

The Moderating Effect of Family Ownership Structure on the Relationship Between ESG Performance and Firm Value of Sustainable Listed Firms in Thailand

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Abstract

This study aims to examine the correlation between Environmental, Social, and Governance (ESG) performance and firm value, specifically highlighting the moderating influence of family ownership among sustainable enterprises included in the SET 100 index of the Stock Exchange of Thailand (SET). These companies were classified under the Thai Sustainable Investment (THSI) stock category on November 6, 2023. The sample comprises 117 businesses for the period from 2019 to 2022.

The results demonstrate a statistically significant positive correlation between ESG performance and firm value. Family ownership significantly moderates this relationship, exerting a negative impact on firm value. This research contributes to the existing literature on ESG performance by clarifying the complex relationships between sustainability practices, family ownership, and firm value, thereby deepening our understanding within the frameworks of stakeholder theory and agency theory.

Keyword: ESG Performance; Firm Value; Firm Performance; Family Ownership; Ownership Structure

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Introduction

Generally, the principal objective of business administration is to attain short-term earnings that satisfy shareholders' expectations (Friedman, 1970). Nonetheless, the contemporary interpretation of this idea has evolved, necessitating that the company's commercial activities be sustainable over the long term (Zhao et al., 2018). Therefore, the integration of business administration with environmental, social, and corporate governance, known as ESG, is essential for enhancing value and ensuring long-term profitability (ElHawary & Elbolok, 2024; Srivastava, 2023). Firms that adopt management strategies based on ESG principles are progressively garnering attention from investors and diverse business media. Such strategies mitigate disputes among various stakeholder groups, diminish the danger of company failure, and lessen the probability of defaulting on creditors (Shah et al., 2024). Also, firms may benefit from a reduced capital structure (cost of capital and cost of debt) and more efficient access to finance sources (Wong & Li., 2024).

For Thailand, since 2015, the Stock Exchange of Thailand has facilitated the adoption of ESG policies among listed firms, which assess and designate firms as "Thailand Sustainability Investment" (THSI), now rebranded as "SET ESG Ratings," and annual assessment findings are disseminated as ESG Ratings to provide stakeholders, including shareholders, investors, managers, consumers, workers, communities, and the government, with relevant information for decision-making (Thunputtadom et al., 2024). In the research study on the relationship between ESG performance and firm value, scholars globally have thoroughly examined this subject within the framework of individual nations, mostly citing conclusions derived from Stakeholder Theory and Agency Theory.

The stakeholder theory will examine favorable study results since ESG performance is a corporate strategy designed to foster happiness and trust across all stakeholder groups. For instance, furnishing prompt and transparent information to investors, supplying high-quality products to customers and suppliers, offering substantial benefits to employees, and supporting communities and society will augment the firm's value for sustainable future growth (Aydoğmuş et al., 2022; Fu et al., 2023; Srivastava, 2023; Wu et al., 2024). However, agency theory posits that negative research outcomes indicate that business operations necessitate profit maximization, focusing solely on shareholder advantages, while perceiving ESG performance as a cost-increasing factor that diminishes competitiveness and adversely impacts the firm's value (Asih et al., 2024; Que, 2023; Demiraj et al., 2023; Xuan, 2024). Nonetheless, the majority of researchers indicate that the study findings may provide varying effects in each nation for the following reasons: 1) The structure of corporate governance; 2) Cultural perspectives on ESG legislation concerning information disclosure and ESG performance; 3) Competitive dynamics and consumer behavior; 4) Climate change, and 5) Disparities among ESG rating agencies.

This study expands upon the findings of Lerskullawat and Ungphakorn (2024), which examined the correlation between ESG performance, ownership structure, and corporate value. This research specifically used data from the ASEAN-5 area. Although ESG performance is recognized to affect global company value, the ownership structure was identified as having a detrimental effect on this connection. This study recognizes numerous limitations, including time limits imposed by the COVID-19 program and dependence on ESG data from LSEG DataStream, a worldwide database that may not completely conform to Thailand's ESG criteria. Nevertheless, they overlooked the distinctive context of Thailand, especially the familial ownership framework. In Thailand, family-owned businesses constitute 80% of all firms and significantly contribute to economic growth. As of June 2024, family-owned businesses comprised 67% of the 852 firms listed on the Stock Exchange of Thailand and the Alternative Investment Market, spanning many industries. Furthermore, from 2016 to 2024, 76% of these

family-owned businesses engaged in stock trading inside the capital market. Family-owned enterprises listed on the stock market are integral to Thailand's economic prosperity (The Stock Exchange of Thailand, 2024d)

This study aims to examine the correlation between ESG performance and firm value, focusing on the influence of family ownership on firms listed on the Stock Exchange of Thailand, particularly within the sustainable firms (THIS), and their ESG performance from 2019 to 2022. The findings of this study have resulted in new contributions as follows: 1) This research will provide facts about the ESG performance of firms within the THSI firms in Thailand, a developing nation in the ASEAN area. 2) This research represents novel information since it is the first investigation into the link between ESG performance and firm value, specifically analyzing the influence of family ownership of the THSI firms listed on the Stock Exchange of Thailand. 3) Thailand recently joined the BRICS group, which presents a challenge in establishing international systems for funding, assistance, and fundraising for national development. This study provides significant evidence for consideration by investors, corporations, and the Stock Exchange of Thailand in future policy formulation.

This research is organized as follows: Beginning with the introduction, Section 2 addresses the theoretical foundation and hypothesis formulation. Sections 3 and 4 provide the study methodology and findings, respectively. Subsequently, Section 5 will assess the robustness of the finding, and Section 6 will provide a summary of the principal results of this research along with an in-depth discussion and conclude with the findings of our investigation. Sections 7 and 8 provide a brief summary and limitations and future research, respectively.

Literature Review

Theoretical Perspective

The researcher will examine the link between ESG performance and firm value in the context of family ownership through the perspective of two distinct theories: agency theory and stakeholder theory, as follows.

Agency theory is fundamentally based on the exposition of Jensen and Meckling (1976). This approach examines the interaction between executives and shareholders, excluding other stakeholders. We regard executives as agents of shareholders, while shareholders are considered as principals. Executives are responsible for managing the company to maximize profits for shareholders. However, the implementation of ESG performance may lead to agency conflict, as reduced revenues could potentially cause dissatisfaction among shareholders. Executives will explore strategies to address this issue, including the implementation of ESG operations for short-term corporate advantage, earnings management (Ruangprapun & Chotitumtara, 2022) or other approaches. The agency hypothesis will be examined in instances when ESG performance does not enhance the firm's success, resulting in an adverse correlation between ESG performance and firm performance.

Stakeholder theory, introduced by Freeman (Freeman, 2010), broadens the scope of agency theory to include a diverse array of stakeholders, including workers, consumers, suppliers, and the community. Stakeholder Theory aims not just to generate value for shareholders but also to create value for other stakeholders via their interactions and mutual advantages. This theory asserts that when all parties possess common interests, it fosters robust and enduring connections, eventually culminating in the long-term value creation of the firm. Companies that value Stakeholder Theory will include ESG performance in their entire supply chain business strategy and allocate resources to ESG projects to build trust and goodwill among stakeholders (Waldau, 2024). This is expected to have the following positive effects: 1)

Enhancing reputation, as ESG performance will improve the company's public image and can attract customers and investors who prioritize sustainability. 2) Mitigating risk, which ESG performance may assist enterprises in minimizing risks, particularly regulatory and reputational threats, as they adjust to their surroundings (Oduro et al., 2024). A community functions as a valuable protective shield for the organization. Employee contentment and loyalty, which this notion posits, are organizations emphasizing social and environmental objectives by keeping people and enhancing happiness, achieving reduced employee turnover rates, with all personnel operating at their maximum capability (Oduro et al., 2024). In family-owned enterprises, the implementation of stakeholder theory is more evident, as family-controlled firms are typically perceived as more patient than other business types, prioritizing the maintenance of enduring relationships with all stakeholders to uphold the family's established reputation and guarantee sustainable growth. Consequently, to bolster this commitment, these organizations endeavor to include their ESG performance in the overarching company strategy and proactively engage in long-term ESG initiatives, regardless of immediate financial benefits (Sun et al., 2024a). Family-owned businesses may be more predisposed to harmonize shareholder interests with the advantages of the firm (Espinosa-Méndez et al., 2023).

ESG performance

The interpretation of ESG performance differs based on the firm's aims. The Stock Exchange of Thailand (2024a) defines ESG as a sustainable investment framework that incorporates environmental, social, and governance practices into firm management to provide long-term profits and influence society and the environment either favorably or adversely, while Sun et al. (2024b) perceives ESG as a metric for evaluating the ethical implications and sustainable practices of companies, essential for business sustainability. Conversely, Liang and Renneboog (2020) regard ESG as an integration of environmental, social, and governance factors into management and financial decision-making, signifying the company's accountability to diverse stakeholders and its societal impact.

Therefore, for this study, the researchers defined ESG as the incorporation of environmental, social, and governance factors into the company's policies, vision, strategy, and goals, while ensuring suitability for sustainable business practices with all stakeholders.

Thailand Sustainability Investment (THSI)

Since 2015, the Stock Exchange of Thailand has started assessing listed firms for the Thailand Sustainability Investment (THSI), which recognizes companies that operate sustainably while considering environmental, social, and governance standards. This provides an option for investors seeking to invest. THSI stocks will undergo a comprehensive evaluation of all facets of ESG performance. The Stock Exchange of Thailand will conduct an annual evaluation of the assessment to ensure alignment with evolving contexts and sustainability trends at both international and national levels. Companies that want to be in the THSI must either get at least a 50% score on the sustainability assessment in each ESG category or be a member of the Dow Jones Sustainability Indices (DJSI) and meet the set criteria, such as the quality assessment outcomes of Corporate Governance Reporting (CGR). The criteria also include the performance of net profit and shareholder equity, governance outcomes related to the credentials of listed businesses, and the absence of influence on ESG, particularly for securities not designated with a C (The Stock Exchange of Thailand, 2024c).

THSI Companies have the capacity to incorporate sustainability principles into their business operations. It is equipped to tackle emerging risks and has explicit operational protocols to handle diverse challenges, showcasing its capacity to generate commercial opportunities in accordance with worldwide trends. In 2023, the Stock Exchange of Thailand rebranded "THSI" to "SET ESG Ratings" and disclosed the assessment findings as ESG

Ratings for the first time to provide investors with information for informed investment choices. In 2026, there are intentions to shift from SET ESG Ratings to Russell's ESG Scores (The Stock Exchange of Thailand, 2025b).

Firm Value

Firm value, often known as Enterprise Value (EV) or Total Enterprise Value (TEV), is an economic metric that represents market value. Firm value includes both physical and intangible assets, such as brand reputation and stakeholder connections (Freeman, 2010). This is consistent with the company's sustainability concept. Firm value is assessed using Tobin's *q*, a concept developed by Professor James T. Tobin, which integrates financial statement data with market value. Tobin's *Q* for firm valuation is represented as a ratio, determined by dividing the market value of the organization's assets by the replacement cost of those assets. If the ratio exceeds 1, the business is deemed efficient in resource use, signifying that it has certain capabilities or advantages in management that provide returns on capital at a pace beyond the cost of capital. If Tobin's *Q* is below 1, the company is considered incapable of fully leveraging its assets (Lewellen & Badrinath, 1997). The outcomes of this computation may inform prospective investment choices in Thailand. The Bank of Thailand used Tobin's *q* to examine the fluctuations and patterns of private sector investment. Tobin's *q* functions as a performance metric or an assessment of company value in accounting and finance research, extensively used in the discipline.

Family Ownership

Family ownership is the circumstance in which family members or a consortium of families owns a substantial percentage of shares in a corporation, hence giving them the authority to govern or affect critical business decisions, including strategic planning, CEO appointments, and organizational oversight. Family ownership often demonstrates devotion and dedication to the sustained development of the enterprise, since it is intrinsically connected to the family and long-term ownership (Burkart et al., 2003). Still, running a business with family members in charge might make it harder to get outside funding because you won't have access to professional executives' managerial know-how, or it might lead to fights between family members (Hiebl & Li, 2020).

In Thailand, family firms play a crucial part in the economy, with up to 80% of all businesses. As of June 2024, of the 852 firms listed on the Stock Exchange of Thailand and the Market for Alternative Investment, 67% are family-owned businesses spanning all sectors within the stock market. Furthermore, 76% of these corporations engaged in share trading inside the capital market from 2016 to 2024. Trading family businesses on the stock market also contributes significantly to national progress. In 2023, they brought in 8.31 trillion baht, which is 46.4% of the gross domestic product, and paid 106.287 billion baht in corporate income taxes, which was 14.1% of the total corporate income tax collected by the Revenue Department (The Stock Exchange of Thailand, 2024d). Consequently, in Thailand, the familial shareholder structure poses a barrier for enterprises. Although it promotes sustainability and has a lasting effect, improper management and disregard for market and social changes can lead to issues.

The relationship between ESG performance and firm value

Upon examining the literature on ESG performance and firm value, it was determined that the majority of study findings align with stakeholder theory, which posits that ESG performance influences investor perceptions as well as the contentment of customers, workers, and the community. Consequently, ESG performance enhances firm value over the long run, and the correlation between ESG performance and firm value is favorable. It can be seen that research by Cheng et al. (2024) focused on China, while Tang et al. (2024) and Seok et al.

(2024) investigated the relationship between investor confidence, customer satisfaction, and the positive influence of ESG on firm value. It was determined that both investor confidence and customer satisfaction are correlated with enhancing the connection between ESG performance and firm value, aligning with the findings of Ho et al. (2024), who examined the relationship between ESG performance and firm performance utilizing a sample from 31 countries globally sourced from the Thomson Reuters World Scope database spanning 2002 to 2018, and the study by Lerskullawat and Ungphakorn (2024) used data from ASEAN-5, including Thailand, Indonesia, Malaysia, the Philippines, and Singapore, revealing that ESG performance additionally elevated firm value. Nonetheless, although some researchers mostly support stakeholder theory, other studies adhere to agency theory, noticing ESG performance as a substantial expense that impacts competitiveness, diminishes earnings, and engenders discontent among investors receiving reduced returns. This may result in an agency problem, which leads to the implementation of ESG performance only for regulatory compliance. As a consequence, this adversely affects ESG performance and firm value. The literature assessment reveals that most research concentrates on developing nations. This may result in an agency problem, which leads to the implementation of ESG performance only for regulatory compliance. As a consequence, this adversely affects ESG performance and firm value. The literature assessment reveals that most research concentrates on developing nations. The research by Truong et al. (2024) clearly demonstrates that environmental, social, and governance performance affects firm value, using a sample of companies listed on Southeast Asian stock exchanges from 2010 to 2022. The study found a negative link between ESG performance and firm value. It also said that the company may be spending too much on ESG activities, which hurts shareholders, or that businesses in developing countries have special resource problems. This aligns with the studies conducted by Mishra et al. (2024) in India and by Xaviera and Rahman (2024) on companies listed on the Indonesia Stock Exchange (BEI) from 2018 to 2022. This may be attributed to the improper execution of business plans for ESG investing. Furthermore, certain studies resulted in insignificant results, including Rasyad et al. (2024), which examined publicly traded companies in Indonesia and Malaysia, and Negara et al. (2024), which investigated the influence of ESG disclosure scores on firm value among companies listed on the Indonesia Stock Exchange. This study used a sample of sustainable firms in Thailand, which are those with established ESG performance strategies. Consequently, the researcher posited the following hypothesis:

Hypothesis 1: ESG performance is positively associated with firm value

The moderating effect of family ownership in the relationship between ESG performance and firm value.

The correlation between ESG performance and firm performance will be grounded in stakeholder theory, which emphasizes the significance of all stakeholders and aims to provide long-term value for the organization (Fu et al., 2023; Rauf et al., 2024; Wu et al., 2024).

On the other hand, the link between ownership structure and corporate performance pertains to agency theory, which emphasizes instilling trust in investors and anticipating short-term gains. Nonetheless, despite the divergent objectives of the two theories, they are intricately connected. The ownership structure includes significant shareholders who possess decision-making authority and are accountable for managing, overseeing, and monitoring the executives' performance. The efficacy of management in company operations is contingent upon the shareholder structure, especially with ESG initiatives, which may be facilitated or obstructed based on the viewpoints of stakeholder theory or agency theory. Moreover, substantial owners have the responsibility of enhancing project quality via checks and balances (Yin et al., 2024).

While ESG performance generates the long-term value of firms, it also faces sustainability risks. This presents a challenge for the firm to devise strategies to manage these risks, thereby creating opportunities and mitigating threats to profitability, competitiveness, image, reputation, and organizational viability (The Stock Exchange of Thailand, 2024b).

This is a significant factor that large shareholders should take into consideration. This study examines the influence of family ownership on the connection between ESG performance and firm value, a topic that is quite uncommon. Their analysis focuses solely on ownership concentration, executive ownership, equity distribution, and institutional ownership, revealing that each has a distinct impact, consistent with the study by Truong et al. (2024), which studied Environmental, Social, and Governance (ESG) performance and firm value related to the role of ownership concentration in developing countries in Southeast Asia and found that the role of ownership concentration significantly reduces the relationship between ESG performance and firm value. Similarly, Lerskullawat and Ungphakorn (2024), who studied the role of ownership structure using evidence from the ASEAN-5 countries, found that ownership concentration significantly reduces the relationship between ESG performance and firm value as well.

In addition, Zarefar et al. (2022) examined the disclosure of sustainability information and performance in family firms, concluding that family-owned enterprises positively influence both sustainability information disclosure and performance. Following this debate, the researchers developed a hypothesis based on stakeholder theory:

Hypothesis 2: The role of family ownership positively moderates the relationship between ESG performance and firm value

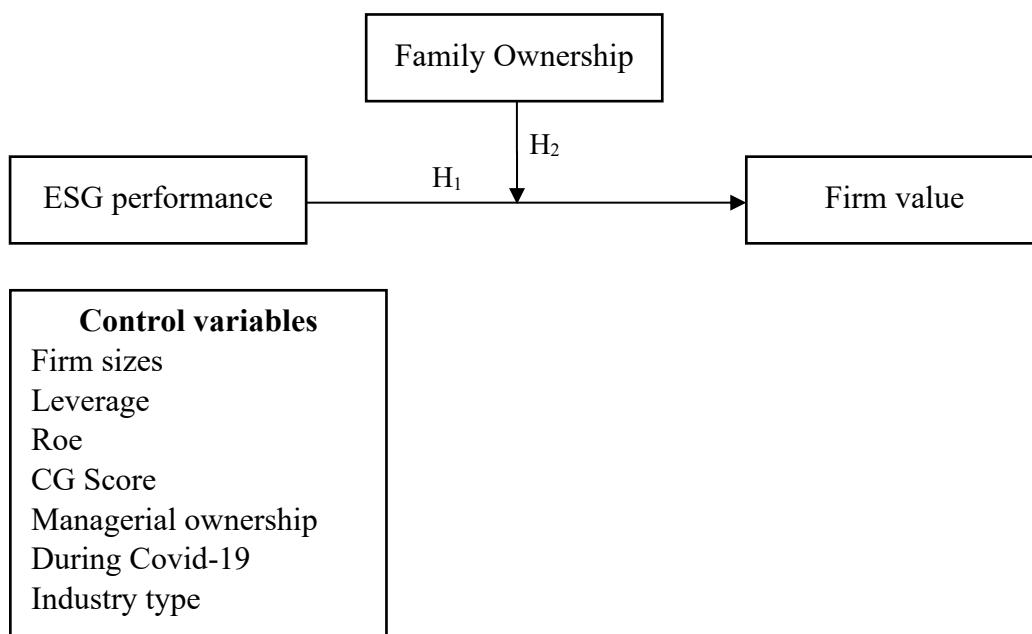


Figure 1: Conceptual Framework

Research Methodology

Data and Sample

This research examines a company included in the Stock Exchange of Thailand's SET 100 group, which was designated as a THSI sustainable stock on November 6, 2023. For four reasons, detailed below: 1) This consortium of enterprises has a specific company strategy for ESG operations. 2) It is a corporation that attracts investor attention about the effectiveness of its ESG activities. 3) It is a corporation that discloses information in accordance with ESG operating guidelines. 4) It is a government-supported enterprise via tax advantages.

It utilized secondary data from 177 firms (The Stock Exchange of Thailand, 2024c) and employed the SET Market Analysis and Reporting Tool (SETSMART) provided by the Stock Exchange of Thailand. The data cover a four-year period, from 2019 to 2022, resulting in a total of 544 observations, as seen in Table 1.

Table 1: Sample Selection

Sample Selection Process	Firms
The SET 100 companies have been designated as sustainable stocks. November 6, 2023	177
Less The amount of data from companies in the banking, capital and securities, life insurance, and real estate fund sectors.	(22)
Less A number of companies possess data that does not conform to the specified criteria*.	(19)
Number of unique firms	136
Number of observations (2019–2022) (four-year period) (N)	544

* This includes firms that are untrammable and those that began trading (IPO) after January 1, 2019.

Model and estimation method

To test the hypothesis, the researcher estimates this model as described below.

$$\text{Tobin's Q} = \beta_0 + \beta_1 \text{FO} + \beta_2 \text{ESG} + \beta_3 \text{ESG*FO} + \beta_4 \text{ROE} + \beta_5 \text{LN_FS} + \beta_6 \text{LEV} + \beta_7 \text{CG} + \beta_8 \text{MO} + \beta_9 \text{Covid19} + \beta_{10} \text{int} + \beta_{11} \text{year} + \varepsilon_{it} \dots \text{(Model 1)}$$

Each variable is shown in Appendix Table 2.

Table 3: Present the descriptive statistics for all variables. The independent variables are ESG and FO; the dependent variable is Tobin's Q; and the control variables are ROE, FS, LEV, and COVID-19. Table 3 reveals the analysis and designation of 363 firms as ESG performance companies, accounting for 66.7% of the 554 sample companies. The mean Tobin's Q is 24.2216, with a standard deviation of 1.71224, a maximum of 28.77, and a minimum of 19.56. This suggests that the firm's value of the sample fluctuates. FO, as a moderating variable, has a range from a minimum of 0.00 to a maximum of 86.62 and the mean is 22.30, indicating significant variability in family ownership concentrations.

Table 2: Variables used in the Study

Code	Variables	Measuring tool
ESG	ESG Performance	Dummy variable equal to 1 when firm i is assigned to THSI and zero otherwise. (Chelawat & Trivedi, 2018)
FO	Family Ownership	Percentage of shares held by family ownership to the total number of shares (Qawqzeh, 2023)
LN_FS	Firm size	Natural Logarithm of total assets (Dakhli, 2022)
Lev	Leverage	Total debt divided by total asset (Dakhli, 2022)
ROA	Firm Performance	Return on Asset (ROA): Pre-tax income divide by asset (Dakhli, 2022)
CG	CG score	Scoring 1-5 (Attarit et al., 2025)
MO	managerial ownership	Percentage of shares held by senior managers (including the CEO and/or inside directors) to the total number of shares (Boshnak, 2024)
Tobin's Q	Firm value	Market Value Equity + Total debt divide by Total Asset (Ihsani et al., 2023)
Covid	During Covid-19	Dummy variable to 1 when before during COVID-19 (2019-2021) and 0 after COVID-19 (Rahman et al., 2023)
int	Industry type	The dummy variable is equal to 1 when firm i is Industry type and 0 otherwise. (Thunputtadom et al., 2024)
Year	Year	The dummy variable is equal to be 1 when firm i is year and 0 otherwise.(Lertskullawat & Ungphakorn, 2024)

Table 3: Descriptive Statistics

Panel: A	n	Minimum	Maximum	Mean	Std. Deviation
Tobin's Q	544	19.56	28.77	24.22	1.71224
ROE	544	-52.15	68.93	10.9033	12.13438
FO	544	0.00	86.62	22.3024	24.46278
FS	544	6.14	15.01	10.0772	1.64909
LEV	544	0.00	149.14	49.1358	21.34042
CG	544	0.00	5	4.07	0.95318
MO	544	0.00	88.20	14.84	19.37
Panel: B	n	Dummy=1	Dummy=0	% of 1	% of 0
ESG	544	363	181	66.70	33.30
Covid-19	544	408	136	75	25

Table 4: Correlation Matrix

Variable	Tobin's Q	ESG	FO	ESG*FO	ROE	FS	LEV	CG	MO	Covid 19	Model 1 VIF
Tobin' Q	1										
ESG	.256***	1									
FO	-.365***	-.170***	1								
ESG*FO	-.224***	.420***	.660***	1							
ROE	.073	-.029	.064	.017	1						
FS	.740***	.287***	-.427***	-.228***	-.067	1					
LEV	.389***	.076	-.132***	-.046	.019	.384***	1				
CG	.145***	.162***	-.118***	.011	-.016	.172***	.029	1			
MO	-.125***	-.158***	.664***	.416***	.124***	-.188***	-.035	-.023	1		
Covid19	-.045	-.209***	.000	-.128***	-.037	-.039	-.025	-.127***	.000	1	
Notes: *p < 0.05, **p < 0.01, ***p < 0.001											

Regarding the control variables, the mean value of ROE is 10.9033, with a maximum of 68.93 and a minimum of -52.15. This indicates that the ROE of each company displays significant variety, with some companies generating huge returns for their shareholders while others yield no returns, leading to negative results. Additionally, the value of LEV ranges from a minimum of 0.00 to a high of 149.14. This suggests that certain companies may be enhancing their operations by borrowing, thereby elevating their financial risk. Nevertheless, many organizations exhibit little or no financial risk, as indicated by a rating of 0. The variable representing MO has a maximum value of 88.20, a minimum value of 0.00, and a mean value of 14.84%. This suggests that top management oversees just 14.84% of sustainable enterprises. Nonetheless, there exists a significant degree of dispersion. Also, most companies got Excellent ratings for CG, which shows they put a lot of weight on CG evaluation along with Environmental, Social, and Governance (ESG) performance. The value of the "covid-19" variable showed that the sample group during the COVID-19 epidemic, which had 408 companies, was made up of 75% of the total 544 sample companies.

Table 4: Presents the correlation analysis of all variables. There is a significant positive association between ESG and Tobin's Q. However, the variables FO and ESG*FO exhibit a strong negative correlation with Tobin's Q. Overall, Tobin's Q shows a positive and significant relationship with the control variables, with the possible exceptions of ROE and COVID-19.

According to Gujarati (2016), "multicollinearity is probable if the correlation coefficient exceeds 0.8." The correlation matrix of this study demonstrates that all predictor variables had the highest correlation coefficients of .660, which is below 0.8. This indicates a lack of multicollinearity. Furthermore, the researchers analyzed this issue using the Variance Inflation Factor (VIF) and concluded that in every case, the findings did not exceed 10 (Black, 2023; Velte, 2017). This further confirms that this issue does not impact the sample.

Research Findings and Discussion

Table 5: The study proposes two hypotheses. Hypothesis 1 states that ESG performance is positively associated with firm value. Hypothesis 2 posits that family ownership moderates the positive relationship between ESG performance and firm value. The researchers will present and discuss the findings as outlined below.

1) The analysis of Hypothesis 1, which posits that ESG performance is positively associated with firm value (measured using Tobin's Q), confirms a significant positive relationship between higher ESG performance and firm value ($\beta_1 = 0.172$, $t = 2.366$). Therefore, **Hypothesis 1 is supported**. The control variables ROE, FS, and LEV have a positive and significant correlation with firm value, but CG, MO and COVID-19 have no correlation to firm value.

This study demonstrates that, within the context of the Stock Exchange of Thailand, the implementation of Environmental, Social, and Governance (ESG) practices contributes to the enhancement of long-term firm value. This finding is consistent with stakeholder theory, which posits that when a firm integrates ESG considerations into its strategic operations, it fosters stronger relationships with key stakeholders (investors, customers, employees, supplier, and community). Consequently, such integration enhances the company's image and reputation. Moreover, it mitigates various operational and regulatory risks, particularly those related to legal compliance and financial stability. These improvements, in turn, increase the confidence

of fund providers and suppliers, enabling firms to obtain lower-cost capital, such as reduced interest rates or extended credit terms. Ultimately, these advantages improve the firm's competitiveness and support long-term value creation.

In addition, the results align with previous studies. For instance, Cheng et al. (2024), in the context of China, along with Tang et al. (2024) and Seok et al. (2024), found that ESG performance positively influences business value through mechanisms such as investor confidence and customer satisfaction. Specifically, these factors strengthen the link between ESG initiatives and firm performance. Similarly, Ho et al. (2024), using data from 31 countries collected between 2002 and 2018 from the Thomson Reuters World Scope database, reported a significant positive association between ESG performance and business outcomes. Likewise, Lerskullawat and Ungphakorn (2024), drawing on data from ASEAN-5 countries (Thailand, Indonesia, Malaysia, Philippines, Singapore) found that ESG performance has a favorable effect on firm value.

The control variables in this model have a significant correlation with the company's value. For instance, the correlation between the return on equity (ROE) and firm size (FS) is significant. The configuration of managerial ownership (MO) has a positive and strong correlation with Tobin's Q, suggesting that firms with robust earnings and greater sizes are likely to have higher valuations. Furthermore, it is contingent upon the function of the senior management board. Nonetheless, the factors of corporate governance (CG) and COVID-19 exhibit no significant effects on the company's value, suggesting that, despite the pandemic and favorable governance ratings, the enterprises in this sample continue to maintain reasonably steady valuations.

2) The analysis in Hypothesis 2 states that family ownership moderates the positive relation between ESG performance and firm value. Table 5 presents the correlation between firm value, ESG performance, and family ownership. The statistically significant coefficient estimate for firm value indicates that ESG performance is inversely related to firm value in firms with a high proportion of family ownership. In firms with significant family ownership on the board, the impact of ESG performance is notably negative, as shown by the cumulative coefficient estimates on firm value and ESG*FO, which is significant at the 0.01 level ($\beta_3 = -.008$, $t = -3.941$). Therefore, **Hypothesis 2 is not supported**. Control variables such as ROE, FS, and LEV have substantial positive correlations with company value. However, CG, MO and COVID-19 have no effect on firm value. These findings further support the idea of those of Li and Ryan (2022), Liew and Devi (2021), and Minh et al. (2022), which show that the level of proportion family ownership when on the board increases, the level of firm value decreases.

These data demonstrate that family ownership significantly influences the association between ESG performance and firm value. This corresponds with the conclusions of Li and Ryan (2022), Liew and Devi (2021), and Minh et al. (2022), who contend that family ownership may intensify agency conflicts, resulting in governance and decision-making inefficiencies that detrimentally impact firm value. Family enterprises may exhibit a tendency to favor immediate financial objectives at the expense of long-term sustainability, compromising the potential efficacy of their ESG initiatives. Furthermore, the positive association of ROE, FS, and LEV with firm value in our model substantiates the premise that more profitable, bigger, and well-leveraged enterprises generally attain higher values. This underscores the intricate relationship between many corporate attributes and the impact of ESG policies.

Table 5: Regression Results of Model 1

Independent Variables	Dependent Variables				
	Tobin's Q			t	Sig.
	B	Unstandardized Coefficients	Standardized Coefficients		
	B	Std. Error	Beta		
(Constant)	13.911	.194		71.883***	.000
FO	.006	.002	.089	3.383***	.001
ESG	.172	.073	.047	2.366**	.018
ESG x FO	-.008	.002	-.100	-3.941***	.000
ROE	.020	.002	.140	10.586***	.000
LN FS	.983	.017	.947	57.612***	.000
LEV	.002	.001	.027	1.923**	.055
CG	-.022	.024	-.012	-.916	.360
MO	.002	.001	.027	1.507	.132
Covid-19	-.025	.053	-.006	-.475	.635
Ind. Effect		yes			
Year		yes			
Adjusted R ²					
n					

Notes: *p < 0.05, **p < 0.01, ***p < 0.001

The conclusions of this research corroborate the results of several prior studies in developing countries, where ESG performance is often seen as detrimental to firm value. Truong (2025) found that companies showing signs of diminished value are more likely to have better ESG performance. This suggests that these companies may do ESG activities because they have to, like because of legal requirements or expectations from stakeholders. Palupi (2023) says that giving out non-financial information, which is often connected to ESG performance, could hurt investor confidence and lead to extra agency costs, which would lower the value of the business. The findings of this research further corroborate the agency's theoretical framework, especially with family-owned enterprises. Agency theory asserts that conflicts of interest between owners and managers may result in poor decision-making, particularly when family members have significant power over company governance. The study's results indicate that concentrated family ownership may intensify agency difficulties, adversely affecting firm value, especially when organizations prioritize short-term financial objectives above long-term ESG aspirations.

The researcher further analyzed the Process Macro program to gain a deeper understanding and found that the family ownership structure plays a critical role in moderating the relationship between ESG performance and firm value. Specifically, the analysis reveals that in companies with a low family ownership structure, ESG performance exerts a stronger influence on firm value. In contrast, for companies with a high family ownership structure, the impact of ESG performance on firm value is weaker or even insignificant, as illustrated in Figure 2.

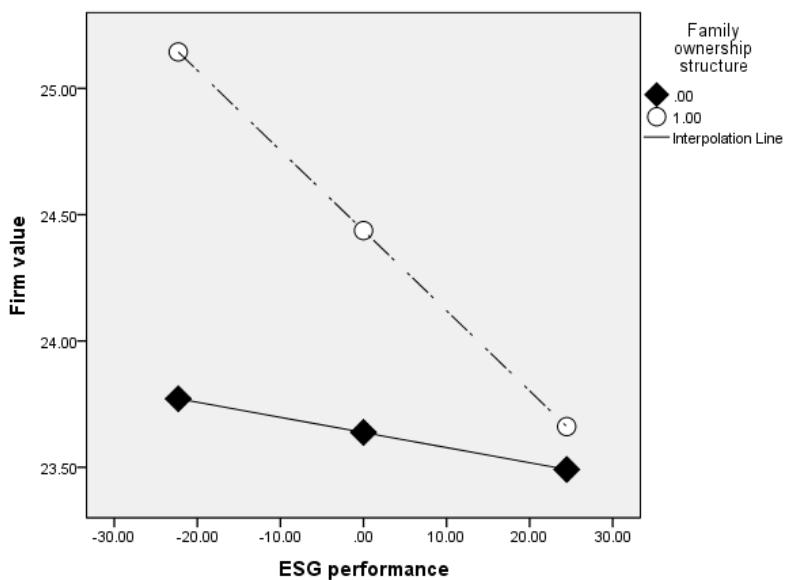


Figure 2: Interaction Plot of ESG Performance and Firm Value by Family Ownership

Robustness test

To assess the robustness of our primary findings, the researcher examines whether the moderating effect of family ownership on the connection between ESG performance and firm value persists when substituting Tobin's Q with differential ROA. The researcher re-evaluates regressions Model 2 using differential ROA as a proxy for firm value. (Arayssi & Jizi, 2019). This model as described below.

$$\text{ROA} = \beta_0 + \beta_1 \text{FO} + \beta_2 \text{ESG} + \beta_3 \text{ESG*FO} + \beta_4 \text{ROE} + \beta_5 \text{LN_FS} + \beta_6 \text{LEV} + \beta_7 \text{CG} + \beta_8 \text{MO} + \beta_9 \text{Covid19} + \beta_{10} \text{int} + \beta_{11} \text{year} + \varepsilon_{it} \dots \text{(Model 2)}$$

Table 6 presents data similar to those previously documented in Table 5.

Table 6: Robustness Test Results of Model 2

Independent Variables	Dependent Variables				
	ROA				
	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	5.143	.971		5.297**	.000
FO	.020	.009	.072	2.117**	.035
ESG	.292	.365	.021	.799	.425
ESG x FO	-.024	.010	-.077	-2.350**	.019
ROE	.490	.009	.897	52.474**	.000
LN_FS	-.040	.086	-.010	-.470	.638
LEV	-.058	.006	-.188	-10.205**	.000
CG	.048	.121	.007	.393	.695
MO	.004	.007	.013	.546	.585
Covid-19	-.100	.266	-.007	-.378	.706
Ind. Effect					
Year			Yes	Yes	
Adjusted R ²					
n					

Notes: *p < 0.05, **p < 0.01, ***p < 0.001

Conclusions

Researchers used panel data from sustainable firms listed on the Stock Exchange of Thailand from 2019 to 2022 to investigate the link between ESG performance and firm value, as well as the moderating effect of family ownership on this relationship.

This research has provided five contributions. First, this study offers novel perspectives on ESG performance in developing markets. This study broadens the research on ESG performance by concentrating on sustainable enterprises in Thailand, a developing market in Southeast Asia. This study redirects attention from the predominant emphasis on ESG performance and firm value in developed countries to a region characterized by distinct institutional, cultural, and political attributes. This addresses a deficiency in current research and provides significant insights for academics, policymakers, and investors focused on the correlation between ESG and success in developing countries. Second, the results of this study reveal a positive relationship between ESG performance and firm value, suggesting that business operations which prioritize ESG practices can enhance a company's long-term value. This is primarily due to increased competitiveness, as well as the trust and confidence gained from stakeholders, which collectively contribute to a strong corporate reputation. Moreover, the study highlights the effectiveness of ESG performance in Thailand, an emerging market, demonstrating that, despite cultural differences, ESG practices align closely with those observed in developed countries. Therefore, it can be concluded that a company's sustainable performance should be regarded as an asset, rather than a cost burden.

Third, another new element is the analysis of family ownership as a variable that affects the link between ESG performance and firm value, specifically investigating how the concentration of family ownership affects this relationship. This research emphasizes significant dynamics that have not been thoroughly examined in the literature. The adverse effect of ESG performance on the valuation of family-owned enterprises undermines the presumption that ESG policies universally generate value. This adds complexity to the overarching discourse on the effects of ESG by offering a more nuanced understanding of how ownership structure might affect corporate behavior and performance. Employing agency theory and stakeholder theory to examine this dynamic enhances the theoretical framework of the research.

Fourth, practical implications for policy and investments. The study's practical implications for investors, corporations, and regulatory bodies are significant. The study provides guidelines for the oversight of familial ownership. Administering agency expenditures and enhancing transparency, ESG provides implementation directives that might impact investment strategies and corporate practices in Thailand.

Finally, this research identifies potential approaches to enhance the country's competitiveness through problem analysis and the proposal of concrete solutions. The findings indicate that ESG implementation in Thailand continues to have a positive impact on long-term corporate value, suggesting that many Thai organizations are employing appropriate and effective ESG strategies. Based on these insights, the government could leverage the research outcomes to formulate policies that encourage companies to integrate ESG principles into their business management strategies. Furthermore, the government could establish tangible and clear incentive mechanisms, such as tax benefits for ESG-related projects, the promotion of public-private partnerships to mitigate financial risks, the provision of funding support, the introduction of awards programs, and public recognition initiatives. These measures would

motivate companies to adopt and enhance ESG practices within their organizations, thereby strengthening Thailand's ability to compete more effectively on the global stage.

This study demonstrates that family ownership influences ESG performance. Family-owned enterprises may effectively handle ESG performance risks and ensure long-term stability. Nonetheless, family-dominated enterprises may have disadvantages, since their significant influence restricts access to financial sources and the incorporation of novel ideas from external stakeholders. From a national competitiveness standpoint, the government might provide additional funding sources pertaining to ESG performance to underscore its significance or incentivize institutional investors to engage, fostering a more equitable power dynamic.

Brief Summary

The study examines the link between ESG performance and firm value in sustainable firms listed on the Stock Exchange of Thailand from 2019 to 2022. The findings reveal that ESG performance has a significant positive influence on firm value. The study expands existing research on ESG performance and firm value, emphasizing emerging nations. The study also emphasizes the moderating influence of family ownership and provides recommendations for companies to enhance their ESG performance in Thailand. The study suggests the ESG performance of sustainable firms can improve firm value. Practical recommendations for investors, firms, and regulatory authorities include retaining family-owned shares, evaluating investment strategies, implementing equity composition modifications, increasing family ownership proportion, and attracting institutional investors.

Limitations and directions of future research

The study has many limitations that may provide avenues for further investigation. This research only focuses on the sustainable company list in Thailand. Therefore, next studies may concentrate on Brice's country, particularly Thailand's recent accession to the BRICS coalition. Secondly, while this analysis explores the moderating influence of family ownership structure, a significant unexplored moderating effect persists between ESG performance and firm value. Therefore, researchers should focus more on the alternative moderating function in future studies. Furthermore, further interpret the findings of this investigation, as it would be prudent to investigate other inquiries, such as the correlation between ESG performance and greenwashing or the association between ESG performance and risk.

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