The slide features a white background with several decorative elements. On the left side, there are four green shapes: a large semi-circle at the top, a smaller circle below it, a teardrop shape at the bottom left, and another teardrop shape at the bottom center. These shapes contain or are adjacent to aerial photographs of green agricultural fields with distinct rows of crops. In the top right corner, the text 'SEC Capital Market Regional Seminar 2022' and 'July 1st, 2022' is displayed in a dark blue font.

SEC Capital Market Regional Seminar 2022
July 1st, 2022

The Impact of Environmental, Social and Governance (ESG) Score on Corporate Outcomes of Listed Companies from the IMT-GT

Asst.Prof.Dr.Trairong Swatdikun, Walailak University

Dr.Rotcharin Kulsrisorn, Mahasarakham University

Asst.Prof.Dr.Muttanchai Suttipun, Prince of Songkla University

Introduction

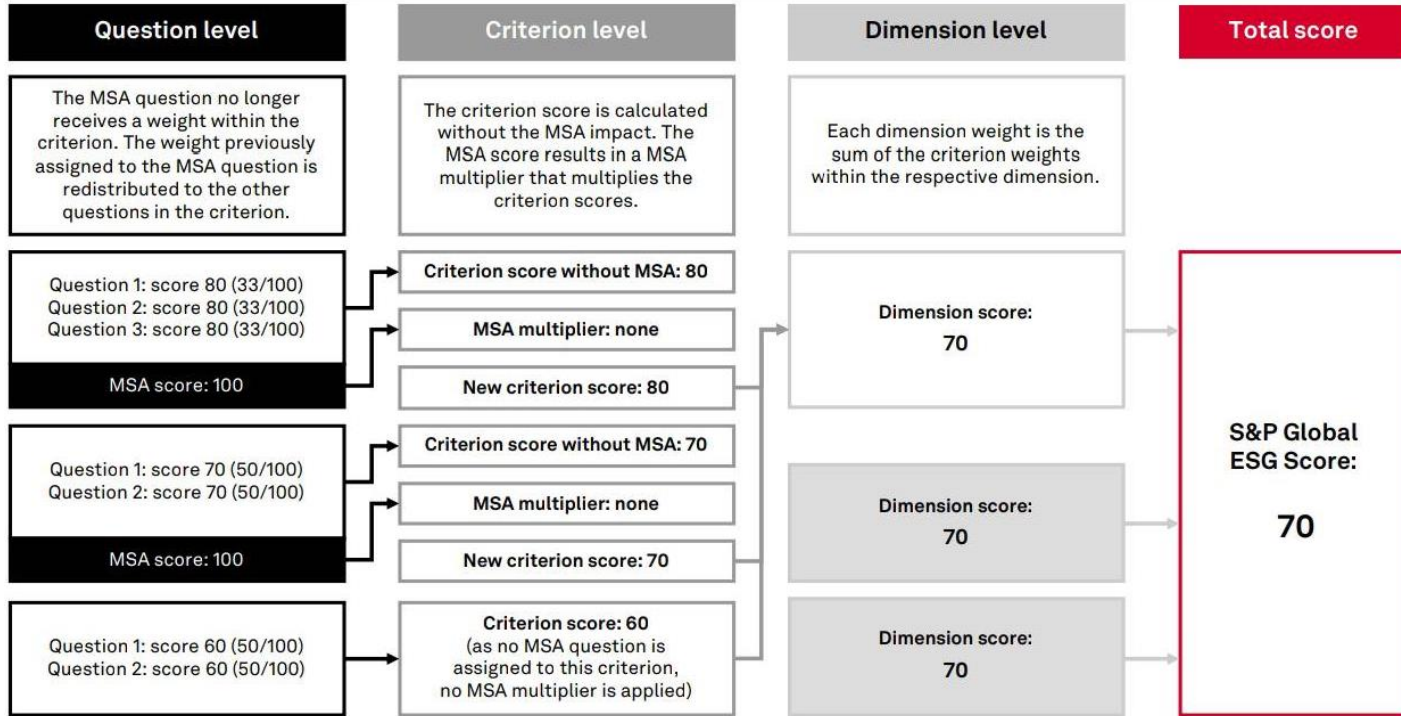
Environmental and social issues such as pollution, global warming, illegal labor, child labor, society and community problems, corporate ethical problems, and corruption are linked by corporate actions and activities.





“ There are currently several and various ESG performance indexes such as the Eikon of Thomson Reuter Asset4, the Dow Jones Sustainability Index, the FTSE4Good Index, the Morgan Stanley Capital International ESG Indices, and ESG Performance Indices of S&P Capital IQ and Capital IQ Pro. One of the most common ESG performance indexes is S&P Capital IQ and Capital IQ Pro.

S&P Capital IQ



Source: S&P Global



Research gap

- Although there are some studies on ESG disclosure in Thailand (Suttipun, 2021), no study investigates the ESG performance of listed companies in Thailand.
- The listed companies in Thailand are mostly family-owned businesses with high family ownership concentration that can weaken a firm's corporate governance principles.
- The sample of this study includes not only large multinational firms but also small and medium firms that bring to the forefront a greater variety of firms being investigated.
- The average ESG disclosure in Thailand is relatively low as compared to that of European countries.

Research questions

- (1) What is the level and pattern of the ESG scores of listed companies in the IMT-GT during 2013 to 2020?
- (2) Is there an impact of ESG scores on corporate outcomes in the IMT-GT?"



Literature review



The stakeholder–agency theory

Hill and Jones (1992) built on assumptions of market processes that are sustainably different from the underlying financial version of the agency theory. It assumes that each stakeholder is a part of implicit and explicit contracts that can contribute to a corporation.

However, top management is the only group of stakeholders who can enter into a contractual relationship with all other stakeholder groups. The main purpose of both relationships is to pay attention to divergent interests. Moreover, both relationships are policed by governance structure.



Hypothesis development

H1: ESG score has positive impact on financial performance



Research methods

Population and sample:

the population and sample of this study was comprised of all listed companies that S&P Global ESG score has made available within the IMT-GT. The periods of study were 2013-2020

Country	Number of firms	Number of Observations	Percentage (%)
Indonesia	75	297	28.61
Malaysia	91	357	34.39
Thailand	100	384	37.00
Total	266	1,038	100

Research model



$$\text{ROA} = \beta_0 + \beta_1\text{ESG} + \beta_2\text{DE} + \beta_3\ln_TA + \beta_4\text{Growth} + \beta_5\text{INDUSF} + \beta_6\text{COUNF} + \beta_7\text{YF} + \varepsilon$$

Variable	Notation	Measurement
Corporate outcome	ROA	Return on asset ratio (ROA)
ESG score	ESG	S&P Capital IQ Pro
Risk	DE	Debt to equities ratio
Firm size	ln_TA	Natural logarithm of total assets
Growth Rate	Growth	$(\text{Revenues}_t - \text{Revenues}_{t-1}) / \text{Revenues}_{t-1}$
Industry	INDUSF	Industry fixed effect
Country	COUNF	Country fixed effect
Year	YF	Year fixed effect

Data collection and data analysis



- ESG score, corporate outcomes, and corporate characteristics were retrieved from S&P Capital IQ and Capital IQ Pro.
- descriptive analysis
- Correlation matrix
- pooled cross-sectional data analysis



A world map with a light blue background and dark blue landmasses. Five white location pins are placed on the map: one in North America, one in South America, one in Africa, one in Asia, and one in Australia. The text "Research Finding" is overlaid in the center in a large, bold, black font.

Research Finding

Research finding



	Mean	SD	Min	Max
Panel A: Indonesia				
ROA	7.632	7.920	-16.392	41.100
ESG	20.984	10.389	2.000	50.000
DE	0.762	1.429	0.000	12.338
In_TA	21.948	1.427	17.570	25.410
Growth	6.318	21.680	-0.994	342.570
Panel B: Malaysia				
ROA	5.312	7.369	-40.660	62.121
ESG	25.032	10.858	1.000	69.000
DE	0.741	0.933	0.000	7.801
In_TA	22.076	1.614	17.459	26.086
Growth	3.202	8.719	-0.994	85.495
Panel C: Thailand				
ROA	4.561	4.764	-10.232	36.426
ESG	40.698	29.553	1.000	92.000
DE	0.918	0.980	0.000	12.477
In_TA	22.078	1.525	17.400	25.570
Growth	6.448	18.336	-0.987	118.236

Pearson correlation

Variables	(1)	(2)	(3)	(4)	(5)
(1) ROA	1.000				
(2) ESG	-0.086*	1.000			
	(0.005)				
(3) DE	-0.127*	-0.006	1.000		
	(0.000)	(0.851)			
(4) <u>ln_TA</u>	-0.439*	0.449*	0.027	1.000	
	(0.000)	(0.000)	(0.385)		
(5) Growth	0.049	0.245*	0.000	0.207*	1.000
	(0.107)	(0.000)	(0.991)	(0.000)	

* shows significance at the 0.05 level

Multiple regression

VARIABLES	Model A ROA	Model B ROE
ESG	0.053*** (5.646)	0.143*** (4.142)
DE	-0.564*** (-3.170)	1.934*** (2.984)
<u>ln_TA</u>	-2.262*** (-17.912)	-4.789*** (-10.408)
Growth	0.158*** (3.841)	0.351** (2.333)
Constant	55.372*** (18.564)	112.777*** (10.375)
The Highest VIF	1.89	1.89
Industry Dummies	Yes	Yes
Country Dummies	Yes	Yes
Year Dummies	Yes	Yes
Observations	1,038	1,038
Adjusted R-squared	0.355	0.211
Prob >F	0.000	0.000

Implications

- First, the results can function as a guide for companies to pay attention to ESG score because the ESG score can benefit better corporate financial performance.
- Second, the study's supports the stakeholder-agency theory can be used to explain 1) the relationship between ESG score and corporate financial performance, 2) corporate stakeholders have a right to be responded to by corporate's actions and activities, and 3) the benefit of corporate responsibility that enhances greater reputation and loyalty as well as better financial performance and value.
- Finally, the study's results also demonstrate guidelines the IMT-GT's regulation setters thus providing benefit to the corporations and their stakeholders.

Limitations



- This study did not collect ESG disclosure of all companies listed in Thailand, Malaysia, and Indonesia. there were only 266 listed companies used in this study, while over 2,000 firms listed were in the IMT-GT. Therefore, to finalize the limitations of this study.
- This study focused on ESG scores in the main capital markets in three countries where they also have an alternative market such as Thailand's Market for Alternative Investment .

Q&A



•◉ Trairong.sw@mail.wu.ac.th