Independent study title	THE IMPACT OF ESG ON FINANCIAL PERFORMANCE IN ASEAN-5 COUNTRIES
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ABSTRACT

In Southeast Asian markets, where ESG adoption is still uneven and capital market integration of sustainability information is also developmentally evolving, whether the corporate sustainability engagement brings tangible financial returns is an important question. This study aims to examine the relationship between listed firms' sustainability engagement using the ESG scores and financial performance in ASEAN-5 (Thailand, Singapore, Malaysia, Indonesia, and the Philippines) across the period of 2016–2025 using an unbalanced panel of 181 companies and 1,473 firm-year observations at 2nd and 98th percentile winsorization for continuous variables and Driscoll-Kraay (1998) standard errors for heteroscedasticity, autocorrelation, and cross-sectional dependence applied to panel regressions at fixed-effects level estimates.

Three hypotheses were examined. Overall ESG performance is a significant driver of both Return on Assets ($\beta = 0.000257$, $p = 0.025$) and Return on Capital Employed ($\beta = 0.000646$, $p = 0.002$). The ROCE finding is especially robust, holding its statistical ground across all four standard error specifications, including the strictest Driscoll-Kraay corrections. Tobin's Q shows no significant association, suggesting that ESG generates accounting efficiency gains rather than a market valuation premium in this context. For Hypothesis 2, the ESG interaction terms with both the crisis and recovery period dummies are statistically insignificant across all performance measures, failing to support the insurance effect hypothesis. This null result likely reflects the narrow ESG distribution among long-track reporters in the sample, which limits the cross-sectional variation required to detect a differential response during the pandemic period. When the aggregate score is broken down into its components, the data challenge many standard emerging market assumptions. The Governance pillar was consistently insignificant across all the dependent variables. While the Social pillar emerges as the primary performance driver, achieving significance for ROCE ($\beta = 0.000426$, $p = 0.025$) and marginal significance for ROA, it aligns with the Stakeholder Theory in labor-intensive ASEAN economies, where human capital management and community engagement generate the most direct operational returns.

These findings signify that ESG engagement in Southeast Asia is not accounting value-neutral, but only in terms of capital efficiency and is primarily Social driven relative to Governance and Environmental.

Keywords: ESG Performance, Financial Performance, ASEAN, Fixed Effects, Social Pillar, Panel Data