
ESG PERFORMANCE, FIRM VALUE, AND THE MEDIATING ROLE OF FINANCIAL PERFORMANCE: EVIDENCE FROM TOP ESG COMPANIES IN THE LARGEST ASEAN ECONOMIES

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Abstract:

Environmental, Social, and Governance (ESG) considerations are essential for businesses as they enhance stakeholder engagement, improve the company's brand reputation, and lead to better financial performance by integrating sustainability and ethical principles into business strategies. This study aims to analyze the influence of ESG performance on financial performance and firm value and to assess the mediating role of financial performance in the relationship between ESG performance and firm value in Indonesia, Thailand, and Singapore. This study examined 247 top ESG companies in ASEAN's largest economies. Data were collected from LSEG Data & Analytics, ESG Indonesia Capital Market, Singapore Exchange, Stock Exchange of Thailand, company financial reports, annual reports, and IDX. Data were analyzed using PLS-SEM. The study found that ESG performance positively affects firm performance in Indonesia and Singapore, but not in Thailand. ESG performance positively affects firm value in Indonesian companies but not in Thai and Singaporean companies. Firm performance positively affects firm value in Thailand and Singapore, but not in Indonesia. The role of firm performance in mediating the effect of ESG performance on firm value in Indonesia, Thailand, and Singapore was not significant.

Key words: *ESG Performance, Financial Performance, Firm Value, ASEAN*

1. Introduction

Companies operate within their environment as open systems. This means that when carrying out its business activities, the company is both influenced by and influences its business environment. The company's environment encompasses all factors that affect the company, both in terms of its organization and activities. When a company fosters a positive environment, it tends to experience strong productivity, and vice versa (Wheelen & Hunger, 2012). Conversely, companies can also impact their environment, whether positively or negatively (Syafrullah & Muharam, 2017). For example, resource exploitation

for raw material needs or production waste pollutes the environment. These negative impacts can lead to social conflicts. Therefore, it is important to maintain both the physical and social environments of a company to ensure its sustainability.

This phenomenon demonstrates the importance of companies having social and environmental responsibilities. When a company demonstrates a strong commitment to social and environmental responsibilities, it gains legitimacy in these areas, which helps it earn the community's trust and backing. This trust and support from the community can positively influence the company's long-term sustainability (Gray, Kouhy, & Lavers, 1995; Syafrullah & Muharam, 2017).

The concept developed for "The Corporate Social Responsibility (CSR)" program is based on the "Triple Bottom Line" concept, which is a holistic approach to measuring a firm's performance by considering economic performance (Profit), social responsibility (People), and environmental preservation (Planet) (Elkington, 1998; Loviscek, 2021). Elkington (1998) introduced the 3P concept (People, Planet, and Profit) as three objectives for achieving true sustainability. In this context, the industry must consider all three segments when planning its strategies, as each holds equal importance and goes beyond merely accounting for financial gain. To succeed in developing a triple bottom line, companies must consider all three aspects (Loviscek, 2021). To evaluate a company's success, it is crucial to consider three key factors: economic, environmental, and social criteria.

A company's commitment to maintaining business sustainability is generally reflected in its CSR programs. CSR reflects a company's dedication to fostering economic growth in a manner that enhances the quality of life and the environment, ultimately benefiting the local community or society as a whole. By implementing CSR, a company acknowledges its duty towards its surroundings. This responsibility includes social concerns (people) and environmental responsibility (planet) without neglecting the company's capability to generate profit (Harruma, 2022).

This aligns with Stakeholder Theory, which explains that a company exists not solely for its own interests, but must also contribute to and be accountable to its stakeholders (Barney & Harrison, 2020; Freeman, et al., 2010; Harrison, Freeman, & de Abreu, 2015). It is essential for all businesses to manage their stakeholders as efficiently as they can. When stakeholders receive positive treatment, they frequently respond with supportive attitudes and behaviors toward the company. This response may involve disseminating crucial information to all stakeholders, boosting their purchases of goods or services, offering tax breaks or other advantages, granting more favorable financial conditions, acquiring more shares, or exhibiting dedication and diligence to the company, even during difficult periods. This approach is beneficial for businesses because it leverages stakeholder energy to meet organizational objectives. This theory is particularly advantageous in complex and volatile environments, as companies that effectively manage stakeholders have access to better information for decision-making. Additionally, they become more appealing to other market participants, gaining a level of strategic flexibility that competitors who neglect stakeholder management do not have (Harrison et al., 2015).

The significance of CSR is also governed by legal frameworks. In Indonesia, CSR regulations encompass Law No. 40/2007, No. 25/2007, and Government Regulation No. 47/2012 regarding Investment. According to Articles 15 and 16 of the Investment Law, all investors are mandated to engage in CSR and environmental conservation. Entities or individuals in business who fail to meet these requirements may face administrative sanctions and other penalties as stipulated by the law. Additionally, CSR is addressed in Law No. 21/2014 on Geothermal Energy. Article 65, Paragraph 2, Letter b specifies that during geothermal operations, the community has the right to benefit from these activities through the company's duty to fulfill corporate social responsibility and/or community development (Harruma, 2022).

Effective corporate governance is essential for achieving strong firm performance, such as profitability. It involves establishing a favorable network of relationships among a company's stakeholders. Such a positive interaction is crucial for attaining excellent corporate results, which subsequently contributes to increasing the company's value. Through sound corporate governance, shareholders can benefit from long-term, sustainable value while also considering the interests of other stakeholders in line with existing laws and norms. This demonstrates the strong connection between GCG, company value, and financial performance.

These factors have led to the formulation of a new measurement for corporate sustainability performance, known as the Environment, Social, and Governance (ESG) Score. Investors consider these three factors when making investment decisions. This also encourages companies to disclose their performance in the areas of ESG. The information disclosed by companies in the ESG field helps investors make investment decisions in capital markets.

Indonesia, Thailand, and Singapore are the top three countries in Southeast Asia with the largest economies (Figure 1). As the countries with the largest economies in Southeast Asia, these three nations encourage companies to improve their ESG performance (ESGP). Good ESGP is believed to provide positive value to issuers and the Indonesian financial market. According to data published by the Financial Services Authority (OJK), assets under management for ESG-themed mutual funds increased from Rp4.55 trillion in 2022 to Rp7.19 trillion in 2023 (Sinambela & Rahmawati, 2024).

As explained by signaling theory, good company performance reflects the current state of the company and its potential for growth. Companies with strong ESG performance strive to send positive information as signals about their performance to the market (Bini, Dainelli, & Giunta, 2011). A favorable indication of the company's profitability can lead to an increase in its stock price, thereby enhancing its overall value. This is because shareholders or investors benefit more from buying shares in companies that demonstrate strong profitability signals (Connelly, Certo, Ireland, & Reutzel, 2011).

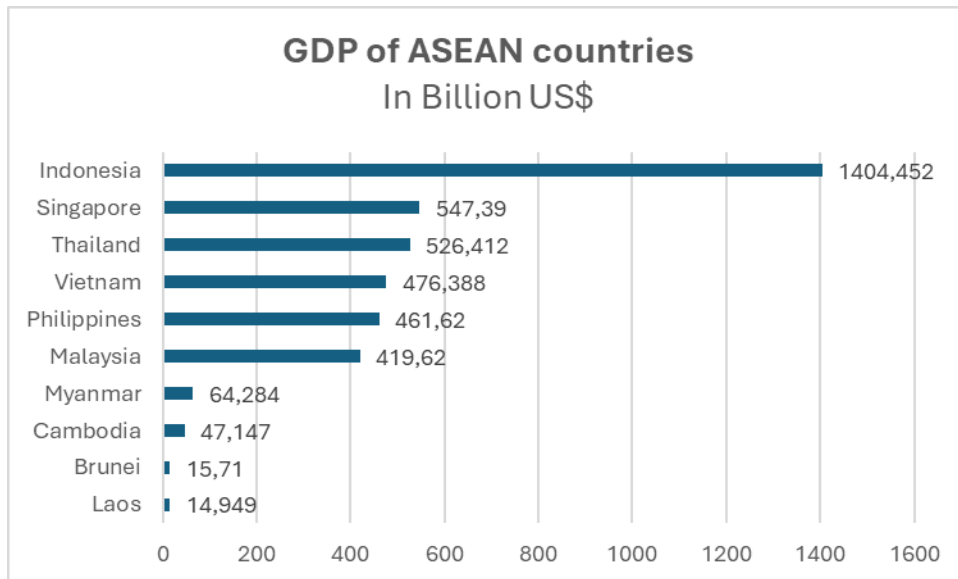


Figure 1. ASEAN Countries' GDP (2024)

Source: World Econ. Outlook, Oct. 2024 (2024)

Firms that excel in ESG metrics tend to perform well overall. Many researchers have investigated the relationship between ESG metrics and a company's performance. Research conducted by Ahmad et al. (2021) on 351 companies in the UK revealed that strong ESG performance positively and significantly influences firm success. Companies with high ESG ratings outperform those with lower scores. Similar results were found by Alareeni and Hamdan (2020), Barrymore and Sampson (2021), Mohammad and Wasiuzzaman (2021), and Peng and Isa (2020). Contrary to these studies, Junius et al. (2020) and Khoury et al. (2021) discovered that the ESGP score does not significantly impact a firm's performance or market value. This is because the ESG Score has not yet been integrated into the company's performance evaluation metrics. This discrepancy highlights the need for additional research on how ESGP influences financial outcomes.

The relationship between ESGP and a firm's value is evident. Investors use ESG Performance data to assess a company's potential for future sustainability. Companies that excel in ESGP are valued more highly by investors (Syafrullah & Muharam, 2017). Numerous studies have investigated the connection between ESGP and firm value. Fatemi et al. (2018) and Yoon et al. (2018) found that ESGP positively and significantly affects firm value. Companies with higher ESG scores generally have a greater firm value than those with lower scores. However, Junius et al. (2020) discovered no significant effect of ESGP Score on Market Value, as the ESG Score has not yet been incorporated into the evaluation of a company's performance. Nekhili et al. (2021) identified a negative relationship between ESGP and market value in companies with employee directors on the board. This inconsistency underscores the necessity for further research into the impact of ESGP on firm value.

Throughout the researcher's review, no studies have been found that examine the mediating effect of financial performance on the influence of ESGP on Firm Value. Previous studies have mostly examined models of the direct effect of ESG Performance on Firm Value (Aouadi & Marsat, 2018; Ionescu, et al., 2019; Sadiq, Singh, Raza, & Mohamad, 2020; Yoon et al., 2018), models exploring relationships among variables with control variables (Junius et al., 2020), and causal models with moderating variables (Abdi, Li, & Càmara-Turull, 2022; Fatemi et al., 2018; Nekhili et al., 2021). This study was conducted to fill that gap, aiming to prove and explain the effect of ESG Performance on the Firm Value of Top ESG Companies in Indonesia, Thailand, and Singapore, with Financial Performance as a mediating variable.

2. Literature review

Stakeholder Theory

A stakeholder refers to any person, group, or entity that has a vested interest in a company's operations and results, and upon whom the company relies to fulfill its goals (Harrison et al., 2015). Certain individuals, groups, and entities are easily recognized as stakeholders due to their participation in the firm's value creation activities. A company's stakeholders encompass employees, managers, shareholders, investors, customers, and suppliers.

Stakeholder Theory explains that managing stakeholders involves activities that consider their interests and well-being (Harrison et al., 2015). However, stakeholders are not limited to those mentioned above; the term also refers to communities, special interest groups, the environment, the media, or even society. Stakeholder theory states that treating all stakeholders well creates synergy (Freeman et al., 2010). Unlike CSR theory, Stakeholder Theory is not intended to promote philanthropy or specific social activities but rather the moral treatment of stakeholders. Stakeholder Theory asserts that businesses have a duty to recognize and respect the interests of all parties affected by their operations. This moral framework insists that organizations consider the legitimate claims of these diverse groups in decision-making processes, ensuring that no stakeholder is unfairly disadvantaged or ignored (Stoelhorst & Vishwanathan, 2024).

Signaling Theory

Based on Signaling Theory, companies strive to send signals about their quality to shareholders or investors, which can influence stock prices (Connelly et al., 2011; Spence, 1973). A wide range of information contains elements that serve as signals to investors. One such signal of a company's quality is information about its performance in maintaining sustainability, namely in the areas of ESG.

Signaling theory is based on the assumption of information asymmetry, where there is an information gap between the company, which possesses better information, and external parties (investors). Companies can provide positive signals to investors so that they are informed about the company's current condition and future prospects. According to Connelly et al. (2011), various types of information can serve as signals to stakeholders, including corporate governance characteristics, top management team

legitimacy, firm names, reputation, structural embeddedness, number of patents in an industry, strategic flexibility and endowments, and many others.

Firm Value (FV)

Firm value is often seen as the investor's perception of a company's success, closely linked to stock prices (Satria Andhika, Rizky, Hasan, & Fadah, 2018). Firm value is characterized by the worth of a company, as indicated by the price a potential buyer is prepared to offer or the price the owner is willing to accept upon selling the company (Gitman, 2009; Husnan & Pudjiastuti, 2015). Consequently, the firm's value is mirrored in the company's stock market price (Fama & French, 1998). A higher stock market price signifies a greater firm value. As the firm value increases, so does the wealth of the company's owners.

Various proxies can be used to measure a firm's value. Some widely used measurement tools include Tobin's Q ratio, market value of equity (MVE), market-to-book value (MBV), and price-earning ratio (PER). This study uses the MVE and the MBV ratio to measure company value.

The MVE is the total market value of outstanding shares. Thus, MVE is the same as market capitalization. MVE can be measured by multiplying outstanding Shares by Stock price (Ehrhardt & Brigham, 2011). Researchers who have used this ratio to measure Firm Value include Miguel *et al.* (2004) and Fallatah and Dickins (2012).

$$\text{MVE} = \text{Shares outstanding} \times \text{Stock price} \quad (1)$$

The MBV ratio is "the ratio between the closing price and the book value of equity" (Ghosh & Ghosh, 2008). Researchers who have used this ratio to measure Firm Value include Abukosim *et al.* (2014) and Pauwels *et al.* (2004).

$$\text{MBV} = \text{Closing Price of Equity} / \text{Book Value of Equity} \quad (2)$$

ESG Performance (ESGP)

ESG refers to a company's responsibility to improve social well-being and ensure the equitable and sustainable long-term prosperity of its stakeholders (Jamali *et al.*; Turban and Greening in Mohammad and Wasiuzzaman, 2021). Firms that adhere to ESG principles tend to exhibit superior governance, heightened environmental awareness, and a commitment to sustainable growth. They also experience reduced income fluctuations and benefit from more affordable financing options. The United Nations has set a goal for companies to report their ESG activities by the year 2030 (EBA, 2021; Sustainable Stock Exchanges, 2019).

The ESG principle acts as a framework encompassing environmental, social, and governance elements. Emerging from the realm of responsible investing, ESG involves incorporating these aspects into investment decisions and active ownership practices. As a result, investors frequently employ ESG as a benchmark and strategy to evaluate a company's behavior and its potential financial results. This underscores the connection

between ESGP, company performance, and company value. As a tool for assessing a company's sustainable development, the three primary ESG factors are vital in investment analysis and decision-making (Eliza, 2024; Y. Li, Zhang, & Solangi, 2023). Furthermore, ESG factors play a key role in assessing the sustainability and social impact of business operations. The European Banking Authority (EBA) states that ESG factors can influence the financial health or stability of an organization, nation, or person, either in a positive or negative manner. Consequently, ESG represents an investment strategy focused on sustainable and coordinated development, taking into account economic, environmental, social, and governance advantages. It emphasizes long-term value growth through a thorough, practical, and realistic methodology (T. T. Li, Wang, Sueyoshi, & Wang, 2021).

Environmental factors according to the EBA include “*Emissions, Energy efficiency, water usage, waste production, biodiversity and ecosystems, and environmental hazards*”. Social factors include “*Community/society, Employee relationships/labor standards, customer relationships, Human Rights, and Poverty/famine*”. Governance factors include “*ethical considerations, strategy and risk management, Inclusiveness, and Transparency*” (EBA, 2021).

Financial Performance (FP)

The financial performance of a company illustrates its financial status, which is evaluated through financial analysis tools to assess the quality of the company's financial health, reflecting its achievements over a specific timeframe. FP is a subjective indicator of how effectively a firm utilizes its assets from core business activities to generate income (Xue, Li, Ali, & Ur Rehman, 2020).

Financial performance assessment serves to demonstrate to investors and the general public that a company has good credibility. If a company possesses good credibility, it will encourage investors to invest their capital. For investors, what matters is the rate of return on the capital they have invested in a company is important. This is because the income investors receive comes from dividends paid periodically or from an increase in stock prices. Financial statement analysis, as a means of evaluating a company's financial performance, also functions as a management tool in the decision-making process to establish the right and strategic policies for smooth company operations.

The financial health of a company can be evaluated through its financial ratios. This research employs profitability ratios to evaluate financial performance, specifically focusing on Return on Assets (ROA) and Return on Equity (ROE). ROA is calculated by dividing net profit after tax (NPAT) by total assets (Horne, 2002). This metric reflects a company's capability to utilize its total assets to produce net profit after tax. The application of ROA as a measure of FP is illustrated in the works of Bontis (1998) and Bontis et al. (2000).

$$\text{ROA} = \text{NPAT} / \text{Total Assets} \quad (3)$$

ROE indicates how effectively a company can utilize its equity to produce net income (Higgins, 2009). The use of ROE as an indicator of FP is demonstrated in the studies by Wang and Chang (2005) and Youndt et al. (2004).

$$\text{ROE} = \text{NPAT} / \text{Total Equity} \quad (4)$$

The research hypothesis is developed based on theoretical analyses and existing literature, as follows:

- H₁ : ESG Performance significantly impacts the Financial Performance of Top ESG Companies in Indonesia, Singapore, and Thailand.
- H₂ : ESG Performance significantly impacts the Company Value of Top ESG firms in Indonesia, Singapore, and Thailand.
- H₃ : Financial Performance significantly impacts the Firm Value of Top ESG companies in Indonesia, Singapore, and Thailand.
- H₄: Financial Performance significantly mediates the effect of ESG Performance on the Firm Value of Top ESG companies in Indonesia, Singapore, and Thailand.

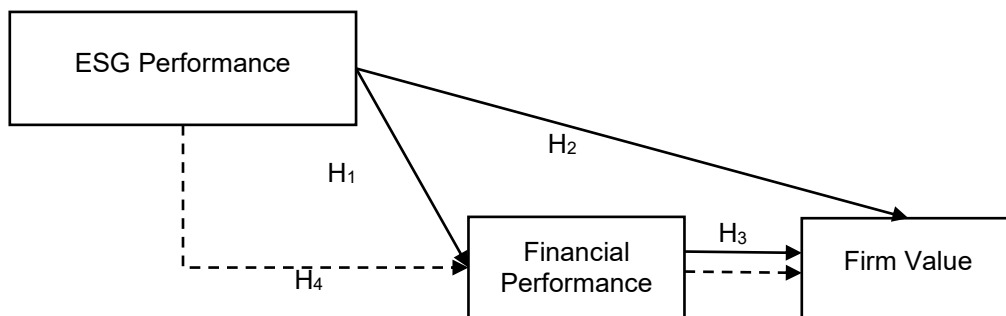


Figure 2. Research Framework

3. Methodology

This study adopted a quantitative approach. The research variables consist of the independent variable, ESG Performance; the dependent variable, firm value; and the mediating variable, firm performance. ESG Performance is measured using the ESG Score, company financial performance is measured using the ROA and ROE ratios, and firm value is measured using the MVE and MBV ratios.

This study's population includes all companies located in the three Southeast Asian countries with the largest economies: Indonesia, Thailand, and Singapore. The research sample comprises 52 Indonesian companies listed in the Top ESG Environmental Indonesia Companies and IDX ESG Star Listed Companies, 140 Thai companies listed in the SET ESG Ratings, and 55 Singaporean companies listed in the ESG Stock Rating. In total, 247 companies were included.

The research data were obtained from the LSEG ESG Score (Refinitiv ESG Company Scores), ESG Indonesia Capital Market, Singapore Exchange (SGX), Stock Exchange of Thailand (SET), company financial reports, company annual reports, and IDX

Facts Book with all data collected referring to the year 2023. Data analysis was conducted using PLS-SEM.

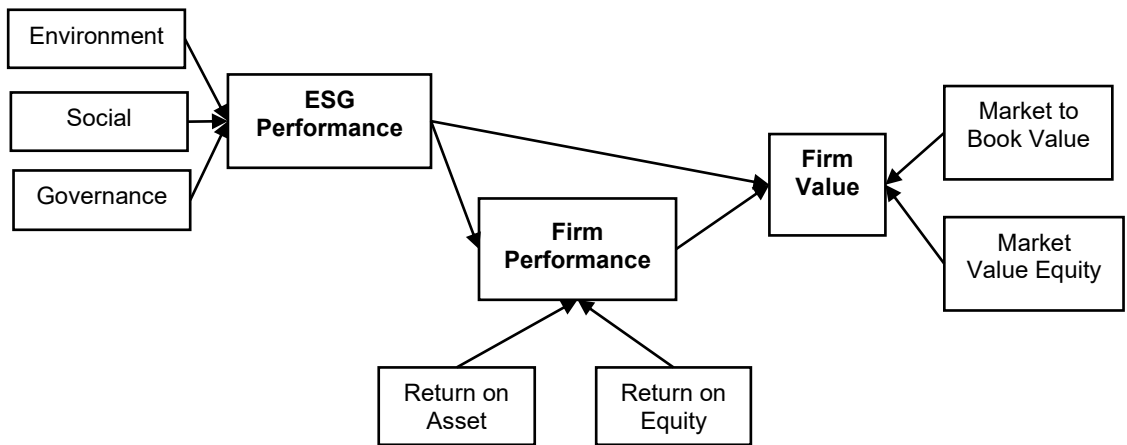


Figure 3. Structural Model

4. Results/findings

The study examined the research variables, which include ESG Performance, Financial Performance, and Firm Value, for companies located in Indonesia, Thailand, and Singapore. Table 1 provides a detailed description of the data pertaining to the research variables.

Table 1: ESG Performance, Financial Performance, and Firm Value of Companies in Indonesia, Thailand, and Singapore

No	Variables	Descriptive Statistics				
		Indonesia				
		Min	Max	Average	STDEV	Variance
1	Environment	3.00	88.00	45.58	23.188	537.70
2	Social	19.00	95.00	58.79	20.208	408.36
3	Governance	5.00	92.00	54.31	24.029	577.43
4	Return on Assets	-29.03	45.43	6.89	10.018	100.36
5	Return on Equity	-32.35	288.72	21.03	44.468	1977.46
6	Market to Book Value	0.07	44.86	3.08	6.975	48.65
7	Market Value of Equity (in Mil US\$)	108.04	65543.29	6380.89	11597.04	134491286.93
Thailand						
		Min	Max	Average	STDEV	Variance
1	Environment	.00	97.00	49.38	21.855	477.62
2	Social	2.00	98.00	62.34	19.786	391.49
3	Governance	1.00	94.00	49.83	19.968	398.70
4	Return on Assets	-23.56	42.59	5.26	6.985	48.79
5	Return on Equity	-464.28	989.86	51.99	113.94	12983.35
6	Market to Book Value	0.53	20.11	2.53	2.6893	7.232
7	Market Value of Equity (in Mil US\$)	.52	29954.13	2775.27	4795.391	22995773.14
Singapore						
		Min	Max	Average	STDEV	Variance

1	Environment	14.00	94.00	54.89	19.351	374.45
2	Social	17.00	90.00	53.18	16.215	262.94
3	Governance	12.00	89.00	52.47	21.978	483.02
4	Return on Assets	-6.13	17.74	0.05	5.121	26.22
5	Return on Equity	-20.30	31.20	8.76	9.965	99.31
6	Market to Book Value	0.18	6.18	1.18	1.127	1.27
7	Market Value of Equity (in Mil US\$)	30.15	64566.80	5355.11	10754.94	115668883.62

Indonesia

The Environmental Score reflects a company's awareness of environmental issues. The average environmental score for Indonesian companies is 45.58, indicating that most companies show a moderate level of concern for environmental aspects. The lowest environment score was obtained by PT Panin Financial Tbk, which was 3.00, while the highest environment score was obtained by PT Unilever Indonesia Tbk, which was 88.00. However, the wide gap between the minimum and maximum values reveals significant variations in environmental practices across companies.

The average social aspect score for all companies was 58.79. This suggests that companies tend to pay attention to social aspects such as community relations, labor, and customers. The lowest social aspect score of ESG was obtained by PT Indah Kiat Pulp & Paper Tbk, which was 19.00, while the highest social aspect score of ESG was obtained by PT Bukit Asam Tbk, which was 95.00. Most companies are above the average value, although some have rather low social scores, indicating that there is still room for improvement in social responsibility.

For the Governance aspect, the average governance performance score across all companies is 54.31. The lowest governance aspect score of ESG was obtained by PT Indah Kiat Pulp & Paper Tbk, which was 5.00, while the highest governance aspect score of ESG was obtained by PT ITMG Tbk, which was 92.00. This figure shows that governance practices among these companies vary, with most companies having reasonably good governance. However, the significant difference between the minimum and maximum values indicates that some companies have excellent governance practices, while others still need improvement.

ROA, which measures a company's effectiveness in generating profit from its assets, has an average value of 0.0689 or 6.89%. The lowest ROA was experienced by PT GoTo Gojek Tokopedia Tbk at -29.03% due to incurring losses, while the highest ROA was achieved by PT Indo Tambangraya Megah Tbk, recording an ROA of 45.43%. This shows that, overall, companies are still able to generate profits from their assets, although there is considerable variation in performance among the companies.

ROE, which reflects a company's ability to generate profit based on its equity, records an average value of 0.2103 or 21.03%. The lowest ROE was experienced by PT GoTo Gojek Tokopedia Tbk at -32.35% due to incurring losses (-IDR 40.4 trillion or -USD 2,525 Million), while the highest ROE was achieved by PT Telkom Indonesia (Persero) Tbk, recording an ROE of 288.72%. The relatively high average value indicates that most companies have positive equity performance, even though some companies have suffered losses in their equity.

Market-to-Book Value (MBV), which measures market valuation relative to the company's book value, shows an average value of 3.08, indicating that the market generally values companies higher than their book value, even though some companies are valued below their book value. PT Bank Tabungan Negara (Persero) Tbk recorded the lowest Market-to-Book Value (MBV) at 0.07, whereas PT Unilever Indonesia Tbk achieved the highest MBV, registering a value of 44.86.

The Market Value of Equity (MVE) varies significantly, with an average of USD 6,413.20. This demonstrates substantial differences in company size in the capital markets. Some companies have a very large market capitalization, reflecting greater scale and exposure, while others remain relatively small. PT Jasa Marga Tbk recorded the lowest MVE at 108.04 Million USD, whereas PT Bumi Resources Minerals Tbk achieved the highest MVE, registering a value of 65543.29 Million USD.

Thailand

In terms of environmental aspects, Thai companies have an average environmental performance score of 49.38. This score reflects a firm's performance regarding its environmental practices. The lowest environment score was obtained by Siamgas and Petrochemicals PCL, while the highest environment score was achieved by Minor International PCL. The considerable gap between the minimum and maximum values indicates that some companies already have good environmental performance, while others may not have paid significant attention to this aspect.

In the Social aspect, the average company performance score is 62.34. Siamgas And Petrochemicals Public Company Limited received the lowest social aspect score in the ESG assessment, with a score of 2.00, whereas Wha Corporation PCL achieved the highest score in this category, with a score of 98.00. The higher average compared to the environmental score suggests that companies tend to be better at handling social issues, although there is still variation among companies.

For the Governance aspect, the average governance performance score is 49.83. The governance aspect score from ESG for T S Flour Mill PCL was the lowest, recorded at 1.00, whereas Gunkul Engineering PCL achieved the highest governance aspect score, with a value of 94.00. The Governance performance score measures the quality of corporate governance, and the significant variation among companies indicates that while some already have good governance structures and practices, others still have room for improvement.

The ROA of Thai companies ranges from -23.56% (indicating loss-making companies) to 42.59%. The average ROA is 0.0527, or 5.27%. This average value shows that most companies can still generate profits from their assets, although some experience losses. The company Kerry Express (Thailand) PCL reported the lowest Return on Assets (ROA) at -23.56%, attributable to financial losses. In contrast, Aapico Hitech PCL achieved the highest ROA, registering a value of 42.59%.

The ROE of Thai companies shows even more extreme differences. The lowest value is -464.28% (Asia Aviation PCL), while the highest reaches 989.86% (Bangkok Bank PCL), with an average of 51.99%. These differences in ROE indicate that while some

companies are very effective in utilizing equity to generate profits, others experience significant losses, which may be caused by certain internal or external factors.

Syntec Construction PCL reported the lowest Market-to-Book Value (MBV) at 0.53, while Delta Electronics (Thailand) PCL recorded the highest MBV, with a value of 20.11. The average MBV of all the companies is 2.53. This indicates that some companies are valued much higher by the market than their book value, while others are valued lower.

MVE shows a very wide range. Applied Db PCL reported the smallest MVE at 0.52 Million USD, while Airports Of Thailand PCL recorded the largest MVE, amounting to 29954.13 Million USD. The average for all companies is USD 2.775,27 million. This reflects the significant differences in the sizes of companies listed on the capital market, from small companies to large companies with very high market capitalization.

Singapore

The environmental performance of Singaporean companies shows considerable variation, with the lowest score at 14 (ParkwayLife Reit), the highest at 94 (DBS), and an average score of 54.89. The average score of 54.89 indicates that most companies have a relatively moderate environmental score, with most falling within the upper range. The social performance has a minimum value of 17 and a maximum of 90, held by the Olam Group and Lonza, respectively, with the overall average across all companies at 53.18. This suggests that assessments of social performance for companies in Singapore tend to vary but are generally lower than environmental scores. Governance performance shows the lowest score at 12 and the highest at 89, held by OUE and SGX, respectively, with an overall company average of 52.47. This variation reflects differences in corporate governance practices, where some companies demonstrate good governance and others may need improvement.

ROA varies from a minimum of -6.13%, held by ManulifeReit USD, to a maximum of 17.74%, held by First Resources, with an average of 0.05 for all companies. This indicates that most of the analyzed companies experienced losses from their assets, which may have been caused by a variety of external and internal factors. ROE shows a minimum value of -20.30% and a maximum of 31.20%, held by Prime US ReitUSD and SGX, with an average for all companies of 8.76%. These figures confirm that most companies suffered significant losses in equity, although some were able to generate positive returns.

The MBV ranges from 0.18 to 6.18, with an overall company average of 1.18. The company with the lowest MBV is OUE, while the one with the highest MBV is SGX. This extremely varied range indicates that the market's assessment of book value differs from company to company, depending on investor perceptions of each company's future prospects. MVE also shows significant variation, with the lowest value at USD 30.15 and the highest reaching USD 64,566.80 million. The lowest and highest MVE values were held by AEM SGD and DBS, respectively. With an overall average of USD 5,355.11, this shows a significant disparity in market capitalization among companies, from small to very large-cap companies.

Structural Model Analysis

In the inner model analysis, the results of the Goodness of Fit (GOF), F-Square, and Path Coefficient tests are presented to assess the feasibility of the research. In the GOF test, a model is considered fit or good if the Standardized Root Mean Square Residual (SRMR) value is <0.10 . The SRMR testing results indicate that the estimated model data for companies in Indonesia, Thailand, and Singapore, all of which have values smaller than 0.10, show that the level of the structural model can be considered to be good. This test presents an analysis of the model that evaluates the influence of predictor variables on latent variables. In determining the classification of the test, Cohen (2013) divided the categories of influence into three: low if $0.02 < r < 0.15$, moderate if $0.15 < r < 0.35$, and high if $r > 0.35$.

Table 2: Structural Model Analysis Results

Country	Result	Value	Rule of Thumbs	Conclusion
Indonesia	SRMR	0.045	SRMR <0.10	Fit
	F-Square ESGP $\rightarrow$ FP	0.204		Moderate
	F-Square ESGP $\rightarrow$ FV	0.166		Moderate
	F-Square FP $\rightarrow$ FV	0.051		Weak
Thailand	SRMR	0.014	F-Square: Weak (0.02-0.15) Moderate (0.15-0.35) Tinggi (> 0.35)	Fit
	F-Square ESGP $\rightarrow$ FP	0.011		Weak
	F-Square ESGP $\rightarrow$ FV	0.001		Weak
	F-Square FP $\rightarrow$ FV	0.126		Moderate
Singapore	SRMR	0.000	Tinggi (> 0.35)	Fit
	F-Square ESGP $\rightarrow$ FP	0.102		Moderate
	F-Square ESGP $\rightarrow$ FV	0.015		Weak
	F-Square FP $\rightarrow$ FV	0.485		Strong

Source: SmartPLS Output (2024)

Note: ESGP = ESG Performance; FP = Firm Performance; FV = Firm Value

Based on the results of the F-square test, it can be concluded that a weak effect is shown in the influence of FP on FV in Indonesia, the effect of ESGP on firm performance and firm value in Thailand, and the effect of ESGP on firm value in Singapore. A moderate effect is shown in the influence of ESGP on firm performance and firm value in Indonesia, firm performance on firm value in Thailand, and esgp on firm performance in Singapore. A strong effect was only found in the influence of firm performance on FV in Singapore.

Path Coefficient

In this study, the test was performed to assess how each variable or equation affects the outcomes. The value being analyzed is the T-statistic, which is compared to the critical value of 1.96 (Malhotra, 2019).

Table 3: Path Coefficient Test Results

Country	Path	T Statistics	P Value	Hypothesis
Indonesia	ESGP $\rightarrow$ FP	2.393	0.017	Accepted
	ESGP $\rightarrow$ FV	2.801	0.005	Accepted
	FP $\rightarrow$ FV	1.790	0.074	Rejected

	ESGP → FP → FV	1.218	0.224	Rejected
Thailand	ESGP → FP	0.826	0.409	Rejected
	ESGP → FV	0.300	0.764	Rejected
	FP → FV	2.001	0.046	Accepted
	ESGP → FP → FV	0.710	0.478	Rejected
Singapore	ESGP → FP	2.138	0.033	Accepted
	ESGP → FV	1.677	0.094	Rejected
	FP → FV	1.983	0.048	Accepted
	ESG P → FP → FV	1.329	0.184	Rejected

Source: SmartPLS Output (2024)

Note: *ESGP* = *ESG Performance*; *FP* = *Firm Performance*; *FV* = *Firm Value*

Based on the test results, ESG Performance has a significant effect on firm performance in Indonesian (t-stat 2.393 and P value $0.017 < 0.05$) and Singaporean (t-stat 2.138 and P value $0.033 < 0.05$) companies but not in Thai companies (t-stat 0.826 and P value 0.409). ESG performance significantly impacts company value in Indonesia (P value $0.005 < 0.05$), but not in Thailand and Singapore where the P Value is > 0.05 (0.764 and 0.094 respectively). Interestingly, firm performance has a significant effect on the value of Singaporean and Thai firms but not Indonesian firms. This study also found that the mediating effect of firm performance on the influence of ESGP on FV was not significant for companies in Indonesia, Singapore, and Thailand.

5. Discussions

There is a differential effect between the variables of ESGP, Firm Performance, and Firm Value in companies in Indonesia, Thailand, and Singapore. This study finds that ESGP has a positive and significant impact on financial performance in companies in Indonesia and Singapore. The conclusion of this study supports the findings of Lee, Lau, & Yip (2023), Liu (2022), and Naeem & Çankaya (2022). This finding indicates that companies in Indonesia and Singapore that implement ESG practices well tend to experience improved firm performance. This means that a company's efforts to protect the environment, pay attention to social aspects, and implement good governance not only fulfill moral and regulatory responsibilities but also directly contribute to increased profitability and firm value. Thus, investing in ESG practices can be considered a profitable business strategy.

Research findings from 2024 show a significant difference compared to the findings of Gutiérrez-Ponce & Wibowo (2023) dan Agarwal et al. (2023), who reported a negative impact of ESG on the FP of banking companies in Indonesia during the 2010-2020 period and India during the 2011-2020 period. This change indicates that the role of ESG in the context of FP has undergone a transformation, which may be influenced by various factors such as increased awareness of sustainable practices, stricter regulations, or shifts in investor preferences toward companies that implement ESG principles more seriously. The positive impact of ESG that is now beginning to emerge may reflect that

companies integrating ESG aspects effectively are able to improve operational efficiency and reputation, thereby having a beneficial effect on their financial performance.

There are several reasons for the positive and significant influence of ESG performance on firm performance in both countries. First, Enhanced Reputation and Public Trust: Companies actively engaging in ESG practices tend to gain a better reputation in the eyes of consumers and investors (Darsono & Ma'la, 2024). This positive reputation can increase customer loyalty and attract more investment, which, in turn, improves financial performance. The second reason is the operational efficiency. Implementing sustainable environmental practices can lower the operational costs (Chakraborty, 2024). This efficiency contributes to increased profit margins. The third reason is better access to capital. Investors worldwide are increasingly factoring in ESG considerations when making investment choices. Companies with high ESG scores may have easier access to capital and lower capital costs because they are considered to carry lower risks (Ramirez, Monsalve, González-Ruiz, Almonacid, & Peña, 2022). In terms of regulation, both Indonesia and Singapore have introduced various environmental and social regulations. Companies that are proactive in meeting or exceeding these standards avoid sanctions and fines and position themselves better to face future regulatory changes. This shared influence indicates that companies in Indonesia and Singapore have similar characteristics or operate in similar business environments, where factors such as regulations, stakeholder expectations, and market dynamics drive the importance of ESG practice.

The results align with the Stakeholder Theory, which posits that a company's enduring success is reliant on its capacity to address the needs and interests of diverse stakeholders (Freeman et al., 2010; Harrison, Barney, Freeman, & Phillips, 2019; Harrison et al., 2015). By implementing ESG practices, companies show their dedication to social and environmental responsibility, which in turn boosts their financial performance through the support and trust of stakeholders. Unlike in Indonesia and Singapore, ESGP has no significant impact on Firm Performance in Thailand. Several factors may explain why ESG performance does not significantly contribute to firm performance in the Thai context. ESG awareness and investor preferences in Thailand may still be developing. Compared to Singapore, where ESG investing is more advanced and institutional investors strongly consider sustainability metrics, Thailand's investor base may place greater emphasis on traditional financial indicators. In addition, many Thai firms operate in sectors where ESG initiatives do not quickly translate into financial gains, and variations in regulatory enforcement and disclosure quality may reduce the reliability of ESG information for investors. As a result, improvements in ESG performance in Thailand may not yet yield the financial benefits observed in the other two markets.

The next research finding is that ESGP has a positive and significant effect on Firm Value in Indonesian companies but not in Thai and Singaporean companies. According to signaling theory, companies can use ESG to signal management quality and long-term prospects to investors. In Indonesia, the capital market is still developing, and corporate transparency is not as advanced as in developed countries. Therefore, companies that implement ESG well can send a positive signal to investors that they have good governance, lower risks, and higher growth potential. This increases Firm Value. this conclusion supports the findings of the research by (Chen & Zhang, 2024; Yu & Xiao,

2022). This is different from Thailand and Singapore, where the capital markets are more mature, and investors may already consider ESG as a standard norm that no longer serves as a distinguishing signal in company evaluation. Consequently, ESG has no significant impact on firm value.

The next research finding is that Firm Performance has a positive and significant effect on FV of companies in Thailand and Singapore but not in companies in Indonesia. According to the Fundamental Theory of Valuation, Firm Value is determined by strong financial performance (Boonlert-U-Thai, Saudagaran, & Sen, 2022), such as net profit, ROA, ROE, and operational efficiency. In Thailand and Singapore, capital markets are more efficient, and investors are more focused on financial performance when assessing firm value. Therefore, companies with good performance experience an increase in firm value because they are considered more profitable and stable. This conclusion supports the findings of the research by Luthfiah & Suherman (2018) and Sapiri, Hamzah, Putra, & Hadi (2022). In Indonesia, the capital market is still developing, and investors do not only consider financial performance when determining firm value. Other factors, such as market sentiment, government policies, and long-term growth expectations, also play a significant role; therefore, the relationship between financial performance and Firm Value becomes less significant.

In Indonesia, Thailand, and Singapore, financial performance does not significantly mediate the impact of ESG performance on FV. The findings of this study differ from those of Zhou, Liu, & Luo (2022), who found that financial performance significantly mediates the impact of ESG performance on Firm Value. This is caused by several factors. First, companies with high ESG scores can directly gain investor trust, a good reputation, and valuation premiums in the market without having to show improvements in their financial performance first. This implies that investors in these three countries may be more focused on the long-term prospects promised by ESG rather than short-term financial performance; therefore, Firm Performance does not serve as a significant mediator. Second, improvements in ESG often take a long time to impact Firm Performance through operational efficiency, cost savings, or increased customer loyalty. However, the capital market tends to respond more quickly to news or ESG initiatives; thus, an increase in firm value can occur without waiting for significant changes in financial performance. Third, there are different perspectives among global and local investors. In Singapore and Thailand, capital markets that are more integrated with global markets make institutional investors more sensitive to ESG practices, resulting in an increase in Firm Value directly without mediation through Firm Performance as explained by legitimacy theory (Janang, Joseph, & Said, 2020). In Indonesia, with a dominance of more speculative retail investors, ESG may directly affect Firm Value through market sentiment. Indonesia's capital market is still developing, and investors are more speculative. ESG tends to be seen as a symbol of reputation or social responsibility without having a tangible impact on financial performance. In Thailand and Singapore, more advanced markets have greater transparency, where ESG is directly valued by investors as it is considered to reduce long-term risks, even though it may not immediately increase profitability.

6. Conclusions

This study provides valuable insights into the complex relationships between ESGP, Financial Performance, and Firm Value across top ESG companies in the largest ASEAN economies. The results revealed significant variations among Indonesia, Thailand, and Singapore, highlighting the importance of considering country-specific contexts when evaluating ESG impacts.

In Indonesia and Singapore, ESG Performance positively and significantly influences Firm Performance, suggesting that companies in these countries benefit financially from strong ESG practices. However, this relationship was not significant in Thailand, suggests that the Thai market may still be in an earlier stage of ESG integration.

ESGP showed a positive and significant effect on Firm Value only in Indonesia, indicating that Indonesian investors may place a higher premium on ESG considerations. In contrast, this relationship was not significant in Thailand and Singapore, suggesting different market perceptions of ESG values in these countries.

Financial Performance positively and significantly affected Firm Value in Thailand and Singapore but not in Indonesia. This discrepancy may reflect differences in market efficiency or investor priorities in these ASEAN economies.

It is noteworthy that financial performance did not play a significant mediating role in the connection between ESG performance and firm value across the three countries studied. This observation implies that ESG's effect on firm value might be more straightforward or affected by elements other than financial performance. These findings emphasize the necessity for customized strategies in implementing and evaluating ESG in various ASEAN markets. They also point to the need for additional research to uncover the underlying factors that contribute to the country-specific variations in how ESG impacts firm performance and value.

A key limitation of this study is the relatively short time horizon of only one year, which may restrict the ability to capture longer-term trends and effects of ESG practices on financial and firm value outcomes. Future research should consider extending the study period to better understand the dynamics and potential lagged impacts of ESG integration across different ASEAN markets.

7. References

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