

The Impact of ESG Disclosure on Firm Value in ASEAN: The Moderating Role of Audit Quality

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ABSTRACT

This study aims to examine the effect of corporate governance mechanisms and financial performance on the environmental, social, and governance (ESG) disclosure of companies in the ASEAN region. Using a sample of 3,466 firm-year observations from public listed companies in five major ASEAN emerging markets (Indonesia, Malaysia, Thailand, the Philippines, and Vietnam) from 2016 to 2024, this research employs panel data regression analysis. The results indicate that company size, profitability, and board independence have a significant positive impact on ESG disclosure. Conversely, leverage does not have a significant effect. The findings support the signalling theory, suggesting that higher disclosure levels are used to reduce information asymmetry and enhance company reputation among stakeholders. This study provides empirical evidence for regulators and policymakers in ASEAN regarding the factors driving sustainability reporting.

Keywords: ESG disclosure; Firm value; Audit quality; Audit fees; ASEAN; Signalling theory

Pengaruh ESG Disclosure terhadap Nilai Perusahaan di ASEAN: Peran Moderasi Kualitas Audit

ABSTRAK

Penelitian ini bertujuan untuk menguji pengaruh mekanisme tata kelola perusahaan dan kinerja keuangan terhadap pengungkapan environmental, social, and governance (ESG) pada perusahaan di wilayah ASEAN. Dengan menggunakan sampel sebanyak 3.466 observasi perusahaan-tahun dari perusahaan publik di lima pasar negara berkembang utama ASEAN (Indonesia, Malaysia, Thailand, Filipina, dan Vietnam) dari tahun 2016 hingga 2024, penelitian ini menggunakan analisis regresi data panel. Hasil penelitian menunjukkan bahwa ukuran perusahaan, profitabilitas, dan independensi dewan memiliki dampak positif yang signifikan terhadap pengungkapan ESG. Sebaliknya, leverage tidak memiliki pengaruh yang signifikan. Temuan ini mendukung signalling theory, yang menunjukkan bahwa tingkat pengungkapan yang lebih tinggi digunakan untuk mengurangi asimetri informasi dan meningkatkan reputasi perusahaan di mata pemangku kepentingan. Penelitian ini memberikan bukti empiris bagi regulator dan pembuat kebijakan di ASEAN mengenai faktor-faktor yang mendorong pelaporan keberlanjutan.

Kata Kunci: ESG disclosure; Nilai perusahaan; Kualitas audit; Biaya audit; ASEAN; Teori sinyal

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INTRODUCTION

The fundamental transformation in the global investment landscape has positioned sustainability issues as a primary determinant in comprehensive corporate assessment (Li et al., 2021; van Zanten & van Tulder, 2021). Globally, the integration of ESG disclosure is no longer merely a philanthropic instrument but has evolved into a universal mechanism for corporations to provide positive signals to the market to reduce information asymmetry (Negara et al., 2024; Rastogi et al., 2024; Yordudom & Suttipun, 2020). Commitments toward the Sustainable Development Goals (SDGs) have compelled corporations to redefine their operational strategies to align with global sustainable development targets (Fallah et al., 2022; Iliemena et al., 2023). In the Southeast Asian (ASEAN) region, this urgency is increasingly evident as the region represents one of the most dynamic economic growth hubs that heavily relies on international investor confidence (Lerskullawat & Ungphakorn, 2024). The growth of sustainability reporting provides a strong signal that capital markets will offer higher appreciation toward firm value for companies capable of demonstrating their sustainability commitments transparently (Biju et al., 2025; Rastogi et al., 2024; Zahid et al., 2022).

The implementation of ESG disclosure in the ASEAN region for the 2016-2024 period is a crucial phenomenon to observe through the lens of signalling theory. Based on this theory, companies with superior sustainability performance tend to be driven to provide signals in the form of high-quality information to differentiate themselves from poor-performing firms (Zahid et al., 2023). In ASEAN's emerging markets, such signals are vital for attracting foreign capital and lowering the cost of equity (Biju et al., 2025; Sany et al., 2024). However, the effectiveness of these signals is often questioned by investors due to the potential for "greenwashing" or the manipulation of information solely to maintain a corporate image (Treepongkaruna et al., 2024; Yu et al., 2020). Referring to the logic of signalling theory, if the signal from ESG disclosure is perceived as credible and validated by strong oversight mechanisms, it will be reflected in an increase in firm value (Rastogi et al., 2024).

A research gap emerges from the inconsistent findings regarding whether ESG disclosure truly serves as a genuine signal of future value or merely represents an operational cost burden that distorts performance. Although several studies indicate a positive impact on firm value, doubts remain concerning the reliability of such information in regions with developing regulatory enforcement like ASEAN (Choi et al., 2023; Negara et al., 2024; Rastogi et al., 2024). In this context, audit quality plays a pivotal role as a third-party attestation to strengthen the credibility of the signal (Mishra et al., 2024; Vaihekoski & Yahya, 2025). Nevertheless, the majority of previous literature has only utilized dichotomous audit quality proxies, such as Big Four affiliation (Handayati et al., 2025; Maji & Tiwari, 2025; Zahid et al., 2022, 2023). There is a need to examine the role of audit quality using a proxy that is more sensitive to actual audit effort and risk to address the critique by (Rajgopal et al., 2021).

The primary novelty of this study lies in the measurement of audit quality through the perspective of audit fees. While previous studies in the ASEAN context predominantly rely on auditor size (Big Four vs. non-Big Four) as a binary

measure of quality, this research argues that audit fees provide a more granular and continuous representation of audit effort, complexity, and resource allocation (Rajgopal et al., 2021). Higher audit fees signify a more rigorous verification process and a deeper level of scrutiny by the external auditor, which is essential for validating non-financial signals such as ESG information (Vaihekoski & Yahya, 2025). By focusing on audit fees, this study captures the economic substance of the audit engagement, offering a more precise understanding of how the intensity of external monitoring moderates the impact of ESG disclosure on firm value.

Audit fees act as a proxy for audit effort and quality. Theoretically, high ESG disclosure increases the complexity of financial reporting and the risk of *greenwashing*. Therefore, auditors charge higher fees to perform more intensive procedures to verify the validity of non-financial data (Mahieux, 2024). Empirically, while some studies show a positive link between audit quality and ESG reporting reliability, the role of audit fees specifically in validating ESG information to enhance firm value in the ASEAN context remains inconclusive, necessitating further investigation.

The urgency of this research lies in testing whether audit quality can amplify the ESG disclosure signal in enhancing firm value across ASEAN during the 2016-2024 period. This study provides a theoretical contribution by deepening the application of signalling theory in explaining how audit intensity functions as a signalling enhancer that validates the quality of sustainability information. Practically, this research offers guidance for investors in ASEAN to look beyond the mere existence of sustainability reports and instead consider the depth of audit oversight as an indicator of signal quality. By utilizing the latest data from the ASEAN region, this study is expected to provide empirical evidence on the importance of verified sustainability signals in creating sustainable shareholder value.

Under the framework of signalling theory, ESG disclosure serves as a vital communication tool used by management to transmit information about the company's long-term sustainability to external stakeholders (Rastogi et al., 2024). In markets characterized by high information asymmetry, firms with superior environmental, social, and governance performance are motivated to "signal" their quality through extensive reporting to distinguish themselves from lower-quality competitors (Wong et al., 2021; Zahid et al., 2022). High-quality signals regarding a firm's commitment to the Sustainable Development Goals (SDGs) reduce investor uncertainty and lower the risk perception associated with the company's future cash flows (Khan et al., 2021).

Recent literature suggests that when investors receive these non-financial signals, they perceive the firm as having better risk management and long-term viability, which leads to an increase in firm value (Rastogi et al., 2024; Zahid et al., 2022). Companies that provide transparent signals regarding their sustainability initiatives are often rewarded with a lower cost of capital and higher market premiums (Choi et al., 2023). By voluntarily disclosing ESG information, management effectively signals that the firm is prepared for future regulatory shifts and social expectations, thereby enhancing its attractiveness to institutional investors.

Although the relationship between ESG and firm value has been widely studied, findings remain inconsistent, particularly in emerging markets like ASEAN. Previous studies often overlook the unique institutional environment of ASEAN, which is characterized by diverse regulatory frameworks and developing enforcement mechanisms (Fatemi et al., 2018; Feng & Wu, 2023). Re-examining this relationship is crucial to validate whether ESG disclosure still functions as a credible signal for firm value under these specific conditions, differing from prior research that focused on developed markets or single-country contexts. Based on this signalling mechanism, the first hypothesis is proposed:

H₁: ESG disclosure has a positive effect on firm value.

While ESG disclosure provides a signal to the market, the effectiveness of that signal depends heavily on its perceived credibility. Signalling theory suggests that signals are only effective if they are "costly" or verified by independent, high-quality third parties to prevent dishonest signalling or "greenwashing" (Zahid et al., 2023). In this context, audit quality measured by audit fees acts as a critical signal enhancer. Following the critique by Rajgopal et al. (2021), higher audit fees represent greater audit effort and a more rigorous verification process, which provides a stronger seal of approval for the information disclosed.

We employ attribution theory to construct the second hypothesis. This theory suggests that stakeholders (investors) attribute certain motivations to companies based on their actions. High-quality audit provides assurance that ESG disclosures are genuine efforts towards sustainability rather than mere *greenwashing* for reputation management. Consequently, investors are more likely to attribute high ESG disclosure to superior firm performance when validated by high-quality auditors, thereby enhancing firm value.

High audit quality validates the reliability of the ESG signal, ensuring that the sustainability claims made by management are accurate and substantiated (Maji & Tiwari, 2025; Samy El-Deeb et al., 2023). When a firm incurs higher audit costs, it signals to the market that the external auditor has performed an intensive review, thereby increasing investor confidence in the reliability of the sustainability signal (Zahid et al., 2022). Consequently, the presence of high-quality external monitoring should amplify the positive response of the market toward sustainability disclosures, leading to a more pronounced impact on firm value. Therefore, the second hypothesis is proposed:

H₂: Audit quality positively moderates the relationship between ESG disclosure and firm value.

The relationship between the research variables to be tested is presented in Figure 1 below.

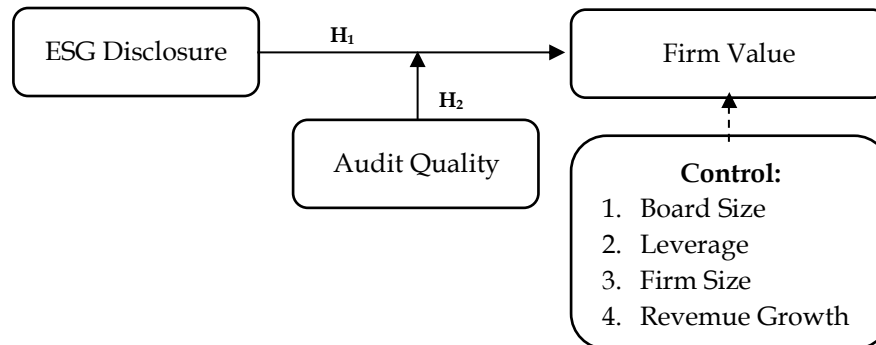


Figure 1. Conceptual Framework

Sources: Research Data, 2025

RESEARCH METHODS

This study employs a quantitative research design to examine the interplay between ESG disclosure, audit quality, and firm value, conducting an analysis using a balanced panel dataset that comprises public listed companies across ASEAN emerging markets, including Indonesia, Malaysia, Thailand, the Philippines, and Vietnam, covering the fiscal years 2016 to 2024. Secondary data were meticulously extracted from the Bloomberg databases, which provide standardized ESG scores alongside comprehensive financial indicators. While the population for this study consists of all publicly listed companies in the ASEAN region, a purposive sampling method was applied due to data limitations regarding standardized ESG scores and audit fees. Consequently, the final sample is focused on companies in the five major emerging markets within ASEAN: Indonesia, Malaysia, Thailand, the Philippines, and Vietnam, as these countries represent the most dynamic economic hubs in the region that rely heavily on international investor confidence, making them appropriate for analyzing sustainability signals.

This study employs a purposive sampling method to select companies that fulfill specific criteria relevant to the research objective. The criteria include: (1) Companies listed on major stock exchanges in ASEAN countries (Indonesia, Malaysia, Thailand, Philippines, and Vietnam) from 2016 to 2024; (2) Companies that consistently publish annual reports and sustainability reports or provide ESG scores on the Bloomberg database during the observation period; and (3) Companies that have complete data regarding audit fees and necessary control variables. This method ensures that the sample provides relevant and high-quality data for analyzing the impact of ESG disclosure and audit quality.

The dependent variable, firm value, is operationalized using Tobin's Q, a robust market-based metric that measures the ratio of a firm's market value to the replacement cost of its assets (Choi et al., 2023; Rastogi et al., 2024). The primary independent variable, ESG disclosure, is quantified using the cumulative ESG score, reflecting the transparency and depth of a firm's sustainability performance (Choi et al., 2023; Rastogi et al., 2024). To address the study's core novelty, audit quality is introduced as a moderating variable. Diverging from traditional binary

proxies, this research utilizes the natural logarithm of audit fees (*ln_Audit Fees*) to capture the economic substance of the audit engagement (Vaihekoski & Yahya, 2025). This transformation is applied to stabilize variance and address potential heteroscedasticity within the audit pricing data. Theoretically, the magnitude of audit fees reflects the intensity of the auditor's effort, technical expertise, and the degree of verification provided, serving as a credible signal of oversight quality and assurance (Rajgopal et al., 2021; Vaihekoski & Yahya, 2025).

To ensure the internal validity of the findings, the model incorporates several critical control variables: board size, leverage, firm size, and revenue growth (Novita et al., 2021; Sukirman & Dianawati, 2023). Firm size is calculated as the natural logarithm of total assets, while financial leverage is the ratio of total liabilities to total assets, used to isolate the impact of capital structure on firm valuation (Ismail et al., 2022). The research hypotheses are tested through multivariate regression models, with the inclusion of year, industry, and country fixed effects to control for unobserved heterogeneity and temporal shocks. The regression model was constructed to test the direct influence as well as the interaction effect as follows:

$$\text{Firm Value} = \beta_0 + \beta_1\text{ESGD} + \beta_2\text{AU} + \beta_3(\text{ESGD} \times \text{AU}) + \text{Controls} + \epsilon \dots \dots \dots (1)$$

To ensure the robustness of the results and the validity of the OLS estimators, the model underwent classical assumption tests, including checks for multicollinearity, heteroscedasticity, and autocorrelation. These tests confirmed that the panel data regression framework is appropriate for the data structure. Furthermore, robustness tests were conducted by utilizing an alternative valuation metric, the Market-to-Book Value, to confirm the consistency of the findings.

RESULTS AND DISCUSSION

Table 1 presents the descriptive statistics for all variables utilized in this study, based on a sample of 3,466 firm-year observations across the ASEAN region from 2016 to 2024.

Table 1. Descriptive Statistics

	Obs	Mean	STD	Median	Minimum	Maximum
TOBINSQ	3,466	1.711	2.076	1.081	0.326	43.029
MTBV	3,466	0.107	0.106	0.076	0.000	0.928
ESG SCORE	3,466	47.973	11.964	47.631	14.455	85.233
ENV SCORE	3,466	32.019	20.207	31.003	0.000	92.238
SOC SCORE	3,466	31.655	13.099	30.804	0.000	79.927
GOV SCORE	3,466	80.124	10.084	81.096	27.152	98.615
ln_AUDIT FEES	3,466	12.674	1.373	12.530	7.441	21.416
BOARD SIZE	3,466	8.759	3.073	9.000	2.000	21.000
LEVERAGE	3,466	0.526	0.218	0.510	0.030	2.237
FIRM SIZE	3,466	21.630	1.708	21.576	13.259	27.052
REV GROWTH	3,466	0.221	7.426	0.053	-2.701	436.700

Sources: Research Data, 2025

The descriptive statistics in Table 1 reveal substantial heterogeneity among

the sampled ASEAN firms. The dependent variable, firm value, proxied by Tobin's Q, exhibits an average value of 1.711. However, the high standard deviation of 2.076—which exceeds the mean—coupled with a massive range between the minimum 0.326 and maximum 43.029, indicates that market performance is heavily skewed by a small number of high-performing firms. This dispersion highlights the volatile nature of firm valuation within ASEAN emerging markets, likely reflecting differing levels of investor confidence in sustainability signals across diverse regulatory environments.

The primary independent variable, ESG disclosure, shows a mean score of 47.973. This moderate level of disclosure implies that while sustainability reporting is becoming more prevalent in ASEAN, there remains substantial room for improvement to meet global transparency standards. A closer inspection of the ESG components reveals that firms in the region are particularly strong in the governance pillar (mean = 80.124), whereas environmental (mean = 32.019) and social (mean = 31.655) disclosures are significantly lower. This disparity suggests that ASEAN companies prioritize corporate governance structures as a foundational signal to investors, while environmental and social initiatives are still in an earlier stage of integration.

Regarding the moderating variable, audit quality measured as the natural logarithm of audit fees has a mean of 12.674 with a standard deviation of 1.373. The relatively stable variation in audit fees suggests a consistent baseline for external monitoring efforts within the sample, although the range from 7.441 to 21.416 reflects differences in firm complexity and the intensity of the audit engagement (Phan et al., 2020). Consistent with the logic of Rajgopal et al. (2021), the magnitude of these fees serves as a critical indicator of the audit effort required to verify complex non-financial signals such as ESG data. For the control variables, the average leverage ratio of 0.526 suggests a moderate reliance on debt, while the immense range in REV GROWTH (from -2.701 to 436.7) underscores extreme disparities in growth performance, which control variables in the regression model aim to isolate.

Table 2. Correlation Matrix

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
(1) TOBINSQ	1.000										
(2) MTBV	0.110*** (0.000)	1.000									
(3) ESG SCORE	-0.012 (0.481)	-0.051*** (0.003)	1.000								
(4) ENV SCORE	0.002 (0.914)	-0.034** (0.045)	0.905*** (0.000)	1.000							
(5) SOC SCORE	-0.010 (0.562)	-0.059*** (0.001)	0.866*** (0.000)	0.680*** (0.000)	1.000						
(6) GOV SCORE	-0.033** (0.049)	-0.037** (0.029)	0.624*** (0.000)	0.334*** (0.000)	0.423*** (0.000)	1.000					
(7) ln_AUDIT FEES	-0.205*** (0.000)	-0.087*** (0.000)	0.240*** (0.000)	0.187*** (0.000)	0.171*** (0.000)	0.259*** (0.000)	1.000				
(8) BOARD SIZE	-0.090*** (0.000)	-0.141*** (0.000)	0.288*** (0.000)	0.229*** (0.000)	0.230*** (0.000)	0.268*** (0.000)	0.269*** (0.000)	1.000			
(9) LEVERAGE	-0.097*** (0.000)	-0.294*** (0.000)	0.057*** (0.001)	-0.048*** (0.005)	0.098*** (0.000)	0.173*** (0.000)	0.266*** (0.000)	0.187*** (0.000)	1.000		
(10) FIRM SIZE	-0.294*** (0.000)	-0.245*** (0.000)	0.271*** (0.000)	0.187*** (0.000)	0.235*** (0.000)	0.283*** (0.000)	0.598*** (0.000)	0.366*** (0.000)	0.485*** (0.000)	1.000	
(11) REV GROWTH	0.160*** (0.000)	0.053*** (0.002)	-0.036** (0.036)	-0.026 (0.121)	-0.041** (0.016)	-0.021 (0.222)	-0.022 (0.203)	-0.007 (0.673)	-0.031* (0.068)	-0.036** (0.035)	1.000

p-values in parentheses

* *p* < 0.1, ** *p* < 0.05, *** *p* < 0.01

Sources: Research Data, 2025

The correlation matrix reveals several critical relationships between the primary variables of interest. Notably, audit quality (*ln_auditfees*) exhibits a positive and highly significant correlation with ESG disclosure (0.240, $p < 0.01$). This positive association suggests that firms with higher levels of sustainability disclosure also tend to incur higher audit costs, reflecting the increased complexity and oversight requirements needed to verify such non-financial signals (Ismail et al., 2022). Furthermore, audit quality is strongly and positively correlated with firm size (0.598, $p < 0.01$), consistent with the expectation that larger, more complex organizations require more extensive audit efforts (Vaihekoski & Yahya, 2025).

Regarding the dependent variable, firm value (Tobin's Q) is positively correlated with revenue growth (0.160, $p < 0.01$), reinforcing the signal that growth potential is a primary driver of market valuation in ASEAN emerging markets (Rastogi et al., 2024). Interestingly, the bivariate correlation between ESG disclosure and firm value is not statistically significant at this stage. This lack of significance in the correlation matrix highlights the necessity of the multivariate regression analysis, as it suggests that the relationship between sustainability signals and market value may be obscured by other firm-specific factors or contingent upon external monitoring mechanisms like audit quality.

Additionally, the components of ESG are strongly inter-correlated, particularly the environmental and social scores (0.680, $p < 0.01$), indicating that firms often integrate these two pillars of sustainability simultaneously. The correlation between leverage and firm value is negative and significant (-0.097, $p < 0.01$), indicating that higher financial risk may dampen market perceptions of firm assets. These preliminary findings set the stage for the more rigorous regression testing of the research hypotheses.

The regression results for Model 1 indicate that ESG disclosure has a positive and significant impact on firm value, providing strong empirical support for H1. Viewed through the lens of signalling theory, this suggests that sustainability reporting acts as a positive signal sent by management to the market to mitigate information asymmetry (Choi et al., 2023; Vaihekoski & Yahya, 2025). Within the ASEAN emerging markets, investors assign a higher valuation premium to firms that demonstrate transparency in environmental, social, and governance practices (Biju et al., 2025). Such signals indicate that the firm possesses superior risk management and a long-term strategic orientation, which reduces investor risk perception and increases market demand for the firm's shares. When analyzing these findings within the specific context of the ASEAN countries included in this study, the impact varies based on regulatory maturity. In Malaysia, where ESG reporting frameworks have matured, investors likely place high confidence in the reliability of disclosures, leading to a strong positive market reaction. Conversely, in Indonesia, Thailand, the Philippines, and Vietnam, where ESG enforcement is still developing, the positive impact of ESG disclosure on firm value is heavily reliant on the market's perception of the company's voluntary commitment to transparency.

Table 3. Baseline Result

	(1)	(2)	(3)
	TOBINSQ	TOBINSQ	TOBINSQ
ESG SCORE	0.030*** (5.75)		
ln_AUDIT FEES		-0.043 (-1.46)	
ESG SCORE x ln_AUDIT FEES			0.002*** (5.56)
BOARD SIZE	-0.051*** (-3.82)	-0.035*** (-2.60)	-0.051*** (-3.73)
LEVERAGE	0.244 (0.59)	0.213 (0.50)	0.178 (0.43)
FIRM SIZE	-0.412*** (-8.08)	-0.304*** (-5.80)	-0.440*** (-7.93)
REV GROWTH	0.041*** (25.25)	0.040*** (25.52)	0.041*** (25.52)
Country FE	Yes	Yes	Yes
Industry FE	Yes	Yes	Yes
Year FE	Yes	Yes	Yes
_cons	9.531*** (9.51)	8.936*** (8.87)	10.507*** (9.83)
r2	0.201	0.185	0.197
r2_a	0.195	0.179	0.191
N	3466	3466	3466

p-values in parentheses

* *p* < 0.1, ** *p* < 0.05, *** *p* < 0.01

Sources: Research Data, 2025

Regarding H2, the results for Model 3 show that the interaction term is positive and significant, confirming that audit quality functions as a potent signal enhancer (Vaihekoski & Yahya, 2025). Applying Attribution Theory, these results suggest that investors attribute higher credibility to ESG disclosures when they are validated by high-quality auditors. In the eyes of stakeholders, a significant investment in audit quality indicates that the firm's ESG performance is a genuine endeavor toward sustainability rather than a superficial attempt to manage reputation through *greenwashing* (Choi et al., 2023; Vaihekoski & Yahya, 2025). In markets with developing regulatory enforcement such as Indonesia, Thailand, the Philippines, and Vietnam, this validation is particularly crucial. High-quality auditing acts as an external monitoring mechanism that bridges the gap between reported sustainability efforts and actual practices, thereby strengthening the positive relationship between ESG transparency and firm valuation. The study also reveals critical insights through the control variables. Revenue growth consistently shows a positive and significant influence on valuation. Conversely, firm size and board size exhibit significant negative relationships with firm value. The low R-squared values for the models approximately 20% suggest that firm value in ASEAN is heavily influenced by other market-specific factors not captured in this model.

Consequently, the novelty of this research lies in demonstrating that audit quality not only validates the ESG signal but also actively shapes investor

perception helping them distinguish genuine sustainability efforts from greenwashing in regions with developing regulatory enforcement, such as Indonesia, Thailand, the Philippines, and Vietnam. Furthermore, by utilizing a comprehensive dataset of five major ASEAN emerging markets from 2016 to 2024, this research provides a more robust and updated understanding of how external monitoring validates sustainability information in dynamic economic hubs compared to previous single-country studies.

Table 4. Additional Analysis

	TOBINSQ					
	(1)	(2)	(3)	(4)	(5)	(6)
ENV	0.018*** (6.50)					
SOC		0.021*** (6.17)				
GOV			0.009* (1.73)			
ENV x ln_AUDIT FEES				0.001*** (6.52)		
SOC x ln_AUDIT FEES					0.001*** (6.11)	
GOV x ln_AUDIT FEES						0.000 (1.34)
All Controls	Yes	Yes	Yes	Yes	Yes	Yes
Country FE	Yes	Yes	Yes	Yes	Yes	Yes
Industry FE	Yes	Yes	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes	Yes	Yes
_cons	10.311*** (9.98)	9.474*** (9.36)	8.558*** (8.05)	10.768*** (10.01)	9.981*** (9.56)	9.100*** (8.99)
r2	0.203	0.195	0.186	0.201	0.194	0.185
r2_a	0.196	0.189	0.180	0.195	0.187	0.179
N	3466	3466	3466	3466	3466	3466

t statistics in parentheses

* $p < 0.1$, ** $p < 0.05$, *** $p < 0.01$

Sources: Research Data, 2025

To provide a more granular understanding of the sustainability signal, this study disaggregates the composite ESG disclosure into its three individual pillars: environmental (ENV), social (SOC), and governance (GOV). The findings from this analysis reveal that environmental disclosure ($p < 0.01$, $t = 6.50$) and social disclosure ($p < 0.01$, $t = 6.17$) are the primary catalysts driving firm value in the ASEAN emerging markets. From the perspective of signalling theory, these results suggest that investors in the region are highly responsive to visible signals related to carbon reduction and social responsibility (Vaihekoski & Yahya, 2025). High-quality environmental and social signals are perceived as indicators of a firm's long-term resilience and its ability to navigate shifting social expectations in emerging economies (Choi et al., 2023). This aligns with prior research suggesting that the market often places a higher premium on environmental and social transparency because these areas are traditionally associated with higher external risks (Zahid et al., 2022).

Furthermore, the moderation analysis reveals that audit quality, as measured through the intensity of audit fees, remains highly significant specifically for the interaction terms of the environmental and social pillars ($p < 0.01$). This implies that the assurance provided by rigorous external oversight is particularly crucial for sustainability dimensions that are more prone to "greenwashing" a strategic behavior where firms send misleading signals about their sustainability performance to gain a reputational advantage (Vaihekoski & Yahya, 2025). From the perspective of signalling theory, high audit fees act as a secondary, costly signal that validates the primary signal of ESG disclosure (Rajgopal et al., 2021; Zahid et al., 2023). Because sustainability data is non-financial and often lacks standardized rigidity, it creates significant information asymmetry. High audit fees signal that the auditor has devoted substantial economic resources and specialized expertise to verifying these complex data points (Rajgopal et al., 2021). This intensive verification process serves as a seal of approval that enhances the accountability of the firm's reports. Consequently, this deeper analysis confirms that audit quality does not merely moderate the aggregate score but specifically reinforces the most value-relevant signals namely the environmental and social pillars from market skepticism. This synergy ensures that the signals transmitted to the ASEAN market are perceived as authentic, thereby maximizing the resulting appreciation in firm value (Lerskullawat & Ungphakorn, 2024).

Table 5. Robustness Test

	(1) MTBV	(2) MTBV	(3) MTBV
ESG SCORE	0.000** (2.36)		
ln_AUDIT FEES		0.005*** (3.46)	
ESG SCORE x ln_AUDIT FEES			0.000*** (2.97)
BOARD SIZE	0.001 (0.97)	0.001 (1.04)	0.001 (0.87)
LEVERAGE	-0.148*** (-11.71)	-0.152*** (-12.00)	-0.149*** (-11.90)
FIRM SIZE	-0.009*** (-4.05)	-0.010*** (-4.67)	-0.010*** (-4.20)
REV GROWTH	0.001*** (14.83)	0.001*** (14.82)	0.001*** (14.90)
Country FE	Yes	Yes	Yes
Industry FE	Yes	Yes	Yes
Year FE	Yes	Yes	Yes
_cons	0.385*** (10.34)	0.374*** (10.53)	0.410*** (9.81)
r2	0.237	0.237	0.237
r2_a	0.231	0.231	0.231
N	3466	3466	3466

t statistics in parentheses

* $p < 0.1$, ** $p < 0.05$, *** $p < 0.01$

Sources: Research Data, 2025

The robustness results confirm that the interaction between ESG disclosure and audit quality remains positive and statistically significant ($p < 0.01$). The consistency of these coefficients across different valuation metrics demonstrates that the synergy between transparent sustainability signalling and intensive external verification is a robust phenomenon, rather than a byproduct of a specific variable measurement. This provides final empirical confirmation that high audit quality serves as a vital anchor for the credibility of sustainability signals in ASEAN capital markets.

CONCLUSION

This study provides robust empirical evidence on the relationship between ESG disclosure, audit quality, and firm value among publicly listed companies in five major ASEAN emerging markets (Indonesia, Malaysia, Thailand, the Philippines, and Vietnam) from 2016 to 2024. The results demonstrate that ESG disclosure has a significant positive impact on firm value (Tobin's Q), confirming that sustainability transparency serves as a powerful positive signal to the market. Furthermore, audit quality plays a vital role in amplifying the positive effect of sustainability signals on market valuation. Specifically, additional analysis reveals that the market assigns a higher premium to environmental and social transparency when validated by high-quality external oversight to mitigate "greenwashing" concerns. Practically, these findings suggest that sustainability investment is a strategic tool for value creation rather than merely a compliance cost, especially when paired with high-quality auditing to ensure signal credibility. For regulators in ASEAN, this study underscores the importance of strengthening ESG reporting frameworks and audit oversight standards to enhance the transparency and reliability of non-financial disclosures in emerging capital markets. This study has limitations regarding the generalizability of results due to sample constraints driven by data availability for standardized ESG scores. Future research could be expanded by incorporating internal governance mechanisms or exploring specific ESG components from different providers to account for potential rating biases.

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