

THE IMPACT OF ACCOUNTING STANDARDS AND CSR SUSTAINABILITY REPORTING ON FIRM VALUE

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Abstract: *This study aims to examine the impact of accounting standards and CSR sustainability reporting on firm value in term of Southwest Asia firms. Specifically, CSR sustainability reporting is considered as the moderating factor to the nexus between accounting standards and firm value. The data of 4,786 Southwest Asia firms was downloaded from Refinitiv Eikon, and the final sample for quantitative research being 1,873 firms in the 2019-2023 periods. Finally, the Maximum likelihood structural equation modelling has been employed to test the hypotheses. The result has indicated that high-quality accounting standards (e.g., IFRS) has a significant impact on firm value. And the CSR sustainability reporting has a significant moderating impact on the nexus between accounting standards and firm value. These findings benefit to improving the literature of high quality accounting standards, CSR sustainability reporting, and firm value.*

• Keywords: *accounting standards, csr sustainability reporting, firm value, southwest asia firms.*

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1. Introduction

The interplay between accounting standards, CSR sustainability reporting, and firm value presents a complex research challenge. While studies have examined the individual impacts of these factors (e.g., Gao et al., 2019; Qian et al., 2020), their interconnectedness remains poorly understood. Traditional accounting research often neglects the rising importance of non-financial metrics (Rutherford, 2020), focusing primarily on financial indicators of firm value. Consequently, the nuanced relationship between accounting standards and CSR reporting remains largely unexplored. This research gap necessitates investigating how high-quality accounting standards, like IFRS, interact with CSR reporting practices, moving beyond simplistic correlations between general frameworks and firm value.

CSR sustainability reporting, while promising, faces research challenges. Studies struggle to link CSR initiatives with financial performance due to subjective non-financial data (e.g., Rahi et al., 2024). Varying regulatory frameworks, from mandatory to voluntary disclosures (e.g., Hassan et al., 2023), further complicate assessing CSR reporting's impact on firm value. Understanding these institutional influences on reporting quality and credibility is crucial for effective policy. Investor expectations, particularly with the rise of socially responsible investing, also play a key role (Perera, 2024).

A key research gap lies in understanding the interplay between accounting standards and CSR

sustainability reporting. While studies examine their individual effects on firm value (e.g., Qian et al., 2020), their synergistic impact remains largely unexplored. How accounting standards influence CSR reporting quality and credibility, shaping investor perceptions and firm value, is a complex, unanswered question. This necessitates comprehensive research integrating accounting, finance, and sustainability perspectives (Sindhu et al., 2024). By embracing a holistic view acknowledging both financial and non-financial metrics, we can move beyond simplistic firm value understandings toward a more sustainable and responsible business ecosystem.

Analyzing 1,873 ASEAN-5 firms from 2019-2023, this research finds that both accounting standards and CSR reporting positively impact firm value. CSR reporting significantly moderates the relationship between accounting standards and firm value. This nuanced understanding benefits practitioners, policymakers, and investors seeking to promote responsible business practices and sustainable value creation.

2. Theoretical foundations

2.1. Related theory

Institutional theory explains accounting standards' impact on firm value. Organizations face institutional pressures from regulators and industry bodies (Schiavi et al., 2024). Accounting standards, as formalized rules, shape organizational behavior and legitimacy. Adhering to high-quality standards signals trustworthiness and transparency, boosting investor confidence and firm

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value (Gao et al., 2019; Minh et al., 2023), especially under information asymmetry. However, a balanced approach considering both institutional pressures and internal factors is crucial for sustainable value creation.

Resource-based view (RBV) theory suggests CSR reporting moderates the relationship between accounting standards and firm value. While high-quality accounting standards benefit firm value through transparency and investor confidence, strong CSR commitment amplifies this (Breuer et al., 2024). Robust CSR reporting demonstrates a commitment beyond financial performance (Rahi et al., 2024), acting as a valuable resource that strengthens the link between accounting standards and firm value, creating a more sustainable foundation for long-term growth.

2.2. Hypotheses

High-quality accounting standards, marked by transparency and comparability, enhance firm value by reducing information asymmetry and boosting investor confidence (Gao et al., 2019). These standards ensure trustworthiness and accountability, fostering a level playing field (Minh et al., 2023). Adherence signals commitment to ethical practices, attracting responsible investors. However, meeting these standards can strain resources (Hou et al., 2024), and a focus on compliance may overshadow genuine commitment to sustainability, potentially leading to a superficial “tick-box” approach. Based on this, the study tests the following hypothesis:

H1. High-quality accounting standards have a positive and significant impact on firm value.

High-quality accounting standards, characterized by transparency and reliability, are a key institutional force shaping organizational behavior and enhancing legitimacy (Minh et al., 2023). Robust CSR practices and transparent reporting demonstrate a commitment beyond financial performance, aligning with societal and investor expectations (Sindhu et al., 2024). While high-quality accounting enhances firm value by boosting investor confidence and reducing information asymmetry, CSR reporting mediates this relationship, amplifying the positive impact. Demonstrating ethical and sustainable practices communicates a broader value proposition, resonating with values-driven investors (Makau, 2024). This enhances firm reputation and brand image, attracting responsible investments. Strong CSR reporting also signals commitment to long-term value creation and mitigating risks associated with negative externalities (Ftiti et al., 2024). This enhanced trust mediates the positive impact of accounting standards on firm value, ultimately leading to greater overall value creation. This leads to the following hypothesis:

H2. CSR sustainability reporting has a mediating effect on the relationship between high-quality accounting standards and firm value.

RBV theory posits that firms gain a competitive edge through deploying unique resources and capabilities. Demonstrating commitment to ethical and sustainable practices signals prioritization of long-term value creation beyond financial performance (Sindhu et al., 2024). Robust CSR reporting enhances reputation and brand image, increasing customer loyalty and attracting talent (Ftiti et al., 2024). These positive externalities can mitigate the impact of minor deviations from accounting standards, as investors perceive a focus on ethical conduct. CSR reporting moderates the relationship between accounting standards and firm value, creating a synergistic effect for sustainable value creation. This suggests firms with strong CSR reporting may experience higher perceived value, even with standard accounting practices, particularly relevant in today’s socially conscious investment landscape (Thomas et al., 2024). The following hypothesis is proposed:

H3. CSR sustainability reporting fosters a positive relationship between high-quality accounting standards and firm value.

3. Research method

To assess the influence on Southeast Asian economies, five developing ASEAN nations with the highest GDPs were selected. Using a 2019-2023 dataset, 4,786 firm data points were extracted from Refinitiv Eikon, resulting in a final sample of 1,873 firms with complete data from Thomson Reuters Eikon Datastream. Firm value (FV) was measured as market capitalization plus total debt divided by total assets (e.g., Fedorova et al., 2023). High-quality accounting standards (FAS) were measured using a binary scale: 1 for IFRS adoption, 0 otherwise (e.g., Minh et al., 2023). CSR reporting (CSR) also employed a binary scale: 1 for reporting firms, 0 otherwise (e.g., Al-Shaar & Zaman, 2016). Control variables included firm size (SIZE, the natural logarithm of total assets), leverage (LEV, total debt to total assets), sales growth (GROW, year-over-year sales change), and sector (SECT, encoded from 11 GISC sectors).

The hypotheses were examined by the model (1) using the ML-SEM as follows:

$$FV_{it} = \beta_0 + \beta_1 FAS_{it} + \beta_2 CSR_{it} + \beta_3 FAS_{it} * CSR_{it} + \beta_4 SIZE_{it} + \beta_5 LEV_{it} + \beta_6 GROW_{it} + \beta_8 SECT_{it} + \varepsilon_{it} \quad (1)$$

Where: i represented to the company, and t represented to the year. The quantitative data processing stages encompassed: (1) unit root test and endogeneity checks; (2) assessing model shortcomings; (3) ML-SEM evaluating; and (4) robust test.

4. Research results and discussion

The first table reveals that across all countries, firm value has been relatively high, with a mean of 4.62 and a standard deviation of 1.82. Notably, the Philippines exhibit the highest average firm value (5.35), while

Vietnam has the lowest (3.46). In term of FAS, Malaysia and Thailand, which have adopted IFRS, have a notably higher average FAS score (0.98 and 1.00 respectively) compared to other countries. While all countries exhibit relatively low average CSR scores, Malaysia stands out with the highest score (0.23), implying a greater emphasis on CSR reporting among Malaysian firms.

Table 1: Descriptive summary

	Indonesia	Malaysia	Philippines	Thailand	Vietnam	Total	
Firms	438	603	161	579	92	1,873	
Observations	2,190	3,015	805	2,895	460	9,365	
FV	Mean	4.77	4.39	5.35	4.72	3.46	4.62
	SD	1.89	1.70	1.90	1.71	2.09	1.82
FAS	Mean	0.09	0.98	0.12	1.00	0.00	0.64
	SD	0.10	0.15	0.33	0.00	0.00	0.48
CSR	Mean	0.10	0.23	0.15	0.17	0.03	0.16
	SD	0.30	0.42	0.36	0.38	0.16	0.37
SIZE	Mean	5.35	5.05	6.18	5.23	4.19	5.23
	SD	1.66	1.60	1.92	1.60	1.68	1.69
LEV	Mean	0.30	0.21	0.26	0.30	0.27	0.26
	SD	0.33	0.17	0.18	0.21	0.18	0.23
GROW	Mean	0.13	0.09	0.79	0.21	0.35	0.21
	SD	0.95	1.08	17.47	2.87	3.88	5.49
SECT	Mean	4.98	5.17	6.19	5.51	5.23	5.32
	SD	3.11	3.11	3.41	3.21	3.55	3.21

Rigorous data analysis employed both LLC (appropriate for balanced panels with N/T approaching zero) and time series fixed effects approaches. These methods, applied to firm value (FV), confirmed data stationarity, essential for valid time series analysis. The absence of autocorrelation was validated by a Prob>F value exceeding 0.05 for FV. Similarly, Prob> $\chi^2 > 0.05$ for FV indicated no heteroscedasticity, ensuring consistent data variability. VIF coefficients below 5 and tolerance coefficients above 0.2 confirmed minimal multicollinearity among exogenous variables. Beta coefficients below 0.8 further demonstrated variable independence, strengthening the reliability of the research findings.

Table 2: Summary of hypotheses test

Hypothesis		Model (1)	
		beta	p-value (z-value)
H_1	FAS → FV	0.0354	0.000 (3.39)
H_2	FAS → CSR → FV	0.0723	0.000 (8.66)
H_3	FAS*CSR → FV	-0.1458	0.025 (-2.23)
	SIZE → FV	0.8396	0.000 (11.79)
	LEV → FV	-1.1006	0.000 (-23.87)
	GROW → FV	-0.0003	0.864 (-0.17)
	SECT → FV	0.0002	0.948 (0.07)
	$\chi^2(9)$ (Prob> χ^2)		0.156
	SRMR		0.019
	RMSEA		0.076
	CFI		0.991
	TLI		0.984

The results in Table 2 have demonstrated strong support for H_1 and H_2 , with significant positive coefficients for the direct ($\beta = 0.0354$, $p < 0.001$) and indirect ($\beta = 0.0723$, $p < 0.001$) effects of FAS on FV. Nevertheless, H_3 has revealed a negative and significant interaction effect ($\beta = -0.1458$, $p < 0.025$). While the direct and mediating effects of FAS on FV are positive, the moderating effect of CSR suggests potential complexities in the joint impact of these components. The model's robust fit, indicated by a high CFI (0.991)

and TLI (0.984), as well as a low RMSEA (0.076), adds confidence to the findings. The significant coefficients for firm size and leverage suggest their substantial influence on firm value in the context of ASEAN-5 nations.

Table 3: Summary of hypotheses test by sector

Nexus	Final sample		Environmentally sensitive sectors		Non-environmentally sensitive sectors	
	beta	p-value	beta	p-value	beta	p-value
H_1 : FAS → FV	0.0354	0.000	0.0840	0.000	0.1135	0.007
H_2 : FAS → CSR → FV	0.0723	0.000	0.0715	0.000	0.0684	0.000
H_3 : FAS*CSR → FV	-0.1458	0.025	-0.1722	0.034	-0.2119	0.036

The third table highlights a significant positive association between FAS and FV in both environmentally sensitive and non-environmentally sensitive sectors, with the effect being more pronounced in non-environmentally sensitive firms (the firm do not belong to an activity sector relates to environmental problems). The positive effect of FAS on FV is mediated by CSR, indicating that the adoption of robust financial reporting practices enhances firm value through increased transparency and accountability in sustainability practices. In term of H_3 , both environmentally sensitive and non-sensitive firms exhibit a negative interaction effect, suggesting a diminishing marginal return on combined financial and sustainability reporting.

Table 4: Summary of hypotheses test by IFRS adopted

Nexus	Final sample		IFRS adopted		GAAP adopted	
	beta	p-value	beta	p-value	beta	p-value
H_1 : FAS → FV	0.0354	0.000	0.1624	0.000	-0.1332	0.591
H_2 : FAS → CSR → FV	0.0723	0.000	0.0266	0.071	-0.0512	0.181
H_3 : FAS*CSR → FV	-0.1458	0.025	-0.3092	0.001	-	-

According to Table 4, the H_1 hypothesis, which assesses the direct impact of FAS on FV, reveals a significantly favorable nexus for IFRS adopters ($\beta = 0.1624$, p -value = 0.000). In contrast, for GAAP adopters, this nexus is not statistically significant ($\beta = -0.1332$, p -value = 0.591). Secondly, while both IFRS and GAAP adopters demonstrate a positive association between CSR and FV (betas of 0.0266 and -0.0512 respectively), the magnitude and significance differ significantly. IFRS adopters indicate a weaker yet still statistically significant relationship (p -value = 0.071), implying that the influence of FAS on FV is mediated by CSR. For GAAP adopters, the relationship is non-significant (p -value = 0.181), indicating that CSR alone does not significantly mediates the nexus within a GAAP framework. These findings suggest that IFRS adoption might promote a stronger linkage between FAS and FV, possibly through the mediating role of CSR.

4.3. Robustness test

According to Table 5, the direct relationship between FAS and FV is consistent for both high and low FV firms, with statistically significant positive beta values. This suggests that high-quality accounting standards (e.g., IFRS adoption) positively influence FV regardless of the firm's existing value. Nevertheless,

while the positive impact of FAS on FV through CSRD is statistically significant for high FV firms, with a substantial beta of 0.1655, it becomes considerably weaker and marginally significant for low FV firms. This suggests that high FV firms leverage CSRD to enhance the positive effect of FAS on their value, potentially demonstrating a stronger commitment to transparency and sustainability. Conversely, low FV firms may not see the same benefit, possibly due to a weaker existing value base or limited resources to invest in robust CSRD practices. Furthermore, the moderating effect of CSRD on FAS-FV nexus, captured by H_3 , reveals a critical difference between the groups. High FV firms exhibit a statistically significant negative moderating effect, indicating a negative relationship between FAS and CSRD in predicting FV. This finding points to a possible diminishing effect of CSRD on FV when combined with robust FAS practices for high FV firms.

Table 5: Findings for different FV of firms

Nexus	High FV		Low FV	
	beta	p-value	beta	p-value
$H_1: FAS \rightarrow FV$	0.1712	0.000	0.2003	0.000
$H_2: FAS \rightarrow CSR \rightarrow FV$	0.1655	0.000	0.0301	0.070
$H_3: FAS * CSR \rightarrow FV$	-0.3084	0.000	-0.2510	0.343

Conclusion

In light of the RBV and institutional theory, this paper specifies the impact of FAS and CSRD on FV in the circumstances of ASEAN-5 firms, as well as the moderation role played by CSRD. The ML-SEM approach has been employed on the pattern of 1,873 listed firms in the ASEAN-5 for the interval 2019 to 2023. The results of the paper could be recapitulated as follows: (1) a strong positive nexus between high-quality accounting standards and FV; (2) the significant mediating effect of CSRD on the FAS-FV nexus; (4) the moderating influence of CSRD on the FAS-FV nexus.

In term of theoretical implications, the mediating role of CSR reporting suggests that the link between high-quality accounting standards and firm value may be explained by information conveyed through CSR, challenging the traditional view of accounting standards solely as mechanisms for financial transparency. Secondly, the moderating effect implies that the relationship's strength depends on CSR reporting levels, highlighting its potential as a complement or substitute for financial reporting. Robust CSR reinforces the positive impact of high-quality accounting, while weak CSR dilutes it. This suggests the effectiveness of accounting standards in driving firm value depends on CSR reporting quality, emphasizing a holistic approach encompassing both financial and sustainability aspects. Further research could explore optimal CSR reporting levels, stakeholder influence on disclosure, and regulatory impacts on the interplay between CSR, accounting, and firm value.

In term of practical implications, firms can leverage the positive link between high-quality accounting and firm

value by enhancing transparency, building stakeholder trust, and attracting sustainability-focused investors. Furthermore, strategic CSR reporting can mitigate risks associated with negative environmental or social impacts, protecting reputation and financial performance. Investors benefit from understanding CSR's mediating and moderating effects, gaining a more holistic view of a company's long-term sustainability by considering both financial and CSR disclosures. Policymakers can use these findings to develop regulations encouraging responsible corporate behavior and enhancing investor confidence. Promoting CSR integration into accounting standards incentivizes comprehensive sustainability disclosures. Exploring standardized CSR frameworks could enhance comparability and reliability, enabling more informed investment decisions.

The study utilizing ASEAN-5 firms provides valuable insights into the mediating and moderating impact of CSR sustainability reporting, but it is important to acknowledge certain limitations. The sample, restricted to ASEAN-5 firms, may not be fully generalizable to other regions or industries, potentially limiting the extent to which findings can be extrapolated. Additionally, the focus on firm value as a proxy for performance might overlook other relevant measures such as social and environmental impacts. Moreover, the study focuses on a snapshot in time and does not capture the dynamic evolution of CSR reporting practices and their impact on firm value over time. Future research could address these limitations by expanding the sample size to encompass a broader range of firms and regions, exploring alternative data sources, incorporating a broader set of performance metrics, and adopting a longitudinal approach to capture the evolving relationship between CSR, accounting standards, and firm value.

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