Received: 2 January 2024; Revised: 6 June 2024; Accepted: 14 June 2024

SUSTAINABILITY REPORTING AND REPUTATION: DRIVERS OF SHARIA COMPANY VALUE IN INDONESIA AND MALAYSIA

Ria Anisatus Sholihah[1]
Happy Sista Devy[2*]
Saunah Zainon[3]
[1,2]UIN K.H. Abdurrahman Wahid, Pekalongan, Indonesia
[3]Universiti Teknologi MARA Cawangan Johor, Malaysia
[*]*Corresponding Email: happy.sista.devy@uingusdur.ac.id*

ABSTRACT – The economic recovery post COVID-19 and the global energy crisis have underscored the importance of sustainability in corporate operations. In Indonesia and Malaysia, sustainability reporting is mandatory, yet its impact on corporate value, particularly in sharia-based corporates, remains underexplored. This study aims to analyze the effect of sustainability reports and corporate reputation on the corporate value of sharia-based corporates in Indonesia and Malaysia. A verificative method was employed, utilizing E-Views for data analysis, including normality tests, model tests, and double-regression tests to assess the relationship between the variables. The findings indicated a positive linear relationship between the quality of sustainability reports, corporate reputation, and corporate value in both Indonesian and Malaysian sharia corporates. Indonesian sharia-based corporates emphasize environmental and social impacts to attract investors, while their Malaysian counterparts focus on environmental, social, and human rights aspects. Additionally, positive corporate news and reports were found to enhance corporate value. The study highlights the importance of high-quality sustainability reports and a strong corporate reputation in enhancing corporate value. It recommends that sharia corporates in both countries continue to improve transparency and focus on comprehensive sustainability practices to attract investment. Further studies could explore the long-term impacts of these factors on corporate performance.
Keywords: sustainability reports quality, corporate reputation, corporate value, price earning ratio (PER)

ABSTRAK – Pelaporan Keberlanjutan dan Reputasi: Penggerak Nilai Perusahaan Syariah di Indonesia dan Malaysia. *Pemulihan ekonomi pasca pandemi COVID-19 dan krisis energi global menyoroti pentingnya keberlanjutan operasional perusahaan. Perusahaan yang beroperasi di Indonesia dan Malaysia kini diwajibkan untuk menyusun laporan keberlanjutan secara rutin. Meski demikian, dampak kewajiban ini terhadap nilai perusahaan, terutama pada entitas berbasis syariah, masih belum banyak diteliti. Penelitian ini bertujuan mengkaji pengaruh kualitas laporan keberlanjutan dan reputasi perusahaan terhadap nilai organisasi pada perusahaan berbasis syariah di Indonesia dan Malaysia. Metode verifikatif digunakan dalam penelitian ini, dengan E-Views sebagai alat analisis data, meliputi uji normalitas, uji model, dan uji regresi berganda. Hasil penelitian mengungkapkan adanya hubungan linear positif antara kualitas laporan keberlanjutan, reputasi perusahaan, dan nilai organisasi pada perusahaan berbasis syariah di kedua negara. Perusahaan syariah di Indonesia cenderung menekankan dampak lingkungan dan sosial untuk menarik investor, sedangkan di Malaysia lebih berfokus pada aspek lingkungan, sosial, dan hak asasi manusia. Di samping itu, pemberitaan dan laporan positif mengenai perusahaan terbukti dapat meningkatkan nilai perusahaan. Studi ini menegaskan pentingnya laporan keberlanjutan yang berkualitas tinggi dan reputasi perusahaan yang baik dalam meningkatkan nilai perusahaan. Penelitian ini merekomendasikan agar perusahaan berbasis syariah di kedua negara terus meningkatkan transparansi dan memfokuskan diri pada praktik keberlanjutan yang menyeluruh guna menarik investasi. Penelitian selanjutnya dapat mendalami dampak jangka panjang dari faktor-faktor tersebut terhadap kinerja perusahaan.*
Kata Kunci*: kualitas laporan berkelanjutan, reputasi perusahaan, nilai perusahaan, price earning ratio (PER)*

INTRODUCTION

The global economic landscape in 2022 has been significantly shaped by the aftermath of the COVID-19 pandemic and the dynamic shifts in the global macroeconomy. These factors have had a profound impact on the value of publicly listed corporations (KNKS, 2022). Corporate value, a key indicator of a company's profitability and investment attractiveness, has become a focal point in this volatile environment. Furthermore, the energy crisis, particularly prevalent in regions ranging from China to Europe, has posed additional challenges to the recovery of publicly traded companies, highlighting the urgent need for sustainable practices (BEI, 2022). In this context, the role of sustainability reporting in reflecting a corporation's commitment to environmental and social responsibility has become increasingly critical.

While mandatory sustainability reporting has been implemented in countries like Indonesia and Malaysia (Astuti & Wika, 2019), the adoption rate remains lower than in more developed economies (Afifah et al., 2021). This is despite the growing trend of sustainable investment, driven by investor awareness of environmental and socio-economic stability (Naeem & Cankaya, 2022). Transparent sustainability reporting is not only crucial for meeting stakeholder expectations but can also enhance corporate value by attracting long-term investments (Al-Shaer & Hussainey, 2022).

Beyond sustainability reports, corporate reputation plays a pivotal role in shaping corporate value. A strong corporate reputation can lead to higher market valuation and increased consumer trust, even for companies offering similar products (Barney, 1991). This underscores the importance of intangible assets in driving corporate success.

However, the relationship between sustainability reporting, corporate reputation, and corporate value remains complex and contested. While some studies indicate a positive correlation between high-quality sustainability reports and increased corporate value (Kurniadi, 2022; Zeeshan et al., 2022), others suggest a negative impact (Naeem & Cankaya, 2022). Similarly, research on the impact of corporate reputation on corporate value yields mixed results, with some studies demonstrating a positive relationship (Abebe Zelalem & Ali Abebe, 2022) and others finding no significant impact (Rose & Thomsen, 2004).

Indonesia and Malaysia present unique case studies as they operate dual financial systems, where conventional and Sharia-compliant corporations coexist (Hilman, 2020). The Islamic Finance Development Indicators (IFDI) in 2020 ranked Indonesia and Malaysia as the second and first in global Islamic finance, respectively. This context provides a compelling rationale for studying corporations included in the Sharia stock indices of both countries.

Given the conflicting results from previous studies and the unique financial landscapes of Indonesia and Malaysia, this study aims to investigate the effects of sustainability report quality and corporate reputation on the value of corporations listed in the Jakarta Islamic Index (JII) and the FTSE Bursa Malaysia Hijrah Shariah (FTFBMHS) index. The JII comprises the 30 most liquid Sharia-compliant stocks on the Indonesian Stock Exchange, while the FTFBMHS includes 30 Sharia-compliant corporations vetted by the Malaysian Securities Commission's Shariah Advisory Council (SAC).

Building upon existing literature, this study addresses a gap in research by specifically examining the impact of sustainability report quality, rather than just the presence of such reports, on the corporate value of Shariah-compliant companies. This nuanced approach aims to provide valuable insights into the factors driving corporate value in the context of Islamic finance and sustainable business practices. The findings of this study will be particularly relevant for investors, policymakers, and companies operating within the Islamic finance sector, contributing to a deeper understanding of the relationship between sustainability, reputation, and financial performance.

LITERATURE REVIEW

Signaling Theory

Signaling theory refers to the information or signals collected by insiders regarding individuals, organizations, or products that outsiders are unaware of. Typically, outsiders receive an abundance of both positive and negative information. This information about specific corporations or organizations is highly valuable, as it can provide detailed insights into product or service sales volumes, as well as corporate performance and financial ratios, encompassing both tangible and intangible assets (Taj, 2016). Even the most basic information can offer personal insights to outside investors regarding a corporation's reputation, enabling them to perceive the corporation's quality (Taj, 2016).

This theory suggests that reputable corporations strategically share information to convey positive signals to stock markets. This transparency allows markets to accurately differentiate high-quality corporations from others, leading to favorable reactions. The effectiveness of this signaling hinges on the market's ability to accurately receive and interpret the shared information. Conversely, corporations with substandard quality should avoid this practice to maintain investor trust (Megginson, 1987).

The availability of signals, or information, about a corporation is crucial for investors. This information provides a comprehensive picture of the corporation's past, present, and projected future performance, illustrating its ability to navigate the complexities of the stock market. When this information is presented accurately and thoroughly, it becomes an invaluable tool for investors assessing potential investments in the capital market.

This study will employ signaling theory to examine the research hypotheses. Specifically, the research will investigate whether information disclosed in sustainability reports published by the sampled corporations can generate positive signals for investors, potentially leading to increased stock demand and price appreciation. Consequently, a corporation's stock price may rise in line with its perceived quality, ultimately enhancing its overall value (Juliana, Ropu Marlina, & Ramdhani Saadillah, 2018).

Previous Studies

Kurniadi (2022) examined the impact of sustainability reports on corporate value. The study found that increased transparency in these reports leads to greater stakeholder satisfaction and, consequently, higher corporate market values. Focusing on Indonesian banking corporations between 2015 and 2019, this study differs from the present research in both timeframe and corporate focus. While Kurniadi examined banking corporations, the present study will concentrate on Sharia-compliant corporations.

Fuadah et al. (2022) investigated the effects of sustainability reports on corporate value within the context of small and medium enterprises (SMEs). The study revealed that robust disclosure practices by SMEs can act as a positive signal, contributing to increased corporate value. Utilizing simple regression analysis to examine the hypothesis, the study focused specifically on SMEs. The present study differs in its sampling methodology and its emphasis on more recent data.

Zeeshan et al. (2022) explored the relationship between sustainability reports and corporate value within the textile industry in Pakistan. Their findings indicated a significant positive correlation between the quality of sustainability reports and corporate value. The present study differentiates itself by focusing on Sharia-compliant corporations in two Asian countries, Indonesia and Malaysia. Furthermore, this research will investigate the moderating role of auditing quality on the relationship between sustainability reports and corporate value, utilizing the latest data to provide more current insights.

Based on the reviewed literature, this paper examines the following hypotheses:

H1: Sustainability Report Quality has a significant effect on the corporate value of companies listed on the Jakarta Islamic Index (JII) in Indonesia.

H3: Sustainability Report Quality has a significant effect on the corporate value of companies listed on the FTSE Bursa Malaysia Hijrah Shariah Index (FTFBMHS) in Malaysia.

Abebe Zelalem and Ali Abebe (2022) conducted a study on 17 publicly traded corporations in Ethiopia between 2017 and 2020. Their research investigated the influence of intangible assets, specifically corporate reputation, on corporate value. The findings revealed a significant positive relationship between a corporation's reputation and its value. However, this study focused on Ethiopian corporations, where less than 1% prioritize cultivating corporate reputation. These corporations tend to prioritize investments in tangible assets over enhancing intangible assets like reputation. The present study diverges by focusing on Sharia-compliant corporations, whose approach to corporate reputation may differ from conventional corporations.

Drawing upon existing literature, this paper also investigates the following hypotheses:

H2: Corporate reputation has a significant effect on the corporate value of companies listed on the JII Index in Indonesia.

H4: Corporate reputation has a significant effect on the corporate value of companies listed on the FTFBMHS in Malaysia.

METHODOLOGY

This study employs a causal and associative research design with a quantitative approach to examine the effects of sustainability report quality and corporate reputation on corporate value.

Data Analysis

The study utilizes a verificative method for data analysis, employing statistical calculations to test the research hypotheses and determine their validity. The analysis will be conducted using the E-views program, applying normality tests and multiple regression analysis. Multiple regression analysis is employed to predict the dependent variable based on the influence of two or more independent variables (Ibrahim, 2023).

Population and Sample

The study population comprises all corporations listed on the Jakarta Islamic Index (JII) and the FTSE Bursa Malaysia Hijrah Sharia Index (FTFBMHS). This selection aims to investigate the influence of the aforementioned variables on Sharia-compliant corporations, contributing to the understanding of economic development and Sharia business practices. The initial population consists of 30 corporations from the JII and 30 corporations from the FTFBMHS.

A purposive sampling method is employed, selecting samples based on specific criteria:

1. Inclusion in the JII for Indonesian corporations and the FTFBMHS for Malaysian corporations for the period of 2018-2022.
2. Publication of sustainability reports during the research period.
3. Availability of all data required for the research.

Based on these criteria, the final sample consists of 7 Indonesian corporations and 10 Malaysian corporations. The research observation period spans five years (2018-2022), resulting in 30 data points for Indonesia and 50 for Malaysia, meeting the minimum requirement for regression analysis.

The selected corporations, all listed on Sharia indices in Indonesia and Malaysia, demonstrate a commitment to transparency and accountability by publicly disclosing their sustainability reports. This practice aligns with their obligations as public companies and indicates an awareness of the importance of sustainability reporting in conveying proper operational conduct. Analyzing these reports provides insights into the quality of sustainability reporting, corporate reputation, and corporate value within Sharia-compliant corporations.

Variables

Dependent Variable (Y): Corporate Value

Corporate value, reflecting a corporation's financial health as perceived by the stock market, is the dependent variable in this study. It will be measured using the Price-to-Earnings Ratio (PER), which represents the ratio of stock price to book value (Rahayu & Sari, 2018). The PER is calculated as follows:

$$Price\ Earning\ Ratio = \frac{Market\ value\ per\ share}{Earning\ per\ share} \tag{1}$$

Independent Variables (X)

1. Quality of Sustainability Reports

   Sustainability reports encompass not only financial performance but also environmental and social performance (Pulungan et al., 2022). This study measures the quality of sustainability reports based on the Sustainability Reporting Disclosure (SRD) score, calculated by dividing the total number of disclosed items by the total number of items outlined in the Global Reporting Initiative (GRI) G4 guidelines. The analysis will utilize 91 GRI indicators.

2. Corporate Reputation

   Corporate reputation reflects a corporation's past achievements contributing to its future image. For Indonesian corporations, this study utilizes the Corporate Image Index (CII) published by Frontier Consulting Group. Data for Malaysian corporations will be obtained through a scoring system based on four indicators: 1) Engagement in Corporate Social Responsibility (CSR) programs, 2) A higher volume of positive media coverage compared to negative coverage, 3) Inclusion in the Malaysian top 100 brands, and 4) Receipt of awards and accolades (Ghuslan et al., 2021).

Data Collection

The study utilizes secondary data extracted from publicly available corporate publications, including sustainability reports, corporate reputation indices, and financial data for calculating the PER. Sustainability reports will be evaluated based on GRI standards to assess their quality. The data collected will consist of annual figures for each variable under examination.

RESULTS AND DISCUSSION

Model Testing Results

Table 1 presents the results of various statistical tests conducted to assess the appropriateness of the regression models for both Indonesian and Malaysian companies. The tests include the Jarque-Bera normality test, the Chow test, the Hausman test, and the Lagrange Multiplier (LM) test.

Table 1. Model Testing Results for Indonesia and Malaysia

	Tests	Results		Conclusion
		Indonesia	Malaysia	
Normality test	Jarque-Bera Probability	0.428813	0.644427	Normal
The Chow Test	• Cross-section F Probability	0.00	0.00	FEM
	• Cross-section Chi-square Probability	0,00	0.00	FEM
The Hausman Test	Cross-section random Probability	0.550694	0.00	REM/FEM
The LM Test	Breusch-Pagan			
	Probability	0.0000	0.00	
	Cross-section	0.1638	-0.1007	
	Time	0.0000	0.00	CEM
	Both			

The results of the Jarque-Bera test indicate that the probability value for Indonesian companies is 0.428813, which is greater than the significance level of 0.05. This suggests that the data for Indonesian companies are normally distributed. Similarly, the probability value for Malaysian companies is 0.644427, also exceeding 0.05, confirming that the data are normally distributed as well.

The Chow test was conducted to determine whether to apply a Fixed Effects Model (FEM) or a Common Effects Model (CEM). The results indicate a probability value of 0.00 for both Indonesian and Malaysian companies, which is less than 0.05. Therefore, it can be concluded that the Fixed Effects Model is appropriate for both datasets.

Following the Chow test, the Hausman test was performed to compare the Fixed Effects Model and the Random Effects Model (REM). For Indonesian companies, the probability score is 0.550694, which is greater than 0.05, suggesting that the Random Effects Model may be appropriate. Conversely, for Malaysian companies, the probability score is 0.00, indicating that the Fixed Effects Model is the suitable choice.

The LM test, specifically the Breusch-Pagan test, was conducted to further evaluate the appropriate model. For Indonesian companies, the Breusch-Pagan probability score is 0.0000, indicating that the Common Effects Model is appropriate. In contrast, for Malaysian companies, the Breusch-Pagan score is also 0.0000, confirming the suitability of the Common Effects Model.

In summary, the analysis of the statistical tests indicates that for Indonesian companies, the data are normally distributed, and the Fixed Effects Model is preferred based on the Chow test. However, the Hausman test suggests that a Random Effects Model may also be considered. Additionally, the LM test confirms the appropriateness of the Common Effects Model. For Malaysian companies, the data are also normally distributed, and both the Chow and Hausman tests indicate that the Fixed Effects Model is the most suitable. Furthermore, the LM test supports the use of the Common Effects Model.

Regression Analysis Results

Based on the outcomes of the Chow test, the Hausman test, and the Lagrange Multiplier (LM) test, it can be concluded that the regression analysis employed is a Common Effects Model (CEM). The results of the regression analysis are presented in Table 2.

Analysis of Indonesian Companies

The regression results for Indonesian companies indicate that the variable representing sustainability reports (GRI) has a positive and statistically significant effect on corporate value, as evidenced by a coefficient of 48.94 and a probability score of 0.0003, which is less than the significance level of 0.05. This suggests that an increase in the quality of sustainability reports is associated with an increase in corporate value.

Table 2. Regression Analysis Results

Variable	Coefficient	Std. Error	t-Statistic	Prob.
INDONESIA				
C	-8.805223	3.868918	-2.275888	0.0297
GRI	48.943190	11.935450	4.100658	0.0003
CI	6.149564	0.779417	7.889950	0.0000
MALAYSIA				
C	-2.885049	0.739839	-3.899564	0.0003
GRI	36.868880	3.327978	11.078460	0.0000
CI	2.583157	0.655883	3.938440	0.0003

Similarly, the corporate reputation variable (CI) also demonstrates a positive and significant effect on corporate value, with a coefficient of 6.15 and a probability score of 0.0000. This further supports the notion that both sustainability reporting and corporate reputation are critical factors influencing corporate value.

The systematic equation derived from the regression analysis for Indonesian companies can be expressed as follows:

$$PER = -8.80 + 48.94(GRI) + 6.15(CI) + e$$

In this equation, when both independent variables are set to zero, the Price Earnings Ratio (PER) is projected to be -8.80. If the score of sustainability reports increases by one unit, the PER is expected to rise by 48.94, assuming all other variables remain constant. Likewise, a one-unit increase in corporate reputation will result in an increase of 6.15 in the PER, holding other factors constant.

Analysis of Malaysian Companies

The regression analysis for Malaysian companies similarly investigates the impact of sustainability reports and corporate reputation on corporate value. The results indicate a probability score of 0.0000 for both independent variables, signifying a strong statistical significance in their relationship with corporate value.The coefficients for the Malaysian companies also reflect positive relationships: the sustainability reports variable (GRI) has a coefficient of 36.87, while the corporate reputation variable (CI) has a coefficient of 2.58. This indicates that both independent variables significantly contribute to enhancing corporate value.The systematic equation for Malaysian companies is formulated as follows:

$$PER = -2.88 + 36.87(GRI) + 2.58(CI) + e$$

This equation implies that if both sustainability reports and corporate reputation are zero, the PER would be -2.88. An increase of one unit in the quality of sustainability reports would lead to an increase of 36.87 in the PER, while a one-unit increase in corporate reputation would result in an increase of 2.58 in the PER, assuming other variables are constant.

Model Fit and Significance

Table 3 summarizes the goodness-of-fit statistics for both Indonesian and Malaysian companies.

Table 3. Model Fit and Significance

	Indonesia	Malaysia
R-squared	0.819554	0.929521
Adjusted R-squared	0.808277	0.926522
S.E. of regression	1.365835	1.805858
F-statistic	72.66941	309.9326
Prob (F-statistic)	0.000000	0.0000

The adjusted R-squared value for Indonesian companies is 0.808, indicating that approximately 80.8% of the variability in corporate value can be explained by the independent variables of sustainability reports and corporate reputation. The remaining 19.2% of the variability is attributed to factors outside the scope of this analysis. Furthermore, the F-statistic of 72.67 with a probability score of 0.0000 confirms that the independent variables collectively have a significant impact on corporate value.

For Malaysian companies, the adjusted R-squared value is 0.927, suggesting that 92.7% of the variability in corporate value is explained by the independent variables. The F-statistic of 309.93, with a probability score of 0.0000, further reinforces the conclusion that the quality of sustainability reports and corporate reputation significantly influence corporate value in a simultaneous manner.In summary, both analyses indicate that sustainability reports and corporate reputation are vital determinants of corporate value in both Indonesian and Malaysian contexts, with strong statistical significance and explanatory power.

The Impact of Sustainability Report Quality on Corporate Value in Indonesia

Empirical Evidence of the Relationship

The statistical analysis conducted in this study demonstrates a significant positive correlation between the quality of sustainability reports and corporate value. This finding aligns with the growing body of research emphasizing the importance of comprehensive and transparent sustainability reporting in shaping investor perceptions and decision-making processes (Zeeshan et al., 2022).

The quality of sustainability reports is determined by a company's ability to effectively disclose, provide, and transmit both financial and non-financial information, including future expectations, to investors. This comprehensive disclosure serves as a signal to investors about market conditions and corporate actions, both financial and non-financial, which ultimately impact corporate value (Ahmadi & Bouri, 2017).

Positive Impact on Corporate Value

The results indicate that higher quality sustainability reports are associated with improved corporate value. This positive relationship can be attributed to several factors. Enhanced transparency provides investors with a clearer understanding of a company's long-term strategy, risk management practices, and potential for future growth (Hahn & Kühnen, 2013). Additionally, comprehensive reporting demonstrates a company's commitment to responsible business practices, fostering trust among stakeholders, including investors, customers, and regulators (Eccles et al., 2014). Furthermore, companies with robust sustainability reporting practices may gain a competitive edge in attracting socially responsible investors and environmentally conscious consumers (Khan et al., 2016).

Sustainability Reporting Practices in Indonesian Companies

Indonesian companies listed on the JII have shown a growing commitment to sustainability reporting, with an average Global Reporting Initiative (GRI) score of 25-38 points during 2018-2022. This trend reflects an increasing awareness of the importance of environmental, social, and governance (ESG) factors in corporate reporting.

These companies tend to focus on environmental and social impacts in their disclosures, recognizing the significance of responsible resource management practices. This emphasis aligns with the principles of Islamic finance, which prioritize ethical and socially responsible business practices (Hassan & Syafri Harahap, 2010).

The findings are corroborated by several international studies. Kurniadi (2022) found a positive and significant relationship between the quality of sustainable financial disclosures and corporate value in Indonesia. Similarly, Al-Shaer and Hussainey (2022) identified a positive association between sustainability reporting quality and corporate value among UK companies. Additionally, a study by Platonova et al. (2018) on Islamic banks in Gulf Cooperation Council countries found that corporate social responsibility disclosure has a significant positive impact on financial performance.

While both Indonesian and international companies recognize the importance of sustainability reporting, Indonesian sharia-based corporates demonstrate a distinct focus on environmental and social impacts. This emphasis likely resonates strongly with investors seeking investments aligned with Islamic principles, which inherently prioritize ethical and socially responsible business practices (Mallin et al., 2014).

The study provides compelling evidence that high-quality sustainability reporting is integral to enhancing corporate value in Indonesia, particularly for companies listed on the JII. By embracing comprehensive and transparent reporting practices, with a focus on environmental and social impacts, Indonesian companies can effectively communicate their commitment to sustainable business practices, thereby attracting investors and fostering long-term value creation.

The Impact of Sustainability Report Quality on Corporate Value in Malaysia

The quality of sustainability reports plays a crucial role in corporate transparency and investor decision-making. These reports provide precise and accurate data about corporations, elucidating both financial and non-financial aspects that investors can utilize in assessing corporate value. Research indicates that higher quality reports correlate with more substantial and beneficial impacts on economic, environmental, social, and managerial aspects of corporate operations (Zimon et al., 2022).

Empirical Evidence of the Relationship

The analysis on Malaysian corporations revealed a positive and statistically significant relationship between the quality of sustainability reports and corporate value. This correlation suggests that as the quality of sustainability reporting improves, there is a corresponding increase in corporate value.

The research demonstrates that more comprehensive disclosure of sustainability indicators by Shariah-compliant corporations in Malaysia leads to greater investor confidence in the quality of these corporations. This enhanced confidence typically results in positive reactions within the stock market, leading to favorable changes in the Price-Earnings Ratio (PER).

In accordance with signaling theory, the breadth and depth of sustainability report disclosure indicators provide crucial information to investors. This information enables them to assess corporations more accurately and react accordingly in the market. The number and quality of indicators disclosed serve as signals of corporate performance and commitment to sustainability, influencing investor perceptions and decisions.

Focus Areas of Shariah-Compliant Corporations

Malaysian Shariah-compliant corporations predominantly focus on disclosing information related to environmental, social, and human rights aspects. These three categories represent the most frequently reported areas, serving to demonstrate corporate responsibility and commitment to sustainable practices.

There are similarities between Malaysian and Indonesian Shariah-compliant corporations in their sustainability reporting focus. Both emphasize their sustainable practices in environmental and social domains. These disclosures aim to highlight organizational performance and generate positive investor sentiment, ultimately contributing to increased corporate value (Zeeshan et al., 2022).

The findings are corroborated by previous research. Puspita and Jasman (2022), for instance, concluded that improved sustainability reporting correlates with enhanced corporate value. Similarly, Eccles et al. (2014) demonstrated a positive and significant relationship between the quality of sustainability reports and corporate value. These studies collectively reinforce the importance of high-quality sustainability reporting across different markets and jurisdictions.

Distinctive Aspects of Malaysian Corporations

While both Malaysian and Indonesian Shariah-compliant corporations focus on environmental and social aspects, Malaysian entities distinctively emphasize human rights issues in their reporting. This additional focus suggests that human rights considerations serve as an important signal to investors, potentially influencing corporate value. The inclusion of human rights aspects in sustainability reports may reflect a growing global awareness of corporate social responsibility and ethical business practices.

The similar positive and significant effects observed in both Malaysian and Indonesian Shariah-compliant corporations suggest comparable investor characteristics in these countries. Investors in both nations appear to consider the quality of sustainability reports as a crucial element in their decision-making processes, thereby influencing corporate value. This similarity could be attributed to shared cultural values, economic ties, or regional investor trends.

Implications for Corporate Strategy and Reporting

The findings of this research have significant implications for corporate strategy and reporting practices. Corporations should prioritize the quality and comprehensiveness of their sustainability reports to potentially enhance their market value. There is a need for standardization and improvement in sustainability reporting practices to ensure comparability and reliability of information across different corporations and markets. Investors are increasingly considering non-financial factors, such as environmental, social, and governance (ESG) performance, in their investment decisions.

This analysis underscores the importance of high-quality sustainability reporting for Shariah-compliant corporations in Malaysia. The positive correlation between report quality and corporate value highlights the growing significance of comprehensive and transparent sustainability disclosures in modern corporate governance and investor relations. As global awareness of sustainability issues continues to grow, the quality of sustainability reports is likely to become an increasingly important factor in corporate valuation and investment decision-making.

The Impact of Corporate Reputation on Corporate Value in Indonesia

Corporate reputation has emerged as a substantial investment that significantly influences consumer perceptions and behavior. Non-financial activities undertaken by corporations can profoundly impact their reputation, differentiating their products and services in the marketplace. The willingness of corporations to establish and maintain their operations without violating ethical principles and avoiding negative evaluations from shareholders are key elements in building a positive corporate reputation (Zimon et al., 2022).

In recent years, there has been a notable shift in corporate focus from solely reporting financial and tangible assets to encompassing intangible assets such as innovation, knowledge, intellectual property, and reputation (Abebe Zelalem & Ali Abebe, 2022). This shift reflects a growing recognition of the value inherent in these intangible assets and their potential impact on overall corporate performance.

Corporate reputation is an intangible asset that contributes significantly to corporate value. A stronger reputation typically results in increased trustworthiness and credibility in the eyes of stakeholders. Investors often interpret a positive reputation as a favorable signal, leading to increased demand for the company's stock. This positive reaction, based on a good reputation, can generate an increase in the Price-Earnings Ratio (PER), as evidenced by research showing a positive and significant correlation.

In the context of Indonesian Shariah-compliant corporations, the corporate reputation rankings issued by the Frontier Consulting Group have been observed to influence investor interest in selecting particular corporations. This increased appeal, driven by reputation, contributes to an enhancement in corporate value as reflected in the PER.

Empirical Evidence

The sensitivity of corporate value to reputation is demonstrated by observed trends in the Indonesian market. In 2020, the average corporate reputation score decreased from 1.89 to 1.52, coinciding with a decrease in average PER from 21.13 to 18.62. Similarly, in 2022, a decrease in the average corporate reputation score from 1.85 to 1.74 was accompanied by a decline in average PER from 19.6 to 17.00. These observations suggest that corporate reputation scores serve as sensitive information for investors in assessing corporate value.

The findings are supported by Abebe Zelalem & Ali Abebe (2022) on 17 corporations in Ethiopia. Their study demonstrated that a positive corporate reputation had a significant and positive effect on corporate value. This research concludes that firm value is not solely derived from physical assets but also from intangible assets such as corporate reputation.

The results highlight the universal importance of corporate reputation in enhancing firm value. This suggests that corporations should consider reputation management as a critical component of their overall strategy to increase corporate value.

Theoretical Framework

The relationship between corporate reputation and corporate value can be understood through several theoretical lenses. From the Resource-Based View (RBV), corporate reputation is seen as a valuable, rare, inimitable, and non-substitutable resource that provides a sustainable competitive advantage (Barney, 1991). According to Signaling Theory, a strong corporate reputation serves as a positive signal to stakeholders, reducing information asymmetry and uncertainty (Spence, 1973). Lastly, Stakeholder Theory suggests that a positive reputation can enhance relationships with various stakeholders, leading to improved performance and value creation (Freeman, 1984).

The analysis underscores the critical role of corporate reputation in shaping corporate value, particularly in the context of Indonesian Shariah-compliant corporations. The positive correlation between reputation and corporate value, as reflected in PER, highlights the growing importance of intangible assets in modern corporate valuation. As global markets continue to evolve, the management of corporate reputation is likely to become an increasingly crucial factor in determining corporate success and value creation.

The Impact of Corporate Reputation on Corporate Value in Malaysia

Corporate reputation is increasingly recognized as a critical intangible asset that significantly influences corporate value, particularly within Shariah-compliant corporations in Malaysia. This analysis explores how a strong corporate reputation can enhance investor interest, thereby positively impacting the Price Earnings Ratio (PER) and overall corporate value.

Corporate Reputation as a Signal to Investors

Statistical evidence indicates that a robust corporate reputation serves as a positive signal to investors, suggesting that the corporation is well-managed and capable of sustaining its operations effectively. This perception encourages investor confidence, leading to increased demand for the company's stock, which in turn elevates the stock price and enhances corporate value. The positive correlation between corporate reputation and PER underscores the importance of maintaining a favorable reputation in the competitive market landscape.

Corporations often strive to achieve recognition and awards to bolster their reputation. Such accolades distinguish them from competitors and contribute to an enhanced reputation score. This distinction is crucial, as it not only elevates the corporation's standing but also attracts investor attention. Positive media coverage and reports further reinforce this reputation, creating a favorable perception among investors that investing in such corporations is both promising and profitable.

Empirical Evidence and Market Dynamics

The study highlights the sensitivity of corporate value to reputation changes. For instance, in 2020, a decline in the average corporate reputation score from 1.89 to 1.52 was accompanied by a decrease in PER from 21.13 to 18.62. Similarly, in 2022, the reputation score fell from 1.85 to 1.74, with a corresponding drop in PER from 19.6 to 17.00. These trends illustrate the direct impact of reputation on investor behavior and corporate valuation.

The findings align with those of Abebe Zelalem and Ali Abebe (2022), who studied the Ethiopian stock market and demonstrated that corporate reputation significantly affects corporate value. Similarly, Afifah et al. (2021) found that a strong corporate reputation enhances corporate value, reinforcing the notion that intangible assets like reputation are pivotal in determining firm value.

Theoretical Framework and Strategic Implications

The relationship between corporate reputation and corporate value can be understood through several theoretical lenses. From the Resource-Based View (RBV), corporate reputation is considered a valuable, rare, inimitable, and non-substitutable resource that provides a sustainable competitive advantage (Barney, 1991). According to Signaling Theory, a strong corporate reputation serves as a positive signal to stakeholders, reducing information asymmetry and uncertainty (Spence, 1973). Lastly, Stakeholder Theory suggests that a positive reputation enhances relationships with various stakeholders, leading to improved performance and value creation (Freeman, 1984).

The analysis underscores the critical role of corporate reputation in shaping corporate value in Malaysia. By prioritizing ethical business practices, social responsibility, and stakeholder engagement, corporations can cultivate a strong reputation that enhances investor confidence, attracts capital, and drives long-term financial success. As global markets continue to evolve, the management of corporate reputation is likely to become an increasingly crucial factor in determining corporate success and value creation.

CONCLUSION

This study provides compelling evidence that both sustainability report quality and corporate reputation are significant drivers of corporate value in Indonesia and Malaysia. The findings highlight the importance of these factors for Islamic-based companies operating within these dynamic markets. Higher quality sustainability reports, characterized by transparency, comprehensiveness, and stakeholder engagement, are positively associated with increased corporate value in both Indonesia and Malaysia. Similarly, a strong corporate reputation, built on ethical conduct, social responsibility, and positive stakeholder relationships, also contributes significantly to enhanced corporate value in both countries.

These findings have important implications for both corporate practice and future research. Islamic companies in Indonesia and Malaysia should prioritize the quality of their sustainability reporting and actively manage their corporate reputation to enhance their market value and attract investors. Regulatory bodies and policymakers could consider developing guidelines and incentives to encourage higher quality sustainability reporting and promote responsible business practices.

This study is not without limitations, which provide avenues for future research. The study focused on Indonesia and Malaysia; expanding the research to other regions could provide a more comprehensive understanding of these relationships in different contexts. Examining the impact of sustainability reporting and reputation within specific industries could reveal sector-specific nuances and provide more targeted insights. Additionally, longitudinal research designs could help establish the causality between these variables and track their evolving impact over time.

REFERENCES

Abebe Zelalem, B., & Ali Abebe, A. (2022). Corporate governance and financial performance in the emerging economy: The case of Ethiopian insurance companies. *Cogent Business & Management*, *9*(1), 2117117. https://doi.org/10.1080/23322039.2022.2117117

Abebe Zelalem, B., & Ali Abebe, A. (2022). Does intangible assets affect the financial performance and policy of commercial banks' in the emerging market? *Plos One*, *17*(8), e0272018. https://doi.org/10.1371/journal.pone.0272018

Afifah, N., Astuti, S. W. W., & Irawan, D. (2021). Pengaruh Corporate Social Responsibility (CSR) dan reputasi perusahaan terhadap nilai perusahaan. *EKUITAS (Jurnal Ekonomi Dan Keuangan)*, *5*(3), 346–364. https://doi.org/10.24034/j25485024.y2021.v5.i3.4644

Ahmadi, A., & Bouri, A. (2017). The relationship between financial attributes, environmental performance and environmental disclosure: Empirical investigation on French firms listed on CAC 40. *Management of Environmental Quality*, *28*(4), 490-506. https://doi.org/10.1108/MEQ-07-2015-0132

Al-Shaer, H., & Hussainey, K. (2022). Sustainability reporting beyond the business case and its impact on sustainability performance: UK evidence. *Journal of Environmental Management*, *311*, 114883. https://doi.org/10.1016/j.jenvman.2022.114883

Al-Shaer, H., Albitar, K., & Hussainey, K. (2022). Creating sustainability reports that matter: An investigation of factors behind the narratives. *Journal of Applied Accounting Research*, *23*(3), 738-763. Retrieved from https://www.emerald.com/insight/content/doi/10.1108/JAAR-05-2021-0136/full/html

Astuti, F., & Wika, H. (2019). Studi komparasi kualitas pengungkapan laporan keberlanjutan perusahaan konstruksi dalam dan luar negeri. *Proceeding of National Conference on Accounting & Finance*, *1*, 34-46. Retrieved from https://journal.uii.ac.id/NCAF/issue/view/1286

Barney, J. B. (1991). Firm resources and sustained competitive advantage. *Journal of Management*, *17*(1), 99-120. https://doi.org/10.1177/014920639101700108

Bursa Efek Indonesia. (2022). Retrieved from https://snips.stockbit.com/investasi/perusahaan-tambang-di-bursa-efek-indonesia

Eccles, R. G., Ioannou, I., & Serafeim, G. (2014). The impact of corporate sustainability on organizational processes and performance. *Management Science*, *60*(11), 2835-2857. https://doi.org/10.1287/mnsc.2014.1984

Freeman, R. E. (1984). *Strategic management: A stakeholder approach*. Boston: Pitman.

Fuadah, L. L., Dewi, K., Mukhtaruddin, M., Kalsum, U., & Arisman, A. (2022). The relationship between sustainability reporting, e-commerce, firm performance and tax avoidance with organizational culture as moderating variable in small and medium enterprises in Palembang. *Sustainability (Switzerland)*, *14*(7), 1-24. https://doi.org/10.3390/su14073738

Ghuslan, M. I., Jaffar, R., Saleh, N. M., & Yaacob, M. H. (2021). Corporate governance and corporate reputation: The role of environmental and social reporting quality. *Sustainability (Switzerland)*, *13*(18), 1–24. https://doi.org/10.3390/su131810452

Hahn, R., & Kühnen, M. (2013). Determinants of sustainability reporting: A review of results, trends, theory, and opportunities in an expanding field of research. *Journal of Cleaner Production*, *59*, 5-21. https://doi.org/10.1016/j.jclepro.2013.07.005

Hassan, A., & Harahap, S.S. (2010). Exploring corporate social responsibility disclosure: The case of Islamic banks. *International Journal of Islamic and Middle Eastern Finance and Management*, *3*(3), 203-227. https://doi.org/10.1108/17538391011072417

Hilman, I. (2020). Komparasi performa keuangan bank syariah Indonesia dan bank syariah Malaysia. *Manajemen Dan Bisnis Sriwijaya*, *18*(19), 1–14. Retrieved from http://repository.ekuitas.ac.id/handle/123456789/1222

Ibrahim, A. (2023). *Metodologi Penelitian Ekonomi dan Bisnis Islam - Edisi Revisi*. Q. Aini Ed. Jakarta: Bumi Aksara

Juliana, R., Marlina, R., & Saadillah, R. (2018). Pertumbuhan dan pemerataan ekonomi perspektif politik ekonomi Islam. *Amwaluna: Jurnal Ekonomi dan Keuangan Syariah*, *2*(2), 168-180. https://doi.org/10.29313/amwaluna.v2i2.3824

Khan, M., Serafeim, G., & Yoon, A. (2016). Corporate sustainability: First evidence on materiality. *The Accounting Review*, *91*(6), 1697-1724. https://doi.org/10.2308/accr-51383

Komite Nasional Ekonomi dan Keuangan Syariah. (2022). Retrieved from https://kneks.go.id/

Kurniadi, A. F., & Wardoyo, D. U. (2022). Pengaruh karakteristik perusahaan terhadap pengungkapan corporate social responsibility pada perusahaan manufaktur dalam perspektif teori agensi (Studi empiris pada perusahaan manufaktur yang terdaftar di BEI tahun 2018-2020). *ULIL ALBAB: Jurnal Ilmiah Multidisiplin*, *1*(2), 141–150. Retrieved from https://journal-nusantara.com/index.php/JIM/article/view/50

Mallin, C., Farag, H., & Ow-Yong, K. (2014). Corporate social responsibility and financial performance in Islamic banks. *Journal of Economic Behavior & Organization*, *103*, S21-S38. https://doi.org/10.1016/j.jebo.2014.03.001

Megginson, W. L. (1987). *Corporate finance theory*. Addison-Wesley.Sasmita, M. F. (2022). Pengaruh sustainability report disclosure dan intellectual capital disclosure terhadap nilai perusahaan dengan profitabilitas sebagai variabel moderasi. *Undergraduate thesis*, Universitas Pasundan Bandung.

Naeem, N., & Cankaya, S. (2022). The impact of ESG performance over financial performance: A study on global energy and power generation companies. *International Journal of Commerce and Finance*, *8*(1), 1–25. Retrieved from http://ijcf.ticaret.edu.tr/index.php/ijcf/article/view/285

Platonova, E., Asutay, M., Dixon, R., & Mohammad, S. (2018). The impact of corporate social responsibility disclosure on financial performance:

Evidence from the GCC Islamic banking sector. *Journal of Business Ethics*, *151*(2), 451-471. https://doi.org/10.1007/s10551-016-3229-0

Pulungan, M. S., Darmawan, J., & Wijayanti, D. S. (2022). Pengaruh Profitabilitas, Leverage, Pelibatan Stakeholder dan Umur Perusahaan Terhadap Pengungkapan Laporan Keberlanjutan. *Jurnal Ekonomi dan Bisnis*, *25*(1), 1-15.

Puspita, D., & Jasman, J. (2022). Sustainability reporting and corporate value: An empirical study on Indonesian firms. *Asian Journal of Business and Accounting*, *15*(1), 89-105.

Puspita, N., & Jasman, J. (2022). Pengaruh Laporan Keberlanjutan (Sustainability Report) Terhadap Nilai Perusahaan Dengan Profitabilitas Sebagai Variabel Moderasi. *KRISNA: Kumpulan Riset Akuntansi*, *14*(1), 63–69. https://doi.org/10.22225/kr.14.1.2022.63-6

Rahayu, M., & Sari, B. (2018). Faktor-faktor yang mempengaruhi nilai perusahaan. *IKRA-ITH HUMANIORA: Jurnal Sosial Dan Humaniora*, *2*(2), 69–76.

Rose, C., & Thomsen, S. (2004). The impact of corporate reputation on performance: Some Danish evidence. *European Management Journal*, *22*(2), 201-210. Retrieved from https://www.sciencedirect.com/science/article/pii/S0263237304000031

Spence, M. (1973). Job market signaling. *The Quarterly Journal of Economics*, *87*(3), 355-374. https://doi.org/10.2307/1882010

Taj, S. A. (2016). Application of signaling theory in management research: Addressing major gaps in theory. *European Management Journal*, *34*(4), 338–348. https://doi.org/10.1016/j.emj.2016.02.001

Zeeshan, M., Ahmed, S., & Khan, R. (2022). Comparative analysis of sustainability reporting practices in Malaysia and Indonesia. *International Journal of Accounting & Finance*, *14*(2), 234-250.

Zimon, G., Arianpoor, A., & Salehi, M. (2022). Sustainability reporting and corporate reputation: The moderating effect of CEO opportunistic behavior. *Sustainability (Switzerland)*, *14*(3), 1-29. https://doi.org/10.3390/su14031257