

## INTEGRATED REPORTING DISCLOSURE QUALITY: EVIDENCE FROM EMERGING ASIAN BANKING



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### Abstract

Integrated Reporting (IR) integrates financial and non-financial information to enhance accountability and sustainable value creation. In Emerging Asia, however, IR is mostly voluntary, which results in inconsistent and low-quality practices. This study examined the determinants of Integrated Reporting Disclosure Quality (IRDQ) across 76 publicly listed banks in Indonesia, Malaysia, India, China, Vietnam, Thailand, and the Philippines from 2020 to 2023. Using panel data regression, it assessed the effects of ESG disclosure, board independence, leverage, and firm size on IRDQ. The findings revealed that ESG disclosure had a significant positive effect on IRDQ, suggesting that greater ESG transparency enhanced disclosure quality. Conversely, board independence, leverage, and firm size were not significantly associated with IRDQ. Given the voluntary nature of IR in Emerging Asian banking, the results underscore the importance of institutionalising ESG frameworks. This study provides policy and managerial implications for fostering credible and sustainable reporting in regional banking firms.

## INTRODUCTION

Asia, the world's largest socio-geographic region, is marked by diverse economic dynamics (Asia Fund Managers, 2024). Within this landscape, the Emerging Asia group—comprising Indonesia, China, Malaysia, Thailand, Vietnam, the Philippines, and India—has demonstrated consistent and robust economic growth, with projections indicating that it would soon outpace advanced economies (Beattie, 2022; International Monetary Fund, 2024). This economic momentum intensified demands for greater

transparency and accountability in corporate reporting. In response, Integrated Reporting (IR) emerged as a strategic framework that consolidated financial and non-financial performance into a cohesive narrative (Hapsari & Khairunnisa, 2023).

Integrated Reporting (IR) is generally viewed as an advancement in corporate reporting, aimed at enhancing the execution of sustainable strategies through integrated thinking while highlighting the essential elements of a company's value-creation process (Hapsari et al., 2019; Songini et al., 2020). Although widely promoted as an innovation in corporate disclosure, the implementation of IR across Asia remained limited and largely voluntary. Adoption rates in the region stood at only 4%, far behind Europe's 43% (Permatasari & Tjahjadi, 2024). Regulatory inconsistencies, the absence of binding mandates, and weaker institutional pressures constrained the quality and consistency of Integrated Reporting Disclosure Quality (IRDQ). Furthermore, most prior research focused on European contexts, leaving a substantial empirical gap in understanding how IRDQ functions within voluntary regimes such as those in Emerging Asia.

This study sought to address that gap by examining Integrated Reporting Disclosure Quality (IRDQ) among publicly listed banking firms across seven Emerging Asian countries, characterised by various voluntary IR systems. These jurisdictions, lacking uniform IR mandates and featuring diverse governance structures, provided an ideal context for exploring IRDQ under non-coercive compliance. The initial sectoral focus was motivated by evidence from European contexts, where financial services represented the most frequent adopters of IR, accounting for 18% of reporting firms (Baret et al., 2023). This raised the question of whether a similar pattern existed in Emerging Asia, where institutional and regulatory conditions differed substantially. As financial intermediaries, banks are particularly exposed to external shocks and reputational risks, which makes the quality of their corporate reporting crucial for maintaining stakeholder trust and ensuring long-term resilience (Bwando & Kachkar, 2024).

Adopting the voluntary Integrated Reporting (IR) framework provided companies with flexibility in performance disclosure, but it also challenged the quality of such disclosure. Its significance lay in integrating insights on sustainability, governance, performance metrics, and future projections, thereby highlighting the company's value-creation process (Songini et al., 2021). However, a report published by ACCA Global (2020), in collaboration with the IIRC, revealed that the quality of Integrated Reporting globally showed stagnation, with no significant progress over the past four years. Despite a growing number of companies asserting adherence to the IR Framework, the actual quality of reports often prioritizes formatting over the delivery of meaningful content essential for strategic decision-making (Baret et al., 2023).

According to Songini et al. (2020), the challenges related to the quality of Integrated Reporting, along with its influencing factors, were of greater significance than merely the volume of the report. This research focused on banking companies in Emerging Asia because, amid global challenges, these firms continued to take progressive steps in implementing IR. These efforts functioned not only as external communication tools but also as internal change agents that drove transformation (Baret et al., 2023). The banking subsector was essential for a country's economic growth and financial management, making it a key pillar of sustainable development (Vitolla et al., 2020). Consequently, the implementation of IR within banking institutions held considerable significance, as it provided a comprehensive overview of a company's values, opportunities, and impacts by integrating both financial and non-financial dimensions (World Economic Forum, 2022). Additionally, the adoption of IR in banking firms enhanced corporate reporting by focusing on essential elements that contributed to the creation of long-term value (IIRC, 2021).

Prior studies on Integrated Reporting Disclosure Quality (IRDQ) predominantly focused on mandatory contexts, particularly in Europe, which resulted in a limited understanding of how IRDQ operated in voluntary regimes such as those in Emerging Asia. Emphasized that in Asia, IR quality—measured by structure, assurance, and reliability significantly affected firm value, even during crisis periods like COVID-19. Sobhan & Mia (2024) observed persistent inconsistencies in IR assurance, stakeholder inclusivity, and strategic orientation across South Asian firms, thereby highlighting the need for more contextualised, sector-specific research. Importantly, the IASB began to acknowledge the need

for greater legitimacy and adaptability in reporting standards by incorporating public interest considerations and practical expedients (Moscariello & Pizzo, 2022).

This study used Agency Theory as its theoretical base. Agency Theory defined the association between the principal and the agent, where the principal authorised the agent to make decisions (Jensen & Meckling, 1976). According to Hichri (2022), IR helped reduce conflicts of interest by providing principals with access to a broader range of financial and non-financial information about the company, thereby enhancing the transparency and accountability of management. Moreover, Mock et al. (2021) stated that IR was essential for mitigating information asymmetry between principal and agent. This aligned with the findings of García-Sánchez & Noguera-Gámez (2017), which suggested that companies disclosing integrated information provided more relevant details to external parties, leading to superior decision-making.

This theoretical perspective established a conceptual framework for the study, linking firm-level characteristics—such as ESG disclosure, board independence, leverage, and firm size—with Integrated Reporting Disclosure Quality (IRDQ). ESG transparency was expected to reduce information asymmetry and enhance stakeholder confidence (Abdelmoneim & El-Deeb, 2024), while board independence and financial leverage showed mixed empirical results in prior studies. Firm size, often associated with resource availability and stakeholder scrutiny, was also hypothesised to influence the comprehensiveness of integrated reports (Vitolla et al., 2020).

The logical structure of this research began with the identification of the problem, namely the lack of consistent and high-quality Integrated Reporting (IR) in Emerging Asia, where reporting was largely voluntary. Agency Theory was adopted to explain how the disclosure behaviour of banks might be influenced by the need to reduce agency costs and align with stakeholder expectations. Accordingly, the key research question addressed in this study was: To what extent do ESG disclosure, firm-level governance, and financial characteristics affect Integrated Reporting Disclosure Quality (IRDQ) among publicly listed banking firms in Emerging Asia?

Environmental, Social, and Governance (ESG) was often associated with Corporate Social Responsibility (CSR) as part of a firm's sustainability strategy (Jeanice & Kim, 2023), and its implementation aims to enhance long-term value and operational sustainability (Muhmad et al., 2021). Companies are increasingly influenced by external environmental, economic, and political pressures, highlighting the relevance of the “people, planet, profit” approach (Sukmadilaga et al., 2023). Companies that do not carry out their social and environmental responsibilities to develop a sustainable economy, and those who have proven to have committed violations, will be subject to sanctions (Cahyaningsih & Lestari, 2021). Thus, that neglect ESG practices risks damaging their reputation and raising doubts about long-term sustainability (Dillak & Hapsari, 2024). ESG has also become a key factor in investment decisions and corporate strategy (Indonesia Stock Exchange, 2024; Peterdy, 2024), with ESG scores now used to assess firm responsibility and performance (Friede et al., 2015). However, ESG reporting is mostly voluntary, leading to score disparities between firms (Clément et al., 2023; Tom & Alexandra, 2024). Higher ESG performance is linked to improved IRDQ (Abdelmoneim & El-Deeb, 2024). Kalia & Aggarwal (2023) support this, noting that positive ESG impacts on corporate performance motivate boards to improve sustainability efforts.

Board independence reflected the proportion of independent directors and was essential for monitoring and reducing agency problems (Dragomir & Dumitru, 2023; Pavlopoulos et al., 2019). Independent boards prioritized stakeholder interests and improved transparency (Ding et al., 2024; Raimo et al., 2020). Empirical studies supported a positive link between board independence and Integrated Reporting Disclosure Quality (IRDQ), particularly in firms with strong social responsibility (Chouaibi et al., 2022; Vitolla et al., 2019a). However, some research argued that independence was often symbolic, with directors lacking active engagement (Cooray et al., 2020; Theresia & Rusmanto, 2024). Thus, IRDQ was believed to benefit greatly from an independent board.

Leverage indicates a firm's reliance on debt financing, commonly measured by Debt-to-Equity Ratio (Hutabarat et al., 2023; Senan et al., 2021). High leverage can increase external scrutiny, motivating firms to improve disclosure quality (Amosh et al., 2022). Several studies report a positive association between leverage and IRDQ (Qaderi et al., 2022; Vitolla et al., 2020), while others suggest

high debt levels may reduce transparency due to competitive concerns (Dilling & Caykoylu, 2019). Conversely, some findings show no significant relationship between leverage and IRDQ (Pillai & Seetah, 2022; Songini et al., 2021).

Firm size, typically measured by the logarithm of total assets, reflected a company's capacity to disclose comprehensive information (Omran et al., 2020). Agency Theory suggested a positive link between firm size and Integrated Reporting Disclosure Quality (IRDQ) (Baret et al., 2023). Firm size was also commonly associated with greater stability and resilience in the banking sector (Muslih & Meynisa, 2024) because larger firms were more visible, faced greater stakeholder pressure, and often allocated more resources to reporting quality Roman et al. (2019; Vitolla et al., 2020). However, some large institutions limited disclosure to avoid regulatory exposure, as doing so could increase their visibility to the public and government, which they might seek to avoid to evade political repercussions (Pillai & Seetah, 2022).

Employing panel regression analysis over the 2020–2023 period, this research contributed to the theoretical and empirical literature on Integrated Reporting (IR) by providing novel evidence from underexplored markets. It also offered practical implications for regulators and corporate decision-makers who sought to strengthen reporting quality in Asia's dynamic financial landscape. Ultimately, this study expanded the global discourse on IR by shifting attention toward voluntary disclosure environments and the institutional heterogeneity of Emerging Asia.

In light of the preceding discussion, this study advances four hypotheses: H1: ESG disclosure has a significant positive effect on IRDQ, H2: board independence has a significant positive effect on IRDQ, H3: leverage has a significant positive effect on IRDQ, and H4: firm size has a significant positive effect on IRDQ (Figure 1).

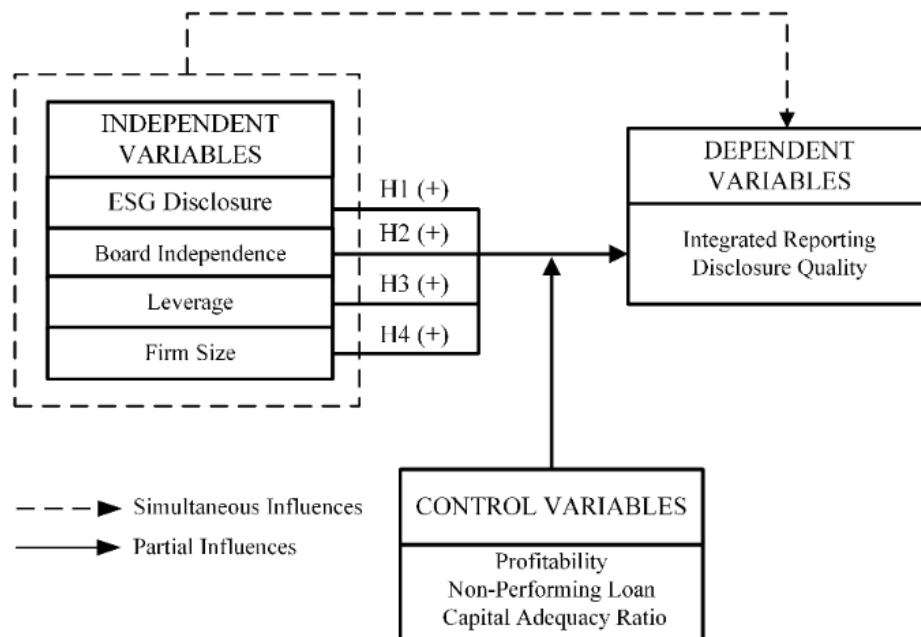


Figure 1. Conceptual Framework

## METHOD

This study employs secondary data obtained from previously collected sources (Pandoyo & Sofyan, 2018). The dataset comprises information from Bloomberg terminals, Refinitiv, annual reports, and sustainability reports, accessed through the official websites of the respective companies. A non-probability sampling approach was applied, specifically purposive sampling, to select firms that met the research criteria (Sugiyono, 2013). The population was identified using Bloomberg terminal data,

covering 196 publicly listed banks, consisting of 46 from Indonesia, 31 from China, 48 from India, 11 from Malaysia, 21 from the Philippines, 12 from Thailand, and 27 from Vietnam.

To operationalise the concept of “consistent ESG performance,” a technical threshold was established, requiring the availability of ESG score data from both Bloomberg and Refinitiv for four consecutive years within the study period (2020–2023). Applying this consistency filter resulted in the exclusion of 116 banks due to incomplete ESG data and 4 banks owing to the absence of publicly available sustainability or annual reports. The final sample comprises 76 banks, yielding 304 firm-year observations. Panel data regression analysis was then conducted, with EViews 12 used as the primary analytical tool and Python employed for supplementary data processing (Table 1).

Table 1. Criteria of the Sample Selection

Sample Criteria	Total
Publicly listed banking companies in Emerging Asia during the period 2020-2023.	196
Publicly listed banking companies in Emerging Asia that did not consistently publish annual reports and sustainability reports during the 2020-2023 period.	(4)
Publicly listed banking companies in Emerging Asia that do not have Consistent ESG performance during the 2020-2023 period.	(116)
Total number of samples that match the criteria	76
The amount of research data	304

Table 2. Statistical Strength Test  
Post-Hoc Power Analysis

Number of Observations	76
Number of Predictors	4
Alpha ( $\alpha$ )	0.05
Effect Size ( $f^2$ from $R^2$ )	0.5385
Cohen's $f$ (square root)	0.7338
Power Achieved ( $1-\beta$ err prob)	1.0000

A post-hoc power test was also conducted to justify the adequacy of the sample size. As presented in Table 2, the analysis was performed manually based on the F distribution, using 76 observations, four predictors, and a coefficient of determination ( $R^2$ ) value of 0.35. The results indicate a statistical power of 1.0000, suggesting that the model possesses more than sufficient power to detect significant effects of the predictors at the 5% significance level.

The consequence of an independent variable influencing a dependent variable is reflected in the outcome of the dependent variable (Creswell & Creswell, 2023). In this study, the dependent variable is IRDQ. As summarized in Table 3, the independent variables include ESG disclosure, board independence, leverage, and firm size, which are expected to influence IRDQ. To strengthen the regression model, control variables were incorporated to account for potential confounding effects. These controls help ensure that the observed influence of independent variables on the dependent variable is not biased by external factors outside the scope of the study (Sugiyono, 2013). Specifically, the control variables consist of Return on Assets (ROA) as a measure of profitability, Capital Adequacy Ratio (CAR) to capture a bank's capital strength, and the Non-Performing Loan Ratio (NPL) as a proxy for asset quality and credit risk.



Table 3. Measurement of the Variables

Variables	Measurement	References
<b>Dependent Variable</b>		
Integrated Reporting Disclosure Quality (IRDQ)	<i>Total IR Elements in the Annual Report</i> <i>Maximum Score of the IRS (75)</i>	Pistoni et al. (2018); Vitolla et al. (2019b); Songini et al. (2021)
<b>Independent Variables</b>		
ESG Disclosure (ESG)	Bloomberg and Refinitiv ESG Score	Adhi and Cahyonowati (2023); Abdelmoneim and El-Deeb (2024)
Board Independence (BIN)	<i>Independent Non – executive Director</i> <i>Total Board of Directors</i>	Pavlopoulos et al. (2019); Erin and Adegboye (2022); Theresia and Rusmanto (2024)
Leverage (LEV)	$DER = \frac{\text{Total Liabilities}}{\text{Total Equity}}$	Vitolla et al. (2020); Pillai and Seetah (2022); Agustia et al. (2023)
Firm Size (SIZE)	Ln(total assets)	Omran et al. (2020); Pratama et al. (2021); Shahria (2023)
<b>Control Variables</b>		
Profitability (PROF)	$ROA = \frac{\text{Net Income}}{\text{Total Assets}}$	Sriani and Agustia (2020); Yanto and Hajawiyah (2022)
Non-Performing Loan (NPL)	$\frac{\text{Non-performing Loans}}{\text{Total Loans}}$	Khamisah et al. (2020)
Capital Adequacy Ratio (CAR)	$\frac{\text{Tier 1 Capital} + \text{Tier 2 Capital}}{\text{Risk Weighted Assets}}$	Chaerunisak et al. (2019)

The dependent variable, IRDQ, was measured using the Integrated Reporting Scoreboard (IRS) developed by Pistoni et al. (2018). This approach involved assessing the extent to which firms' reports complied with the IIRC Framework and Integrated Reporting (IR) guidelines through manual content analysis. To enhance reliability, a pilot test was first conducted on five randomly selected integrated annual reports from the sample. Insights from this pilot phase were used to refine the scoring rubric, thereby reducing subjectivity in interpretation. The finalized rubric was then applied consistently across the entire dataset, with procedural reliability ensured through strict adherence to the predefined scoring criteria.

Table 4 provides a detailed overview of the components used to evaluate IRDQ. For the Background, Assurance, and Reliability sections, a score of 0 is assigned if an item is absent, while a score of 1 is assigned if the item is present in the integrated report. The maximum attainable score for the Background section is 7, and for the Assurance and Reliability section, it is 3. In contrast, the Content section is evaluated more extensively, with each of the ten variables rated on a scale ranging from 0 (no disclosure) to 5 (very high-quality disclosure).

According to the criteria outlined in Table 5, the evaluation of the Content section assesses the clarity of topic presentation, the completeness of descriptions, and adherence to the guiding principles of IR. The maximum score attainable in this section is 50. Table 6 presents the Form section, in which each of the three elements is evaluated on a scale from 0 to 5. Accordingly, the maximum possible score for the Form section is 15.

Table 4. Attributes of IRDQ Assessment

IRS Area	IRS Variables
Background	<ol style="list-style-type: none"> <li>1. Motivations underlying the choice of adopting IR</li> <li>2. Objectives pursued by the IR</li> <li>3. Beneficiaries of the document</li> <li>4. Manager in charge of the IR process</li> <li>5. CEO's commitment</li> <li>6. Title of the report</li> <li>7. Consistency of IR with generally applied disclosure standards</li> </ol>

IRS Area	IRS Variables
Assurance and Reliability	<ol style="list-style-type: none"> <li>1. Internal Audit</li> <li>2. Third-party verification</li> <li>3. Acknowledgements and awards for IR</li> </ol>
Content	<ol style="list-style-type: none"> <li>1. Organizational overview &amp; external environment</li> <li>2. Business model</li> <li>3. Risks &amp; opportunities</li> <li>4. Strategy &amp; resource allocation</li> <li>5. Governance</li> <li>6. Performance</li> <li>7. Outlook</li> <li>8. Basis of presentation</li> <li>9. Capitals</li> <li>10. Value creation process</li> </ol>
Form	<ol style="list-style-type: none"> <li>1. Readability and clarity</li> <li>2. Conciseness</li> <li>3. Accessibility</li> </ol>

Source: Pistoni et al. (2018)

Table 5. Content Area Scoring Scheme

Score	Description
0	Missing element of content.
1	There is a content element, but it is not very clear, and the IR ideas are seldom mentioned.
2	Content element present; description based on quantitative data and a few IR principles.
3	Included content element; delivers resources in a balanced way; offers an average information value based on IR guiding concepts.
4	There is content; it is nicely explained; numerous IR guiding ideas were considered.
5	There is content; it is nicely explained; numerous IR guiding ideas were considered.

Source: Pistoni et al. (2018)

Table 6. Form Area Scoring Scheme

Score	Readability and clarity of the document	Conciseness	Accessibility of the Document
0	The report lacks clarity due to the absence of elements that would aid in the reading and understanding of the document, such as graphs, tables, and other visual aids.	Not applicable	Not relevant
1	The description is primarily qualitative, with limited use of graphs and tables that lack coherence; there is no index, glossary, or table of abbreviations included in the document.	More than 200 pages	Only a hard copy document
2	Sufficient inclusion of charts and tables; index containing minimal details	From 151 to 200 pages	The report is exclusively accessible on the company's website in PDF format.
3	The graphs and tables of the paper help one to grasp it; they achieve a balance between the narrative flow and the graphs and tables, and by referring to other parts of the document, one avoids information repetition.	From 101 to 150 pages	The report can be accessed on the firm's website, not solely in PDF format; the content is available directly through the website.
4	The use of tables and graphs is excellent; linkages to other sources, the company's website, or other papers; a specified index with hyperlinks.	From 51 to 100 pages	The report is accessible online through the company's website, facilitated by a highly interactive platform.
5	Very good layout; index, graphs, and tables clearly align with the narrative qualitative flow.	Up to 50 pages	The report is easy to use and lets users choose which issues should be included in a tailored report. It comes with an interactive web platform, and you may access it on LinkedIn, Twitter, or Facebook.

Source: Pistoni et al. (2018)

## RESULTS

Table 7. Descriptive Statistics

Variable	Obs	Mean	Max	Min	Std. dev.
IRDQ	304	0.406316	0.830000	0.200000	0.177904
ESG	304	4822.109	8680.000	1787.000	1257.779
BIN	304	0.382599	0.910000	0.000000	0.240577
LEV	304	10.17947	19.66000	1.160000	4.074160
SIZE	304	3381.507	3968.000	2730.000	224.9243
PROF	304	1.371743	10.85000	-11.27000	1.506355
NPL	304	1.162303	6.999000	0.000000	1.216655
CAR	304	1924.606	9138.000	19.14000	1071.041

According to Table 7, the mean IRDQ value is 0.4063, suggesting a moderate level of integrated reporting disclosure quality among the sampled firms. When examined across the study period, the IRDQ scores appear relatively stable, though a slight upward trend is observed during the pandemic years (2020–2021), with average values of 0.3831 and 0.3775, respectively. This trend may indicate shifts in corporate disclosure practices driven by heightened stakeholder concerns during the COVID-19 crisis.

Regarding ESG disclosure (ESG), the mean score is 4822.109, reflecting a relatively strong performance in environmental, social, and governance dimensions. Over the study period, ESG disclosure increased slightly from 0.3806 to 0.3893, indicating some variation in transparency, potentially driven by differences in regulatory environments and stakeholder pressures across countries. Although ESG disclosure remained relatively low in absolute terms, its incremental growth during 2020–2021 suggests that the pandemic may have acted as a catalyst for greater sustainability reporting efforts.

The average proportion of Board Independence (BIN) is 38.26%, with a range from 0% to 91%. The minimum value of zero shows that some banks have no independent directors, which may reflect governance structures in certain countries. The mean Leverage (LEV) ratio is 10.179, indicating that firms finance a large portion of their assets through debt. The average Firm Size (SIZE) is 3381.507, reflecting the generally large scale of firms in the sample. Profitability (PROF) averages 1.37%, but the minimum value of 11.27 indicates the presence of banks with substantial financial losses. The Non-Performing Loan ratio (NPL) has a mean of 1.162, suggesting a low proportion of defaulted loans across firms. The mean Capital Adequacy Ratio (CAR) is 1924.61, showing the ability of firms to absorb financial shocks, with variation indicated by a maximum value of 9138.00.

To validate the panel data regression analysis, a classical assumption test was performed to assess the model's feasibility (Priyatno, 2022). This test ensures the accuracy of the regression results by detecting potential issues that could distort the analysis. The classical assumption test in this study covered multicollinearity and heteroscedasticity.

Table 8. Panel Data Regression Model Specification Result

	Prob. Chi-Square	Result
Chow Test	0.0000	Fixed Effect Model (FEM)
Hausman Test	0.0000	Fixed Effect Model (FEM)

Table 8 shows that the Chow Test yielded a probability value of  $0.0000 < 0.05$ , indicating the selection of the Fixed Effect Model (FEM). To confirm model suitability, the Hausman Test was applied, producing a probability value of  $0.0001 < 0.05$ , which again supported the use of FEM. Since the Hausman Test results confirmed FEM as the best model, the Lagrange Multiplier test was unnecessary. Consequently, other classical assumption tests, such as autocorrelation, were not conducted. However, multicollinearity and heteroskedasticity tests were still performed to ensure that no strong linear relationships existed among independent variables, which could bias the interpretation of regression coefficients (Napitupulu et al., 2021).



Table 9. Multicollinearity Test Result

Variables	ESG	BIN	LEV	SIZE	PROF	NPL	CAR
ESG	1.0000	0.4020	-0.7047	0.1584	-0.0405	-0.1086	-0.0862
BIN	0.4020	1.0000	0.1698	0.2438	-0.2368	-0.0361	-0.3441
LEV	-0.7047	0.1698	1.0000	0.4031	-0.3545	-0.0940	-0.5538
SIZE	0.1584	0.2438	0.4031	1.0000	-0.2113	0.0995	-0.0345
PROF	-0.0405	-0.2368	-0.3545	-0.2113	1.0000	-0.2133	-0.0262
NPL	-0.1086	-0.0361	-0.0940	0.0995	-0.2133	1.0000	-0.1761
CAR	-0.0862	-0.3441	-0.5538	-0.0345	-0.0262	-0.1761	1.0000

Table 9 presents the correlation coefficients among the independent variables used in this study. Following Napitupulu et al. (2021), multicollinearity is considered present if the correlation coefficients exceed 0.80. In this study, none of the independent variables exhibited coefficients above this threshold, indicating the absence of multicollinearity.

Table 10. Heteroskedasticity Test Result

Variables	Coefficient	Std. Error	t-Statistic	Prob.
C	0,0826	0,1067	0,7741	0,4397
ESG	2,4706	2,1906	1,1264	0,2612
BIN	0,0037	0,0151	0,2457	0,8061
LEV	-0,0003	0,0022	-0,4779	0,6332
SIZE	-2,1505	3.0505	-0,7044	0,4819
PROF	-4.1405	0.0011	-0.0365	0.9709
NPL	-9.9705	0.0025	-0.0394	0.9886
CAR	-2.1006	3.2406	-0.6488	0.5171

Table 10 show the probability values for all variables exceed 0.05, indicating no evidence of heteroskedasticity and confirming that the data passed the heteroskedasticity test.

Table 11. Result of Panel Data Regression Analysis

Variable	Coefficient	Std. Error	t-Statistic	Prob.	Result
C	0.5409	0.2167	2.4958	0.0133	
ESG	9.5006	4.4506	2.1367	0.0337	H <sub>1</sub> Accepted
BIN	-0.0210	0.0308	-0.6835	0.4950	H <sub>2</sub> Rejected
LEV	0.0003	0.0045	-0.0840	0.9331	H <sub>3</sub> Rejected
SIZE	-4.8805	6.1905	-0.0781	0.4315	H <sub>4</sub> Rejected
PROF	0.0016	0.0023	0.0714	0.9431	
NPL	0.0011	0.0051	0.2206	0.8255	
CAR	-2.6006	6.5706	-0.3961	0.6924	
R-squared	0.9766	Mean dependent var		0.4063	
Adjusted R-squared	0.9679	S.D. dependent var		0.1779	
F-statistic	112.6646	Durbin-Watson stat		1.7906	
Prob(F-statistic)	0.0000				

According to Table 11, which presents the coefficients from the panel data regression using the Fixed Effect Model (FEM), only ESG disclosure exhibits a strong positive association with IRDQ, indicating that higher ESG transparency increases IRDQ. In contrast, board independence, leverage, firm size, profitability, NPL, and CAR do not show a significant effect on IRDQ. The model's adjusted R-squared value of 0.9679 indicates that the independent variables collectively explain 96.79% of the variance in integrated reporting quality, with the remaining 3.21% attributable to other factors.

Table 12. Robustness Test Result

IV-2SLS Estimation Summary						
Dep. Variable:	IRDQ	R-squared:	1.0000			
Estimator:	IV-2SLS	Adjust R-squared:	1.0000			
No. Observations:	50	F-statistic:	1.6152			
Cov. Estimator:	robust	P-value (F-stat)	0.0000			
		Distribution:	Chi2(2)			
Parameter Estimates						
	Parameter	Std. Error	T-stat	P-value	Lower CI	Upper CI
Intercept	2.6125	2.09411	1.24811	0.0000	2.6125	2.6125
Control	0.1750	3.07612	5.68910	0.0000	0.1750	0.1750
ESG_lag	0.4750	2.73413	1.73712	0.0000	0.4750	0.4750

Table 12 showed to strengthen the analysis, a robustness test was conducted using 2-Stage Least Squares (2SLS) to examine the lagged effect of ESG performance on IRDQ. This study employed a dynamic panel model to account for potential endogeneity in ESG, applying an instrumental variable (IV) approach. Specifically, the 2SLS estimation technique was used, with the lagged ESG score serving as the primary explanatory variable.

The results reveal a positive and statistically significant relationship between prior-period ESG performance and current IRDQ scores. The estimated coefficient for lagged ESG is 0.4750, with a p-value below 0.01, confirming the robustness of this association even after addressing potential endogeneity through instrumented estimation. The first-stage F-statistic exceeds 9.50, close to the conventional threshold of 10, supporting the strength and relevance of the instrument. These findings highlight the role of prior ESG performance as a key driver of enhanced transparency and disclosure quality in emerging Asia banking firms, suggesting that improvements in ESG scores are linked to better information governance practices.

Table 13. Overfitting and RESET Test Result

OLS Regression Results						
Dep. Variable:	Bank Performance		R-squared:	0.258		
Model:	OLS		Adj. R-squared:	0.248		
Method:	Least Squares		F-statistic:	25.95		
No. Observations:	304		Prob (F-statistic):	1.771		
Df Residuals:	299		Log-Likelihood:	139.06		
Df Model:	4		AIC:	-268.1		
Covariance Type:	Non-robust		BIC:	-249.5		
	Coef	Std. Error	t	P> t	[0.025	0.975]
Const	0.0716	0.044	1.612	0.108	-0.016	0.159
ESG	0.0060	0.001	8.371	0.000	0.005	0.007
PROF	0.0013	0.006	0.220	0.826	-0.010	0.013
NPL	-0.0221	0.007	-2.964	0.003	-0.037	-0.007
CAR	0.0036	0.001	4.255	0.000	0.002	0.005
Omnibus:	34.216		Durbin-Watson:		0.558	
Prob (Omnibus):	0.0000		Jarque_Bera (JB):		42.703	
Skew:	0.907		Prob (JB):		5.3410	
Kurtosis:	3.284		Cond. No.		268.	
RESET Test						
F-statistic	:	0.8519				
p-value	:	0.3568				

Table 13 showed the test produced a non-significant result ( $p > 0.05$ ), indicating that the linear model is appropriately specified and not affected by overfitting. Based on the OLS regression analysis, the model yielded an R-squared value of 0.258, suggesting that approximately 25.8% of the variation in

bank performance is explained by the independent variable (ESG disclosure) along with the control variables (ROA, NPL, and CAR).

The adjusted R-squared value of 0.248 indicates that the model is not substantially influenced by the number of predictors and does not show signs of overfitting due to irrelevant variables. Additionally, the F-statistic of 25.95 with a p-value of 1.77 confirms that the model is statistically significant overall, implying that at least one independent variable significantly affects bank performance. Specifically, the ESG variable has a positive coefficient of 0.0060 and is statistically significant at the 99% confidence level ( $p < 0.01$ ), indicating that higher ESG scores are associated with improved bank performance.

A RESET (Regression Equation Specification Error Test) was conducted to determine whether the model suffers from specification errors or overfitting. The test produced an F-statistic of 0.8519 with a p-value of 0.3568, which is not statistically significant ( $p \geq 0.05$ ). This indicates that there is no evidence of overfitting or misspecification in the model's functional form. Therefore, the linear regression model is considered appropriately specified and suitable for examining the relationship between ESG and bank performance.

Table 14. Common Method Bias Test Result

Common Method Bias Test
Variance Proportion of the First Factor: 0.2948 (29.48%)

Table 14 showed to identify the potential presence of common method bias in the research data, Harman's Single Factor Test was conducted. This technique evaluates whether a single common factor accounts for the majority of the variance in the data. The test results indicate that the proportion of variance explained by the first factor is 0.2948, or 29.48%. This value falls below the commonly accepted critical threshold of 50%, which is generally used as an indicator of significant common method bias. Therefore, it can be concluded that there is no strong indication of common method bias in the measurement, even though the data comes from similar sources. This provides additional confidence in the construct validity and the overall quality of the data used in this study.

## DISCUSSION

Interest in ESG is rising in Asia, driven by supportive legislation and initiatives (Srivisal et al., 2021), as ESG disclosure reflects a company's value across finance, ethics, community, and the environment. Banking firms in Emerging Asia are increasingly adopting specific, quantifiable ESG metrics, making their integration into annual reports a key strategy for enhancing the market share of socially responsible banking (Menicucci and Paolucci, 2022). Moreover, ESG practices are associated with better overall firm performance (Peng & Isa, 2020).

This trend is clearly reflected in the average ESG scores of each country, which show an upward trajectory from 2020 to 2023. The recorded scores for banking firms across the sample countries are as follows: India (3.51%), China (2.84%), Indonesia (2.78%), Malaysia (2.06%), Thailand (1.39%), the Philippines (1.15%), and Vietnam (0.80%). These figures indicate a growing emphasis on ESG issues among banking firms in the region, while also highlighting disparities in disclosure practices. India's higher ESG score reflects a stronger approach, driven in part by regulatory frameworks such as the Business Responsibility and Sustainability Reporting (BRSR) from SEBI. China's score is supported by government mandates for state-owned enterprises. In contrast, Vietnam and the Philippines have lower scores, reflecting weaker regulatory pressure and limited investor awareness. Overall, the findings suggest that ESG disclosure is critical for enhancing reporting quality and fostering stakeholder trust in Emerging Asia's banking sector. This underscores the need for consistent and enforceable ESG reporting standards to improve both the form and substance of disclosures in the region.

Strengthening this view, Hoang (2018) demonstrates the successful implementation of transparent and integrated reporting alongside sustainability practices. Similarly, Vertigans and Idowu, (2020) emphasise that ESG metrics must be clearly defined and effectively integrated into decision-making processes to be meaningful. Furthermore, a more comprehensive understanding facilitates more

effective communication through information retrieval strategies (Abdelmoneim & El-Deeb, 2024). These insights reaffirm that ESG disclosure plays a significant role in enhancing IRDQ, consistent with Stakeholder Theory, which posits that transparent and responsible communication with diverse stakeholder groups strengthens organisational legitimacy (Freeman et al., 2010). Moreover, the findings indicate that banking firms in Emerging Asia are progressively implementing IR, demonstrating a strong commitment to supporting sustainable finance and development practices globally. This provides valuable insight into the relationships between ESG practices and disclosure quality, particularly within the banking sector of Emerging Asia.

IRDQ is not influenced by the Board Independence variable, a finding consistent with prior studies by Cooray et al. (2020), and Theresia & Rusmanto (2024). One possible explanation is the limited effectiveness of independent non-executive directors, particularly within banking firms. Additionally, publicly listed companies often appoint independent directors primarily to comply with regulatory requirements rather than to enhance oversight.

In Indonesia, Regulation No. 33/POJK.04/2014 requires each company to appoint at least one independent commissioner or ensure that at least 30% of the board consists of independent members (Otoritas Jasa Keuangan, 2014). Similar requirements exist in China, Malaysia, Thailand, and the Philippines, where publicly listed companies must include at least two independent directors or ensure that one-third of board members are independent (Jamil et al., 2021; Nottage, 2020; Pho, 2020). In India, despite stricter regulations under the Companies Act 2013 requiring up to 50% independent board composition, enforcement remains inconsistent, and independent directors often lack the authority or willingness to influence disclosure quality (Arora, 2024). These findings illustrate a broader institutional trend in the region, where established governance frameworks frequently fail to generate meaningful corporate accountability or enhance the quality of reporting.

The insignificance of board independence may be attributed to variations in regulatory strictness regarding the adoption of integrated reporting across countries. As a result, even independent boards of directors may not prioritise integrated reporting within their organisations (Maheswari & Sufiyati, 2023). Institutional theory helps explain why formal independence does not always translate into genuine transparency or sustainable communication. In emerging contexts, organisations often adopt governance structures and disclosure frameworks primarily to respond to institutional pressures, such as coercive pressures from regulators, mimetic behaviour among industry peers, or normative expectations from professional communities. Consequently, the independence of non-executive directors can be compromised, as their professional judgment may be shaped by external factors, making such independence more theoretical than practical Raimo et al. (2022). These findings highlight the prevalence of symbolic compliance or “tokenism,” where the presence of independent directors serves more as a regulatory formality than as a mechanism for genuine oversight, particularly in jurisdictions with weak enforcement or underdeveloped accountability structures.

The leverage variable also does not influence IRDQ, as noted by Dragomir & Dumitru (2023), and this finding is supported by signalling theory, which suggests that highly leveraged firms often operate in banking-centred financial systems where capital markets play a limited role, and debt is no longer viewed as the primary signal of firm quality. This aligns with prior research by Dilling & Caykoylu (2019), which indicates that firms with higher financial leverage are less likely to produce high-quality reports. Similarly, Geno et al. (2022) argue that high leverage increases idiosyncratic risk and financial pressure, discouraging transparent reporting as firms prioritise debt servicing over strategic disclosure.

Additionally, financial firms, including banks, may opt for minimal information-sensitive debt financing, suggesting that increased leverage may not motivate these firms to enhance their IRDQ (Pillai & Seetah, 2022). These findings contrast with agency theory, which posits that leveraged banking firms are more likely to disclose additional information to mitigate rising agency costs. In emerging Asian economies, characterised by less stringent disclosure regulations and bank-centric financial systems, the expected transparency benefits of leverage may not align with theoretical predictions. Banking firms often prioritize maintaining favourable relationships with key creditors over addressing information asymmetries in capital markets, which weakens the disciplinary role of debt and limits its impact on

integrated reporting quality. Consequently, firms experiencing high leverage or declining asset quality may withhold transparent disclosure to avoid sending negative signals to external stakeholders. Under strained financial conditions, the cost of providing high-quality integrated reporting rises disproportionately for weaker firms, reducing their likelihood of comprehensive disclosure. This strategic information withholding reflects an effort to mitigate potential reputational or regulatory consequences.

IRDQ is not influenced by the Firm Size variable. This finding is consistent with previous studies, particularly those conducted by Mahboub (2017) and Pillai & Seetah (2022). The lack of a significant relationship can be explained through political cost theory, which suggests that larger banks may withhold information to avoid attracting public and governmental scrutiny, thereby minimizing exposure to political pressures (Pillai & Seetah, 2022).

In the context of Emerging Asia banking, where public trust in regulatory neutrality varies and institutional enforcement is often inconsistent, larger banking firms may adopt conservative disclosure practices to mitigate risk. This tendency toward limited communication is further reinforced by the absence of mandatory integrated reporting requirements. As a result, these large institutions frequently restrict their disclosures to the minimum necessary for compliance, thereby minimizing their political visibility. The insignificant correlation between firm size and IRDQ thus reflects a broader institutional pattern in which companies seek to balance transparency with the management of political and reputational risks.

Conversely, the NPL variable exhibits a negative coefficient and is statistically significant, indicating that an increase in NPL adversely affects bank performance. This effect becomes particularly evident when controlling for extreme values, supporting the notion that firms under financial duress, such as during the COVID-19 crisis, deprioritise disclosure investments due to constrained resources and heightened risk aversion. These findings align with Signalling Theory, which explains how firms possessing private information about their internal conditions strategically choose which signals to send to reduce information asymmetry (Bergh et al., 2014) as greater transparency in accounting information enhances signal clarity and value relevance (Komar et al., 2020). Therefore, high NPL levels may distort signalling behaviour, prompting firms to prioritise survival over transparency in volatile environments.

On the other hand, the capital adequacy ratio (CAR) reflects regulatory capital strength but is often maintained primarily to meet minimum compliance requirements (Alzoubi, 2021). The CAR variable shows a positive and significant effect, indicating that adequate capital contributes positively to bank performance. Many banks view capital adequacy as a prudential requirement and as a strategic signal to stakeholders through high-quality disclosure. Consequently, a high CAR is associated with improved bank performance, particularly when reporting is voluntary or externally driven. Moreover, variations in capital adequacy requirements across jurisdictions provide an opportunity to examine how differing regulatory environments influence disclosure behaviour in a multi-country sample. According to reviewed annual reports, the minimum CAR is set at 8% in Indonesia and Vietnam, 10% in the Philippines, 10.5% in China, and as high as 11.5% in India, reflecting diverse regulatory thresholds that shape how banks perceive and manage their capital reporting obligations.

Meanwhile, profitability, as measured by ROA, does not exhibit a statistically significant effect on bank performance within this model. This finding supports the view that conventional profitability indicators such as ROA may not fully capture the multidimensional expectations of stakeholders, particularly in emerging economies where ESG integration is still evolving and financial performance is increasingly influenced by broader non-financial factors (Gutiérrez-Ponce & Wibowo, 2023). The insignificance of profitability in explaining bank performance can thus be understood through the lens of Stakeholder Theory, which emphasises broader social and environmental responsibilities beyond internal financial outcomes. While ROA reflects internal operational efficiency, it may not adequately represent the expectations of diverse stakeholders, including regulators, customers, and society at large.

Finally, the results of this study provide important implications for both theoretical understanding and practical application in corporate governance and sustainability reporting, particularly within Emerging Asia banking. The critical role of ESG disclosure in enhancing integrated reporting quality underscores the relevance of Agency, Stakeholder, and Institutional Theory, highlighting that disclosure



practices are shaped not only by internal governance mechanisms but also by external regulatory pressures, stakeholder interests, and cultural norms. In contrast, the insignificance of board independence, leverage, and firm size emphasizes the limitations of applying traditional governance metrics in emerging markets, where formal structures often serve symbolic roles and enforcement can be inconsistent. These findings suggest that effective corporate disclosure should extend beyond mere structural compliance, aligning closely with institutional contexts and stakeholder expectations to foster meaningful transparency and sustainable value creation.

## CONCLUSION

This study highlights ESG transparency as the primary driver of Integrated Reporting Disclosure Quality (IRDQ) in Emerging Asia, where reporting remains voluntary and often inconsistent. Many banks do not fully adopt the IIRC framework, resulting in variations that hinder comparability. In heavily regulated sectors such as banking, disclosures are often driven by compliance, while the quality of reporting receives less attention, causing integrated reports to function more as instruments of legitimacy than as meaningful sources of information. These findings align with global concerns regarding stagnant IR quality; despite its potential to link sustainability with value creation, many banks in Emerging Asia continue to prioritise form over substance. While voluntary frameworks offer flexibility, they also risk promoting superficial compliance in environments with weak enforcement.

Theoretically, this study refines Agency Theory by demonstrating that leverage and board structure alone are insufficient to improve IRDQ without institutional enforcement. Instead, Institutional and Stakeholder Theory provide a better explanation of disclosure behaviour, as firms frequently adopt IR practices to secure legitimacy or address the interests of dominant stakeholders, with ESG emerging as the most consistent determinant. Practically, stronger regulatory involvement is necessary to institutionalise IR, whether through tailored rules, fiscal incentives, or ESG mandates, alongside fostering a culture where transparency is rewarded. Banks, particularly small and mid-sized institutions, may face resource constraints, but the long-term benefits, such as enhanced trust, improved access to sustainable finance, and increased resilience during crises, outweigh the costs. Accordingly, banks are advised to implement ESG training for boards, establish oversight committees, and adopt phased disclosure in alignment with IIRC and ISSB standards. These measures promote comparability, benchmarking, and the gradual adoption of high-quality reporting without disproportionately burdening smaller institutions.

This study has several key limitations. It focuses exclusively on publicly listed banks with consistent ESG performance from 2020 to 2023, potentially introducing survivorship bias by excluding institutions that failed during the COVID-19 period. As a result, larger and more stable banks may be overrepresented. Additionally, the “Emerging Asia” region encompasses countries with diverse regulatory environments, so the findings should not be overgeneralised to the entire Asian region or to countries with substantially different institutional contexts.

In addition, the relatively short observation period and modest sample size constrain the explanatory depth of the study, while potential endogeneity in the ESG–IRDQ relationship remains a concern. Other relevant determinants, such as ownership structure, board diversity, or macroeconomic pressures, could further enhance the model’s explanatory power. Finally, future research may explore non-financial sectors with complex stakeholder environments, such as healthcare or energy, to examine whether the dynamics observed in this study extend beyond the banking industry.

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