Institutional Determinants of IFRS S1 Disclosure: Political Stability and Economic Growth in ASEAN

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Abstract

This study aims to examine the influence of political stability and economic growth on IFRS S1 based sustainability disclosure in ASEAN emerging markets. This study employs a quantitative approach with a sample of 127 publicly listed companies with strong ESG performance in Indonesia, Malaysia, and Thailand. Using a cross-sectional design, the analysis is based on 2024 reporting data which represents the pre-implementation of IFRS S1. Data are analyzed using Ordinary Least Squares (OLS) regression. A robustness test using cluster robust regression is also employed to ensure validity and stability baseline models. The results indicate that political stability has a positive and significant effect on IFRS S1 disclosure. In contrast, economic growth exhibits a significant negative effect on IFRS S1 disclosure. These findings suggest that political stability plays a more dominant role than economic growth in shaping sustainability disclosure practices during the pre-implementation of IFRS S1. This study contributes to the development of institutional theory in the context of global sustainability reporting standards and provides practical implications for regulators and firms in strengthening governance and institutional capacity to enhance the effectiveness of IFRS S1 implementation.

Keywords: *IFRS S1; Political Stability; Economic Growth; Sustainability*

INTRODUCTION

The escalating risks of climate change, environmental degradation, and global social pressures have compelled corporations to enhance sustainability reporting practices as a mechanism of accountability and transparency toward stakeholders (Hambira et al., 2020). Sustainability reporting is no longer perceived merely as a supplementary component of annual reports; rather, it has evolved into a strategic mechanism for communicating sustainability-related risks and opportunities that may affect firm value (Kuzey & Uyar, 2017; Laskar & Gopal Maji, 2018). The transparency of sustainability information also plays a critical role in reducing information asymmetry and improving market efficiency (Handoyo, 2018; Welsch, 2004). In this context, the harmonization and standardization of reporting frameworks have become imperative to ensure cross-jurisdictional comparability and informational relevance (Agheli & Mohamad, 2022; Dernbach & Cheever, 2015).

One of the most significant regulatory developments in recent years is the issuance of the IFRS Sustainability Disclosure Standards—IFRS S1 by the International Sustainability Standards Board (ISSB) on June 26, 2023 (ISSB, 2023). IFRS S1 constitutes the first globally recognized framework designed to incorporate sustainability-related information into financial reporting practices (ISSB, 2023). The standard establishes comprehensive guidance on the disclosure of sustainability information, including its conceptual foundations as well as the appropriate placement and timing of such reporting within corporate disclosures (ISSB, 2023). This standard emphasizes the integration of sustainability information with financial reporting and is explicitly oriented toward investors' assessment of long-term risks and opportunities (Milhem, 2025). Through this framework, companies are expected to provide sustainability information that is more consistent, transparent, and decision-useful for investors and other

stakeholders. However, this standard remains in the pre-implementation stage, with adoption still voluntary and uneven across jurisdictions. This leads to variations in corporate readiness, disclosure quality, and regulatory alignment. Therefore, it is necessary to examine the factors that influence the quality of sustainability disclosure based on IFRS S1.

The implementation of IFRS S1 is particularly relevant in the context of ASEAN, a region that plays a strategic role in global trade and is deeply integrated into global value chains. ASEAN has experienced rapid economic growth over the past decades, positioning the region as one of the most dynamic emerging markets in the global economy (ACCA, 2025). However, this rapid economic expansion has also increased exposure to sustainability-related risks, including climate change, environmental degradation, and social inequality, which are estimated to affect approximately 35% of the region's gross domestic product (ACCA, 2025). These conditions highlight the importance of implementing standardized sustainability reporting frameworks to strengthen corporate transparency and support sustainable economic development in the region. Even though, the quality of sustainability disclosure across ASEAN remains heterogeneous and relatively lagging compared with other regions (Pratama et al., 2024). A survey conducted by Morningstar Sustainalytics in 2022 indicates that there has been no significant improvement in the quality of ESG disclosure across most ASEAN countries during the period 2016–2022 (Sustainalytics, 2022). Furthermore, ESG rankings in Indonesia and Thailand declined, placing both countries among the lower ranks compared with other emerging markets (Sustainalytics, 2024). These findings suggest the presence of a sustainability capacity gap that may weaken investment attractiveness and reduce the effectiveness of sustainability reporting practices in the ASEAN region.

Beyond regulatory frameworks and reporting standards, the effectiveness of sustainability disclosure is also influenced by the macro-level institutional quality, particularly political stability and economic growth. Political stability constitutes a fundamental institutional condition that shapes regulatory effectiveness, governance quality, and corporate transparency practices within a country (Shahbaz et al., 2018). A stable political environment enables govern ments to more effectively formulate and enforce sustainability-oriented policies, which is turn strengthens monitoring mechanisms and fosters greater corporate accountability (Balsalobre-lorente et al., 2018). Meanwhile, economic growth reflects the degree of market maturity, capital market development, and investment capacity, all of which tend to increase stakeholders' expectations for high-quality non-financial disclosure (Adebayo & Acheampong, 2022; Nalurita et al. 2026). Countries with stronger economic performance are generally more integrated into global financial markets and subject to greater scrutiny from international investors, thereby encouraging firms to provide more comprehensive sustainability-related information (Sadalia et al., 2019). In the context of ASEAN emerging markets, where institutional conditions and economic development differ considerably, political stability and economic growth are therefore likely to play a crucial role in shaping the extent and quality of sustainability disclosure practices.

Prior research has largerly focused on the relationship between political stability, economic growth, and environmental sustainability at the macro level (Adebayo, 2022; Balsalobre-lorente et al., 2018; Radu, 2015; Shahbaz et al., 2018; Wang et al., 2024). Nevertheless, the majority of these studies focus on environmental performance indicators rather than standardized global disclosure regimes such as IFRS S1. In addition, prior studies examining sustainability disclosure based on IFRS S1

remain limited. Existing research has primarily focused on sustainability disclosure under previous standards, implementation readiness, and the descriptive quality of disclosure in relation to firm characteristics and corporate governance (Fianko et al., 2025; Hummel & Jobst, 2024; Pratama et al., 2022; Wahyuningrum et al., 2023). Accordingly, this study aims to examine the effect of political stability and economic growth on the level of IFRS S1 disclosure among firms operating in ASEAN emerging markets. This research seeks to contribute theoretically by integrating institutional perspectives to explain variations in sustainability disclosure. For practical implications, this research contributes to strengthening the implementation of IFRS S1 within the ASEAN region.

LITERATURE REVIEW

This study is based on institutional theory, which posits that organizational behavior is shaped by formal regulations, normative expectations, and cognitive-cultural pressures embedded within the broader institutional environment (Dodds & Smith, 2025). Firms do not operate in isolation rather, they respond to coercive pressures from regulatory authorities, normative pressures from professional bodies and stakeholders, and mimetic pressures arising from uncertainty and competitive dynamics (Özkan, 2024). In the context of sustainability reporting, these institutional forces influence the extent to which firms adopt structured disclosure frameworks and align with globally recognized standards. Prior research demonstrates that institutional quality and governance effectiveness significantly shape corporate transparency and sustainability reporting practices, particularly in emerging markets where institutional heterogeneity is pronounced (Casagrande & Lavarda, 2015; Famiyeh et al., 2021). Political stability and economic growth as a dimension of institutional strength, enhances regulatory continuity and enforcement capacity, thereby reinforcing coercive pressures for compliance and disclosure (Dodds & Smith, 2025).

IFRS S1 is a sustainability disclosure standard that establishes general requirements for reporting information related to corporate sustainability practices (Pratama et al., 2024). The standard represents a formalized global institutional mechanism aimed at harmonizing sustainability-related financial disclosure. The standard adopts the framework developed by the Task Force on Climate-related Financial Disclosures (TCFD), which is structured around four core pillars: (1) Governance, (2) Strategy, (3) Risk Management, and (4) Metrics and Targets (Pratama et al., 2024). These four pillars are designed to ensure that disclosed sustainability information adequately reflects the oversight role of management and the board of directors; the impact of sustainability-related risks and opportunities on corporate strategy and business models; the processes for identifying, assessing, and managing ESG-related risks; and the measurement of performance and achievement of sustainability targets (ISSB, 2023). Under institutional theory, IFRS S1 can be interpreted as a coercive isomorphic force that encourages convergence in reporting practices across jurisdictions. However, the effectiveness of such convergence depends on the institutional context within which firms operate (Dodds & Smith, 2025; Özkan, 2024).

Hypothesis Development

Political Stability and IFRS S1 Disclosure

Political stability constitutes a fundamental macro-institutional condition that influences the adoption and effectiveness of international reporting standards, including IFRS S1 for sustainability-related financial disclosures (Mrabet et al., 2021). In ASEAN emerging markets, which are characterized by diverse political systems and varying levels of governance quality,

political stability plays a crucial role in ensuring regulatory consistency, strengthening investor confidence, and enhancing institutional capacity (Buracom, 2014). A stable political environment supports coherent policymaking and reduces regulatory fragmentation, thereby creating favorable conditions for the consistent implementation of IFRS S1 (Kirikkaleli, 2023). Conversely, political instability may weaken regulatory enforcement, undermine investor trust, and limit institutional development, ultimately constraining the quality and scope of sustainability disclosures (Priyadi et al., 2024).

Prior empirical evidence demonstrates substantial cross-country differences in the readiness and implementation of sustainability reporting standards. In Indonesia, fragmented ESG regulations and partial integration with IFRS frameworks indicate that while large firms tend to exhibit stronger ESG disclosure practices, sector-specific depth remains limited (Setiawan et al., 2025). Evidence from Palestine reveals low levels of voluntary sustainability disclosure and insufficient regulatory frameworks, highlighting the importance of stakeholder engagement and institutional strengthening (Milhem, 2025). In Ghana, although awareness of IFRS S1 and S2 is relatively high, detailed implementation knowledge remains limited, with notable sectoral disparities in preparedness (Samuel Koranteng Fianko et al., 2025). Studies on the ASEAN-5 countries further document significant variation in sustainability disclosure quality across countries and industries, with larger firms generally demonstrating higher compliance levels (Afifa et al., 2025; Pratama et al., 2024). Collectively, these findings underscore the central role of political and regulatory environments in shaping the adoption and effectiveness of sustainability disclosure standards.

From a theoretical and empirical standpoint, political stability is expected to positively influence IFRS S1 disclosure through several mechanisms. First, stable political systems foster regulatory consistency and enhance the enforcement of comprehensive sustainability reporting requirements, thereby reducing fragmentation and improving disclosure quality (Milhem, 2025; Setiawan et al., 2025). Second, political stability strengthens investor confidence, encouraging capital allocation toward firms that comply with international sustainability standards and motivating companies to enhance disclosure practices to attract investment (Suhardianto et al., 2026). Third, stable governance environments facilitate the development of institutional capacities, including regulatory infrastructure, professional training, and oversight mechanisms necessary for effective IFRS S1 implementation (Milhem, 2025). Although the impact may vary across sectors and firm sizes with larger firms often better positioned to comply due to superior resources and institutional support (Afifa et al., 2025; Pratama et al., 2022) the overall expectation remains that politically stable environments provide stronger incentives and capabilities for high-quality sustainability disclosure. Accordingly, the following hypothesis is proposed:

H_1: Political stability positively influences the quality and extent of IFRS S1 disclosures in ASEAN emerging markets.

Economic growth and IFRS S1 Disclosure

Theoretically, there exists a causal relationship between environmental sustainability and economic growth. Hysa et al., (2020) argues that environmental sustainability serves as a driver of economic growth by fostering innovation, generating new employment opportunities, and enhancing long-term competitiveness. Liu et al., (2023) posits that economic growth constitutes a prerequisite for achieving environmental sustainability. From this perspective, countries must first attain a

certain level of income and technological advancement before they are able to implement effective environmental policies and adopt cleaner technologies.

In the context of ASEAN emerging economies, economic expansion driven by foreign direct investment (FDI), financial openness, and cross-border capital flows has intensified the demand for internationally comparable reporting standards, including IFRS S1 on sustainability related financial disclosures (Tran, 2022; Yousefinejad et al., 2018). As these economies become more integrated into global financial markets, firms face increasing pressure from international investors to provide transparent, consistent, and decision-useful sustainability information (Sadalia et al., 2019). Consequently, the adoption of IFRS S1 can be viewed not only as a regulatory requirement but also as a market-driven response to economic growth and global capital integration, aiming to enhance the quality, comparability, and credibility of sustainability disclosures in line with global investor expectations (Fianko et al., 2025; Setiawan et al., 2025).

Empirical evidence further supports the positive association between economic growth and the adoption of high-quality sustainability reporting practices. Previous studies indicate that while awareness of IFRS S1 is relatively widespread, variations in implementation readiness and technical capacity persist across sectors and jurisdictions (Fianko et al., 2025; Milhem, 2025). Larger firms tend to demonstrate stronger alignment with IFRS S1 requirements due to greater financial resources and governance capabilities (Putri & Pratama, 2023; Setiawan et al., 2025), whereas smaller firms often face constraints related to expertise, cost, and regulatory support. Moreover, the adoption of IFRS standards has been shown to be positively associated with increased FDI inflows and economic growth, suggesting that improved financial transparency can further stimulate economic development (Nejad et al., 2018). Collectively, these findings indicate that economic growth enhances institutional capacity, strengthens stakeholder demand, and supports the effective implementation of IFRS S1. Therefore, it is hypothesized that:

H_2: Economic growth positively influences the quality and extent of IFRS S1 disclosures in ASEAN emerging markets.

RESEARCH METHODOLOGY

This study employs a quantitative cross-sectional design, focusing on publicly listed companies recognized as having the best ESG performance in Indonesia, Thailand, and Malaysia. These three countries are selected because they represent the most developed sustainability reporting environments among ASEAN emerging economies (Kunsrison et al., 2025). In addition, they possess relatively mature capital markets, and demonstrate institutional heterogeneity in terms of political stability and economic development (Kunsrison et al., 2025; Nuswantara et al., 2026). The study concentrates on the 2024 reporting year, which represents the early implementation stage after IFRS S1 became effective. The sample in Table 1 was selected through a purposive sampling approach, applying predetermined criteria to ensure relevance and consistency with the research objectives. Secondary data are collected from sustainability reports and annual reports for the year 2024.

Table 1. Research Sample

No	Country	Sustainability-related Index	Number of Companies
1	Indonesia	ESQ Quality Index 45 Kehati	45
2	Malaysia	FTSE4Good Bursa Malaysia	37
3	Thailand	SET THIS	45
Total Final Sample			127

Source: Data Processed, 2025

The dependent variable in this study is IFRS S1 disclosure (*IFRS*) that measured according to IFRS S1 disclosure standards. In alignment with IFRS S1, there are 38 disclosure items serving as the basis for assessing sustainability disclosure that consists of the core components, such as governance, strategy, risk management, and metrics and targets (ISSB, 2023; Pratama et al., 2022). Following previous literature, this variable is measured using a dummy variable: a score of 1 is assigned if the item is disclosed, and 0 if it is not disclosed (Badar et al., 2025; Pratama et al., 2022). The scores are then standardized into a disclosure ratio. The independent variables are political stability (*POLITIC*) and economic growth (*ECONOMIC*) that measured using internationally recognized governance indicators by World Bank Database. Furthermore, this study incorporates control variables such as firm size (*SIZE*), Return on Assets (*ROA*), leverage (*LEV*), and dummy industry (*INDUSTRY*) (Alsahali, 2025; Helfaya et al., 2023; Kuzey & Uyar, 2017). *SIZE* is measured using the natural logarithm of total assets (Alsahali, 2025). *ROA* is computed as the proportion of net income after tax to total assets (Helfaya et al., 2023). *LEV* represents the firm's level of risk and is determined by the ratio of total liabilities to total assets (Kuzey & Uyar, 2017). *INDUSTRY* is measured using a score of 1 if the firm operates in an environmentally sensitive industry, and 0 otherwise (Penney et al., 2025). The research equation is formulated as follows:

$$IFRS_{i,t} = \alpha + b_1 POLITIC_{i,t} + b_2 ECONOMIC_{i,t} + b_3 SI$$

Description:

α	: constant
$IFRS_{i,t}$	: IFRS S1 disclosure ratio of firm i at time t
$POLITIC_{i,t}$	: political stability score of country i at time t
$ECONOMIC_{i,t}$	: economic growth score of country i at time t
$SIZE_{i,t}$	: firm size of firm i at time t
$ROA_{i,t}$	: return on assets of firm i at time t
$LEV_{i,t}$	: leverage of firm i at time t
$INDUSTRY_{i,t}$	: dummy variable, a score of 1 if the firm operates in an environmentally sensitive industry, and 0 otherwise.
e	: error

The empirical analysis was conducted using Ordinary Least Squares (OLS) regression in STATA. Hypotheses are considered supported if the significance value (p-value) is < 0.05 and the coefficient direction aligns with the proposed hypothesis. Research model was estimated to examine whether political stability and economic growth are partially associated with IFRS S1 disclosure. The results that produce a statistically significant positive coefficient for b_1 and b_2 indicate that political stability and economic growth

partially have a positive influence on IFRS S1 disclosure. This study also conducts a robustness test using Cluster Robust Regression applied at the firm, sector, and country levels to address potential heteroskedasticity and intra-cluster correlation. This approach ensures that coefficient estimates are more reliable and that significance tests remain valid, even when observations within clusters are correlated.

RESULTS AND DISCUSSION

Descriptive Statistic and Multicolinearity

Based on Table 2, the *IFRS* variable has a mean value of 0.8794 with a standard deviation of 0.1209. This indicates that, on average, firms have disclosed sustainability information based on IFRS S1 at a relatively high level, with values ranging from a minimum of 0.3421 to a maximum of 1. The *POLITIC* variable has a mean value of −0.3464 with a standard deviation of 0.4685, with values ranging from −0.68 to 0.38, suggesting that the countries included in the sample exhibit varying levels of political stability. *ECONOMIC* variable exhibits a mean value of 4.1675 with a standard deviation of 1.2183, indicating that the countries in the sample experience relatively stable economic growth with a moderate level of variation. *SIZE* has a mean value of 25.142 with a standard deviation of 3.3570, indicating considerable variation in firm size across the sample. *ROA* reports a mean of 0.0391 with a standard deviation of 0.0839, suggesting that, on average, firms exhibit relatively low profitability with substantial dispersion. *LEV* shows a mean of 0.5640 and a standard deviation of 0.3814, reflecting a moderate to high reliance on debt financing with significant variation among firms. *INDUSTRY* has a mean of 0.3780, indicating that approximately 37.8% of the sampled firms operate in environmentally sensitive industries, while the remaining firms operate in industries that are not classified as environmentally sensitive.

Table 2. Descriptive Statistic and Multicolinearity

Variable	N	Mean	Std. dev.	Min	Max	VIF	1/VIF
IFRS	127	0.8794	0.1209	0.3421	1	-	-
POLITIC	127	-0.3464	0.4685	-0.68	0.38	3.36	0.297663
ECONOMIC	127	4.1675	1.2183	2.53	5.11	5.76	0.173746
SIZE	127	25.142	3.3570	18.2109	32.6175	3.96	0.252788
ROA	127	0.0391	0.0839	-0.6636	0.295	1.19	0.840182
LEV	127	0.5640	0.3814	0.0009	3.6626	1.08	0.927741
INDUSTRY	127	0.3780	0.4868	0	1	1.09	0.921154

Source: Data Processed, 2025

Table 2 also indicates that the regression model is free from inter-variable bias, as the Variance Inflation Factor (VIF) values for all variables are below the commonly accepted threshold of 10. Futhermore, the corresponding tolerance values (1/VIF) range from 0.7739 to 0.9499, all of which exceed the critical threshold of

0.10 all exceeding the minimum threshold of 0.10. These results confirm that the level of correlation among the explanatory variables is relatively low. Therefore, the findings suggest that the regression model satisfies the classical assumption of no multicollinearity.

Hypothesis Testing

The Influence of Political Stability on IFRS S1 Disclosure

To examine whether political stability is associated with IFRS S1 disclosure in ASEAN emerging markets, the analysis begins with the estimation of linear regression Model. Based on Table 3, the results indicate that the *POLITIC* variable has a coefficient of 0.1159873 with a t-value of 3.08 and a significance level of 0.003 ($p < 0.05$). These findings suggest that political stability has a positive and statistically significant effect on IFRS S1 disclosure. This implies that firms operating in more politically stable environments tend to provide higher quality and more comprehensive sustainability-related disclosure in accordance with IFRS S1 standards. Therefore, the first hypothesis (H1), which posits that political stability positively influences the quality and extent of IFRS S1 disclosure in ASEAN emerging markets, is supported.

Table 3. Hypothesis Testing

	Coefficient	Std. error	t	P>t
cons	0.729	0.082	8.81	0.000*
POLITIC	0.115	0.037	3.08	0.003*
ECONOMIC	-0.098	0.018	-5.17	0.000*
SIZE	0.023	0.005	4.06	0.000*
ROA	0.044	0.125	0.36	0.723
LEV	0.023	0.026	0.90	0.370
INDUSTRY	0.001	0.020	0.05	0.958
N			127	
F-Stat			0.000*	
R-squared			0.2384	
Adj R-squared			0.2003	

Source: Data Processed 2025; *Significance level 0,05

The positive relationship is supported by prior literature that political stability recognized as a key determinant of regulatory quality and institutional effectiveness, which are essential for the successful implementation of international standards, such as IFRS S1 (Mrabet et al., 2021). Political stability contributes to coherent regulatory systems and reduce policy uncertainty, enabling firms to comply more effectively with sustainability-related regulations (Kirikkaleli, 2023). Buracom (2014) highlights that stable political environments enhance governance quality and policy continuity, thereby fostering a more conducive setting for corporate transparency and accountability.

A stable political also reduces such disparities by strengthening regulatory enforcement and minimizing fragmentation (Buracom, 2014). From an investor perspective, political stability increases

investor confidence and attracts capital flows, thereby leads firms to improve transparency through high-quality sustainability disclosure (Suhardianto et al., 2026). Stable political conditions reduce uncertainty and risk, encouraging firms to align with globally recognized standards such as IFRS S1 to meet stakeholder expectations (Setiawan et al., 2025). This is particularly relevant in the context of ASEAN emerging markets, where institutional quality and regulatory framework vary considerably across country, political stability becomes a crucial factor in ensuring the consistent adoption of IFRS S1. Moreover, politically stable ASEAN countries are more likely to create a predictable business environment that strengthens regulatory enforcement and enhances firms' incentives to provide more comprehensive and comparable sustainability disclosures.

The Influence of Economic Growth on IFRS S1 Disclosure

Table 3 shows that the *ECONOMIC* variable has a coefficient of -0.098 with a t-value of -5.97 and a significance level of 0.027 ($p \leq 0.05$). These results indicate that economic growth has a statistically significant effect on IFRS S1 disclosure, but the direction of the relationship is negative. This finding suggests that in the context of ASEAN emerging markets, higher levels of economic growth do not necessarily lead to improvements in the quality and extent of sustainability related disclosure. Consequently, the second hypothesis (H2), which proposes that economic growth positively influences IFRS S1 disclosure, is not supported.

The negative relationship between economic growth and IFRS S1 disclosure can be justified by prior literature that highlight the tradeoff between economic growth and sustainability orientation. Economic growth is frequently associated with increased energy consumption, carbon emissions, and ecological degradation, particularly in emerging and developing economies (Li & Du, 2024; Vargas et al., 2011; Zhang et al., 2021). Economic growth is often driven by intensive natural resource exploitation, which can undermine sustainability commitments and reduce the transparency of environmental reporting (Gong et al., 2023; Manigandan et al., 2025). Empirical evidence from resource-based economies further shows that growth fueled by capital investment and resource extraction is linked to higher emissions and weaker sustainability outcomes (Alam & Manigandan, 2025). This condition indicates that firms operating in high growth environments tend to prioritize production expansion and financial performance, which may reduce their focus on sustainability transparency and comprehensive disclosure. In the context of ASEAN emerging markets, many countries are still within this early phase, where economic priorities dominate over environmental accountability. As a result, firms may not yet be incentivized or pressured to provide high-quality IFRS S1 disclosures, leading to a negative association between economic growth and sustainability reporting.

The regression results for the control variables indicate that *SIZE* has a positive and statistically significant effect on IFRS S1 disclosure, suggesting that larger firms tend to provide more extensive and higher-quality sustainability disclosures due to greater resources, visibility, and stakeholder pressure. In contrast, *ROA* and *LEV* do not exhibit significant effects, implying that financial performance and capital structure are not primary determinants of sustainability disclosure practices in this context. Additionally, the *INDUSTRY* variable, measured as a dummy for environmentally sensitive industries, is also found to be insignificant, indicating that firms in environmentally sensitive sectors do not necessarily disclose more sustainability information than those in non-sensitive sectors. Overall, these findings suggest that

within ASEAN emerging markets, organizational capacity reflected by firm size plays a more critical role in shaping IFRS S1 disclosure than financial or industry-related characteristics.

Robustness Testing

Table 4 presents the results of the Cluster Robust Regression, which serves as a robustness test to validate the findings obtained from the standard OLS regression. The results indicate that *POLITIC* has a positive coefficient of 0.116 with a t-value of 4.28 and a significance level of 0.050, confirming that *POLITIC* has a statistically significant positive effect on *IFRS*. In contrast, *ECONOMIC* exhibits a negative coefficient of -0.098 with a t-value of -5.97 and a significance level of 0.027, indicating that *ECONOMIC* significantly affects *IFRS* in a negative direction. Among the control variables, *SIZE* shows a positive coefficient of 0.023 and is marginally significant (p = 0.065), while *ROA*, *LEV*, and *INDUSTRY* are not statistically significant.

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Table 4. Cluster Robust Regression

	Coefficient	Std. error	t	P>t
cons	0.730	0.072	10.07	0.01
POLITIC	0.116	0.027	4.28	0.050*
ECONOMIC	-0.098	0.016	-5.97	0.027*
SIZE	0.023	0.006	3.73	0.065*
ROA	0.045	0.059	0.75	0.532
LEV	0.024	0.022	1.06	0.401
INDUSTRY	0.001	0.018	0.06	0.956
N			127	
Firm			YES	
Sector			YES	
Country			YES	
F-Sig			0.000*	
R-square			0.2384	

Source: Data Processed, 2025; *Significance level 0,05

The results also indicate that Firm = YES, Sector = YES, and Country = YES, signifying that the regression model accounts for effects at the firm, sector, and country levels. The firm effect captures company-specific characteristics that may influence IFRS S1 disclosure, ensuring that unique variations across firms do not bias the coefficient estimates. The sector effect controls for similarities among firms operating within the same industry, such as business practices, regulations, or environmental policies. Meanwhile, the country effect adjusts for differences in macroeconomic conditions, institutional quality, and government policies across countries that may simultaneously impact multiple firms. By accounting for effects at these three levels, the coefficient estimates become more reliable and the significance tests remain valid, as potential correlations among observations within clusters are controlled. Consequently, the results of this robustness test support and reinforce the findings from the standard OLS regression analysis.

CONCLUSION

This study aims to examine the influence of political stability and economic growth on IFRS S1-based sustainability disclosure among firms in ASEAN emerging markets. The findings indicate that political stability has a positive and significant effect on IFRS S1 disclosure, while economic growth exhibits a significant negative effect. These results suggest that a stable political environment enhances the quality and comprehensiveness of sustainability disclosure through improved regulatory effectiveness, policy consistency, and investor confidence. In contrast, economic growth in emerging markets tends to prioritize production expansion and resource utilization, which may not be accompanied by increased sustainability transparency.

Theoretically, this study contributes to institutional theory by providing empirical evidence that institutional quality, particularly political stability plays a pivotal role in shaping the quality of sustainability reporting under global standards such as IFRS S1. Practically, the findings imply that regulators should strengthen policy stability and monitoring mechanisms to support effective implementation of IFRS S1, while firms are encouraged to enhance internal processes, governance, and disclosure readiness in response to institutional pressures.

However, this study is subject to several limitations including the measurement of IFRS S1 disclosure relies on a dummy approach, the use of cross-sectional data for a single reporting period, and the limited scope of countries focusing only on three ASEAN economies. Therefore, future research is recommended to develop a quality-based disclosure index, employ panel or longitudinal data, expand the geographical scope and sample sectors, and incorporate additional variables such as regulatory quality, investor pressure, and corporate governance factors to provide a more comprehensive understanding of the determinants of IFRS S1 disclosure.

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