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COMPARATIVE STUDY OF SUSTAINABILITY REPORTING ON THE BANKING INDUSTRY IN SEVERAL COUNTRIES

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ABSTRACT *The level of credit risk or credit quality, which can be measured by the ratio of Non-Performing Loans (NPL), can be seen as a form of representation in companies, particularly in the banking sector. The purpose of this study is to determine the impact of Sustainability Report disclosure, specifically in each dimension of Economic, Environmental, and Social Disclosure, on the credit risk level of each banking company in Indonesia, Singapore, and Malaysia, as measured by the NPL ratio. This study collected 129 samples from banking sector companies in Indonesia, Singapore, and Malaysia over a three-year period, from 2018 to 2020, using the purposive sampling method. Multiple Linear Regression was also utilized in this study to evaluate and determine the impact of each component of the Sustainability Report disclosure on the NPL ratio, as well as other control variables. According to the study's findings, the overall disclosure of the Sustainability Report has a significant influence on the NPL ratio in Indonesian and Singaporean banking sector companies, but not in Malaysian companies. Although partially, Economic Disclosure has a negative and significant impact on NPL in Singapore, whereas Environmental Disclosure only has an impact on the NPL ratio in Malaysia, and the final factor is the impact of Social Disclosure, which has a negative and significant impact on NPL in Indonesia.*

INTRODUCTION

Sustainability reporting, or a report that refers to the World Commission on Environmental Development's (WCED) formulation of sustainable development in 1987, supports the Sustainable Development Goals, which aim to maintain a sustainable increase in the community's economic welfare, the sustainability of community social life, environmental quality, and inclusive development and implementation of governance that is capable of achieving these goals.

According to the TBL principle, companies should prioritize the interests of stakeholders (all parties participating in and having an impact on the company's activities) over the interests of shareholders (shareholders). Profit (Profit), community sustainability (People), and environmental sustainability (Planet) are the three categories of stakeholder interests. The development of a country, which is a byproduct of sustainable development, is not solely the responsibility of the government; every individual human being, including the corporate world, must play an active role in achieving social welfare and improving the quality of life in the community.

Investors began to pay attention to the company's non-financial performance as they understood that the company's profitability was insufficient to predict long-term success. The sustainability report can be used by investors as a tool for monitoring and controlling firm performance, as well as a decision-making tool. Other factors, such as environmental and social considerations disclosed in the sustainability report, will help increase company transparency, strengthen risk management, engage and improve communication with stakeholders by reviewing factors beyond economic, strategic, and operational considerations.

Companies that are less transparent, companies that consider sustainability reports to add additional operational costs, and the lack of regulations that require or only require companies to issue sustainability reports are some of the factors that continue to make companies reluctant to make sustainability reports (Kim & Todorovic, 2013; Thornton, 2013). Several other countries, including China, Denmark, South Africa, and Malaysia, have made it mandatory for all enterprises, both state-owned and public, to provide a sustainability report, including construction firms (Deegan, 2013; Iqbal, 2019; Istianingsih et al, 2020; Kim & Todorovic, 2013).

The banking industry has a significantly smaller direct environmental effect than other businesses or sectors, hence that reason can be used as an exemption in the publication of sustainability reports for the banking sector and financial firms (Archel Domench, 2003). This might be contested, however, because the banking sector can be perceived as facilitating industrial operations that harm the environment. Ordinary people would find it easier to envision the outline of CSR initiatives undertaken by sectors such as mining or manufacturing to decrease the impact of their operational activities on the environment and neighboring communities.

According to Jeucken and Bouma (1999), the banking sector is hesitant to examine the social and environmental implications on its performance. The banking and financial sectors have gradually realized that their operational operations are impacted and influenced by the environment. Following the global economic crisis in 2008, some banks were able to survive and continue to thrive, while others failed (Shapiro, 2007). Banks that operate in a sustainable way and focus on social, environmental, and governance issues are more likely to survive and develop. As a result, in order to exist, the banking industry must pay attention to financial performance as well as environmental and social considerations (Capella, 2002). Branco and Rodrigues (2008) claim that there has been little attention paid to corporate sustainability reporting in the banking and financial services sector, concluding that the publication of sustainability reports will have a beneficial influence on the banking industry. Returning to the author's description of the three bottom lines (TBL), TBL is a critical benchmark in achieving sustainable objectives, and TBL is now in high demand in a number of corporations, including for-profit and non-profit organizations, as well as government agencies.

TBL is used in sustainability reports to assess the impact on financial performance. Profitability ratios can be used to measure and evaluate a company's financial performance. In the banking industry, the risk profile (Risk Profile) of the bank in question can be used to assess the company's profitability. The Risk Profile can also be represented by the bank's level of credit risk or non-performing loans. Non-Performing Loan (NPL) is one of the indicators used to assess credit risk in banking, with the proportion of NPL indicating the credit quality of the connected bank's loan portfolio. Investors and creditors can analyze the soundness of a banking organization in compliance with applicable legislation based on PERATURAN OTORITAS JASA KEUANGAN NOMOR 15 /POJK.03/2017 by utilizing NPL as a reference for assessing research. According to Wu & Shen (2013)'s research, there is a link between CSR and NPL, with banks who publish CSR in their Sustainability Report being more profitable and having less non-performing loans.

The environmental dimension, which is an important factor for companies to show the existence or participation of companies in dealing with environmental problems as a form of responsibility to the environment in which the company conducts operational activities, has a relatively attractive influence on the performance of a company. By exposing the environmental dimension in the sustainability report, the firm may also demonstrate that its actions have the consent of the community and ensure that the company's operational operations continue to operate, resulting in increased revenues (Nofianto & Agustina, 2014; Tarigan & Samuel, 2014; Rosyid, 2014). 2015). According to Rosyid (2015), the disclosure of the social component can offer true information that the company's production operations do not just focus on the profitability aspect, but also on environmental and social problems, therefore increasing the confidence of the stakeholders concerned. Furthermore, it influences the company's image, attracting public attention and sympathy to be more loyal and enjoy the items made by connected firms, which is intended to increase the company's financial performance.

LITERATURE REVIEW

Three Bottom Lines

The TBL concept, proposed by John Elkington (1997), focuses on three critical aspects of a company's performance: profit, people, and planet. According to James (2015), the use of the TBL concept has an impact on the organization's or company's performance and reputation. As a result, competitive advantages are based on innovative and socially responsible green products, according to an organization (Luo & Bhattacharya, 2006; Maniatis, 2016). The company's form of social responsibility will have an interaction effect between consumers and companies, and can build consumer support for the company's or related organization's sustainability (Choi & Ng, 2011).

Sustainability Report in Banking Industry

Financial institutions, notably the banking industry, play a vital role in driving long-term development. According to Weber (2014), this can be demonstrated by various factors, the first of which is that the financial or banking sector has significant influence over access to funds, which has a large impact on the lending industry. Second, the opinions and judgments of stakeholders might have an impact on a company's reputation in the financial or banking sector. The third factor is the impact of global warming, which will have an indirect impact on financial institutions' ability to respond to sustainability issues. Based on some of these presentations, banking sector organizations can design mechanisms to promote transparency in the future, not only for investors and stakeholders, but also on a larger scale.

Financial Performance

Evaluating a financial performance can be seen through the percentage of NPL which shows an indicator of credit risk. With the NPL ratio, investors or customers can see a comparison of the total non-performing loans to the total loans that have been disbursed. So it can be concluded that the level of NPL is inversely proportional to the level of credit risk of the related bank. As a result, the performance of banking firms that release CSR or Sustainability Reports can provide a better reputation for bank companies since they can identify and attract more creditworthy borrowers, which can have an influence on growing income and asset quality in the company. The ratio of Return on Assets (ROA), which will be employed as a control variable in this study, can be used to quantify corporate profitability through the rate of return on assets.

According to Peraturan Otoritas Jasa Keuangan Nomor 15 /POJK.03/2017 Tentang Penetapan Status dan Tindak Lanjut Pengawasan Bank Umum, a bank's NPL limit that is regarded to have the potential to harm the company's viability is 5% of total credit or financing. The level of credit risk allows stakeholders to transparently examine the financial performance of their preferred bank, allowing important comparisons to be made when making decisions.

The following formula can be used to compute NPL:

$$NPL = \frac{\text{Non Performing Loan}}{\text{Total Credit}} \times 100\%$$

Stakeholder Theory

Other than the shareholders, several parties are described in stakeholder theory as being responsible for the company or organization (Freeman, 2010). Stakeholders, as defined, are groups or individuals who have the ability to influence and are influenced by the process of achieving company or organizational goals (Freeman, 2010). Stakeholders can control or influence the use of economic resources used for the company's operational activities. According to stakeholder theory, a corporation must not only function for the advantage of its own company, but also for the benefit of other stakeholders such as shareholders, creditors, consumers, suppliers, the government, society, and other parties. As a result, the support of stakeholders for a company has a strong influence on its existence or non-existence (Ghozali and Chariri, 2007). According to Freeman and McVea (2001), organizations must not only function for their own gain, but also deliver mutual advantages to its stakeholders. Stakeholder Theory is also consistent with Legitimacy Theory, which emphasizes that businesses must continue to strive to ensure that their operational activities are within the framework and norms that exist in the community or environment in which the company is located, and that their activities are accepted by the parties (Deegan, 2006).

Legitimacy Theory

In carrying out its operational business procedures, it is evident that the corporation is an inseparable element of societal consumption and assessment. The interaction between companies and social or environmental actions is referred to as legitimacy theory (Vitolla & Rubino, 2017). As a result, the public has many expectations that the firm act responsibly in light of the environmental damage produced by its business operations. Legitimacy Theory emphasizes that companies must continue to carry out their operational activities within the framework and norms that exist in society or the environment (Deegan, 2019). When an organization or company contributes socially, the existence and activities of the company will be recognized by the community and the surrounding environment. The legitimacy gap occurs when there is a disparity between corporate values and social ideals, which has an impact on the firm's ability to continue doing business and identify the public who has the capacity to grant legitimacy to the organization.

Signalling Theory

Signaling theory essentially explains how businesses compensate for information asymmetry between the two sides (Wardhani & Hamidah, 2019). Signaling Theory, according to Retno and Priantinah (2012), encourages companies to provide information to external parties, both financial and non-financial information. This theory is a good strategy for companies to create a competitive advantage by providing information to stakeholders. In this context, the company will send a signal to stakeholders by publishing a Sustainability Report, which will help them make better decisions. This might lead to improved financial success for the organization (Levy & Lazarovich-Porat, 1995).

HYPOTHESIS DEVELOPMENT

The Impact of Economic Disclosure on the Sustainability Report on Financial Performance (NPL)

In order to compare the financial performance provided in the company's financial statements, disclosure of the economic dimension in the Sustainability Report is thought to offer considerably more transparent information. Companies disclose information in economic sustainability that refers to the company's responsibility to generate profits in order to maintain its capabilities as a company. The information in the Economic Dimension of the Sustainability Report can assist stakeholders in putting their trust in more competitive capital resources with a lower level of risk. The trust of investors and creditors will increase the company's sources of funding, allowing the company to be young in improving its financial performance.

According to a research conducted by Razafindrambinina and Grace (2020) on the "IMPLICATIONS OF CSR ON NON-PERFORMING LOANS IN THE ASEAN BANKING INDUSTRY," CSR had an insignificant effect on NPLs in the ASEAN banking sector. Based on Simpsin and Kohers (2002); Wu and Shen (2013), CSR has a negative impact on NPLs since the lower a company's NPL ratio, the better the company's financial performance. As a result, CSR and NPL have inversely or negatively proportional values or equations. According to Razafindrambinina and Grace (2020), CSR disclosure by banks can raise the company's creditworthiness, which is preferable in order to reduce the amount of the NPL ratio. As a result, the author wishes to learn more about the impact of the Economic Dimension disclosure in the Sustainability Report on the performance of banking organizations as measured by the degree of credit risk (NPL). Based on some of the aforementioned descriptions, the following theories can be developed:

H1: *Economic Disclosure in the Sustainability Report has a negative impact on Financial Performance (NPL) in the Indonesian, Singaporean, and Malaysian banking sectors.*

The Impact of Environmental Disclosure on the Sustainability Report on Financial Performance (NPL)

Ernst & Young (2013) has conducted a study that found that disclosing the environmental factor has a favorable affect or relationship on corporate value. It is consistent with prior studies on economic and environmental sustainability that disclosing information about the company's actions to the surrounding environment may assist raise the company's reputation and stakeholder confidence, hence improving the company's financial performance. Some SGD points that can be reported in Sustainability Reporting through the economic dimension include a type of action to safeguard natural resources in the environment so that they can be used efficiently for the benefit of the present and future. The act of utilizing natural resources has an impact on the company's financial performance, which is supported by the findings of Ngwakwe (2008) research, which demonstrated that there is a significant relationship between the disclosure of the environmental dimension in Sustainability Reporting and a company's financial performance.

According to the findings of Josua and Hatane (2014), the economic dimension of Sustainability Reporting has no influence on financial performance, however the environmental and social elements of Sustainability Reporting do. Citing the author's explanation and purpose for selecting financial performance measurement ratios through the NPL ratio, the authors intend to learn more about the impact of environmental dimension disclosure in the Sustainability Report on the performance of banking companies as measured by the level of credit risk (NPL).

The following hypotheses can be developed based on these explanations:

H2: *Environmental Disclosure in the Sustainability Report has a negative impact on Financial Performance (NPL) in the Indonesian, Singaporean, and Malaysian banking sectors.*

The Impact of Social Disclosure on the Sustainability Report on Financial Performance (NPL)

Companies that demonstrate social responsibility to stakeholders can not only boost the company's share price, but can also improve employee welfare, which will undoubtedly effect employee loyalty, allowing them to support the company's productivity and performance (Enrst & Young, 2013).

The social dimension disclosed in the Sustainability Report is related to the influence of the company's operations on the community and takes the form of an explanation of the risks associated with contacts with other social institutions. According to Ghozali and Chariri (2007), firms will always be constrained by a social contract with the community, in which a company's survival and expansion are dependent on acceptance from the surrounding society. According to the research results of Sejati and Prastiwi (2015), the disclosure of social dimensions affects the perception of stakeholders regarding the company's treatment of its human resources around it, where companies need quality resources to manage company assets so that they can generate maximum profits for the company.

Referring to the author's explanation of how the financial performance of this study was measured using the Non-Performing Loan (NPL) ratio, the author would like to know the impact of the social dimension disclosure in the Sustainability Report on the financial performance of banks as seen through their credit risk.

The following are the outcomes of the hypothesis formation based on some of the descriptions above:

H3: *Social Disclosure in the Sustainability Report has a negative impact on Financial Performance (NPL) in the Indonesian, Singaporean, and Malaysian banking sectors.*

RESEARCH METHODS

Samples, Types and Data Sources, and Measurement

The author applied secondary data types acquired from the Indonesia Stock Exchange, Singapore Stock Exchange, and Malaysia Stock Exchange in their study. The data utilized include annual reports and sustainability reports from each of the banking sector corporations in Indonesia, Singapore, and Malaysia that were released between 2018 and 2020. The data

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gathering technique employed in this study is purposive sampling, with the following company criteria used as a data source in this study:

1. Companies in the banking sector listed on the Indonesia Stock Exchange, the Singapore Stock Exchange, and the Malaysia Stock Exchange in 2018-2020.
2. Banking sector companies that submit annual reports and sustainability reports, as well as financial report data required for study between 2018 and 2020.
3. The company has annual financial report data that includes the banking credit measuring ratio (NPL) as a dependent variable and the profitability ratio (ROA) as a control variable, as well as disclosure of the economic, environmental, and social dimensions in published sustainability reports.

Data Analysis

In this study, descriptive statistical analysis and multiple linear regression were utilized to evaluate the hypothesis. The author employs Stata 16 to conduct data analysis.

This study's multiple linear regression equation is:

$Y = \alpha + \beta 1\ X1 + \beta 1\ X2 + \beta 3\ X4 + \beta 1\ X4$

Whereas

Y : Non Performing Loan (NPL)

α : Constant

β 1,2 : Regression Coefficient

X1 : Economic Disclosure

X2 : Environmental Disclosure

X3 : Social Disclosure

X4 : ROA

RESULTS AND DISCUSSION

Table 1. Descriptive Statistics

Variable	Obs	Mean	Std. Dev.	Min	Max
Indonesia					
NPL	78	.0164013	.0125625	.0043	.0497
EC Disclosure	78	.8860399	.11035	.5555556	1
EN Disclosure	78	.4464555	.1982229	.1176471	1
SOS Disclosure	78	.6741453	.1661916	.3333333	.9791667
ROA	78	.0142872	.0129793	-.0461	.0368
Singapore					
NPL	24	.0171333	.0104908	.0016	.04
EC Disclosure	24	.9861111	.0375369	.8888889	1
EN Disclosure	24	.7647059	.0790153	.6176471	.9117647
SOS Disclosure	24	.8819444	.0699558	.7291667	.9791667
ROA	24	.0080792	.003982	.001	.016
Malaysia					
NPL	27	.0131926	.0114511	-.0101	.036
EC Disclosure	27	.9012346	.1669039	.4444444	1
EN Disclosure	27	.6568627	.1486341	.4117647	.8823529
SOS Disclosure	27	.8101852	.1134241	.5416667	.9583333
ROA	27	.0307447	.0320221	.002	.1060114

Based on table 1, it can be observed that the Mean of the dependent variable (NPL) and the independent variable (EC Index, EN Index, and SOS Index) is larger than the Standard Deviation of each variable in each country, implying that the data is normally distributed. Furthermore, it can be noted that the minimum value of NPL in Malaysia is the lowest at -0.101, while the greatest maximum value of NPL in the 3 countries is 0.0497 in Indonesia. The combined minimum value of the three countries for the independent variable Economic Disclosure is 0.444 in Malaysia, and the maximum value in the three countries tends to be the same, which is 1. In terms of the independent variable Environmental Disclosure, the combined minimum value is in Indonesia with a value of 0.1176 and the maximum value is also in Indonesia with a value of 1. For the final independent variable, Social Disclosure, the combined minimum value between the three countries is 0.3333 in Indonesia, with a combined maximum value of 0.9792 in Indonesia and Singapore.

Table 2. Multiple Regression Analysis

NPL	Coef.	Std. Err.	t	P>t	[95% Conf.	Interval]	Source	SS	df	MS			
Indonesia											Number of obs	=	78
EC Disclosure	.0108453	.0123022	0.88	0.381	-.0136731	.0353636					F(4, 73)	=	19.39
EN Disclosure	.0112133	.006826	1.64	0.105	-.002391	.0248176	Model	.006259903	4	.001564976	Prob > F	=	0.0000
SOS Disclosure	-.0237354	.0091833	-2.58	0.012	-.0420377	-.005433	Residual	.005891987	73	.000080712	R-squared	=	0.5151
ROA	-.6380473	.0836632	-7.63	0.000	-.8047878	-.4713067					Adj R-squared	=	0.4886
_cons	.0269027	.0086242	3.12	0.003	.0097147	.0440907	Total	.01215189	77	.000157817	Root MSE	=	.00898
Singapore											Number of obs	=	24
EC Disclosure	-.1388114	.061956	-2.24	0.037	-.2684868	-.009136					F(4, 19)	=	2.21
EN Disclosure	.0308343	.0366282	0.84	0.410	-.0458293	.1074979	Model	.000804188	4	.000201047	Prob > F	=	0.1064
SOS Disclosure	.0483781	.0425302	1.14	0.269	-.0406387	.137395	Residual	.001727125	19	.000090901	R-squared	=	0.3177
ROA	.194029	.5582538	0.35	0.732	-.9744096	1.362.468					Adj R-squared	=	0.1741
_cons	.0862033	.0555997	1.55	0.138	-.0301683	.2025748	Total	.002531313	23	.000110057	Root MSE	=	.00953
Malaysia											Number of obs	=	27
EC Disclosure	.0300535	.0221833	1.35	0.189	-.0159517	.0760588					F(4, 22)	=	6.06
EN Disclosure	.0592315	.0273117	2.17	0.041	.0025906	.1158725	Model	.001787619	4	.000446905	Prob > F	=	0.0019
SOS Disclosure	-.0551833	.0327841	-1.68	0.106	-.1231735	.0128068	Residual	.001621719	22	.000073715	R-squared	=	0.5243
ROA	.003436	.0564756	0.06	0.952	-.1136872	.1205593					Adj R-squared	=	0.4378
_cons	-.0081966	.0138269	-0.59	0.559	-.0368718	.0204786	Total	.003409339	26	.000131128	Root MSE	=	.00859

The results of the Multiple Linear Regression analysis with the determination of Alpha 0.05 may be derived from table 2. The first result shows that there is a Prob > F of 0 in Indonesia, which means it is less than Alpha 0.05, implying that the distributed data has a significant influence between the disclosure of Sustainability Reports (Economic, Environmental, and Social Disclosure) as a whole and Non Performing Loans (NPL) in the Indonesian banking sector as the dependent variable. Furthermore, an Adj R-Squared of 0.4886 is calculated, indicating that the factors influencing the NPL by 48% are impacted by the publication of the Sustainability Report (Economic, Environmental, and Social Disclosure). In Singapore, the results of Prob > F are 0.1064, indicating that it is greater than Alpha 0.05. As a result, it is possible to conclude that there is no substantial relationship between the effect of the Sustainability Report disclosure and NPLs in the Singapore banking sector. For Malaysia, it can be seen that Prob > F is 0.0019, which is less than Alpha 0.05, implying that there is a substantial effect between the disclosure of Sustainability Reports (Economic, Environmental, and Social Disclosure) on Non-Performing Loans in the Malaysian banking industry. With an Adj R-Squared of 0.4378, it can be stated that the disclosure of the Sustainability Report has a 43% influence on NPL. This study also alludes to Razafindrambinina and Grace's (2020) research, which concludes that CSR disclosure has no substantial effect on NPLs in ASEAN banking companies.

Partially and in accordance with the conceptual hypothesis compiled by the author, for each independent variable shows the disclosure of the Sustainability Report, which will be assessed for its effect on NPLs in banking sector companies in Indonesia, Singapore, and Malaysia in more specific dimensions, including Economic Disclosure, Environmental Disclosure, and Social Disclosure. The effect of Economic Disclosure on NPL in Indonesia revealed a result of P>t of 0.381, which was greater than Alpha 0.05, implying that Economic Disclosure had no effect on NPL. However, in Singapore, the result of P>t is 0.037, implying that Economic Disclosure has a negative and significant effect on NPL, as evidenced by the negative coefficient of 0.1388114. Meanwhile, Malaysia likewise exhibits P>t findings that are bigger than Alpha 0.05, which is 0.189, indicating that the Economic Disclosure in the Sustainability Report in Malaysia has no influence on NPLs in the Malaysian banking industry, as it does in Indonesia. The influence of Environmental Disclosure on NPL in

Indonesia, Singapore, and Malaysia is the second hypothesis following Economic Disclosure. The results in the Indonesian banking sector reveal that Environmental Disclosure has no effect on NPL with a P>t of 0.105, which is greater than Alpha 0.05. In Singapore, the P>t result is 0.410, which is greater than Alpha 0.05, implying that the Environmental Disclosure in the Sustainability Report has no effect on the NPL. Meanwhile, in Malaysia, the result of P>t is 0.041, which suggests it is less than Alpha 0.05. So it can be inferred that Environmental Disclosure has an influence on NPL in Malaysian banking companies, however the coefficient of 0.300535 indicates that Environmental Disclosure actually has a positive effect on NPL in Malaysia. The final hypothesis in this study is on the impact of Social Disclosure on NPL. In Indonesia, Social Disclosure has a negative and substantial effect on NPL in banking sector companies, with P>t 0.012 and a negative coefficient of 0.02373, indicating that it is greater than Alpha 0.05. Meanwhile, in Singapore, Social Disclosure has no effect on NPL, as indicated by a P>t greater than Alpha 0.05 of 0.269. Furthermore, Social Disclosure in Malaysian Sustainability Reports had no significant effect on NPL in Malaysian banking sector companies, with a P>t result of 0.106, which is too distant from Alpha 0.05. In this study, the authors use Return on Assets (ROA) as a control variable in the three countries defined, namely Indonesia, Singapore, and Malaysia. The effect of ROA on NPL is significant in Indonesia, but not in Singapore or Malaysia.

CONCLUSION

By conducting a comparative analysis of the effect of Sustainability Report disclosure on NPL in banking sector companies in three countries, namely Indonesia, Singapore, and Malaysia, this study concluded that the overall Sustainability Report disclosure has a significant effect on the NPL ratio in Indonesian and Singapore banking sector companies, but not in Malaysia. According to the partial explanation provided in the Result and Discussion section, each aspect in the Sustainability Report, which include Economic, Environmental, and Social Disclosure, has a varied effect on NPL in each country's banking industry. Economic Disclosure has only a negative and significant effect on NPL in Singapore, whereas Environmental Disclosure only influences the NPL ratio in Malaysia, and Social Disclosure has only a negative and significant effect on NPL in Indonesia, despite the fact that this research was performed on banking sector enterprises. Given the negative relationship of the overall Sustainability Report disclosure on banking companies in Indonesia and Singapore, it can be concluded that the Economic, Environmental, and Social Disclosure can reduce the NPL ratio, which means it can reduce the number of bad loans of related banking companies. It can be linked to several explanations in the literature review section, that by disclosing several dimensions outside of the financial dimension, it can increase customer and public trust, thereby improving the financial performance of the company, which in this study uses the NPL ratio as a benchmark. Although each dimension disclosure does not fully affect the NPL, it can be concluded that by disclosing the Sustainability Report, which includes Economic, Environmental, and Social Disclosure, the company can improve its financial performance in the form of a lower ratio of bad or non-performing loans in Indonesia and Singapore banking companies.

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