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EXTERNAL ASSURANCE ON SUSTAINABILITY REPORT DISCLOSURE AND FIRM VALUE: EVIDENCE FROM INDONESIA AND MALAYSIA*

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Abstract. We analyze the content of assurance statements on sustainability reports to examine the extent of external assurance on sustainability report disclosure in Indonesian and Malaysian listed companies and identify their impact on firm value. This research is conducted using 84 samples of listed companies from all industries, except the financial industry, for the period 2010-2016. Ordinary least square (OLS) regression is used to test the research hypothesis. The results show a significant positive effect of external assurance on sustainability report disclosure to a firm value measured by Tobins'Q. Besides, we also found that companies in Indonesia have higher disclosure in terms of external assurance for sustainability reports compared to Malaysia. This study adds new evidence to the literature on sustainability assurance in emerging countries.

Keywords: sustainability report; external assurance; firm value; emerging countries

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1. Introduction

Presently, corporations are facing increasing pressures to be more accountable, transparent, and to disclose a wide variety of information, including information on sustainability. As part of supporting Sustainable Development Goals (SDGs) number 8 which relates to "Decent Work and Economic Growth", companies should additionally make contributions and adopt sustainable activities. To legalise the implementation of company sustainability, national governments publish the requirements and policies concerning sustainable development, including the

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Indonesian government which has several regulations, one of which is Article 74 of Law No. 40 of 2007 which relates to managing social and environmental responsibility in terms of the restriction of company liability. Meanwhile, in Malaysia, concerns on the environment have been voiced by the government, and companies are encouraged to provide information on the impact of their economic activities on the environment in their annual reports. ACCA Malaysia has played a significant role in the progress in reporting on sustainability. In 1999, ACCA Malaysia announced that there were 25 participants in the Environmental Reporting Awards (MERA). In 2003, the number had escalated to 60 participants. The event has become a growing success. In 2005, ACCA Malaysia presented the reporting standards for The Malaysian Environmental and Social Reporting Award (MESRA). MESRA was established through the reworking of various reputable guidelines for reporting, for instance the GRI (Sawani et al. 2010). It is not only national governments that require corporations to be socially and environmentally responsible but also a range of fundamental stakeholders including non-governmental organisations, investors and consumers (Gardiner et al. 2003).

As far back as two decades ago, companies began to pay a greater amount of attention to their attempts to spot and calculate conservational problems in economic reporting as more stakeholders expressed concerns about this problem (Claudia-Maria & Dragomir 2010; Nasih et al. 2019; El Idrissi et al. 2020). It causes the emergence of the consideration of corporate social responsibility information in yearly reports for various companies. The requirement for disclosure of social and environmental sustainability information is not mandatory; however, such action might increase companies' ability to accomplish sustainability objectives, by combining the outcomes of their economic, public and also environmental management activities into their reports (Çalişkan 2014). Not only could this information be disclosed as part of each company's published annual report, environmental and social information could also be disclosed separately in a standalone sustainability report. Furthermore, sustainability reports provide a different type of information to financial reports. Sustainability reports indicate the capability of a firm to create long-term value by considering its economic, social, and environmental performance (Kuzey & Uyar 2017). There has been a growing awareness of the value of and propensity for issuing standalone sustainability reports, as reported by KPMG International. In 2013, 4,100 companies worldwide were surveyed by KPMG International which lead to 71 percent of those companies engaging with Corporate Social Responsibility (CSR) reporting. In spite of this, the existence of sustainability reports does not guarantee that the quality of the reported information will increase (Junior et al. 2014). Since the legal and regulatory necessities concerning sustainability reporting have not been established yet, unethical corporations may issue inaccurate reports about the activities that involves the community and environment in which exploiting the appearance of sustainability reporting value (Delmas & Burbano 2011; Lyon & Maxwell 2011) to convince the interpretation of stakeholders (Okoye 2009). Thus, Simnett et al. (2009) argued that assurance for sustainability reports will enhance the credibility and reliability of reports and help to build corporate reputation. The issue of integrity of information disclosed in reports leads to demands for more transparent reporting.

Due to the current growth in requests for assurance of sustainability reports from third-parties, Bepari & Mollik (2016) found that the implementation of assurance was contemplated various default setting bodies on the scheme and unpaid for non-profit organisation; for example, the International Auditing and Assurance Standards Board (IAASB) has established a sustainability guarantee criterion and another not for profit-oriented organisation, Liability, has similarly established its own sustainability assurance requirement which is AA1000AS. Furthermore, as the known pioneer in standard makers for sustainability reporting, in 2000, GRI issued its initial set of sustainability report standards (GRI 1), and the newest reporting edition procedures, in 2013, GRI 4 was issued. Hence, how sustainability the implementation of assurance that accepts and supports the subject of liability for investors is a significant pragmatic matter (Bepari & Mollik 2016). Since sustainability assurance is a new discipline, there is still an absence of assurors' freedom in the procedure of assurance (Ball et al. 2000), unpredictable possibilities, conditions used and assurance arrangement levels (Kamp 2002; Manetti & Becatti 2009). To summarise, and in line with Bepari & Mollik (2016), an assurance report arranged under the AA1000AS (2008), ISAE3000 (2008) and GRI involves information such as quality and requirement, assurance addressee, the assurance range, independence of the assurors, responsiveness, inclusivity, materiality, and assurance decisions from the perception of stakeholder liability.

When companies disclose their external assurance in a sustainability report, they hope to provide a well-defined figure to the investor, avoiding misapprehensions and misevaluations of their performance. Thus, a sign which is set by the management is reflected by the investor in terms of their valuation of the firm. To investigate this issue, we use a sample of listed firms from Indonesia and Malaysia during 2010-2016. All sectors are included in order to provide fair results in terms of a correlation between external assurance on sustainability report disclosure and firm value. The data related to the presence of external assurance on sustainability reports is derived from the sustainability reports of each company, which can be directly downloaded from company websites or from the Global Reporting Initiative database, if available. Meanwhile, data regarding each firm's financial information are derived from ORBIS. Our results indicate that firm value by proxy of Tobins'q is affected significantly by external assurance on sustainability report disclosure. This study adds new evidence to the literature on sustainability assurance in emerging countries. A prior study undertaken by Bepari & Mollik (2016) only examined, in the Australian circumstances, whether the assurance implementations enhanced the accountability and transparency of organisational sustainability reporting. Our research is also different from Bepari & Mollik (2016) in that we consider the effect on firm value, which they did not consider.

The structure of this paper is as follows: Part 2 is the literature review and hypothesis development; Part 3 gives a sample description and research variable; Part 4 includes the results and discussion; Part 5 is the conclusion, including limitations, and suggestions for this research.

2. Theory and Hypothesis Development

Legitimacy can be defined as a resource that is important for a company to function in the community. Suchman (1995) argued that the legitimacy is a functioning asset which is taken ambitiously by companies and engage it in reaching their objectives. According to the theory, organizations use a press release and various reporting to build a positive impression of the company and boost the reputation of the company and company legitimacy (Astutik et al. 2018) such as sustainability reporting and assurance as tools (Bebbington et al. 2008; Kolk 2010). Positive sustainability reporting improves the reputation of the company (Morimoto et al., 2005; Chehabeddine, Tvaronavičienė, 2020), and company sustainability reporting and assurance implementations are frequently used as sensible conceptions of legitimacy (Palazzo & Scherer 2006). Cohen & Simnett (2014) have argued that sustainability reporting and affiliated assurance implementations are both of the planned instruments used to further a company's desire to affect the community's perspective towards the legitimacy of the company. To modify the perspective of the community, organizations need to publish private information for the examination of external parties. The investor will use the information as a signal and matter for consideration when making an investment decision. As the information is given, the company management has more precise information concerning the state of the company, while investors need this kind of information when deciding to invest. Kuzey & Uyar (2017) also support the signaling theory in terms of the value creation role in sustainability reporting. This finding has significant implications for firms. If they care about sustainability issues (i.e., environmental and social), they must announce this by issuing sustainability reports. Doing so will enhance their reputations while attracting individual and institutional investors. On the other hand, the current and upcoming conditions of a firm can be measured from the firm value, which also represents the collective assessment of investors; the growth of firm value can act as a positive indicator to investors and helps investors to make investment decisions. This reflection prevents the undervaluation of firms and, at the same time, contributes to the efficiency of the market.

Reporting of sustainability information is carried out willingly by companies (Sisaye, 2011), with the sole intention of disclosing information. The voluntary nature of disclosure indicates an inclination towards

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subjectivity from the management. Haigh & Shapiro (2011) argued that subjectivity might increase as a reason for the complexity caused by calculations involved in sustainability reporting. The reliability of environmental data is arguable since reporting has done as optional. Hence, the subject regarding the audit of environmental and third-party assurance is necessary to be addressed (Zhou et al. 2013). Over the past decade, the market for assurance utility that offered for sustainability reports has expanded widely (Wong et al. 2016). A survey organized by KPMG AZSA (2014) about the listed company in the Nikkei 225, showed that the amount of company that collected third-party assurances in their environmental reports had raised yearly by 17% in 2010 to 25% in 2013, according to the Sustainability Report 2014 in Japan. Moreover, the Japan Ministry of the Environment has publicized instructions regarding the technique of reliability enhancement of environmental reports (2014). The guidelines recommend the tools that can be used as the development of reliability in environmental reporting, which are self-evaluation, thorough internal audit, assurance of a third-party, and the opinion of a third party (Lee et al. 2017).
As stated by Adams & Evans (2004), the assurance objective is to enhance the quality of information, which becomes a basis for decision making amongst stakeholders. In other words, the vital function of the demand for external assurance of sustainability reporting is the desire to enhance credibility. External assurance can play a significant role that has already been proven to affect the perception of increased credibility and reliability. Hodge et al. (2009) concluded that to make information on social and environmental issues more dependable, a statement of assurance should be involved. Still, it can be more effective when the assurance comes from reliable accounting firms, which are considered to be more accurate.

Besides reporting on sustainability report-related issues, the quality of the report also matters. Companies use sustainability reporting and external assurance as tools to enhance corporate legitimacy. When companies disclose their external assurance for a sustainability report, they hope to provide transparent information for the investor to avoid misjudgment and misevaluation of company performance. Thus, the signal which is given by the management is reflected by the investor in their valuation of the firm. At the same time, it also has a significant impact on companies in terms of building a positive corporate impression. It also increasing corporate prestige which causes the sales improvement, and boosted attractiveness to clients, creditors and officials (Green & Li 2011; Kollman & Prakash 2001; Zhou et al. 2013); this also increases firm value. Based on the above discussion, we propose the formal hypothesis as follows:

H1: Higher disclosure on external assurance of sustainability reporting results in higher firm value.

3. Research Design and Methodology

3.1. Sample and Data Source

The population in the research is taken from Indonesia-based companies listed on the Indonesian Stock Exchange (IDX) and Malaysian companies listed on Bursa Malaysia, as well as information provided at http://www.globalreporting.org. This research relies on secondary data acquired from sustainability reports to measure external assurance on sustainability report disclosure. All financial information required is obtained from the ORBIS database. All sectors are used in this research, including agriculture, aviation, conglomerates, food and beverage products, energy, forest and paper products, media, mining, and telecommunications. This research excludes the financial industry. This research also eliminates all companies that do not have the information needed. According to those criteria, the total sample for this research is 84. Table 1 presents the observation distributions by year.

Table 1. Sample Distribution

YEAR	INDONESIA	MALAYSIA	TOTAL
2010	5	4	9
2011	5	5	10
2012	8	5	13
2013	7	6	13
2014	7	6	13
2015	8	5	13
2016	7	6	13
TOTAL	47	37	84

3.2 Operational Variable Measurement

External Assurance on Sustainability Report Disclosure: External assurance on sustainability report disclosure (DASR) is used as the independent variable in this research. This variable is measured using the contents of assurance statements proposed by Bepari & Mollik (2016), which is calculated by counting the contents of the assurance statements disclosed by a company, 1 or 0. If an item is disclosed, it will be valued 1, and the total disclosed criteria would be summed. Table 2 provide the detail criteria of DASR.

$$\mathbf{DASR} = \frac{\mathbf{Total\ Disclosed}}{\mathbf{14}} \times \mathbf{100\%} \quad (1)$$

Table 2. Information Content of External Assurance on Sustainability Report

No	Contents of the Assurance Statements
1.	Intended users of the assurance statement
2.	The responsibility of the reporting organisation and of the assuror
3.	Assurance standard/s used
4.	Description of the scope, including the type of assurance provided
5.	Description of methodology
6	Any limitations
7.	Reference to criteria used
8.	Statement of level of assurance
9.	Findings and conclusions concerning adherence to the AA1000AP
10.	Principles of Inclusivity, Materiality, and Responsiveness
11.	Findings and Conclusions
12.	Observations and/or recommendations
13.	Notes on independence and competence of the assuror
14.	Name of the assuror

Source: Bepari and Mollik (2016)

This research uses the firm value as the dependent variable. Previous research has contributed to this research in several ways. The dependent variable of firm value was taken from previous research (Cho et al. 2014; Kuzey & Uyar 2017; Lee et al. 2017; Loh et al. 2017). As suggested by Bharadwaj et al. (1999) and Konar & Cohen (2001), standard accounting measures of performance, such as return on assets, cannot evaluate the future profit potential of such practices. To overcome the limitations of these standard accounting measures, Jiang et al. (2007) stated that book value is a reasonable adjustment. Singh et al. (2017) considered Tobin's Q as their proxy for

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2019 Volume 7 Number 2 (December)
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measuring firm value. Hence, the market value to book value (MV-BV) ratio refers to Tobin's Q, which is also used in this research. Market capitalization is measured by the number of outstanding shares times the market price per share.

$$\textbf{Tobins'q} = \frac{\textbf{Market Capitalization}}{\textbf{Total Assets}} \times 100\% \tag{2}$$

Following prior study (Kuzey & Uyar 2017), this research uses firm size (FSIZE), profitability (ROA), leverage (LEV), and liquidity (LIQUIDITY) as the control variables. We also add a year fixed effect to ensure that our result is robust. We need to control the year as various regulations related sustainability emerges during past years, so there is a possibility that sustainability report issue from year to year is changing. The detail definition of the variables is provided in Table 3.

Table 3. Variabel Definition

	Variable	Proxy	Source
Dependent: Firm Value	TOBINSQ	Market capitalization divided by total assets	ORBIS
Independent: External Assurance on Sustainability Report Disclosure	DASR	Contents of the assurance statements proposed by Bepari and Mollik (2016). 1 or 0, if discloses each content will be valued 1 and the value of 0 when each content does not disclosed by companies	GRI Database
Firm-level Control: Firm Size	FSIZE	Natural logarithm of total assets	ORBIS
Leverage	LEV	The ratio of total liabilities to total assets	ORBIS
Profitability	ROA	Net income divided by total assets	ORBIS
Liquidity	LIQUIDITY	Current ratio, which is current assets divided by current liabilities	ORBIS
Country-level Control Economic Growth	ECO_GRO	Percent change in the GDP from one year to the next	The Global Economy
GDP per Capita	GDP_CAP	Gross domestic product divided by the population	The Global Economy
Investment as % GDP	INV_GDP	Purchases of new plant and equipment by firms, as percent of GDP	The Global Economy
Industry as % GDP	IND_GDP	Value added of the industrial sector as percent of GDP	The Global Economy
Inflation Rates	INFLATION	Percent change in the Consumer Price Index (CPI) from one year to the next	The Global Economy
Government Effectivess	GOV_EFFECT	The index of Government Effectiveness captures perceptions of the quality of public services, the quality of the civil service and the degree of its independence from political pressures, the quality of policy formulation and implementation, and the credibility of the government's commitment to such policies.	The Global Economy
Regulatory Quality	REGU_QUA	The index of Regulatory Quality captures perceptions of the ability of the government to formulate and implement sound policies and regulations that permit and promote private sector development.	The Global Economy
Political Stability	POL_STABLE	The index of Political Stability and Absence of Violence/Terrorism measures perceptions of the likelihood that the government will be destabilized or overthrown by unconstitutional or violent means, including politically-motivated violence and terrorism.	The Global Economy
Natural as % GDP	NATURE_GDP	Total natural resources rents are the sum of oil rents, natural gas rents, coal rents (hard and soft), mineral rents, and forest rents divided by GDP	The Global Economy
Human Development Index	HDI	The Human Development Index for Indonesia published by the United Nations is a composite measure including life expectancy, educational attainment, and income level. It aims to measure not only incomes but life quality as well.	The Global Economy

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2019 Volume 7 Number 2 (December)
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4. Result and Discussion

4.1. Descriptive Statistics

Table 4 provides descriptive statistics of all research variables in this study. An external assurance on sustainability report disclosure is measured using the contents of the assurance statements proposed by Bepari & Mollik (2016), which is calculated by counting the contents of the assurance statements disclosed by the company, 1 or 0. If an item is disclosed, it will be valued 1, and the total disclosed criteria would be summed as stated in section 3. The variable name used is DASR. The highest DASR value is 1, and the lowest value is 0.571. Following the result, the descriptive statistic table is provided with other control variable mean, median, minimum, and maximum values. Also, it shows that, on average, companies in Indonesia have higher disclosure in sustainability reports compared to Malaysian firms.

Table 4. Statistic Descriptive

Variable	Mean	Median	Minimum	Maximum
TOBINSQ	2.527	0.945	0.040	17.950
DASR	0.788	0.7857143	0.571	1.000
DASR-INDONESIA	0.897	0.9285714	0.643	1.000
DASR-MALAYSIA	0.643	0.6428571	0.571	0.929
TASSET	50400000	31300000	5191000	211100000
LEV	0.557	0.595	0.176	0.906
ROA	9.984	5.255	-4.750	47.200
LIQUIDITY	0.830	0.720	0.094	2.389
ECO_GRO	5.439	5.290	4.220	7.420
GDP_CAP	15790.265	10766.350	8433.500	25685.280
INV_GDP	30.034	32.930	23.190	35.070
IND_GDP	40.899	40.050	38.290	43.910
INFLATION	4.017	3.500	1.600	6.400
GOV_EFFECT	0.343	0.010	-0.270	1.120
REGU_QUA	0.168	-0.110	-0.420	0.840
POL_STABLE	-0.262	-0.370	-0.850	0.270
NATURE_GDP	7.087	6.910	3.060	10.950
HDI	0.726	0.691	0.661	0.799
Note: This table displays the descriptive statistics for all variables in this study. The sample comprises 84 firms listed on the Indonesia Stock Exchange (IDX) and Bursa Malaysia for the years 2010-2016				

4.2. Pearson Correlation Test

We also conduct the untabulated correlation matrix for all variables used in this study. An external assurance on sustainability report disclosure (DASR) has a positive correlation with Tobins'q (TOBINSQ), with a coefficient of 0.216 and significance at 5%. This value means each disclosure will have the effect of increasing firm value by a proxy Tobins'q (TOBINSQ). The control variables, leverage, return on assets, and liquidity also has a positive correlation with Tobins'q (TOBINSQ) as well. Meanwhile, Firm Size (FSIZE) with Tobins'q (TOBINSQ) has a negative correlation and significance at 1% for -(0.378); this means that companies with larger firm size (FSIZE) have a lower Tobins'q (TOBINSQ).

4.3. Ordinary Least Square Regression Test

This research uses an Ordinary Least Square (OLS) regression model by using STATA 14.0 for regression analysis. In this research, the regression is done twice; the first regression is ordinary least square (OLS), and the second is ordinary least square (OLS) with robust using cluster approach. This method used to strengthen error standard in terms of the regression model, thus making the result relatively constant against any changes in the model. Also, this kind of cluster model is done to resolve the heteroscedasticity problem as our Breusch-Pagan test results show a p-value 0.0000. This value means it has a heteroscedasticity problem in our OLS model. The linear regression model is as follows:

$$TOBINS'Q_{i,t} = \beta_0 + \beta_1 DASR_{i,t} + \beta_2 FSIZE_{i,t} + \beta_3 LEV_{i,t} + \beta_4 ROA_{i,t} + \beta_5 LIQUIDITY_{i,t} + \beta_6 YEAR_{i,t} + + \varepsilon_{i,t} \quad (3)$$

Table 5. The result of regression table

Variable	Predicted sign	*TOBINSQ* (1) OLS	(2) Robust Regression
DASR	+	5.862***(3.92)	5.862***(2.88)
FSIZE	-	-0.918***(-3.75)	-0.918***(-3.51)
LEV	+	3.191**(2.43)	3.191**(2.51)
ROA	+	0.230***(9.18)	0.230*** (7.35)
LIQUIDITY	+	2.244***(3.70)	2.244***(3.32)
CONSTANT		19.675*** (2.91)	19.675*** (3.07)
Year dummies		Included	Included
R-squared		0.898	0.898
F		0.000	0.000
N		84	84

Note: Regression models related external assurance on sustainability report disclosure which is ***DASR*** to firm value which is ***TOBINSQ.*** The sample comprises 84 firms listed on the Indonesia Stock Exchange (IDX) and Bursa Malaysia from 2010 to 2016. Significance at *10%, **5%and ***1%

In line with the result shown in Table 5, the coefficient of DASR has a statistically positive significance of 5.862 at 1%. The finding indicates that the better the disclosure of a firm in terms of external assurance on sustainability reporting, the higher value the disclosure will get in terms of firm value. Thus, the hypothesis is accepted. As shown in Table 6 column 2 using OLS robust, the finding of the research indicates that the FSIZE coefficient belongs to the condition which statistically negative significant at amount – (0.918) at 1%, the result shows that the bigger the size of the firm the lower the value gain, in terms of firm value. The research also found that the LEV coefficient belongs to the condition, which has a statistically positive significance of 3.191 at 5%. In other words, an increase in the leverage will affect the firm value as well. Still using the results of Table 6, using OLS robust, the findings show that the ROA coefficient is in a condition that has a statistically positive significance of 0.230 at 1%. The results show that a firm with a higher return on assets will have a higher value in terms of firm value. Lastly, using OLS robust, it was found that the LIQUIDITY coefficient is in a condition that has a statistically positive significance of 2.244 at 1%. This result means that companies with a higher liquidity ratio have a higher value in terms of firm value.

4.4. Additional Analysis

We also employ various country-level control variables to ensure our result is robust. As shown in table 6, we confirmed that even after we add some country-level control variables, the result is consistent. It still confirmed that our hypothesis is accepted, in which higher disclosure on the external assurance of sustainability reporting results in higher firm value. It can be said that regardless of the country, which in this research context are

Indonesia and Malaysia, our research result is consistent. Similar to our initial regression model, we also employ a cluster approach as Breusch-Pagan tests show a p-value of 0.000.

Table 6. Regression result using country-level variables

Variable	Predicted Sign	TOBINSQ	
		(1)	(2)
		OLS	Robust Regression
DASR	+	6.587** (2.63)	6.587** (2.31)
FSIZE	-	-0.923*** (-3.58)	-0.923*** (-3.20)
LEV	+	3.178** (2.29)	3.178** (2.26)
ROA	+	0.234*** (8.93)	0.234*** (7.37)
LIQUIDITY	+	2.206*** (3.56)	2.206*** (3.19)
ECO_GRO	+	5.256 (0.42)	5.256 (0.48)
GDP_CAP	+	0.006 (0.38)	0.006 (0.43)
INV_GDP	+	4.756 (0.54)	4.756 (0.62)
IND_GDP	+	-3.095 (-0.65)	-3.095 (-0.77)
INFLATION	+	3.169 (0.40)	3.169 (0.45)
GOV_EFFECT	+	31.071 (0.36)	31.071 (0.39)
REGU_QUA	+	-103.963 (-0.47)	-103.963 (-0.53)
POL_STABLE	+	34.938 (0.52)	34.938 (0.58)
NATURE_GDP	+	1.502 (1.40)	1.502 (1.66)
HDI	+	-36.786 (-0.06)	-36.786 (-0.07)
CONSTANT		-102.501 (-0.80)	-102.501 (-0.90)
Year dummies		Included	Included
Country dummies		Included	Included
R-Squarred		0.907	0.907
F		0.000	0.000
N		84	84

Note: Regression models related external assurance on sustainability report disclosure which is ***DASR*** to firm value which is ***TOBINSQ.*** The sample comprises 84 firms listed on the Indonesia Stock Exchange (IDX) and Bursa Malaysia from 2010 to 2016. Significance at *10%, **5%and ***1%

4.5. Discussion

The hypothesis in this research stated that the higher the disclosure of external assurance on sustainability reporting, the more likely a firm is to have higher firm value. Based on the results of various techniques of analysis carried out, using Pearson correlations and regression results, external assurance on sustainability report disclosure (DASR) and firm value (TOBINSQ) have a positive and significant relationship. Hence, the hypothesis is accepted. The finding of the research shows that such disclosure is a substantial factor for firm value by the proxy of Tobins'q. This result means that higher disclosure of external assurance of sustainability reporting will lead to higher firm value. The results of this study are consistent with research conducted by Clarkson et al. (2013), where the disclosure of voluntary environmental information provided valuation relevant information that could increase the value of the firm. Clarkson et al. (2013) declared that the disclosure of voluntary environmental information is a balanced outcome from the process of selection that improves the calculation of financial performance. However, "to serve this role, once again, they have to be viewed as credible and convey incremental information," that is, to serve concerning its role, the disclosure must be credible in which information is "assured by external professional verification" (Beets & Souther 1999). When companies disclose their external assurance of sustainability reporting, they hope to give an exact figure to the investor, to avoid their performance being misconstrued and miscalculated. Thus, the indication provided by the management is revealed in the assessment of the firm by the investor. At the same time, there is a significant impact for companies in terms of creating a positive corporate image and enhancing corporate prestige which causes the sales improvement, and boosted attractiveness to clients, creditors and officials (Green & Li 2011; Kollman & Prakash 2001; Zhou et al. 2013).

Image and an excellent reputation for the company's performance are some of the considerations of investors to allow them to make investment decisions. Therefore, investors tend to invest in companies that have a good reputation, since nowadays, stakeholders occasionally prefer to choose based on the company's future environmental performance. It is concluded that external assurance of sustainability report disclosure could give a signal to the stock market regarding environmental strategy and commitment to the protection of the environment, which results in additional investment, hence increasing firm value. According to the above explanation, firm value is positively affected by the external assurance of sustainability report disclosure.

5. Conclusion

We demonstrated that variations in sustainability report disclosure with external assurance influence investor perception, which affects firm value. Using two major countries in ASEAN as our sample, this research investigated the relationship between external assurance of sustainability report disclosures and firm value in Indonesian and Malaysian firms for the 2010-2016 period. The purpose of external assurance is to decrease information asymmetry in voluntary disclosure reports. We found that firms in Indonesia present a higher level of disclosure relative to Malaysian firms. We also found that firms with an external assurance of their sustainability report disclosure are valued higher by investors.

We encounter limitations during the conduct of this research. We are aware that this sample research is considered small as only a few firms that publish a sustainability report. Even particular firms publish sustainability reports, but those firms are not guaranteed those following GRI guidelines, which, as a result, we cannot add those firms as our sample to minimize bias in our external assurance on sustainability report disclosure variable. This research's implication is both academic and practical. In academics, this research can be used as fruitful materials for future research that focuses on external assurance on sustainability report disclosure as this research provides new evidence about sustainability assurance on two emerging countries. As for practitioners, it can serve as discussion material in terms of corporate policy planning and implementation in the context of sustainability reports.

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