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The Effect of Economic, Environmental and Social Dimension Disclosure in Sustainability Report on Earnings Response Coefficient. Study of Banks in Indonesia, Malaysia and Thailand

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Abstract

This study aims to determine whether disclosure of the economic, environmental and social dimension in sustainability reporting by the company affects the earnings response coefficient. The research was conducted on the banking sector company listed in Indonesia, Malaysia and Thailand with the research period of 2020. The sampling technique is using the purposive sampling method with the total of 62 companies. The analysis techniques used in this study are descriptive analysis techniques and data regression by using EViews 12. The result shows a different effect between economic, environmental and social dimension disclosure on sustainability reports towards the earnings response coefficient in each country. In Indonesia, the economic, environmental and social disclosure has a significant effect on the earnings response coefficient. While only the economic dimension has a significant influence on the earnings response coefficient in companies listed in Malaysia and Thailand. This could be done by looking at the economic behaviour, especially in investing in each country.

Key terms: sustainability report, earnings response coefficient, economic aspects, social aspects, environmental aspects

JEL Classification: G21, G32, G34, M14, Q56

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1. Introduction

Along with globalization, the development of information is also growing rapidly. The impacts are not only about the technology, but they also change people's lifestyle, especially in taking financial decisions. Nowadays, people become more aware about how to manage their money, so they can fulfil their needs, yet still have many more to be saved. Furthermore, globalization also affects people's habits in terms of saving their money. Rather than only saving money, they start to think how to make the value of money become bigger, so the value will not be decreasing along with inflation. According to James C. Van Horne, investment is an activity carried out by utilizing current cash, whose purpose is to obtain the results of the goods in the future. One way of investing is investing in stocks. By investing in stocks, people may receive dividends and yields on selling their stock. For some people, it may seem very interesting, because the offers for investing in stocks have many benefits. When people are about to buy stocks from a company, they will be looking for information about the company as much as possible, to make sure that they will not invest in the wrong place. Many factors can affect stock prices, both internal and external factors of the company. Internal factors include financial performance and image, while external factors cover national and international economic conditions (Sintya Aryanti & Sisdyani, 2016).

On the capital market, there is a theory called efficient market hypothesis (EMH). This theory implies that the stock's price is a reflection of all information that is accessible to the public. Fama (1970) provides an understanding of the concept of an efficient market, which means that the current stock price reflects all available information. The main concept of EMH is that the prices formed on an efficient market reflect all available relevant information (stock prices reflect all available information).

Jung & Cho (1991) defined the earnings response coefficient (ERC) as the effect per dollar of unexpected earnings on stock returns (equity return) and is usually measured by a coefficient in regression of abnormal returns and unexpected earnings. This means that ERC is an instrument for measuring whether the information that has been published is informative enough for the public in terms of decision-making. ERC is a correlation between unexpected earnings with abnormal return of stock. The abnormal return is the difference between the actual return and the normal return (Jogiyanto, 2010).

Based on the previous research, even though profit is used as an investment guide, the average ERC value shows a low number and a negative value. It can be shown from Mulyani *et al.* (2007) and Melati & Kurnia (2013) research that mentioned only a small ERC value. This means that the market doesn't really have a serious reaction towards profit information from a company. On the other hand, Sandi (2013) and Herdirinandasari & Asyik (2016) even showed precisely a small, yet negative ERC value. The results from empirical research indicate that although profit information is used by investors, the usefulness of the earnings information is felt very limited by investors (Lev, 1989). It can be said that investors not only need the company's profit information, but also other information for making investment decisions. The sustainability report disclosure is expected to produce a positive message from stakeholders, so as to maximize the company's finances in the long term (Agustina, 2013). Anggraini *et al.* (2019) indicates a positive correlation between the disclosure of sustainability report and ERC, this means that the disclosure of the company's sustainability report results in a higher earnings response coefficient (ERC) of a company.

With the growth of information, people become aware about whether their actions could damage the nature in the future. This condition leads people to minimize their actions that can be harmful for the environment and try to find many alternatives to save the environment. Sustainability development needs to be implemented because the current economic activity tends to damage the global ecosystem and hampers the needs of the next generation (Utama, 1997). Companies are expected to emphasize not only the interests of management and owners of capital (investors and creditors), but also employees, consumers and society (Nurlis, 2017). On top of that, the government also issues regulations that require all the companies in the banking industry to publish a report consisting of all the company information, called sustainability report. The sustainability report increasingly becomes a requirement for the company to provide information about its economic, social and environmental performance, as well as for all stakeholders (Sintya Aryanti & Sisdyani, 2016). The sustainability report began when Howard Bowen (1956) wrote a book in English on the social responsibility of businessmen. But then, the Global Reporting Initiative (GRI) coined the word *sustainability* in 1997. This report provides the positive and negative effects on the public and economic environment as a result of company actions. This report is based on GRI G4 which includes 91 items. In Indonesia, it has been described in the Statement of Financial Accounting Standards (PSAK) No. 1 paragraph nine, which tells that "companies can also present additional reports, such as reports on the environment and value-added statements, especially for industries where the environment factors play an important role and for the industry that considers employees as a group of report users who play important roles".

Even though sustainability reporting has become trending nowadays, when many people are doing research, the studies still show inconsistent results. This research aims at finding out how the disclosure of the sustainability report published by a company influences the earnings response coefficient in the banking industry listed in Indonesia, Malaysia and Thailand.

2. Literature review and hypothesis development

2.1. Signalling theory

The signalling theory was first introduced by Ros in 1997. This theory considers that the company's executives tend to spread the information to the public in order to boost the value of the stock when they have more qualified information. By delivering the information to the public, even though a company stimulates a strong signal about their future profit, this signal will be ignored if this company ever had a bad profit record. Brigham & Joel (2011) says that the signal is an action taken by the company in order to provide clues about the company's prospects. This signal is information about what management has done to fulfil the owner's wishes. Information released by a company is important because it essentially presents information, notes or descriptions, both for past and present conditions, as well as the future for the survival of the company and how it affects the company. The signal can be in the form of promotions or other information, stating that the company is better than other companies. The signalling theory is rooted in the pragmatic accounting theory that focuses its attention on the influence of information on the behavioural change of information (Akis & Mutmainah, 2012).

2.2. Efficient market hypothesis

Efficient market hypothesis is one of the modern economic theories that provides strong impacts in economics. This theory assumes that all the stock price in the market reflects all information which is relevant to a company. This concept is based on a random walk model, which means that all accessible information is random and keeps changing anytime, so investors could neither predict, nor project the profit that they will receive in the future. Fama (1970) implies that "a securities market is said to be efficient if the prices of securities fully reflect the available information". While Beaver (1981) says that "the market is said to be efficient for an information system if and only if the prices of securities act as if everyone is observing the information system".

According to Fama (1970), there are three forms of capital market efficiency based on the type of information, as follows:

a) Weak-form efficiency. It happens when the stock prices reflect all historical and past information. In this form of efficiency, all investors cannot predict future stock prices by using past price changes or historical prices, so the price follows a random form. This condition leads the change for investors to get an abnormal return, because it is impossible to access all information in public. The trading strategy based on historical prices cannot generate abnormal returns for investors.

b) Semi-strong form efficiency. When the stock prices reflect all publicly available information, the semi-strong efficiency could happen. This information includes financial statements, interest rates and other matters relating to the company. In this form of efficiency, all publicly available information will influence the stock prices quickly, so that the investors should not get abnormal returns.

c) Strong-form efficiency. The strong-form efficiency is the most ideal form of efficiency. It happens when the stock prices reflect all relevant information both public and private and the company's past information. In this form of efficiency, there is no information which can give investors more profit, because all information is announced to the public or to the market.

2.3. Sustainability report

The sustainability report is a non-financial report that is separate from financial statements (Gray & Bebbington, 2001). Rather than focusing on the financial aspects, this report focuses on the environment related to a company. This report includes statements, definitions, missions, statements regarding policies or objectives, and progress related to environmental achievements published by the company or organization. The sustainability report began when Howard Bowen (1956) wrote a book in English about the social responsibility of businessmen. But then, the Global Reporting Initiative coined the word *sustainability* in 1997. The Global Reporting Initiative is one of the institutions that contributes to the development of the guidelines in the sustainability report. GRI provides many worldwide standards for sustainability reporting, such as Environmental Social Governance (ESG) Reporting, Triple-Bottom-Line (TBL) Reporting and Corporate Social Responsibility (CSR) Reporting. In May 2013, the Global Reporting Initiative released a guideline for sustainability reporting named GRI G4. GRI strives to continue developing the "framework for sustainability reporting", and the G4 Guidelines were officially released on May 22, 2013 (Initiative, 2013). GRI G4 divides the performance indicators into three main categories, mainly the economic category, the environmental category, the social category. Every category also consists of some indicators from a total of 91 aspects.

2.4. Earnings response coefficient

Scott (1997) defines ERC as an extant measurement of a security's abnormal market return in response to the unexpected component of reporting earnings of the firm issuing that security. The earnings response coefficient is a measure of the abnormal return of a stock in response to the unexpected earnings component reported by the issuing firm (Scott, 2015). ERC is useful in the fundamental analysis by investors, in a valuation model to determine the market reaction to corporate earnings information (Melati & Kurnia, 2013). This means that ERC is a response to the company earnings. Referring to Chaney & Jeter (1992), the stock price is represented by the cumulative abnormal return (CAR), while the accounting profit is represented by unexpected earnings (EU). The regression model will produce an ERC for each sample, to be used for subsequent analysis. According to Scott (2015), several things affect different market responses to earnings: profit persistence, beta, corporate capital structure, profit quality, opportunity growth and price informativeness. The more persistent and better the earnings quality is, the higher the ERC value will be. If the beta reflects a higher systematic risk, the ERC will be lower (Scott, 2015).

2.5. Research hypothesis

Basically, Ahzar & Trisnawati (2013) mentioned that the signalling theory emphasizes the fact that the disclosure of company reports can improve the profitability of the company. Based on this condition, many companies are being stimulated to release all information that can boost the value of the firm. Soelistyoningrum & Prastiwi (2011) states that the data from the corporate sustainability report disclosure result in changes such as increased profitability.

According to Mochammad (2020), the disclosure of the sustainability report has a positive and significant effect on the company profitability, as measured by the company's return on assets. In his research, Mochammad shows a negative and significant relationship between the disclosure of social aspects in the sustainability report and the company profitability. In his research, Tarigan & Semuel (2014) shows that the disclosure of economic aspects in the sustainability reports does not significantly influence the company's financial performance. On the other hand, the disclosure of environmental and social aspects negatively influences the company's financial performance. Anggraini *et al.* (2019) research on the mining company listed on IDX during 2014-2016 shows that the disclosure of sustainability reports significantly influences the company's earnings response coefficient, while Sayekti & Wondabio (2007) research states that sustainability report disclosure negatively affects the ERC.

The analysis technique used in this research is descriptive statistical analysis and panel data regression analysis. The research hypothesis that has been compiled needs to be translated first into a statistical hypothesis.

H1: There is a significant impact between the disclosure of economic aspects in the sustainability report and the earnings response coefficient.

H2: There is a significant impact between the disclosure of environmental aspects in the sustainability report and the earnings response coefficient.

H3: There is a significant impact between the disclosure of social aspects in the sustainability report and the earnings response coefficient.

3. Research methodology and data

This research is being held by using a descriptive study with the quantitative approach, which aims to test the hypothesis on the influence of one or several variables on other variables. This study is focused on testing the investor's reaction that can be shown in the earnings response coefficient, as the company sustainability report has been released. The population used in this research are companies listed in the banking industry sector in Indonesia, Malaysia and Thailand. There are 62 banking companies in total conducted from Indonesia Stock Exchange (IDX), Malaysia Stock Exchange (KLSE) and Thailand Stock Exchange (SET). The selection is due to the issuance of POJK 51 in 2017 that requires all financial services institutions, issuers, public companies to release their sustainability reporting and GRI who pioneered the issuance of the sustainability reporting in global. This research is using purposive sampling as the sampling technique. This technique selects specific target groups to obtain information. The sample of this research are 60 banking companies listed in Indonesia, Malaysia and Thailand in total. The sample used consisted of 42 Indonesian banking companies, 10 Malaysian banking companies and eight Thailand banking companies. The research is being conducted through various tests to obtain exact information, it is including the descriptive statistics; classic assumption test consisting of normality, multicollinearity, heteroskedasticity and autocorrelation test; also, the hypothesis testing model consisting of the determination coefficient analysis (R2 test), regression coefficient test (F-Test) and partial test (t-test). The simple regression equation of this research is as follows:

$$Y = a + b1X1 + b2X2 + b3X3 + e$$

3.1. Sustainability report

In this research, the sustainability report disclosure of business entities is being used as the independent variable. The sustainability reports in this research are divided into three aspects: economic aspects (EO), social aspects (SO) and environmental aspects (NO). According to the GRI G4 Standard, the economic aspects include nine items, whereas the environmental aspects include 24 items and the social aspects include 16 items in total. The three aspects of the sustainability reports calculation are performed by giving a score of 1 if one item is disclosed and 0 if not disclosed. After scoring on all items, the score is then summed to get the overall score for each company. The calculation formula is:

$$EOj = \frac{\sum Xij}{nj}$$

EOj – Economic aspects index company j
ΣXij – Number of items disclosed by company j
nj – Number of items disclosed based on GRI Index 4 (nine items)

$$NOj = \frac{\sum Xij}{nj}$$

NOj – Environmental aspects index company j
ΣXij – Number of items disclosed by company j
nj – Number of items disclosed based on GRI Index 4 (24 items)

$$SOj = \frac{\sum Xij}{nj}$$

SOj – Social aspects index company j
ΣXij – Number of items disclosed by company j
nj – Number of items disclosed based on GRI Index 4 (16 items)

3.2. Earnings response coefficient

The dependent variable in this research is ERC. The quality of good earnings is measured by using the earnings response coefficient, which is a form of measuring the information content in the earnings. In this research, the ERC is a slope coefficient obtained from a cross-sectional regression between cumulative abnormal return as the proxy of the stock price with unexpected earning during the period 2018-2020.

ERC is formulated with the following equation:

$$CARit = \alpha + \beta UEit + \varepsilon$$

CARit – Cumulative abnormal return of firm i at time t
α – Constants
β – Coefficient showing ERC
UEit – Unexpected earnings of firm i at time t
ε – Error

UE is formulated with the following equation:

$$UE = \frac{Et - E(t\text{-}1)}{E(t\text{-}1)}$$

UE – Unexpected earnings
Et – (EPS) of the firm at time t
E(t-1) – (EPS) of the firm at time t-1

4. Results

4.1. Variable descriptive statistics

The descriptive analysis is held by looking at the mean, the median, the maximum value, the minimum value, and the standard deviation of each variable that is being used in this research. Data being used in this descriptive statistics analysis includes 42 banking companies listed in IDX, 10 banking companies listed in KLSE and eight banking companies listed in SET, during the research period of 2020. Variables in this research include disclosure of economic aspects in sustainability report (X_1), disclosure of environmental aspects in the sustainability report (X_2), disclosure of social aspects in the sustainability report (X_3) and earnings response coefficient (Y). The following is descriptive statistics of the variable in Table 1.

Table 1. Descriptive statistic of variables

Variable	IDX (n = 42)			KLSE (n = 10)			SET (n = 8)		
	Min	Max	Mean ± SD	Min	Max	Mean ± SD	Min	Max	Mean ± SD
ERC	-0.32	0.89	0.07 ± 0.24	-0.03	0.17	0.03 ± 0.06	-0.02	0.30	0.04 ± 0.11
EO	0.11	1.00	0.60 ± 0.24	0.22	0.89	0.57 ± 0.21	0.22	0.56	0.35 ± 0.13
NO	0.03	0.76	0.32 ± 0.16	0.15	0.65	0.29 ± 0.19	0.12	0.38	0.34 ± 0.09
SO	0.19	0.56	0.19 ± 0.17	0.31	0.75	0.51 ± 0.14	0.13	1.00	0.55 ± 0.29

Source: Primary data processed by EViews.

4.2. Hypothesis testing results

Table 2. Summary of hypothesis test results

Variable	IDX (n = 42)		KLSE (n = 10)		SET (n = 8)	
	Coefficient	t-Stat	Coefficient	t	Coefficient	t
C	-0.3767	-3.6309	0.2253	3.2492	-0.1471	-1.3217
EO	0.3947	2.5762**	-0.3593	-3.5922**	0.7204	3.1182**

Variable	IDX (n = 42)		KLSE (n = 10)		SET (n = 8)	
	Coefficient	t-Stat	Coefficient	t	Coefficient	t
NO	-0.7392	-2.9336*	0.2004	1.2794	0.1450	0.3571
SO	0.8060	3.7242*	-0.1062	-0.7113	-0.2142	-1.7595
F-Statistic Prob (F-statistic)	8.700 0.000		6.809 0.023		4.179 0.100	
R-Squared	0.407		0.773		0.758	
Adjusted R-squared	0.360		0.659		0.577	

* sig. value < 0.01

** sig. value < 0.05

Source: Primary data processed by EViews.

Variables in this research include disclosure of economic aspects in the sustainability report (X_1), disclosure of environmental aspects in the sustainability report (X_2), disclosure of social aspects in the sustainability report (X_3) and earnings response coefficient (Y). ERC, the dependent variable, is obtained from the regression calculation of abnormal return and unexpected earnings of each company from 2018 to 2020. Based on the Jarque-Bera normality test, they obtained a probability value of 0.159 (IDX), 0.552 (KLSE) and 0.993 (SET) > 0.05, showing that the residual data has normal distribution. After the normality test, there was a regression test to know the influence of each independent variable on a dependent variable. Overall results of the regression test are presented in Table 2.

Table 2 shows that the hypothesis for banking companies listed in IDX in the year 2020 is accepted, it happened because the p-value of EO is 0.012, which is smaller than 0.05. When the p-value of NO and SO in Indonesia is 0.006 and 0.001 in a row. It can be said that H1, H2 and H3 are accepted, it can be concluded that there are effects between the disclosure of economic dimension (EO), environmental dimension (NO) and social dimension (SO) on ERC. Besides, on banking companies listed in KLSE in 2020, only H1 is accepted, while H2 and H3 are being rejected. The regression shows that the p-value of EO is < 0.05, namely with a value of 0.012, when the p-value of other variables cannot meet the criteria of < 0.05, namely the NO with a value of 0.248, and the SO variables with a value of 0.504. Furthermore, the disclosure of the economic dimension has negative effects on ERC, as the regression coefficient value is negative. It can be concluded that the more economic dimension being disclosed, will lower the ERC value, while the sustainability report disclosure of environmental dimension (NO) and the sustainability report disclosure of social dimension (SO) has no significant effect on ERC. Meanwhile, on the banking companies listed in SET in the year 2020, the H1 is being accepted as the p-value of 0.036, which is lower than 0.05. H2 and H3 are being rejected as the result of the p-value are > 0.05. It means that the sustainability report disclosure of the economic dimension (EO) has significant and positive effects on ERC when the disclosure of the environmental dimension (NO) and the social dimension (SO) have no effect on ERC.

4.3. Analysis and discussion

✓ ***Disclosure of economic aspects in the sustainability report influences the earnings response coefficient***

Based on the banking companies in Indonesia and Thailand in 2020, it is shown that the disclosure of economic aspects in the sustainability reports has a positive and significant influence on the earnings response coefficient. This result indicates that in making investment decisions, the investors will face two considerations, first is the wish of expected profit and the second is the risk incurred from any decision. Therefore, transparency in the company economic condition is one of things to be considered by the investors in making their investment decision. This study is in line with Kurniawan *et al.* (2018) that the disclosure of economic aspects in the sustainability reports has a positive significant influence on the earnings response coefficient.

The study shows that the probability value of economic aspects that are disclosed in the sustainability reports in Indonesia and Thailand is 0.014 and 0.036 with a positive coefficient value. It means that the disclosure of economic aspects in the sustainability reports has a positive and significant effect (p-value < 0.05). It can be said that the more items of economic aspects being disclosed in sustainability reports, the higher the value of ERC in the banking companies listed in Indonesia and Thailand. This study is in line with Kurniawan *et al.* (2018), according to which the economic aspect disclosure in sustainability reports is positively influencing the earnings response coefficient. The result of this study is in line with the signalling theory that the company which discloses economic aspects in sustainability reports is aimed to lessen the information asymmetry from limited information only from financial statements. The signal theory states that a qualified company will intentionally provide signals to the market in the form of information, by then the market will give a reaction and expect to improve stock price which directly influences ERC. This study is in line with the efficient market hypothesis theory that the disclosure of sustainability reports will decrease the information asymmetry and the capital cost simultaneously, so that it can create a value through risk probability and increase stock price (Kurniawan *et al.*, 2018).

On the other hand, the probability value of the disclosure of economic aspects in sustainability reports in earnings response coefficient is 0.012 with negative regression coefficient in banking companies listed in Malaysia. It can be said that the economic aspect disclosure in sustainability reports has a negative and significant influence on ERC. It means that the more economical aspects item being disclosed in the sustainability report, the lower the value of the earnings response coefficient value will be. This study is in line with Fildzah (2017), according to which the economic aspect disclosure in the sustainability reports has a negative and significant influence on the earnings response coefficient. This can happen because investors are not really sure about the information that is being published in the management report. Investors might assume that the more information being published for free, the more important information is not being published (Restuti & Nathaniel, 2012).

✓ ***Disclosure of environmental aspect in the sustainability report influences the earnings response coefficient***

Disclosure of environmental aspects in the sustainability reports has a negative regression coefficient value of -0.7392 with a significance value of 0.006, meaning that the disclosure of the environmental aspect in the sustainability report has a negative and significant influence on ERC in Indonesia (p-value < 0.01). The result of this study is in line with Kurniawan *et al.* (2018), according to which the disclosure of environmental aspects in the sustainability reports has a negative influence on the earnings response coefficient. Such anomalies can happen as a result of several things. In Indonesia, there is no legal community which monitors company activities in terms of publishing sustainability reports. This condition will lead to some companies not disclosing their sustainability report in a complete and correct form. According to Kurniawan *et al.* (2018), only 5% of the companies listed in Indonesia published sustainability reports, the percentage of companies which do not publish sustainability reports will inflict indirectly on the company which had sustainable development ideas. Besides, the amount and level of environmental issues in Indonesia are increasing each year. People believe that one of the primary causes of the environmental damage is due to the company's activities. This results in the emergence of a prejudice that the disclosure of environmental aspects is to improve company image and branding, it happens because of the discrepancy between what the company reported and the reality. This condition will allow negative and significant effects between the disclosure of social aspects on ERC.

In the signalling theory, information that is delivered by a company will be analysed first by the investors, to determine whether the information is considered as a positive or negative information (Jogiyanto, 2010). Information that contains comprehensive, relevant, accurate and real time aspects is much needed by investors as a consideration of making investment decisions. By looking at the results, as the environmental aspects are being disclosed, investors think that it will reduce the persistency quality of the company's earnings, so the ERC value is decreasing (Scott, 2015).

The probability value of the environmental aspect disclosure in the sustainability report on the earnings response coefficient is > 0.05 in banking companies listed in KLSE and SET. It can be said that the environmental aspects disclosed in the sustainability report have no significant influence on ERC. This study is in line with Wicaksono (2018), according to which the environmental aspects disclosure in the sustainability reports has no influence on the earnings response coefficient. This study has the same result with the previous study by Tarigan & Semuel (2014), according to which that environmental aspects disclosure in the sustainability reports has influence on the earnings response coefficient. It is possible that the amount of company percentage which has not been published has indirectly affected the company who has published the sustainable development. The willingness of companies to improve company image by disclosing sustainability reports on environmental categories may be a disaster. The fact that occurred in Indonesia is the increasing annual environmental damage and one of the causes is the companies' activity. In such cases, the companies who have not disclosed the sustainability report, specifically in the environmental category, cannot be supervised clearly by the investors. The investor's mind is probably constructed in such a way that the disclosure by some companies in Indonesia is to improve their image, constructively with the fact that the Indonesian environment is worsen. It is this matter which probably resulting in the none of environmental aspect sustainability report influence on company value (Kurniawan *et al.*, 2018).

✓ ***Disclosure of social aspects in the sustainability report influences the earnings response coefficient***

The probability value of social aspect disclosure in sustainability report on the earnings response coefficient is 0.001 with positive regression coefficient in banking companies listed in IDX. It can be said that the social aspect disclosure in sustainability reports has a positive significant influence on ERC. It means that the more items of company social responsibility disclosed in sustainability reports, the higher the earnings response coefficient value. This study is in line with Tarigan & Semuel (2014), according to which the social aspect disclosure in sustainability reports can increase the ERC value. Based on the study on the Indonesian capital market, obtaining good financial performance can be done by disclosing the social aspects in sustainability reporting.

The result of this study is in line with the signal theory, it is said that the company provides signals about company's social awareness by providing a contribution to maintain good works for the stakeholders and develop environmental-friendly products and also the company is responsive about the social problem around the company which will always be supported by employees, consumers and other stakeholders, so that it influences the stock liquidity price movement and also the company's performance in the long term (Haryanto, 2018).

These sustainability activities are implemented not only for the external stakeholders, but also for the internal ones. Therefore, the impact of sustainable report disclosure on social aspects certainly can be felt by all stakeholders of the organization. By the implementation and reporting of social responsibility to the stakeholders, it is not only able to improve the company's stock price rates, but it can also improve the employees' prosperity and loyalty and it can lessen the employees' turnover, so as to result in increased company productivity (Boston College Center for Corporate Citizenship & Ernst & Young, 2013).

Social aspect disclosure in the sustainability report on the earnings response coefficient for the banking companies listed in KLSE and SET known for its probability value > 0.05. It means that the more items of social aspect disclosure in the sustainability report have no influence on the earnings response coefficient, even from the regression coefficient, it showed that social aspect disclosure in sustainability report tends to decrease the earnings response coefficient.

5. Conclusions

The results obtained from this study are as follows: 1. The disclosure of economic and social aspects in sustainability reports has a positive effect on the earnings response coefficient on banking companies listed in Indonesia, while the disclosure of social aspects in sustainability reports has a negative effect on the earnings response coefficient on banking companies listed in Indonesia. 2. The disclosure of economic aspects has a negative effect on the earnings response coefficient on banking companies listed in Malaysia. Besides, the disclosure of environmental and social aspects has no significant effect on the earnings response coefficient of banking companies listed in Malaysia. 3. The disclosure of economic aspects has a positive effect on the earnings response coefficient of banking companies listed in Thailand. Besides, the disclosure of environmental and social aspects has no significant effect on the earnings response coefficient of banking companies listed in Thailand. 4. In Indonesia, the disclosure of economic, environmental and social aspects in the sustainability reports has a similar effect on the earnings response coefficient of banking companies listed in Malaysia and Thailand.

The implication of this research is that the disclosure of economic, environmental and social aspects in the sustainability reports has different effects on the earnings response coefficient in Indonesia, Malaysia and Thailand. This is based on the perspective of investors in responding to the disclosure of economic, environmental and social aspects in the sustainability reports. Based on the study, companies not only prepare and publish the financial aspects, but also the non-financial aspects. Companies are expected to be more careful and pay attention to the disclosure of sustainability reports, especially on the economic aspects because it has a significant effect on banking companies listed in Indonesia, Malaysia and Thailand. It means that, in making decisions, investors begin to consider not only the financial, but also the non-financial aspects, such as the sustainability reports. The investor is expected to be able to consider the disclosure of the economic aspects in the sustainability reports when making a decision, as a form of action to maintain the economic sustainability, both domestically and globally. As for the regulator, through this study, it is expected to form a new legal entity, so as to ensure that each company has disclosed the sustainability report with the correct standards.

Given the limitations of this research, other researchers are expected to extend the research period and expand the population of not only banking companies, but other categories of companies, too, so it can show more accurate results of the disclosure of economic, environmental and social aspects in the sustainability reports on the earnings response coefficient. In addition, the researchers can add other independent variables besides the sustainability reports that may affect ERC, so they can give better results.

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