THE INFLUENCE OF ESG ON ACCOUNTING CONSERVATISM: EVIDENCE FROM THAILAND

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Abstract

This study examines the impact of Environmental, Social, and Governance (ESG) factors on accounting conservatism, measured by timely loss recognition, in Thai-listed firms from 2018 to 2023 (2,470 firm-year observations). The results reveal a positive association between ESG performance and accounting conservatism, suggesting that firms with stronger ESG practices tend to recognize losses more promptly. We analyze ESG performance using ratings from both the Stock Exchange of Thailand (SET) and Morningstar, finding qualitatively similar results. Further analysis demonstrates that factors such as firm size, price-to-book ratio, and leverage influence the relationship between ESG and conservatism. Our findings contribute to the literature by providing insights into an emerging market context and offer practical implications for regulators and investors. Specifically, we suggest that stakeholders benefit from ESG disclosures, which enhance transparency and facilitate well-informed decision-making processes. It highlights the role of ESG as a mechanism to mitigate information asymmetry in a complex financial environment.
Keywords: ESG, Accounting Conservatism, Thailand, Loss Recognition, Timeliness

Introduction

Environmental, social, and governance (ESG) has increasingly attracted both researchers' and shareholders' interests (Khemir et al., 2019). The Thailand Federation of Accounting Professions has released the exposure draft of IFRS S1 and IFRS S2. Those guidelines will be applied to Thai businesses. The disclosure of ESG will bring attention to stakeholders such as shareholders or lenders. ESG information is considered relevant information that can indicate firms' social performance. This is to promote a sufficient understanding of the firm's circumstances and facilitate stakeholders' decisions (Amel-Zadeh & Serafeim, 2018). ESG strategic policies are more likely to be used as tools to manage firm performance and public interests (Hübel & Scholz, 2020). However, the application of ESG strategic policies incurs costs (Tang, 2022).

One qualitative characteristic of accounting information is accounting conservatism, suggesting that firms should recognize bad news faster than good news. Existing studies have investigated accounting conservatism and ESG information (Alqatan & Hichri, 2025; Khalifa et al., 2024; Zarinpour et al., 2024). The prior study views that ESG influences firms' accounting recognition for bad and good news. Their findings are mixed (i.e., Hrazdil et al., 2024; Khalifa et al., 2024; Muhammad et al., 2024). For example, firms' governance mechanism supports accounting conservatism, but the climate risk management is unlikely to support accounting timeliness. Therefore, it is of interest for this study to explore the association between ESG and accounting conservatism in the Thai setting.

An ESG rating for a Thai-listed firm has been evaluated by the Securities Exchange of Thailand (SET). SET has not only evaluated and released the result of the ESG rating for Thai-listed firms, but SET has also announced ESG scores evaluated by a third party. Since there are many ESG assessors, their results may not align.

The motivation of this research study is twofold. First, it is to investigate the influence of ESG information on accounting conservatism in the Thai setting. Second, we compare the influence of ESG information on loss recognition when ESG performance has been evaluated by SET and a third party. We use Seemingly Unrelated Regression (SUR) for our estimation. Our results suggest that ESG information has an impact on accounting conservatism. ESG performance measured by SET and the third party is qualitatively similar. Investors may use both ESG measures for their decision-making. In addition, ESG performance based on SET and the third-party is derived from several factors, including debt, volatility, price to book ratio, return on asset, and the firm's size.

Our study contributes to the literature in at least two aspects. First, we contribute to the literature by estimating ESG and accounting conservatism in an emerging market country. Our findings are not only applicable to the Thai market, but also they can be applicable to other emerging market countries. Second, we compare ESG performance evaluated by different parties in the Thai market. We view that there are different parties evaluating ESG performance for firms. It is important to determine whether ESG performance released by various parties has an impact on accounting conservatism. In terms of theoretical implications, we provide additional empirical evidence about ESG and accounting conservatism in emerging market countries. For practical implications, we suggest that it is important for the regulator to require ESG performance disclosure. ESG information can be used to support stakeholders' decision-making. In addition, stakeholders can choose to use ESG performance evaluated by different parties.

The remainder of this study is organized as follows. Section 2 is prior studies and the hypothesis development. Section 3 describes the data and methodology used to assess the hypotheses. Section 4 presents the findings obtained and the discussion. Section 5 concludes.

Literature Review
Prior Studies and Hypothesis Development
The stakeholder framework (Freeman, 1984) suggests that an organization frames procedures to cope with the various groups and relationships. Those methods will become strategic techniques for the organization. Stakeholders include any groups or individuals. Those strategic techniques can affect stakeholders. Also, stakeholders can affect the success of the organization's objectives (Freeman & McVea, 2001). The other related approach is legitimacy theory (Dowling & Pfeffer, 1975), dealing with the interface between a corporation and society. It is possible that the corporation is more likely to consume economic resources, and that consumption may affect social communities. As a part of social communities, firms should be responsible for the deterioration of economic resources that they consume. Stakeholder theory and legitimacy theory are conceptually complementary. Stakeholder theory offers a descriptive and normative lens to identify and engage with relevant interest groups, while legitimacy theory provides an explanatory framework for understanding why organizations strive to conform to societal expectations. In essence, the management of stakeholder relationships (as emphasized by stakeholder theory) can be seen as a strategic mechanism for achieving and maintaining organizational legitimacy. For instance, ESG can be analyzed through both theoretical lenses. From a stakeholder theory perspective, ESG serves to inform and engage various stakeholders, enhancing transparency and accountability. From the perspective of legitimacy theory, sustainability disclosures function as symbolic actions aimed at demonstrating congruence with societal values, thereby legitimizing the organization's operations. The convergence of these theories is particularly evident in dynamic social and environmental contexts, where shifting public expectations compel organizations to adapt their practices and communication strategies. Thus, integrating stakeholder theory and legitimacy theory enables a more holistic understanding of how organizations navigate their social environment, manage risk, and secure long-term viability. According to those two approaches, ESG is one of the major candidates to balance the interests among different groups, including firms and outside parties such as social communities. Corporations can establish ESG as strategic policies to maintain the relationship between them and society.

ESG in Thailand
SET has generated Thailand Sustainability Investment (THIS) since 2015. It includes Thai-listed shares that are concerned about the environment, social responsibility, and governance. In 2023, THIS was changed to SET ESG Ratings, and it was the first year that SET launched ESG rating evaluations for investment decisions. SET ESG Ratings (Sustainable Capital Market Development, 2025). It is a voluntary participation. The annual evaluation covers ESG aspects that should be aligned with changes in global and national sustainability trends. Even though the evaluation has been conducted annually, ineligible firms can be withdrawn from the SET ESG Ratings during the year. The SET ESG rating (ESG_S) is categorized into four levels from lowest to highest ratings: BBB, A, AA, and AAA. Global ESG assessors also release their ESG evaluation results for Thai-listed firms, such as Morningstar ESG risk, Moody's, MSCI, Refinitiv, or S&P Global. SET has promoted ESG in Thai-listed firms to establish long-term stability for the capital market and supported Thai-listed firms to have strong and sustainable growth and become quality businesses.

Accounting Conservatism
Accounting timeliness is one of the qualitative characteristics of accounting information. Timeliness is how quickly information is captured in financial statements. Particularly, timeliness mainly concerns bad news, such as loss recognition. It is more likely that firms tend to capture bad news more slowly than good news. In this regard, timeliness tends to explore an asymmetric timely loss recognition. Existing studies have attempted to determine whether

firms recognize loss information quickly relative to profit information (i.e., Langari et al., 2024; Ball et al., 2013; Ball & Shivakumar, 2006; Basu, 1997)

ESG and Asymmetric Timely Loss Recognition

Prior studies had explored the timeliness of accounting information in various aspects. For the studies relating to ESG and accounting timeliness, Khalifa et al. (2024) investigate the climate risk scores and accounting conservatism. They regress accounting conservatism on the climate risk score. They find that the higher the climate risk score, the lower the accounting timeliness. They suggest that climate risk information should be disclosed to the public. Li et al. (2024) employ US data and find that the perception of climate risk induces managers to use less conservative accounting strategies. Also, prior studies investigate the governance mechanism, particularly CEO characteristics, and accounting timeliness. For example, Shen et al. (2024) suggest that CEO narcissism is associated with accounting timeliness. They find that CEO narcissism can alter information to match their requirements, such as changing a negative result to a positive one. However, Hrazdil et al. (2024) find the association between the generalist CEO and accounting timeliness. They find a positive relationship between them. Those studies imply that the governance mechanism has information content. Muhammad et al. (2024) find that corporate social responsibility (CSR) is significantly positively related to net income. However, CSR interacted with stock return is significantly negatively related to net income. Its coefficient is -0.0711. This suggests that CSR information may reduce information asymmetry. When interacting with CSR, stock return, and negative stock return, the coefficient of the interacted variable is significant and positive at 0.0454 points. This finding suggests that CSR information can capture bad news on a timelier basis. Based on the existing studies, we find that ESG information contributes incremental information usefulness to accounting loss recognition. ESG, therefore, has information content. As such, we propose our research question as follows:

Can strong ESG-driven firms capture losses in a timely manner faster than weak ESG-driven firms do? We hypothesize that:

H_1: Firms with stronger ESG orientation are more likely to recognize losses in a timely manner than firms with weaker ESG orientation.

Research Methodology

Data

SET has released different ESG ratings announced by different ESG organizations. We choose ESG ratings announced by Morningstar (ESG) and SET (ESG_S) because both measures use the rating scale evaluation. We obtain financial data from SETSMART- an information database system developed by SET. Excluding finance and banking firms, all the available data from 2018 to 2023 are included in the analysis. The total firm-year observation is 2,470. We perform a series of analyses consisting of parametric and non-parametric correlations and seemingly unrelated regressions to draw out important insights. Table 1 shows variable descriptions used in this study.

Table 1 Variable descriptions

Variable	Definition
ACC	Net profit minus operating cash flow deflated by the market value of equity at the end of the fiscal year
CF	Operating cash flow deflated by total assets
DE	Debt-to-equity ratio
ESG	ESG rating by Morningstar (ESG_M) or Security Exchange of Thailand (SET) (ESG_S).
ESG_M	ESG rating by Morningstar

Variable	Definition
ESG_S	ESG rating by SET
EPS	Earnings per share scaled by share price
LEV	Natural logarithm of total liability
NegCF	Indicator if operating cash flow is negative
NegEPS	Indicator if earnings per share scaled by share price is negative
NegRT	Indicator if RT is negative
NP	Net profit deflated by total assets
PBV	Price per book value
ROA	Return on assets
RT	12-month stock returns, 5 months after the year-end
SIZE	Natural logarithm of total assets.
VOL	12-month share price volatility

Methodology

This study has 2-fold. First, we investigate the earnings timeliness of ESG information. Second, we compare ESG information released by Morningstar and SET to determine whether they are qualitatively similar. Based on the piecewise linear regression demonstrated by (Basu, 1997), we extend the stock return-based regression by interacting ESG information into the model. We operationalize the regression model as follows:

$NP = f(RT, NegRT, NegRT*RT, RT*ESG, NegRT*ESG, RT*NegRT*ESG, Controls)$ (1)

Control variables include SIZE, VOL, PBV, DE, and a 5-year dummy. ESG represents either ESG_M or ESG_S. Two single models can be estimated separately. However, it is not reasonable to estimate two single models because a set of equations may have a contemporaneous cross-equation error correlation. We view that the two equations seem unrelated, but they are associated through the correlation in the errors. Allowing the correlation of error terms in the two equations, therefore, we estimate equation (1) by using SUR with the robust standard error clustering by 7-industry, including agro & food, consumer products, industrials, property & construction, resources, services, and technology. For this investigation, SUR is particularly useful when estimating multiple regression equations that, while differing in their dependent and independent variables, exhibit contemporaneous correlation in their error terms. This correlation often arises in contexts where decisions or behaviors—such as different types of corporate disclosures—are made simultaneously within the same organizational environment, leading to unobserved common influences across equations. By jointly estimating the system using generalized least squares, SUR enhances the efficiency of parameter estimates compared to separate ordinary least squares (OLS) regressions, particularly in the presence of correlated disturbances or smaller sample sizes. Moreover, SUR offers flexibility in accommodating different sets of regressors in each equation, making it suitable for analyzing multidimensional constructs with heterogeneous determinants. It also facilitates cross-equation hypothesis testing, allowing us to examine whether specific explanatory variables exert consistent effects across multiple outcomes, thus providing richer insights than equation-by-equation estimation.

According to our hypothesis, the coefficient of interest-RT*NegRT*ESG is expected to be positive if strong ESG-driven firms capture economic losses faster than those of weak ESG-driven firms.

Next, we use an alternative measure for ESG information timeliness. Based on the accruals-based model, we regress accrual-based accounting income (ACC) on cash operating income (CF). We augment the accruals-based model (Ball & Shivakumar, 2006; Kim et al., 2024) with an ESG indicator. We operationalize the model as follows.

$ACC = f(NegCF, ESG, NegCF*CF*ESG, Controls)$ (2)

Control variables include LEV and a 5-year dummy. ESG represents either ESG_M or ESG_S. We also estimate equation (2) by using SUR with the robust standard error clustering by seven industries. The coefficient of interest-NegCF*CF*ESG is expected to be positive if the accruals of strong ESG-driven firms capture economic losses faster than those of weak ESG-driven firms.

Results

Table 2 Descriptive statistics

	Mean	Median	SD	Min	Max	N
ACC	-0.0001	0.000	0.0003	-0.003	0.003	2470
CF	0.069	0.064	0.093	-0.811	0.513	2470
DE	1.134	0.81	1.323	0	23.6	2470
EPS	0.058	0.043	0.42	-8.667	11.918	1961
ESG_M	0.889	0	1.461	0	5	2470
ESG_S	0.834	0	1.338	0	4	2470
LEV	0.435	0.448	0.207	0.002	0.959	2470
NP	0.037	0.033	0.075	-0.790	0.852	2470
PBV	2.001	1.18	4.334	0.15	152.47	2470
ROA	5.950	5.34	8.357	-51.97	64.17	2470
RT	0.168	-0.069	1.825	-0.958	73	2470
VOL	0.115	0.087	0.559	0.006	27.625	2470

Table 2 exhibits descriptive statistics for the ESG rating and firm-specific characteristics. The mean value of ESG_M and ESG_S is 89.0 and 83.0, respectively. We estimate the difference between ESG_M and ESG_S with parametric and nonparametric tests. Untabulated results from the t-test suggest no difference in mean for both variables at the significance level of 5%. However, the mean of ESG_M is slightly greater than that of ESG_S at the significant level of 0.10 (p-value = 0.087). Based on the nonparametric test, untabulated results from the Wilcoxon signed-rank test are qualitatively similar to those obtained from the t-test. The z-value from the nonparametric test is -1.186 with a p-value of 0.236. The descriptive statistics suggest that ESG ratings assessed by Morningstar and SET are not statistically different. Table 3 depicts Pearson and Spearman correlations. The results obtained from both estimations are qualitatively similar. Our results suggest that multicollinearity is not likely to be an issue for the tested models.

Table 3 Pearson lower diagonal and Spearman upper diagonal

	ESG_S	ESG_M	NP	RT	ACC	CF	DE	LEV	VOL	PBV	ROA
ESG_S		0.486***	0.187***	0.063***	0.047**	0.115***	0.169***	0.169***	-0.103***	0.218***	0.207***
ESG_M	0.461***		0.173***	0.052***	0.052***	0.123***	0.189***	0.189***	0.022	0.317***	0.212***
NP	0.138***	0.145***		0.231***	0.395***	0.464***	-0.309***	-0.309***	-0.167***	0.495***	0.970***
RT	-0.019	0.037	0.078***		0.215***	0.007	-0.045**	-0.045**	-0.230***	0.244***	0.234***
ACC	0.064***	0.032	0.313***	0.071***		-0.487***	-0.136***	-0.136***	-0.121***	0.243***	0.365***
CF	0.088***	0.104***	0.448***	-0.000	-0.414***		-0.206***	-0.207***	-0.048**	0.340***	0.463***
DE	0.052***	0.134***	-0.256***	-0.013	-0.140***	-0.159***		1.000***	0.159***	0.032	-0.207***
LEV	0.175***	0.190***	-0.275***	-0.002	-0.096***	-0.203***	0.747***		0.159***	0.032	-0.207***
VOL	-0.028	0.013	-0.030	0.005	-0.007	-0.022	0.009	0.018		-0.034	-0.142***
PBV	0.079***	0.192***	0.172***	0.232***	0.059***	0.173***	0.071***	0.064***	0.006		0.520***
ROA	0.150***	0.177***	0.947***	0.091***	0.268***	0.477***	-0.200***	-0.206***	-0.028	0.200***	

*** $p < 0.01$, ** $p < 0.05$

Table 4 Seemingly Unrelated Regression: Timeliness

	ESG_M		ESG_S	
Cont.	-0.0159	(-0.68)	-0.0159	(-0.69)
RT	-0.0007	(-0.94)	-0.0007	(-0.98)
NegRT	-0.0064	(-1.05)	-0.0064	(-1.05)
RT*NegRT	0.0777	(7.74)***	0.0777	(7.76)***
RT*ESG	0.0000	(-1.97)**	0.0000	(-1.12)
NegRT*ESG	0.0001	(3.66)***	0.0001	(3.26)***
RT*NegRT*ESG	**0.0002**	**(2.70)***	**0.0001**	**(2.28)**
SIZE	0.0053	(4.20)***	0.0053	(4.21)***
VOL	-0.0037	(-4.19)***	-0.0037	(-4.19)***
DE	-0.0166	(-5.17)***	-0.0166	(-5.17)***
PBV	0.0032	(1.78)***	0.0032	(1.77)*
	Year indicator included.			
R^2	0.159		0.159	
Chi^2	582.65***		585.61***	
N	2,470		2,470	
Different in coefficients: *RT*NegRT*ESG_M = RT*NegRT*ESG_S*:	0.000 (*p-value* 0.079)			
Breusch-Pagan of independence: Chi^2	2445.599***			

*** $p < 0.01$, ** $p < 0.05$, * $p < 0.10$

Table 4 presents the stock return-based asymmetric timely loss recognition with the presence of ESG information. We use ESG from Morningstar (ESG_M) and SET (ESG_S). Based on our estimation, the results from ESG_M and ESG_S are qualitatively similar. The coefficients on RT*NegRT for both ESG_M and ESG_S are 0.0777. Those coefficients are positive and significant at the %1 level in both ESG variables, indicating that firms recognize bad news in accounting earnings in a timelier manner than good news. When we insert ESG variables in the asymmetric timely loss recognition regression, we find a significantly positive association between ESG and the asymmetric timely loss recognition. The coefficients on RT*NegRT*ESG for ESG_M and ESG_S are 0002.0 and 0001.0, respectively. Those coefficients are positive and significant at the level of 1% for ESG_M and 5% for ESG_S. These findings show that strong ESG-driven firms are more likely to capture losses in a timely manner than weak ESG-driven firms are. The findings indicate that the presence of ESG is related to an elevated level of the asymmetric timely loss recognition. The significantly positive RT*NegRT*ESG reveals the effect of ESG on the asymmetric timely loss recognition. The loss of timeliness recognition in accounting earnings for strong ESG-driven firms is 0.20% (0.0002/0.0777) for ESG_M and 0.13% (0.0001/0.0777) for ESG_S, greater than that for weak ESG-driven firms. For control variables, accounting income is significantly positively related to a firm's size (SIZE) and price-to-book value (PBV) for both regressions. The significantly negative association is found when regressing accounting income on debt (DE) and volatility (VOL). It implies that larger and higher-growth firms are more likely to have higher earnings. In addition, firms with lower debt and risk, proxied by the volatility, tend to have higher earnings.

Additional Analyses

Table 5 Seemingly Unrelated Regression: Timeliness

ACC	ESG_M		ESG_S	
Cont.	- 0.000995	(-8.60)***	-0.00010	(-6.27)***
NegCF*CF	- 0.003354	(-6.78)***	-0.00333	(-6.61)***
ESG	0.000002	(4.39)***	0.000001	(6.69)***
NegCF*CF*ESG	**0.000033**	**(2.54)****	**0.000008**	**(1.89)***
	Control variables and year indicators are included.			
	Robust standard error clustering by industry is estimated.			
R^2	0.2135		0.2071	
Chi^2	199.69		105.93	
N	2,470		2,470	

Different in coefficients:
*NegCF*CF*ESG_M = NegCF*CF*ESG_S:* 0.00002** (*p-value* 0.015)
Breusch-Pagan of independence Chi^2: 2263.08***

*** $p < 0.01$, ** $p < 0.05$, * $p < 0.10$

We perform alternative estimations to endorse our main findings. First, we use the regression model of accrual-based asymmetric timely loss recognition. Table 5 presents the results of equation (2). We find that the coefficients on NegCF*CF*ESG for ESG_M and ESG_S are 0.000033 and 0.000008, respectively. In addition, those coefficients are positive and significant at the level of 5% for ESG_M and 10% for ESG_S. The results suggest that the accruals of strong ESG-driven firms capture economic losses in a timelier manner than those of weak ESG-driven firms. In addition, the effect of ESG on the accrual-based asymmetric timely loss recognition is more pronounced in strong ESG-driven firms relative to weak ESG-driven firms.

Next, we estimate the earnings persistence with the presence of ESG information as follows:

$EPS_{t+1} = f(EPS, NegEPS, ESG, ESG*EPS, ESG*NegEPS,$
$NegEPS*EPS, NegEPS*ESG*EPS, Controls)$ (3)

We control for time variants and obtain robust standard errors clustering by seven industries. We use SUR to estimate equation (3). We expect the coefficient on NegEPS*ESG*EPS to be positive if strong ESG-driven firms capture economic losses in a timelier manner than weak ESG-driven firms, suggesting that losses are transitory in strong ESG-driven firms.

Table 6 Seemingly unrelated regression: Earnings persistence

	ESG_M		ESG_S	
Cont.	0.133	(1.89)*	0.138	(1.83)*
EPS	0.061	(1.38)	0.077	(1.72)*
NegEPS	-0.169	(-6.59)***	-0.176	(-6.44)***
ESG	0.001	(0.66)	0.000	(0.95)
NegEPS*EPS	-0.459	(-14.99)***	-0.548	(-17)***
NegEPS*ESG	-0.001	(-0.29)	0.004	(4.64)***
EPS*ESG	0.006	(3.37)***	0.000	(0.05)
NegEPS*EPS*ESG	-0.001	(-0.36)	**0.049**	**(3.53)***
VOL	0.035	(16.33)***		
PBV	-0.001	(-1.78)*	-0.001	(-1.53)
DE	0.002	(0.24)	0.001	(0.18)
SIZE	-0.005	(-1.46)	-0.005	(-1.37)
	Year dummy and Robust standard errors clustering by 7-industry			
R^2	0.1396		0.1211	
Chi^2	2302.91***		112.1***	
N	1,961		1,961	
Different in coefficients: $NegEPS*EPS*ESG\_M = NegEPS*EPS*ESG\_S$: -0.051 (z-value -3.59)***				
Breusch-Pagan of independence: Chi^2		1744.314***		

*** $p < 0.01$, ** $p < 0.05$, * $p < 0.10$

Table 6 presents the results of equation (3). The coefficient on EPS for ESG_S is 0.077, which is positive and significant at the 10% level, suggesting that earnings persistence is observed. However, the coefficient on EPS for ESG_M is positive but not significant. The coefficients on NegEPS*EPS for ESG_M and ESG_S are -0.459 and -0.548, respectively. Those coefficients are negative and significant at the 1% level. This suggests that firms do not capture economic losses in a timely manner. Nevertheless, the coefficient on ESG*NegROA*EPS for ESG_S is 0.049, which is positive and significant at the 1% level. The coefficient on ESG*NegROA*EPS for ESG_M is not significant. The overall results indicate that strong ESG-driven firms reflect economic losses in a timelier manner than weak ESG-driven firms do. The effect of ESG on the asymmetric timely loss recognition through earnings persistence is more pronounced in ESG-driven firms when ESG is assessed by SET.

The last additional analysis is evaluating the determinant of ESG. We operationalize the regression model as follows:

ESG = f(DE, VOL, PBV, ROA, SIZE, Year and Industry dummy) (4)

We estimate equation (4) by using SUR with robust standard errors. The results are presented in Table 7. The results from both models are qualitatively similar except for the association between ESG and volatility. We find that the relationship between ESG and DE is negative and significant. It suggests that ESG-driven firms tend to have lower debt relative to non-ESG-driven firms. The coefficients on PBV, ROA, and SIZE are positive and significant. The findings suggest that ESG-driven firms tend to be large rather than small. Firms with high earnings and growth are more likely to engage in ESG activities relative to firms with low earnings and growth. However, the coefficients of VOL are significantly positive for ESG_M and significantly negative for ESG_S. The overall results suggest that the attributes of ESG firms evaluated from two different organizations, namely Morningstar and SET, are more likely to be qualitatively similar. We argue that both organizations employ accounting information to determine a firm's ESG evaluations. However, it cannot conclude whether or not they use market perspectives to evaluate ESG qualifications.

Table 7 Seemingly unrelated regression: The determinant of ESG

	ESG_M		ESG_S	
Cont.	-7.665	(-32.06)***	-7.728	(-34.65)***
DE	-0.065	(-1.98)*	-0.129	(-8.38)***
VOL	0.027	(1.81)*	-0.071	(-6.22)***
PBV	0.052	(3.59)***	0.021	(2.67)***
ROA	0.014	(4.24)***	0.011	(3.75)***
SIZE	0.551	(37.12)***	0.553	(38.59)***
Year and Industry dummy included with robust standard errors.				
R^2		0.50		0.39
N		2,470		2,470
Chi^2		3245.11***		1847.02***

*** $p < 0.01$, ** $p < 0.05$, * $p < 0.10$

Conclusion

ESG disclosure is important information for stakeholders. It highlights to the public the current and future performance of firms. This study investigates the association between ESG and accounting conservatism in the Thai context. We find that strong ESG-driven firms are more likely to recognize loss information in a timelier manner relative to weak ESG-driven firms. We use two different ESG performances to evaluate the influence of ESG information on accounting conservatism. We reveal that ESG performances released by different parties, namely SET and Morningstar, have qualitatively similar characteristics. The Thai stock market participates in ESG information assessed by both SET and Morningstar. Our results support the contracting demand explanation (Lee et al., 2024), indicating that ESG strategic policies are more likely to mitigate information asymmetry and agency costs arising among contracting parties such as firms, shareholders, customers, and creditors.

We use the aggregated ESG rating for the analysis. The future research may disaggregate ESG scores into each aspect to gain more insight about the impact of ESG on accounting conservatism.

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Data Availability Statement: The raw data supporting the conclusions of this article will be made available by the authors, without undue reservation.

Conflicts of Interest: The authors declare that the research was conducted without any commercial or financial relationships that could be construed as a potential conflict of interest.

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