

(Research/Review) Article

A Comparative Analysis of the Influence of ESG Performance and Controversy on Firm Value : a Comparison of Companies in Indonesia and Malaysia

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Abstract: This study examines the impact of Environmental, Social, and Governance (ESG) performance and controversies on firm value in Indonesia and Malaysia, two significant markets with differing regulatory environments. The research addresses three main questions: (1) Does ESG performance enhance firm value? (2) Does ESG controversy reduce firm value? (3) How do ESG performance and controversies differ between the two countries? Using panel data regression analysis, the study analyzes 41 Indonesian and 52 Malaysian non-financial firms (2020–2024) sourced from Refinitiv Eikon. Firm value is measured by Tobin's Q, while ESG performance and controversies are assessed through composite scores ranging from 0 to 100. The results indicate that ESG performance significantly enhances firm value in Malaysia ($\beta = 0.0387$; $p < 0.001$), likely due to the standardized reporting requirements under the Malaysian Code on Corporate Governance. In contrast, no significant effect is observed in Indonesia ($\beta = 0.0068$; $p = 0.358$), where the adoption of POJK 51/2017 remains voluntary. Regarding ESG controversies, no significant impact on firm value is found in either market ($p > 0.05$), suggesting that investors are not significantly concerned with sustainability scandals. However, Malaysian firms have superior ESG performance (mean = 58.62 vs. 52.50; $p < 0.001$), while Indonesian firms experience fewer controversies (mean = 98.60 vs. 96.59; $p = 0.038$). The study concludes that regulatory frameworks are crucial in transforming ESG commitments into market value, whereas weak enforcement mechanisms may prevent penalties for controversies. The findings highlight the need for ASEAN policymakers to harmonize ESG reporting standards and enhance investor education on sustainability risks.

Keywords: ESG Controversies, ESG Performance, Firm Value, Indonesia, Malaysia.

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1. Introduction

The integration of Environmental, Social, and Governance (ESG) aspects into corporate valuation frameworks is really important in achieving sustainable finance, driven by global regulatory shifts and investor demand for ethical accountability (Friede et al., 2015; GSIA, 2023). This research examines the comparative impact of ESG performance and controversies on firm value in Indonesia and Malaysia, two ASEAN markets with different regulatory maturity, sectoral exposures, and ESG adoption (Ng et al., 2023; Aziz et al., 2023). Indonesia is dominated by mining sector (45%) which is related to environmental issues and Malaysia is service-oriented market (60%) with a better governance, it will show a different ESG implementation in these two countries (World Bank, 2023; IDX, 2023).

Firm value represents total economic worth of a business entity which is reflecting market perception of its future cash flow capability that is commonly measured by market capitalization or Tobin's Q (Damodaran, 2020). Firm value in Indonesia and Malaysia are different significantly; as of February 2025, Indonesia's market capitalization recorded at USD 661.3 billion compared to Malaysia's USD 405.9 billion, influenced by differences in capital market structure, liquidity depth, and regulatory policies (CEIC Data, 2025).

From 2019 to 2023, Indonesia recorded a higher average market capitalization growth rate of 15.2% annually than Malaysia's 6.7%, although with greater volatility due to its commodity-based sectors (World Bank, 2024). Despite this, Malaysia's market has a higher price-to-earnings

ratio (18.3x vs. Indonesia's 14.8x) and a more stable financial sector which contributed 35% of market capitalization with stable ROE, it shows that Malaysian firm has a better sectoral composition and ESG exposure (Bloomberg, 2023; Bursa Malaysia; IDX).

Both financial and non-financial factors influence firm value. Studies in Indonesia highlight that capital structure and profitability positively affect manufacturing firms' value, while firm growth and liquidity may have negative impacts (Darmawan, 2023). Profitability and dividend policy further strengthen this relationship in consumer sectors (Afida & Permatasari, 2023). Beyond financial metrics, corporate governance elements such as board structure, institutional ownership, and audit committees show significant positive effects on Tobin's Q (Winarsih et al., 2025). ESG performance is also critical; research on ESG leaders in Indonesia confirms ESG's role in enhancing profitability, mediated by financial performance (Rahayu & Sanjaya, 2024). Other dimensions like corporate reputation, CSR, enterprise risk management, innovation, and intellectual capital have been empirically linked to improved firm valuation and competitive advantage (Daromes et al., 2022; Qonita et al., 2022; Kurniawanto, 2022; Putri et al., 2022; Istiqomah et al., 2024).

The integration of ESG and environmental management strategies is really needed for long-term firm value during global climate change risks, especially in emerging markets like Indonesia and Malaysia (Bloomberg, 2021; ADB, 2021). Sustainable practices reduce regulatory and reputational risks, foster investor confidence, and enhance operational efficiency (Xaviera & Rahman, 2023; Nugroho & Fachrudin, 2021). The firm that implement Task force on climate-related financial disclosures (TCFD) shows a lower capital costs due to better risk management (Nugroho & Siregar, 2023). Active engagement by global asset managers improve climate risk disclosure and ESG integration, it influences firm value by lowering capital costs and supporting competitive positioning (ADB, 2023). Given the different ESG regulatory frameworks, market maturity, and sector structures, comparative analysis of Indonesia and Malaysia's ESG performance and controversies provides critical insight into their distinct pathways affecting firm value (Ng et al., 2023; Aziz et al., 2023; Pen, 2021). This study proposes a dual-method approach:

- a. Panel regression with robust standard errors to model ESG performance (Refinitiv ESG score) and controversy (Refinitiv Controversy Score) impacts on Tobin's Q across 41 Indonesian and 52 Malaysian firms (465 firm-year observations, 2020–2024), controlling for firm size (ln assets) and age (years since IPO).
- b. Independent t-tests to rigorously compare ESG metrics between markets.

The design mitigates endogeneity via time-fixed effects and corrects heteroskedasticity, while the comparative framework directly tests institutional moderators (e.g., Malaysia's stricter disclosure rules under Bursa Malaysia Sustainability Reporting vs. Indonesia's POJK 51/2017).

Research problems center on three unresolved questions:

- a. Does ESG performance enhance firm value ?
- b. Does ESG controversies reduce firm value ?
- c. How is the different of ESG performance and controversies between the firms in Indonesia and Malaysia

The contributions of this reseach consist of:

- a. Theoretical: Validates stakeholder theory (Freeman, 1984) and signaling theory (Spence, 1973) in emerging market, the ESG signals enhance firm value in Malaysia.
- b. Empirical: ESG controversies has no significant impact in both markets and shows investor apathy toward controversies in ASEAN.
- c. Methodological: Demonstrates necessity of difference testing for cross-country ESG comparisons, with Malaysia showing superior ESG performance (mean=58.62 vs. 52.50, $p<0.01$) but higher controversy variance.
- d. Practical: Informs ASEAN regulators on ESG policy efficacy e.g., Indonesia's need for standardized disclosure to amplify ESG's signaling power.

2. Preliminaries or Related Work or Literature Review

Introduction to ESG and Firm Value

The relationship between Environmental, Social, and Governance (ESG) performance and firm value has emerged as a critical area of research in sustainable finance. As global investors prioritize sustainability, understanding how ESG factors influence corporate valuation particularly in emerging markets like Indonesia and Malaysia is essential. This section explain stakeholder theory and signaling theory with empirical literature, also highlighting the gaps in this study.

Stakeholder Theory: Theoretical Foundation and Empirical Applications

Stakeholder theory (Freeman, 1984) explain that firms must balance the interests of all stakeholders (e.g., investors, employees, communities, regulators) to achieve a long-term success. It rejects shareholder primacy, emphasizing that ethical governance, social responsibility, and environmental stewardship enhance trust and value creation.

Integration with Empirical Literature Global Evidence: Studies like Fatemi et al. (2018) show that high ESG performance strengthens stakeholder trust, reducing operational risks and lowering capital costs. In Malaysia, Aziz et al. (2023) found that sufficient ESG disclosure under the Malaysian Code on Corporate Governance enhance firm value.

In Malaysia, stakeholder pressure focuses on governance and investor rights. The firm responds it with good ESG practices that will attract premium valuation (Lee & Isa, 2022). In Indonesia, stakeholders prioritize environmental/social issues (e.g., mining pollution and land conflicts). Yet, weak ESG implementation (Dewi & Octaviani, 2023) break the trust and firm value (Negara et al., 2024).

ESG controversies (e.g., environmental scandals) trigger stakeholder sanctions, break the firm value (Fabrizi et al., 2023). However, in Indonesia, weak regulations may avoid stakeholder reactions (Sutrisno et al., 2022).

Gap Identification: Prior studies overlook how different stakeholder priorities in Indonesia (environmental/social) vs Malaysia (governance) explain cross-country heterogeneity in ESG impacts.

Signaling Theory: Theoretical Foundation and Empirical Applications

Signaling theory (Spence, 1973) suggests that firms use disclosures (e.g., ESG reports) to reduce information asymmetry. High ESG performance shows the signals related to sustainability commitment, attracting investors, while controversies signal risk, reduce the valuations.

ESG as a Positive Signal: In Malaysia, Standardized reporting (e.g., Bursa Malaysia's Sustainability Statement) makes ESG signals becomes more credible and it can lower cost of capital (Ng et al., 2023). Zhang et al. (2022) found ESG transparency in Chinese manufacturing raised Tobin's Q by 12%. Meanwhile in Indonesia, Immature frameworks (e.g., POJK 51/2017) weaken signal credibility. ESG disclosures are often ignored by investors, so there is no valuation benefits (Rahayu & Sanjaya, 2024).

Controversies as Negative Signals: ESG controversies cause stock declines (e.g., PT Adaro Energy lost 8% after land conflict). Yet, in both countries show low controversy incidence (mean ESGC >96) and lower intention of investor regarding the ESG risks, it will diminish their impact (Scholtens & Tan, 2024).

Gap Identification: Existing research fails to test why signaling efficacy varies structurally across markets that has proper regulation like Malaysia vs. commodity-driven Indonesia.

Empirical Evidence on ESG Performance, Controversies, and Firm Value

Based on meta analysis (Friede et al., 2015), it confirms possitive impact of ESG to firm value, 90% of studies. In Malaysia, ESG can attract 8% ROA (Ng & Rezaee, 2020). On the other hand there is insignificant effect on ESG to firm value in Indonesia due to high implementation costs and investor skepticism (Gunibala et al., 2025; Zulianto & Aisjah, 2025).

ESG controversies cause market penalties (e.g., -1.2% abnormal returns), but metaanalyses note inconsistent effects in emerging Asia (Faure et al., 2025) like Indonesia and Malaysia that shows there is no significant effect of controversy to firm value, it confirms by low controversy frequency (Indonesia's mean ESGC = 98.6; Malaysia's = 96.6) and Investor just focus on financials rather than ESG risks (Rahman & Bahari, 2023).

Malaysia's ESG scores (mean = 58.6) exceed Indonesia's (52.5) due to proper regulations and sectoral advantages (energy/finance vs. Indonesia's mining dominance; Pen, 2021). Indonesia's higher unmanaged ESG risk (32.4 vs. Malaysia's 28.7; MIBG, 2022) that reflects a weak governance.

Gap Identification: No study has comparatively tested the relationship of ESG and firm value in Indonesia and Malaysia using panel regression which focus on institutional heterogeneity.

3. Proposed Method

The proposed method employs a panel data regression framework to analyze the comparative impact of ESG performance (ESGP) and ESG controversies (ESGC) on firm value (Tobin's Q) in Indonesia and Malaysia. The workflow integrates data collection, preprocessing, hypothesis testing, and robustness checks. Here is the explanation :

Data Collection

There are three point that must be considered in choosing the sample for this research such as:

1. Extract ESGP, ESGC, Tobin's Q, SIZE, and AGE from Refinitiv Eikon.
2. Filter non-financial firms listed on IDX (Indonesia) and KLSE (Malaysia).
3. Apply purposive sampling: Include firms with complete ESG data (2020–2024) & Exclude financial-sector firms and entities with incomplete records.

Panel Regression

In this research, there are two models that will be analyzed using the panel data. Here is the models that will be explain such as :

Model 1 (ESG Performance Impact)

$$\text{Tobins' } Q_{i,t} = \beta_0 + \beta_1 \text{ESGP}_{i,t} + \beta_2 \text{SIZE}_{i,t} + \beta_3 \text{AGE}_{i,t} + e_{i,t} \dots (1)$$

Model 2 (ESG Controversies Impact)

$$\text{Tobins' } Q_{i,t} = \beta_0 + \beta_1 \text{ESGC}_{i,t} + \beta_2 \text{SIZE}_{i,t} + \beta_3 \text{AGE}_{i,t} + e_{i,t} \dots (1)$$

Table 1. Explanation

Description :		
Tobins' $Q_{i,t}$	=	Firm Value i, in period t
$\text{ESGP}_{i,t}$	=	ESG Performance i, in period t
$\text{ESGC}_{i,t}$	=	ESG Controversies i, in period t
$\text{SIZE}_{i,t}$	=	Firm Size i, in period t
$\text{AGE}_{i,t}$	=	Firm Age i, in period t
β_0 ,	=	Constanta
$\beta_1 - \beta_8$	=	Coefficient Variable
$e_{i,t}$	=	Error term

4. Results and Discussion

Independet Sample t-Test

Table 2. Independet Sample t-Test for ESG Performance in Indonesia and Malaysia

Group	Obs	Mean
Indonesia	205	52.49653
Malaysia	260	58.62395
<i>Combined</i>	465	55.92261
<i>diff</i>		-6.127414
diff = mean(Indonesia) - mean(Setelah Malaysia)		t = -3.7884
Ha: diff != 0 Pr(T > t) = 0.0002		

Source : data processed by researchers (2025)

The comparative analysis of ESG performance scores between Indonesia and Malaysia in Table 1 revealed a statistically significant difference. A two-sample t-test assuming equal variances found the mean ESG score for Indonesian companies to be 52.50, significantly lower than Malaysia's mean score of 58.62. This mean difference of -6.13 was supported by a very small significance value ($p\text{-value} < 0.01$), confirming a substantial disparity in ESG performance between the two countries. These results indicate that overall companies in Malaysia shows a better ESG performance than Indonesia during the observation period.

Table 3. Independet Sample t-Test for ESG Controversies in Indonesia and Malaysia

Group	Obs	Mean
Indonesia	205	98.6025
Malaysia	260	96.58767
<i>Combined</i>	465	97.47593
<i>diff</i>		2.014835
diff = mean(Indonesia) - mean(Setelah Malaysia)		t = 2.0794
Ha: diff != 0 Pr(T > t) = 0.0381		

Source : data processed by researchers (2025)

The analysis of ESG controversy scores between Indonesian and Malaysian companies in Table 2 reveals a statistically significant difference. A two-sample test shows Indonesia's mean ESG controversy score (98.60) is slightly higher than Malaysia's (96.59), with a mean difference of 2.01 that is statistically significant ($p\text{-value} < 0.05$). This indicates Indonesian companies generally experience fewer ESG-related controversies. Additionally, Indonesia's lower standard deviation (8.33 vs. Malaysia's 11.74) suggests more consistently high scores (reflecting fewer controversies) across companies, while Malaysia shows greater variability in controversy levels.

among firms. These findings imply Indonesian companies have fewer and more distributed ESG incidents, whereas Malaysian companies show wider variation in controversy exposure.

Panel Data Regression Results

Table 3 Panel Data Regression Results					
		Indonesia		Malaysia	
		Model 1	Model 2	Model 1	Model 2
ESG	<i>Coefficient</i>	0.0067767		0.0387323	
	t	0.92		4.23	
	P>t	0.358		0.000***	
ESGC	<i>Coefficient</i>		0.0043752		-0.0072088
	t		0.64		-0.91
	P>t		0.523		0.364
SIZE	<i>Coefficient</i>	-0.4877343	-0.4699609	-0.6498913	-0.4877697
	t	-3.28	-3.34	-5.15	-4.07
	P>t	0.001***	0.001***	0.000***	0.000***
AGE	<i>Coefficient</i>	0.0389137	0.0413388	0.0080277	0.0084375
	t	2.33	2.22	1.9	1.89
	P>t	0.021**	0.027**	0.058*	0.06*
_Cons	<i>Coefficient</i>	15.88591	15.19075	13.5032	12.94321
	t	3.65	3.41	5.33	4.5
	P>t	0.000***	0.001***	0.000***	0.000***
F		5.48 (0.0012)***	4.45 (0.0047)***	9.63 (0.0000)***	5.79 (0.0008)***
<i>R-Square</i>		0.0905	0.0871	0.1919	0.1072
Note : *,**,*** sequentially significant at the level 10%;5%;1%					
Source : data processed by researchers (2025)					

For Indonesia (Model 1): The model is statistically significant ($F=5.48$, $p=0.012$) with an R^2 of 0.0905. ESG had an insignificant positive coefficient (0.0068), while SIZE showed a significant negative impact (-0.4877 , $p<0.01$) and AGE a significant positive impact (0.0382, $p<0.05$) on firm value.

For Indonesia (Model 2): ESGC was insignificant (0.0044), but SIZE (-0.4882) and AGE (0.0385) remained significant ($p<0.05$). The model was valid ($F=4.45$, $p=0.0047$, $R^2=0.0871$), confirming SIZE (negative) and AGE (positive) consistently drive firm value regardless of ESG/controversy focus.

For Malaysia (Model 1): The model was significant ($F=9.63$, $p=0.000$, $R^2=0.1919$). ESG positively impact firm value (0.0387, $p<0.01$), SIZE had a negative effect (-0.6499 , $p<0.01$), and AGE a positive effect (0.0080, $p<0.05$).

For Malaysia (Model 2): ESGC was insignificant (-0.0072), while SIZE (-0.4878 , $p<0.01$) and AGE (0.0084, $p<0.05$) retained significance. The model was valid ($F=5.79$, $p=0.0008$, $R^2=0.1072$).

Discussion and Analysis

a The Impact of ESG Performance on Firm Value

Indonesia

Based on Table 3 (Model 1, Indonesia) reveals a statistically insignificant relationship between ESG performance and firm value (coefficient = 0.0068, t-statistic = 0.92, p-value =

0.358 > 0.05), it means that Hypothesis 1 rejected. This finding indicates that superior ESG performance does not mean it can enhance firm value in Indonesian market. Meanwhile Malaysia's significant positive ESG effect (Model 1, Malaysia: coefficient = 0.0387, $p < 0.01$), which is explained by signaling theory (Casciello et al., 2025). Unproper ESG reporting standards and weak regulatory enforcement in Indonesia (Redita et al., 2024; Negara et al., 2024) undermine the credibility of ESG disclosures as positive signals to investors.

Consequently, the market fails to incorporate ESG performance into valuation assessments. Stakeholder theory (Freeman, 1984) further clarifies this phenomenon: while Malaysian firms uses ESG practices to build stakeholder trust across multiple groups (investors, government, community), Indonesian firms face stakeholder pressure that focused on environmental and social issues but there are some difficulties such as implementation gaps and lower transparency which prevent effective trust-building and value creation.

The finding in Indonesian finding aligns with another domestic research (Utami et al., 2025; Gunibala et al., 2025; Rahayu & Sanjaya, 2024; Zulianto & Aisjah, 2025) which is consistently reporting a non-significant ESG-firm value relationship. Key barriers include: (1) Investor apathy towards environmental and social factors, so ESG is not used as considerations in investment decisions (Utami et al., 2025); (2) Shareholder perception related to ESG implementation costs that can reduce the firm value (Rahman & Bahari, 2023; Yori & Rahmawati, 2025); and (3) Inadequate corporate disclosure on environmental and social dimensions, failing to provide the necessary information for the market (Angela & Sari, 2023). To overcome these barriers and unlock the value-creation potential of ESG, Indonesian firms must strategically: (1) Enhance transparency and comprehensiveness in ESG disclosures, particularly on environmental and social metrics, to attract investor attention (Angela & Sari, 2023); (2) Adopt technological innovations to improve ESG implementation (Kong et al., 2023); (3) Strengthen governance disclosures to build investor trust (Angela & Sari, 2023); and (4) Develop competitive advantages that enable effective translation of ESG performance into tangible value (Utami et al., 2025). These actions are critical for aligning ESG practices with firm value enhancement in Indonesia.

Malaysia

Table 3 (Model 1, Malaysia) shows a statistically significant positive relationship between ESG performance and firm value (coefficient = 0.0387, t -statistic = 4.23, p -value = 0.000 < 0.05), confirming Hypothesis 1 that superior ESG performance enhances firm value in Malaysia. This finding is theoretically grounded in signaling theory (Casciello et al., 2025), where ESG disclosures is like a credible market signals related to sustainability commitment. Malaysia's mature regulatory such as the Malaysian Code on Corporate Governance, it enhances signal credibility and market responsiveness, also transform ESG performance into premium valuation. Malaysian firms successfully implement ESG to address stakeholder expectations - particularly strong governance and investor protection demands (Aziz et al., 2023). This stakeholder alignment builds institutional trust and mitigates reputational risks (Sutrisno et al., 2022).

The possitive impact of ESG was validated through: (1) Enhanced corporate reputation that will lead to customer loyalty (Ismail et al., 2019); (2) Sustainable investors increase capital inflow (Yen-Yen, 2019); (3) Operational efficiencies from sustainable innovation (Zheng & Feng, 2025); (4) Reduced information asymmetry (Noraini & Noraliza, 2024); and (5) Improved risk resilience during market volatility (Al Azizah & Haron, 2025). These mechanisms are supported by Malaysia's regulatory. Bursa Malaysia's requirements related to sustainability reporting aligned with global standards (Kiung & Fang, 2024), which requires ESG transparency and accountability. This regulatory helps the firms to implement a better ESG so that the firms gets competitive advantage, market recognition, operational efficiencies and risk management capabilities. Consequently, firms with superior ESG has premium valuation cause investors reward sustainability governance.

b The Impact of ESG Controversies on Firm Value

Based on statistical result, ESG controversies have no significant influence on firm value in either Indonesia or Malaysia. For Indonesia (Table 3, Model 2), the ESG controversy variable (ESGC) demonstrates statistical insignificance (coefficient = 0.0044, t -statistic = 0.64, p -value = 0.523 > 0.05), leading to the rejection of Hypothesis 2 which posited a significant negative relationship. Similarly in Malaysia (Table 4.10, Model 2), ESGC shows no significant effect (coefficient = -0.0072, t -statistic = -0.91, p -value = 0.364 > 0.05). This is consistent with the

finding across emerging markets which indicates that the presence or absence of ESG controversies does not affect corporate valuation.

This null effect presents a theoretical paradox. While signaling theory explains that controversies is used as negative market signals that can breaks investor trust (Wong & Zhang, 2022), and stakeholder theory suggests they should fulfill accountability demands (Freeman, 1984), but there is nothing happen. This ESG controversy scores in both markets are different (Indonesia: 98.60, Malaysia: 96.49). This indicates minimal variation in controversy exposure across firms. Consequently, investors are ignore controversies in valuation decisions. Supporting this interpretation, Faure et al. (2025) found globally that controversies is not really important for the investors in their investment decision because unclear reporting and the controversy is not always happend.

The lack of awareness related to ESG controversies, there is a gap in market maturity. Investor tends to focus on financial metrics rather than sustainability risks (Rahman & Bahari, 2023), also limited controversy literacy and weak stakeholder pressure for accountability, it made the valuation systems insensitive to ESG misconduct. This presents risks as global markets increasingly penalize sustainability failures. For a better valuations, capital market authorities must do a change through: (1) Mandatory standardized controversy reporting frameworks to enhance transparency; (2) Investor education related to controversy risk awareness; and (3) Regulatory mechanisms that devides market based on controversy profiles. Until such structural reforms align valuation models with global sustainability imperatives, ESG controversies will remain statistically insignificant – yet increasingly dangerous – blind spots in ASEAN market valuations.

c The Impact of Control Variable on Firm Value

Cross-country regression analyses consistently demonstrate a robust negative relationship between firm size (proxied by $\ln(\text{total assets})$) and firm value (Tobin's Q) across all models in Indonesia and Malaysia. As evidenced in Table 3, SIZE shows statistically significant negative coefficients at the 1% level in both markets: for Indonesia (Model 1: $t = -3.28$, $p=0.001$; Model 2: $t = -3.34$, $p=0.001$) and Malaysia (Model 1: $t = -5.15$, $p=0.000$; Model 2: $t = -4.07$, $p=0.000$). It means that larger asset will decrease corporate valuations. The negative effect may come from operational inefficiencies in large organizations, including the bureaucracy that breaks resource allocation (Rahman & Bahari, 2022) and high fixed costs that reduce asset efficiency in gaining the profit (Putra & Badjra, 2015).

Firm age has significant positive impact to firm value in both Indonesian and Malaysian markets. It can be seen on Table 3 that there is positive coefficients significant at conventional levels: for Indonesia (Model 1: $t=2.33$, $p=0.021$; Model 2: $t=2.22$, $p=0.027$) at the 5% level, and for Malaysia (Model 1: $t=1.90$, $p=0.058$; Model 2: $t=1.89$, $p=0.060$) at the 10% level. This indicates that market gives premium valuation to established firms, attributable to accumulated organizational advantages. Mature enterprises gets the benefit from enhanced reputational and stakeholder trust through sustained market presence (Soleman et al., 2022), also supported with well operational structures that improve asset utilization efficiency (Cahyani & Sulistyowati, 2023). Mature firm can create the sustainable firm value across both emerging markets.

5. Comparison

Based on the comparative analysis presented in the thesis results, while prior metaanalyses (e.g., Friede et al., 2015) established a possitive ESG-value link in 90% of global studies, this research demonstrates that such relationships are depend on the market: In Malaysia—with mature ESG regulations like the Malaysian Code on Corporate Governance—superior ESG performance significantly enhance firm value ($\beta=0.0387$, $p<0.01$), aligning with signaling theory and studies like Ng & Rezaee (2020); conversely, in Indonesia's less standardized regulatory environment (POJK 51/2017), ESG performance shows no significant effect ($\beta=0.0068$, $p=0.358$), highlighting the critical role of institutional maturity. It was different from another literature (e.g., Fabrizi et al., 2023; Ali et al., 2024), ESG controversies lack significance in both markets (Indonesia: $\beta=0.0044$, $p=0.523$; Malaysia: $\beta=-0.0072$, $p=0.364$), investor is apathy toward controversies in ASEAN's emerging markets—a finding that challenges stakeholder theory's predictive power in low-transparency contexts. Methodologically, this study bridges gaps in cross-country ESG analysis by employing rigorous difference tests (confirming Malaysia's superior ESG scores, $p<0.01$) and panel regression with Refinitiv data, addressing limitations in prior ASEAN comparative works (e.g., Putri et al., 2020) that overlooked statistical country contrasts. These insights recall the ESG valuation models to prioritize

regulatory credibility and investor capability as mediators of ESG impacts, offering policymakers and corporations to enhance ESG integration.

6. Conclusions

This study examined the impact of ESG (Environmental, Social, and Governance) performance and ESG controversies on firm value, measured by Tobin's Q, using nonfinancial public companies listed on the Indonesia and Malaysia Stock Exchanges from 2020 to 2024. The results show that ESG performance positively affects firm value in Malaysia but has no significant impact in Indonesia, while ESG controversies do not significantly influence firm value in either country. Significant differences in ESG performance and controversies were found between the two countries, with Malaysia demonstrating better ESG implementation but higher controversy levels. The limitation of this research is rely on ESG data from a single provider, Refinitiv Eikon, and the exclusion of macroeconomic variables, which may affect the robustness of the findings. Future research is advised to use multiple global ESG data sources and incorporate macroeconomic factors to provide more comprehensive and comparable results. This study contributes to the understanding of ESG's varied effects on firm value in emerging markets and highlights the importance of institutional and market maturity. Practically, it urges companies, regulators, and investors in both countries to enhance ESG reporting quality, transparency, and regulatory frameworks to support sustainable business practices and informed investment decisions.

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