



ESG, Firm Value, and Life Cycle: Evidences from South East Asia

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ABSTRACT

This study investigates the impact of ESG performance on future firm value, considering the company's phase in the life cycle. The sample consists of non-financial companies listed in five Southeast Asian (SEA) countries. Data were collected from the Refinitiv Eikon Database, with samples determined using a purposive sampling technique. The study covers the period from 2013 to 2022, resulting in 1,080 firm-year observations. Using multiple regression analysis, the study finds that ESG performance is related to the next year's firm value in SEA companies. ESG performance impacts firm value only when the company is in the mature stage, while mixed relationships were observed when individual ESG dimensions were tested. These findings support the notion that the effects of ESG-related performance may not be immediately reflected in the current year's firm value but rather in the future.

ESG, Nilai Perusahaan, dan Siklus Hidup: Bukti Empiris dari Asia Tenggara

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ABSTRAK

Penelitian ini menguji dampak kinerja ESG terhadap nilai perusahaan di masa depan dengan mempertimbangkan fase siklus hidup perusahaan. Sampel terdiri dari perusahaan non-keuangan yang terdaftar di lima negara Asia Tenggara. Data dikumpulkan dari Refinitiv Eikon Database dengan sampel ditentukan menggunakan teknik purposive sampling. Penelitian ini mencakup periode dari tahun 2013 hingga 2022, menghasilkan 1.080 observasi firm-year. Dengan menggunakan analisis regresi berganda, penelitian ini menemukan bahwa kinerja ESG berkaitan dengan nilai perusahaan pada tahun berikutnya di perusahaan-perusahaan Asia Tenggara. Kinerja ESG hanya memengaruhi nilai perusahaan jika perusahaan berada pada tahap matang, sementara hubungan yang beragam ditemukan ketika masing-masing dimensi ESG diuji secara terpisah. Temuan ini mendukung gagasan bahwa dampak kinerja terkait ESG mungkin tidak langsung tercermin pada nilai perusahaan tahun berjalan, melainkan pada masa depan.

1. Introduction

CSR- and ESG-related topics have been discussed and studied over the last few decades. Previous studies have investigated the relationship between a firm's CSR-related activity or performance and its performance or value. Bhatnagar et al. (2023) studied the impact of CSR expenditure and the business responsibility report (BRR) on a company's financial performance in India. They found that the linearity of the relationship between CSR expenditure and firm

performance is not supported, but BRR shows a positive relationship with firm performance.

Studies in different countries have found a positive relationship between CSR performance, activity, and firm performance. Supports are found in India (Garg & Gupta, 2021; Fahad & Busru, 2021), Taiwan (Kuo & Lee, 2022), China (Zhang & Su, 2023); Canada (Zeng, 2020), UK (Elmaghrabi, 2021); and the rest of the world (Uyar et al., 2022).

However, other studies also find no support for the same relationship. Using the Indonesian context, Widiastuty and Soewarno (2019) conclude that CSR

expenditure is unrelated to performance. Nuber et al. (2019), using German data, did not find a linear relationship between sustainability and financial performance. Similar conclusions were reported by (Bhattacharyya et al., 2019) and (Lys et al., 2015).

Recent developments have shifted the perspective to a wider view, that is, ESG and firm performance. Previous studies have supported the idea of a relationship between ESG performance (ESGP) and financial performance. For example, using content analysis, Huang (2021) concludes that there is a positive and statistically significant association between ESGP and firm financial performance. However, he suggested that one or more factors may need to be considered because of the modest economic relationship between ESGP and performance. He posits that a firm's ESGP may be related to its internal conditions. Factors such as strategy and priorities may determine ESG performance.

Friede et al. (2015) investigated 2,200 papers on ESG and financial effects. They found that 90% of the studies showed non-negative ESG and financial performance, while most of them found a positive association. Therefore, they conclude that the relationship between ESG and firm performance is supported. This view is supported by the world's top executives R. Li (2022) who believe that ESG performance or activity can increase firm performance.

Empirical evidences are also provided by studies that investigate this relationship. Aydoğmuş Et Al. (2022) findings suggest that ESG combined score is positively related to firm value. They also found a positive association between both ESG combined scores and individual components of ESG with firm profitability. Therefore, they posit that investing in companies with high ESG scores provides better financial returns to investors. Wong et al. (2021) find that ESG certification decreases capital costs and increases the firm's value for Malaysian companies. Ademi and Klungseth (2022) studied the US context. They find that ESG performance relates to both the firm performance

and firm value of S&P 500 companies. Yu et al. (2018) provided more convincing evidence by studying 47 developed and emerging countries. They suggest that the benefit from ESG disclosure is higher than its cost, and that greater disclosure of ESG relates to higher valuation measures.

However, some studies have found otherwise. Bruna et al. (2022) tested the relationship between ESG and financial performance. They employed a time-lagged panel regression model and found support for the nonlinearity of the relationship. This nonlinearity is assumed to be caused by factors related to the firm size. Their conclusion is similar to that of Danso et al. (2020). Danso et al. (2020) identified that a firm's environmental sustainability orientation and competitive intensity play a role in the relationship between stakeholder integration and financial performance.

Based on Bruna and al. (2022), Gao et al. (2023) study's consider the company position in its life cycle as the threshold. When testing the association between ESG and firm performance in China setting, they put the company stage in the life cycle in to the equation. Their findings imply that at the maturity and decline stages, environmental uncertainty moderates and reduces the relationship between ESG and firm performance. Moreover, their result show that ESG performance can significantly improve corporate performance at all life cycle stages, especially when the corporate is in the growth stage. Therefore, we may conclude that firm's life cycle may be a factor in the relationship between ESG and firm performance.

Our study extends Gao et al. (2023) by investigating companies in the South East Asian (SEA) countries. Gao et al. (2023) only samples are firms in China. The SEA region is important to study since the ESG practices is still in its early stage (Vincentiis, 2022) and starting to play important role (Alsayegh et al., 2020), but with a limited number of studies on ESG topic (Saleh, 2023) in this region. Moreover, we also consider the non-direct effect of environmental to financial performance as in Lys et

al. (2015) because the effect of ESG-related activity may not be evidenced in short-term.

Our research is different from Hendratama & Huang (2021) who studied the role of firm life cycle in the relationship between CSR and firm value. Instead of CSR, we use ESG which has wider concept than CSR and directly has incorporated corporate governance into the variable (Gillan et al., 2021; Niu et al., 2022).

We propose two contributions. First, we provide empirical evidence about the role of firm life cycle in the relationship between ESG and firm value. So far, no research has been focused on this issue in SEA. Second, stakeholders urge to invest in companies that have long-term sustainability. Therefore, the disclosure of non-financial information has come into their attention. We posit that ESG performance has a positive effect on the future firm value. There are a bulk of evidence that support this view and we follow Lys et al. (2015) that ESG activity impact future performance.

Second, we argue that the relationship between ESG performance and firm value are different according to the stage of the life cycle a firm is at. It means the relationship between ESG performance and firm value of a mature firm will be different from firm that is in growth stage, or in introduction, or shake-out (decline) stages.

2. Theoretical Framework and hypotheses development

ESG and firm value

The concept of ESG was first introduced in the UN Principles for Responsible Investment report as a recommendation for investors to make decisions based on a company's ESG score (Yoon et al., 2018). This logic is based on the idea that companies that socially and environmentally responsible will be more sustainable and it is the characteristic seeks preferred by investors. Furthermore, they explained that in practice, management consultants and investors use ESG scores as the main metric to understand a company's CSR performance. It means that ESG indicators can be used to evaluate company

management, and investors can also use them to review a company's non-financial performance. This non-financial performance is actually not available in accounting data. ESG scores can be used as a reference to assess a company's performance. They propose that such performance can be the reputation, commitment to environmental issues, the fulfilment of rights of employees, customers, and corporate management.

Moreover, the stakeholder theory was developed to function as a managerial tool (Freeman, 2010). According to this theory, in addition to achieving the company's goals, the company must also consider the well-being of other stakeholders. Companies that have good relationships with stakeholders are very important for managers to increase the company's value (Melinda & Wardhani, 2020). Moreover, when the companies have good relationships and practice social and environmental responsibility disclosure, they can obtain and retain excellent human resources (Turban & Greening, 1997). This, in turn, will have impact on employee motivation and driving sales growth. Therefore, if a company has a good image with its stakeholders, disclosing social responsibility will help maintain the company's value.

Several studies have explored the relationship between every aspect, namely the environment, social, and governance, on corporate value. Yoon et al. (2018) in South Korea and Li et al. (2018) in the UK found that environmental performance has a significant positive impact on corporate value measured by Tobin's Q. Miralles-Quirós et al. (2019) found that disclosure in environmental and governance dimensions has an impact on increasing corporate value. Bajic & Yurtoglu (2018) argue that the social dimension always predicts higher corporate value, so companies should respond to CSR demands better and investors should focus on the social dimension of corporate social responsibility. Melinda & Wardhani (2020), Hendratama & Huang (2021), and Aboud & Diab (2018) found a significant positive influence of governance performance on corporate value. Velte

(2017) also concluded that governance performance has the strongest impact on influencing corporate value compared to the other two ESG performances. Based on stakeholder theory, as well as findings from previous research, implicitly explain that the social and environmental responsibility performance

conducted by companies has a positive impact on corporate value. Since ESG score are consisted of environmental, social, and corporate governance aspects, we offer three hypotheses to examine each aspect effects on the firm's value.

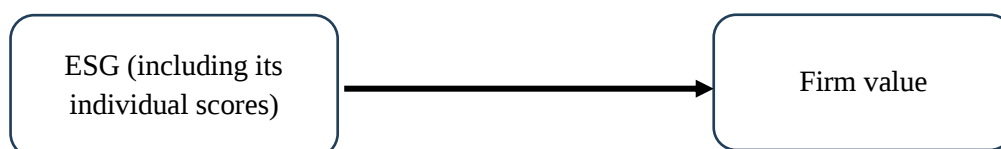


Figure 1. Conceptual framework

Hypotheses development

The impact of ESG on firm value has been a hot topic, discussed in previous studies: e.g Eng et al. (2021) in the US context, Liu et al. (2023) in China; Feng (2021) based on real estate investment trust around the globe; and Yu et al. (2018) using emerging and developed countries. All of them find the same conclusion that ESG does have impact on firm value.

Clément et al., (2023) assert that companies have to demonstrate that they are performing better on the environmental and social fronts as well as in governance. Therefore, the ESG performance score comprises of these three pillars: economic, social, and governance. This score, including the individual pillar scores, is constructed to accommodate the financial world's need to assess companies against these three criteria. Therefore, since it was initially build for financial purposes, researchers argue that ESG performance is related to the financial performance, but considers stakeholders expectation (Clément et al., 2023). Bayoud et al. (2012) assert that a high level of CSR disclosure is strongly correlated with corporate reputation for stakeholder group. This position supports the stakeholder theory or stakeholder approach. Following this line of thinking, we predict that higher ESG performance relates to higher firm's value. Moreover, we also predict that individual pillar also has a positif impact of the firm's value. The hypotheses are stated below.

H1: ESG performance has a positive impact on the firm's value.

H1a: Environmental performance has a positive impact on the firms' value.

H1b: Social performance has a positive impact on the firms' value.

H1c: Corporate governance performance has a positive impact on the firms' value.

However, the relationship is negative in the short run (Behl et al., 2021). As Behl et al. (2021) put, the relationship is only valid in the long run. Moreover Velte's (2017) research suggests that ESG has impact on ROA, but not on Tobin's Q. He also finds that only governance pillar that relates to the firm value, while the other two pillar do not show significant result. Wu & Chang (2022) study the possibility of nonlinearity of ESG and firm value relationship. They conclude that the relationship is concave-convex. The relationships are also nonlinear between individual environmental and social pillars with firm value, but they find no effect of governance on firm value. This latter result contradict with Velte (2017), who states that ESG performance and its pillar do not have impact on firm value. The contradictory results indicate that there must be other factor that influence the firm value or may be involved in such relationship.

Based on the organizational life cycle model, Miller & Friesen (1984) explain that a company has it different structure, strategy, and decision making

style in each stage of its development. Phelps et al. (2007) assert that companies exploit external knowledge. However, their ability to absorb this new knowledge are unequal. Therefore, their response to external factors that come into play will also be different. For example, O'Connor & Byrne (2015) study the characteristics of corporate governance of firms in different life cycle. They take samples from 21 emerging countries and conclude that mature firms tend to practice better corporate governance. Younger firms are more transparent and accountable than others. They conclude that firm needs strategy and control functions, but the functions must fit with its life cycle stage.

Another example is from Kallunki & Silvola (2008). They investigated whether the use of activity-based costing (ABC) is different among companies in different stage of life cycle. Because of the intense competition among companies in mature and revival stages than in other stages, the use of ABC is easily found in those companies. Moreover, they assert that bigger companies need more sophisticated management accounting system because it fits their need. In line with this, Choi et al. (2016) indicate that company needs to build strategy that fits into its life stage. They conclude that growth firms are more likely to apply strategy to meet or beat earnings benchmark strategy.

There are more studies that support the notion that firm's life cycle plays a role on the relationship between firm's strategy and performance. Arena & Michelon (2018) study the impact of environmental reporting decisions with family firms' life cycle. Kang et al. (2019) relate the life cycle with company's investments strategy. Wang et al. (2020) study the role of working capital management and strategy in a different stages of life cycle to attain sustainable performance. More recent one, Atif, Liu, et al. (2022) support the hypothesis that the relationship between ESG and cash holding is subject to the life cycle stage of the company. Specifically, they documented that ESG and cash holding has a negative relationship in the introduction, growth, and shake-out/decline stages. This lower cash holding is related to higher performance. Therefore, our second hypothesis is as follows.

H2: The relationship between ESG and firm value varies across firm's life cycle stages.

3. Research method

Samples are taken from public companies in five SEA countries, i.e. Indonesia, Malaysia, Singapore, Thailand, and Philippine. Those samples are from 2013-2022 and chosen using purposive method.

Table 1. Sampling procedure

Procedure	Number
1. Non-financial firms in the SEA that are listed in each market, from 2013-2022.	3,191
2. Non-financial firms that do not have Thomson Reuters Eikon and do not publish annual reports in all the year 2013 to 2022.	(1,877)
3. Reduced samples to test the next year performance	(234)
Final samples	1,080

Variable operational definition

Firm value

The dependent variable is firm value and we use Tobin's Q to measure it. Tobin's Q is measured by

market value of equity and liability divided by replacement cost of firm's asset. The equation to measure Tobin's Q is as follows.

$$Tobin's\ Q = \frac{Total\ market\ value + Total\ book\ value\ of\ liabilities}{Total\ book\ value\ of\ asset} \dots\dots\dots (1)$$

ESG performance

ESG performance is measured by ESG score published by Refenitiv Eikon. The database is provided by Thomson Reuters. The ESG score released is a combined score of environmental, social, and governance individual scores.

Life cycle

Habib et al. (2017) and Chang & Ma (2019) classify firm life cycle into four stages, i.e.

Table 2. Life cycle stages classification

Life cycle stage	OCF	INVCF	FINCF
Introduction	Negative	Negative	Positive
Growth	Positive	Negative	Positive
Mature	Positive	Negative	Negative
Decline	Negative	Positive	Zero or positive or negative

The introduction stage is coded as 1, growth 2, mature is 3, while the decline stage is coded 0.

Statistical testing

We test the relationship by regressing firm value with ESG score. We then divided ESG into three

components: environment, social, and governance before regress them with firm value. The equations are as follows.

$$Q_{i,t+1} = \alpha + \beta_1 ESG_{i,t} + \beta_2 ROA_{i,t} + \beta_3 Size_{i,t} + \beta_4 Age_{i,t} + \beta_5 Lev_{i,t} + \varepsilon \dots\dots\dots(2)$$

$$Q_{i,t+1} = \mu + \delta_1 Env_{i,t} + \delta_2 Soc_{i,t} + \delta_3 Gov_{i,t} + \delta_4 ROA_{i,t} + \delta_5 Size_{i,t} + \delta_6 Age_{i,t} + \delta_5 Lev_{i,t} + \varepsilon \dots(3)$$

Where:

$Q_{i,t+1}$ = firm's value, measured by Tobin's Q of firm i in year t+1;

$ESG_{i,t}$ = ESG score of firm i in year t;

$Env_{i,t}$ = environmental score of firm i in year t;

$Soc_{i,t}$ = social score of firm i in year t;

$Gov_{i,t}$ = governance score of firm i in year t;

$ROA_{i,t}$ = firm's profitability, measured by return on asset of firm i in year t;

$Size_{i,t}$ = firms' size, measured by log of i firm's asset in year t;

$Age_{i,t}$ = firm's age, measured by years of operation since establishment;

$Lev_{i,t}$ = firm's leverage.

The conjecture that ESG relates to firm value is based on positive and statistically significant of β_1 coefficient form equation 1. Four control variables

are included to control the fundamental differences of samples. The second equation is to test the individual components of ESG. We expect that δ_1 to δ_3 to be positive and statistically significant.

4. Results and discussion

Table 3 provides the descriptive statistics of all variables of 1.080 data across five SEA countries. The lowest firm value was 0.365, whereas the highest was 11.549. The mean value was approximately 1.58181. The results indicate that, on average, the sampled firm's value is high because the mean is above 1.0, or the market value is higher than its book value.

The ESG score dispersion was wide because the lowest score was 3.876, while the highest score was 90.333. Similar patterns were observed when the scores were measured individually.

Tabel 3. Descriptive statistics

	N	Minimum	Maximum	Mean	Std. Deviation
Tobin's Q	1,080	0.365	11.549	1.58181	1.422215
ESG Score	1,080	3.876	90.333	48.66808	20.035936
Env Score	1,080	0.000	96.757	43.03664	25.078003
Soc Score	1,080	0.053	97.127	51.86745	24.075171
Gov Score	1,080	0.451	97.600	49.40874	22.768720
Age	1,080	0.000	123.000	34.77963	21.376010
DAR	1,080	0.022	1.898	0,50213	0.209757
Firm size	1,080	19.101	25.298	22.37701	1.116340
ROA	1,080	-0.675	0.754	0.05514	0.085825
Valid N (listwise)	1,080				

The highest environmental, social, and governance scores were more than 90, while the lowest scores were zero. The highest ESG score is from the Thailand firm and the lowest is from Singapore. Moreover, the lowest environmental scores were found in all five SEA countries, but the

highest were from Thailand. Interestingly, Singaporean companies have the lowest social and governance scores among all samples. These statistics imply that ESG practices in the five sampled countries are not equal, either among countries or firms in the country.

Table 4. Statistical test results

Model 1			Model 2			
Variable	Coef.	Sig.	Conclusion	Coef.	Sig	Conclusion
Constant	7.157	0.000	Positive and significant	7.267		
ESG Score	0.006	0.002				
ENV Score				-0.001	0.682	Insignificant
SOC Score				0.009	0.000	Positive and significant
GOV Score				-0.005	0.006	Negative and significant
Age	0.004	0.014	Positive and significant	0.004	0.012	Positive and significant
Leverage	1.404	0.000	Positive and significant	1.441	0.000	Positive and significant
Firm size	-0.317	0.000	Negative and significant	-0.319	0.000	Negative and significant
ROA	7.433	0.000	Positive and significant	7.464	0.000	Positive and significant
N	1314			1314		
F		0.000			0.000	
Adj R2		0.343			0.352	

Model 1 is based on Equation 2, whereas Model 2 is based on Equation 3. ESG score has a positive coefficient and is statistically significantly related to the next year's firm value. This result implies that ESG performance is valued in the market. We posit

that the market will recognize the effect of such ESG activities in the future. This conjecture is supported by data on corporations in SEA countries.

Our control variables in Model 1 all show a statistically significant relationship with firm value

but with different signs. The older the firm, the higher is its value. This means that a firm needs to build its reputation to gain more value. The same is true for profitability, because the more profitable the firm, the higher the value. Leverage is a proxy for institutional controls other than equity holders. A positive sign implies that the market positively values control from other stakeholders.

The second model divides the ESG score into individual scores. Among the three pillars, the two pillars show statistically significant coefficients but with different signs. The social pillar shows a positive and statistically significant correlation with firm value, while the governance pillar shows an otherwise. Social activity is positively correlated with firm value. This pillar includes consumers, employees, and investors' perceptions of the company. Issues such as intention to buy, company brand, workplace conditions, environmental aspects of investing, ethics, and other factors build the social pillar.¹ Therefore, as Paradis and Schiehl (2021) put it, social pillars have become more valuable to the market. Budsaratragoon & Jitmaneeeroj (2021) assert that social factor is the most important driver of corporate sustainability and, therefore, must be given more attention than other factors in practice of sustainability.

However, the negative and statistically significant correlation between governance score

and firm value is not unanticipated. The practice of corporate governance has a positive impact on firm value, as documented in several studies, such as Aggarwal et al. (2010); Bozec & Dia (2014); Cheng & Wu (2006), among others. All of them concluded that the relationship is rigid in developed countries. Cornelius (2005) and Lattemann (2014) argue that although some emerging markets have made important progress in upgrading their corporate governance practices, some factors, such as cultural and historical backgrounds, continue to play their roles. Peters et al. (2011) posit that no global corporate governance system exists.

This insignificant environmental pillar was quite surprising. In addition to correlating the ESG pillars with the next year's firm value, we test them with the current year's value. The result, which is untabulated, also shows the same conclusion that the environmental pillar does not relate to the current year's value.

We believe that Lys et al. (2015) must be correct that the relationship of environmental activity may not be reflected in the short term, or it is just for the sake of charity. Another interesting explanation can be found in the Clément et al. (2023). They posit that ESG scores are based on voluntary disclosure and that not all ESG pillars have the same effect on the overall score.

Table 5. Test results of firm's life cycle

Variabel	Beginning		Growth		Mature		Shake-out/Decline	
	Coef.	Sig.	Coef.	Sig.	Coef.	Sig.	Coef.	Sig.
Constant	1.899	0.124	6.536	0.000	6.139	0.000	5.826	0.010
ESG_Score	0.000	0.892	0.001	0.540	0.007	0.010**	0.012	0.031**
Age	0.008	0.007***	-0.002	0.263	0.005	0.020**	0.000	0.970
Leverage	1.454	0.000***	1.158	0.000***	1.477	0.000***	0.572	0.094
Firm size	-0.092	0.104	-0.270	0.000***	-0.284	0.000***	-0.239	0.021***
ROA	1.357	0.032**	6.606	0.000***	10.315	0.000***	1.753	0.039**
N	56		285		631		108	

, *Signification at 5%, and 10% levels

We tested the relationship between ESG and firm value at each stage of a firm's life cycle. The

numbers of samples at each stage were not equal. More companies are in their mature stages than in

¹ <https://www.perillon.com/blog/what-is-the-s-in-esg>

other stages. The lowest number of samples was obtained from the beginning stage.

The tests show that ESG scores are related to firm value in two groups: mature and shake out. However, the coefficient was not statistically significant for the other two groups. Our results differ from those of Gao et al. (2023), who find that ESG relates to firm value in all subsamples of the firm life cycle. Firms in the mature stage focus on profitability and maintain profitability for the declining firms. They may pay more attention to broader shareholders than they do to the other two groups. On the other hand, beginning and growth firms care about cost management and cost efficiency. They may apply the capital budgeting principle in the first place before deciding on any investment. In general, the control variables indicate the same conclusions as the combined samples presented in Table 4.

5. Conclusions

Our findings support previous findings on the association between ESG and firm value. Specifically, we relate ESG to the future firm value. Y. Li et al. (2018) provide evidence that disclosure level of ESG relate positively with firm value. They posit that better transparency and accountability, and increased stakeholder trust, help companies increase their value. More recent studies, such as those by Velte (2019), Ademi & Klungseth (2022), and Atif et al. (2022), Chen et al. (2023) also provide supports to the relationship between ESG performance and firm value. This conclusion supports the conjecture that a more transparent disclosure is essential in SEA countries. As most companies in SEA are family owned corporations (Claessens et al., 2000), stakeholders value more publicly emanating information. Shaikh (2022) found that GRI and non-GRI firms differ in their performance, implying that investors also appreciate more disclosure. Therefore, we conclude that our finding is in line with Preston & O'Bannon (1997) once put.

Our life cycle test suggests that ESG activity is not equal at every stage of the life cycle. The implementation of ESG consumes a company's

resources and the available funds are not equal among firms. Preston & O'Bannon (1997) call this the funding hypothesis because it is the financial performance that leads social performance. Company that is in beginning or growth stages will perform socially as the company becomes more profitable. As it grows bigger, it will be more open to the stakeholder and perform environmental-related activity. Lys et al. (2015) and Widiastuty & Soewarno (2019) call this is as signaling motive of company.

Our measure of ESG is based on the score released by Thomson Reuters Eikon. Sahin et al. (2022) promoted a new pillar other than the environmental, social, and governance pillars that have been known. They call it as "missing" pillar, a pillar that contains the information that has not been provided in the ESG universe. The idea behind this missing (M) pillar is that the relationship between ESG and firm value may be contingent on other information. Therefore, our results, both in the first and second models, may suffer from the "fitness" of the ESG score that we use with the firm value. Gao et al., (2023), for example, use Huazheng ESG rating index to measure ESG performance. Therefore, future studies should consider the source of ESG scores.

Another limitation was the availability of data. The need for a more comprehensive ESG practice in SEA countries is increasing (Ramadhani, 2019). However, some ESG information may be voluntary, and the company may withhold that information. This situation reduces the data availability (Ali et al., 2022). Should more data be available, future studies should consider retesting this relationship.

Third, we did not consider other factors that may have functioned in the background. When classifying firms into life cycles, we assume that the strategy is the same across firms. Mature and growth firms may have equal ESG performance but may not have equal access to external financial sources (Tascón et al., 2021). This may be an agenda for future research.

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