

# The Effect of National Characteristics on Corporate Disclosure Practices: A Case of ASEAN

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## Abstract

This paper aims to extend existing literature by indicating the linkage between national institutions and disclosure practices based on a perspective of a group of developing countries, namely ASEAN. Using a sample of 111 non-financial listed companies in five ASEAN countries, covering Indonesia, Malaysia, the Philippines, Singapore, and Thailand, from 2011 to 2015, the empirical result reveals that the extent of corporate disclosure in ASEAN is positively related to the level of regulation quality at 99% confidence levels and positively associated with the level of rule of law at 95% confidence levels, meaning that businesses tend to disclose more information when government agencies provide suitable policies that help to facilitate business growth and serious concern about the quality of contract enforcement. On the other hands, the finding also demonstrates that the level of corporate is negatively connected with the level of political stability and absence of violence, the level of government effectiveness, and the level of control of corruption, meaning that the level of corporate disclosure in ASEAN would be increased when the national environment is unstable and improper for investing in new projects, the government lacks capabilities to promote economic development, and the country has a high rate of corruption. The paper contributes to international disclosure literature by extending an understanding of the effects of national factors on disclosure practices. Distinct from the mainstream of disclosure literature, the obtained results could provide empirical evidence not only for regulators who want to reinforce the regional regulations.

**Keywords:** National Characteristics, Corporate Disclosure, ASEAN, Panel Data Analysis, Listed Company

## 1.0 Introduction

### 1.1 Background

Since the past, an association of Southeast Asian Nations (ASEAN) has received a great attention from investors worldwide. That is because its members could provide a variety of necessary resources for supporting the main activities of a business. However, a litany of evidence (e.g. Nam and Nam, 2004; Krapohl, 2005; Garcia, 2007; Claessens and Yurtoglu, 2013) strongly indicates that many organizations, whether big or small; public or private; profit or non-profit, in this area have often carried out various problems related to transparency and integrity which are the main barriers for building a sustainable development. Furthermore, some of them still believe that those issues could also be a cause of the Asia financial crisis of 1997-1998, or sometimes called as “Tom Yam Kung” crisis. In regard to such concerning, a topic involved with good governance has been raised as a priority in the region. Not only substantial rules but also national regulations in each country have been reviewed to increase the efficiency of enforcement. At the same time, various new mechanisms have also been designed continuously to respond to today’s requirements. Corporate disclosure has then become one of the most effective applications for eliminating deteriorated practices that are commonly found in the workplace; reducing problems of information asymmetry; strengthening the level of accountability and enhancing business performance. Additionally, it could also help to increase the level of trustworthiness of the country, boost the level of foreign direct investment and raise the competitiveness of the nation as well (Omran and Abdelrazik, 2013; Madhani, 2014; Ghani and Tarmezi, 2016). With its benefits, it is quite clear that the concept of information disclosure has a crucial role in determining not only the success of an organization but also the direction of national advancement. Therefore, it has no doubt that the quality of corporate disclosure requirements and practice directions of a company has received a great attention from regulators in Southeast Asia region. However, although the recent trend towards accountability of ASEAN is in a good progression, a number of problems related to the directions of development within the region still exist due to the diverse backgrounds of member countries as concluded the below table and a lack of collaboration among others.

**Table1: Differentiation of National Convergences of the countries in ASEAN**

Description	Indonesia	Malaysia	Philippine	Singapore	Thailand	Source
<b>Size (sq. km.)</b>	1,904,569	329,847	300,000	719.2	513,120	(The world factbook, 2017)
<b>Number of population</b>	260,580,739 (July, 2017 est.)	31,381,992 (July, 2017 est.)	104,256,076 (July, 2017 est.)	5,888,926 (July, 2017 est.)	68,414,135 (July, 2017 est.)	(The world factbook, 2017)
<b>GPD per capita (billion dollar)</b>	\$11,700 (2016 est.)	\$27,000 (2016 est.)	\$304.9 (2016 est.)	\$87,900 (2016 est.)	\$407.1 (2016 est.)	(Data, 2017)
<b>GDP real growth rate (2016)</b>	5%	4.2%	6.9%	2%	3.2%	(Data, 2017)
<b>Income Group</b>	Lower Middle Income	Upper Middle Income	Lower Middle Income	High Income	Upper Middle Income	(The world factbook, 2017)
<b>Stage of Development</b>	Stage 2 Efficiency-Driven	Transition from stage 2 to stage 3	Transition from stage 1 to stage 2	Stage 3 Innovative-Driven	Stage 2 Efficiency-Driven	(Schwab, 2015)
<b>Legal Origin</b>	Civil Law system	English Common Law	Mixed legal system of civil, common, Islamic, and customary law	English Common Law	civil law system with common law influences	(Klerman et al., 2009)
<b>Colonial Host</b>	Dutch and the US	Great Britain	Spain and the US	Great Britain	Never	(The world factbook, 2017)
<b>Government Type</b>	Presidential Republic	Federal Parliamentary Constitutional Monarchy	presidential republic	Parliamentary Republic	constitutional monarchy	(The world factbook, 2017)
<b>Ethic Group</b>	Javanese 40.1% Sundanese 15.5% Malay 3.7%	Malay 50.1% Chinese 22.6% Indigenous 11.8%	Tagalog 28.1%, Cebuano 13.1%, Ilocano 9%,	Chinese 74.3% Malay 13.4% Indian 9.1% (Include Sri Lankan)	Thai 97.5%, Burmese 1.3%, other 1.1%	(The world factbook, 2017)
<b>Religions</b>	Muslim 87.2% Protestant 7% Catholic 2.9%	Muslim 61.3% Buddhist 19.8% Christian 9.2%	Catholic 82.9%, Muslim 5%, Evangelical 2.8%	Buddhist 33.9% Muslim 14.3% Taoist 11.3%	Buddhist 94.6%, Muslim 4.3%, Christian 1%	(Quality data on religion)
<b>Official Language</b>	Bahasa Indonesia	Bahasa Melayu	Filipino English	Mandarin English	Thai	(The world factbook, 2017)
<b>National Culture</b>	- A hierarchical society - A collectivist society - A feminine society - A Low UAI societies - A pragmatic culture - Restraint	- A hierarchical society - A collectivist society - A neutral society - A Low UAI societies - A normative culture - Indulgence	- A hierarchical society - A collectivist society - A masculine Society - A Low UAI societies - A normative culture - Restraint	- A hierarchical society - A collectivist society - A neutral society - A Low UAI societies - A pragmatic culture - Not possible to determine	- A hierarchical society - A collectivist society - A feminine society - A high UAI societies - A normative culture - Not possible to determine	(Hofstede, 2017)

**Source: Collected by the author**

For example, in many countries, especially extreme cases like Thailand or Malaysia, regulators have the intention to create a strong disclosure regime that enables businesses to be more responsive to their stakeholders and attractive for foreign investments. As a result of this, numerous documents including international

guidelines, best-practices of developed countries, national regulatory systems, and internal requirements are harmonized to ensure that the revised policies will cover significant information for investors to consider and be applicable, whether in the country, region or global market. Yet, because various instruments can be applied in policy formation processes, the disclosure principles in each country are quite unique and sometimes could be incompatible with others. Furthermore, the literature still believes that, in some countries, the disclosure rules and regulations are regulated based on their own direction and experiences. Following this procedure, only domestic demands have been concentrated while external forces seem to be ignored. As a result of this, the new setting policies may be separated from the international standard and they can only be implemented effectively within the respective country.

With the differentiation of national strategies including a focus area of policy settings in ASEAN, several problems would be encountered during the regional standard-setting process, inevitably. To reduce a jumble of different styles and succeed in regional economic integration, it is, therefore, necessary to understand the factors contributing to corporate disclosure behaviors of companies in ASEAN.

## 1.2 Problem Statement

Over the last few decades, many questions are asked to find out the facts that why not all companies comply fully with the disclosure requirements or why some of them are willing to reveal more corporate information than the others. Under such puzzles, a variety of potential proxies that could contribute on disclosure practices have been extensively investigated in many aspects such as the disclosure practices in different areas, covering both developed and developing countries (Barako et al., 2006; Collett and Hrasky, 2005); the association between firm characteristics and mandatory disclosure (Galani et al., 2011); the relationship between firm size and corporate voluntary disclosure (Depoers, 2000; Boesso and Kumar, 2007; Scaltrito, 2016; Hossain and Hammami, 2009); the interrelationship between corporate governance and social responsibility disclosure (Jamali et al., 2008); the role of legal origin on the level of disclosure (Hope, 2003; Cormier et al., 2010); the effect of national culture on corporate disclosures (Qu and Leung, 2006); the connection between national corporate governance system on ownership structure and firm performance (Yoshikawa et al., 2014; Aslan and Kumar, 2014); the network between board composition and disclosure (Dembo and Rasaratnam, 2014; Braam and Borghans, 2014; Uyar et al., 2013; Ees et al., 2009); the linkage between type of ownership and voluntary disclosure (Al-Janadi et al., 2016); the influence of firm age and the level of non-financial information disclosure (Mohammed and Islam, 2014; Kaya, 2014; Niléhn and Thoresson, 2014); the power of mandatory regulation on disclosure scores (Aksu and Espahbodi, 2016); the connection between corporate social responsibility and information disclosures (Hawashe, 2016; Li and Zhang, 2016); the impact of external auditing firm and the extent of voluntary disclosure (Filsaraei and Azarberahman, 2016; Efobi and Bwala, 2013; Barros et al., 2013); and so on.

In a case of an association of Southeast Asian Nations (ASEAN), it is obvious that the existing literature on corporate disclosure has been carried out in many perspectives as well. For instance, a study of Zainon et al. (2014) and Apadore and Zainol (2014) reveal that the extent of corporate disclosure in Malaysia is dominated by ownership concentration, audit quality, board independence, CEO duality, board size and the presence of external auditors. Alternatively, based on a study by Haniffa and Cooke (2002), the results show that only two corporate governance characteristics, which are a family member on the board and chairperson are a non-executive director, are negatively correlated with the voluntary disclosure practices of both financial and non-financial information in the annual reports of Malaysian listed corporations. Regarding the previous finding, it has been confirmed by a study by Akhtaruddin et al. (2009) which remarks that family control has a negative effect on the extent of voluntary disclosure in Malaysia. Furthermore, the result also highlights that there is a significant positive correlation between voluntary disclosure and board size, the proportion of independent non-executive directors on the board and amount of outside ownership. Similarly, Utama (2012) also found that companies with medium block-holder ownership (between 20.1%-50%) are likely to disclose less information than companies with low block-holder ownership (less than or equal 20%) while companies with high block-holder ownership (greater than 50%) generally provides a high level of information disclosure.

Based on the obtained evidence, it has been confirmed that block-holder ownership is significantly impacted by the disclosure level in Indonesia. Together with a study of Luo et al. (2006), the finding is still consistent with the previous results by indicating that the level of voluntary disclosure in Singapore is significantly and positively related to high management ownership and outside block-holder ownership. Again, Ghazalia and Weetman (2006) also conclude that director ownership has a vital role in transforming the extent of voluntary disclosure, but government ownership is insignificant with corporate disclosure practices in Malaysia. However, the result appears to contradict with a study of Htay et al. (2011) reveal that the relationship between director ownership and the extent of risk management information disclosure in Malaysia is highly statistically significant, with the negative sign while the proportion of independent non-executive directors is found to have a positive significant impact. Supported by the practices of a firm in Singapore, Eng and Mak (2003) claim that an

increasing number of outside directors and managerial ownership are negatively associated with voluntary disclosure while the role of government ownership is positively influenced on disclosure practices. Similarly, Cheng and Courtenay (2006) who examine the influence of board composition on voluntary disclosure in Singapore also assert that the proportion of independent directors is significantly connected to the level of voluntary disclosure.

As explicated above, it is acknowledged that recent studies conducted in ASEAN member states have been enlarged in both scope and quantity over the last few decades. However, several limitations still exist. Firstly, regarding the literature survey, it is detected that the majority of which have focused on a specific country and time period. Consequently, an analysis using a cross-sectional and longitudinal data is sparse. Secondly, it is apparent that the extent of corporate disclosure has been prescribed by a variety of factors including corporate governance attributes and national characteristics. However, the scope of most prior studies conducted in ASEAN has mainly considered only on corporate governance attributes and generally ignored external effects. Therefore, evidence to clarify the relationship between national environment and disclosure practices in ASEAN is still lack of relevant information. Thirdly, although some studies have been concentrated on the effects of national characteristics on disclosure practices, most of them have been taken by comparing the contrast between developed and developing countries. Nevertheless, the results may not hold true when investigating the differences in characteristics among developing countries. Hence, a cross-sectional observation to be conducted in a group of developing country is required to extend an understanding of the topic. According to the gaps in previous studies, this paper aims to examine the relationship between national environments and corporate disclosure practices in ASEAN countries, with a particular focus on panel data analysis. In this sense, a small sample has been gathered in this field research setting. To be more specific, listed companies have been chosen because they often provide relevant documents in English, with an easier to access to the source of information. Because of such design, four countries which are Brunei, Cambodia, Laos, and Myanmar are automatically eliminated because the stock exchange in these states has not been operated yet. Also, from the remaining countries, due to a newly established and small market capitalization, it is difficult to collect information in Vietnam. It, thereby, is excluded from the list as well. Then, the term “ASEAN” which will be further mentioned in this paper is generally referred to only five countries in ASEAN; namely Indonesia, Malaysia, the Philippines, Singapore, and Thailand. Furthermore, the evaluation period is constructed from 2011 to 2015. That is because it is a preparation time for moving towards to the ASEAN Economic Community (AEC) which was officially activated at the end of the year 2015. Therefore, many features including nature and quality of corporate disclosure could be considerably modified in regard to the upcoming event.

## 2.0 Literature Review

Since the trend towards accounting harmonization has become more important for setting the novel standards that support for promoting uniformity and standardization, national environments have received an increased attention as one of the most critical factors contributing on accounting systems (Gray, 1988; Aryani, 2016). A number of scholars have continuously enlarged an understanding of such a topic by assuming that national institutions could influence financial reporting systems and disclosure practices. For example, regarding an early study of Zarzeski (1996) reveals that companies in the country that has a stronger degree of individualism, a higher level of masculinity and a lower uncertainty avoidance index are more likely to disclose more corporate information to the public.

Together with a study of Hope (2003), which applies the cultural dimensions of Hofstede and Schwartz for investigating disclosure practices of non-financial companies in 39 countries, illustrates that national culture plays an important role in determining the financial reporting environments and disclosure practices, implying that it is one of the influential factors in the development of disclosure levels. Later, Archambault and Archambault (2003) posit that a variety of factors not only corporate characteristics but also social systems including cultural environments are significantly related to the financial disclosure of corporations. To support this finding, Daniel et al. (2012) takes the measurement of national culture from Culture, Leadership, and Organizations: The Globe study of 62 societies and the measurement of the institutional environment from the World Bank Worldwide Governance Indicators to explore their interactions with corporate governance practices as measured with board accountability, financial disclosure and internal controls, shareholder rights, executive compensation, takeover defense and ownership base, and corporate accountability. The result of this study posits that national cultural practices could have an effect on the institutional environment and such a relationship could be linked to corporate governance practices. Hence, it can be implied that financial information disclosures are dominated by both national culture and political institution. Consistent with the previous findings, an empirical evidence provide by Cieslewicz (2013) also addresses that national culture could impact on the uniformization of national accounting standards when political environments are included as the mediator. As noted by a comparative study of Rama et al. (2014), the result reveals diversification in national institutions such as historical background, legal origin, national law and regulation, economic development, and so on can directly

result in the differentiation of corporate governance structures and disclosure behaviors of businesses from different countries. Similarly, Williams (1999), who applied the political-economic theory for investigating the impacts of societal variables on voluntary environmental and social accounting disclosure practices (VESAD), recommends that VESAD in seven Asia-Pacific nations (Australia, Singapore, Hong Kong, the Philippines, Thailand, Indonesia, and Malaysia) is a function of national culture, in terms of uncertainty avoidance and masculinity. Together, the result of Ding (2002) also indicates that cultural differences have an impact on the differences in characteristics of French and Chinese disclosure practices. Again, Ding et al. (2004) argue that the different disclosure practices between French and Canadian companies are inherent with a differing institutional landscape. In contrast, Jaggi and Low (2000) argue that there is no significant relationship between cultural values and financial disclosures of firms including multinational corporations from common law countries while the mixed signal is found for code law countries.

In another perspective, from the cross-country study of Sundgren and Somoza-lopez (2013), they also found that the disclosure level of companies from Scandinavia and Germany is higher than companies of French and English origin and the quality of disclosure is positively associated with enforcement quality as measured by the "Rule of Law" index (Kaufmann *et al.*, 2010) but possess a negative correlation in regard to secrecy versus transparency (Gray, 1988). Furthermore, Dong and Stettler (2011), who apply a hierarchical linear modeling technique (HLM) for testing cross-level effects, also addresses that corporate disclosure practices are connected with the culture variables when testing at the within-country level but no linkage is found when testing at between-country level. Regarding a study of Claessens and Yurtoglu (2013), it appears that there is a direct relationship between the development of the financial market and organizational behaviors and such a connection could influence on the business valuation and capital allocation. Then, Rama et al. (2014) also record that national institutions including the level of country development have a direct relationship for shaping corporate practices which are one of the important factors in attracting and assuring investor confidence. Later, Bryl and Truskolask (2017) who investigate human capital disclosure practices in two countries with a different level of economic development, namely Germany and Poland, found that why the Polish firms generally disclosed less employee information, internal communication, and employee development policy than the German. Accordingly, it is no doubt level of national development is related to corporate disclosure practices. Similarly, Baughn et al. (2007) who investigated the relationship between CSR practices and national environment, address that the role of national economic development could reflect on the strengthen extent of corporate disclosure and transparency. Besides, Herrmann et al. (2015) also highlight the fact that developed economies will have a better overall disclosure, lower information uncertainty, and greater public as well as private information precision than the less-developed market. Regarding this perspective, it can be concluded that the level of economic development is positively associated with quality of disclosure and information precision.

Following this finding, the result is in the line with the earlier recommendation of Belkaoui (1983) which considers a direction of an economic improvement as an important aspect for boosting information disclosure practices and qualities of company reports. In the study, it claims that when the national economic system has been moved, the need for financial data would be increased. So, businesses would be required to disclose more information to evaluate its efficiency and productivity, reflecting on the overall picture of the actual national action. Supported by a study of Adhikari and Tondkar (1992), it reports that one of the selected environmental factors, namely size of the equity market, is related to accounting disclosure and reporting practices across countries, implying that countries that have a big equity market and a free movement of capital resources would create a higher standards of accounting requirements, resulting in better practices of corporate disclosure. This matter could be supported by Daniel et al. (2012) who emphasize that the institutional environments could be supportive factors for the development of corporate governance including financial disclosure practices. Later, a study by Albassam (2016) also shows that the development of national governance also reflects on the quality of corporate governance at the company level. From another aspect, Al-Uliss (2006) highlights that the adoption of International Financial Reporting Standards (IFRS) would assist to strengthen national laws and regulations and might increase the quality and quantity of corporate disclosure in annual reports. With this result, it points out that strong national mechanisms could impact on business practices, including companies' reporting. To be more specific, Tan (2007) documents that politically affiliated firms in Singapore and Malaysia, where are the politically constrained countries, have better corporate disclosure practices and a higher level of government transparency than the others.

### 3.0 Hypothesis Development

Regarding the literature review, it is found that there are a large number of national factors contributing to management practices. However, because the mainstream of studies on the effects of national characteristics on disclosure practices have emphasized on the role of legal origin, law enforcement, and national culture, this research would extend an understanding on the topic by investigating the influence of economic and political

factors, instead. Furthermore, since this research is mainly focused on the time-series data, only chronicle factors are further discussed to propose the relevant hypothesis as below:

### 3.1 Economic Development

As recorded in the global competitive report (Schwab, 2015), it is apparent that the member countries of ASEAN are in the different stages of economic development. The document points out that Singapore is the only country in ASEAN that is a developed country (at stage 3: innovative economy) while Indonesia and Thailand are at stage 2 (efficiency-driven economies). Besides, the Philippines is in transitional from stage 1 to stage 2. Out of which, Malaysia is in transitional from stage 2 to stage 3. However, since institutional theory asserted that national environments could play an important role in determining managerial practices, it is reasonable to believe that the extent of national economy could be an influential factor contributing on corporate disclosure practices (Mayer and Rowan, 1977). In supporting this viewpoint, a study of Khanna et al. (2003) proposes that the extent of capital market interaction has a positive and significant correlation with disclosure scores of firms. Consistent with a study by Aysan (2005), the result indicates that an effective financial disclosure and auditing could have an impact on an economy's level of development. Consequently, to maintain this flavor business environment, the scope of the obligation for financial disclosure must be extended, leading to a higher quality of disclosed information. Later, Nicolo et al. (2006) suggest that the improvements in corporate governance quality are positively related to GDP growth rate, meaning that a higher level of economic development would result in a higher level of accounting disclosure and transparency. Again, Zeghal and Mhedhbi (2006) also insist that the existence of capital market has a strong impact on the quality accounting information, resulting in the development of publicly traded corporations and improvement of investment in capital market. Together with Robinson and Venieris (1996), they reconfirm that a county's economy is associated with corporate structures and managerial behaviors, resulting in a different pattern of reporting at a company level. Besides, Chua, et al. (2007) remark that the effect of GDP growth could drive on the differences in internal control systems and corporate valuations across countries. Furthermore, Rama et al. (2014) provide empirical evidence which notes that businesses from different country are usually diverse in management strategies.

For this reason, it is clear that national environments including the level of country development could have a direct effect on shaping the practices of companies. As aforementioned, it is interesting to note that the degree of economic development is significantly connected with the corporate disclosure in many aspects. Hence, the hypotheses are proposed as follow:

*H1: An annual growth rate of GDP is positively connected with corporate disclosures in ASEAN*

### 3.2 Market Openness

According to an increased effort to improve global trade environment, not only developed but also developing countries have more focused on removing trade barriers and strengthening international collaborations across countries. Together, a concept of regional integration has also been received a great intention from regulators worldwide. In a case of ASEAN, member countries have been aware of the importance of regionalism as well. In 2003, they have together committed to enlarging the degree of collaborations by creating the ASEAN Community. With this agreement, the market of each nation would not be limited at the local level any longer, but it would be more open for international trade and capital movement. Furthermore, it would help to improve the level of business competitions at the global level. For these reasons, businesses are required to adjust their traditional operational process including internal control systems in response to a new market platform. Under this pressure, the institutional theory could be used to acknowledge the necessity. It suggests that national policies could interrelate with business activities (Amenta and Ramsey, 2010). Therefore, the change in economic direction of ASEAN countries would result in the transformation of organizational behaviors including corporate disclosure as well. To support this insight, Nwabuzor (2005), it has been suggested that economic freedom could have a negative effect on corruption, implying that if the level of economic freedom is low, the possibility of corruption would be encouraged, resulting in less transparency and decreased in a number of disclosed information (Rama et al, 2014). Together with Klautzer (2013) who indicates that there is a positive relationship between economic openness and corporate governance including transparency, information disclosure, and audit. Later, Muresan (2012) confirms a positive relationship between capital market and financial reporting, by suggesting that when capital market is more open, the need for qualitative and transparent financial reporting would be required to increase the level of information accuracy.

With regard to the aforementioned linkage, it can be assumed that the extent of market openness might be a factor contributing to corporate disclosure across in ASEAN. So, the hypotheses are proposed as follow:

*H2a: A level of economic freedom is positively related to corporate disclosures in ASEAN*

*H2b: A degree of trade freedom is positively associated with corporate disclosures in ASEAN*

*H2c: A degree of investment freedom is positively connected to corporate disclosures in ASEAN*

*H2d: A degree of financial freedom is positively correlated with corporate disclosures in ASEAN*

### 3.3 Level of national governance

Regarding institutional theory, it is highlighted that national attributes have a potential in shaping company strategies and organizational decision-making (Suárez and Bromley, 2015). As a result of this, the efficiency of national instruments could incorporate with an effective functioning of business operations. In respect to theoretical though, a study of Daniel et al. (2012), it is recorded that national cultures could impact on the institutional environment, and such a relationship is strongly connected with corporate governance practices too. Again, Ernstberger and Grüning (2013) also remarked that the regulatory environment has a substitutive relationship with corporate governance structures and this connection could have an effect on corporate disclosure as well. Furthermore, Doidgea et al. (2007) reveal that institutional infrastructures in terms of economic development, financial development and market openness could dominate on the level of investor protections and firm-level governance. Later, Claessens and Yurtoglu (2013) enlarge an understanding on the topic by mentioned that national institutions such as degree of legal enforcement, level of financial markets' development, a country's governance system, and so on could impact on better corporate governance, leading to higher return on equity and greater efficiency of management procedures. As noted, it is no doubt that the level of national governance has a relative relationship with business practices in many aspects. Therefore, it might be a factor contributing to corporate disclosure in ASEAN. In regard to this expectation, the hypotheses are formulated as follow:

*H3a: There is a positive relationship between a level of voice and accountability and corporate disclosure in ASEAN*

*H3b: A level of political stability and absence of violence has a positive relationship with the extent of corporate disclosure in ASEAN*

*H3c: A level of regulation quality has a positive connection with corporate disclosures in ASEAN*

*H3e: A level of rule of law has a positive association with corporate disclosures in ASEAN*

*H3f: A level of control of corruption has a positive relationship with the extent of corporate disclosure in ASEAN*

## 4.0 Research Methodology

### 4.1 Sample data

This study aims to conduct a longitudinal analysis between the years 2011 and 2015. Hence, only a small number of samples are taken. All of them are drawn from the top 50 companies of five ASEAN countries in 2014.

Nonetheless, because the activities including disclosure rules of the bank and insurance industry are not quite comparable with the others, they were automatically excluded from the list. Then, the remainder samplings were selected based on the following criteria:

- (i) The annual reports including other relevant documents from the year 2011 to 2015 must be available on the website of the company, the website of the Stock exchange of each country, or the DataStream International (Thomson Reuters) database
- (ii) The firms must have been listed on one of the Stock Exchange of five ASEAN countries during the study period

The final sample covers 111 listed companies listed on the Stock Exchange of the selected country over five year periods (from 2011 to 2015), generating 555 observations for this study. Out of 111 listed companies, they consist of 22 firms from the communications sector, accounted for 19.82%; 11 firms from the consumer discretionary sector, accounted for 9.91%; 22 firms from the consumer staples sector, accounted for 19.82%; 21 firms from the energy sector, accounted for 18.92%; 21 firms from the industrials sector, accounted for 18.92%; and 14 firms from the utility sector, accounted for 12.61%. The comparative distribution of the samples by industry classification is presented in the table below:

**Table2: Sector representation of the sample companies**

Sector	Number of companies						Percentage
	Indo	Malay	Phil	Sing	Thai	Total	
Communications	4	5	3	4	6	22	19.82%
Consumer Discretionary	1	3	1	4	2	11	9.91%
Consumer Staples	5	6	3	5	3	22	19.82%
Energy	5	3	3	4	6	21	18.92%
Industrials	5	4	3	5	4	21	18.92%
Utilities	1	2	8	0	3	14	12.61%
<b>Total</b>	<b>21</b>	<b>23</b>	<b>21</b>	<b>22</b>	<b>24</b>	<b>111</b>	<b>100%</b>

### 4.2 ASEAN Disclosure Index

This study used a self-constructed research instrument, namely the ASEAN Disclosure Index, to assess the extent

of corporate disclosure in the ASEAN through the annual reports and other company filings such as financial reports, corporate governance reports, and corporate social responsibility reports. It is developed based on the requirements of the renewal ASEAN disclosure standards, consisting of 212 information items, with three attributes: financial information (76 items), non-financial information (68 items) and strategic information (68 items). To evaluate the level of disclosure practices in the ASEAN, 1 code is assigned to every information item that was expressed on the company's documents and 0 if otherwise.

Then, the total disclosure score is calculated by summing the value of each information category and converted to the ratio of the actual scores that were awarded to a company when requested information was disclosed to the total scores that are expected to earn. The formula of the aforementioned index is given as follows:

$$\text{ASEAN Disclosure Index (ADI)} = \frac{\sum_{i=1}^n di}{n}$$

Where:

- ASEAN Disclosure Index (ADI) = the ratio of the actual scores that were awarded to a company when requested information was disclosed to the total scores that are expected to earn. It is ranged from 0 to 1, meaning that if a firm disclosed all 212 items of information, it would receive a score of 1, accounting for 100%.
- n = the total number of items that could be disclosed, where  $n \leq 212$
- di = the actual value that was awarded to a company when the requested information is disclosed (assigned as 1 if the item di is disclosed, and 0 otherwise)

#### 4.3 Statistical tool and measurement of variables

A multiple regression model was applied to estimate transfer functions between the extent of corporate disclosure in ASEAN and the selected independent variables, with EVIEWS 10. The analytical equations in the pooled form are as follow:

$$ADI_{it} = \beta_0 + \beta_1 GGD P_{it} + \beta_2 ECON_{it} + \beta_3 TRADE_{it} + \beta_4 INV_{it} + \beta_5 FIN_{it} + \beta_6 VOICE_{it} + \beta_7 POL_{it} + \beta_8 GOV_{it} + \beta_9 REG_{it} + \beta_{10} RULE_{it} + \beta_{11} CC_{it} + \varepsilon_{it}$$

Where  $ADI_{it}$  is the extent of corporate disclosure practices of a firm i in time I;  $\beta_0$  is the constant term;  $\beta_i$  is the parameter of the correlation;  $GGD P_{it}$  is the percentage of the annual growth rate of GDP from 2011-2015;  $ECON_{it}$  is the total score of economic freedom index, developed by the Heritage Foundation;  $TRADE_{it}$  is the trade freedom score, published by the Heritage Foundation;  $INV_{it}$  is the investment freedom score, published by the Heritage Foundation;  $FIN_{it}$  is the financial freedom score, published by the Heritage Foundation;  $VOICE_{it}$  is the voice and accountability score, derived from World Governance Index (WGI);  $POL_{it}$  is the political stability and absence of violence score, derived from WGI;  $GOV_{it}$  is the government effectiveness score, derived from WGI;  $REG_{it}$  is the regulatory quality score, derived from WGI;  $RULE_{it}$  is the rule of law score, derived from WGI;  $CC_{it}$  is the control of corruption score, derived from WGI;  $\varepsilon_{it}$  is the error term; i is the *i*th observation firm and t is the year of observation.

## 5.0 Findings

### 5.1 Descript Statistics

Table 3 provides an overview of the descriptive statistics of pooled data for the selected variables.

**Table3: The summary results of descriptive statistics**

	Mean	Median	Maximum	Minimum	Std. Dev.	Skewness	Kurtosis	Jarque-Bera
<b>DSCORE</b>	0.579	0.580	0.783	0.363	0.064	-0.296	3.615	16.886
<b>GGDP</b>	4.670	5.000	7.200	0.800	1.806	-0.724	2.601	52.220
<b>ECON</b>	67.304	64.100	89.400	56.000	11.208	1.605	2.703	106.970
<b>TRADE</b>	78.781	75.500	90.000	73.800	5.769	1.299	2.956	156.051
<b>INV</b>	51.351	45.000	85.000	35.000	15.447	1.002	2.686	95.226
<b>FIN</b>	59.856	60.000	80.000	40.000	11.431	0.202	2.149	20.546
<b>VOICE</b>	42.705	44.800	53.500	23.600	8.747	-0.604	2.321	44.366
<b>POL</b>	40.243	28.000	96.700	9.500	29.963	0.885	2.319	83.190
<b>GOV</b>	70.167	62.100	100.000	46.200	17.914	0.498	1.999	46.097
<b>REG</b>	65.988	58.800	100.000	40.800	19.174	0.692	2.209	58.800
<b>RULE</b>	58.809	52.400	96.600	31.900	21.409	0.652	2.065	59.534
<b>CC</b>	55.837	47.400	97.200	26.100	23.808	0.678	2.162	58.784

The analytical results report that level of disclosure practices is ranged from 0.363 to 0.783, revealing that the overall extent of corporate disclosure in ASEAN during the year 2011 to 2015 was at a moderate level, with

a value of 57.9%. In terms of annual growth rate of GDP, the finding suggests that the average of the selected countries over the five-year period is 4.670%, with a standard deviation of 1.806. The minimum rate is 0.800% while the maximum rate is 7.200%. For economic openness, it is apparent that overall degree of economic freedom is in between 56.000 to 89.400, with a mean of 67.304 while the minimum value of investment freedom is equal to 35.000 and the maximum value is equal to 85.000, with a mean score of 51.351. Alternatively, the overall degree of trade freedom was received the highest scores, with a maximum value of 90.000, a minimum value of 73.800 and a mean of 67.304. Out of the three mentioned variables, the table still shows that the level of financial freedom is quite similar to investment freedom, ranging from 40.000 to 80.000 with a mean of 59.856. Regarding the level of national governance, the table demonstrates that the values of each variable are also quite dispersed from each other. In respect to this matter, it is obvious that a maximum level of voice and accountability is 53.5 while a minimum level is 23.600, with a mean of 43.705. The value of political stability and absence of violence is in between 96.700 and 9.500, with a mean of 40.243. The degrees of regulation quality are ranged from 40.800 to 100.000, with a mean of 65.988. Together with the extent of rule of law, the maximum value has accounted for 100.000 while the minimum score is equal to 31.900, with a mean of 58.809. Likewise, other elements, the scope of control of corruption is in between 26.100 and 97.200, with a mean of 55.837.

### 5.2 Correlation Analysis

Correlation analysis was conducted to examine the relationship between two variables as presented in the table:

**Table4: The summary results of correlation analysis**

Correlation Probability	ADI	GGDP	ECON	TRADE	INV	FIN	VOICE	POL	GOV	REG	RULE	CC
ADI	1.000											
GGDP	-0.303**	1.000										
ECON	0.250**	-0.250**	1.000									
TRADE	0.184**	-0.188**	0.960**	1.000								
INV	0.164**	-0.143**	0.912**	0.903**	1.000							
FIN	0.403**	-0.568**	0.707**	0.591**	0.617**	1.000						
VOICE	-0.239**	0.500**	0.069	0.229**	0.241**	-0.187**	1.000					
POL	0.107*	-0.064	0.928**	0.932**	0.858**	0.466**	0.252**	1.000				
GOV	0.197**	-0.200**	0.944**	0.903**	0.860**	0.579**	-0.060	0.903**	1.000			
REG	0.241**	-0.234**	0.975**	0.923**	0.875**	0.650**	-0.041	0.925**	0.985**	1.000		
RULE	0.232**	-0.227**	0.972**	0.915**	0.863**	0.640**	-0.043	0.930**	0.982**	0.995**	1.000	
CC	0.220**	-0.195**	0.974**	0.919**	0.871**	0.634**	0.018	0.928**	0.971**	0.987**	0.989**	1.000

\*significant at 95% level and \*\*significant at 99% level

According to the table, it is obvious that a value of the correlation coefficient is more than 0.600 in several pairs, indicating that the relationships between those two variables are much strong. However, since they are expected to have an influential effect on the dependent variable, all of them are included in the analytical model. Besides such problematic pairs, other relationships are among low and moderate level, ranging from 0.018 to 0.591 in both negative and positive direction, referring that the independent variables do not suffer from the trouble related to multicollinearity. So, no any variables have been removed from the list.

### 5.3 Hausman Test

For selecting an analytical model, the Hausman test was performed to estimate whether a fixed or random effects model is more appropriate for further data analysis.

**Table 5: The summary result of the Hausman test**

Correlated Random Effects - Hausman Test  
 Test cross-section random effects

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.	Test Result
Cross-section random	0.000000	11	1.0000	Null hypothesis is rejected

\* Cross-section test variance is invalid. Hausman statistic set to zero.

Table 5 shows that the estimators of the random effects variance are set as zero, meaning that there is no individual relationship with the regressor variables. As a result of this, it can be assumed that the random effects and OLS estimates are the same. For this reason, only the OLS model and fixed effects model are applied for estimating the relationship between the observed variables and the extent of corporate disclosure in ASEAN.

### 5.4 Results of Panel Regression Estimation

Table 5 presents the results of the panel regressions which test the relation between various national elements and corporate disclosure practices based on the robust standard errors of White, in order to eliminate the heteroskedasticity and multicollinearity problems. The OLS result shows that the level of corporate disclosure in ASEAN is negatively significant at 99 confident levels with level of political stability and absence of violence (p-value = 0.000, correlation coefficient = 0.003), level of government effectiveness (p-value = 0.000, correlation coefficient = 0.005) and level of control of corruption (p-value = 0.005, correlation coefficient = 0.003) but it is positively significant with the level of regulation quality at 99% level (p-value = 0.000, correlation coefficient = 0.008) and related to the level of rule of law at 95% level (p-value = 0.027, correlation coefficient = 0.004). The R-squared of this model equals to 0.246, meaning that this equation can explain only 24.60% with the probability of a significant model at the same confidence level in this study (prob. < 0.05). Continuing our analysis, the panel equation is re-estimated by including a period fixed effect to capture common trends in different periods. The result reports that the statistically significant relationship and direction of the correlation coefficient between the observed variables and the dependent variables appear to be the same with the OLS estimation. Regarding the table 4, the finding shows that the level of corporate disclosure in ASEAN is negatively significant at 99 confident levels with level of political stability and absence of violence (p-value = 0.000, correlation coefficient = 0.004), level of government effectiveness (p-value = 0.000, correlation coefficient = 0.0012) and level of control of corruption (p-value = 0.001, correlation coefficient = 0.004) but it is positively significant at 99% level with the level of regulation quality (p-value = 0.000, correlation coefficient = 0.018) and the level of rule of law (p-value = 0.002, correlation coefficient = 0.027). Out of these variables, other relationships are still insignificant with the dependent variable at 95% level. The R-squared of the period fixed effects model is slightly higher than the OLS result, with a value of 0.266, that the entire set of independent variables can explain the variation of corporate disclosure practices in ASEAN only 26.6%.

### 5.5 Robustness Tests

To check the robustness of the result, the analytical equation was re-run with three sub-information categories. Table 5 shows that the relationship between the extent of financial information disclosure and the explanatory variables are similar to the results obtained from the primary panel regression model. The finding reveals that all significant variables still exist in both the OLS result (p-value = 0.008 and correlation coefficient = -0.002 for the level of political stability and absence of violence; p-value = 0.000 and correlation coefficient = -0.006 for the level of government effectiveness; p-value = 0.001 and correlation coeff. = 0.008 for the level of regulation quality; p-value = 0.031 and correlation coefficient = 0.002 for the level of rule of law; and p-value = 0.026 and correlation coefficient = -0.003 for the level of control of corruption) and the period fixed effect estimation (p-value = 0.000 and correlation coefficient = -0.004 for the level of political stability and absence of violence; p-value = 0.000 and correlation coefficient = -0.015 for the level of government effectiveness; p-value = 0.000 and correlation coefficient = 0.019 for the level of regulation quality; p-value = 0.011 and correlation coefficient = 0.007 for the level of rule of law; and p-value = 0.005 and correlation coefficient = -0.004 for the level of control of corruption).

**Table 6: The summary result of a multiple regression estimation**

Variable	H	DSCORE				F DSCORE				NF DSCORE				S DSCORE			
		OLS		Fixed		OLS		Fixed		OLS		Fixed		OLS		Fixed	
		Coef.	Prob	Coef.	Prob	Coef.	Prob	Coef.	Prob	Coef.	Prob	Coef.	Prob	Coef.	Prob	Coef.	Prob
C		0.318	0.002	0.471	0.022	0.405	0.001	0.662	0.007	0.202	0.158	0.271	0.320	0.338	0.022	0.458	0.127
GGDP	H1	0.004	0.062	-0.004	0.081	-0.005	0.091	-0.004	0.119	-0.005	0.088	-0.004	0.133	-0.002	0.495	-0.003	0.441
ECON	H2a	0.004	0.114	-0.002	0.694	0.007	0.064	-0.003	0.612	0.007	0.075	0.001	0.842	-0.001	0.785	-0.003	0.615
TRADE	H2b	0.001	0.685	-0.002	0.478	-0.002	0.472	-0.003	0.428	-0.001	0.842	-0.001	0.890	0.000	0.990	-0.003	0.494
INV	H2c	0.001	0.092	0.000	0.975	0.001	0.200	0.001	0.687	0.001	0.088	0.000	0.784	0.000	0.901	0.000	0.959
FIN	H2d	0.001	0.274	-0.001	0.137	-0.001	0.370	-0.001	0.287	-0.001	0.406	-0.002	0.177	-0.001	0.477	-0.001	0.343
VOICE	H3a	0.002	0.060	0.001	0.209	0.002	0.115	0.001	0.249	0.002	0.089	0.001	0.492	0.001	0.229	0.001	0.457
POL	H3b	0.003	0.000**	-0.004	0.000**	-0.002	0.008**	-0.004	0.000**	-0.004	0.000**	-0.006	0.000**	-0.003	0.001**	-0.004	0.000**
GOV	H3c	0.005	0.000**	-0.012	0.000**	-0.006	0.000**	-0.015	0.000**	-0.006	0.000**	-0.013	0.000**	-0.004	0.037*	-0.007	0.042*
REG	H3d	0.008	0.000**	0.018	0.000**	0.008	0.001**	0.019	0.000**	0.008	0.000**	0.018	0.000**	0.007	0.004**	0.015	0.001**
RULE	H3e	0.004	0.027*	0.007	0.002**	0.002	0.031*	0.007	0.011*	0.004	0.007**	0.007	0.015*	0.005	0.034*	0.007	0.027*
CC	H3f	0.003	0.005**	-0.004	0.001**	-0.003	0.026*	-0.004	0.005**	-0.003	0.024*	-0.004	0.009**	-0.002	0.001**	-0.004	0.021*
R-squared		0.246		0.266		0.142		0.167		0.233		0.247		0.179		0.184	
Adjusted R-squared		0.231		0.246		0.124		0.144		0.217		0.226		0.162		0.161	
F-statistic		16.128		13.020		8.159		7.200		14.992		11.771		10.728		8.112	
Prob(F-statistic)		0.000		0.000		0.000		0.000		0.000		0.000		0.000		0.000	

\*significant at 95% level and \*\*significant at 99% level

However, the value of R-square of this model is lower than the original model, with a value of 0.142 when using the OLS technique and 0.167 when using the period fixed effects approach, indicating that the entire set of independent variables can explain the variation of financial information disclosure practices in ASEAN only 14.6% when testing with the OLS estimation and 16.7% when calculating with the period fixed effects estimation.

When using the extent of strategic information disclosure in ASEAN as the dependent variable, the result of

the OLS and the period fixed effects estimation appears to be the same with other model. The finding reveals that strategic information disclosure practices of listed companies in ASEAN are negatively connected with the level of political stability and absence of violence (p-value = 0.001 and correlation coefficient = -0.003 for the OLS estimation and p-value = 0.000 and correlation coefficient = -0.004 for the period fixed effects estimation); the level of government effectiveness (p-value = 0.037 and correlation coefficient = -0.004 for the OLS estimation and p-value = 0.042 and correlation coefficient = -0.007 for the period fixed effects estimation); the level of regulation quality (p-value = 0.007 and correlation coefficient = 0.004 for the OLS estimation and p-value = 0.001 and correlation coefficient = 0.0015 for the period fixed effects estimation); the level of rule of law (p-value = 0.034 and correlation coefficient = 0.005 for the OLS estimation and p-value = 0.027 and correlation coefficient = 0.007 for the period fixed effects estimation); and the level of control of corruption (p-value = 0.001 and correlation coefficient = -0.002 for the OLS estimation and p-value = 0.021 and correlation coefficient = -0.004 for the period fixed effects estimation). The value of R-square of this model equals to 0.179 for the OLS estimation and 0.184 for the period fixed effects estimation, interpreting that the entire set of independent variables can explain the variation of strategic information disclosures in ASEAN better than the variation of financial information disclosure, but lower than the variation of non-financial information.

In terms of non-financial information disclosure, the OLS result indicates that the linkage between the extent of non-financial information disclosure and the influential factors still remain significant, with the same directions of effect (p-value = 0.000 and correlation coefficient = -0.004 for the level of political stability and absence of violence; p-value = 0.000 and correlation coefficient = -0.006 for the level of government effectiveness; p-value = 0.000 and correlation coefficient = 0.008 for the level of regulation quality; p-value = 0.007 and correlation coefficient = 0.004 for the level of rule of law; and p-value = 0.024 and correlation coefficient = -0.003 for the level of control of corruption). Similarly, when using the fixed effects estimation, the extent of non-financial information disclosure are still significant with all previous influential factors (p-value = 0.000 and correlation coefficient = -0.006 for the level of political stability and absence of violence; p-value = 0.000 and correlation coefficient = -0.013 for the level of government effectiveness; p-value = 0.000 and correlation coefficient = 0.018 for the level of regulation quality; p-value = 0.015 and correlation coefficient = 0.007 for the level of rule of law; and p-value = 0.009 and correlation coefficient = -0.004 for the level of control of corruption). The value of R-square of this model is close to the original model, with a value of 0.233 when using the OLS technique and 0.247 when using the period fixed effects approach, indicating that the entire set of independent variables can explain the variation of non-financial information disclosure practices in ASEAN better than the variation of financial information disclosure.

## 6.0 Discussion and Implication

Hypothesis 1 is proposed to test the effect of economic development on corporate disclosure practices in ASEAN. The evidence indicates that the level of GDP growth rate has no impact on the extent of corporate disclosure in ASEAN countries. Surprisingly, the finding is against a study of Salter (1988) which demonstrates that the varying degree of economic growth could make a difference in corporate disclosure practices. Consequently, firms in developed market economies often provide a higher level of corporate disclosure than those in emerging market economies. With such comparative insight, Kang and Pang (2005) affirm the same result by addressing that the degree of accounting disclosure transparency in developed economies tends to be better than developing countries, resulting in an increased value-relevance of accounting information.

Supported by a cross-country analysis among over 25 countries over 11 years (Siems and Schouten, 2009), the result demonstrates that the differences degree of countries' economic development can refer to a variety ownership disclosure practices between countries. Consequently, it can be implied that there is a relationship between economic growth rate and corporate disclosure practices. As noticeable, it can be assumed that the dissimilar results between this study and the existing literature might occur from the different scenarios. Under this viewpoint, it is apparent that the prior studies have attempted to investigate the effect of economic development on disclosure practices by comparing the differences in economic development between developed and developing countries. Based on this inequality, it could refer to the differences in disclosure practices between the two platforms. However, compared with the result of this observation which has focused on a group of developing countries in the same region, it suggests that the level of country development of the selected ASEAN countries over the five-year periods is at the same range and such similarity values have no impact on corporate disclosure practices. In other words, it can be said that economic development might not be a significant factor for enhancing the level of corporate disclosure when the degree of economic development of the countries are not hugely distinct from each other. Hence, hypothesis 1 is rejected.

Hypothesis 2 is formulated to test the relationship between market openness and information disclosures in ASEAN. The result found that corporate disclosure practices of listed companies in ASEAN are not statistically related to the level of investment freedom, the level of economic freedom, the degree of trade freedom, and the level of financial freedom, referring that the extent of corporate disclosure in ASEAN does not dominate by the

foreign trade policies. That means although marketplaces in ASEAN are connected to each other, the level of corporate disclosure in ASEAN countries still remains the same. To reinforce such an association, Kittiakrastein and Srijunpetch (2013) also found that the level of timely loss recognition among 6 countries in the ASEAN, which are Indonesia, Malaysia, the Philippines, Singapore, Thailand, and Vietnam, is not significantly changed after the declaration of the AEC establishment. As a matter of this finding, it is plausible to believe that current activities of regional economic integration might be effective enough to promote uniform standards and improve business operational processes. For this reason, it is obvious that international trade policies of the countries in ASEAN have been continuously improved in the same direction, resulting in a lower gap among member countries. Based on this conclusion, it can be implied an openness of market is not an important factor contributing to corporate disclosure practice in ASEAN. So, the hypothesis 2a, 2b, 2c and 2d are rejected.

Hypothesis 3 is designed to explore the connection between the level of national governance and the extent of corporate disclosure in ASEAN. The result shows that corporate disclosure practices of listed companies in ASEAN are positively related to the level of regulation quality and the level of rule of law. This finding is supported by a study of Meser et al. (2015) which identifies that the degree of law enforcement has a strong linkage to disclosure regulation of the German capital market, reflecting on the outcomes of disclosure. In the same way with a study conducted in emerging market of Latin America (Briano-Turrent et al., 2016), the result cites that governance structures of a company are positively related to the degree of law enforcement, implying that when a country has seriously enforced businesses to follow the national regulations, they tend to more promote good governance practices and develop information disclosure practices in the workplace. So far, a study of Qin (2010) which focuses on information disclosure of listed companies declares that when national laws and regulations have been improved based on the international standards, the efficiency of accounting system of a company would be substantially improved in respect to the new conditions of capital market and this effect would result to a higher disclosure level. As a result of this, it can be concluded that effective laws and regulations affect on a degree of enforcement and reflect on the extent of corporate disclosure as well. According to these perspectives, it is possible to highlight that the level of corporate disclosure tends to be increased when government agencies provide suitable policies that help to facilitate business growth and serious concern about the quality of contract enforcement. As a result of this, the hypothesis of H3c and H3e are accepted.

Conversely, the result also shows that the extent of corporate disclosure in ASEAN are negatively associated with the level of political stability and absence of violence, the level of government effectiveness, and the level of control of corruption, meaning that the level of corporate disclosure in ASEAN would be increased when the national environment is unstable and improper for investing in new projects, the government lacks capabilities to promote economic development, and the country has a high rate of corruption. In other words, it can be said that businesses in ASEAN seem to disclose more information to the public when political issues have been raised sharply, resulting in the ineffective government. With this insight, it is obvious that the result is diverse from a study conducted in Latin America markets (Gonzalez and Garcia-Meca, 2014). The result defines that there is a negative relationship between national mechanisms and firm earnings management, meaning that when strong policies have been applied to reduce corruption, strengthen the rule of law, and improve the effectiveness of government, level of discretionary accruals would be decreased, resulting in better quality and transparency of the financial information. Although both areas are in developing stages and often provide a low level of national governance efficiency, businesses in ASEAN are strongly connected with the Asian culture, creating a unique stereotype which is greatly different from Latin American corporations. As a result of this, the differences in business models could reflect on different outcomes. Regarding the commonality of businesses practices in ASEAN, it is obvious that the majority of ASEAN corporations have been dominated by a well-known family and a group of powerful politicians. Several of them have involved with conflict of interests and sometimes have also faced with the problems related to information asymmetry which are identified as major obstacles for sustainable development (Cheung et al., 2007; Claessens and Yurtoglu, 2013; Ghani and Tarmezi, 2016). As a result of this, policymakers might not actively contribute the policies to support businesses. However, businesses, themselves, are also seeking out to achieve sustainable development, one approach that they have generally adopted is voluntarily disclosed information to attract financial investment from external sources and maintain a good relationship with stakeholders. In connection with this matter, it is no doubt that the level of corporate disclosure of listed companies in ASEAN have been increased when the government is weak and the national instruments were insufficient enough to control business affairs. In regard to the aforementioned, it is reasonable to accept that the level of political stability and absence of violence, the level of government effectiveness, and the level of control of corruption has a negative relative relationship with corporate disclosure practices in developing countries like ASEAN. As a result of this, the hypothesis H3b, H3d, and H3f are accepted, with a reverse direction.

Further, the finding still points out that there is no relationship between the extent of corporate disclosure in ASEAN and the level of voice and accountability, representing that information disclosure practices of corporations in ASEAN would be at the same level whether citizens in the country are able or unable to

participate in selecting the government, as well as freedom of expression, freedom of association, and a free media. Again, the obtained result of this paper is contradicted with a study of Baughn et al. (2007) which finds that firms in countries with political freedom are likely to provide more information related to CRS. From another point of view, Charl de Villiers and Marques (2016) also conclude that the level of CSR disclosure would be high in countries where better investor protection regulations and more effective government implementation of regulations have. Similarly, Blanc et al. (2017) also discover an association between the extent of disclosure and national press freedom, interpreting that firms in the countries that allow people to have a freedom of expression tend more voluntarily disclose information as well. Together, Al-Asiry (2017), who investigates determinants of corporate voluntary disclosure in developing countries, reports that press freedom could motivate corporations to increase the quantity and quality of information disclosed. As observed, it is obvious that the previous studies support a positive relationship between the two variables. However, since the media and societal pressures of member countries in ASEAN have been generally controlled by the government, whether direct or indirect, the rights of people to express and participate in government affairs are limited. In a business sense, information disclosures have also been shaped by the fundamental requirements of national agencies and a group of authorized persons. As a result of this, it is not surprising that the level of voice and accountability is not an influential factor affecting corporate disclosure practices. Through this perspective, the hypothesis H3a is rejected.

## 7.0 Conclusion

This paper aims to extend existing literature by indicating the linkage between national institutions and disclosure practices based on a perspective of a group of developing countries, namely ASEAN. There are eleven factors, with a particular focus on economic and political environments are identified to test the influential effects. The empirical result reveals political institutions seem to be more important for enhancing the level of corporate disclosure in ASEAN because all political factors, except the level of voice and accountability, are statistically significant at 95% and 99% confidence level, with both positive and negative direction. To be more specific, the result addresses that the extent of corporate disclosure in ASEAN is positively related to the level of regulation quality at 99% confidence levels and positively associated with the level of rule of law at 95% confidence levels, meaning that businesses tend to disclose more information when government agencies provide suitable policies that help to facilitate business growth and serious concern about the quality of contract enforcement. On the other hands, the finding also demonstrates that the level of corporate is negatively connected with the level of political stability and absence of violence, the level of government effectiveness, and the level of control of corruption, meaning that the level of corporate disclosure in ASEAN would be increased when the national environment is unstable and improper for investing in new projects, the government lacks capabilities to promote economic development, and the country has a high rate of corruption. Out of these variables, other six factors covering the degree of economic development, the level of investment freedom, the level of economic freedom, the degree of trade freedom, the level of financial freedom, and the level of voice and accountability, are found to be insignificant. Distinct from the mainstream of disclosure literature, the result provides empirical evidence not only for regulators who want to reinforce the regional regulations but also for practitioners who are investigating key success factors for the further improvement of corporate disclosure in the ASEAN. Moreover, this study has also important implications for the literature on disclosure by investigating the effects of national institutions on corporate disclosure practices of listed companies in ASEAN by using a panel data analysis.

## 8.0 Limitations and suggestion

There are two main limitations inherent in this study. The former has criticized the lack of diversity of expected factors. As identified from the literature survey, numerous variables have been found to formalize the disclosure practices of a company. However, this paper focuses only on the determinants of national characteristics. Hence, it is necessary to include other groups of variables in the next investigation. The latter has been discussed about the bias of population. Because the representative sample was extracted from the top 50 listed companies in 2014 within each ASEAN country, both scope and size are restricted. Therefore, future research should be conducted with a randomly selected population, covering whether public or private, big or small, and profit or non-profit organizations.

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