

Financial Effectiveness, Investment Efficiency, and Quality of Financial Reporting: Evidence from ASEAN States

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The objective of this study is to examine the relationship between investment efficiency, financial reporting quality, and financial effectiveness from the context of the two ASEAN states of Thailand and Indonesia. A sample of 25 firms from both regions was collected for the comparative analysis. For financial effectiveness, four measures under the title of ROA, ROE, ROS, and ROCE were used. The findings of this study indicate that both investment and financial reporting quality are significant determinants of financial effectiveness in both regions. Managerial implications of the study include robust evidence for the association between investment efficiency, financial reporting quality, and financial effectiveness. Decision makers can utilize these findings for present and future endeavours. Key limitations include ignoring overall ASEAN region, and the absence of latest time duration. Future research can reconsider these limitations.

Key words: *Investment efficiency, financial reporting quality, financial effectiveness, ASEAN.*

Introduction and Background

The idea of financial effectiveness covers many dimensions. However, from an organizational perspective, it contains various profit related measures (Pumkaew, Phadoongsitthi, Saraphat, Sincharoonsak, Chuaychoo, & Penvutikul, 2018). In a previous study, Pumkaew, Phadoongsitthi, Saraphat, Sincharoonsak, Chuaychoo, & Penvutikul (2018) stated that financial effectiveness in firms can be measured through return factors, as measured through various proxies. Among the significant indicators of financial effectiveness, return on assets indicates how much profit a business generates over its total assets in a year. Higher returns on assets indicates more financial effectiveness as it is directly associated to monetary measures. Other factors that reflect the idea of financial effectiveness include return on equity which indicates the net income after tax and its percentage proportion over total common stock equity in the business. This is the most cited measure in existing literature to reflect the concept of financial performance, profitability, financial stability, earning position, and financial effectiveness as well. Additionally, other measures include the return on sales and return on capital employed.

The factor of investment efficiency indicates the firm's capabilities regarding the long-term investment in various capital assets. Various factors have been examined and empirically presented, having a significant influence on the investment efficiency of a business. These factors fall under the title of asymmetrical information and agency issue in imperfect markets (Bushman & Smith, 2001). For the improvement of investment efficiency, it is suggested that a business must work towards important economic targets in developed economies. Some other studies suggest that various items from financial statements, like cashflows, have a direct relationship with the investment efficiency (Ramalingegowda, Wang, & Yu, 2013). In this regard, financial reporting cannot be ignored. For the measurement of investment efficiency, deviation from the expected level of investment is known as growth factor (Dechow & Dichev, 2002).

Some research studies state that financial reporting quality is impacted by various factors (Herath & Albarqi, 2017). These factors include: accounting standards convergence (Rezaee, Smith, & Szendi, 2010; Schipper, 2005), economic crisis (Bertomeu & Magee, 2011; Commission, 2011), accounting standards harmonization (Wang, 2014), and growth in disclosure (Khurana, Pereira, & Martin, 2006). Since the start of the 21st century, there has been an increase in global accounting scandals, indicating weak financial reporting (Kolk, 2003). Based on this issue, the world economy has clearly shown its demand for quality in financial reporting regarding business performance and outlook. Investment decisions made by investors in the market is highly correlative with quality of financial reporting. In addition, market efficiency is also directly linked to financial reporting quality. In this regard, various governing bodies around the world are advocating for the improvement of financial reporting quality. The



Financial Accounting Standard Board (FASB, FRQ) indicates that financial statements must provide accurate information and a true reflection economic performance of a business entity (Weil, Schipper, & Francis, 2013). The objective of this study is to empirically integrate the investment efficiency, financial reporting quality, and financial effectiveness from the context of two ASEAN states of Thailand and Indonesia. Section two of this paper will describe the literature context of the variables. Section three defines the key variables and their proxies. Section four shows method and sample of the study. Section five explains the empirical results. The last section covers the conclusion and future direction of the study.

Literature Review

Comprehensive literature on financial reporting quality has been increasing in recent decades. For instance, Beest, Braam, & Boelens (2009) researched the quality of financial reporting through qualitative measures. They have used the data through annual reports of 231 listed firms in USA during the time period of 2005 to 2007. Tang, Chen, and Lin (2016) focused on country- level measures of financial reporting quality during the time of 2000 to 2014 for 38 capital markets in the world economy. Their study has provided significant addition in the literature on financial reporting quality. Hope, Thomas, and Vyas (2012) focus on the financial reporting quality of US listed firms. Findings from their study indicate that general business firms are working under quality accruals and are found to be more conservative in this regard. Research conducted by Ly (2010) considers the cost of the capital and quality of annual reports for the preparation of financial statements in Japan. Findings of this study explain that the cost of capital in the form of relative bid-ask spread indicates a significant relationship with the quality of annual reports in Japan.

This literature provides evidence that there is a significant relationship between investment efficiency and quality of financial reporting. It is observed that those firms with higher financial reporting quality are less deviated from the predicted level of investment. Firms who have a lower quality of financial reporting have more deviation from expected investment. Their findings suggested that there is a link between investment efficiency and financial reporting quality that can lower the problem of moral hazard.

Gomariz and Ballesta (2014) conducted a study using a sample from listed firms in Spain during the time between 1998 to 2008. This study investigated financial reporting quality and maturity of debt in investment efficiency. Findings of their study indicates that FRQ help to lower the problem of overinvestment faced by organizations. Meanwhile, debt with lower maturity significantly helped to improve the efficiency of investment, lowering both under and over investment hazards. It was also observed that both FRQ and debt maturity are the mechanism for enhancing investment efficiency.

A study conducted by Chen, Hope, Li, & Wang (2011) examined private firms in the USA, analysing investment efficiency and positive influence from financial reporting quality over it. They have suggested that earlier studies state that private business firms have lower FRQ, due to less demand of public information in the market. It is also suggested that those countries that provide less investor protection, financial system under the title of banking system, and strong tax and financial systems have low FRQ. They have further investigated the fact that the relationship between FRQ and investment efficiency is a major cause of an increasing level of bank financing. Such associations between tax minimization and the role of information earning is lower in the body of literature.

Verdi (2006) supports the claim for the association between financial reporting quality and the efficiency of investment for a sample of 38062 firms with an annual observation during the time of 1980 to 2003. Some earlier studies have suggested that high quality financial reporting can also increase the efficiency of the business units in developed and developing economies (Balakrishnan, Watts, & Zuo, 2016; Biddle, Hilary, & Verdi, 2009; Bushman & Smith, 2001; Chen, Collins, Kravet, & Mergenthaler, 2018; Chen, Hope, et al., 2011; Chen, El Ghoul, Guedhami, & Wang, 2017; Chen, Sun, Tang, & Wu, 2011; Cheng, Dhaliwal, & Zhang, 2013; Healy & Palepu, 2001; Lambert, Leuz, & Verrecchia, 2007; Leuz & Wysocki, 2016). Some other studies have focused instead on analysing the effect of accruals quality and internal control over quality of financial reporting in different regions (Doyle, Ge, & McVay, 2007). Additionally, audit committee effectiveness and corporate governance mechanisms are also examined in conjunction with financial reporting quality (Abbadi, Hijazi, & Al-Rahahleh, 2016; Byard, Li, & Weintrop, 2006; Cohen, Krishnamoorthy, & Wright, 2004; Forker, 1992; Habbash, 2016; He, Labelle, Piot, & Thornton, 2009; Imhoff, 2003; Kelton & Yang, 2008; Klai & Omri, 2011; Krishnamoorthy, Wright, & Cohen, 2002; Lin & Hwang, 2010; Pucheta-Martínez, Bel-Oms, & Olcina-Sempere, 2016). However, limited literature is available for financial reporting quality and financial effectiveness. Therefore, this study is intends to explore the association between financial reporting quality, financial effectiveness, and investment efficiency in ASEAN states.

Description of Variables

Financial Effectiveness

This study has considered financial effectiveness as the main dependent variable. For this purpose, four proxies have been added in the models to reflect the idea of financial effectiveness. These are under the title of return on assets, return on equity, return on sales and return on capital employed. Return on assets reflects the firm's ability to generate revenue over its assets in a year. Return on equity combines the net income after tax and total common stock equity in the business. Return on sales indicates net income over total sales revenue in the business. Return on capital employed explains the percentage of earnings (net income after tax)

to total capital employed in the business. All these measures reflect the financial effectiveness (Manzin & Bavec, 2013).

Investment Efficiency (IE)

Investment efficiency indicates the ability of the firm to get positive net values from all of its projects. Various measures in the literature present the concept of investment efficiency (Verdi, 2006). For instance, Verdi (2006) has developed an empirical model to reflect the title of investment efficiency based on the factors of growth, leverage, cash, size, return, and age to identify the investment efficiency of the business. However, the title of investment covers the capital expenditure in the business, research and development (or, R&D), acquisition minus sales of property by the business, plant and equipment, and overall lagged values of total assets. This study has considered all these measures to reflect the idea of investment efficiency for selected firms in both regions.

Financial Reporting Quality (FRQ)

The significant purpose of financial reporting is to provide reasonable information about cashflow, which in return can help the investors to make investment decisions. Accrual quality is observed as the most important and significant indicator for the investor. This idea is not only useful for the stakeholders including investors, but also for the business firm. It is observed that accruals can be used to project future cashflows as a key proxy of financial reporting quality. In this regard, key factors like cashflow from operations CFO, annual change in revenue ACHNGEREVENUE, and property, plant & equipment PPE, are observed to reflect the value of financial reporting quality FRQ.

Sample and Methods of the study

Based on the comparative analysis, this study has collected a data from 24 business firms working in two ASEAN states, Indonesia and Thailand, during the time 2010-2017 with annual observation. This study has developed various econometric equations to explore the relationship between financial reporting quality, investment efficiency, and financial effectiveness. All stated equations are empirically examined for both states.

$$y(\text{Financial effectiveness: ROA}) = \partial + \beta_1(\text{capital expenditure}) + \beta_2 \sim (\text{Research \& Development}) + \beta_3 \sim (\text{acquisition \& sales of property}) + \beta_4 \sim (\text{plant \& Equipment}) + \beta_5 \sim (\text{Total Assets}) + \beta_6 \sim (\text{cashflows from operations}) + \beta_7 \sim (\text{change in revenue}) + \beta_8 \sim (\text{property, Plant and Equipment}) \text{ €}$$

Equation 1

$$y(\text{Financial effectiveness: ROE}) = \partial + \beta_1(\text{capital expenditure}) + \beta_2(\text{Research \& Development}) + \beta_3(\text{acquisition \& sales of property}) + \beta_4(\text{plant \& Equipment}) + \beta_5(\text{Total Assets}) + \beta_6(\text{cashflows from operations}) + \beta_7(\text{change in revenue}) + \beta_8(\text{property, Plant and Equipment}) \quad \text{€}$$

Equation 2

$$y(\text{Financial effectiveness: ROS}) = \partial + \beta_1(\text{capital expenditure}) + \beta_2(\text{Research \& Development}) + \beta_3(\text{acquisition \& sales of property}) + \beta_4(\text{plant \& Equipment}) + \beta_5(\text{Total Assets}) + \beta_6(\text{cashflows from operations}) + \beta_7(\text{change in revenue}) + \beta_8(\text{property, Plant and Equipment}) \quad \text{€}$$

Equation 3

$$+ \beta_3(\text{acquisition \& sales of property}) + \beta_4(\text{plant \& Equipment}) + \beta_5(\text{Total Assets}) + \beta_6(\text{cashflows from operations}) + \beta_7(\text{change in revenue}) + \beta_8(\text{property, Plant and Equipment}) \quad \text{€}$$

Equation 4

Results and Discussion

Table 1 reflects the findings for financial effectiveness through return on assets ROA for selected firms working in the region of Thailand. For the measurement of investment efficiency, four proxies under the title of capital expenditure (CAPITAEXP), research and development (R&D), acquisition and sales of property (ACQUISITIONSALEOFPROP), plant and equipment (PLANTEQU), and total assets (TA) are selected. It was found that the effect of capital expenditure on ROA is .631, indicating a significantly positive influence with the standard error of .0654 and t-value of 6.61. It is implied that more capital expenditure by selected firms in Thailand leads to more financial effectiveness. Through R&D, the effect on ROA is .339, explaining more financial effectiveness for selected firms in Thailand. The remainder of the indicators for investment efficiency have an insignificant influence on ROA.

Through financial reporting quality measures, three proxies including cashflows from operations, annual change in the revenue (ACHNGEREVENUE), and property, plant & equipment PPE are observed. Through CFO and ACHNGEREVENUE, the effect on ROA is significantly positive with the coefficients of .328 and .118 respectively. The value of robust R-square is 76 percent, reflecting a positive change in ROA due to all explanatory variables of the study. In addition, F-Test reflects model fit at 5 percent significant level.

Table 1: Financial effectiveness (ROA) for Thai Business Firm

ROA	coef.	st.err	t-value	p-value	sig.
Investment Efficiency Measures					
CAPITALEXP	0.631	.0654	6.61	0.000	***
R&D	0.339	0.099	3.42	0.004	***
ACQUISTIONSALEOFPROP	0.091	0.115	0.79	0.430	
PLANTEQU	0.003	0.184	0.02	0.986	
TA	0.435	0.603	0.72	0.472	
Financial Reporting Quality Measures					
CFO	0.328	0.045	7.28	0.000	***
ACHNGEREVENUE	0.118	0.009	13.11	0.000	***
PPE	-0.096	0.245	-0.39	0.694	
_CONS	-9.363	2.049	-4.56	0.000	***
MEAN DEPENDENT VAR	13.810	SD DEPENDENT VAR	3.3760		
R-SQUARED	0.761	NUMBER OF OBS	189.000		
F-TEST	47.219	PROB > F	0.000		

*** P<0.01, ** P<0.05, * P<0.1

Table 2 indicates the effect of investment efficiency and financial reporting quality on financial effectiveness measure (ROE). The R&D coefficient is .088, indicating that increasing investment in research and development is directly and positively affecting the financial effectiveness in Thailand. A similar positive & significant effect is observed through total assets with the coefficient of .404 and standard error of .032, significant at 1 percent. For financial reporting quality, the effect of ACHGEREVENUE is found to be significantly positive for Thai firms. Comparatively to ROA, explained variation in ROE is 85 percent by all regressors, reflecting a high change. An F test reflects the observation that all coefficients under table 2 are significantly different from zero as the p-value is significant at 5 percent.

Table 2: Financial effectiveness (ROE) for Thai Business Firm

ROE	coef.	st.err	t-value	p-value	sig.
Investment Efficiency Measures					
CAPITALEXP	0.634	.962	0.659	0.684	
RD	0.088	0.016	5.51	0.000	***
ACQUISTIONSALEOFPROP	0.002	0.048	0.04	0.964	
PLANTEQU	-0.072	0.080	-0.90	0.370	
TA	0.404	0.032	12.62	0.000	***
Financial Reporting Quality Measures					

CFO	-0.165	0.479	-0.34	0.731	
ACHNGEREVENUE	0.418	0.086	4.860	0.000	***
PPE	0.116	0.088	1.31	0.191	
_CONS	-3.508	2.981	-1.17	0.286	
MEAN DEPENDENT VAR	2.069	SD DEPENDENT VAR	5.394		
R-SQUARED	0.858	NUMBER OF OBS	189.000		
F-TEST	16.293	PROB > F	0.000		

*** P<0.01, ** P<0.05, * P<0.1

For return on sales ROS, findings are presented under Table 3. It was found that capital expenditure, research and development, acquisition and sales of property, and total assets have their significant influence on ROS. This means that more investment efficiency is leading to more financial effectiveness through return on sales for selected firms in Thailand. However, for plant and equipment, effect on ROS is found to be negatively insignificant. Through financial reporting, change in revenue has a coefficient of .127 with standard error of .075. This indicates more change in the revenue is significantly and directly affecting ROS, while PPE effect on ROS is .166, reflecting a significant impact. For ROS, the overall explained variation is 82.8 percent with the goodness of model at 5 percent.

Table 3: Financial effectiveness (ROS) for Thai Business Firm

ROS	Coef.	St.Err	t-value	p-value	Sig.
Investment Efficiency Measures					
CAPITALEXP	0.654	.0641	10.20	0.000	***
RD	0.311	0.100	3.09	0.002	***
ACQUISTIONSALEOFPROP	0.109	0.042	-2.62	0.010	**
PLANTEQU	-0.045	0.070	-0.64	0.524	
TA	0.612	0.288	2.13	0.035	**
Financial Reporting Quality Measures					
CFO	0.203	0.416	0.49	0.626	
ACHNGEREVENUE	0.127	0.075	-1.70	0.092	*
PPE	0.166	0.076	2.17	0.031	**
_CONS	-2.959	1.306	-2.26	0.0405	**
Mean dependent var	13.714	SD dependent var	3.679		
R-squared	0.828	Number of obs	189.0		
F-test	12.634	Prob > F	0.000		

*** p<0.01, ** p<0.05, * p<0.1

For return on capital employed ROCE, Table 4 reflects the empirical findings. It is observed that investment efficiency measures like acquisition and sales of property, and plant & equipment, are significantly and positively associated to ROCE. Through changes in revenue, the coefficient of .380 indicates its direct influence on ROCE under the full sample of Thai firms. Meanwhile, through PPE, a significantly negative influence of -.301 is observed. The value of the explained variation in ROCE through all explanatory factors is 80.6 percent with F-test of 16.003, significant at 5 percent.

Table 4: Financial effectiveness (ROCE) for Thai Business Firm

ROCE	Coef.	St.Err	t-value	p-value	Sig.
Investment Efficiency Measures					
O.CAPITALEXP	0.987	.654	1.509	0.263	
RD	0.105	0.125	0.84	0.403	
ACQUISITIONSALEOFPROP	0.179	0.052	3.44	0.001	***
PLANTEQU	0.164	0.087	1.88	0.061	*
TA	0.506	0.358	1.41	0.160	
Financial Reporting Quality Measures					
CFO	0.379	0.518	0.73	0.464	
ACHNGEREVENUE	0.380	0.093	4.06	0.000	***
PPE	-0.301	0.095	-3.16	0.002	***
_CONS	-7.821	9.005	-2.52	0.013	**
Mean dependent var	2.704		SD dependent var	4.043	
R-squared	0.804		Number of obs	189.000	
F-test	16.003		Prob > F	0.000	

*** p<0.01, ** p<0.05, * p<0.1

For Indonesian firms, Table 5 reflects the effect of investment efficiency and financial reporting quality on ROA. It is observed that all measures (except TA) of investment efficiency for Indonesian firms are significantly and positively contributing towards more financial effectiveness under ROA. However, through the change in revenue as a measure of financial reporting quality, reflects the fact that it is negatively but insignificantly affecting on ROA. Both models that fit and explained the variation in ROA are found to be significantly acceptable.

Table 5: Financial effectiveness (ROA) for Indonesian Business Firm

ROA	coef.	st.err	t-value	p-value	sig.
Investment Efficiency Measures					
CAPITALEXP	0.119	0.016	7.24	0.000	***
RD	0.075	0.038	1.96	0.051	*
ACQUISTIONSALEOFPROP	0.206	0.027	7.58	0.000	***
PLANTEQU	0.217	0.032	6.72	0.000	***
TA	-0.267	0.316	-0.85	0.399	
Financial Reporting Quality Measures					
CFO	1.367	0.302	4.52	0.000	***
O.ACHNGEREVENUE	-.932	.652	-1.429	.6272	
PPE	0.051	0.010	5.25	0.000	***
_CONS	-7.952	1.257	-6.32	0.000	***
MEAN DEPENDENT VAR	15.917	SD DEPENDENT VAR	2.153		
R-SQUARED	0.739	NUMBER OF OBS	180.000		
F-TEST	47.594	PROB > F	0.000		

*** P<0.01, ** P<0.05, * P<0.1

Table 6 indicates the effect of investment efficiency and financial reporting quality on financial effectiveness measure (ROE). For plant and equipment, the coefficient is .099, indicating that increasing investment in PLANTEQU is directly and positively affecting the financial effectiveness in Indonesia. A similar positive but insignificant effect is observed through total assets with the coefficient of .368 and standard error of .231, significant at 1 percent. For financial reporting quality, the effect of ACHGEREVENUE is found to be insignificantly positive for Thai firms. Comparatively to ROA, explained variation in ROE is 80 percent by all regressors, reflecting a high change. The F test reflects the fact that all coefficient under table 2 are significant different from zero as p-value is significant at 5 percent.

Table 6: Financial effectiveness (ROE) for Indonesian Business Firm

ROE	coef.	st.err	t-value	p-value	sig.
Investment Efficiency Measures					
CAPITALEXP	-0.023	0.015	-1.50	0.136	
RD	-0.020	0.035	-0.57	0.569	
ACQUISTIONSALEOFPROP	-0.018	0.035	-0.52	0.605	
PLANTEQU	0.099	0.042	2.35	0.020	**
TA	0.368	0.231	1.59	0.114	
Financial Reporting Quality Measures					

CFO	0.694	0.274	2.53	0.012	**
O.ACHNGEREVENUE	0.042	0.914	0.045	0.624	
PPE	0.027	0.012	2.31	0.022	**
_CONS	-45.10	13.007	-3.46	0.001	***
MEAN DEPENDENT VAR	10.072	SD DEPENDENT VAR	2.617		
R-SQUARED	0.806	NUMBER OF OBS	180.000		
F-TEST	42.210	PROB > F	0.000		

*** P<0.01, ** P<0.05, * P<0.1

Table 7: Financial effectiveness (ROS) for Indonesian Business Firm

ROS	coef.	st.err	t-value	p-value	sig.
Investment Efficiency Measures					
CAPITALEXP	0.040	0.019	2.09	0.038	**
RD	0.021	0.038	0.56	0.580	
ACQUISITIONSALEOFPROP	0.070	0.042	1.68	0.094	*
PLANTEQU	-0.026	0.050	-0.53	0.597	
TA	-0.119	0.261	-0.46	0.649	
Financial Reporting Quality Measures					
CFO	1.296	0.331	3.92	0.000	***
O.ACHNGEREVENUE	0.754	0.931	0.80	0.521	
PPE	-0.010	0.014	-0.73	0.467	
_CONS	-.521	.096	-5.42	0.000	***
MEAN DEPENDENT VAR	11.350	SD DEPENDENT VAR	2.576		
R-SQUARED	0.661	NUMBER OF OBS	180.000		
F-TEST	27.757	PROB > F	0.000		

*** P<0.01, ** P<0.05, * P<0.1

For financial effectiveness through ROS for Indonesian business firms, findings are presented under Table 7. It is observed that effect of capital expenditure, acquisition and sales of property, and cash flow from operations have a significantly positive influence on ROS. It means that two indicators for the investment efficiency measures and one from financial reporting quality measures have a direct influence on return on sales. An overall explained variation under Table 7 is 66.1 percent and model fitness is significant at 5 percent because of F-test; 27.757.

Table 8 presents the findings for return on capital employees for Indonesian firms. Capital expenditure, acquisition and sales on property, plant and equipment, and cashflow from operations have been found to have a direct impact. The rest of the factors have shown to have

an insignificant influence. Meanwhile, a robust r-square is found to be 50 percent, indicating a moderate variation in ROCE by all explanatory variables.

Table 8: Financial effectiveness (ROCE) for Indonesian Business Firm

ROCE	Coef.	St.Err	t-value	p-value	Sig.
Investment Efficiency Measures					
CAPITALEXP	0.136	0.039	3.49	0.001	***
RD	0.049	0.129	0.38	0.703	
ACQUISITIONSALEOFPROP	0.125	0.045	2.77	0.006	***
PLANTEQU	-0.223	0.053	-4.24	0.000	***
TA	0.345	0.506	0.68	0.496	
Financial Reporting Quality Measures					
CFO	1.208	0.537	2.25	0.026	**
O.ACHNGEREVENUE	0.937	0.524	1.785	.2187	
PPE	-0.011	0.018	-0.64	0.526	
_cons	-5.96	6.87	-.607	0.128	
Mean dependent var	19.344		SD dependent var	3.391	
R-squared	0.507		Number of obs	180.000	
F-test	9.826		Prob > F	0.000	

*** p<0.01, ** p<0.05, * p<0.1

Conclusion and future direction

This study has examined the relationship between investment efficiency, financial reporting quality, and financial effectiveness from the context of Thailand and Indonesia, two major economies of ASEAN region. From both states, a sample of 25 firms from each country was selected. For financial effectiveness, four indicators including: return on assets, return on equity, return on sales, and return on capital employed are added in the model. For investment efficiency, the key items are capital expenditure, research and development, acquisition and sales of property, plant and equipment, and total assets are observed. For the measurement of financial reporting quality, three items including cashflow from operations, change in revenue, and property, plant & equipment are added. The findings of the study for Thai firms indicated that financial effectiveness (ROA) is significantly determined by capital expenditure, research and development, cash flow from operations, and changes in revenue. ROE has a significant impact from R&D, total assets, and changes in revenue. While returns on sales has a significant influence from capital expenditure, research and development acquisition and sales of property, total assets, changes in revenue, and finally PPE. For ROCE, significant determinants for Thai business firms are acquisition and sales of property, plant and equipment, and change in revenue along with PPE. From the context of Indonesian firms, all indicators of investment



efficiency and financial reporting quality, except change in revenue, are significantly associated with return on assets. For ROE, key determinants and investments in plant and equipment, cashflow from operations, and PPE. For ROS in Indonesia, the effect of capital expenditure, acquisition and sales of property, and cash flow from operations are main determinants. While ROCE is defined through all measures of investment efficiency except R&D, and TA. In addition, financial reporting quality as determined by CFO has a significant and positive influence on ROCE for selected firms in Indonesia. These findings play a major role for the better understanding of direct association between investment efficiency, quality of financial reporting, and financial effectiveness in Thailand and Indonesia. Decision makers can get significant guidelines, based on the stated association between the variables. However, this study has also considered some conceptual and empirical limitations. Firstly, from an overall ASEAN region, only two states for the comparative analysis are selected. Secondly, the time period is limited to the time duration of 2005 to 2013, with missing data. This indicates missing evidence in the contemporary period. Future studies can be reconducted while addressing these limitations in a broader context.



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