

Submission Summary

Conference Name

44th IAEE International Conference - 2023

Paper ID

236

Paper Title

ESG AND CFP IN EMERGING MARKETS – A U-SHAPED RELATIONSHIP?

Abstract

Sustainability, nowadays often incorporated into business and research by ESG, is one of the most pressing topics for this planet. While the relationship between ESG and Corporate Financial Performance (CFP) is widely studied in developed markets, the field for emerging markets remains comparably scarce and produces contradictory positive and negative associations between ESG and CFP. One reason for this inconclusive picture might be the underlying assumption of a linear relationship between ESG and CFP in prior studies. This assumption, however, neglects the potential of an actual curvilinear relationship between ESG and CFP that could explain the negative and positive linear findings for emerging markets. This study contributes to the ESG-CFP literature in emerging markets by examining whether the relationship between ESG and CFP follows a curvilinear U-shape curve for up to 2,200 firms from 27 emerging markets for the time frame 2002-2019. While the results for linear estimations point towards a positive relationship between ESG and CFP in the first place, curvilinear estimations suggest a U-shape relationship between ESG and CFP for accounting-based metrics, but not for market-based metrics. Instead, the results for market-based CFP metrics indicate a rather positive linear association in emerging markets. One reason could be that sustainability efforts come at cost that are negatively reflected in accounting metrics but positively rewarded in market-performance metrics in the anticipation of upcoming relevance and regulation of sustainability in emerging markets. This study is one of the very first ones to examine the actual shape of the relationship between ESG and CFP for emerging markets. Further research about curvilinearity and the question "When does it pay to be sustainable" in emerging markets should elaborate on the findings and extend the knowledge about ESG and CFP in emerging markets.

Created on

9/9/2022, 3:14:11 PM

Last Modified

1/31/2023, 7:28:34 PM

Authors**Alexander Schult** (TU Munich, Chair of Management Accounting) < alexander.schult@tum.de > **Primary Subject Area**

Energy and the Economy

Submission Files

221122_ESG and CFP in Emerging Markets - a U-shape relationship_IAEE.pdf (627 Kb, 12/2/2022, 7:51:37 PM)