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ANALYSIS OF HERDING BEHAVIOR AND CAPITAL STRUCTURE IN NON-FINANCIAL COMPANIES IN ASEAN-5 THAT ISSUE SUSTAINABILITY REPORTS AND ITS IMPACT ON FIRM PERFORMANCE

Gema Mia Swastika, Ari Warokka, I Gusti Ketut Agung Ulupui
Master of Management, State University of Jakarta, Indonesia
E-mail:mia.swastika@gmail.com; ari.warokka@gmail.com
*Correspondence:

ABSTRACT: This research was conducted with the aim of knowing whether or not there is herding behavior seen from the value of the debt to equity ratio, the effect of sustainability reports on firm performance and determining which company leaders or followers are better in firm performance. The herding behavior observed in this study was between companies in five countries. The total number of companies is 127 companies are Indonesia, Malaysia, Singapore, Thailand and the Philippines with an observation period from 2018 to 2022. To measure sustainability report disclosure, a checklist is made based on the suitability of the disclosures with 91 indicators. Firm performance is proxied by Tobin's Q, return on assets and net profit margin, while the controls in this study are proxied by total assets and firm age. The analytical method used in this study is by measuring the herding manager index and the SEM - PLS method using the WARP PLS application version 7.0. From the test results it was found that there was a herding capital structure in the five observation countries, disclosure of sustainability reports had a positive effect on return on assets and Tobin's Q. Meanwhile, disclosure of sustainability reports had no effect on net profit margin. Then from the test results it is proven that the leader company is better than the follower company in firm performance. disclosure of sustainability reports had a positive effect on return on assets and Tobin's Q. Meanwhile, disclosure of sustainability reports had no effect on net profit margin. Then from the test results it is proven that the leader company is better than the follower company in firm performance. disclosure of sustainability reports had a positive effect on return on assets and Tobin's Q. Meanwhile, disclosure of sustainability reports had no effect on net profit margin. Then from the test results it is proven that the leader company is better than the follower company in firm performance.

Keywords:herding behavior, sustainability report disclosure, firm performance.

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INTRODUCTION

Capital structure as part of a company's strategy to survive is a topic that has increasingly developed in the global crisis era of the last 10 years (Mc Kinsey, 2006; Panjaitan & Simbolon, 2020). There is a tendency for companies to carry out herding or benchmarking against the capital structure of companies that are superior in similar industries. According to Ermawati (2020), the CFO determines capital structure decisions, especially when financing new investments, usually following the financing patterns carried out in similar investment projects, both internal and external to the company. Krishankutty (2022) states that the company's internal reference in question is the company carrying out herding of all similar investment activities that have been carried out before.

Examples of herding behavior strategies occur in several ASEAN countries in the mining sector which can be seen from the ratio of capital structure and is measured using the average debt to equity ratio (DER), especially in Indonesia, Malaysia and the Philippines in 2020 which can be seen in Figure 1.1

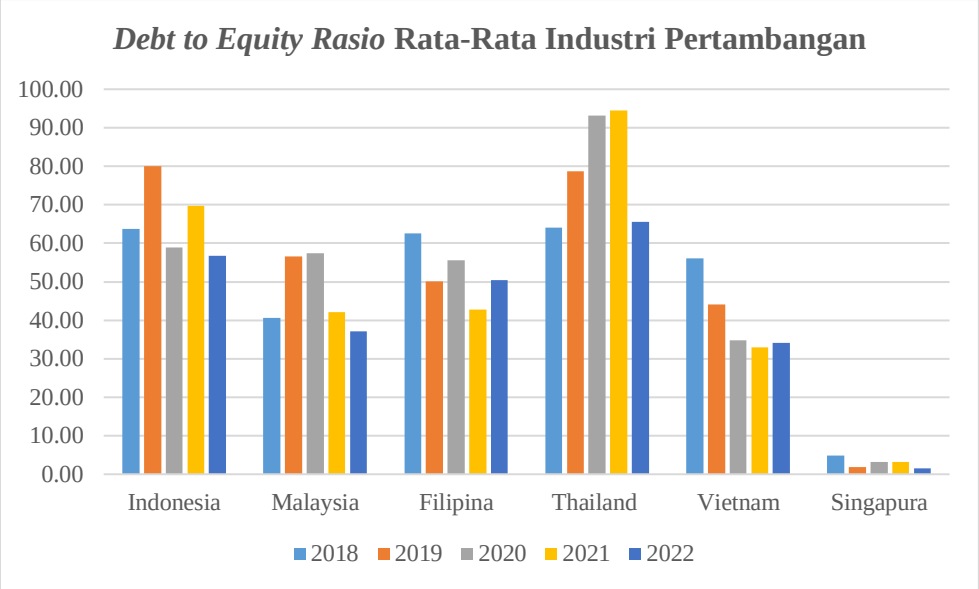


Figure 1.1Mining Industry Average DER 2018-2022
Source: Bloomberg (Processed, 2023)

The graph in Figure 1.1 shows that herding behavior was shown in Indonesia, Malaysia and the Philippines in 2020 with an average DER value (56.67), this is due to several similarities between the three countries in economic characteristics, bordering each other's territories. and economic development problems are almost the same, so it is possible that similar company financing patterns are carried out in the mining sector. These three countries are

traditional exporters of mining products to the same market, namely the United States, Japan and Western European countries (www.kompas.com).

According to Panjaitan and Simbolon (2020), the existence of herding behavior that occurs allows policy makers to reduce potential risks to companies thereby ensuring financial markets and economic stability. Policy makers deal with strategies by minimizing potential risks with herding behavior, companies make benchmarks against companies that are considered successful in managing company performance so that similar actions will be followed by other similar companies (Novantina, 2014). The deliberate herding behavior of individual companies is a motive to duplicate market behavior. But then, it would be a mistake if herding behavior occurs when a group of investment managers face the same problem to make a decision,Bikhchandani et al., 1998).

After knowing that there are phenomena related to herding behavior above, it can be identified that the types of herding behavior are divided into two, namely rational and irrational. As stated by Rizal and Damayanti (2019) that irrational herding behavior occurs when a company does not take into account its internal analysis and the final decision is the result of the company's colleagues' decisions (Cam & Ozer, 2017). Financial managers will act as imitators, ignoring or not doing their rational analysis. Meanwhile, irrational herding behavior is a consequence of psychological mechanisms (Camara, 2017). On the other hand, rational herding behavior arises when the decisions of the firm's fellow managers provide useful information to other financial managers about the best policy to adopt (Cao et al., 2019).

Considering the fact that herding behavior is more likely to occur in emerging markets than in developed markets (Zhou & Anderson, 2013), research in developing countries is one example of this in the research of Brendea (2019). According to his research, Romanian companies have financing adjustment behavior towards an optimal capital structure. Financial managers to achieve optimal capital structure must determine the maximum level of debt and equity. In particular, in his research it was found that Romanian companies did not follow the optimal capital structure, but the capital structure of the sector average in other companies, in a way that maximized company value.

The results of panel data model estimation using OLS carried out by Brendea (2019) show that the correlation between the debt ratio of companies listed in Romania and the average debt ratio of companies that have lower total assets than their sector is positive and statistically significant. This correlation shows that companies listed in Romania have herding behavior and try to reach the average debt ratio of the sector. In other words, corporate managers

suppress their own beliefs and follow the actions of other managers in the same sector. The statistical significance of the average characteristics of similar companies (i.e. profitability and company size) indicates that managers of companies listed in Romania do not take independent financing decisions, but the financing decisions and company characteristics of the partner's company sector are therefore important determinants of their decisions (Brendea, 2019). Chen and Chang (2013) studied 2,855 US companies between 1980 and 2011, they found that financial managers considered the cash levels of corporate peers to determine appropriate ratios for their cash.

Using the right capital structure allows companies to reduce company financing and maximize company cash (Martelini et al., 2016). The capital structure formed influences the cost of capital and influences company value according to research by Jumono et al. (2013) on manufacturing companies registered in Indonesia and Malaysia. There are two sources of funds for companies, namely internal sources and external sources (Martelini et al., 2016). Profitable companies finance their business through internal funds and, or use external funds, thus presenting low leverage ratios. Companies with high growth opportunities require external funding sources to finance their investments, to avoid conflicts between managers and shareholders due to information asymmetry (Setyawan et al., 2022).

Several studies examining the target capital structure of developed markets have monopolized researchers' attention for years, leaving emerging markets far behind (Lemma & Negash, 2014). According to Eldomiaty (2007), the scarcity of capital structure studies in developing countries is mainly due to three main reasons. First, capital markets in developing country markets are relatively less efficient and incomplete compared to developed country markets, which causes financing decisions to be incomplete and susceptible to deviation. Therefore companies in emerging markets may face difficulties deciding which financing capital structure to use. Second, in emerging markets, information asymmetry is seen to be higher. This will result in the emergence of a market that is not ready to increase financing due to its inefficiencies and this can lead to non-optimal financing decisions. Third, there is a need for the development of literature on capital structures in emerging markets that have different institutional financing arrangements than developed markets. Ramjee and Gwatidzo (2012) say that emerging markets are less efficient, have higher information asymmetry in financial reporting positions compared to developed countries. Therefore the researchers chose developing countries (especially ASEAN) for further research on financing behavior. there is a need for

the development of a literature on capital structure in emerging markets which have different institutional financing arrangements from developed markets. Ramjee and Gwatidzo (2012) said that developing country markets are less efficient, have higher information asymmetry in the position of financial statements than developed countries. Therefore the researchers chose developing countries (especially ASEAN) for further research on financing behavior. There is a need for the development of literature on capital structure in emerging markets that have different institutional financing arrangements than developed markets. Ramjee and Gwatidzo (2012) say that emerging markets are less efficient, have higher information asymmetry in financial reporting positions compared to developed countries. Therefore, researchers chose developing countries (especially ASEAN) for further research regarding financing behavior.

With regard to financing behavior, the capital structure and cash flows of the company are explained in the financial statements. Financial statements are actually used to describe a limited picture of the company by simply providing a financial matrix(Abeysekera, 2022).

The principle of a sustainability report emphasizes disclosure standards that are able to reflect the company's overall level of performance, thereby enabling the company to grow sustainably (IDX, 2020). Companies that issue sustainability reports usually use a reporting standard, the one most often used as a reference standard for reports is the GRI standard. The Global Reporting Initiative (GRI) is an international organization that promotes the creation of sustainability reports internationally. GRI issued a guide to sustainability reporting in 2001 and continues to be updated today(Strozzilaan, 2021). Apart from the GRI StandardAs for the Sustainable Development Goals (SDGs) reporting standards originating from the 2016 Paris Agreement which resulted in the UN's 2030 agenda for sustainable development, in which there are stipulations of sustainable development goals. Under this agenda, 17 SDGs (ASEAN, 2020) have been identified, including ensuring access to affordable, reliable, sustainable and modern energy for all (SDGs 7). Take urgent action to combat climate change and its impacts (SDGs 13). As an example, the percentage data related to the sustainability report disclosure framework among the five ASEAN countries.

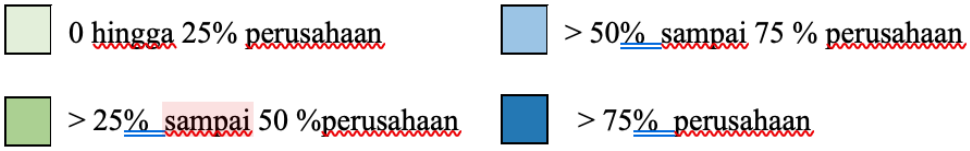
Table 1.1Climate-Related Reporting Framework

Country	GRI	SDGs
Indonesia	93%	93%
Malaysia	72%	74%

Country	GRI	SDGs
Philippines	82%	86%
Singapore	99%	65%
Thailand	89%	95%

Source: Climate (Processed, 2022)

Table description:



From table 1.1, the standards commonly used in disclosing sustainability reports are the GRI and SDGs. Companies with a low disclosure level of 0 to 25% will be shown in a light green table, while a high average disclosure level with a percentage of more than 75% of companies reporting is shown in the dark blue table. From table 1.1, it can be seen that the consistent standards for disclosure of sustainability reports are in Indonesia and Malaysia, using both GRI standards and SDGs standards because the geographical conditions, culture and processed natural resources between the two countries are almost similar so there will only be a few differences regarding the two (www.investor.id).

ASEAN member countries made commitments at the international, regional and national levels to work towards low-carbon and sustainable development, including the implementation of the SDGs (ASEAN, 2015; ASEAN, 2016). There is currently no common sustainability reporting framework across ASEAN, as stated by Loh et al. (2018) even though there are sustainability standards or frameworks (either GRI Standards or SDGs) that are adopted or mandated by each country. In many countries, the mandatory reporting of sustainability reports for all companies still seems far away because disclosure regulations are usually introduced on the basis of 'comply or explain' as added value to disclosure of company performance (Brooks & Oikonomou, 2018).

Disclosure of sustainability reports will have an impact on the company's investment costs. As for the research literature which argues that sustainability reports are related to investment costs (Sharfman & Fernando, 2008; Potin et al., 2014; Ng & Rezaee, 2015), according to the third research there are two reasons. First, sustainability reports reduce information asymmetry (Dhaliwal et al., 2012; Kim et al., 2012; Cho et al., 2013). Second, a high percentage of company sustainability report disclosures is considered to have low risk because sustainability reports provide protection for investors if the

company's performance is poor (Godfrey, 2005; Luo & Battacharya, 2009). As a result, companies with high sustainability report disclosures are considered to face lower capital constraints according to Cheng et al. (2014) who researched Kazakh companies. Companies with high sustainability report disclosures have a lower cost of equity, they are more likely to use lower costs of capital, lower loans, lower risk premiums on corporate bonds when market competition is high in research(Zaid et al., 2020)using the Palestinian stock exchange in 2013-2018.

According to Mandaika and Salim (2015) for companies listed on the IDX in 2011-2013, disclosure of sustainability reports is also closely related to increasing company performance, such as profitability, company value and company growth. Increasing the sustainability report will have an impact on the use of investment costs that will be borne by the company, and will directly affect company performance (Iswati, 2020) in his research on companies listed on the BEI 2017 and 2018. According to(Jusmarni, 2016)in his research on companies in Indonesia and Malaysia in 2010-2013 to measure company performance using Tobin's Q calculations. Measurements using Tobin's Q allow investors to project whether the company can grow or not in the future (Sudiyatno & Puspitasari, 2010). Tobin's Q is an indicator for measuring company performance, especially regarding company value, which shows a management proforma in managing company assets(Sudiyatno, 2010). Tobin's Q is closely related to MBV, but unlike MBV which uses the book value of total assets as the denominator, Tobin's Q applies the replacement value of assets. As a result, instead of measuring firm performance from existing assets, Tobin's Q measures firm performance from new investments with a good assumption of generating a value above one (Warokka, 2008).

Previous research related to the influence of sustainability reports on company performance includes Khafid and Mulyaningsih (2012) conducting research that there is a positive influence on mining industry companies listed on the Indonesia Stock Exchange for the 2011-2013 period on company size, leverage, profitability, board of directors, audit committee. , and governance committee regarding the publication of sustainability reports. Apart from that, research by Kartini et al. (2019), Ibrahim et al. (2020), Wulandari and Zulhaimi (2017) show that company performance is positively related to sustainability report disclosure. These three studies indicate that companies that are able to produce better performance or greater profitability (proxied by ROA) will have a tendency to disclose more complete information on the implementation of sustainability report disclosures. In line with research by Arora and Sharma (2016) who conducted research on companies in India, company

performance can be measured using profitability variables which can be defined by measuring ROA, ROE and NPM.

In the research by Bhandari and Javakhadze (2017) and Benlemlih and Bitar (2018), in North American and European companies which are also related to capital allocation, a high level of sustainability report disclosure results in low information asymmetry, which can increase investment efficiency and reduce sensitivity. investment towards Tobin's Q in various ways. Research related to reporting sustainability reports has proven to have a positive correlation with company performance, explained by Weber et al. (in Lesmana & Tarigan, 2014) in his research on Chinese companies. From the results of previous studies that have been described above regarding the effect of disclosure of sustainability reports on company performance, the average results are positive and significant.

In connection with previous research (Reime, 2020; Pais, 2017; Leary & Robert, 2014; Zaid, 2020), it makes researchers interested in conducting another study of herding behavior on capital structure, but more emphasis is placed on companies that publish sustainability reports and are associated with variables measurement of company performance. The company's performance is proxied using the Tobin's Q measurement, ROA and NPM. To limit external research factors between the dependent and independent variables, researchers also added control variables, namely age and company size. Researchers are interested in researching non-financial companies, because non-financial companies have diverse sectors and broad coverage, especially in the manufacturing and mining industries. Apart from that, the manufacturing and mining industries have a very high level of sensitivity to the environment, so disclosure of sustainability reports should also be high. The selected countries are five ASEAN countries (Malaysia, Philippines, Singapore, Thailand and Indonesia).

RESEARCH METHODS

The object of this research is the performance of non-financial companies that publish sustainability reports. These companies include manufacturing and mining companies listed on the Indonesia, Malaysia, Thailand, Philippines and Singapore Stock Exchanges which carry out herding in their companies' capital structures. The scope of this research includes manufacturing and mining companies on the Indonesia Stock Exchange (IDX), Malaysia (KLSE), Singapore (SGX), Thailand (SET) and the Philippines (PSE) in the 2018-2022 period. The determination of the population and sample in this study are as follows:

Population

The population in the object of this research are non-financial companies operating in the manufacturing and mining industries on the Indonesia, Malaysia, Thailand,

Philippines and Singapore Stock Exchanges that publish sustainability reports during the 2018 - 2022 period.

Sample

Data processing in this study uses panel data (time series and cross sectional). Samples were obtained using a purposive sampling technique and listed in table 1.2 with the following criteria:

1. Companies listed on the Indonesia Stock Exchange, Malaysia Stock Exchange, Thailand Stock Exchange, Philippine Stock Exchange and Singapore Stock Exchange in the manufacturing and mining industries;
2. Manufacturing and mining companies that publish complete financial reports, have been audited and equipped with sustainability reports for the 2018 – 2022 period with 91 indicators that have been determined by GRI – G4.

Table 1.2 Selection of Research Samples

No	Criteria	Non Financial Company				
		Indonesia	**Malaysia**	**Singapore**	**Thailand**	**Philippines**
1	The number of manufacturing and mining companies listed on the Indonesia, Malaysia, Thailand, Philippines and Singapore Stock Exchanges in the period 2018 – 2022 taken at the end of the 2022 period.	241	231	220	256	75
2	Number of manufacturing and mining companies that published financial reports as well as sustainability reports in the 2018-2022 period using GRI-G4 guidelines.	36	19	30	31	11
3	**Total companies sampled**	**127**				
4	**Time of research data**	**Five years**				
5	**Number of observation data**	**635**				

Analysis Techniques

This research is quantitative research, after all the data has been collected, data analysis will be carried out. The data in this study is panel data, namely a combination of cross sectional and time series data. In this study, the measurement of hypothesis H1 uses the Manager Herding Index (MHR) analysis technique, the measurement of hypothesis H2 uses SEM-PLS analysis, while the hypothesis H3 uses multivariate analysis of different tests (Wilcoxon test). Researchers conducted data processing simultaneously on manufacturing and mining companies with a total of 127 companies in five ASEAN countries which had previously gone through preliminary tests with MANOVA analysis to test differences between countries. .

RESULTS AND DISCUSSION

Results of Analysis and Discussion

This study was analyzed first by determining the index of herding managers to obtain the presence or absence of herding in the first hypothesis, then measuring the second hypothesis using SEM-PLS analysis using Warp PLS 7.0 by analyzing the inner model, determining the goodness of fit and then describing the path coefficients for hypothesis testing. Finally, to measure the third hypothesis, a preliminary test is carried out in the form of a normality test in order to meet the requirements for testing the difference test using Wilcoxon in determining leader-follower companies. However, additional testing to strengthen that testing between the five countries can be carried out simultaneously is to carry out a different test between countries using Manova so that later the results are obtained that there are no differences between countries.

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Hypothesis test

Hypothesis testing is carried out to determine the effect of an independent variable on the dependent variable which can be determined from its probability value. Each of these will be discussed in the next sub-chapter.

Index of Herding Managers

H1: Herding behavior occurs in determining capital structure in companies that publish sustainability reports.

The use of the Herding Manager Index is used to see whether or not there is behavior of imitating colleagues from similar industries in accordance with research conducted by Bo et al. (2016), researchers created an index for MHR and assigned a value of one if there was herding in the capital structure, otherwise it would be given a value of 0. Researchers divided it into six industrial groups according to the ICB (Industry Classification Benchmark), namely the Chemical Industry with 17 companies, Industrial Mining has 31 companies, Consumer Industry has 16 companies, Production Industry has 43 companies and Packaging Industry has 4 companies. The number one is given to companies that engage in herding, while the number zero is given to companies

that do not carry out herding. The following is in Table 1.

Table 1.2 Results of Industry Herding Manager Index in ASEAN 5 2018-2022 period

Year	Chemical Industry (17 in total)		Mining Industry (31 in total)		Consumer Industry (16 in total)	
	1	0	1	0	1	0
2018	5	12	11	20	8	8
2019	5	12	9	22	8	8
2020	6	11	8	23	7	9
2021	6	11	7	24	5	11
2022	6	11	9	22	5	11

Source: Secondary Data Analysis (2023)

Based on Table 1.2, the average proportion of herding in Indonesia, Malaysia, Singapore, the Philippines and Thailand in the chemical industry in 2018-2019 was 29%, then in 2020-2022 it was 35%, for the mining industry there was herding in 2018 by 35% , in 2019 and 2022 it was 29%, in 2020 it was 26%, in 2021 it was 22%, and in the consumer industry in 2018-2019 the herding index was 50%, in 2020 it was 43%, in 2021-2022 it was 31%.

Table 1.3 (Continued) Results of Industry Manager Index in ASEAN 5 2018-2022 Period

Year	Construction Industry (43 in total)		Production Industry (16 in total)		Packaging Industry (Total 4)	
	1	0	1	0	1	0
2018	17	26	7	9	1	3
2019	17	26	7	9	2	2
2020	15	28	6	10	3	1
2021	15	28	5	11	3	1
2022	17	26	3	13	3	1

Source: Secondary Data Analysis (2023)

Based on Table 1.3, the average proportion of herding in Indonesia, Malaysia, Singapore, the Philippines and Thailand in the construction industry in 2018, 2019, 2022 was 39%, in 2020-2021 it was 35%, then the production industry herding index was obtained in 2018 - 2019 was 43%, in 2020 was 37%, in 2021 was 31%, in 2022 was 18.75%, and finally in the packaging industry the herding index obtained in 2018 was 25%, in 2019 was 50%, in 2020-2022 by 75%.

Based on Tables 1.2 and 1.3, in 2018 in the chemical, mining, consumer,

construction, production and packaging industries the five countries for herding behavior in their capital structure had almost the same percentage, namely in the range of 25% to 39%, meaning that at that time between the five The country was still in a stable condition, the Fed's cancellation of the interest rate increase was also the reason for the stable economic situation at that time. Then in 2019-2021 there is an increasing percentage in herding behavior, this is in accordance with the conditions during the Covid 19 pandemic, companies are competing to secure a survival strategy by setting optimal capital structures. The industry that has the biggest impact is of course the consumer industry and the use of packaging for the consumer industry itself. Meanwhile, for the production or construction sector, companies tried to tighten their stability by not producing too many construction goods, just as people at that time chose not to buy or renovate buildings and preferred to invest more in shares. Then in 2022, the economic situation will stabilize again with companies only doing herding on their capital structure ranging from 29% to 39%.

It can be concluded that H1 is accepted, that herding occurs in each industry between the five countries. The results of this research support research by Frank and Goyal (2009), that company managers feel insecure about how to determine the optimal capital structure, so they can consider the characteristics and financial policy decisions of their partner companies. The results of the analysis show that herding behavior actually occurs, especially in the manufacturing industry (consumer, construction and packaging) where the average proportion of herding is greater than in the mining industry. The results of this research support research conducted by Brandea and Top (2019), Leary and Robert (2014), Camara (2017) that in developing countries, especially in the manufacturing sector, they tend to herd the company's capital structure. The manufacturing industry sector has the most dynamic industrial behavior, namely the actions of company leaders will trigger the same actions from company followers. Purchasing Manager Index in the manufacturing sector between ASEAN countries is also known to have almost the same value (www.cnnindonesia.com). Another reason is that the herding effect is greater in manufacturing companies compared to mining companies, of course because there are more manufacturing companies than mining companies, which causes an imbalance in the observation data. Manufacturing companies compared to other industries have a very large embedded capital structure, absorb a large workforce, and have a continuous production process (Khan, 2017). Therefore, this cyclical process results in continuous changes in the capital structure and the changes are quite significant compared to other industries. Then the similarity of economic, social and cultural characteristics between countries

supports the fact that herding often occurs in developing countries.

SEM analysis – PLS

SEM is a type of multivariate analysis in the social sciences. Multivariate analysis is the application of statistical methods to analyze several research variables simultaneously or simultaneously. The analysis of this method uses a second generation technique that aims to explore. The following in Table 1.2 is a classification of the multivariate method classified by (Hair et al. 2013).

Table 1.4 Classification of Multivariate Analysis Methods

	Main Purpose of Exploration	Main Purpose of Confirmation
First Generation Techniques	1. Cluster analysis 2. *Exploratory factor analysis* 3. *Multidimensional scaling*	1. Analysis of variances 2. Multiple regression 3. Logistic regression
Second Generation Technique	*Partial Least Square*SEM (SEM-PLS)	*Covariance-Based*SEM (CB-SEM)

Source: Hair et al., (2013)

Based on Table 1.4, it can be seen that if the main objective of the research is exploration, then in the second generation analysis technique the method used is SEM – PLS with Warp PLS version 7.0. One of the uses of PLS is for exploration, namely to find out data patterns that have not been or are still within the limitations of theory in stating the relationship between variables (Ratmono & Solihin, 2013). Research using PLS does not require classical assumptions, but this PLS emphasizes the problem of collinearity. If there is a high collinearity problem in the model, the analysis results will be unreliable and misleading if continued (Latan & Ghozali, 2017).

To find out whether there is a collinearity problem in the model, look at the convergent validity and discriminant validity values. These two tests are usually found in the outer model test. This outer model test is only a complement because the main test used in this research is the inner model test. Convergent validity is used to test the correlation between items or indicators. Meanwhile, discriminant validity aims to test items or indicators of two constructs that should not have a high correlation. The results of convergent validity are by looking at the AVE (average variance extract) value in Table 1.5 below.

Table 1.5 Average Variance Extract

AGE	*SIZE*	SRDI	TOBIN'S Q	NPM	ROA

0.992	0.391	0.631	0.641	0.459	0.638

Source: Secondary Data Analysis (2023)

From Table 1.5, the AVE value for all variables is very good, namely the value is above 0.50 so that it meets the convergent validity criteria. Except for the Size and NPM constructs which are below 0.50. Even though there are two variables whose convergent validity value is still below 0.50, it can be seen in the full collinearity VIF value for each variable which turns out to be 3.3≥VIFs≤5 so there is no multicollinearity problem in the model.

After knowing the collinearity between items for the construct, it is necessary to know the discriminant validity value of each variable or construct. It aims to test items/indicators from two constructs that should not have a high correlation and find out whether these variables are unique and able to capture phenomena to find out how far these constructs differ from other constructs. Discriminant validity is demonstrated by comparing the AVE square root value with the correlation between constructs. A good value is indicated by the square root value of AVE (which is shown in the diagonal number) which is greater than the correlation between constructs (Latan & Ghozali, 2017). The statement is shown in accordance with Table 1.6 below.

Table 1.6 Correlations among Latent Variables with sq. rts. of AVEs

	AGE	SIZE	SRDI	TOBIN'S Q	NPM	ROA
AGE	**0.985**	0.132	0.109	-0.086	-0.090	-0.078
SIZE	0.132	**0.625**	0.097	-0.191	-0.055	-0.084
SRDI	0.109	0.097	**0.795**	0.223	0.105	0.119
TOBIN'S Q	-0.086	-0.191	0.223	**0.800**	0.210	0.275
NPM	-0.090	-0.055	0.105	0.210	**0.677**	0.623
ROA	-0.078	-0.084	0.119	0.275	0.623	**0.799**

Note: Square roots of average variances extracted (AVEs) shown on diagonal

Source: Secondary Data Analysis (2023)

Based on Table 1.6 above, the construct or variable shows good discriminant validity as shown by the numbers on the diagonal line being greater than the other numbers which show the correlation between constructs.

Evaluation of the Structural Model (Inner Model)

Inner model analysis (structural model) is carried out to show the strength of estimates between latent variables or constructs within the model (Latan & Ghozali, 2017). Evaluation of the inner model in partial least squares (PLS) can be seen from several indicators including average r squared (ARS),

average path coefficient (APC), and average variance inflation factor (AVIF) (Ratmono & Solihin, 2013). The average r-squared (ARS) was used to see the model suitability. Other indicators are the average path coefficient (APC) to see the correlation between variables, and the average variance inflation factor (AVIF) to see multicollinearity problems between independent variables. There are several other indicators that are also used to determine model fit, namely R-Squares or Adjusted R^2, Partial F-Test (Effect Size), Q^2 Predictive Relevance, Average Adjusted R Square, AFVIF, GOF, SPR, RSCR, SSR, NLBCDR. AFVIF and AVIF are a series of measurements to determine multicollinearity between indicators and between exogenous variables in the model.

Then in assessing the structural model or inner model with PLS, it begins by looking at the percentage of variance in the R-Square value for each endogenous latent variable as the predictive power of the structural model. The more variable predictors (independent variables) in the model, the Adjusted R^2 value will be used to reduce estimation bias (Cohen et al., 2003 in Latan & Ghozali, 2017). Then the GOF measurement is a measure similar to ARS to see the predictive power of a model or model validation (Latan & Ghozali, 2017). Then for SPR, RSCR, SSR, NLBCDR is a measure to see the causality problem in the model. Next, an inner model analysis was carried out with the default warp 3 inner model (non-linear) mode setting which was carried out simultaneously for the five ASEAN countries as shown in Table 1.7 below:

Table 1.7 Fit Model for 4 ASEAN Countries

Indicator	**Results**	**Criteria**	**Information**
APCs	0.196 (0.006)	< 0.05	Accepted
ARS	0.054 (0.136)	< 0.05	-
AARS	0.044 (0.154)	< 0.05	-
AVIF	1,007	3.30≥AVIF≤5.50	Accepted
AFVIF	1,290	3.30≥AVIF≤5.50	Accepted
GOF	0.182	0.10≤GOF≥0.36	*Small fit*
SPR	1,000	SPR=1.0 or SPR≥0.70	Accepted
RSCR	1,000	RSCR=1.00 or RSCR≥0.7	Accepted
SSRS	1,000	SSR≥0.70	Accepted
NLBCDR	1,000	NLBCDR≥0.70	Accepted
R-Squares			(Kock & Lynn, 2012)
SRDI	0.094	0.25≥Rs≤0.70	Weak
TOBIN'S Q	0.067	0.25≥Rs≤0.70	Weak
NPM	0.013	0.25≥Rs≤0.70	Weak
ROA	0.040	0.25≥Rs≤0.70	Weak
Adjusted R2			(Kock & Lynn, 2012)

Indicator	Results	Criteria	Information
SRDI	0.079	0.25≥Rs≤0.70	Weak
TOBIN'S Q	0.060	0.25≥Rs≤0.70	Weak
NPM	0.005	0.25≥Rs≤0.70	Weak
ROA	0.033	0.25≥Rs≤0.70	Weak
Q2 Predictive			(Stone & Geisser, 1974)
SRDI	0.095	>0	Predictive Value
TOBIN'S Q	0.067	>0	Predictive Value
NPM	0.016	>0	Predictive Value
ROA	0.041	>0	Predictive Value
Full Collinearity VIFs			
SIZE	1,073	3.30≥VIFs≤5.00	Multicollinearity Free
AGE	1,043	3.30≥VIFs≤5.00	Multicollinearity Free
SRDI	1,097	3.30≥VIFs≤5.00	Multicollinearity Free
TOBIN'S Q	1.183	3.30≥VIFs≤5.00	Multicollinearity Free
NPM	1,645	3.30≥VIFs≤5.00	Multicollinearity Free
ROA	1,698	3.30≥VIFs≤5.00	Multicollinearity Free
Effect Size			(Cohen, 1988)
SIZE-SRDI	0.066	≥ 0.02	Weak Influence
AGE-SRDI	0.028	≥ 0.02	Weak Influence
SRDI-TOBIN'S Q	0.067	≥ 0.02	Weak Influence
SRDI-NPM	0.013	≥ 0.02	Weak Influence
SRDI-ROA	0.040	≥ 0.02	Weak Influence

Source: Secondary Data Analysis (2023)

Note: ( ) = Probability

Based on Table 1.7, the main model validation is by looking at the test results, the APC value is 0.196 (P value 0.006), ARS is 0.054 (P value 0.136) AARS is 0.044 (P value 0.154>0.05). Likewise, the AFVIF and AVFIF values obtained were ≤ 3.3 and the resulting GOF value was 0.182 so it could be categorized as small fit. Then for SPR Simpson's paradox, RSCR R-squared contribution ratio and Statistical suppression ratio SSR produce a value of one which means there is no causality problem in the model. Furthermore, the NLBCDR value obtained is ≥0.7. Overall, the results obtained do not contain multicollinearity problems between variables and there are no causality problems. These criteria have met the Goodness of Fit Model criteria which is quite good.

Next, look at the model fit of each variable, namely the R-Squares or Adjusted R^2 value. The test for the coefficient of determination has good results and all endogenous variables have positive results, meaning that the results obtained indicate that the independent variable is able to explain the dependent variable. In other words, the model predictors are getting better at explaining the variance. R Square SRDI produces a value of 0.094 (weak), Tobin's Q 0.067 (weak), NPM 0.013 (weak), ROA 0.040 (weak). Meanwhile, Adjusted R^2 SRDI 0.079 (weak), Tobin's Q 0.060

(weak), NPM 0.005 (weak), ROA 0.033 (weak). In this research model, it can be concluded that predictive relevance is that all endogenous variables show Q^2 values > 0. Then the effect size values listed in table 1.7 above are in the small influence category. This can be seen from the average effect size which is above 0.02, but smaller than 0.15. This shows that the effect size value of the independent variable has a small influence at the structural level on the dependent variable. In the full VIF collinearity test, each variable is 3.3≥VIFs≤5, which means there is no multicollinearity problem between dependents and independents in the model, so it can be interpreted that there is no lateral or vertical collinearity problem in the model.

This overall model selection was carried out with the consideration that preliminary tests of differences between the five countries had been carried out, the results of which were included in the previous sub-chapter. The results concluded that there were no differences between the five ASEAN countries so that the tests were carried out simultaneously. After fulfilling the goodness of fit model criteria, it can be continued with hypothesis testing.

Leader – Followers Company Difference Test

H3: The performance of leader companies is better than follower companies for companies that publish sustainability reports.

Researchers made two different tests to determine whether the leader company was better than the follower company in company performance, the first different test was carried out based on the completeness report sustainability score and the second was a different test carried out based on the DER value from the lowest to the highest among73similar variables. Below are the results of the analysis and discussion.

A. Different Test Based on Sustainability Report Score

The researcher categorizes the leader company by creating a zero code and for followers it is categorized by the number one. Researchers sorted the SRDI values from largest to smallest at once for five countries in each period, then created quartiles as in Pais' (2017) research. For quartile one and quartile two, it is 25% and 50% of the leader company group or those with the top SRDI value, while the 25% and 50% values below the SRDI group with the lowest value are the follower company group. The following is in Table 1.8. For different test results using Wilcoxon on the variable sustainability report.

Table 1.8 Wilcoxon SRDI Test Results

Method	df	Value	probability

Wilcoxon/Mann-Whitney		21.50895	0.0000
Wilcoxon/Mann-Whitney (tie-adj.)		21.50899	0.0000
med. Chi-square	1	520.6886	0.0000
Adj. med. Chi-square	1	517.0727	0.0000
Kruskal-Wallis	1	462.6443	0.0000
Kruskal-Wallis (tie-adj.)	1	462.6460	0.0000
van der Waerden	1	397.8252	0.0000

Category Statistics

			> Overalls		
CODE	Count	Median	Median	MeanRanking	Meanscore
0	315	61.80000	301	475.8270	0.791309
1	320	38.60276	16	162.6391	-0.778926
All	635	49.07957	317	318.0000	9.16E-06

Source: Secondary Data Analysis (2023)

Based on Table 1.8, the results of the differential test above obtained a Wilcoxon probability value of 0.0000, namely the rules of thumb of the non-parametric differential test are:

If the prob. > 0.05, the data has no significant difference

If the prob. < 0.05 then the data has a significant difference

So it can be concluded that H3 is accepted, using SRDI data from each company in Indonesia, Malaysia, Thailand, Singapore and the Philippines over a five year period, showing that leader companies have better company performance than followers.

The results of this research are in line with those expressed by Laskar and Maji (2016), Platonova et al. (2018), Ernst and Young (2013) that the disclosure of a sustainability report with a higher score is able to describe the level of company performance better in terms of economic, social and environmental dimensions.The sustainable economic dimension concerns the company's role in the economic conditions of stakeholders and the economic system at the local, national and global levels. The content reported emphasizes the company's contribution to the surrounding economic system. Then the environmental dimension of sustainability looks at the impact of a company on the environment such as ecosystems, land, water and air. In the*sustainability report*, disclosing company performance in managing water resources, energy materials,

biodiversity, waste, emissions, services and products, and so on.And finally, the social dimension, this dimension includes employment practices and comfort at work, human rights taken into account by the company, the impact received by the community around the company, and responsibility for the services and products the company provides to consumers.

The more complete the data from the three dimensions mentioned previously, the better the company value(Areiqat et al., 2019). By disclosing a sustainability report, companies can describe how to anticipate every challenge they face and how to survive longer, as well as being able to create new innovations that are more environmentally friendly so that they become opportunities in running business for the company's progress in the future.

Differences in Sustainability Reports and Company Performance between the Philippine Stock Exchange and the Singapore Stock Exchange

The Manova test used is the test between subject effect, which is a method used to test differences in sustainability reports and company performance between the Philippine Stock Exchange and the Singapore Stock Exchange. The decision making criteria for the Manova test are as follows:

a. If the significance probability value is > 0.05 then there is no significant difference betweenPhilippine Stock Exchange and Singapore Stock Exchange
b. If the significance probability value is <0.05 then there is a significant difference betweenStock Exchange Philippine Stock Exchange and Singapore Stock Exchange

Below is Table 1.9 the test results.

Table 1.9 Different Test of the Philippine Stock Exchange and the Singapore Stock Exchange

Dependent Variable	F	Sig
TOBIN'S Q	3,318	0.765
ROA	0.063	0.453
NPM	0.141	0.742

Source: Secondary Data Analysis (2023)

Based on Table 1.9 of the test of between subject effects above, it can be seen that the level of significance (probability number) is > 0.05; because the Tobin's Q probability figures are 0.765 > 0.05, NPM 0.453 > 0.05 and ROA 0.742 > 0.05, this means that there is no significant difference in sustainability reports and company performance between the Philippine Stock Exchange and the Singapore Stock Exchange.

Differences in Sustainability Reports and Company Performance between the Philippine Stock Exchange and the Thai Stock Exchange

The Manova test used is the between subject effect test, which is a method used to test differences in sustainability reports and company performance between the Philippine Stock Exchange and the Thai Stock Exchange. The decision making criteria for the Manova test are as follows:

a. If the significance probability value is > 0.05 then there is no significant difference betweenPhilippine Stock Exchange and Thai Stock Exchange
b. If the significance probability value is <0.05 then there is a significant difference betweenPhilippine Stock Exchange and Thai Stock Exchange

Below is Table 1.10 the test results.

Table 1.10 Differential Test of the Philippine Stock Exchange and the Thai Stock Exchange

Dependent Variable	F	Sig
TOBIN'S Q	1,573	0.235
ROA	6,722	0.653
NPM	3,832	0.764

Source: Secondary Data Analysis (2023)

Based on Table 1.10 the test of between subject effects above shows that the significance level (probability number) is > 0.05; because the probability figures for Tobin's Q are 0.235 > 0.05, NPM 0.653 > 0.05 and ROA 0.764 > 0.05, this means that there is no significant difference in sustainability reports and company performance between the Philippine Stock Exchange and the Thai Stock Exchange.

Differences in Sustainability Reports and Company Performance between the Indonesia Stock Exchange and the Singapore Stock Exchange

The Manova test used is the between subject effect test, which is a method used to test differences in sustainability reports and company performance between the Indonesia Stock Exchange and the Singapore Stock Exchange. The decision making criteria for the Manova test are as follows:

a. If the significance probability value is > 0.05 then there is no significant difference betweenIndonesia Stock Exchange and Singapore Stock Exchange
b. If the significance probability value is <0.05 then there is a significant difference betweenIndonesia Stock Exchange and Singapore Stock Exchange

Below is Table 1.11 the test results.

Table 1.11 Different Test of the Indonesian Stock Exchange and the Singapore Stock Exchange

Dependent Variable	F	Sig
TOBIN'S Q	0.804	0.839
ROA	0.096	0.564
NPM	0.306	0.346

Source: Secondary Data Analysis (2023)

Based on Table 1.11 the test of between subject effects above shows that the level of significance (probability number) is > 0.05; because the Tobin's Q probability figures are 0.839 > 0.05, NPM 0.564 > 0.05 and ROA 0.346 > 0.05, this means that there is no significant difference in sustainability reports and company performance between the Indonesia Stock Exchange and the Singapore Stock Exchange.

Differences in Sustainability Reports and Company Performance between the Indonesia Stock Exchange and the Thailand Stock Exchange

The Manova test used is the between subject effect test, which is a method used to test differences in sustainability reports and company performance between the Indonesia Stock Exchange and the Thailand Stock Exchange. The decision making criteria for the Manova test are as follows:

a. If the significance probability value is > 0.05 then there is no significant difference betweenIndonesian Stock Exchange and Thai Stock Exchange
b. If the significance probability value is <0.05 then there is a significant difference betweenIndonesian Stock Exchange and Thai Stock Exchange

Below is Table 1.12 the test results.

Table 1.12 Different Test of Indonesia Stock Exchange and Thailand Stock Exchange

Dependent Variable	F	Sig
TOBIN'S Q	0.898	0.705
ROA	0.756	0.911
NPM	1,825	0.653

Source: Secondary Data Analysis (2023)

Based on Table 1.12 test of between subject effects above, it can be seen that the level of significance (probability number) is > 0.05; because the probability number of Tobin's Q is 0.705 > 0.05, NPM is 0.911 > 0.05 and ROA is 0.653 > 0.05, it means that there is no significant difference in

sustainability reports and company performance between the Indonesia Stock Exchange and the Thailand Stock Exchange.

Differences in Sustainability Reports and Company Performance between the Malaysia Stock Exchange and the Philippines Stock Exchange

The Manova test used is the test between subject effect, which is a method used to test differences in sustainability reports and company performance between the Malaysia Stock Exchange and the Philippines Stock Exchange. The decision making criteria for the Manova test are as follows:

a. If the significance probability value is > 0.05 then there is no significant difference betweenMalaysia Stock Exchange and Philippines Stock Exchange
b. If the significance probability value is <0.05 then there is a significant difference betweenMalaysia Stock Exchange and Philippines Stock Exchange

Below is Table 1.13 the test results.

Table 1.13 Differential Test of the Malaysian Stock Exchange and the Philippine Stock Exchange

Dependent Variable	F	Sig
TOBIN'S Q	2,696	0.343
ROA	3,267	0.321
NPM	4,600	0.206

Source: Secondary Data Analysis (2023)

Based on Table 1.13 test of between subject effects above, it can be seen that the level of significance (probability number) is > 0.05; because the probability figures for Tobin's Q 0.343 > 0.05, NPM 0.321 > 0.05 and ROA 0.206 > 0.05 means that there is no significant difference in sustainability reports and company performance between the Malaysian Stock Exchange and the Philippine Stock Exchange.

Differences in Sustainability Reports and Company Performance between the Malaysian Stock Exchange and the Indonesian Stock Exchange

The Manova test used is the test between subject effect, which is a method used to test differences in sustainability reports and company performance between the Malaysia Stock Exchange and the Indonesia Stock Exchange. The decision making criteria for the Manova test are as follows:

a. If the significance probability value is > 0.05 then there is no significant difference betweenMalaysia Stock

Exchange and Indonesian Stock Exchange

b. If the significance probability value is <0.05 then there is a significant difference betweenMalaysia Stock Exchange and Indonesian Stock Exchange

Below is Table 1.14 the test results.

Table 1.14 Different Test of the Malaysian Stock Exchange and the Indonesian Stock Exchange

Dependent Variable	F	Sig
TOBIN'S Q	1.019	0.498
ROA	1.114	0.368
NPM	1,191	0.280

Source: Secondary Data Analysis (2023)

Based on Table 1.14 the test of between subject effects above shows that the level of significance (probability number) is > 0.05; because the probability figures for Tobin's Q are 0.498 > 0.05, NPM 0.368 > 0.05 and ROA 0.280 > 0.05, this means that there is no significant difference in sustainability reports and company performance between the Malaysian Stock Exchange and the Indonesian Stock Exchange.

Differences in Sustainability Reports and Company Performance between the Malaysia Stock Exchange and the Singapore Stock Exchange

The Manova test used is the between subject effect test, which is a method used to test differences in sustainability reports and company performance between the Malaysia Stock Exchange and the Singapore Stock Exchange. The decision making criteria for the Manova test are as follows:

a. If the significance probability value is > 0.05 then there is no significant difference betweenMalaysia Stock Exchange and Singapore Stock Exchange

b. If the significance probability value is <0.05 then there is a significant difference betweenMalaysia Stock Exchange and Singapore Stock Exchange

Below is Table 1.15 the test results.

Table 1.15 Differential Test of the Malaysian Stock Exchange and the Singapore Stock Exchange

Dependent Variable	F	Sig
TOBIN'S Q	2,177	0.523
ROA	0.077	0.674
NPM	0.189	0.853

Source: Secondary Data Analysis (2023)

Based on Table 1.15 the test of between subject effects above shows that the level of significance (probability number) is > 0.05; because the probability figures for Tobin's Q 0.523 > 0.05, NPM 0.674 > 0.05 and ROA 0.853 > 0.05 means that there is no significant difference in sustainability reports and company performance between the Malaysia Stock Exchange and the Singapore Stock Exchange.

Differences in Sustainability Reports and Company Performance between the Malaysia Stock Exchange and the Thailand Stock Exchange

The Manova test used is the between subject effect test, which is a method used to test differences in sustainability reports and company performance between the Malaysia Stock Exchange and the Thailand Stock Exchange. The decision making criteria for the Manova test are as follows:

a. If the significance probability value is > 0.05 then there is no significant difference betweenMalaysia Stock Exchange and Thailand Stock Exchange
b. If the significance probability value is <0.05 then there is a significant difference betweenMalaysia Stock Exchange and Thailand Stock Exchange

Below is Table 1.16 the test results.

Table 1.16 Different Test of the Malaysian Stock Exchange and the Thai Stock Exchange

Dependent Variable	F	Sig
TOBIN'S Q	1,527	0.884
ROA	3,549	0.512
NPM	3,687	0.411

Source: Secondary Data Analysis (2023)

Based on Table 1.16 the test of between subject effects above shows that the level of significance (probability number) is > 0.05; because the probability figures for Tobin's Q are 0.884 > 0.05, NPM 0.512 > 0.05 and ROA 0.411 > 0.05, this means that there is no significant difference in sustainability reports and company performance between the Malaysia Stock Exchange and the Thailand Stock Exchange.

Differences in Sustainability Reports and Company Performance between the Singapore Stock Exchange and the Thailand Stock Exchange

The Manova test used is the test between subject effect, which is a method used to test differences in sustainability reports and company

performance between the Singapore Stock Exchange and the Thailand Stock Exchange. The decision making criteria for the Manova test are as follows:

c. If the significance probability value is > 0.05 then there is no significant difference betweenSingapore Stock Exchange and Thailand Stock Exchange
d. If the significance probability value is <0.05 then there is a significant difference betweenSingapore Stock Exchange and Thailand Stock Exchange

Below is Table 1.17 the test results.

Table 1.17 Different Test of the Singapore Stock Exchange and the Thailand Stock Exchange

Dependent Variable	F	Sig
TOBIN'S Q	1,527	0.151
ROA	3,549	0.375
NPM	3,687	0.421

Source: Secondary Data Analysis (2023)

Based on Table 1.17 test of between subject effect above, it can be seen that the significance level (probability number) is > 0.05; because the probability figures for Tobin's Q are 0.115 > 0.05, NPM 0.375 > 0.05 and ROA 0.421 > 0.05, this means that there is no significant difference in sustainability reports and company performance between the Singapore Stock Exchange and the Thailand Stock Exchange.

Conclusion

Based on the findings obtained in research regarding whether herding occurs or not in companies that publish sustainability reports, describe the influence of sustainability report disclosure and its impact on company performance and determine whether leader companies are better than follower companies in terms of the level of sustainability report disclosure and debt to equity ratio. in non-financial companies which include manufacturing and mining industries registered in Indonesia, Malaysia, Singapore, Thailand and the Philippines, it can be concluded that: 1). The company is proven to be herding in similar industries and is classified as a company leader in that industry, as can be seen from the level of sustainability report disclosure and the company's decision to apply debt to the value of the debt to equity ratio. 2). Companies that disclose sustainability reports are proven to have an influence on company performance, but are not influenced by net profit margin and company age. The resulting influence is weak, this is because it means that stakeholders do not really care about environmental reporting. This is evident

from the fact that many other companies have not disclosed their sustainability reports, moreover, the average government control in ASEAN is not optimal enough to require all of them to publish sustainability reports. Apart from that, stakeholders and company managers consider that sustainability reports actually have an indirect influence because they require several stages for analysis, so that stakeholders actually prioritize looking at the company's future prospects in its financial reports. 3). Leader companies are better than follower companies in similar industries in terms of company performance as seen from the level of disclosure of sustainability reports and the company's decision to apply debt to the value of the debt to equity ratio.

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