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Does the disclosure of the company's environment, social, governance score affect of sustainable growth rate that is reinforced by a collectivist culture?

¿La divulgación de la puntuación medioambiental, social y de gobernanza de la empresa afecta la tasa de crecimiento sostenible reforzada por una cultura colectivista?

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Abstract

This study intends to give empirical evidence of the effect of environmental, social, and governance performance via Environment, Social, and Governance (ESG) disclosure controlled by a collectivist culture. The research population is a corporation in Asia. Purposive sampling was utilized to obtain the number of samples; given the conditions set, a sample of 97 companies in Asia was obtained with an observation period ranging from 2017 to 2021, yielding a total of 485 observation data. The warpPLS approach was used to examine the data. The observations revealed that environmental performance, social performance, and governance performance all had an impact on ESG disclosure, and that ESG disclosure, which was bolstered by collectivism culture, had an impact on SGR. The study's implications reveal that SGR is very essential because it pertains to the strategy adopted by businesses to attain sustainable growth. As a result, businesses must pay attention to SGR and the factors that drive it. Furthermore, the findings of this study can help regulators develop policies to promote business sustainability practices in Asia.

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JEL Code: G30, G39, G41
Keywords: ESG disclosure; collectivism culture; sustainable growth rate

Resumen

Este estudio pretende brindar evidencia empírica del efecto del desempeño ambiental, social y de gobernanza a través de la divulgación ambiental, social y de gobernanza (ESG) controlada por una cultura colectivista. La población de investigación es una corporación en Asia. Se utilizó muestreo intencional para obtener el número de muestras; dadas las condiciones planteadas, se obtuvo una muestra de 97 empresas de Asia con un periodo de observación que va del 2017 al 2021, arrojando un total de 485 datos de observación. Se utilizó el enfoque warpPLS para examinar los datos. Las observaciones revelaron que el desempeño ambiental, el desempeño social y el desempeño de la gobernanza tuvieron un impacto en la divulgación de ESG, y que la divulgación de ESG, que fue reforzada por la cultura colectivista, tuvo un impacto en los SGR. Las implicaciones del estudio revelan que la SGR es muy esencial porque pertenece a la estrategia adoptada por las empresas para lograr un crecimiento sostenible. Como resultado, las empresas deben prestar atención a la SGR y a los factores que la impulsan. Además, los hallazgos de este estudio pueden ayudar a los reguladores a desarrollar políticas para promover prácticas de sostenibilidad empresarial en Asia.

Código JEL: G30, G39, G41
Palabras clave: divulgación de ESG; cultura colectivista; tasa de crecimiento sostenible

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Introduction

Companies must adapt to the current economic climate, which is always volatile and subject to rapid change at any time, in order to survive. However, despite the fact that a high-growth company will experience an increase in revenue and profits, not all company growth is positive. The definition of growth is an increase in business production or sales of goods and services. Consequently, growth is used as a metric or indicator of achievement as well as the rate of income growth. There are numerous time frames for growth, including short-term, medium-term, and long-term, as well as actual, fast, and sluggish growth, as well as internal, external, and sustainable or unsustainable growth. Inevitably, excessive growth will result in an increase in the need for working capital, which will cause the company to expand.

If company management does not evaluate and monitor the company's growth rate, the company's finances will suffer. Additionally, there are tools for measuring long-term development. Two instruments comprise the measurement instrument: the Internal Growth Rate (IGR) and the Sustainable Growth Rate (SGR). IGR is a concept used to measure the maximum growth that a company is capable of achieving, indicating that the company only utilizes its own funds. While SGR is a concept in which a company's development is maximized so long as it can maintain its financial ratios, this is not the case.

He explained that SGR is the financial policy of each company in accordance with the company's development (Higgins, 1981). Increasing profits can also lead to an increase in assets, so a

company policy is required. The concept of SGR is to determine the alignment of the company's elements; the primary activity is sales growth and funding policy. SGR is the utmost growth rate a company can sustain without running out of capital. According to Platt et al. (1995), the concept of SGR states that a company's sales and assets can increase if it does not issue new shares and maintains its extant capital structure.

Several academics have conducted investigations on the elements that influence SGR. SGR is influenced by variables other than financial ones; non-financial considerations such as ESG are becoming increasingly significant in the minds of stakeholders (Balatbat et al., 2012). ESG ratings provided by specialized rating organizations play a key role in managers' and various stakeholders' decision-making processes for investment decisions and partnerships. The study Siew et al. (2013) investigates the effect of non-financial reporting on the financial performance of construction enterprises empirically. They look into public construction firm reporting initiatives on climate change, environmental management and efficiency, health and safety, human capital, behavior, stakeholder engagement, governance, and other topics. Similarly, Rajesh & Rajendran (2019) found a negative moderating effect of ESG performance when assessing the relationship with ESG performance, regardless of other direct relationships.

According to a study Clément et al. (2022), ESG scores are the primary metric for evaluating organizational sustainability. Meanwhile, a growing body of literature indicates that ESG scores do not accurately quantify sustainability in terms of sustainable development. The ESG score fails to accurately quantify sustainability since it is not designed to measure variables like temporality, impact, resource management, and interconnectedness. Furthermore, ESG ratings use the concept of materiality, but what they measure is not always quantitative, and most institutions do generate scores (Clément et al., 2022).

The current ESG score, according to Ribando & Bonne (2010), consists of ratings (expressed in letters or numbers) in three categories: environmental, social and governance. The fundamental advantage of this score is that it allows for the prediction of financial risks connected with unfavorable consequences of dishonest acts. They are not, however, appropriate for analyzing the positive effects of actions taken as a result of applying these criteria (Escrig-Olmedo et al., 2019; Baker et al., 2016). According to the findings Eccles et al. (2012), the main difficulty for investors and firms to use ESG performance information is the lack of standards, and researchers propose that reporting standards should be developed sector by sector, as demonstrated by various cases. They also highlight other difficulties, such as determining the precise characteristics of ESG that are most useful to businesses in terms of providing value for the parties related.

The popularity of the ESG score originates from the expectation that a responsible firm will succeed in the future, because a responsible investment strategy has historically provided a higher return on investment (Kempf & Osthoff, 2007). They are also a means of separating bad businesses from

excellent businesses and presenting them as capable of responding to an ESG problem. However, as long-term investments, these are less risky because mitigating hazards, global warming, and other environmental or social challenges will affect their returns. A high ESG score can also boost success of finance (Lisin et al., 2022). Two other reasons for this growing popularity are: (1) financial clients want to invest in companies that are demonstrably socially and environmentally responsible in terms of their personal or organizational beliefs, and (2) the medium to long term growth potential of socially responsible investments is higher (Whelan et al., 2021). Sustainability is progressively being regarded in finance as the next market growth indicator (Morgan Stanley, 2019).

Local stakeholders, however, play a crucial part in the accountability process because diverse cultural situations lead to distinct values (Carroll, 1979; Bustamante, 2011). In this view, the national cultural dimension explains broad similarities and differences in cultures around the world and argues that this cultural dimension has a special link with preferences and actions of stakeholders (Tsakumis, 2007). Gender equality, institutional collectivism, and humanistic orientation, for example, reflect significant differences in accounting practice (Gray, 1988) or the publication of different types of reports (Adams & Kuasirikun, 2000; Fernandez-Feijoo et al., 2011). As a result, there is increased interest in resolving this constraint through comparative research of organizations based in various locations, as well as in connection to existing commercial disclosure procedures (Aguilera et al., 2007).

Gray (1988) began to build the accounting culture in 1988. Gray (1988) distinguishes four characteristics of culture: professionalism, conservatism, conformity, and secrecy. Furthermore, these dimensions are often employed in accounting research. Meanwhile, Hofstede (1983) created four cultural dimensions: the Power Distance Index, Individualism/Collectivism, Masculinity/Femininity and Uncertainty Avoidance Index. Hofstede (1994) added the Long-Term Orientation (LTO) as a fifth component to his framework of indulgences in 1994.

Several prior research examined the impact of financial statement disclosures connected with country culture. This study focuses solely on collectivism culture. The relationship between individuals and the groups to which they belong is described by collectivism. The consequence of Hofstede's (1980) construct of collectivism is that in a communal society, an individual is more attached to a group. Individuals are more independent in an individualistic society. Relationships and addressing group needs are highly valued in collectivistic cultures (Bochner, 1994). Individuals are incorporated into groups in collectivism. Collectivism prioritizes group interests over individual interests. Previous research has yielded conflicting results in this area.

According to a study Vitolla et al. (2019) that examines the effect of national cultural context on reporting quality, corporations that operate in countries with collectivist cultural systems place a stronger priority on concerns of sustainability, ethics, and good governance. This is consistent with Vena

et al. (2019), who claim that enterprises based in collectivist countries can reap the greatest benefits from reporting. Similarly Tan et al. (2003), the study findings demonstrate that collectivism culture enhances the influence of information asymmetry on the desire to convey unfavorable news.

The inclusion of collectivism culture as an indirect factor in this study is interesting. So far, there has been little research using collectivism as a moderating element in ESG disclosure and SGR. This will be critical for testing. The goal of this study is to give empirical evidence of the effect of environmental, social, and governance performance on ESG disclosure at SGR, which is regulated by collectivism culture. Benefits for determining a company's health by monitoring it with SGR. The benefits of this study include undoubtedly information about Asian enterprises, particularly those registered in the integrated reporting database. It can also be information used to transact or trade corporate stock.

Theory and hypothesis development

Stakeholder theory

Freeman and David (1983) are the pioneers of stakeholder theory. Stakeholder theory is one of the strategic issues related to how companies manage relationships with stakeholders (Bani-Khalid & Kouhy, 2017). Companies are required to pay attention to and provide benefits to stakeholders because their existence can influence or be influenced by company policies. The relevant stakeholders are not solely concerned with shareholders. Donaldson & Preston (1995) argue that stakeholder theory applies to all organizational responsibility stakeholders, not just proprietors or investors. The stakeholder theory explains that a thriving company must provide benefits for all of its stakeholders, since businesses exist to serve more than just their own interests. Stakeholder theory is developed to comprehend and resolve problems. There are three interrelated business problems, including the problem of comprehending how value is created and traded, linking ethics and capitalism, and assisting managers in thinking about management in order to solve the first two problems. This is consistent with Hill & Jones (1992), which describes the information that must be received in stakeholder relationships. Similarly, Freeman & McVea (2001), who were able to provide evidence, companies must take constructing and maintaining these relationships seriously, as they are social and environmental elements of the business that are essential to its survival.

Legitimacy theory

Legitimacy theory emphasizes the need of firms paying attention to all of their actions in order to ensure that they are in conformity with the norms and principles that apply in the community where the company is based, with the goal of gaining legitimacy from the community. The corporation makes every effort to ensure that its actions are accepted as legal by outsiders. However, there will always be disparities between the ideals held by the firm and the values held by the community. The disparity between company values and social values is sometimes referred to as the legitimacy gap, and it can have an impact on the company's capacity to continue operating. As a result, as a legitimacy method, firms must examine social values and make adjustments to social values in society or opinions of the organization (O'Donovan, 2002). One strategy for closing the legitimacy gap is to make accountability for environmental, social, and corporate governance actions public. According to Dowling & Pfeffer (1975), organizations are part of the social system of society and strive to promote harmony between social ideals and norms that exist in social life. In this approach, the firm will get respect from the community for building harmony between the company's values and norms and those of the community, which will have an effect on the sustainability of company and superior performance.

Sustainable Growth Rate (SGR)

Higgins (1981) proposed the notion of SGR, which is a concept for financial policies in each organization in accordance with the company's growth. Increasing the amount of existing assets can also result in increased corporate profit, necessitating a related company policy. SGR, as defined by Platt et al. (1995), is a concept in which sales and corporate assets can expand while the company does not issue additional shares and maintains the present capital structure. According to Higgins (1981), SGR describes a concept or idea of growth that requires capital using internal financing under unchanging leverage conditions. SGR measurement demonstrates both operational and financial performance. SGR is defined as the highest sales growth achieved by not obtaining funds from investors, issuing additional shares, or raising leverage (Snyman, 1999). Profit is not transferred to capital owners or dividends are not distributed to shareholders; instead, it is reinvested in the business.

Hypothesis development

ESG score appears to be a commonly acknowledged evaluation tool when considering an organization's sustainability performance (Xiao et al., 2018; Ahi et al., 2018). In conclusion, the ESG score discovered a positive association between the organization's sustainability performance. Stakeholders are more demanding now than ever before. The junction of a company's economic, environmental, and social performance is where organizational sustainability comes into play (Rajesh, 2018). Various sustainability reporting projects are gaining traction among stakeholders (Mervelskemper & Streit, 2016; Escrig-Olmedo et al., 2015). This is consistent with stakeholder theory, which describes the information required in stakeholder relationships (Hill & Jones, 1992). Similarly, Freeman & McVea (2001) who managed to offer proof, corporations must attempt and be serious in creating and preserving these ties, because they are social and environmental parts of the organization. In order for them to maintain their legitimacy, this is also consistent with legitimacy theory (Dowling & Pfeffer, 1975).

The study Siew et al. (2013) investigates the effect of non-financial reporting on the financial performance of construction enterprises empirically. They look into public construction firm reporting initiatives on climate change, environmental management and efficiency, health and safety, human capital, behavior, stakeholder engagement, governance, and other topics. Some studies support that ESG has emerged as a key source of corporate risk and can affect a company's financial performance as well as profitability directly or indirectly (Hawn et al., 2017). Similarly, Zhao et al. (2018) looked into the link between ESG performance indicators and firm financial performance. They remark that organizations' ESG performance can improve their financial performance, benefiting investors, managers, and decision makers.

Companies are encouraged to publish environmental information as the market increasingly focuses on environmental issues. The voluntary publication of ESG reports alongside mandated financial reports can decrease information asymmetry and boost investors' and stakeholders' positive perceptions of corporate responsibility. According to stakeholder theory, high adherence to environmental disclosure increases business reputation, which is connected with high corporate efficiency, therefore boosting its environmental sustainability performance (Alsayegh et al., 2020).

Social performance refers to how and to what extent the company has translated its social objectives into practices such as working conditions, health and safety, employee relations, health, diversity, human rights, fair employment practices, community involvement, and philanthropy, among other things. Stakeholder theory is the theoretical framework used to determine the relationship between ESG and social sustainability performance, while legitimacy theory is utilized to preserve its validity. Companies incorporate ESG into their operating policies and procedures to earn or maintain legitimacy,

recognizing that complying to stakeholder norms and expectations results in improved access to resources. Good interactions with various stakeholder groups can help to generate and retain important intangible assets and thus improve long-term social sustainability performance (Alsayegh et al., 2020).

Companies are also encouraged to publish governance information, as the market is increasingly focused on governance issues. As a result, organizations must practice organizational openness, shareholder and board relations, executive compensation, and board diversity. The voluntary publication of ESG reports alongside mandated financial reports can reduce information asymmetry and boost investors' and stakeholders' positive perceptions of corporate responsibility. According to stakeholder theory, the more transparent and accountable the company, the higher compliance with governance disclosures can improve the company's reputation.

The most crucial component for the company's growth is ESG transparency. As a result, the more companies disclose ESG, the higher the company's SGR, and vice versa, the lower the company's SGR, because investors and stakeholders must maintain a positive perception of the company in order to maintain corporate accountability. This reasoning is consistent with the results of (Siew et al., 2013), who empirically investigated the effect of non-financial reporting on the financial performance of construction enterprises. The following are the findings of the first, second, third, and fourth hypotheses:

H1: The environmental performance score of the company has a positive effect on ESG disclosure.

H2: The social performance score of the company has a positive effect on ESG disclosure.

H3: Corporate governance performance scores has a positive effect on ESG disclosure.

H4: ESG disclosure has a positive effect on SGR.

There is a strong sense of belonging to society in countries with a high level of collectivism. Individuals trust and are loyal to groups (Hofstede, 2001), and aims that benefit society as a whole are valued (Deephouse et al., 2016). Because they feel they are part of the same community in such countries, all stakeholders may give more favourable evaluations of responsible enterprises to all their stakeholders (Pérez-cornejo et al., 2021). Collectivism culture appears to serve a moderating influence on reporting relationships and average cost of capital, according to studies (Vitolla et al., 2019; Vena et al., 2019; and Pérez-cornejo et al., 2021). Collectivist countries will strengthen the link between ESG disclosure and SGR. The fifth hypothesis' result is:

H5: Collectivism culture strengthens the association between ESG disclosure and SGR.

Methods

The descriptive and verification methods were utilized in the research. Descriptive is a method for recording, processing, presenting, and interpolating data to offer a true and clear picture of the company, followed by hypothesis testing. This study necessitates data obtained from a third party from financial statements of Asian companies registered in the integrated reporting database (https://examples.integratedreporting.org/ir-reporters/?app_region=24) and data obtained from Bloomberg, with the study period set at 2017-2021. This study uses panel data, because it observes the sustainability of the company so that the observed data must be sequential. Based on the results of the sample selection, 97 companies were obtained as samples, they are from Saudi Arabia, Hong Kong, Japan, South Korea, Malaysia, the Philippines, Singapore, Sri Lanka, Thailand. The sample companies include Saudi Investment Bank, Pacific Basin Shipping, Ajinomoto, SK Telecom, Telekom Malaysia, Ayala Corporation, Capitaland, Aitken Spence, PTT Global Chemical Public Company Limited, etc. They were selected because they met the established sample criteria. The purpose of this observation is to put SGR to the test. WarpPLS is a tool for data analysis. The variable measures used are described below.

Variable of environment performance is measured from Bloomberg's environmental data, taking into account a variety of inputs, among others: emissions, materials and water pollution. The social disclosure score is used to measure social performance. The data are among others about employee policies, products and societal impacts. Governance data containing information, among others, about the structure and operations of the board, executives salaries and board committee activity are used to measure governance performance. Variable of ESG disclosure is measured by computing the aggregate ESG disclosure score and its subscores (Ioannou & Serafeim, 2017). ROA, NPM, Leverage and Assets Turnover are used to measure SGR variable (Olson & Pagano, 2005). Meanwhile, collective culture measure is adapted from The index of collectivism culture presented in Hofstede (Hofstede, 1980).

Results and discussion

485 observational data were acquired based on preset sample criteria. The data was obtained via a procedure of discarding samples based on predetermined criteria. An elimination process was carried out on a total of 645 observational data, which included 160 observational data that did not exhibit the whole data and thus had to be removed from the sample. So the total number of observations is 485. As a data processing tool, WarpPLS analysis version 7.0 is utilized. Table 1 displays the findings of the data analysis.

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Table 1
Model fit and quality indices.

Num.	Model fit and quality indices	Fit criteria	Analysis results	Annotation
1	Average path coefficient (APC)	p < 0.05	0.296 (P<0.001)	acceptable
2	Average R-squared (ARS)	p < 0.05	0.484 (P<0.001)	acceptable
3	Average adjusted R-squared (AARS)	p < 0.05	0.482 (P<0.001)	acceptable
4	Average block VIF (AVIF)	acceptable if <= 5, ideally <= 3.3	1.720	ideally
5	Average full collinearity VIF (AFVIF)	acceptable if <= 5, ideally <= 3.3	23693689539.014	rejectable
6	Tenenhaus GoF (GoF)	small >= 0.1, medium >= 0.25, large >= 0.36	0.696	large
7	R-squared contribution ratio (RSCR)	acceptable if >= 0.9, ideally = 1	0.979	acceptable

Source: WarpPLS output, 2023

APC with fit requirements of <0.05 and results of 0.296 are considered acceptable because they fulfill the set fit standards. The ARS value is 0.484 with a P value of 0.001, indicating that the outcome is satisfactory. Similarly, the AARS with the threshold p 0.05 and a result of 0.482 with a value of P = 0.001 is stated to be acceptable. The AVIF value with fit criterion will be acceptable if = 5 and if = 3.3 then the outcome is perfect. AFVIF with fit criteria will be acceptable if =5 and ideally if =3.3, with the values 23693689539.014 designated as rejectable. Tenenhaus GoF (GoF) values with fit criteria are reported to be small >= 0.1, medium >= 0.25, and large >= 0.36, and the results obtained for this model are 0.696, indicating that it belongs to the large group. The contribution RSCR with the fit criterion will be accepted if >= 0.9 and if = 1, then the study has identified an ideal value of 0.979, indicating that the results are acceptable. Figure 1 depicts research conclusions based on processed data:

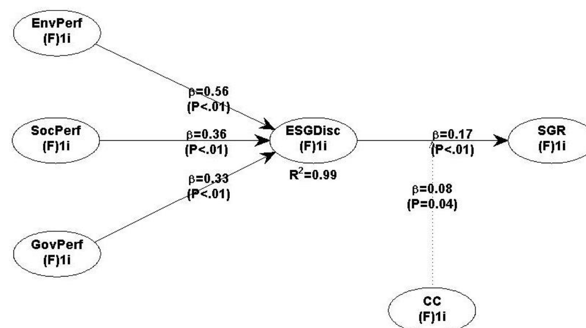

Fig. 1 Research result

According to Figure 1, the p value in the association between environmental performance and ESG disclosure is $p<0.01$ with $\beta=0.56$, indicating that environmental performance has a positive and substantial effect on ESG disclosure. As a result, as firms improve their environmental performance, their ESG disclosure increases, and as companies minimize their environmental transparency, their ESG disclosure decreases. This is congruent with stakeholder and legitimacy theory, both proposing that firms engage in ESG activities to retain legitimacy and win support from all parties related. Organizations are urged to publish environmental information as the market's focus on environmental issues grows. The voluntary publication of ESG reports alongside mandated financial reports can reduce information asymmetry and boost investors' and stakeholders' positive perceptions of corporate responsibility. According to legitimacy theory and stakeholder theory, strong compliance with environmental disclosure standards improves the company's reputation, which is connected with high corporate efficiency, and so improves its environmental sustainability performance.

Despite the fact that ESG disclosure has been established as a universal requirement for company ratings, there is a scarcity of data on firms' answers and the influence these ratings have on their performance (Clementino & Perkins, 2021). According to previous research findings, ESG disclosure promotes corporations to avoid class action lawsuits and lower financial fines by improving their environmental performance (Murphy & McGrath, 2013). The literature on ESG disclosure and environmental performance for companies is largely fragmented because several studies have found a positive relationship between environmental performance and ESG disclosure (Albitar et al., 2020; Alareeni & Hamdan, 2020), as well as (Alsayegh et al., 2020) and others report a modest relationship (Huang, 2021).

Companies tend to be careful in picking their environmental activities such that, in addition to compliance with rules under ESG disclosure, this environment performance boosts their sustainability and financial performance (Ali et al., 2022). Various ESG-based business models have been devised and adopted throughout the years to address environmental concerns and financial sustainability difficulties (Rajesh & Rajendran, 2019). However, there is insufficient information in the literature on ESG about its strategic integration and implementation at the firm level, which can influence corporate environmental policies (Lokuwaduge & Heenetigala, 2016). Several previous studies attempted to categorize the factors of company involvement in ESG initiatives and concluded that companies frequently engage in environmental initiatives to reduce internal and external stakeholder pressure by designing environmental performance strategies that can lead to better ESG disclosure (Shen et al., 2019).

Companies are motivated to continue implementing eco-friendly efforts by developing effective relationships with their stakeholders, which reduces losses, operating expenses, and increases ESG disclosure (Ali et al., 2022). Environmental performance can be viewed as an institutional strategy that

can assist businesses in gaining a competitive advantage by resolving their ESG issues. According to the findings, organizations who want to boost their ESG disclosure must strategically improve their environmental performance through the implementation of various environmental initiatives. These findings support the findings of recent research (Jiang et al., 2018; Liao et al., 2018; and Xie et al., 2019), which show that progressive enterprises can gain a competitive advantage through environmental activities that lead to increased ESG disclosure. Good. This conclusion contradicts the findings (Miroshnychenko et al., 2017) that environmental activities frequently impose an additional financial burden on businesses, implying that businesses must carefully select their environmental projects.

The results of the effect of social performance on ESG disclosure, displayed in figure 1, demonstrate that the p value is p0.01 with β=0.36. This suggests that social performance has a positive and significant effect on ESG disclosure, thus as corporations improve their social performance, their ESG disclosure improves, and as companies minimize their social transparency, their ESG disclosure decreases. The company's social sustainability performance reflects how and to what extent it has translated its social goals into practices such as working conditions, health and safety, employee relations, health, diversity, human rights, fair employment practices, community involvement, and philanthropy. This argument is consistent with stakeholder theory, which states the importance of communicating company information to stakeholders (Hill & Jones, 1992), and companies must try and be serious about building and maintaining these relationships, because companies will not last long without the existence of stakeholders, because they are the social and environmental elements of the company (Freeman & McVea, 2001). Furthermore, this is consistent with the legitimacy thesis in order to maintain the company's legitimacy.

This study's findings are consistent with (Ali et al., 2022), who argue that firms continue to confront various social pressures as a result of the impact of their activities on the environment and society, and thus companies must implement ESG disclosures. According to studies (Alsayegh et al., 2020; Bosse et al., 2009; Barringer & Harrison, 2000) that show a positive relationship between ESG disclosure and social sustainability performance, ESG practices provide several benefits, including increased efficiency and power competitiveness, reduced operational costs and financial risks, and increased corporate reputation and consumer confidence. Internal benefits of improved health and safety conditions include increased employee motivation and morale, as well as commitment and loyalty to the company, which can lead to increased productivity and lower recruitment and training costs (Vitaliano, 2010; Brammer & Pavelin, 2008). External benefits of ESG policies include improved company reputation and consumer trust in brand value, which provides organizations with a sustainable competitive advantage (Hussainey & Salama, 2010). According to the study (Xie et al., 2018), organizations that integrate ESG into their operating policies and practices, such as providing attractive working circumstances to attract productive

personnel, would improve their competitiveness and economic and social performance. According to Friedman (1970), social responsibility initiatives are a misallocation and abuse of valuable firm resources because of high implementation costs that outweigh the possible genuine benefits and harm shareholders. Researchers such as (Brammer & Pavelin, 2008; Sila & Cek, 2017) discovered a negative or extremely weak association.

Figure 1 shows the p value for the effect of governance performance on ESG disclosure of $p<0.01$ with $\beta=0.33$, indicating that there is a positive influence between governance performance and ESG disclosure. This means that when corporations improve their governance performance, their ESG disclosure increases, and vice versa, as companies reduce their governance transparency, their ESG disclosure decreases. This is consistent with stakeholder theory, which states that it is critical for information from the company to be conveyed to stakeholders (Hill & Jones, 1992), and companies must strive to be serious about building and maintaining these relationships (Freeman & McVea, 2001). As a result, the company is more transparent and accountable, and high compliance with governance disclosures can improve the company's reputation, which is associated with high corporate efficiency. This, of course, will entice investors to purchase stock in the firm, and stakeholders will implant a positive image of the organization, which will be beneficial in maintaining its legitimacy.

Figure 1 shows a p value of $p<0.01$ with $\beta=0.17$ for the influence of ESG disclosure on SGR. This shows that ESG disclosure has a positive effect on SGR; as corporations increase ESG disclosure, SGR rises; conversely, as companies decrease ESG disclosure, SGR falls. This is consistent with stakeholder theory, which states that companies must strive and be serious in building and maintaining these relationships; companies will not last long without the existence of stakeholders, because they are social and environmental elements of the company (Freeman & McVea, 2001); as a result, stakeholders have the right to obtain any information from the company in the stakeholder relationship (Hill & Jones, 1992). Furthermore, this is consistent with the legitimacy hypothesis, as corporations may retain their legitimacy (Dowling & Pfeffer, 1975). This argument is consistent with Siew et al. (2013), which investigates the effect of non-financial reporting on the financial performance of construction firms. Similarly Ali et al. (2022), organizations with higher ESG disclosure ratings have better environmental performance, which leads to higher financial performance. As a result, it is anticipated that ESG disclosure primarily mediates the relationship between environmental and financial success. According to research Chouaibi et al. (2022) and Conca et al. (2020), ESG disclosure improves both environmental and financial performance. Companies must communicate these metrics to their influential stakeholders in order for them to make informed investment decisions (Chouaibi et al., 2022). These findings show that organizations can demonstrate improved financial performance through public disclosure in the form of

ESG rating disclosures, which considerably improves their reputation and brand value (Ruan & Liu, 2021). This discovery backs up prior research (Di Tommaso & Thornton, 2020).

The preceding explanation is related to the findings of the next hypothesis, which is that collectivism culture amplifies the influence of ESG disclosure on SGR. This is seen in Figure 1, where the p value is $p=0.04$ with $\beta=0.08$. This means that the stronger a country's collectivist culture, the stronger the relationship between ESG disclosure and SGR, because in a collectivist culture, all stakeholders can provide a more positive evaluation of a responsible company because they feel they are part of the same community and expect the company to seek balance in treating different stakeholders (Pérez-cornejo et al., 2021). This argument conforms to stakeholder theory and legitimacy theory. This study's findings are consistent with those of (Vitolla et al., 2019; Vena et al., 2019; and Pérez-cornejo et al., 2021), which suggest that collectivism culture appears to play a moderating influence in reporting relationships and average capital costs.

Conclusions

This investigation concludes the significance of SGR for a corporation in maintaining business continuity. SGR can be influenced by non-financial criteria such as environmental performance, social performance, governance performance, and ESG transparency, and it is bolstered by a collectivist culture, which demonstrates a strong sense of belonging to the society. They believe they are part of the same community and expect businesses to strike a balance in how they handle various stakeholders (Pérez-cornejo et al., 2021). Apart from that, this study also contributes to the development of stakeholder theory and legitimacy theory. This shows that companies must be able to maintain their legitimacy, because companies cannot survive alone but depend on the social and environmental elements of the company as well as support from the national culture of a country. This explanation is supported by research findings which show that a culture of collectivism strengthens the implementation of ESG towards SGR.

The limitation of this research is that the average full collinearity VIF (AFVIF) score surpasses 5, indicating that the complete collinearity test findings, which include vertical and lateral multicollinearity, are not met. So, in order to acquire even better results and deliver benefits to decision makers, it is suggested that the study model be modified by using more influential variables such as financial performance elements, microeconomic and macroeconomic condition factors. The practical implication of this study for businesses is the importance of SGR in maintaining the business's sustainability. For regulators, this report can help them develop legislation to improve the sustainability of business procedures across Asia.

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