. Therefore, further research needs to consider the effect of industry and state. Last, the range of observation is relatively too short. It is necessary to extend the period of observation.

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