ISSN: 2338-8412 e-ISSN : 2716-4411

Ekombis Review – Jurnal Ilmiah Ekonomi dan Bisnis
Available online at : https://jurnal.unived.ac.id/index.php/er/index
DOI: https://doi.org/10.37676/ekombis.v14i2

The Influence Of ESG Index Values On Company Performance In Asean Countries

Fauzan Mahmud Siregar [1]; Dony Abdul Chalid [2]
[1]Department of Management, Faculty Of Economics and Business, Universitas Indonesia, Indonesia
[2,] Department of Management, Faculty Of Economics and Business, Universitas Indonesia, Indonesia
Email: [1] 11siregarmahmud@gmail.com

How to Cite :
Siregar, F.M., Chalid, D.A., (2026). The Influence Of ESG Index Values On Company Performance In Asean Countries. EKOMBIS REVIEW: Jurnal Ilmiah Ekonomi Dan Bisnis, 14(2). DOI: https://doi.org/10.37676/ekombis.v14i2

ARTICLE HISTORY
Received [17 November 2025]
Revised [15 April 2026]
Accepted [24 April 2026]

KEYWORDS
ESG, Firm Value, Firm Risk.

ABSTRACT

This study examines the relationship between Environmental, Social, and Governance (ESG) performance and corporate performance in 198 ASEAN companies, using financial metrics like Tobin's Q, Earnings Per Share (EPS), and the Altman Z-Score. While global research suggests ESG positively impacts corporate performance, the findings for ASEAN companies are mixed. The analysis concludes that ESG performance does not significantly influence overall company performance in the region. However, it finds that the environmental component of ESG reduces company risk. The reasons behind this anomaly are unclear, suggesting a need for further research to understand the dynamics between ESG practices and corporate performance in ASEAN. This research contributes to the growing knowledge on ESG and emphasizes the importance of region-specific studies to assess the broader relevance of global ESG trends.

INTRODUCTION

The concept of Environmental, Social, and Governance (ESG) is closely linked to Sustainable Development, which is central to the United Nations' 2030 Agenda. This Agenda outlines seventeen Sustainable Development Goals (SDGs) that require economic and development activities to account for their social and environmental impacts. Economic actors are therefore expected to align their activities with sustainable development principles. To assess this alignment, the ESG framework was created to measure how businesses incorporate sustainability into their operations. The ESG criteria apply universally, including in ASEAN nations.

There is increasing pressure for businesses to integrate ESG factors into their operations. Stakeholders and investors in ASEAN are particularly focused on businesses' disclosure of ESG performance. A study on European construction companies (Hadro et al., 2022) found that stakeholders not only sought financial transparency but also wanted information about daily operations and management practices. The study highlighted that companies had not fully met stakeholder expectations in terms of ESG disclosures. Stakeholders are interested not only in the

positive local impact of development projects (e.g., social contributions) but also in the company's operational and governance practices and their broader impact.

Further research (Deng and Cheng, 2019) on Chinese A-listed companies revealed that a strong ESG performance correlates with improved stock performance. The study also found that companies with non-state ownership are more positively influenced by high ESG scores than those with state ownership. Additionally, the impact of ESG scores was found to be stronger in the secondary sector than in the tertiary sector. This suggests that companies with strong ESG performance tend to perform better in the market, though the impact can vary by industry and ownership type.

Additional research (Wu et al., 2024) examined the role of ESG in driving environmentally friendly innovation, finding that ESG performance positively influences innovation behavior, particularly in certain industries and regions. This study also showed that ESG performance moderates a company's approach to business risks, supporting findings from a study (Devalle et al. 2017) on the relationship between ESG performance and credit ratings in Italy and Spain. Companies with strong ESG performance tend to have lower risk levels.

Overall, previous studies have primarily focused on the relationship between ESG scores and company value in specific countries such as China and the United States. While some studies have explored other aspects, such as innovation and credit ratings, there remains a need for further research on the broader impact of ESG on company performance, particularly in cross-country studies that account for macroeconomic factors. To fully assess ESG as a performance benchmark, it is essential to consider its impact on both company value and risk. Given the growing importance of ESG in ASEAN, additional research is necessary to understand how ESG performance affects companies in the region, particularly in terms of risk management. Existing studies in ASEAN have primarily focused on market value, with fewer exploring the connection between ESG and other dimensions of company performance, such as risk.

This study aims to explore the relationship between ESG scores and overall company performance in ASEAN by analyzing data from 198 ASEAN companies across various sectors, listed between 2019 and 2023. The paper will proceed as follows: Literature Review will review the theoretical framework and key factors from previous studies. Methods will describe the sample, data sources, and distribution, and refine the analytical model. Results & Discussion will present the empirical results from regression analysis, endogeneity testing, and bias checks. Conclusion will discuss the implications of the findings, and will conclude with the study's limitations and suggestions for future research.

LITERATURE REVIEW

Factors Affecting Company Value

The value of a company is influenced by various factors. A study (Panda et al., 2024), which examined 1,592 manufacturing companies in India through linear and nonlinear regression models, identified several key determinants of company value. These include the effective tax rate, company profitability, size, non-debt tax shields, leverage, and the tangibility of assets. Additionally, macroeconomic variables such as economic growth, interest rates, and inflation were also found to affect company value, with effective tax rates and inflation having a more significant impact on top percentile companies, while leverage and interest rates were more influential for companies in the bottom percentile.

A similar study on listed companies in South Africa (Nieuwoudt & Hall, 2022) found that company-specific factors such as size, profitability, risk, and efficient asset management play a critical role in enhancing shareholder value. Macroeconomic factors also contribute to company value, but their influence varies across sectors. In a study of property and real estate companies in Indonesia (Yurisafira, Sunitiyoso, & Rahadi, 2023), profitability again emerged as a significant

determinant, with interest rates influencing company value, while inflation had little effect in the short term.

In another study conducted on 164 basic goods companies in India, (Desai, 2021) found that both short-term and long-term debt negatively impact company value, while GDP growth and profitability have a positive effect. Previous research (McShane, Nair, & Rustambekov, 2011; Narang & Kaur, 2014) corroborates these findings, emphasizing that profitability and leverage are significant company-specific factors influencing company value. Among macroeconomic factors, inflation and interest rates exhibit a more varied impact on company performance.

Understanding the ESG Index

The Environmental, Social, and Governance (ESG) Index serves as a benchmark to evaluate whether a company's activities align with sustainable development goals concerning environmental protection and societal welfare. The ESG framework, which shares similarities with Corporate Social Responsibility (CSR), differs by providing clear, actionable metrics that allow decision-makers and stakeholders to assess a company's sustainability efforts. Unlike CSR, which is more philosophical, the ESG Index offers concrete indicators for assessing a company's performance in sustainable development.

The ESG framework, as established to support the achievement of the United Nations Sustainable Development Goals (SDGs), encompasses three core pillars: Environmental, Social, and Governance. These pillars are interrelated and essential for achieving the SDGs, as they provide a comprehensive approach to assessing a company's role in sustainable development. The pillars can be described as follows: (1) Environment: This pillar measures a company's impact on both biotic and abiotic elements of the environment. It reflects how a company manages environmental risks and leverages opportunities to mitigate these risks, ultimately adding value to shareholders. (2) Social: This pillar evaluates a company's ability to build trust and loyalty among employees, customers, and the broader community. It reflects the company's reputation, which is crucial for sustaining long-term value creation for shareholders. (3) Corporate Governance: This pillar assesses the systems and processes in place to ensure that company leaders, such as the board of directors and executives, act in the long-term interests of shareholders. It evaluates the company's governance framework to ensure accountability, transparency, and value creation.

Influence of the ESG Index on Company Value

Research has consistently shown that a stronger ESG index correlates positively with a company's market value. In China, (Deng and Cheng, 2019) found that companies with higher ESG scores exhibited better stock performance. However, the impact of ESG performance is not uniform across all firms. For example, companies with non-state ownership tend to experience a more pronounced positive effect from ESG performance than state-owned enterprises. Furthermore, sector-specific variations have been observed, with the ESG index having a stronger influence on companies in the secondary sector compared to those in the tertiary sector (Wu et al., 2024).

A study conducted on 5,000 companies with a market capitalization of at least USD 2.85 billion (Aydogmus, Gulay, & Ergun, 2022) reinforced the positive relationship between the ESG index and company value. The study also examined the impact of each individual pillar and found that the Governance and Social pillars have a more substantial influence on company performance, while the Environmental pillar's impact is less significant. This difference is likely due to the higher costs and longer timeframes associated with environmentally-focused initiatives, which may delay tangible results compared to governance and social factors that have more immediate effects. These findings align with previous studies (Han & Wu, 2024; Desai, 2024), confirming that a higher ESG score positively influences company value, though the relative importance of each pillar may vary. It can be hypothesized that ESG has a significant positive influence on company value in ASEAN.

Influence of the ESG Index on Corporate Default Risk

Several studies have explored the relationship between the ESG Index and a company's credit rating, with consistent findings linking good ESG performance to higher credit ratings. (Devalle, Fiandrino, and Cantino, 2017) found that companies with strong ESG performance are generally associated with better credit ratings, particularly in the Social and Governance pillars. In contrast, the Environmental pillar had a less significant impact on credit ratings. These findings suggest that a commitment to ESG practices helps mitigate corporate risk.

Further research conducted on 1,000 companies in Europe (Laura et al., 2024) found that firms subject to regulatory requirements for better ESG disclosure and carbon emission controls exhibit lower credit risks. This finding is supported by a study on ESG and financial stability in Korea, where ESG performance was shown to contribute to the stabilization of financial conditions in the financial sector (Choi, Ryu, & You, 2024). Additional study by (Meles et al., 2023), in a study of 26,000 companies from 35 countries, concluded that green innovation could reduce corporate default risk.

Overall, the majority of studies on the relationship between ESG performance and corporate risk suggest that companies with higher ESG scores experience lower risk levels and better credit ratings, thus enhancing their financial stability and access to capital (Han & Wu, 2024; Wang & Yang, 2024; Michalski & Kwong Yew Low, 2024; Vortelinos, Menegaki, & Alexiou, 2024). Hence, it can be concluded that strong ESG performance is indicative of lower corporate risk and better creditworthiness. It can be hypothesized that ESG has a significant positive influence on the default risk of companies in ASEAN.

METHODS

Population Sample & Data Source

This study focuses on companies listed on the ASEAN Stock Exchange, with the following inclusion criteria: companies must have publicly accessible financial reports, be listed between 2019 and 2023, and have relevant financial data (e.g., total assets) available on Eikon Refinitiv. Additionally, the companies must have combined ESG values and individual pillar scores available on Eikon Refinitiv. Companies from Myanmar were excluded from the sample due to the unique impact of the ongoing conflict, which could skew the value and risk profiles of companies in the country. Based on these criteria, the final sample consists of 198 companies from ASEAN, as detailed in Table 1.

Table 1. Research Sample

Firm Origin	Amount	Industrial Sector	Amount
Indonesia	31	Cons. Discretionary	14
Malaysia	42	Comm. Services	20
Philippines	18	Cons. Staples	34
Singapore	33	Energy	17
Thailand	73	Financials	8
Vietnam	1	Health Care	9
		Industrials	29
		IT	4
		Materials	14
		Real Estates	28
		Utilities	21
Total Sample: 198			

Sourced: Data Processed, 2024

Sampling Technique

The population of this study consists of companies listed on the stock exchanges of ASEAN countries. A nonprobability sampling method was employed, specifically purposive sampling, where the sample was selected based on predefined criteria. These criteria include companies listed on the stock exchanges of ASEAN nations.

Data Analysis Technique

The data in this study will be analyzed using the STATA software. The primary analysis technique is Panel Data linear regression. To ensure the accuracy of the regression model, classical assumption tests are performed to assess the bias and consistency of the model. These tests include multicollinearity and normality tests. Given the potential for autocorrelation and heteroscedasticity, a robust model will be used to mitigate the impact of outliers or extreme values.

The data analysis process is outlined as follows: (1) Conducting descriptive analysis of the data. (2) Performing a correlation test on the variables to ensure the empirical model's correctness. (3) Running a Panel Data linear regression based on the empirical model. To determine the appropriate regression model, Chow and Hausman tests will be conducted, along with a Lagrange Multiplier test if necessary, to decide whether to use the Common Effect (OLS), Random Effect (RE), or Fixed Effect (FE) regression model. (4) Conducting classical assumption tests, including a multicollinearity test using the Variance Inflation Factor (VIF) and a normality test using the Shapiro-Wilk test. (5) Applying a robust regression model that accounts for potential autocorrelation and heteroscedasticity.

To accurately assess firm value, relevant financial ratios will be utilized as tools for analysis and measurement. One key ratio used to determine a company's market value is the market-to-book ratio, which serves the following function:

$$\frac{\text{Market Value Per Share}}{\text{Book Value Per Share (Asset-Liabilities)}}$$

However, a limitation of the Market-to-Book Ratio is its emphasis on acquisition price (Ross et al., 2015). An alternative ratio for measuring a company's market value is the Tobin's Q Ratio. Similar to the Market-to-Book Ratio, the Tobin's Q Ratio is used to assess a company's market value; however, it focuses on the company's value relative to the cost of replacing that value. According to Ross (Ross et al., 2015), companies with high Q values are typically seen as having attractive investment opportunities and/or significant competitive advantages. The main challenge with using this ratio is the difficulty in accurately determining the replacement cost of company assets. This can be approximated using the book value of debt. The function of the Tobin's Q Ratio is as follows:

$$\frac{\text{Equity Market Value + Book Value of Debt}}{\text{Total Asset}}$$

Another ratio that can be used to determine a company's market value is the Earnings Per Share (EPS) ratio. This ratio is calculated by subtracting dividends from the company's income and then dividing the result by the number of outstanding shares.

$$\frac{\text{Net Income - Preferred Dividend}}{\text{Common Share Outstanding}}$$

To measure company risk, the Altman Z-Score will be used as a model for assessing financial risk. The Altman Z-Score, developed in 1968, was initially designed to evaluate the credit default risk of companies, particularly in the manufacturing sector in the United States. However, recognizing that conditions outside the U.S. may differ, Edward Altman himself modified the original model. This adaptation, known as the Emerging Market Model (EMS), was specifically

created to account for the unique characteristics of companies in emerging markets (Altman, 2005). The model is as follows:

$Z = 6.56X_1 + 3.26X_2 + 6.72X_3 + 1.05X_4$

X_1 = *Working Capital/Total Assets*

X_2 = *Retained Earnings/Total Assets*

X_3 = EBIT/*Total Assets*

X_4 = *Equity/Total Liabilities*

Research Variables

The dependent variable in this study is the market value of the company. According to previous research (Deng & Cheng, 2018; Aydogmus, Gulay, & Ergun, 2022; Desai, 2024), this value will be represented by the Tobin's Q Ratio (TQ) and Earnings Per Share (EPS). Meanwhile, the level of company risk, as referenced in studies by (Meles et al., 2023) and (Laura et al., 2024), will be measured using the modified Altman Z-Score (Altman, 1995) for each company as (Z).

Based on the literature review of factors that can influence company value, profitability, company size, and leverage are variables considered essential for obtaining accurate results in this study. Additionally, macroeconomic factors must be accounted for, given that the study involves companies from multiple countries. According to the literature, the inflation rate and GDP growth of each country should be included to account for these differences.

To enhance the accuracy of the analysis, and in line with previous research, the following variables will be used as control variables: (1) Company profitability represented by Return on Asset (ROA) obtained from Net Income/Total Asset. (2)The size of the company in this is represented by the logarithm of the company's total assets (Log-TAS). (3) Leverage obtained from Total Debt/Total Asset (TDTA). (4) Average inflation rate of a country from 2019-2023 (INF). (5) Real GDP Growth of a country from 2019-2023 (GDP-G).

Empirical Models

Based on the variables previously discussed, the empirical model for this study is as follows:

Figure 1 Unified ESG Empirical Model

$$TQ = \beta_0 + \beta_1 ESG_{it} + \beta_2 ROA_{it} + \beta_3 Log\text{-}TAS_{it} + \beta_4 TDTA_{it} + \beta_5 INF_{it} + \beta_6 GDP\text{-}G_{it} + \varepsilon_{it}$$

$$EPS = \beta_0 + \beta_1 ESG_{it} + \beta_2 ROA_{it} + \beta_3 Log\text{-}TAS_{it} + \beta_4 TDTA_{it} + \beta_5 INF_{it} + \beta_6 GDP\text{-}G_{it} + \varepsilon_{it}$$

$$Z = \beta_0 + \beta_1 ESG_{it} + \beta_2 ROA_{it} + \beta_3 Log\text{-}TAS_{it} + \beta_4 TDTA_{it} + \beta_5 INF_{it} + \beta_6 GDP\text{-}G_{it} + \varepsilon_{it}$$

To better understand ESG, the following is a empirical model in which the ESG variables are separated into distinct pillars:

Figure 2 Individual ESG Empirical Model

$$TQ = \beta_0 + \beta_1 EP_{it} + \beta_1 SP_{it} + \beta_1 GP_{it} + \beta_2 ROA_{it} + \beta_3 Log\text{-}TAS_{it} + \beta_4 TDTA_{it} + \beta_5 INF_{it} + \beta_6 GDP\text{-}G_{it} + \varepsilon_{it}$$

$$EPS = \beta_0 + \beta_1 EP_{it} + \beta_1 SP_{it} + \beta_1 GP_{it} + \beta_2 ROA_{it} + \beta_3 Log\text{-}TAS_{it} + \beta_4 TDTA_{it} + \beta_5 INF_{it} + \beta_6 GDP\text{-}G_{it} + \varepsilon_{it}$$

$$Z = \beta_0 + \beta_1 EP_{it} + \beta_1 SP_{it} + \beta_1 GP_{it} + \beta_2 ROA_{it} + \beta_3 Log\text{-}TAS_{it} + \beta_4 TDTA_{it} + \beta_5 INF_{it} + \beta_6 GDP\text{-}G_{it} + \varepsilon_{it}$$

RESULTS

Table 2. Descriptive Analysis Result

Variable	Mean	Std. Dev.	Min	Max
TQ	1.37014	1.752349	.0441959	15.2181
EPS	.110531	.3318096	-1.41533	3.601757
Z	5.882556	6.93144	-10.92367	65.48025
ESG	56.64349	16.74682	2.386543	91.92097
EP	53.08188	21.81851	0	97.12874
SP	61.02969	18.74008	1.582596	98.02841
GP	54.385	21.98625	1.456311	97.36842
ROA	.0564329	.0708543	-.2715204	.7985412
Log-TAS	9.535539	.5303454	7.95404	10.99792
TDTA	.5201207	.1967483	.0539792	1.49857
INF	.026353	.019129	-.011387	.0612106
GDP-G	0.029	.044187	-.095	.097

Sourced: Data Processed, 2024

Table 3. Correlation Analysis Result

	TQ	EPS	Z	ESG	EP	SP	GP	ROA
TQ	1.000							
EPS	0.1017	1.000						
Z	0.7392	0.1840	1.000					
ESG	-0.1422	0.0450	-0.1642	1.000				
EP	-0.1605	0.0639	-0.1139	0.8254	1.000			
SP	-0.1180	0.0258	-0.1037	0.8490	0.6979	1.000		
GP	-0.0809	0.0253	-0.1736	0.6768	0.3053	0.3385	1.000	
ROA	0.6386	0.4465	0.6778	-0.1382	-0.1252	-0.1309	-0.0750	1.000
Log-Tas	-0.5133	0.1791	-0.4701	0.2660	0.2439	0.2584	0.1214	-0.4481
TDTA	-0.2951	-0.0638	-0.6420	0.0969	0.0379	0.0858	0.1073	-03134
INF	-0.0744	0.0821	-0.0362	0.0848	0.0901	0.0250	0.0880	0.0630
GDP-G	-0.0480	0.0598	-0.0043	0.0435	0.0332	-0.0074	0.0719	0.0759
	Log-Tas	TDTA	INF	GDP-G				
Log-Tas	1.000							
TDTA	0.2711	1.000						
INF	0.1058	-0.0216	1.000					
GDP-G	0.1068	-0.0236	0.6027	1.000				
N = 990								

Sourced: Data Processed, 2024

Regression Model Selection & Classical Test

The discussion of the regression results will be conducted by performing linear panel data regression using the STATA application. Initially, tests such as the Chow Test, Hausman Test, and, if necessary, the Lagrange Multiplier Test will be conducted to determine the most appropriate regression model. After performing the regression, classical tests will be carried out, including the Multicollinearity Test using the Variance Inflation Factor (VIF) and the Normality Test using the Shapiro-Wilk Test. Acknowledging the potential for autocorrelation and non-normality, adjustments will be made using a robust model with the "robustness" command in STATA. This robustness test is conducted to adjust the standard errors for the effects of autocorrelation and

heteroskedasticity. The robust model ensures that even if some assumptions, such as normality and autocorrelation, are not met, the impact of extreme data or outliers can be minimized.

Table 4. Regression Model Selection Test

Model	Prob > F	Chow Test	Prob > Chi2	Hausman Test
TQ-ESG	0.0000	Fixed Effect	0.0000	Fixed Effect
EPS-ESG	0.0000	Fixed Effect	0.0119	Fixed Effect
Z-ESG	0.0000	Fixed Effect	0.0000	Fixed Effect
TQ-P	0.0000	Fixed Effect	0.0000	Fixed Effect
EPS-P	0.0000	Fixed Effect	0.0186	Fixed Effect
Z-P	0.0000	Fixed Effect	0.0000	Fixed Effect

Sourced: Data Processed, 2024

Table 5. VIF Test

Variable	Unified ESG Model	Individual ESG Model
ESG	1.00	-
EP	-	1.09
SP	-	1.02
GP	-	1.01
ROA	1.53	1.53
Log-TAS	1.16	1.27
TDTA	1.03	1.05
INF	2.12	2.12
GDP-G	1.76	1.76

Sourced: Data Processed, 2024

Table 6. Shapiro-Wilk Normality Test

Variable	Number of Observation	Prob > Z
TQ-ESG	990	0.00000
EPS-ESG	990	0.00000
Z-ESG	990	0.00000
TQ-P	990	0.00000
EPS-P	990	0.00000
Z-P	990	0.00000

Sourced: Data Processed, 2024

Table 7. TQ-ESG Regression Result

TQ	Coefficient	Rob Std. Error	t	P>| t |
ESG	-.103589	.06925	-1.50	0.136
EP	-.1184405	.0717091	-1.65	0.100
SP	-.0298145	.0608683	-0.49	0.625
GP	-.0159879	.0609058	-0.26	0.793

Sourced: Data Processed, 2024

Table 8. EPS-ESG Regression Result

EPS	Coefficient	Rob Std. Error	t	P>| t |
ESG	-.0068302	.009204	-0.74	0.459
EP	-.0095414	.00694	-1.37	0.171
SP	.0005818	.007885	0.07	0.941
GP	-.0011336	.0089052	-0.13	0.899

Sourced: Data Processed, 2024

Table 9. Z-ESG Regression Result

Z	Coefficient	Rob Std. Error	t	P>| t |
ESG	-.503468	.3298512	-1.53	0.129
EP	-.5013549	.2307518	-2.17	0.030
SP	-.128177	.1760835	-0.73	0.467
GP	-.2123034	.194701	-1.09	0.276

Sourced: Data Processed, 2024

DISCUSSION

Descriptive Analysis

Of the approximately 5,000 companies registered in ASEAN, only around 294 have ESG data available for the 2019-2023 period. This number was further reduced to 198 companies due to missing data, such as Net Income, Liabilities, and Firm Market Value. The results of the descriptive analysis indicate considerable variation in the ESG values of ASEAN companies, both in aggregate and by individual pillar. Among the ESG pillars, the Social Pillar has the highest average value (61.02), surpassing the average aggregate ESG value (56.64). This suggests that companies in ASEAN tend to prioritize sustainable actions with a social impact. In contrast, the Environmental Pillar has the lowest value, including instances where the value is zero, indicating that environmental factors are not a primary focus in the implementation of sustainable practices in these companies' operations.

Further, descriptive analysis shows that the companies in the sample exhibit relatively uniform profitability, size, and leverage. This is reflected in the low standard deviations for the ROA, Log-Tas, and TDTA variables, with the profitability variable (ROA) having the lowest standard deviation (0.07). However, the standard deviation for Log-Tas (0.5) suggests that while the sizes of the sampled companies vary, there are no extreme discrepancies in size among them. The analysis of macroeconomic factors such as inflation (INF) and GDP growth rates (GDP-G) across ASEAN countries indicates that, during the 2019-2023 period, these countries experienced relatively similar economic growth levels and inflation rate changes.

Correlation Analysis

The correlation test results show that the Aggregate ESG variable strongly correlates with the individual ESG pillars, which makes sense since Aggregate ESG combines these pillars. ESG aims to align operations with sustainable practices that cover environmental, social, and governance aspects. However, the individual ESG pillars do not strongly correlate with each other, except for a moderate correlation between the Environmental and Social Pillars. The correlation between Aggregate ESG and the individual pillars won't cause multicollinearity, as they are used in different empirical models and won't impact the results.

The test also reveals that larger companies (measured by Log-Tas) are more likely to implement ESG practices. The Governance pillar shows a smaller correlation with company size than the other ESG pillars, suggesting that company size is less important for governance compared to environmental and social concerns. Interestingly, the Governance and

Environmental pillars are positively correlated with economic growth, while the social pillar shows a negative correlation. Additionally, the correlation test confirms that companies with higher profitability (measured by ROA) have positive correlations with TQ, EPS, and Z, indicating that profitability influences a company's value and risk. However, company size is positively related only to EPS, not TQ or Z.

ESG Influence on TQ

The regression results indicate that ESG has a small, statistically insignificant negative effect on the TQ performance of companies in ASEAN. Both the aggregate ESG score and each individual ESG pillar show a negative effect on the company's TQ, but this effect is minimal compared to the control variables. Variables such as ROA, inflation (INF), GDP growth (GDP-G), and TDTA exert a significantly stronger influence on TQ. When examining the individual ESG pillars, all pillars demonstrate an insignificant negative effect. However, the aggregate ESG score and the Environmental Pillar (EP) show a slightly greater significance than the other two pillars, with a marginal significance indicated by a p-value of 0.1.

The results suggest that profitability and macroeconomic conditions play a much larger role in determining a company's TQ. This aligns with findings from previous studies (Panda et al., 2024; Nieuwoudt & Hall, 2022; McShane, Nair, Rustambekov, 2011; Narang & Kaur, 2014), which highlight the significant influence of profitability on company value, in contrast to ESG factors.

ESG Influence on EPS

The regression results indicate that ESG has an insignificant negative effect on the EPS of companies in ASEAN. However, when analyzed by individual pillars, the results become more varied. The Social Pillar (SP) shows a positive influence on EPS, while the Environmental Pillar (EP) and Governance Pillar (GP) have negative effects on EPS. Notably, the Environmental Pillar (EP) exhibits a marginally significant negative effect on EPS, with a p-value of 0.1. These findings suggest that companies in ASEAN focus on generating social impacts that enhance company value, while adopting resource-efficient practices and good governance has a small negative effect. However, none of these influences are statistically significant.

The influence of ESG, whether positive or negative, is notably smaller compared to other variables. The impact of ESG on EPS is far less significant than that of control variables such as ROA, inflation (INF), and GDP growth (GDP-G). The regression results show that EPS is more positively influenced by inflation and company profitability. While company size and economic growth do not have as large an impact as ROA and INF, they still exert a more significant influence on EPS than ESG. Based on these findings, it can be concluded that Hypothesis 1, which posits that ESG has a significant positive effect on value of company, is rejected. Overall, ESG has an insignificant negative effect on TQ & EPS, although the Social Pillar does have a positive, yet insignificant, effect to EPS.

ESG Influence on Z-score

The regression results indicate that ESG generally has an insignificant negative effect on the Altman Z-score of companies in ASEAN. However, the Environmental Pillar (EP) stands out, as it significantly influences the Altman Z-score, unlike the other pillars and the aggregate ESG score. Specifically, a higher EP value is associated with a lower Altman Z-score, suggesting that a greater focus on environmental aspects of ESG may increase company risk in ASEAN. This finding is noteworthy, as it contrasts with studies from other regions, such as China, where ESG is shown to reduce company risk (Meles et al., 2023; Deng et al., 2024). Further investigation is needed to understand why the Environmental Pillar has a significant negative impact on company risk in ASEAN.

However, the influence of ESG, including the Environmental Pillar, on the Altman Z-score is still much less significant when compared to control variables such as ROA, Log-Tas, and TDTA.

Company profitability (ROA) has a positive impact on the Altman Z-score, while leverage (TDTA) and company size (Log-Tas) show negative effects. Larger profits, size, and leverage play a significant role in determining the Altman Z-score in ASEAN companies. This contrasts with leverage and inflation, which exert a negative influence. Higher leverage indicates a larger debt relative to assets, which negatively affects the Z-score. Therefore, based on these results, Hypothesis 2, which posits that ESG has a significant positive effect on the Z-score of companies in ASEAN, is rejected. While ESG in aggregate has an insignificant negative influence on the Z-score, the Environmental Pillar has a significant negative effect.

CONCLUSION

This study reveals that the ESG Value Index has a mixed and often insignificant impact on company performance in ASEAN. Specifically, ESG's effect on company value, as measured by Tobin's Q, is a small but insignificant negative one. The impact on EPS is more varied but still insignificant. While the overall effect on EPS is negative, the Social Pillar (SP) of ESG shows a positive, though insignificant, influence on EPS. When broken down by ESG pillar, the Environmental Pillar (EP) stands out with a significant negative impact on company performance, particularly in the Altman Z score, while having only a marginally negative effect on Tobin's Q and EPS.

The Social Pillar shows a mixed influence, with a positive effect on EPS but a negative effect on both Tobin's Q and company risk. Despite being the most widely applied pillar in ASEAN, its social component's impact on company performance is negative for Tobin’s Q and Altman Z values, though not statistically significant. The Environmental Pillar, with the lowest value in ASEAN, has a negative influence on company performance, which aligns with its overall lower application. The study suggests that further research is needed to better understand why the Environmental Pillar negatively affects company performance in ASEAN.

LIMITATION

This study has several limitations. First, the availability of ESG data in ASEAN is relatively new, which has resulted in a limited sample size and a lack of balanced data across companies. The accuracy of the results could have been improved with a larger sample and a longer study period, such as 10 years, which would likely provide more reliable insights. Furthermore, several ASEAN countries, such as Cambodia and Laos, have limited or no publicly available ESG data, while Vietnam is also underrepresented due to data constraints.

Another limitation is the failure to account for the impact of the COVID-19 pandemic, which was not excluded from the analysis due to data limitations, potentially influencing the study’s findings. Additionally, the ESG data used in this study was sourced from Eikon Refinitiv, and the use of different ESG calculation methods from this source may lead to variations in the ESG values, potentially affecting the results. The ESG values, typically calculated by foreign agencies, also mean that smaller companies in ASEAN, which often lack ESG data, were excluded from the sample.

REFERENCES

Altman, E. I. (2005). An emerging market credit scoring system for corporate bonds. Emerging Markets Review, 6, 311-323.

Aydogmus¸, M., Gulay, G., & Ergun, K. (2022). Impact of ESG performance on firm value and profitability. Borsa Istanbul Review, 22-S2, S119-S127.

Bonacorsi, L., et al. (2024). ESG factors and firms’ credit risk. Journal of Climate Finance, 6, 1-13.

Choi, S. Y., Ryu, D., & You, W. (2024). ESG activities and financial stability: The case of Korean financial firms. Borsa Istanbul Review, 24, 945-951.

Deng, X., & Cheng, X. (2019). Can ESG indices improve the enterprises' stock market performance? An empirical study from China. MDPI Sustainability, 11(4765).

Desai, R. (2024). Analyzing the firm value effects of environmental, social, and governance disclosure: Empirical study of Indian firms. NMIMS Management Review, 32(1), 58-67.

Desai, R. (2021). Nexus between debt financing and market value moderated by firm size: Panel data evidence from India. Vision.

Deng, X., et al. (2024). Dissecting the impact of the three E, S, G pillars on credit risk. Economic Analysis and Policy, 83, 301-313.

Devalle, A., Fiandrino, S., & Cantino, V. (2017). The linkage between ESG performance and credit ratings: A firm-level perspective analysis. International Journal of Business and Management, 12(9), 53-65.

Hadro, D., et al. (2022). What do stakeholders in the construction industry look for in non-financial disclosure and what do they get? Meditari Accountancy Research, 30(3).

Narang, S., & Kaur, M. (2014). Impact of firm-specific attributes on shareholder value creation of Indian companies: An empirical analysis. Global Business Review, 15(4), 847-866.

Nieuwoudt, R., & Hall, J. H. (2022). Impact of firm-specific attributes on the shareholder value creation of listed South African companies. Global Business Review.

McShane, M. K., Nair, A., & Rustambekov, E. (2011). Does enterprise risk management increase firm value? Journal of Accounting, Auditing & Finance, 26(4), 641-658.

Meles, A., et al. (2023). The influence of green innovation on default risk: Evidence from Europe. International Review of Economics and Finance, 84, 692-710.

Michalski, L., & Low, R. K. Y. (2024). Determinants of corporate credit ratings: Does ESG matter? International Review of Financial Analysis, 94.

Han, W., & Wu, D. (2024). ESG ratings, business credit acquisition, and corporate value. International Review of Financial Analysis, 95.

Panda, A. K., et al. (2024). Revisiting the drivers of firm value: An empirical investigation on manufacturing firms. Business Perspectives and Research, 12(3), 382-399.

Vortelinos, D., Menegaki, A. N., & Alexiou, S. (2024). The relationship between credit rating and environmental, social, and governance score in banking. MDPI Economies, 12(152).

Wang, L., & Yang, L. (2024). Corporate ESG performance and trade credit financing: Moderating effect of life cycle. Borsa Istanbul Review, 24, 818-827.

Wu, L., et al. (2024). The effect of ESG performance on corporate green innovation. Business Process Management Journal, 1463-7154.

Xin, Z., Zhang, Z., & Xiang, C. (2024). Do suppliers value clients' ESG profiles? Evidence from Chinese firms. International Review of Economic & Finance, 91.

Yurisafira, O., Sutiyoso, Y., & Rahadi, R. A. (2023). Macroeconomic and financial dimensions influences on Indonesia's property and real estate companies value (2017-2022). International Journal of Research in Business and Social Science, 12(9), 229-240.