

ESG PERFORMANCE AND FIRM VALUE: THE MODERATING ROLE OF OWNERSHIP CONCENTRATION

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Abstract

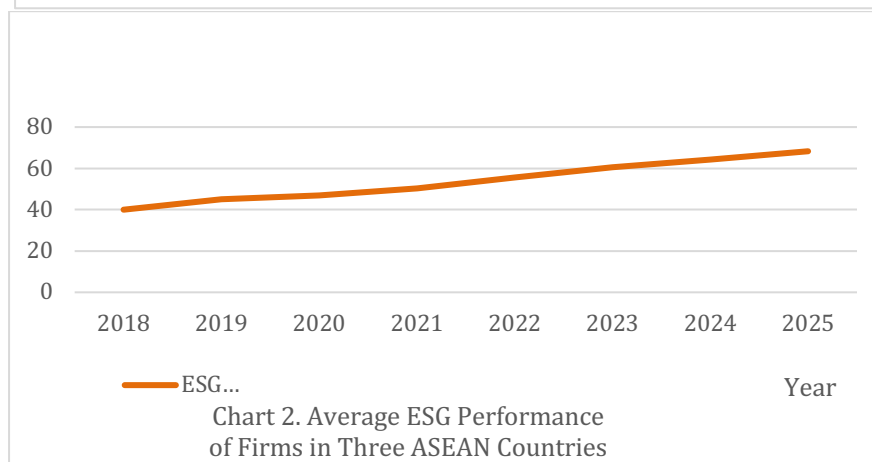
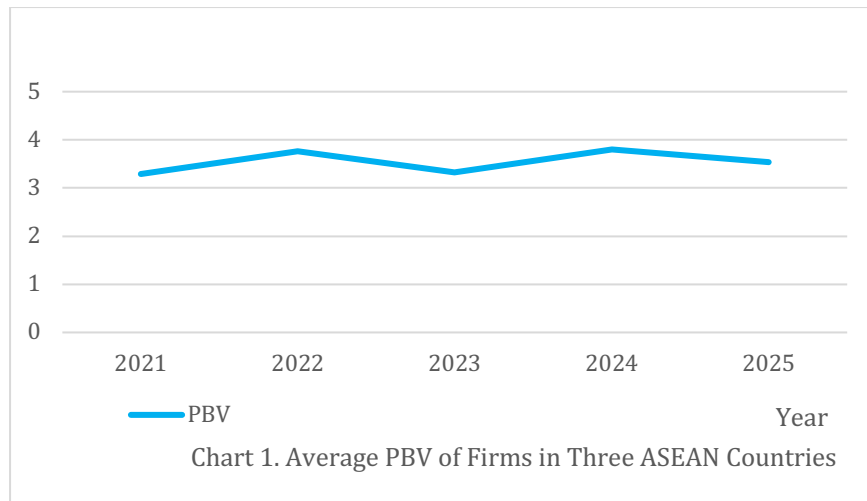
The purpose of this study is to analyze how ESG Performance influences firm value and whether ownership concentration moderates the relationship between ESG performance and firm value. The population used is 128 companies in three ASEAN countries (Indonesia, Malaysia, and Thailand) from 2021–2024. A sample of 85 companies was selected using purposive sampling. The results of the study show that ESG performance has a positive effect on firm value and that ownership concentration moderates the relationship between ESG performance and firm value. For further research, it is recommended to add research period and other independent variables influencing firm value.

Keywords: *ESG Performance, firm value, ownership concentration, ASEAN countries*

INTRODUCTION

Every firm has the goal of maximizing the wealth of its shareholders through improving financial performance and long-term firm value (Zavali et al., 2025; Zhou & Park, 2024). However, in recent decades, along with the development of ESG issues of environmental issues, (Environment, social) and governance (ESG) or better known as ESG have changed this view. ESG performance has become the key to the company's strategy that can significantly increase the company's value so that the value of shareholders' wealth will be maximized. Thus, almost all companies in the world have been encouraged to make investments related to ESG issues such as reducing carbon emissions, fair treatment waste, occupational safety and transparency as part of (Z. Wu et al., 2023)(Weston & Nnadi, 2023)the Ernst & Young (2021) corporate strategy.

Research on the influence of ESG performance on firm value has been conducted before, but the results of the research are still inconsistent. ESG performance has a positive effect on Tobin's Q company on the Malaysian stock exchange (Sadiq et al., 2020), Tobin'Q company in India, price to book value in China EVA company in China. Meanwhile, the results of another study show that ESG does not significantly affect the value of the company, (Mishra et al., 2024)(Li & You, 2025)(Tan et al., 2024)(Behl et al., 2022) The development of ESG in ASEAN countries (Indonesia, Malaysia, Thailand) over the past five years has shown an increasing trend on average, but there has been a decline in ESG performance showing an increase. Chart 1 and chart 2 below show the development of firm value and ESG performance in the three ASEAN countries, respectively.



Based on theoretical stakeholders (Freeman, 1984), companies that care about the interests of stakeholders will improve the company's reputation which will ultimately increase the company's value. Although empirical research shows inconsistencies in research results, most of the research results show a positive relationship. Based on the information contained in figure 1 and figure 2 above, contradictory things happen in the three ASEAN countries.

Therefore, it is necessary to conduct further studies To expand on previous research, this study explores the potential moderation mechanisms behind the relationship between ESG and corporate value. This research will multiply the role of *ownership concentration* as moderation because it can affect the relationship between ESG and company value. In addition, there are still very few researchers using the *ownership concentration* in a study, especially its role as a moderation variable, especially in ASEAN countries.

This study will examine how ESG performance affects company value and the role of moderation *ownership concentration* in these relations in three ASEAN countries (Indonesia, Malaysia, Thailand). This research will contribute to the development of the existing literature by using the role of *ownership concentration* on the relationship between ESG performance and company value. In addition, the results of this research can be used by investors as a consideration for investing in capital markets in ASEAN countries, especially in Indonesia, Thailand, Malaysia, Singapore and the Philippines.

Research Objectives and Benefits

The purpose of the study was to find out how ESG performance affects company value and the role of *ownership concentration* moderation in these relationships in ASEAN countries (Indonesia, Malaysia, Thailand,). This research contributes to the development of the literature on the relationship between ESG and company value. In addition, this research is beneficial for companies and investors in relation to corporate policies and investment decisions.

LITERATURE REVIEW AND RESEARCH HYPOTHESES

Stakeholder Theory

Stakeholder theory (Freeman, 1984) reveals that the company must be responsible to all stakeholders such as employees, customers, suppliers, investors, the government, and the public for the company's activities. This theory views that the survival of the company also depends on the support of stakeholders. In the context of ESG, companies are required to meet the interests of stakeholders if they want to get stakeholder support through high ESG company performance. Therefore, companies are required to be able to effectively manage relationships with stakeholders to create long-term value. Various empirical studies have supported the view that *stakeholder theory* will increase the company's value in the long run. Ahmed & Abu Khalaf (2025) revealed that *stakeholder theory* is used to explain that ESG reduces conflicts between managers and stakeholders and increases company value. Furthermore, Mukhtar et al. (2024) Signaling Theory states that stakeholder theory is used as a framework to explain ESG as a strategy to create stakeholder trust and long-term company value.

Signaling Theory

Signaling Theory explains how a company or organization conveys their qualities and intentions to stakeholders through various signals. Signal theory helps decision-makers make better decisions when the information they get is incomplete and imperfect. According to Andriana (2024), signaling theory is information that can be used by investors to make decisions to buy company shares. (Spence, 1973)(Connelly et al., 2025) In the context of ESG, based on the perspective of signaling theory, it provides an understanding of how company or organization utilizes sustainable finance to communicate with stakeholders, thereby increasing the market value and financial performance of the company (Arhinful et al., 2025). The results of the study show that G. Zhou et al. (2022b) ESG performance is a signal of company quality that increases company value. Through a performance mediation mechanism. Trisnowati et al. (2022) It also proves that it is a non-financial signal that affects investors' perception of stock returns.

ESG Performance

ESG Performance refers to the level of performance of a company in managing and integrating Environmental, Social, and Governance aspects into its business and operational strategies. ESG performance reflects the extent to which companies are not only oriented towards short-term economic value creation, but also on long-term sustainability through environmental responsibility, social concern and good governance practices (Yu & Xiao, 2022)

According to ESG, performance is seen as an important indicator of the quality of management and sustainability of the company. ESG performance can be seen from the environmental dimension (Amitrano et al., 2025a; Cao et al., 2025), social dimension, and governance dimension. The environmental dimension includes company policies and performance related to the management of natural resources, emissions, energy, and environmental impacts. The social dimension relates to the company's relationship with employees, customers, suppliers, and society, including issues of occupational safety, human rights, and social responsibility. Meanwhile, the governance dimension includes transparency and accountability. Today, improving ESG performance is very important for the sustainability of the company because ESG performance reflects how much the company cares about the interests of its stakeholders. If ESG performance is high, then the company's reputation will increase in the eyes of stakeholders which ultimately has a positive effect on the company's sustainability (Klemetti, 2024).

Firm Value

According to some experts, a company's value is an overview of how much the market or investors assess a company's financial performance, prospects, and sustainability. The value of a company is reflected in the movement of the company's share price traded on the capital market. The rise or fall of the company's share price reflects the level of investor confidence in the company's prospects. (Seok et al., 2024; Yu & Xiao, 2022b) A company's value measure can use Tobin's Q, which measures the comparison between a company's market value and the value of its assets. In addition, it uses (Aydoğmuş et al., 2022) Cheng et al. (2024) *Price-to-Book Value (PBV)* as an indicator of firm value. PBV as an indicator of a company's value that measures how much the market appreciates the company's book value or reflects investors' perception of the company's ability to create added value that benefits the company (Tarnaud & Zakriya, 2025) This research uses Price-to-Book Value (PBV) which refers to research conducted by (Latella & Veltri, 2025). The PBV formula used is:

$$PBV = \text{Market price} / \text{Book Value}$$

Ownership Concentration

In the modern corporate governance literature, ownership concentration is understood as an ownership structure where the company's shares are concentrated in a small number of shareholders and have a significant influence on decision-making. Ownership concentration is closely related to the supervisory function in the company. said that high ownership concentration is not only related to the majority of shares owned but also strengthens control over the company's decisions. said ownership Zheng (2025)Truong (2025)concentration can be measured by the proportion of shareholding and also uses the *Herfindahl–Hirschman Index* (HHI).

Conceptual framework of the research

Figure 1 below is a conceptual framework for the definition of the relationship between ESG Performance and company value with *ownership concentration* as a moderation variable. This research construct begins with the shareholder theory (Friedman, 1970), which states that firms are solely responsible for increasing shareholder wealth. However, this view is criticized by stakeholder theory (Freeman, 1984), which states that firms must care not only for owners but also for stakeholders. In this context, corporate concern for stakeholders is demonstrated through the implementation of environmental, social, and governance (ESG) practices. Higher ESG performance indicates a firm's strong concern for stakeholder interests and enhances its legitimacy and reputation among stakeholders (Amitrano et al., 2025). An improved corporate reputation provides access to cheaper funding (Wong et al., 2021), improves operational efficiency (Alkaraan et al., 2023), and ultimately increases firm value (Javed et al., 2020).

However, the relationship between ESG performance and firm value is inextricably linked to conflicts of interest, both between agents and principals and between stakeholders themselves. Short-term investors consider investing in ESG a waste of firm funds and detrimental to the firm. This differs from the perspective of long-term investors. Ownership structure can play a role in influencing the relationship between ESG performance and firm value. Ownership concentration refers to the proportion of shares held by a majority investor. Majority shareholders can create policies that can influence the relationship between ESG performance and firm value. This study was designed to examine whether ESG performance affects firm value and the moderating role of ownership concentration in this relationship.

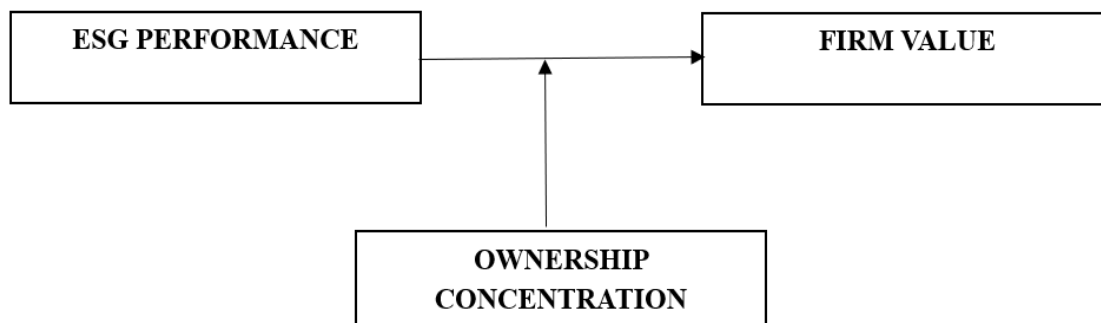


Figure 1. Conceptual framework

The relationship between ESG performance and firm Value

Based on a study *Systematic Review* shows that most of the research results show that the relationship between ESG and company value is positive, but does not deny that there are still negative and ineffectual research results. The results of the study show that ESG performance does not affect company value in 131 automotive industries around the world. However, by using the ESG dimension, the results are mixed. Furthermore, it also proves that it does not significantly affect firm value, while other studies state that ESG scores have a negative effect on firm value (da Cunha et al., 2025; Li et al., 2024)(Dincă et al., 2022)Shahrin et al. (2023)(Garcia et al., 2017). The results of this negative and insignificant study are allegedly due to a conflict of interest between management and stakeholders. This happens possible because ESG spending is not in the best interests of shareholders because ESG activities waste a company's resources, and direct cash outflows will reduce the company's profits and value.

However, based on the perspective of stakeholder theory(Freeman, 1984), companies that meet the needs of stakeholders indicated by high ESG performance will improve the company's reputation. Thus, the company should maintain good relations with all stakeholders. Companies that have high ESG performance increase expected cash flow and lower discount rates(Pedersen et al., 2021), lower corporate risk, and access to funding that will

ultimately increase. From the perspective of signaling theory (Sassen et al., 2016) (Wong et al., 2021) (Darsono et al., 2025) (Spence, 1973), high ESG performance is a positive signal for investors so that they will respond positively to the company's stock, thereby increasing the value of the company's shares. The following empirical research results have supported the view of *stakeholder theory* and *Signaling Theory*. Yu & Xiao (2022b) test the influence of ESG performance on Tobin's Q in government-owned and privately owned companies. The results of the study prove that ESG performance has a positive effect on Tobin's, but the influence is stronger on government companies than on the private sector. Furthermore, it proves that ESG performance of companies in Europe is increasingly effective and efficient so that the higher the market value of the company. Meanwhile, investing in the impact of ESG performance on the company's value in the Chinese capital market. The results of the study show that ESG performance affects the value of the company which is proxied with the value of economic value added (EVA) through technological innovation. Furthermore, examining the influence of ESG performance on Ahmed & Abu Khalaf (2025) Tan et al. (2024) Li & You (2025) *Market Value* China's A-share listed manufacturing firms from 2011 to 2023. The results of the study prove that ESG performance has a positive impact on corporate value in private companies, sectors with low pollution and less stringent environmental regulations. On the other hand, it proves that ESG performance has a positive influence on Tobin's Q, a manufacturing sector company on the Chinese stock exchange from 2009-2021. The results of the study also show that R&D provides a weakening relationship between ESG performance and company value. Based on the theoretical and empirical studies above, the hypothesis formulation of this research is: Duan et al. (2023)

H1: ESG performance has a positive effect on company value

Ownership Concentration Moderation

Experts emphasized that the relationship between companies and stakeholders is not always harmonious, but is fraught with conflicts of interest. and emphasizing that stakeholder tensions and stakeholder paradoxes are inherent conditions in modern organizations, especially when companies implement sustainability and ESG strategies. ESG practices are simultaneously aimed at meeting the demands of non-financial stakeholders, such as society, the environment, and regulators, but at the same time have the potential to generate resistance from financial stakeholders in this case shareholders, especially short-term investors who are oriented towards profitability and quick returns. Thus, ESG conceptually contains inherent conflicts of interest, not just a universal value-creation instrument. Freeman et al. (2020) Annesi et al. (2025) Although the empirical literature on ESG performance and corporate value is still dominated by the assumption of linear and harmonious relationships, the reality is that corporate value creation often involves trade-offs between stakeholders. The absence of conflict perspectives in this empirical model creates a theoretical gap, especially in the context of developing countries such as ASEAN, where stakeholder pressures are more asymmetrical and institutional capacity is relatively weaker. Therefore, the exploration of *ownership concentration* is crucial to enrich understanding of the dynamics of the relationship between ESG performance and company value.

Based on *stakeholder theory* (Freeman, 1984), ESG creates company value through legitimacy and good relationships with stakeholders. Meanwhile, according to the perspective of *agency theory* (Jensen & Meckling, 1976), *ownership concentration* (majority shareholders) has incentives and powers to increase the effectiveness of monitoring management so that ESG activities are more likely to be translated into economic value. Principal-agent problem solving allows companies to improve operational efficiency and decision execution. Ownership structures influence business activities through the perspectives of agency costs, operational costs, and management efficiency, which in turn facilitates or hinders the role of ESG performance on a company's value. In companies with a higher concentration of ownership, decision-makers are more likely to make decisions for the long-term development of the company, thereby increasing the efficiency of ESG performance against the company's value. (Liu et al., 2019) (Kong et al., 2020) Based on the theoretical and empirical studies above, the hypothesis of this research is:

H2: ownership concentration moderates the relationship between ESG performance and company value

RESEARCH METHODOLOGY

This research is causality and aims to analyze how *ESG performance* affects company value and how the role of moderation of *concentrated ownership structure* in the relationship between *ESG performance* and company value in the manufacturing industry sector in Indonesia, Malaysia, Thailand, which are members of ASEAN countries. The research data used is quantitative data sourced from "Refinitiv" and the company's financial statements. The research population is all manufacturing industry companies in the five countries from 2021-2024

which totals 128 companies. Using the purposive sampling method, 85 samples of companies were selected. The variables, definitions and measurements of variables are in table 1 below.

Table 1. Variables, Variable Definitions, Variable Measurement

Variables	Variable Definition	Variable Measurement
Dependent: Firm Value	It is an estimate of the total economic value of a business entity that reflects investors' perception of the company's success rate, which is often associated with the stock price ((Thahira & Mita, 2021)	PBV= Market price / Book value
Independent: ESG performance	It is an assessment of the extent to which a company applies the principles of sustainability and responsibility in its business operations based on three main pillars: <i>Environmental, Social, and Governance</i> (Klemetti, 2024)	ESG performance = 0 – 100 (Refinitiv)
Moderating: Ownership Concentration	It is a condition in which a large portion of a company's shares are controlled by a handful of parties, such as controlling shareholders, families, or certain institutions.(Waheed & Malik, 2019)	Total ownership above 50% (Horobet et al., 2019)
Controls: Leverage	Leverage is the use of borrowed funds (debt) to increase the potential return on investment or purchasing power of assets with smaller initial capital (Shobhwani & Lodha, 2024)	Leverage=Total debt /Total Asset
Firm Size	A scale that shows the size of a company is classified based on total assets, stock market value, sales, or total capital.	Firm Size = Log Total Assets

Analysis Method

This study uses an This study employs moderated regression analysis (MRA) using panel data regression.

. The regression equations of this study are as follows:

$$Model\ 1: FV_{it} = \beta_0 + \beta_1 ESG_{it} + \beta_2 OC_{it} + \beta_3 Controls_{it} + \epsilon_{it}$$

$$Model\ 2: FV_{it} = \beta_0 + \beta_1 ESG_{it} + \beta_2 OC_{it} + \beta_3 (ESG_{it} \times OC_{it}) + \beta_4 Controls_{it} + \epsilon_{it}$$

Description:

- FV = Firm Value by using PBV proxy
- ESG = ESG Performance from Refinitiv Elkon
- OC = *Ownership Concentration*
- ESG × OC = interaction variable (moderation)
- Controls = Leverage, Size
- i, t = firm and time

RESULTS OF RESEARCH AND DISCUSSION

Descriptive Results of Statistics

Based on the statistical results of the descriptive results in table 1 below, it shows that the minimum ESG *performance* value in the three ASEAN countries is 28.4, the maximum value is 79.3, the average ESG *performance* is 47.4 and the standard deviation is 10.2. This condition shows that the implementation of ESG in the country is quite good. Meanwhile, the minimum and maximum values of *ownership concentration* are 0.00 and 54.7 respectively with mean values and standard deviation of 47.4 and 10.2 respectively.

Table 1. Descriptive Statistics

Variables	N	Minimum	Maximum	Mean	SD
ESG Performance	340	28.4	79.3	47.4	10.2
Ownership Concentration	340	0.00	54.7	19.6	6.9

Source: Data processing results

Results of Reliability and Validity Tests

Meanwhile, the results of reliability and validity testing showed that all variables of this study met the requirements for reliability and validity limits. This is indicated by the *Cronbach alpha* value of each variable above 0.6 and the composite reliability value above 0.7. The average value of the extracted variance (AVE) also shows a number above 0.5. Thus, it can be concluded that this research variable can be used in this study. The results of the test can be seen in table 2 below.

Table 2. Reliability and Validity Test Results

Variables	Cronbach'sAlpha	RhoA	Composite Reliability	AVE
ESG Performance	0.755	0.729	0.744	0.56
Ownership Concentration	0.762	0.793	0.782	0.612

Source: Data processing results

After testing using the structural equation model, the test results in table 3 below show that hypothesis 1 and hypothesis 2 are accepted. ESG performance has a positive effect on firm value and *ownership concentration* moderates the relationship between ESG performance and firm value.

Regression Test Results

Table 3. Interaction Regression Model Results

Hypothesis	Coefficients	p Value	Conclusion
Hypothesis 1	3.57	0.04	Accepted
Hypothesis 2	0.21	0.01	Accepted

Source: Data processing results

The results of this study indicate that ESG performance has a positive and significant effect on the company's value with a coefficient of 3.57 and a p value of below 0.05. This indicates that companies in the manufacturing industry sector in the three ASEAN countries have implemented and cared about environmental, social and governance issues so as to improve the firm's reputation in the eyes of *stakeholders*. With the company's increasing reputation, it will eventually be responded positively by investors. According to stakeholder theory, companies that have good relations with stakeholders will easily get access to funding, low capital costs, access, reduce the risk of *stock crash risk*, and increase investment. (Omura et al., 2021)The results of this study support the research conducted by . However, the results of this study are contrary to (Singh et al., 2022; W. Wu et al., 2025)(De Lucia et al., 2020; Narula et al., 2024).

Meanwhile, the results of the study also show that *Ownership Concentration* strengthen the relationship between ESG Performance and the value of manufacturing sector companies in the three ASEAN countries. This condition illustrates that *ownership concentration* plays a very important role in decision-making and the results of these decisions so that it causes a positive perception from stakeholders. If stakeholders have a positive perception of the company, it will have a positive impact on the firm value. The results of this study are in line with the research conducted by (Rastogi et al., 2024; S. Wu et al., 2022).

Table 4. Variable Control Results

Variable Control	Coefficients	p Value	Conclusion
Size	0.69	0.01	Accepted
Leverage	0.48	0.03	Accepted

Source: Data processing results

The results showed that the size and leverage control variables were positive and significant because the positive coefficient value and p value < 0.05. This condition illustrates that the size of the company makes a significant contribution to stakeholders in efforts to improve ESG Performance company so that the value of the company increases. The same is true for leverage, where increased leverage will contribute to increased ESG

Performance which ultimately contributes to the value of the company. However, if the debt level is optimal, leverage will not contribute to increasing the value of the company.

CONCLUSIONS AND SUGGESTIONS

This study aims to examine whether ESG performance affects firm value. In addition, this study also analyzes the role of moderation from ownership concentration in the relationship between ESG performance affects firm value in ASEAN countries. After conducting statistical testing, the results prove that ESG performance has a positive effect on firm value. In addition, the results of the study also prove that ownership concentration strengthens the relationship between ESG performance and the effect on firm value. The implications of the results of this study add to the discourse in theoretical studies and provide benefits to companies to make policies that can increase firm value and provide information to investors in investing in the firm. The limitations of this study are the vulnerability of the research time that is not too long and the population used only is the manufacturing industry sector. Suggestions for future research should extend the research time and add the number of companies and other relevant variables.

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