

The Use of Information on Sustainability Reporting and Good Corporate Governance for Investors in Asean

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Abstract

This research contributes to developing a theory about the relationship between corporate social responsibility (CSR) and investment decisions. The acquisition of stock returns that exceed average predictions is highly dependent on the successful implementation of good corporate governance (GCG). This study aimed to determine investors' reactions to information on CSR disclosure in several countries members of the Association of Southeast Asian Nations (ASEAN). Furthermore, this study examines the role of GCG implementation in strengthening the impact of CSR disclosure on investor relations as measured by abnormal stock returns. The sampling technique is purposive sampling. The research was conducted on manufacturing companies in countries that are members of ASEAN during 2017–2019. The estimation model to analyze the data was a multiple-regression model. Results showed that CSR information could increase positive investor reactions. GCG practice was also proven to strengthen the impact of CSR information on investment decisions. This study examines the role of audit quality as a moderator of the relationship between CSR and investor reactions. Results prove that audit quality does not support the absorption of CSR activities on rising stock prices. The main contribution of this research to business practice is to show that GCG is a prerequisite for investor confidence in CSR information disclosed in a company's sustainability report.

Keywords

Corporate social responsibility; information; good corporate governance; audit quality; abnormal stock return

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Introduction

There is increasing attention to the relationship between corporate governance and CSR disclosure in both developed and developing countries (Nour et al., 2020). GCG and CSR implementation can be positive indicators for the company in every country, including ASEAN members. The ASEAN Economic Community (AEC), launched in 2015, aims to transform ASEAN into a free-trade area of goods, investment, skilled labor, services, and a more free flow of capital. MEA realizes the ultimate goal of economic integration adopted in the ASEAN Vision 2020, which is based on the convergence of the interests of ASEAN member countries to expand and deepen economic integration through existing and new initiatives with clear deadlines. In establishing the AEC, ASEAN must act following the principles of being open, outward-oriented, leading to a market economy that is firm with multilateral regulations and adhering to the system to implement and comply with practical-rule-based economic commitments.

There are ten rankings of prominent foreign investors in ASEAN that control about 70%–80% of the total foreign investment entering ASEAN. In 2015, only Indonesia had a larger share of an intra-ASEAN investment than countries outside ASEAN, namely, around 56%. Singapore is listed as a country that receives foreign investment flows from outside ASEAN at a significant percentage (92%). These data indicate that Indonesia and other ASEAN member countries did not show significant changes as targeted in the AEC structure in trade and investment. Orientation with traditional partners (America, Japan, and Europe) is still dominant. This condition shows that the AEC agenda is still not prioritized in ASEAN member countries' trade and investment policies.

In the ASEAN context, the dynamic international situation also presents its challenges. The Brexit phenomenon should be an introductory note, considering that Britain's exit from the European Union is challenging for ASEAN to convince every member country of the AEC's equal benefits. Indonesia is one of the ASEAN member countries that signed the ASEAN Economic Community (AEC) agreement. AEC has a pattern of integrating the ASEAN economy by forming a free-trade system among ASEAN member countries. The agreement to form the ASEAN Economic Community began with a summit held in Kuala Lumpur in 1997. In this summit, ASEAN leaders decided to make ASEAN changes to lead to prosperous, stable, and highly competitive economic development to reduce inequality and poverty. (Socioeconomic ASEAN Vision, 2020). The trading trend in Indonesia is positive, supported by a positive response from the capital market there. This response has encouraged companies to go public. With the increase in companies going public, public accounting firms' need for financial statement audits has also increased. The timeliness of the presentation of financial and auditor reports is a matter of concern in increasing share prices.

Developing the subsequent audit process for publicly traded companies is not easy because the audit process takes time, which can delay earnings announcements and financial-statement submissions, resulting in slow earnings reactions. Audit quality is essential because high audit quality can promptly deliver financial and auditor reports, with the resulting information being fair. With high audio quality, the timeliness of submitting financial reports and the fairness of financial statements are guaranteed. Financial reports are a source of financial information provided by a company to the general public when it goes public. These financial reports are published for the benefit of the users, namely, investors, creditors, and other interested parties, such as the government and the public.

Audit quality is crucial because it can deliver financial and auditor reports on time; the resulting information also contains reasonableness. With high audio quality, the timeliness of submitting financial reports and fairness of financial statements are guaranteed (Jaya et al., 2017). Financial reports are sources of financial information provided by a company to the general public and investors when the company goes public. A factor that also affects investor value in implementing GCG in the company (Istianingsih 2020a); began receiving attention after the crisis in 1998. At that time, many companies collapsed due to poor corporate-risk management. The lack of transparency on the company's condition is also seen as the cause of the crisis. GCG is the main topic of discussion in the process of economic recovery. The government and Indonesian economic community's attention has also increased on the importance of implementing GCG as a fundamental factor for long-term economic resilience and stability (Jaya et al., 2017; Istianingsih, 2020a; Arora and Dharwadkar, 2011). The development of ethical issues in company management encourages companies to be more serious in implementing CSR. The CSR concept guides companies to seek profit, a short-term goal, and safeguard long-term interests by applying

three basic principles known as the triple bottom line: profit, people, and the planet. "These three principles guide companies to participate in the welfare of social life (people) and ensure the sustainability of the environment (planet) to protect its long-term interests" (Velasques, 2012).

For investors, there are various reasons to buy shares. Some aim to profit from stock-price fluctuations by buying shares when the price drops and selling shares when the stock price rises. The rest are aimed at obtaining dividends paid by the company every year (Scott 2015). Investors also aim to profit through later investments, namely, in the form of returns on investment as dividend income and capital gains, i.e., the difference between shares minus the shares (Scott, 2015; Lev and Zarowin, 1999).

To obtain this return, investors need to choose when to buy, sell, or hold a security. This information is beneficial for investors in making investment decisions (Istianingsih et al., 2020). This condition is fulfilled if the capital market is in an efficient condition. Investor reactions are responses from investors themselves to the company's information, which can be positive or negative. Scott (2015), and Lev and Zarowin (1999) stated that if a capital market reaction to accounting information is observed using an event window for several days covering an earnings announcement, accounting information is the cause of market reaction (investors). If the announcement contains information (information content), investors could react to the announcement, and the investor would receive that information (Istianingsih, 2020b). Investor reactions can be seen from changes in securities' stock prices and changes in share trading volume (Istianingsih and Mukti, 2020).

Dividend policy is an important indicator to determine the extent to which investment in a company can provide returns. The event of a surprise or abnormal return at an earnings announcement (Jogiyanto, 2014) contains information giving investors an abnormal return. Conversely, those that do not contain information do not give investors an abnormal return. Testing the information content of earnings is only limited to testing investors' reaction (the market) but does not test how quickly the market reacts (Scott, 2015; Lev and Zarowin, 1999; Damiti et al., 2018). The reaction of investors is indicated by significant changes in stock prices of certain companies at the time of earnings announcements, namely, that there is a significant enough difference between the return that occurs and the expected return (Scott, 2015; Lev and Zarowin, 1999; Damiti et al., 2018; Deegan, 2002).

The implementation of GCG and CSR is essential because it has a profit objective and ensures its sustainability (Aryani and Niron 2017). Good company management increases the shareholders' investment value in the long term and ultimately stakeholder trust, including investors. CSR also has a relationship with market valuation, where if the company has good environmental and social performance, investors respond positively to it through an increase in stock prices. Then, by looking at different levels of economic growth in the ASEAN region, the question arises as to which factors affect the region's economic growth. This study aimed to add the audit-quality factor from previous research to the effect of GCG and CSR disclosure on abnormal returns in manufacturing companies in ASEAN countries.

Companies in ASEAN countries were chosen with a high frequency and a large number of transactions, bright company prospects, and stable financial conditions. The mass media and the public highlighted them more because their operational activities could intersect with broad interests. This research could also contribute to the importance of CSR disclosure and the application of GCG in ASEAN countries. It can be used as information and input in making decisions when investing in a target company (Haniiffa and Cooke, 2005; Monika and Khafid, 2017). This study aims to determine how audit quality, GCG, and CSR could act as a moderator to influence investors' reactions in 36 companies in ASEAN countries and become participants in the ASEAN CG Scorecard Country Report and Assessments for the 2017 period.

Literature Review

Agency Theory

Investor and management relations can be seen from agency theory (Jensen and Meckling 1976). Public accounting firms play a role in examining financial statements presented by the management to be used by investors in predicting the company's future earnings and whether the company has good prospects or vice versa so that investors can make decisions about their investment. An investor can carry out a passive investment strategy: buying stocks and holding

them for an extended period regardless of market fluctuations if the company has good prospects. Agency theory developed by Jensen and Meckling (1976) views that company management as an agent acts with full awareness of their interests, not as a party that is wise, prudent, and fair to its shareholders. Agency theory bases the contractual relationship among company members, the principal, and the agent as the main actors (Jensen and Meckling, 1976; Jensen, 1993). The principal mandates the agent to act on their behalf, while an agent is mandated to run the company. The agent is obliged to account for what is mandated by the principal (Jensen and Meckling 1976; Jensen 1993).

Signaling Theory

Information is considered to be valid if it can change investors' confidence. Investors need information about the company to decide whether to invest in the company; this is in line with signaling theory (Scott, 2015). Information asymmetry occurs if management does not fully convey all information about everything that could affect the company's value to the capital market (Scott, 2015; Jensen and Meckling, 1976). A lack of external information about the company makes them protect themselves by giving low prices. Firms can increase firm value by reducing information asymmetry. One way to reduce information asymmetry is by giving signals to outsiders (Istianingsih and Mukti, 2020; Damiti et al., 2018; Yu et al., 2017). Management can deliver information to the market. Generally, the market responds to this information as a signal that can be in the form of good or bad news regarding specific events that could affect the company's reflected value from changes in the price and trading volume of shares (Scott, 2015; Istianingsih and Mukti, 2020; Jaya et al., 2017; Jensen and Meckling, 1976; Yu et al., 2017).

Previous Research

The trust of users on audited financial statements and other public accountants' services ultimately requires public accountants to pay attention to the quality of the audits that they produce (Purba, 2016). Large public accounting firms can audit more efficiently and effectively, which has greater flexibility in audit scheduling (Purba 2016; Chariri et al., 2017). GCG is a system regulating and controlling the company to create added value for all stakeholders (Nour et al., 2020). The main objective is to realize long-term shareholder value while considering other parties' interests (Abriyani and Wiryono, 2012). Research by Adnan et al. (2018) defines corporate governance as a set of provisions that enable stockholders to exercise voting power to compel those in the firm's operating control to respect their interests. GCG is a system that regulates and controls the company (Istianingsih and Mukti, 2020; Al-Arusi et al., 2009). GCG aims to create added value for all interested parties (Ali and Atan, 2013).

On the other hand, understanding CSR4 is described as enriched by natural science (Frederick, 1986). According to Frederick (1994), CSR is defined as the follow-up of companies in implementing effective GCG to realize sustainability created through transparent and accountable business implementation. Understanding CSR1 focuses on CSR as a test tool for companies and whether they fulfill their obligations to work for the social good (Frederick, 1998). Meanwhile, Arani (2016) defined CSR as the company's responsibility to run a business following shareholders' desires, generally to make as much money as possible while still complying with legal and ethical regulations in society.

A company in an industry with a high growth rate must provide sufficiently high capital to finance itself. Companies with high sales growth also tend to have a high level of risk (Arani, 2016; Bangun et al., 2016; Sayekti and Wondabio, 2007; Rasyid and Ardana, 2016). The research of Ghazali (2010) analyzed the differences in CSR disclosure and showed differences in corporate governance composition, which is reflected in institutional investors' roles in the two countries. Research examining the relationship between voluntary and committee disclosure was conducted by Mukhtaruddin et al. (2018). Results showed a positive relationship between an auditing committee's existence and voluntary disclosures made by the company.

Arani (2016) found that CSR governance and auditing are interactively related. To fulfill CSR and ensure sustainable growth and development, companies must build and implement corporate governance. Istianingsih and Mukti (2020) found that most managers understand corporate governance as an essential pillar for sustainable CSR. Companies without an efficient long-term perspective on leadership, effective internal control mechanisms, and solid reciprocal responsibility with internal stakeholders cannot carry out CSR's true meaning. On the other hand,

corporate governance is not effective without a sustainable CSR drive because it responds to stakeholders' needs to generate profits and create company value for owners and other stakeholders.

Research Framework

Based on the previous description and literature review, the variables in this study can be formulated into the following framework.

Figure 1. Research framework.

Research Hypothesis

Effect of Audit Quality on Investor Reactions

Audit quality is vital because high audit quality can deliver financial reports and auditor reports on time, and the resulting information would be fair (Jaya et al., 2017; Purba, 2016). With high audio quality, the timeliness of submitting financial reports and the fairness of financial statements are guaranteed. Financial reports are a source of financial information provided by a company to the general public when it goes public. These financial reports are published to benefit investors, creditors, and other interested parties, such as the government and the public. Based on the above explanation, the formulation of the proposed hypothesis is as follows:

Hypothesis 1 (H1). Audit quality affects investors' reactions.

Influence of Corporate Social Responsibility on Investor Reactions

Information on the company's financial statements plays a critical role in the capital market, both for individual investors and the market as a whole (Istianingsih, 2020a; Istianingsih et al., 2020; Istianingsih, 2020b). Information plays an important role in investment decisions for investors, while the market uses it to reach new equilibrium prices. Investors consider profit as the only consideration, but investors also appreciate the disclosure of corporate social responsibility to the environment. Companies that voluntarily disclose positive environmental information risk reduced prosperity that the company may face to influence investors in making decisions. Information can be helpful if it can change the recipient's confidence and trigger specific actions reflected in price changes. If market players (investors) consider this good news, there are investor reactions reflected by changes in stock prices.

Changes in stock prices can be described in terms of capital-market efficiency. The form of the capital market in ASEAN countries is close to a semi-strong efficient market form in an informed manner, which is reflected in the speed with which investors react to new information (Istianingsih et al., 2020). An efficient semistrong market (semistrong form) can be tested by looking at abnormal returns through stock-price changes (Istianingsih et al., 2020; Jogiyanto, 2014). Abnormal return is the difference between actual and expected returns (Jogiyanto 2014). Investors react positively to good corporate value. Based on the above explanation, the formulation of the proposed hypothesis is as follows:

Hypothesis 2 (H2). CSR affects investors' reactions.

GCG Effect Moderates Relationship between Audit Quality and Investor Reactions

With good audit quality, investors respond more quickly to the information presented by a company. GCG supports transparent audits of financial reports and annual reports. Following the values tested in the assessments, the ASEAN CG scorecard can improve the company and disclose it in its financial and annual reports and its sustainability report. The implementation of GCG affects the quality of a company's audit. So, based on this description, the formulation of the proposed hypothesis is as follows:

Hypothesis 3 (H3). Good corporate governance moderates the relationship between audit quality and investor reactions.

Influence of GCG Moderates Corporate Social Responsibility's Relationship to Investors' Reactions

CSR implementation in companies can be used to attract investors, and it is carried out if the company implements good corporate governance (Istianingsih, 2020a; Istianingsih, 2020b) because the company responds to the needs of stakeholders to generate profits and create company value for owners and other stakeholders. The formulation of the proposed hypothesis is:

Hypothesis 4 (H4). GCG moderates the relationship of CSR to investor reactions.

Research Design

Research Type

This research is causal, aiming to test the hypothesis about the influence of one or more variables on other variables. Researchers use this research design to provide empirical evidence about the effect of audit quality and CSR on investor reactions, with GCG as a moderating variable.

Variables Operationalization

Corporate Social Responsibility

The disclosure of corporate social responsibility is defined as data disclosed by companies relating to social activities carried out by the company. This variable is measured through the CSR Index (CSRI). CSRI assesses social responsibility according to GRI criteria, namely, economic, environmental performance, human rights, labor practices and decent work, society, and product responsibility. The disclosure of CSR information in annual and sustainability reports of business entities is calculated using the CSR disclosure index with the GRI version 4.0 standard, totaling 161 items; then, it is adjusted back to each company. CSRI calculation is performed by giving one if one item is disclosed and 0 if not disclosed. After scoring all items, the scores are added to obtain the overall score for each company. The CSRI calculation formula is:

$$CSRI_j = \frac{\sum X_{ij}}{n_j}$$

CSR: company corporate social responsibility index j;

$\sum X_{ij}$: number of items that the company disclosed j;

n_j : number of items for companies based on GRI 4.0 index (161 items).

Good Corporate Governance

This study measured good corporate governance using the ASEAN CG Scorecard Country Reports and Assessments 2017 using the Level 1 assessment category (179 items). This method was used

because not all companies listed in the ASEAN CG Scorecard Country Reports and Assessments applied two-level assessments. The calculation of the assessment at Level 1 is as follows. Assessment at Level 1 contains five main aspects that refer to OECD principles, and each aspect has 179 items used as guidelines. The five aspects are shown in Table 1.

Table 1.

Level 1 structure and composition.

Level 1	Number of Questions	Weight (% of Total Level 1 Score)	Max. Attainable Score
Part A: rights of shareholders	25	10	10 Points
Part B: equitable treatment of shareholders	17	15	15 Points
Part C: role of stakeholders	21	10	10 Points
Part D: disclosure and transparency	41	25	25 Points
Part E: responsibilities of the board	75	40	40 Points

(Source: ASEAN CG Scorecard Assessment 2017).

The score for Level 1 is computed as follows:

$$\text{Score} = \frac{\text{Number of items Scored by PLC}}{\text{Total no. of Questions}} \times \text{Max. attainable score} ()$$

These five aspects can be explained as follows:

1. Protection of the rights of shareholders (rights of shareholders).
2. The exact treatment of shareholders (equitable treatment of shareholders).
3. The role of stakeholders in corporate governance.
4. Disclosure and transparency.
5. Responsibilities of the board of commissioners and directors.

Abnormal Returns

The measurement of abnormal returns uses market-adjusted models. The market model assumes that the best measurement is the market index return (Jogiyanto, 2014). In this model, there is no need to use the estimation period to form an estimation model because the estimated security return is the same as the return index market in the same period. In this case, the market return index uses the return from the composite stock price index. The formula for calculating abnormal returns is as follows:

AR_{it}: Rit – R_{mt}

$$R_{it} = \frac{P_{it} - P_{it-1}}{P_{it-1}}$$

$$R_{mt} = \frac{IHSG_t - IHSG_{t-1}}{IHSG_{t-1}}$$

where

AR_{it} = abnormal return for a company i on day t;

R_{it} = daily company return on day t;

R_{mt} = return of the market index on day t;

P_{it} = share price of a company i at time t;

P_{it-1} = share price of a company i at time t-1;

IHSG_t = composite stock price index at time t; and

IHSG_{t-1} = composite stock price index at time t-1.

Quality Audit

In this study, auditors' quality was proxied by the audit company's size that audits annual financial reports, referring to whether the relevant KAP is affiliated with the Big Four or not.

Control Variables

This research used size, leverage, and growth to control for investor reaction. The use of the three variables was based on Sayekti and Wondabio (2007). Size was formulated as follows (Sayekti and Wondabio, 2007):

$$SIZE = \log (\text{book value of total assets})$$

Leverage views by the level of debt-to-equity ratio followed Sayekti and Wondabio's formula (2007):

$$DER = \frac{\text{Total Debt}}{\text{Total Equity}}$$

The company's sales growth is a proxy for measures company growth in this study. The formula to measure the growth variable is

$$\text{Growth} = \frac{\text{Sales}_t - \text{Sales}_{t-1}}{\text{Sales}_{t-1}}$$

Population and Sample

This study's population comprised six ASEAN countries (Indonesia, Singapore, Malaysia, Thailand, Philippines, and Vietnam) members of the ASEAN CG Scorecard Country Reports and Assessments. Sampling was performed by purposive sampling, which is part of the nonprobability sampling method, based on the following criteria:

1. The company was included in the ASEAN CG Scorecard Country Reports and Assessments in 2017.
2. Manufacturing companies that are members of the ASEAN CG Scorecard Country Reports and Assessments in 2017.
3. The company uses the Global Reporting Initiative (GRI) version 4.0 (G4) standard in disclosing its corporate social responsibility.
4. The company has complete data following the needs of the research sample.
5. The company publishes financial reports in English.

3.4 Data-Collection Technique

The data-collection method in this research was as follows:

1. Documentation: the collection of available data on the research object.
2. Study of the literature related to problems in writing this research.

Data-Analysis Method

This research uses the moderate regression analysis (MRA) testing model:

$$ARIt = \alpha + \beta_1 KA_t + \beta_2 CSRT + \beta_3 GCG_t + \beta_4 KA_t * GCG_t + \beta_5 CSRT * GCG_t + \beta_6 SIZE_t + \beta_7 LEV_t + \beta_8 GROWTH_t + e$$

Where

ARIt: investor reaction in year t;

α : constant;

$\beta_1 \beta_2 \beta_3 \beta_4 \beta_5 \beta_6 \beta_7 \beta_8$: regression coefficient;
 KAt: audit quality in year t;
 GGCT: ASEAN CG Scorecard in year t;
 CSR: CSR index in year t;
 KAt * GCGt: interaction between audit quality and GCG in year t;
 CSR * GCGt: interaction between CSR and GCG in year t;
 SIZEt: Company size in year t;
 LEVt: leverage in year t;
 growth: quality audit in year t; and
 e: error.

Research Result and Discussion

Sample

Data obtained from the official website of the ASEAN Corporate Governance Scorecard or <http://www.theacmf.org>, accessed on, showed that 36 companies met the criteria in the purposive sampling during the research year (2017–2019), namely, Indonesia, Malaysia, Philippines, Thailand, and Vietnam.

The GCG variable measured using the self-assessment of the ASEAN GC Scorecard Level 1, totaling 179 assessment items, had an average value of 63%. The higher the level of GCG is, the higher the quality of published financial reports is. A better implementation of GCG in a company can also reduce the abuse of authority and delegation, thereby ensuring investor confidence and return.

Table 2.

Descriptive statistics.

	N	Minimum	Maximum	Mean	Std. Deviation
KA	108	0	1	0.92	0.278
GCG	108	0.37	0.79	0.6229	0.08656
AR	108	−0.05	0.11	0.0037	0.02588
CSR	108	0.04	0.91	0.3219	0.19415
KA_GCG	108	0.00	0.79	0.5660	0.19112
CSR_GCG	108	0.03	0.53	0.1991	0.12470
SIZE	108	19.66	33.20	26.7959	3.98603
DER	108	0.03	3.94	1.0939	0.89327
G	108	−0.94	0.92	0.0491	0.19434
Valid N (listwise)	108				

The CSR variable has an average number of items disclosed by the sample company, approximately 50 out of 161 items that must be disclosed. This number shows that, on average, the sample companies that participated in the ASEAN CG Scorecard Assessment 2017–2019 did not disclose much about CSR that they had carried out. Hence, governments in each country need to set specific rules to report CSR in sustainability reporting. The GCG results of this study show that Thailand had the most significant value. This result proves that the implementation of GCG is exemplary and a signal for investors to invest. Petronas in Malaysia achieved the best CSR value. The company made a long-term commitment to the CSR program to help the government improve its young generation's capabilities and reduce emission levels to reduce environmental pollution. This result is a good signal for investors, especially those who consider environmental values, green-bond investors, and eco investing.

Table 3.
Regression coefficient **a**.

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	−0.014	0.067		−0.207	0.837
	KA	−0.352	0.150	−3.774	−2.343	0.021
	GCG	0.269	0.126	1.589	2.139	0.035
	CSR	0.020	0.009	0.604	2.167	0.033
	KA_GCG	0.491	0.221	3.629	2.222	0.029
	CSR_GCG	−0.115	0.058	−0.550	−1.984	0.050
	SIZE	−0.001	0.001	−0.121	−1.146	0.254
	DER	0.002	0.003	0.075	0.783	0.435
	G	0.023	0.013	0.175	1.746	0.084

a Dependent variable: AR.

Effect of Audit Quality on Investor Reactions

The results of this study indicate that audit quality affects investors' reactions (abnormal return). Audit quality is crucial because it can ensure that its financial and sustainability reports are presented timely, reliable, and accurate. This result can help investors make the right decisions on their investment plans and the returns they obtain based on accurate financial data from the company. Competent auditor office services, especially the Big Four, can improve their credibility and make sound judgments for investors. Audit quality is not something that can be immediately enjoyed. The perceptions of audit quality are further related to the name and credibility of the auditors. In this case, the good name of the company is the essential aspect. Both theoretically and empirically, auditor quality is often measured using the size of the public accounting firm. Jaya et al. (2017), and Purba (2016) stated that "the auditor's report contains three groups of interests, namely: (1) the manager of the company being audited; (2) company shareholders; (3) third parties or external parties such as potential investors, creditors, and suppliers." Each of these interests is a source of interference that pressurizes the auditor into producing reports that may not follow professional standards and could interfere with audit quality.

Influence of Corporate Social Responsibility on Investor Reactions

The test results on the CSR variable showed a significance value of 0.02 (<0.05). A significant value of less than 0.05 means that CSR affects investors' reactions, proxied by abnormal returns. This result follows the initial assumption that there is a positive correlation between CSR information disclosure in a sustainability report and investor reactions. The higher the CSR disclosure is, the better its investor signal; this can expand the company's operations and expand the company. Management is then considered to be capable of properly managing its economic resources to fulfill the interests of its stakeholders. Thus, its stakeholders' interests can be fulfilled, the company's reputation is improved, and public trust in its reported information on its earnings is increased. This study's results support research conducted by Istianingsih (2020b) that found that companies' CSR disclosure can influence investor reactions to earnings announcements in their annual reports. Sayekti and Wondabio (2007) revealed that earnings' informativeness is more significant when uncertainty about the company's prospects (Jensen and Meckling, 1976; Jea positive correlation discloses CSR information in its annual report, this could reduce this uncertainty. This condition indicates that investors appreciate a company's CSR information as an investment decision.

Effect of Good Corporate Governance Moderates Relationship between Audit Quality and Investor Reactions

This study's regression results indicate that the GCG variable moderates the relationship between audit quality and abnormal returns (investor reactions). This variable's research results have

significant value, meaning that GCG and audit quality can influence investors' reactions. This result is in line with Felmania (2014), whose research on the impact of good corporate governance on financial performance, stock trading volume, and abnormal returns found a significant positive effect of GCG on abnormal returns. This result means that the better corporate governance is, the higher the abnormal-return value is (Christina and Alexander 2019).

Effect of Good Corporate Governance Moderates Relationship between Audit Quality and Investor Reactions

This study's regression results indicate that the GCG variable moderates the relationship between audit quality and abnormal returns (investor reactions). This variable research results have significant value, meaning that GCG and audit quality can influence investors' reactions. This result is in line with (Jaya et al. 2017) previous research on the impact of good corporate governance on financial performance, stock trading volume, and abnormal returns, finding a significant positive effect of GCG on abnormal returns (Istianingsih, 2020b; Fiona et al., 2017). This sign means that the better the implementation of corporate governance, the higher the abnormal return value. The significant results indicate that research on companies in ASEAN countries has implemented good corporate governance and followed the ASEAN CG Scorecard assessment. Thus, the company already has good governance, increasing investor confidence (Giannarakis, 2014). Furthermore, investors respond more quickly to the company's information (Purba, 2016).

Companies audited by the KAP Big Four have better-quality audit results compared to companies not audited by the Big Four; companies audited by the Big Four are also more transparent in providing opinions and information.

Effect of GCG Moderates Relationship between CSR and Investor Reactions

This variable's research results indicate a significance value of 0.05 that GCG can moderate the relationship between CSR and investor reactions (abnormal return). The CSR value, which initially had a positive relationship with investors' reactions, became negative after being moderated by the GCG variable (Ilmi et al., 2017). This value indicates that the higher the CSR value moderated by GCG, the lower the investor's reaction (abnormal return) is. In this case, GCG can moderate the relationship between CSR and investor reaction.

Investors are influenced by the implementation of the value of corporate governance by the management. Companies that implement good corporate governance pay attention to social values as a responsibility towards the environment. A manifestation of this is the implementation of CSR in companies. CSR is also one of the considerations for investors. Munawaroh et al. (2018) reported that the implementation of the corporate governance mechanism, which is reflected in the four principles of transparency, fairness, accountability, and responsibility, partially or simultaneously has a significant effect on stock-price changes, which can be seen from abnormal returns (Felmania, 2014; Ilmi et al., 2017). Following the concept of stakeholder theory, with a GCG mechanism in a company, the level of stakeholder trust in the company increases (Musta'ani, 2017). This increase in trust can provide a positive signal effect in good news for investors to buy shares to increase stock prices.

Effect of Control Variables

Results on the size variable showed that investors do not consider information on company size to be informative enough to measure company performance. The debt-to-equity ratio (DER) does not affect abnormal returns. The growth variable's test results show that growth affects investor reactions. The results of this study follow those of Sayekti and Wondabio (2007), but are not in line with previous research by Istianingsih (2020b).

Conclusions

Audit quality has a negative effect on abnormal returns, and CSR has a positive effect on abnormal returns. GCG was proven to moderate audit quality on abnormal returns, while GCG is proven to moderate CSR towards an abnormal return.

Investors and potential investors can consider the value of GCG and CSR disclosure for investing in ASEAN countries. In this case, companies should implement GCG and CSR to open up opportunities for foreign investors to invest, take part in assessments, and find out about the implementation of GCG and CSR in their companies. The GCG Scorecard Assessment with 179 items at Level 1 can be used to assess a company. With exemplary GCG implementation, investors can see the company's business continuity. Companies implementing CSR should do so seriously. The company assigns CSR staff, forms a separate division, and dedicates CSR funds from company profits and its annual budget. An excellent financial report can automatically attract investors' reactions from within the country and other ASEAN countries to invest and expand. Regulators in each ASEAN country should re-examine which indicators need to be considered as a reference basis for companies with good corporate governance in practice because differences in regional layout and some local values may also affect it. Exemplary GCG implementation can reduce the abuse of authority and fraud in the company. CSR disclosure and the implementation of GCG in companies in ASEAN countries can influence investment decisions. Policymakers should review the standard values of GCG and CSR, standardize disclosure for valid items, and disclose them. This research has some limitations. (1) The score of the CSR disclosure index and the assessment index for implementing annual GCG, which a researcher assesses. This assessment is based on the interpretation of the information on the annual report of the sample companies, thus allowing for differences in the assessment among companies due to a researcher's subjective interpretation (data limitations). (2) Access to non-English financial and sustainability reports can make data collection difficult. Several companies did not publish their financial reports in the 2019 period. Suggestion for other researchers: (1) This study took a sample of the Top 50 group of manufacturing companies in the ASEAN Corporate Governance Scorecard Country Report and Assessments within a period of three years (2017–2019). Further research can use industrial groups or other measurement indices as the research samples. It can also use a more extended observation period to obtain actual conditions, and the obtained results may reflect the company's historical management policies. Data can be enriched by collecting primary data and conducting interviews and surveys to have more comprehensive data. For research on investor reaction, which is proxied by subsequent abnormal returns, other control variables can be added that are considered influential in enriching research. Other researchers can also add the period of study. (2) These analytical results are for investors or market players to consider companies that implement GCG and CSR to the environment and society in their investment considerations in the capital market. With a company's large number of CSR disclosures, investors can find out the prospects for future profits and the company's sustainability are. They can know the guarantee of their investment and can be used to assess the company's performance or financial condition and obtain optimal profits. (3) Management should consider the application of GCG and CSR to society. Management reports from this implementation are one of the annual reporting components because investors consider these two indicators in investing their funds. Management's disclosure of social responsibility and corporate-governance activities is expected to be more open and known by investors.

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