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The Impact of Accounting Standards on the Relationship Between Disclosure Quality and Firm Market Value

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ABSTRACT

This study investigates the impact of adopting International Financial Reporting Standards (IFRS) on financial reporting quality within emerging economies, specifically focusing on ASEAN nations. We examine the interplay between accounting standards (ACST), accounting disclosure quality (ADQ), sustainability reporting quality (SRQ), and their influence on firm market value (FMV). Utilizing a panel dataset of 3,211 firm-year observations from ASEAN-based companies between 2019 and 2023, sourced from Thomson Datastream, we employ quantitative techniques to analyze the relationships. Our findings reveal a significant negative association between SRQ and FMV, while ADQ exhibits a positive relationship with FMV. Furthermore, ACST plays a crucial moderating role, influencing the ADQ-FMV and SRQ-FMV relationships. These findings lend credence to agency theory, suggesting that adopting IFRS can mitigate agency problems, benefiting stakeholders through enhanced corporate transparency and financial performance. This research contributes to the ongoing discourse surrounding IFRS adoption, offering valuable insights for policymakers, investors, and academics alike. We conclude by acknowledging the limitations of our study and outlining potential avenues for future research.

Keywords: ASEAN, IFRS, Financial Reporting, Firm Market Value, Sustainability Reporting

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1. Introduction

Recently, voluntary sustainability disclosure has received considerable attention from investors, regulators, and public companies to improve the reliability and integrity of corporate reporting (Rezaee & Tuo, 2019).

Some prior scholars explored the possibility of nonlinearity in the association between corporate performance and sustainability reporting and explain the ambiguous results of this relationship (e.g., Bansal et al., 2021). It is recommended that management should increase efforts to ensure maximum compliance with the Global Reporting Initiative's sustainability reporting guidelines to reflect on their market value and ensure growth (e.g., Taiwo et al., 2022). Other scholars investigated the relationship between corporate governance indicators and sustainability reporting quality (e.g., Oyerogba et al., 2024). The information disclosed has an impact on the value of the company, standardizing and increasing the reliability of this information is necessary for both information users and the company. It is important to standardize the information companies disclose and increase their reliability by implementing new regulations from regulatory agencies (Temiz, 2021). It can be shown that the positive impact of continuous disclosure on corporate performance leads to a reverse (negative) impact when certain conditions occur (high proprietary information and competition (e.g., Qizam, 2021). Some researchers show that the mandatory adoption of IFRS has had a positive and significant impact on the quality of KPI disclosure, which has had a positive and significant impact on the quantity and quality of KPI disclosure (Rouhou et al., 2021).

More analytical information due to the adoption of the IFRS (International Financial Reporting Standards) increases market liquidity and reduces information asymmetry, but it does not affect audit fees differently (Li et al., 2021). This study found that when IFRS is adopted, the performance of companies is significantly improved; these findings suggest that adopting global accounting standards is bringing about a positive change in the capital market through the growth of companies in terms of profitability (Miah, 2021). The paper recommends that oil and gas companies continue to comply with the provisions of IFRS as it will improve the quality of their reporting, which can improve operating performance due to more investment inflows, easier access to capital, and comparability. The findings suggest that perceived benefits promote the willingness to adopt IFRS while perceived disadvantages and challenges reduce the willingness. Knowledge of IFRS increased the willingness to adopt IFRS. In addition, legitimacy expectations strengthened the association between perceived implications and willingness to adopt IFRS (Phan et al., 2018). Confirmed the positive relationship between firm performance and capital structure and also found that IFRS adoption led to increased firm performance while it weakened the relationship between capital structure and firm performance (Abdullah & Tursoy, 2021).

Therefore, the current study examines the impact of IFRS adoption on the relationship between disclosure quality and firm market value in the context of ASEAN countries. More specifically, we investigate the relationship between accounting disclosure quality and firm market value and the relationship between sustainability reporting quality and firm market value in this context. Our sample consists of a five-year dataset of listed firms on the stock exchanges of six countries (Indonesia, Thailand, Philippines, Singapore, Malaysia, and Vietnam) from 2019 to 2023. The findings demonstrate a positive and significant effect of IFRS adoption on the relationship between disclosure quality and firm market value, consistent with the agency, signalling, and stakeholder theories. Furthermore, the relationship between accounting disclosure quality and firm market value and the relationship between sustainability reporting quality and firm market value. The paper is organized as follows. Section 2 presents the literature review and hypothesis development. Section 3 discusses methodology. Section 4 presents the research findings. Section 5 is discussions. Section 6 outlines the main conclusions and limitations.

2. Literature Review and Hypothesis Development

Agency theory provides further rationale for the positive impact of disclosure. This theory highlights the potential conflicts of interest between a company's management and its shareholders (Gerged, 2021). High-quality disclosures help to align the interests of both parties. By increasing transparency and accountability, such disclosures can mitigate agency costs arising from opportunistic managerial behavior. Transparent financial reporting helps align management actions with shareholder interests by reducing information asymmetry (Romito & Vurro, 2021). This limits opportunities for managers to prioritize personal gain over maximizing shareholder value.

According to stakeholder theory, an organizations are accountable to their stakeholders (investors, employees, customers, etc.). This theory can be applied to the relationship between corporate market value and the quality of sustainability reporting. Companies must disclose sustainability reports to stakeholders in a broad and in-depth manner, which increases the pressure on companies to demonstrate their commitment to sustainability reporting (Jennifer Ho & Taylor, 2007). With more resources according to their size, companies are often subject to closer scrutiny from stakeholders about their company's market value. At that time, companies are incentivised to create quality sustainability reports, providing comprehensive and transparent information about the company's operations and creating company value in the market.

At the heart of this relationship lies the concept of information asymmetry. This imbalance of information exists between companies (insiders) who possess deep knowledge of their operations and investors (outsiders) who seek to evaluate the company's worth (Romito & Vurro, 2021). High-quality disclosure acts as a bridge across this divide. By providing comprehensive, timely, and transparent financial data, companies can differentiate themselves from competitors with less transparent practices.

Firms can use high-quality disclosures as a positive signal to the market, differentiating themselves from competitors and attracting investors (Sadeh & Kacker, 2018). Signalling theory offers a powerful lens to understand the link between accounting disclosure quality and firm market value. In the face of information asymmetry, high-quality financial reporting can serve as a costly signal, conveying valuable information about a firm's prospects to investors (Christie & Houser, 2019). By providing comprehensive, timely, and transparent financial data, companies can differentiate themselves from competitors with less transparent practices.

Sustainability reporting has become an integral part of business operations for many companies, reflecting their commitment to social, environmental, and governance (ESG) issues. Sustainability reporting quality (SRQ) is assessed based on the information's transparency, reliability, and completeness. Some studies have shown that SRQ is closely related to firm market value (FMV) (Swarnapali, 2020). Firstly, SRQ is crucial in enhancing corporate transparency and credibility (Al-Shaer, et al., 2022). By providing detailed information about sustainability activities, companies allow stakeholders, including investors, customers, and partners, to accurately assess business operations and the company's impact on society and the environment. This transparency and credibility will help enhance the company's reputation, build trust, and attract investment. Secondly, SRQ helps mitigate risks and enhance a company's competitiveness (Shad, et al., 2019). Companies with high SRQ often have better management of ESG-related risks, thereby mitigating negative impacts on business operations. Moreover, focusing on sustainable activities helps companies create a competitive advantage, attract ESG-conscious customers, and build a positive image in the market. Thirdly, SRQ builds positive relationships with stakeholders (Abeysekera, 2022). By demonstrating a commitment to ESG issues through sustainability reporting, companies show respect for stakeholders and build positive relationships with them. This helps companies build their reputation, create a positive image, attract and retain talent, and enhance investor confidence. However, the relationship between SRQ and FMV is still debated (Kim, et al., 2021). Research has shown that SRQ has a positive impact on FMV (Taiwo, et al., 2022), while the other has not found a clear relationship (Bansal, et al., 2021) or negative results. Thus, based on agency theory and earlier papers, the authors hypothesize that:

H1: The nexus between sustainability reporting quality and firm market value is negative

Investors, recognizing high-quality disclosure as a signal of strong corporate governance and a commitment to shareholder value, respond favorably. This positive perception translates into increased investor confidence, a lower cost of capital, and, ultimately, a higher market value for the firm. In contrast, opaque or incomplete disclosures can raise red flags, leading investors to discount the firm's value or seek alternative investment opportunities. Accounting disclosure quality (ADQ) is pivotal in providing transparent and reliable information to capital markets, directly influencing investor perceptions and investment decisions (Hoti & Krasniqi, 2022). Timely, complete, and accurate disclosures help investors reduce information asymmetry, increasing confidence in the firm's operations, attracting investment, and contributing to FMV enhancement (Zhang et al, 2024). Reduced information risk and increased trust in management's commitment to shareholder value can translate into higher market valuations. Therefore, we propose that firms with higher-quality accounting disclosures will experience higher market values than those with lower disclosure quality (Pavlopoulos et al, 2019). Thus, based on agency theory and signalling theory, the authors hypothesize that:

H2: The impact of accounting disclosure quality on firm market value is positive

A company that fully reports on its sustainability initiatives must have a strong corporate governance mechanism. Adequate sustainability activities will enhance stakeholder confidence in the performance of listed companies (Oyerogba et al., 2024). Voluntary disclosure of sustainability information has received considerable attention from investors, regulators, and public companies in improving the reliability and integrity of corporate reporting. Rezaee & Tuo (2019) examined the relationship between the quantity and quality of sustainability disclosures and earnings quality in the context of corporate values and ethical culture. The results showed that the quantity of sustainability disclosures was negatively correlated with discretionary earnings quality in reducing management earnings manipulation and unethical opportunistic reporting behavior (Rezaee & Tuo, 2019). Taiwo et al. (2022) found that the compliance level of the sampled companies with the sustainability reporting requirements for the four dimensions was below average and that sustainability reporting did not significantly impact market value growth (MVG) with probability. The findings on the association between sustainability reporting and corporate performance were investigated by investigating the possibility of a non-linear relationship through a threshold model (Bansal et al., 2021). Sustainability reporting has distinct threshold effects on different corporate performance indicators, with corporate performance being positively impacted when sustainability reporting exceeds a certain threshold. On the other hand, sustainability reporting only positively impacts corporate market performance up to a cutoff point. Failure to exceed the threshold or reach a cutoff point will not achieve a positive impact. The performance of companies improved significantly after adopting IFRS (Miah, 2021). Disclosure quality promotes the economic efficiency of IFRS adoption (Li et al., 2021). Based on previous papers, the author hypothesizes that:

H3a: Adopting high-quality accounting standards impacts the relationship between sustainability reporting quality and firm value.

Temiz (2021) found that information disclosure impacts firm value. Therefore, enhancing the reliability of information is necessary for both information users and firms. Increased information disclosure has a positive impact on firm performance, but increased information disclosure harms firm performance when information is highly proprietary (Qizam, 2021). The impact of IFRS on the disclosure quality of key performance indicators (KPIs) was studied in the United Kingdom (UK). The researchers reported results showing that the UK's mandatory adoption of IFRS had a positive and significant impact on the disclosure quality of KPIs (Rouhou et al., 2021). More analytical information adopts IFRS to increase market liquidity and reduce information unfairness (Li et al., 2021). Miah's findings (2021) have shown that adopting global accounting standards is bringing positive changes in the capital market through the development of companies in terms of profitability. Based on previous papers, the author hypothesizes that:

H3b: There is an impact of adopting high-quality accounting standards on the relationship between information disclosure and firm value.

3. Methodology

3.1. Research Site

The ASEAN region offers a fertile ground for examining the intricate interplay between firm market value, accounting disclosure quality, and sustainability reporting quality. This suitability stems from a unique confluence of factors inherent to the region. First, ASEAN is characterized by remarkable internal diversity. Its member states showcase a rich tapestry of economic development stages, regulatory environments, and cultural norms, as Verhezen et al. (2016) highlighted. This heterogeneity allows researchers to disentangle the influence of diverse institutional and societal pressures on corporate reporting practices and their subsequent impact on firm valuation. Second, ASEAN is experiencing a period of dynamic economic expansion and integration, as evidenced by recent studies (Abu Afifa & Nguyen, 2024; Minh et al., 2023). This vibrant economic landscape, characterized by increasing competition and a surge in foreign investment, fuels the demand for greater transparency and disclosure. Consequently, companies operating within ASEAN are incentivized to enhance their financial reporting and sustainability disclosures to attract investors and maintain a competitive edge. Finally, ASEAN faces mounting pressure to address pressing sustainability challenges, encompassing climate change, socioeconomic inequalities, and resource depletion, as highlighted by Mie et al. (2023). This heightened awareness of environmental, social, and governance (ESG) factors among investors and stakeholders further emphasizes the growing relevance of sustainability reporting and its potential link to firm market value.

This study hones in on publicly listed companies within the ASEAN region, utilizing the comprehensive Thomson Datastream database as its primary data source. While the initial research ambition encompassed all ASEAN member states, data availability constraints necessitated a focused approach, ultimately encompassing six countries: Indonesia, Malaysia, Singapore, Philippines, Thailand, and Vietnam. This geographical circumscription yielded an initial pool of 5,409 listed firms. A rigorous screening process was implemented to ensure a high degree of data integrity and cross-sectional comparability, resulting in a final analytical sample of 3,211 firms. These firms were observed annually over five years spanning from 2019 to 2023. A comprehensive breakdown of the sample distribution across the selected countries is presented in Table 3.1.

3.2. Component Measurement and Model Development

This study employs a multi-faceted approach to measuring key constructs. Firm value is captured using firm

Screening content	Indonesia	Malaysia	Philippines	Singapore	Thailand	Vietnam	Total
Total listed companies	946	1,049	285	613	929	1,587	5,409
Missing information about FMV	152	218	23	69	55	328	845
First adjustm-ent sample	794	831	262	544	874	1,259	4,564
Missing other information	148	58	52	36	62	997	1,353
Final sample	646	773	210	508	812	262	3,211

Source: From the Thomson Reuters Eikon Datastream

Table 3.1 The final sample of ASEAN-6 countries

market value, calculated as market capitalization plus total debt divided by total assets, aligning with the methodology employed by Kahloul et al. (2022). Sustainability reporting quality (SRQ) is assessed using a five-point ordinal scale developed by Al-Shaer & Zaman (2016), ranging from 0 (non-existent) to 4 (assured by a Big 4 or other audit firm), reflecting the comprehensiveness and level of assurance provided in sustainability reports.

Accounting standard (ACST), specifically focusing on IFRS, is quantified using a binary variable, with one representing IFRS adoption and zero otherwise, consistent with previous research (e.g., Abu Afifa & Nguyen, 2024; Minh et al., 2023). Accounting disclosure quality (DQ) is measured using an index derived from Datastream and Compustat data, following the methodology outlined by Abu Afifa and Nguyen (2024).

$$\sum_{k=1}^{7}\left\{\left(\frac{\#\, Nonmissing\ items}{\#\, Total\ items}\right)_k \times \frac{\$\, Account_k}{\$\, Total\ Assets}\right\} \div 2$$

In which:
Non-missing items: Number of Level I items not missed in the Balance Sheet and the Income Statement.

Total items: Total number of Level *I* items.

Account: Value of item k.

Total Assets: Total value of Level I items.

k: The total of Level I items in the Balance Sheet and the Income Statement.

To isolate the specific effects of the primary variables, the study incorporates several control variables known to influence FMV. These include firm size, age, growth, leverage, and industry.

The research tested the hypotheses by the below equation:

$$FMV_{i,t} = \beta_0 + \beta_1 DQ_{i,t} + \beta_2 SRQ_{i,t} + \beta_3 DQ_{i,t} \times ACST_{i,t} + \beta_4 SRQ_{i,t} \times ACST_{i,t}$$
$$+\beta_5 FSIZE_{i,t} + \beta_6 FAGE_{i,t} + \beta_7 GROW_{i,t} + \beta_8 LEV_{i,t} + \beta_9 IND_{i,t} + \varepsilon_{i,t}$$

Variable definitions and the methodologies employed for their calculation are outlined in Table 3.2.

Variable	Calculation	Source
FMV	Market capitalization plus total debt divided by total assets	Refinitiv Eikon
DQ	$\sum_{k=1}^{7}\left\{\left(\frac{\#Nonmissing\ items}{\#Total\ items}\right)_k \times \frac{\$Account_k}{\$Total\ Assets}\right\} \div 2$	Refinitiv Eikon, Compustat
SRQ	On a 0–4 scale (0= no sustainability reports exist; 1= sustainability reports exist; 2= sustainability reports exist and the company has a sustainability committee affiliated with the board of directors; 3= sustainability reports exist and a non-audit firm provides assurance; 4= sustainability reports exist and is externally assured by a one of the Big 4 or other audit firms)	Refinitiv Eikon
ACST	1: IFRS adoption, 0: otherwise	Refinitiv Eikon
Firm size	The natural logarithm of total assets (billion dollars)	Refinitiv Eikon
Firm age	The natural logarithm of the firm age since its IPO	Refinitiv Eikon
Growth	The difference in sales/sales from last year	Refinitiv Eikon
Leverage	The ratio of total debt to total assets	Refinitiv Eikon
Industry	Dummy variable, 1, if the firm belongs to an activity sector, relates to social and environmental problems (e.g., gas, oil, basic materials, consumer industry, utilities), and 0 otherwise.	Refinitiv Eikon

Source: From the Refinitiv Eikon

Table 3.2 Measurement of variables

3.3 Analysis Approach

A series of diagnostic tests were conducted to mitigate potential endogeneity concerns, which could undermine the validity of the findings. These included the Durbin Score, Wu-Hausman Score, and Wooldridge Score. The results provided no substantial evidence of endogeneity, bolstering confidence in the causal interpretations drawn from the analysis.

The study initially explored both fixed effects (FEM) and random effects (REM) panel data estimations. However, additional analyses were performed mindful of potential biases associated with the study's temporal framework. This included variance tests (modified Wald for FEM and Breusch-Pagan Lagrangian for REM) followed by the Hausman test to ascertain the most appropriate model specification (FEM or REM). In instances where variance concerns persisted, the two-step generalized method of moments (GMM) estimation technique was employed to enhance the reliability and robustness of the results.

The quantitative data analysis unfolded as a comprehensive, multi-stage process. This encompassed unit root testing of the balanced panel dataset using established methodologies (Levin et al., 2002), meticulous model diagnostics employing a range of established techniques (Gujarati, 2022), model optimization, robustness testing, and a comparative analysis of component differences across the selected ASEAN countries.

4. Research Findings

Table 4.1 presents descriptive statistics for the study variables, offering insights into ASEAN firm characteristics. The average FMV is 2.4385, with a large standard deviation (49.4664) indicating substantial valuation differences. DQ averages at 0.55, suggesting moderate transparency. SRQ is lower at 0.2657 (SD = 0.7531), highlighting varied practices. ACST stands at 39.91%, demonstrating a mixed reporting landscape. The average firm size (FSIZE) is 4.8227, indicating relatively large firms. The mean firm age (FAGE) is 16.07 years with

Variable	**Observations**	**Mean**	**SD**	**Maximum**	**Minimum**
FMV	16,055	2.438531	49.46642	4.90e-06	4842.105
DQ	16,055	0.550007	0.142424	0.210526	1
SRQ	16,055	0.265712	0.753071	0	4
ACST	16,055	0.399066	0.489722	0	1
FSIZE	16,055	4.822708	1.842495	-2.43728	11.52031
FAGE	16,055	16.0796	12.6969	1	118
LEV	16,055	0.265912	1.06946	0	59.61374
GROW	16,055	1.181875	67.71292	-1,076.86	6,523.186
INDU	16,055	0.547742	0.497731	0	1

Source: Data analysis results

Table 4.1 Descriptive statistics

considerable variation (SD = 12.6969). Leverage (LEV) averages at 0.2659, suggesting moderate debt reliance. Revenue growth (GROW) shows high variability (SD = 67.7129). Finally, 54.77% of firms belong to environmentally sensitive industries (INDU).

This study employed rigorous diagnostic tests to ensure the reliability of its empirical findings. Recognizing the importance of stationarity in panel data, we tested the endogenous variable, FMV, for unit roots using the Levin et al. (2002) test. It confirmed FMV stationarity, a crucial assumption for valid regression analysis. Further, we addressed potential autocorrelation by examining the Prob>F statistic for FMV, finding no significant evidence ($p > 0.05$). The model's ability to capture data variability was also validated, with the Prob>÷2 statistic indicating no significant concerns regarding component variance. These comprehensive diagnostic procedures, encompassing stationarity, autocorrelation, and variance checks, strengthen our analytical approach's robustness and reinforce our findings' reliability.

Table 4.2 reveals some correlations between variables, but none exceed the critical multicollinearity threshold of 0.8. To further scrutinize this, we examined the VIF and its reciprocal tolerance. High VIFs (above 5 or 10) and low tolerance values (below 0.2 or 0.1) indicate problematic multicollinearity. Reassuringly, all VIF values remain below 5, and all tolerance values are above 0.2. This suggests that while correlations exist, multicollinearity is not severe enough to warrant excluding variables or implementing remedial measures. Consequently, we can be confident that multicollinearity does not significantly distort the estimated coefficients or inflate their standard errors, thus validating the subsequent analysis of relationships between firm market value, accounting disclosure quality, sustainability reporting quality, and control variables.

Table 4.3, derived from panel data analysis, reveals substantial evidence of heteroscedasticity across various estimation methods. The Breusch-Pagan test on the OLS regression yields a significant Chi-squared statistic (34,339.08, p-value < 0.0001), strongly rejecting homoscedasticity. This finding is corroborated by the Wald test for the FEM, showing an extremely high Wald statistic (1.2e+12, p-value < 0.0001). Similarly, the Breusch-Pagan Lagrangian multiplier test on the REM confirms heteroscedasticity (Chi-squared = 3,194.76, p-value < 0.0001). This violation of the constant variance assumption necessitates using the two-step system GMM estimation for robust and reliable results.

Table 4.4 presents the results of GMM estimation with some significant information. In terms of direct effects, both DQ and SRQ exhibit statistically significant relationships with FMV but with contrasting effects. A one-unit increase in DQ is associated with a substantial increase in FMV (Coef. = 30.15625, $p < 0.01$), suggesting that greater financial transparency positively influences firm valuation. Conversely, a one-unit increase in SRQ is linked to a significant decrease in FMV (Coef. = -55.4158, $p < 0.01$), implying a potential trade-off between enhanced sustainability reporting and short-term market valuation.

In terms of the moderating role of ACST, the interaction terms DQ*ACST and SRQ*ACST offer insights into how the relationship between reporting quality and FMV might differ for firms that have adopted IFRS (ACST = 1). Interestingly, the negative and significant coefficient for DQ*ACST (Coef. = -71.0948, $p < 0.01$) suggests that the positive effect of DQ on FMV is attenuated for IFRS adopters. This finding warrants further investigation, as it could reflect investor expectations of higher DQ from IFRS adopters, leading to less pronounced market reactions to increased transparency. Conversely, the positive and significant coefficient for SRQ*ACST (Coef. = 104.5863, $p < 0.01$) indicates that the negative relationship between SRQ and FMV weakens and might even

Variable	FMV	DQ	SRQ	ACST	FSIZE	FAGE	LEV	GROW	INDU
FMV	1								
DQ	0.0189 0.0168	1							
SRQ	0.0216 0.0062	0.7071 0.0000	1						
ACST	0.0078 0.3202	0.1361 0.0000	0.1222 0.0000	1					
FSIZE	-0.0291 0.0002	0.5451 0.0000	0.4949 0.0000	0.0287 0.0003	1				
FAGE	-0.0001 0.9958	0.1592 0.0000	0.1442 0.0000	0.1262 0.0000	0.2656 0.0000	1			
LEV	0.0392 0.0000	-0.0047 0.5497	0.0061 0.4395	-0.0342 0.0000	-0.0052 0.5073	-0.0217 0.0061	1		
GROW	0.1418 0.0000	-0.0087 0.2722	-0.0057 0.4697	-0.0097 0.2195	-0.0218 0.0057	0.0047 0.5515	-0.0025 0.7516	1	
INDU	-0.0036 0.6448	-0.1102 0.0000	-0.0952 0.0000	-0.0157 0.0469	-0.0434 0.0000	-0.0464 0.0000	-0.0145 0.0664	0.0064 0.4194	1
VIF		4.12	3.65	1.04	1.50	1.09	1.00	1.00	1.01
Tolerance		0.243	0.274	0.963	0.665	0.914	0.997	0.999	0.986

Table 4.2 Multicollinearity testing

turn positive for IFRS adopters. This suggests that investors may perceive greater credibility and comparability in sustainability reporting by IFRS adopters, mitigating the potential negative market reaction observed for non-adopters.

FMV	Coef.	Std. Err.	t	P>t	[95% Conf.	Interval
DQ	30.15625	9.5935	3.14	0.002	11.35192	48.96059
SRQ	-55.4158	3.094652	-17.91	0.000	-61.4816	-49.3499
DQ*ACST	-71.0948	11.28142	-6.3	0.000	-93.2077	-48.982
SRQ*ACST	104.5863	5.504739	19	0.000	93.79641	115.3762
FSIZE	0.00571	0.216537	0.03	0.979	-0.41873	0.430146
FAGE	0.116934	0.030305	3.86	0.000	0.057533	0.176336
LEV	1.643128	0.209143	7.86	0.000	1.233185	2.05307
GROW	0.104002	0.003196	32.54	0.000	0.097737	0.110267
INDU	0.896534	0.43321	2.07	0.039	0.047393	1.745674
_cons	-1.90582	3.340065	-0.57	0.568	-8.45272	4.641081

Table 4.4 GMM results

In terms of control variables, firm age (FAGE), leverage (LEV), and revenue growth (GROW) demonstrate positive and statistically significant relationships with FMV, aligning with expectations. The positive coefficient for the industry dummy (INDU), although statistically significant ($p < 0.05$), warrants cautious interpretation due to its potential influence on both FMV and SRQ.

Component	ACST		INDU	
	Diff	p-value	Diff	p-value
FMV	-0.792	03202	0.362	0.6448
DQ	-0.040	0.0000	0.032	0.0000
SRQ	-0.188	0.0000	0.143	0.0000

Source: Data analysis results

Table 4.5 Further test (T-test)

Table 4.5 presents t-test results comparing FMV, DQ, and SRQ based on IFRS adoption and industry sensitivity. Interestingly, while no significant FMV difference exists between IFRS adopters and non-adopters ($p = 0.3202$), adopters exhibit significantly higher DQ and lower SRQ ($p < 0.001$). This suggests that IFRS adoption alone may not guarantee higher market value and could be associated with trade-offs between financial transparency and sustainability reporting. Similarly, no significant FMV difference is observed between firms in environmentally sensitive and other industries ($p = 0.6448$). However, the former demonstrates significantly higher DQ and SRQ ($p < 0.001$), indicating a greater emphasis on both aspects, potentially driven by stakeholder pressure and regulatory scrutiny. These findings highlight the complex interplay between accounting standards, industry context, and firm characteristics in shaping FMV, DQ, and SRQ.

5. Discussion

The GMM estimation results provide compelling evidence to support all four proposed hypotheses, revealing a nuanced interplay between reporting quality, IFRS adoption, and firm market value.

H1: Sustainability Reporting Quality and Firm Value. Conversely, the significant negative coefficient for SRQ confirms H1, indicating that higher sustainability reporting quality is associated with lower firm market value. This counterintuitive finding suggests a potential trade-off between emphasizing sustainability and maximizing short-term market valuation, possibly due to perceived costs associated with sustainability initiatives or investor skepticism about their immediate financial benefits.

H2: Accounting Disclosure Quality and Firm Value. The significant positive coefficient for DQ confirms H2, suggesting that higher accounting disclosure quality is associated with higher firm market value. This finding supports the notion that greater financial transparency reduces information asymmetry and enhances investor confidence, leading to higher valuations.

H3a: Moderating Role of IFRS on DQ-FMV Relationship. The significant negative coefficient for the interaction term DQ*ACST confirms H3a, revealing that the positive effect of DQ on FMV is attenuated for IFRS adopters. This finding suggests that the market may anticipate higher DQ from IFRS adopters, resulting in less pronounced market reactions to further increases in transparency.

H3b: Moderating Role of IFRS on SRQ-FMV Relationship. The significant positive coefficient for the interaction term SRQ*ACST confirms H3b, indicating that IFRS adoption mitigates the negative relationship between SRQ and FMV, potentially even positively. This finding suggests that investors may perceive greater credibility and comparability in sustainability reporting by IFRS adopters, reducing concerns about green-washing and enhancing the perceived value of sustainability information.

These findings offer valuable insights into the complex interplay between corporate reporting practices, accounting standards, and firm valuation. They highlight the importance of considering these factors' direct and moderating influences when formulating corporate strategies and interpreting market signals.

6. Conclusion

This study delved into the intricate relationships between DQ, SRQ, and FMV within the dynamic context of the ASEAN region. Recognizing the increasing emphasis on corporate transparency and sustainability, coupled with the growing adoption of IFRS, this research aimed to provide empirical evidence on how these factors influence firm valuation in a region characterized by rapid economic growth and evolving regulatory landscapes. Employing a robust empirical strategy involving a comprehensive dataset of 3,211 listed ASEAN firms and a sophisticated GMM estimation technique, the study yielded several key findings below.

This study contributes to agency and stakeholder theories by empirically demonstrating the complex interplay between corporate transparency, sustainability reporting, and firm valuation in emerging markets. The findings highlight the need to consider both direct and moderating influences of these factors on firm value. Managerially, the study underscores the importance of strategic reporting for value creation. While financial transparency remains crucial, managers must carefully communicate sustainability initiatives to address investor skepticism and realize long-term value from ESG performance. For investors, scrutinizing both financial and sustainability disclosures is key. While IFRS adoption enhances reporting comparability, investors should remain vigilant about green-washing and focus on the materiality and impact of sustainability initiatives. Finally, policymakers should continuously improve accounting and sustainability reporting standards to enhance transparency and investor confidence, considering incentives for high-quality reporting and standardized ESG metrics.

While this study provides valuable insights, it is not without limitations. The focus on ASEAN limits the generalizability of the findings to other regions with different institutional contexts and investor preferences. Future research could explore the relationship between transparency, sustainability, and firm value in other geographical contexts, allowing for cross-country comparisons and a richer understanding of contextual factors. Further research could also delve deeper into the specific mechanisms driving the observed relationships. For example, investigating the role of investor engagement, board characteristics, and industry-specific sustainability risks could provide a more nuanced understanding of how these factors influence the market's corporate transparency and sustainability performance valuation.

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