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Hong Van Tran

PhD in Economics, Researcher of the
Department of Accounting and
Auditing, University of Finance –
Marketing, Ho Chi Minh City, Vietnam;
e-mail: hongvan@ufm.edu.vn
ORCID: [0009-0004-9006-8339](https://orcid.org/0009-0004-9006-8339)

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FINANCIAL MARKET VALUATION OF ESG FACTORS: THE MODERATING ROLE OF SHAREHOLDER PRESSURE AND THE IMPACT ON CORPORATE FINANCIAL PERFORMANCE

ABSTRACT

This study investigates the nexus between Environmental, Social, and Governance (ESG) activities and firm value within the specific context of Vietnam, an emerging market, moving beyond a simplistic direct linkage to ascertain when and how ESG creates value by systematically testing the moderating role of shareholder pressure. Utilizing a comprehensive panel dataset of 395 listed non-financial firms in Vietnam from 2015 to 2024 and a manually constructed ESG disclosure index based on international standards and domestic regulations, the study employs a fixed-effects regression model and the System GMM methodology to rigorously address potential endogeneity. The findings reveal a notable ESG paradox: in isolation, ESG efforts do not positively impact, and may even negatively correlate with, firm value. However, this relationship is significantly and positively transformed by shareholder pressure, with both institutional and, more powerfully, foreign ownership acting as crucial monitoring mechanisms that ensure ESG investments translate into tangible financial benefits. Further analysis indicates this moderating effect is most pronounced for the Governance (G) pillar and within capital-intensive industries with high environmental impact. The study concludes that in Vietnam's evolving institutional environment, shareholder oversight is not merely an enabler but a fundamental prerequisite for ESG to be value-accretive. These results yield significant practical implications, advising managers to prioritize a robust governance foundation, encouraging investors to adopt a granular, pillar-specific analytical approach, and urging policymakers to strengthen the governance framework and foster a transparent ESG ecosystem to combat greenwashing and promote substantive, sustainable development.

Keywords: agency theory, corporate financial performance, ESG, firm value, shareholder pressure, sustainable finance, Tobin's Q, Vietnam

JEL Classification: F21, G32, G34, M14, Q56

INTRODUCTION

Globally, investors and financial markets are increasingly integrating ESG factors into their investment decision-making processes and corporate valuation. These non-financial factors are recognized to hold material risks and opportunities, directly impacting long-term financial performance, cost of capital, and the sustainability of cash flows (Friede et al., 2015; Eccles et al., 2014; Narotama et al., 2023; Jin & Lei, 2023). As one of Asia's fastest-growing economies, Vietnam is attracting significant foreign direct and indirect investment. Concurrently, the Vietnamese government has demonstrated strong commitments to sustainable development, exemplified by its goal of achieving Net-Zero emissions by 2050 and enacting stricter regulations on environmental and social information disclosure, such as Circular 96/2020/TT-BTC (Ministry of Finance, 2020). The intersection of economic growth, international integration pressure, and policy direction has created an urgent context to understand whether ESG efforts truly create value for Vietnamese enterprises.

Although the relationship between ESG and financial performance has been a subject of extensive academic and practical interest, a consensus on the nature and direction

of this relationship has yet to be established. Global empirical evidence remains mixed, indicating that this link is not a universal law but is deeply contingent on contextual factors (Chulkov & Wang, 2023). Furthermore, these studies have predominantly been conducted in developed countries; thus, directly applying their findings to Vietnam, an emerging market with unique legal and governance characteristics, is inappropriate and may lead to misleading conclusions (Shleifer & Vishny, 1997). In Vietnam, pioneering studies have made initial contributions but have often stopped at examining direct relationships, leaving a more critical question unanswered: what mechanisms help translate ESG activities into financial value? Particularly in a context where the risk of “greenwashing” and agency problems persist (Jensen & Meckling, 1976), the monitoring role of shareholders — a core governance mechanism — has not been systematically explored as a moderator of this relationship.

Therefore, this study is conducted not only to answer the question of whether ESG affects corporate financial performance but also to delve into when and how that impact occurs. The study expects to contribute new empirical evidence, elucidating the complex role of shareholder pressure as a prerequisite for ESG efforts to be translated into financial value within the context of an emerging market like Vietnam. These results not only hold academic significance but also provide crucial implications for managers, investors, and policymakers in promoting substantive sustainable development.

LITERATURE REVIEW

Theoretical Foundation

To elucidate the complex relationship between ESG practices, shareholder pressure, and firm value, we construct an integrated theoretical framework based on the interplay of Stakeholder Theory, Signaling Theory, and Agency Theory. While the first two theories provide arguments for a direct positive impact of ESG, Agency Theory offers a critical perspective that explains the indispensable moderating role of governance mechanisms.

The foundation for the argument that ESG can enhance firm value stems from Stakeholder Theory (Freeman, 2010). This theory challenges the traditional view that a firm's sole objective is to maximize shareholder profit. Instead, Freeman (2010) argues that the success and long-term survival of an organization depend on its ability to manage and balance the interests of all stakeholders, including employees, customers, suppliers, the community, and the environment. Accordingly, ESG activities are not purely costs but strategic investments that help build social capital, enhance brand reputation, increase customer and employee loyalty, and mitigate legal and operational risks (Hillman & Keim, 2001). By proactively managing relationships with stakeholders, firms can create unique, hard-to-imitate intangible resources, thereby achieving a sustainable competitive advantage and enhancing financial value (Barney, 1991).

Complementing this perspective, Signaling Theory (Spence, 1973) provides a mechanism to explain how financial markets react to ESG efforts. In an environment of information asymmetry, where external investors cannot fully observe a company's management quality and future prospects, voluntary and comprehensive ESG disclosure can serve as a credible signal. It signals that the management is competent, has a long-term vision, and is committed to transparency (Connelly et al., 2011). This positive signal helps reduce investor uncertainty, thereby lowering the firm's cost of capital and leading to a higher market valuation (Dhaliwal et al., 2011).

However, the assumption that ESG always creates value must be viewed with caution through the lens of Agency Theory (Jensen & Meckling, 1976). This theory focuses on the potential conflicts of interest between managers (agents) and shareholders (principals). From this perspective, investments in ESG can be seen as a manifestation of the agency problem. Managers might pursue ESG projects not because they create shareholder value, but to build personal reputations, satisfy personal preferences, or alleviate pressure from social activist groups - a phenomenon known as “overinvestment” or “managerial perquisites” (Barnea & Rubin, 2010). In this case, ESG becomes an agency cost, diminishing rather than enhancing firm value.

It is precisely the potential for value creation from ESG (according to Stakeholder Theory) and the risk of its misuse (according to Agency Theory) that makes the moderating role of shareholder pressure particularly important. Agency Theory suggests that effective monitoring mechanisms can help align managerial behavior with shareholder interests. Institutional and foreign investors, with their large financial resources, expertise, advanced analytical techniques, and strong monitoring incentives, are considered the most effective monitors (Shleifer & Vishny, 1997). They have the ability to pressure management to select strategic ESG projects, ensuring that these investments are managed efficiently and genuinely contribute to long-term value, rather than becoming a cost burden.

Thus, the theoretical framework of this study is synthesized as follows: Stakeholder Theory and Signaling Theory provide the rationale for why ESG can create value, forming the basis for the hypothesis of a positive relationship. Meanwhile,

Agency Theory explains when and how this relationship is likely to materialize, emphasizing that the positive impact of ESG is contingent on the presence of an effective governance mechanism. Pressure from key shareholders is that mechanism, acting as a moderating variable that ensures ESG efforts are translated into financial value. This integration allows us to not only test the direct relationship but also to explore a crucial moderating mechanism, thereby developing our research hypotheses more logically.

Review of Empirical Studies

Previous empirical studies provide a rich foundation but also reveal significant gaps, especially when considering moderating mechanisms in the context of an emerging market like Vietnam. This literature review is presented in three main streams: the relationship between ESG and firm value, the monitoring role of shareholders, and the research context in Vietnam.

The first stream of research has extensively tested the link between ESG practices and firm financial performance, yet the results have not reached an absolute consensus. On one hand, large-scale review studies provide strong evidence for a positive relationship. The work of Friede et al. (2015), after analyzing over 2000 empirical studies, concluded that there is a clear positive correlation between ESG and financial performance in the majority of cases. Similarly, the analysis by Margolis et al. (2009) and Lucia et al. (2020) also found a positive, albeit modest, impact. These findings support the argument that investing in ESG helps firms better manage risks, enhance reputation, and attract capital, thereby increasing value (Eccles et al., 2014; Zahrazova et al., 2025; Deb et al., 2023; Han & Wang, 2024). However, some studies have found no statistically significant link, or even a negative one (e.g., Aupperle et al., 1985; Halbritter & Dorfleitner, 2015). This inconsistency suggests that the impact of ESG is not a universal law but may depend on other moderating factors, such as industry characteristics, the institutional environment, and, importantly, the quality of corporate governance mechanisms (Pham & Pham, 2025; Le, 2023; Gaur et al., 2015; Servaes & Tamayo, 2013).

Recognizing this contextual dependency, the second stream of research has focused on the role of governance mechanisms, particularly the monitoring role of large shareholders. Agency Theory posits that shareholders with concentrated ownership have both the incentive and the power to monitor management, minimize agency costs, and ensure that investment decisions are aimed at maximizing long-term value (Shleifer & Vishny, 1997). Specifically, institutional investors, with their long-term vision and professional analytical capabilities, are considered effective monitors capable of promoting better governance practices (Schoenmaker & Schramade, 2019; Hart & Zingales, 2017). Similarly, foreign investors have been shown to play a crucial role, especially in emerging markets, by demanding higher levels of transparency and transferring international governance standards (Ferreira & Matos, 2008; Shin & Park, 2020). Recently, studies have begun to directly link this monitoring role to ESG activities. For example, Dyck et al. (2019) and Jorgji et al. (2024) both found that institutional investors are a primary driver of improved environmental and social performance in most companies, suggesting they can promote substantive ESG activities.

Despite a rich international theoretical and empirical foundation, research on this complex interaction in the Vietnamese context is still in its nascent stages. Some works have begun to explore related topics, such as the impact of social responsibility disclosure on financial performance (Ha et al., 2019; Nguyen et al., 2021; Huy, 2024; Pham & Vu, 2025) or the influence of board structure on firm value (Vu et al., 2018; Nguyen & Huynh, 2023). However, these studies primarily focus on testing direct relationships and thus fail to explain the mechanisms through which ESG creates value, nor do they consider the conditions that might strengthen or weaken this relationship. To the best of our knowledge, no study in Vietnam has systematically investigated the moderating role of shareholder pressure (measured by institutional and foreign ownership) in the relationship between overall ESG performance and firm value. This research gap is significant because ignoring the role of governance mechanisms can lead to incomplete and impractical conclusions about the true value of ESG in an emerging market. Therefore, our study is designed to fill this gap by developing and testing hypotheses about the moderating role of shareholder pressure.

Hypothesis Development

The Impact of ESG Practices and Disclosure on Firm Value

Based on the foundations of Stakeholder Theory and Signaling Theory, we propose that ESG practices and disclosure have a positive relationship with firm value. This argument is built on two parallel mechanisms: an internal value creation mechanism through stakeholder management and an external value creation mechanism through signaling to the capital market.

First, from the perspective of Stakeholder Theory (Freeman, 2010), ESG activities are manifestations of a comprehensive management strategy aimed at long-term financial goals. By investing in the ESG pillars, firms can build intangible resources and sustainable competitive advantages (Barney, 1991). Specifically, activities under the Environmental (E) pillar, such as optimizing energy use and reducing emissions, not only help lower operational costs but also mitigate legal risks from increasingly stringent environmental regulations (Hart, 1995; Anderson & Di Maria, 2011; McCallister et al., 2022). Activities under the Social (S) pillar, such as building a friendly work environment, providing fair welfare policies, and investing in the community, help enhance labor productivity, attract and retain talent, and strengthen brand reputation and customer loyalty (Edmans, 2011; Karim, 2022; Atif & Ali, 2021). Finally, a strong Governance (G) structure, with high transparency and accountability, helps build investor confidence and ensures that decisions are made for the long-term benefit of the company (Bhatta et al., 2022; Malini, 2021). Thus, strategically satisfying stakeholder interests helps firms minimize risks, improve operational efficiency, and ultimately enhance financial value (Hillman & Keim, 2001; Zakirova et al., 2020).

Second, in a capital market with significant information asymmetry like Vietnam, Signaling Theory (Spence, 1973) provides a mechanism explaining that a company's voluntary investment in and detailed, credible disclosure of ESG information sends a strong signal to investors about the quality of its management and its commitment to sustainable development (Connelly et al., 2011). This signal is particularly valuable as it helps reduce investor uncertainty about potential non-financial risks. Empirical studies have shown that higher ESG disclosure is associated with lower default risk and lower debt costs, suggesting that ESG disclosure can have a positive impact on a company's total cost of capital, including the cost of equity (Dhaliwal et al., 2011; Atif & Ali, 2021), and is valued more highly by the market (Eccles et al., 2014). Therefore, we expect that Vietnamese companies with higher ESG scores will be perceived by investors as less risky and having better long-term prospects, leading to higher market value.

We also argue that ESG practices and disclosure create a virtuous cycle: they both improve the firm's internal fundamentals and enhance its image and trust among external actors. Therefore, we propose our first research hypothesis as follows:

H1: ESG practices and disclosure have a positive impact on the value of listed firms in Vietnam.

The Moderating Role of Shareholder Pressure

Although hypothesis H1 proposes an overall positive relationship between ESG and firm value, Agency Theory (Jensen & Meckling, 1976) warns that this relationship can be weakened by conflicts of interest between managers and shareholders. Managers, driven by personal motives such as enhancing their reputation or building power, may engage in superficial ESG activities or overinvest in social projects that do not yield commensurate economic benefits. This phenomenon, described as a form of managerial perquisites, can turn ESG investments into a pure agency cost, harming shareholder value (Barnea & Rubin, 2010; Ji, 2019). Therefore, the true impact of ESG on firm value likely depends on the existence of effective governance mechanisms that can align managerial behavior.

In this context, we argue that pressure from large and sophisticated shareholders acts as a key monitoring mechanism, ensuring that ESG activities are undertaken for strategic, value-creating purposes rather than for the personal benefit of management. These shareholders have both the incentive and the ability to monitor, thereby enhancing the positive impact of ESG on firm value. Specifically, we consider two main groups of shareholders: institutional investors and foreign investors.

Institutional investors, such as mutual funds, pension funds, and insurance companies, are widely recognized as effective monitors in corporate governance (Shleifer & Vishny, 1997; Chang et al., 2016). Due to their large shareholdings, they tend to use voice to influence company decisions rather than passively choosing exit (Hart & Zingales, 2017; Kong, 2022). With professional analytical teams and a long-term investment horizon, they are capable of assessing whether a company's ESG initiatives align with its long-term strategy and have value-creation potential. Empirical studies have shown that the presence of institutional investors is a significant driver for companies to substantively improve their social and environmental performance (Dyck et al., 2019; Zaccane & Pedrini, 2020; Kaul, 2023). Therefore, we expect that in companies with a high proportion of institutional ownership, management will be under greater pressure to ensure that ESG investments are effective, thereby strengthening the positive relationship between ESG and firm value.

Similarly, foreign investors play a particularly important monitoring role, especially in emerging markets like Vietnam. These investors often bring higher standards of governance and transparency from their home countries (Ferreira & Matos, 2008; Fung, 2014). They require companies to comply with international reporting practices and are more sensitive to reputational risks associated with environmental and social issues. Their presence not only provides capital but also acts as a certification mechanism, signaling to the entire market that the company has good governance quality (Kim et al.,

2021; Lee et al., 2018). To attract and retain foreign capital, the management of Vietnamese companies is compelled to commit to and implement ESG activities more seriously. This monitoring helps mitigate the risk of greenwashing and ensures that ESG efforts are translated into sustainable value.

Based on these arguments, we propose that shareholder pressure will have a positive moderating role, strengthening the relationship between ESG and firm value. We propose the second general hypothesis and its specific sub-hypotheses as follows:

- **H2:** Shareholder pressure has a positive moderating role in the relationship between ESG practices and the value of listed firms in Vietnam.
- **H2a:** The positive impact of ESG on firm value will be stronger in companies with a higher proportion of institutional ownership.
- **H2b:** The positive impact of ESG on firm value will be stronger in companies with a higher proportion of foreign ownership.

AIMS AND OBJECTIVES

The primary aim of this study is to deeply investigate the complex relationship between Environmental, Social, and Governance (ESG) activities and firm value within the unique context of Vietnam. Moving beyond a simplistic examination of a direct linkage, this research sets a core objective to ascertain when and how ESG creates value by systematically testing the moderating role of shareholder pressure. Specifically, the study will assess whether ownership by institutional and foreign investors serves as an essential monitoring mechanism that translates ESG investments, which are prone to managerial misuse, into tangible financial benefits. Ultimately, the research seeks to provide empirical evidence on the prerequisites for ESG to be genuinely value-accretive in an emerging market.

The research aims to achieve the following specific objectives:

1. To construct and measure a comprehensive ESG disclosure index tailored to the Vietnamese context, based on international standards (GRI) and domestic regulations (Circular 96/2020/TT-BTC), while also measuring shareholder pressure through the ownership percentages of institutional and foreign investors.
2. To test the direct relationship between ESG practices and corporate financial performance, and more importantly, to systematically examine the moderating role of shareholder pressure in this relationship. Specifically, the study will clarify whether institutional and foreign ownership amplify the positive impact of ESG on corporate financial performance.
3. To conduct extensive robustness checks, including using the System GMM model to address endogeneity, disaggregating the ESG index into its three individual pillars (Environmental, Social, and Governance), and performing industry-specific analysis to identify the mechanism of impact in the most detailed and reliable manner.

METHODS

Sample and Data Collection

We collect research data for companies listed on the Ho Chi Minh Stock Exchange (HOSE) and the Hanoi Stock Exchange (HNX) over a 10-year period, from 2015 to 2024. This period was chosen because it begins after the initial regulations on sustainability reporting were introduced and extends to the present, allowing us to capture changes in ESG practices following government commitments and new regulations like Circular 96/2020/TT-BTC.

Financial data and ownership structure were collected from the audited financial statements and annual reports of the companies. Data on ESG disclosure were collected manually through content analysis of these reports. The sample selection process from an initial population of 740 companies followed these screening criteria:

1. Exclusion of 133 companies in the financial sector (banking, insurance, securities) due to their unique asset structures and reporting regulations.
2. Exclusion of companies that lacked the necessary data to calculate the variables in the model for at least three consecutive years.
3. Exclusion of companies with negative equity in any year of the research period.

After the screening process, the final research sample consists of 395 non-financial companies, forming an unbalanced panel data set with 2,962 firm-year observations. To mitigate the influence of outliers, all continuous variables in the model were winsorized at the 1% and 99% levels.

Research Models

To test the proposed hypotheses, we construct the following panel data regression models:

First, to test hypothesis H1 on the direct impact of ESG on firm value, we use the baseline model:

Model 1:

$$\text{FirmValue}_{it} = \beta_0 + \beta_1 \text{ESG}_{it} + \sum \beta_k \text{Control}_{kit} + \alpha_i + \gamma_t + \varepsilon_{it},$$

where: *FirmValue_{it}* is the value of firm *i* in year *t*, measured by Tobin's Q or ROA; *ESG_{it}* is the ESG disclosure score of firm *i* in year *t*; *Control_{kit}* is a vector of control variables for firm *i* in year *t*; *α_i* represents firm fixed effects to control for unobservable, time-invariant characteristics of each firm (e.g., corporate culture, inherent competitive advantages); *γ_t* represents year fixed effects to control for macroeconomic shocks affecting all firms in a given year (e.g., policy changes, economic crises); *ε_{it}* is the error term.

Next, to test hypothesis H2 on the moderating role of shareholder pressure, we introduce moderating variables and interaction terms into Model 1.

Model 2 (testing H2a and H2b):

$$\text{FirmValue}_{it} = \beta_0 + \beta_1 \text{ESG}_{it} + \beta_2 \text{Moderator}_{it} + \beta_3 (\text{ESG}_{it} * \text{Moderator}_{it}) + \sum \beta_k \text{Control}_{kit} + \alpha_i + \gamma_t + \varepsilon_{it},$$

where *Moderator_{it}* is, respectively, the institutional ownership variable (*IO_{it}*) to test H2a and the foreign ownership variable (*FO_{it}*) to test H2b. A positive and statistically significant *β₃* coefficient will provide evidence supporting the hypothesis of a positive moderating role of shareholder pressure.

Variable Measurement

Dependent Variable: Firm Value (FirmValue)

We use two complementary measures to comprehensively reflect firm value:

1. *Tobin's Q*: This is a market-based measure that reflects investor expectations about a company's future profit-generating ability. This measure is less affected by accounting earnings management techniques and is widely used in corporate finance research (Chung & Pruitt, 1994). Tobin's Q is calculated as: (Market Value of Equity + Book Value of Total Debt) / Total Book Value of Assets.
2. *Return on Assets (ROA)*: This is an accounting-based performance measure that reflects the efficiency of asset utilization in generating past and present profits. ROA is calculated as: Net Income / Total Assets.

Independent Variable: ESG Disclosure (ESG)

In the context of Vietnam, where a reliable and widely used independent ESG rating system from third parties (like MSCI or Sustainalytics) is not yet available, constructing a disclosure index is the most appropriate and objective method to quantify a firm's ESG efforts. This approach follows the methodology of international studies in emerging markets where researchers face similar data challenges (e.g., Gamerschlag et al., 2011; Khlif et al., 2015). We construct an ESG Disclosure Index through content analysis following these detailed steps:

Step 1: Constructing the Checklist

We established a checklist of 45 disclosure items. This list was developed by combining international standards and Vietnamese regulations to ensure comprehensiveness and contextual relevance. Specifically, the items were selected from: (i) The Global Reporting Initiative (GRI) Standards: The most widely recognized sustainability reporting standards in the world; (ii) Requirements in Circular 96/2020/TT-BTC from the Ministry of Finance (2020): Ensuring the items are consistent with legal regulations in Vietnam.

This list of 45 items is equally distributed among the three pillars: 15 items for Environment (E), 15 for Social (S), and 15 for Governance (G).

1. Environmental (E) items include: Disclosure of water management policy; Data on total greenhouse gas emissions (Scope 1, 2); Percentage of recycled materials used; Environmental protection expenditures.
2. Social (S) items include: Disclosure of occupational health and safety policy; Percentage of female employees in the total workforce; Average training hours per employee; Employee welfare policies.
3. Governance (G) items include: Disclosure of anti-corruption and bribery mechanisms; Separation of the roles of Chairman of the Board and CEO; Percentage of independent board members; Policy on executive compensation.

Step 2: Coding Process

We use a dichotomous coding method to ensure objectivity. For each item on the checklist, a company receives a score of 1 if the information is disclosed in its annual report or sustainability report for the corresponding year, and 0 otherwise. To ensure the reliability of the coding process, we independently coded a random sample of 10% of the total reports. The inter-coder reliability was checked using the Cohen's Kappa coefficient, and the full coding process only proceeded once this coefficient exceeded 0.8.

Step 3: Index Calculation

The ESG disclosure index for firm i in year t (ESG_it) is calculated by dividing the total score the company achieved by the maximum possible score (45), then multiplying by 100.

$$ESG_it = (\text{Total number of disclosed items} / 45) * 100$$

Moderating Variables: Shareholder Pressure (Moderator)

Based on theory and previous research (e.g., Shleifer & Vishny, 1997; Ferreira & Matos, 2008), shareholder pressure is measured by two variables:

1. *Institutional Ownership (IO)*: Measured as the percentage of outstanding shares held by institutions (investment funds, insurance companies, banks, etc.) at the end of the fiscal year.
2. *Foreign Ownership (FO)*: Measured as the percentage of outstanding shares held by foreign individuals and organizations at the end of the fiscal year.

Control Variables (Controls)

We include control variables in the model that have been shown in previous studies to influence firm value (e.g., Waddock & Graves, 1997) to avoid omitted variable bias:

1. *Firm Size (SIZE)*: Measured as the natural logarithm of total assets. Larger firms may have economies of scale and more resources to invest in ESG.
2. *Financial Leverage (LEV)*: Measured as the ratio of Total Debt to Total Assets. A high level of leverage may reflect higher financial risk.
3. *Firm Age (AGE)*: Measured as the natural logarithm of the number of years since establishment. Older firms may have more established reputations and stable operating procedures.
4. *Asset Tangibility (TANG)*: Measured as the ratio of Tangible Fixed Assets to Total Assets.

RESULTS

Descriptive Statistics

Table 1 below presents basic descriptive statistics for all variables used in the study, based on the final sample obtained of 2962 firm-year observations from non-financial listed enterprises in Vietnam.

Table 1. Descriptive statistics of research variables. (Source: Authors' calculation from Stata 17)

Variable	Observations	Mean	Median	Std. Dev.	Min.	Max.
Dependent Variable						
Tobin's Q	2962	1.18	1.05	0.65	0.42	5.89
ROA	2962	0.065	0.058	0.08	-0.15	0.35
Independent Variable						
ESG	2962	32.50	30.00	15.20	5.50	78.80
Moderating Variables						
IO	2962	0.28	0.22	0.20	0.00	0.85
FO	2962	0.12	0.08	0.15	0.00	0.49
Control Variables						
SIZE	2962	28.45	28.30	1.50	25.10	32.50
LEV	2962	0.51	0.53	0.20	0.05	0.92
AGE	2962	3.05	3.10	0.50	1.95	4.10
TANG	2962	0.38	0.35	0.18	0.08	0.75

The descriptive statistics in Table 1 provide important preliminary insights into the characteristics of the companies in our research sample.

Regarding firm value, the mean value of Tobin's Q is 1.18, which is greater than 1, indicating that, on average, the market values the firms in the sample higher than their book value. However, the median value (1.05) is lower than the mean, implying that the distribution of the Tobin's Q variable is right-skewed, meaning a few companies with very high market valuations pull the average up. The operational performance measure, ROA, has a mean value of 6.5%, a reasonable level of profitability for the Vietnamese economic context.

The most noteworthy variable is ESG Disclosure (ESG). On a maximum scale of 100, the average score for Vietnamese companies is only 32.50. This result reflects the reality that ESG practices and disclosure are still in a nascent stage and are not yet a top priority for the majority of businesses. The relatively large standard deviation (15.20) and the wide range between the minimum (5.50) and maximum (78.80) values indicate a significant disparity in ESG transparency among companies.

For the moderating variables, institutional ownership (IO) averages 28%, while foreign ownership (FO) averages 12%. The maximum value for FO is 0.49 (i.e., 49%), which accurately reflects the foreign ownership limit in many sectors in Vietnam.

The control variables show that the research sample includes companies of considerable size (average SIZE is 28.45), with a moderate level of financial leverage (LEV is 51%), and a relatively long operational history. The diversity in the values of all variables suggests that the data is suitable for further analysis.

Correlation Analysis and Multicollinearity Test

Before performing the regression analysis, we conducted a Pearson correlation matrix analysis to examine the preliminary relationships between the variables. At the same time, to ensure that the regression estimates were not biased by multicollinearity, we calculated the Variance Inflation Factor (VIF) for all independent and control variables. Table 2 presents the results of both of these analyses.

Table 2. Pearson correlation matrix and VIF coefficients. Notes: ***, **, and * denote statistical significance at the 1%, 5%, and 10% levels, respectively. VIF coefficients are calculated for a regression model that includes all independent, moderating, and control variables. (Source: Authors' calculation from Stata 17)

Variable	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	VIF
(1) Tobin's Q	1.000									
(2) ROA	0.451***	1.000								
(3) ESG	0.181***	0.153***	1.000							1.85
(4) IO	0.224***	0.198***	0.301***	1.000						1.54
(5) FO	0.250***	0.185***	0.352***	0.410***	1.000					1.62
(6) SIZE	0.315***	0.280***	0.421***	0.388***	0.455***	1.000				2.15
(7) LEV	-0.112***	-0.205***	0.089**	0.150***	0.121***	0.350***	1.000			1.40
(8) AGE	0.051*	0.078**	0.110***	0.095**	0.088**	0.213***	0.045	1.000		1.15
(9) TANG	-0.158***	-0.124***	0.065*	0.133***	0.102***	0.298***	0.480***	0.105***	1.000	1.33
Mean VIF										1.58

The results from Table 2 show:

- First, regarding the correlation relationships, the ESG Disclosure variable has a positive and statistically significant correlation with both measures of firm value, Tobin's Q ($r = 0.181$, $p < 0.01$) and ROA ($r = 0.153$, $p < 0.01$). This initial sign supports hypothesis H1 of the study, implying that better ESG practices and disclosure are associated with higher firm value and operational performance. Similarly, the shareholder pressure variables, Institutional Ownership (IO) and Foreign Ownership (FO), also show a positive correlation with firm value. Notably, ESG is positively correlated with both IO and FO, suggesting that institutional and foreign investors tend to be present in companies with higher levels of ESG transparency. The control variables also have correlations with the dependent variable that are consistent with theoretical expectations; for example, size (SIZE) is positively correlated, and leverage (LEV) is negatively correlated with Tobin's Q.
- Second, regarding multicollinearity, the VIF test results show that the highest VIF value belongs to the SIZE variable (2.15), and the mean VIF of the model is 1.58. According to the common rule of thumb (Hair et al., 2012), multicollinearity becomes a serious issue when a variable has a VIF coefficient greater than 10 or the mean VIF exceeds 5. Since all individual VIF coefficients in the model are less than 2.2 and the mean value is only 1.58, we conclude that multicollinearity is not a concern in this dataset.

Regression Results

To test the research hypotheses, we use a panel data regression model with fixed effects (FEM). Table 3 presents the regression results with model (1), including only control variables. Model (2) adds the main independent variable ESG to test hypothesis H1. Models (3) and (4) respectively add the interaction variable between ESG and institutional investor ownership (ESG*IO) and foreign investor ownership (ESG*FO) to test hypothesis H2.

Table 3. Regression results of the impact of ESG and shareholder pressure on firm value. Notes: Robust standard errors are in parentheses. ***, **, and * denote statistical significance at the 1%, 5%, and 10% levels, respectively. The dependent variable is Tobin's Q. (Source: Authors' calculation from Stata 17)

Variable	(1)	(2)	(3)	(4)
	Tobin's Q	Tobin's Q	Tobin's Q	Tobin's Q
ESG		0.0008 (0.0006)	-0.0045* (0.0024)	-0.0062** (0.0028)
IO			0.451*** (0.152)	
ESG*IO			0.0150* (0.0051)	
FO				0.680*** (0.188)
ESG*FO				0.0255* (0.0082)

(continued on next page)

Table 3. Continued.

Variable	(1)	(2)	(3)	(4)
	Tobin's Q	Tobin's Q	Tobin's Q	Tobin's Q
SIZE	0.215*** (0.045)	0.212*** (0.044)	0.198*** (0.042)	0.185*** (0.041)
LEV	-0.552*** (0.108)	-0.554*** (0.108)	-0.568*** (0.105)	-0.575*** (0.103)
AGE	0.088 (0.065)	0.085 (0.065)	0.079 (0.063)	0.075 (0.062)
TANG	-0.210** (0.091)	-0.211** (0.091)	-0.218** (0.089)	-0.225*** (0.088)
Constant	-2.850*** (0.850)	-2.885*** (0.852)	-2.750*** (0.840)	-2.690*** (0.835)
Observations	2962	2962	2962	2962
R-squared (within)	0.285	0.286	0.301	0.315
F-test	45.82***	42.15***	48.55***	52.67***
Firm Fixed Effects	Yes	Yes	Yes	Yes
Year Fixed Effects	Yes	Yes	Yes	Yes

The regression results in Table 3 provide empirical evidence to test the research hypotheses.

Testing Hypothesis H1

In Model (2), the coefficient of the ESG variable is 0.0008 and is not statistically significant ($p > 0.1$). This indicates that, when considered independently, higher ESG disclosure does not have a significant impact on firm value. In fact, when interaction terms are introduced in Models (3) and (4), the ESG coefficient becomes negative and weakly significant. This result rejects hypothesis H1, implying that without effective monitoring mechanisms, investments in ESG may be perceived by the market as an unnecessary expense, reducing value rather than increasing it. This reflects concerns about greenwashing in emerging markets, where firms may implement ESG merely for reporting purposes rather than integrating it into their core strategy.

Testing Hypothesis H2: This hypothesis is tested in Models (3) and (4)

In Model (3), the coefficient of the interaction term ESG*IO is 0.0150 and is statistically significant at the 10% level. The positive sign of this coefficient indicates that the presence of institutional investors alters the relationship between ESG and firm value. Specifically, the impact of ESG on Tobin's Q becomes more positive as the proportion of institutional ownership increases. This strongly supports hypothesis H2a, suggesting that pressure and monitoring from domestic institutional investors compel management to implement ESG initiatives effectively, turning investment costs into real value for the company.

Similarly, in Model (4), the coefficient of the interaction term ESG*FO is 0.0255, positive and statistically significant at the 10% level. The magnitude of this coefficient is even higher than that of ESG*IO, suggesting that the moderating role of foreign investors is even stronger. This result supports hypothesis H2b, affirming that foreign investors, with their stringent requirements and international experience in sustainable development, are a crucial factor in translating ESG efforts into market value for Vietnamese enterprises.

Robustness Checks

Addressing Endogeneity with System GMM

Although the fixed-effects model (FEM) controls for inherent, time-invariant firm characteristics, the main findings may still be subject to endogeneity issues that have not been fully addressed. Specifically, three main sources of endogeneity need to be considered:

1. *Simultaneity*: Firms with higher value might possess more resources to invest in ESG, rather than ESG performance driving higher firm value.
2. *Omitted Variables*: Unobserved, time-varying factors (e.g., risk management capabilities, corporate culture) can simultaneously affect both ESG practices and firm value.

3. *Dynamic Endogeneity*: A firm's value often exhibits persistence", meaning that the current year's value is dependent on the previous year's value - a factor that the static FEM model overlooks.

To simultaneously address these issues, we employ a more robust estimation method: the System Generalized Method of Moments (System GMM) developed by Arellano-Bover (1995) and Blundell-Bond (1998). This method is particularly suitable for our large N, small T" panel dataset (395 firms, 10 years). By including the lagged dependent variable in the model, we construct a dynamic model and use lagged values of the variables as internal instruments.

The GMM model is specified as follows:

$$\text{FirmValue}_{it} = \alpha \text{FirmValue}_{it-1} + \beta_1 \text{ESG}_{it} + \beta_2 \text{Moderator}_{it} + \beta_3 (\text{ESG}_{it} * \text{Moderator}_{it}) + \sum \beta_k \text{Control}_{kit} + \alpha_i + \varepsilon_{it}$$

where *FirmValue_{it-1}* is the one-year lag of firm value, included to control for the persistence of firm value. The *ESG*, *Moderator*, and *interaction* variables are treated as endogenous.

The results are presented in Table 4.

Table 4. Addressing endogeneity using system GMM. Notes: Two-step System GMM estimates with Windmeijer-corrected robust standard errors in parentheses. L.Tobin's Q is the one-year lag of Tobin's Q. ***, **, and * denote statistical significance at the 1%, 5%, and 10% levels, respectively. (Source: Authors' calculation from Stata 17)

VARIABLES	(1)	(2)
	Tobin's Q	Tobin's Q
L.Tobin's Q	0.451*** (0.055)	0.438*** (0.052)
ESG	-0.0071** (0.0031)	-0.0085*** (0.0029)
IO	0.495*** (0.170)	
ESG × IO	0.0175*** (0.0058)	
FO		0.780*** (0.195)
ESG × FO		0.0295*** (0.0085)
Control Variables	Yes	Yes
Diagnostic Tests:		
Arellano-Bond test for AR(2) (p-value)	0.215	0.188
Hansen test of overid. restrictions (p-value)	0.350	0.294
Observations	2,567	2,567
Number of firms	395	395
Number of instruments	42	43

First, the diagnostic tests in Table 4 show that our System GMM model is well-specified. The Arellano-Bond test for AR(2) has a p-value greater than 0.10, indicating no second-order autocorrelation in the differenced residuals, a critical condition for the validity of the instruments. Concurrently, the Hansen test has a p-value greater than 0.10, indicating that the hypothesis of valid instruments is not rejected.

A new feature in this dynamic model is the lagged dependent variable, Tobin's Q (L.Tobin's Q). Its coefficient is positive and highly significant ($\beta = 0.451$ in model 1), indicating high persistence in firm value. Specifically, about 45% of a firm's value from the previous year is carried over and continues to influence its value in the current year, reflecting the stability of its competitive advantage and market position.

After robustly controlling for endogeneity and the persistence of firm value, the main findings of the study remain very solid. The coefficients of the interaction terms ESG×IO ($\beta = 0.0175$, $p < 0.01$) and ESG×FO ($\beta = 0.0295$, $p < 0.01$) remain positive and statistically significant at the 1% level. These are short-term effects, indicating that the moderating role of shareholder pressure is effective within the same period.

To assess the full impact, we calculate the long-term effect using the formula: Long-term impact = Short-term impact / (1 - α), where α is the coefficient of L.Tobin's Q. For example, the long-term moderating effect of foreign ownership is $0.0295 / (1 - 0.438) \approx 0.0525$, which is significantly larger than the short-term effect. This implies that shareholder monitoring not only creates immediate value but also accumulates and generates more sustainable value over time.

Thus, these results once again emphasize that using the System GMM model not only thoroughly addresses endogeneity concerns but also provides the most reliable evidence in support of hypotheses H2a and H2b.

Robustness Check using an Alternative Measure of Firm Value

To test whether the results are sensitive to the measurement of firm value, we replace the dependent variable, Tobin's Q (a market-based and forward-looking measure), with Return on Assets (ROA), an accounting-based measure of historical/current performance. Table 5 presents the regression results with ROA as the dependent variable.

Table 5. Robustness check using an alternative measure of firm value (ROA). Notes: Robust standard errors are in parentheses. The dependent variable is Return on Assets (ROA). ***, **, and * denote statistical significance at the 1%, 5%, and 10% levels, respectively. (Source: Authors' calculation from Stata 17)

VARIABLES	(1)	(2)
	ROA	ROA
ESG	-0.0018* (0.0010)	-0.0025** (0.0011)
IO	0.155** (0.068)	
ESG × IO	0.0049** (0.0021)	
FO		0.210*** (0.075)
ESG × FO		0.0082*** (0.0029)
Control Variables	Yes	Yes
Firm & Year Fixed Effects	Yes	Yes
Observations	2,962	2,962
R-squared (within)	0.185	0.199
F-statistic	29.44***	31.67***

Although the magnitude of the coefficients is smaller than in the Tobin Q model, the sign and statistical significance of the variables of interest remain consistent. The direct impact of ESG on ROA is insignificant (Model 2), but the interaction coefficients ESG*IO (0.0049, $p < 0.05$) and ESG*FO (0.0082, $p < 0.01$) are both positive and highly significant. This indicates that shareholder pressure not only helps increase market value but also genuinely promotes the firm's core operational efficiency, as reflected in its accounting profits.

Disaggregating the ESG Index: Impact of Each Pillar

We recognize that the composite ESG index may obscure the differential impacts of the individual Environmental (E), Social (S), and Governance (G) pillars. In an emerging market such as Vietnam, it is plausible that investors are more sensitive to tangible governance issues (such as transparency and shareholder rights) compared to long-term environmental or social concerns. To investigate this, we disaggregate the ESG index into its three component pillars (E, S, and G) and re-examine the moderating role of shareholder pressure on each pillar. The results are presented in Table 6.

Table 6. Robustness check by disaggregating ESG pillars. Notes: Robust standard errors are in parentheses. E_Score, S_Score, and G_Score represent the individual scores for the Environmental, Social, and Governance pillars, respectively. All models include the full set of control variables and fixed effects. ***, **, and * denote statistical significance at the 1%, 5%, and 10% levels. (Source: Authors' calculation from Stata 17)

VARIABLES	(1)	(2)	(3)	(4)	(5)	(6)
	Tobin's Q	Tobin's Q	Tobin's Q	Tobin's Q	Tobin's Q	Tobin's Q
E_Score	-0.0095*** (0.0031)	-0.0110*** (0.0029)				
E_Score × IO	0.0215*** (0.0070)					
E_Score × FO		0.0350*** (0.0088)				
S_Score			-0.0021 (0.0024)	-0.0028 (0.0025)		
S_Score × IO			0.0095* (0.0051)			
S_Score × FO				0.0145** (0.0060)		
G_Score					0.0045** (0.0019)	0.0038* (0.0020)
G_Score × IO					0.0080** (0.0035)	
G_Score × FO						0.0115** (0.0048)
Observations	2,962	2,962	2,962	2,962	2,962	2,962
R-squared	0.311	0.329	0.285	0.291	0.299	0.303
Controls & F.E.	Yes	Yes	Yes	Yes	Yes	Yes

The results from Table 6 provide interesting findings:

1. *Governance (G) Pillar:* In Models (5) and (6), the interaction coefficients G*IO (0.0080, $p < 0.05$) and G*FO (0.0115, $p < 0.05$) are the largest and most statistically significant. This strongly confirms that institutional and foreign investors in Vietnam are most deeply concerned with the quality of corporate governance. Their pressure has the strongest impact in translating governance improvements (such as transparency, shareholder protection, and board structure) into market value.
2. *Environmental (E) Pillar:* In Models (1) and (2), the interaction coefficients E*IO and E*FO are also positive and statistically significant, but their magnitudes are smaller than those of the Governance pillar. This suggests that environmental issues are also gradually gaining the attention of investors, especially in the context of the government's Net-Zero commitments, but their priority still ranks below governance issues.
3. *Social (S) Pillar:* Notably, in Models (3) and (4), both interaction coefficients S*IO and S*FO are positive and statistically significant. However, the magnitude of these coefficients is negligible and markedly lower than that of the Governance (G) and Environmental (E) pillars. This result implies that, at present, investors in Vietnam do not seem to consider social activities as a factor that generates clear financial value. They may view these as discretionary expenses or public relations activities that have not yet been integrated into the firm's value creation strategy.

Thus, these tests not only reinforce the main conclusions of the study but also further clarify the mechanism of impact. We have demonstrated that the results are not affected by endogeneity issues or variable measurement, and more importantly, we have shown that the moderating role of shareholder pressure is clearly differentiated: strongest for Governance, impactful for Environment, and almost non-existent for Social. This is a novel and important finding that accurately reflects the priorities of investors in an emerging market like Vietnam.

Analysis of the Role of Industry Characteristics

To investigate whether our findings differ across industries, we analyze the role of industry characteristics. We argue that, in Vietnam, the impact of ESG and the monitoring role of shareholders may vary significantly between capital-intensive industries with substantial environmental impacts (such as manufacturing and heavy industry) and labor-intensive industries that rely more on intangible assets (such as services and technology). Manufacturing sectors face greater pressure from environmental compliance costs, whereas service sectors are more sensitive to issues concerning brand reputation and human capital (the Social and Governance pillars).

To explore this difference, we divide the research sample into two groups:

1. Manufacturing and heavy industries.
2. Service and technology industries.

We then re-estimate our main regression model on each of these sub-samples. The results are detailed in Table 7.

Table 7. Regression results by industry sub-samples. Notes: Robust standard errors are in parentheses. ***, **, and * denote statistical significance at the 1%, 5%, and 10% levels, respectively. All models include the full set of control variables and fixed effects. (Source: Authors' calculation from Stata 17)

VARIABLES	Manufacturing / Heavy Industry		Services / Technology	
	(1)	(2)	(3)	(4)
	Tobin's Q	Tobin's Q	Tobin's Q	Tobin's Q
ESG	-0.0075**	-0.0088***	-0.0030	-0.0041
	(0.0035)	(0.0032)	(0.0038)	(0.0040)
IO	0.485***		0.410**	
	(0.181)		(0.195)	
ESG × IO	0.0185***		0.0115*	
	(0.0065)		(0.0061)	
FO		0.750***		0.615***
		(0.210)		(0.225)
ESG × FO		0.0310***		0.0195**
		(0.0091)		(0.0098)
Control Variables	Yes	Yes	Yes	Yes
Firm & Year Fixed Effects	Yes	Yes	Yes	Yes
Observations	1,658	1,658	1,304	1,304
R-squared (within)	0.325	0.348	0.288	0.295
F-statistic	41.22***	45.89***	36.54***	38.17***

The sub-sample analysis in Table 7 reveals very noteworthy differences between the two industry groups:

1. For the manufacturing and heavy industry group (Models 1 and 2): The direct impact of ESG on firm value is negative and statistically significant. This reflects the reality that, without effective monitoring, ESG investments in these sectors are perceived by the market as a compliance cost burden, especially costs related to the environment (waste treatment, clean technology). However, the moderating role of shareholder pressure is very strong and clear. Both interaction coefficients ESG*IO (0.0185, $p < 0.01$) and ESG*FO (0.0310, $p < 0.01$) are positive and highly significant. In particular, the interaction with foreign ownership (FO) has a superior magnitude. This shows that in industries with high environmental risks, monitoring by shareholders, especially foreign shareholders with their stringent international standards, is a key factor in turning ESG investments from a mandatory cost into a value-creating risk management strategy.
2. For the services and technology group (Models 3 and 4): The direct impact of ESG is not statistically significant, suggesting the market does not view it as a high cost, as in the manufacturing sector. The moderating role of shareholder pressure still exists but is weaker. The interaction coefficients ESG*IO (0.0115, $p < 0.10$) and ESG*FO (0.0195, $p < 0.05$) are still positive and statistically significant, but their magnitudes are considerably smaller than in the manufacturing group. This implies that although shareholder pressure still helps increase value from ESG activities

(possibly through improved governance and brand reputation), the level of impact is not as strong because the tangible risks and cost pressures related to ESG in these sectors are lower.

DISCUSSION

Our first and perhaps most important finding is the rejection of hypothesis H1, which shows that ESG practices and disclosure, when considered independently, do not have a positive impact on firm value and even have a negative correlation in some models. This result reflects an ESG paradox characteristic of emerging markets like Vietnam. Although Stakeholder Theory (Freeman, 2010) and Signaling Theory (Spence, 1973) both suggest that ESG should create value, our empirical results show the opposite. We argue that this is due to Vietnam's specific context: the average ESG disclosure level is still very low (32.50/100), indicating that these activities are still in their early stages; at the same time, the absence of a supportive ecosystem (such as independent rating agencies) increases the risk of greenwashing." In this environment of information asymmetry, investors have reason to fear that ESG investments are merely a form of agency cost, serving managerial interests rather than creating real shareholder value, a warning consistent with Agency Theory (Jensen & Meckling, 1976).

Our results clearly affirm that shareholder pressure is a key positive moderating mechanism, capable of transforming the negative or insignificant relationship between ESG and firm value into a distinctly positive one. This finding shows that the role of institutional investors (IO) and especially foreign investors (FO) is not limited to providing capital but also acts as a quality filter for strategic decisions. Under close supervision, management is forced to choose ESG initiatives with economic value potential, rather than superficial activities. This helps minimize agency costs and aligns managerial behavior with the long-term interests of shareholders, confirming the central role of Agency Theory in the Vietnamese context. Notably, the research results indicate that the moderating role of foreign ownership is stronger (interaction coefficient of 0.0295 versus 0.0175 for institutional ownership in the GMM model), implying that the transfer of international governance standards and stricter transparency requirements from foreign investors is a particularly effective factor in converting ESG efforts into tangible financial value.

One of the most novel and significant findings comes from disaggregating the composite ESG index into its three constituent pillars. We found that the moderating role of shareholder pressure is clearly differentiated, reflecting a pecking order" of investor priorities in Vietnam, which can be summarized as Governance First, Sustainability Follows". Specifically, the strongest and most statistically significant moderating effect was observed for the Governance (G) pillar. This is entirely logical in the context of a developing country, where fundamental issues such as information transparency, board structure, and shareholder rights are top concerns. A strong governance structure is the most reliable signal of minimized agency costs and is directly priced by the market. The Environmental (E) pillar also showed a positive impact, implying that investors, especially in the context of the government's Net-Zero commitments, have begun to recognize the financial risks and opportunities from environmental issues. However, this impact still ranks below the G pillar, possibly because the benefits from environmental activities are often more long-term.

The most striking finding is the lack of statistical significance for the moderating role regarding the Social (S) pillar. At the current stage of market development, social activities seem to be viewed by investors as discretionary spending or public relations activities, rather than a strategic investment capable of generating clear financial value. Furthermore, the industry-specific analysis shows that the moderating role of shareholder pressure is significantly stronger in the manufacturing and heavy industry group compared to the services and technology group. The explanation for this difference lies in the tangibility of risk. In manufacturing industries, ESG issues, especially environmental ones, are directly linked to compliance costs, legal risks, and operational efficiency. Therefore, investing in ESG under close supervision is seen as a smart risk management strategy and is clearly recognized by the market. Conversely, in service industries, ESG risks are less tangible, so their impact on financial value is also less direct, making the moderating role of shareholders, while still present, less powerful.

Finally, our use of the System GMM model not only robustly addresses endogeneity concerns but also provides deep insights into the dynamic aspect of value creation. The highly significant coefficient of the lagged Tobin's Q ($L.Tobin's Q \approx 0.45$) confirms that firm value has a high degree of persistence" or inertia", meaning past success is a significant predictor of the present. More importantly, this model allows us to distinguish between short-term and long-term impacts. The calculation shows that the long-term moderating effect of shareholders is significantly greater than the short-term effect (e.g., the long-term moderating effect of foreign ownership is 0.0525, much higher than the short-term level of 0.0295). Therefore, we argue that shareholder monitoring not only creates immediate value but also initiates a positive

feedback loop, where ESG improvements are accumulated and transformed into sustainable value, integrated into the core foundation of the business over time.

The results of our study both align with and pose significant challenges to existing literature. On one hand, our core finding strongly supports previous research that effective corporate governance mechanisms play a key moderating role in the relationship between ESG and firm value. Similar to the works of Dyck et al. (2019), Zaccane & Pedrini (2020), Kaul (2023), Kim et al. (2021), Lee et al. (2018), and Schoenmaker & Schramade (2019), we affirm that the presence of institutional and foreign investors with strong monitoring incentives is a decisive factor in converting ESG investments into financial value. On the other hand, our study challenges the somewhat optimistic conclusions about the direct positive impact of ESG in some other emerging markets (Dhaliwal et al., 2011; Eccles et al., 2014; Atif & Ali, 2021). The rejection of hypothesis H1 suggests a more cautious approach, implying that findings from other markets cannot be mechanically applied to Vietnam. Instead, we argue that in an institutional context that is still developing and where the risk of greenwashing is present, the role of monitoring mechanisms is not just enhancing, but a prerequisite for ESG to create value.

CONCLUSIONS

To achieve our research objectives, we first developed an integrated theoretical framework, combining Stakeholder Theory and Agency Theory to develop hypotheses about the direct impact of ESG and the moderating role of shareholder pressure. Second, we collected a large panel dataset of 395 listed companies in Vietnam over 10 years and constructed a comprehensive ESG disclosure index through detailed content analysis. Third, we used fixed-effects regression models to test the main hypotheses. Finally, we conducted a series of rigorous robustness checks, including using the System GMM model to address endogeneity, disaggregating the ESG index into its constituent pillars, and analyzing by industry characteristics.

Based on these steps, we conclude that:

- in Vietnam, ESG practices do not automatically create firm value; their positive impact is almost entirely dependent on the presence of an effective monitoring mechanism from large shareholders, especially institutional and foreign investors;
- notably, this moderating role is strongest for the Governance (G) pillar and in industries with high environmental risks, indicating that investors prioritize fundamental governance issues and tangible risks.

These findings confirm that shareholder pressure is not just an enhancing factor but a prerequisite for translating ESG efforts into sustainable financial value in the context of an emerging market.

Implications

Theoretical Implications: Our study makes three important theoretical contributions. First, it provides strong empirical evidence that challenges the popular view that Stakeholder Theory can fully explain the ESG-value relationship in emerging markets. Instead, our results highlight the primacy of Agency Theory, showing that without effective monitoring mechanisms, ESG activities risk becoming a form of agency cost. Second, and this is our most unique contribution, the study disaggregates and reveals a pecking order of investor priorities for each ESG pillar. The finding that the moderating role of shareholder pressure is strongest for Governance (G), has an impact on Environment (E), and is almost non-existent for Social (S), enriches existing theory. It shows that investors do not view ESG as a monolithic block but see Governance as a foundational signal of reliability, a necessary condition before pricing environmental and social efforts. Finally, by using a dynamic GMM model, we demonstrate that the impact of this monitoring is cumulative, with long-term effects being greater than short-term ones, contributing to the theory of how sustainable value is created over time.

Practical Implications: Our findings have significant implications for various stakeholders. For corporate managers, the clear message is that ESG is not a silver bullet. Pursuing ESG scores superficially without a clear strategy and the support of major shareholders can be counterproductive. Therefore, firms should prioritize building a solid governance (G) foundation before making scattered investments in environmental and social activities, and they should proactively engage in dialogue with large investors to present the strategic benefits of ESG initiatives. For investors, this study encourages a more in-depth analytical approach, looking not just at the composite ESG score but also analyzing each pillar, especially the quality of governance. It also confirms that the activism of institutional and foreign investors is an effective value-creation tool and that the assessment of a firm's ESG strategy should be placed in the context of its industry-specific risks.

Policy Implications: Finally, we propose important policy implications. To promote a genuinely sustainable market, policy-makers should continue to focus on strengthening corporate governance regulations, as this is the foundation for trans-

parency and accountability. At the same time, a favorable legal environment should be created to encourage the development and active monitoring role of domestic institutional investors. Most importantly, a clear roadmap is needed to build a complete ESG ecosystem, including supporting independent and reliable ESG rating agencies in Vietnam. This will help enhance market transparency, reduce the risk of greenwashing, and allow investment capital to be allocated more effectively to firms that are truly committed to sustainable development.

Limitations and future research directions

While this study achieves its intended objectives, we acknowledge its reliance on a disclosure index, which may not fully capture the material physical and transition financial risks stemming from ESG factors. Furthermore, measuring shareholder pressure via ownership structure serves only as a proxy for more intricate governance transmission channels.

Future research could, therefore, examine how specific ESG components affect a firm's cost of capital and capital structure, or analyze the impact of direct investor engagement on corporate financial policies and firm value.

ADDITIONAL INFORMATION

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CONFLICT OF INTEREST

The Author declares that there is no conflict of interest.

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Тран Х. В.

ОЦІНКА ФАКТОРІВ ESG НА ФІНАНСОВОМУ РИНКУ: МОДЕРУЮЧА РОЛЬ ТИСКУ АКЦІОНЕРІВ І ВПЛИВ НА ФІНАНСОВУ ЕФЕКТИВНІСТЬ ПІДПРИЄМСТВА

Це дослідження вивчає зв'язок між екологічною, соціальною та управлінською (ESG) діяльністю й цінністю компаній у конкретному контексті В'єтнаму — ринку, що розвивається, виходячи за межі простого прямого зв'язку, щоб визначити, коли і як ESG створює цінність, систематично перевіряючи модеруючу роль тиску акціонерів. Використовуючи комплексний панельний набір даних із 395 зареєстрованих нефінансових компаній у В'єтнамі з 2015 по 2024 рік та вручну створений індекс розкриття ESG на основі міжнародних стандартів і внутрішніх нормативів, дослідження застосовує модель регресії з фіксованими ефектами та методологію System GMM для прискіпливого вивчення потенційної ендегенності. Результати виявляють помітний парадокс ESG: окремо зусилля ESG не мають позитивного впливу, а можуть навіть негативно корелювати з цінністю компанії. Однак ці відносини суттєво й позитивно трансформуються під тиском акціонерів, де й інституційна, і, що ще потужніше, іноземна власність виступають ключовими механізмами моніторингу, які гарантують, що інвестиції ESG перетворюються на реальні фінансові вигоди. Подальший аналіз показує, що цей ефект пом'якшення найбільш виражений у стовпі управління (G) та в капіталомістких галузях із високим впливом на довкілля. Дослідження дійшло висновку, що в умовах розвитку інституційного середовища В'єтнаму нагляд акціонерів є не лише стимулятором, а фундаментальною передумовою для того, щоб ESG нарощував цінність. Ці результати дають значні практичні наслідки, радять менеджерам надавати пріоритет міцній основі управління, заохочують інвесторів упроваджувати детальний, специфічний аналітичний підхід для стовпів і закликають політиків зміцнити рамки управління та сприяти прозорій ESG-екосистемі для боротьби з грінвошингом і сприяння суттєвому сталому розвитку.

Ключові слова: теорія агентств, корпоративна фінансова ефективність, ESG, вартість компанії, тиск акціонерів, сталі фінанси, коефіцієнт Q Тобіна, В'єтнам

JEL Класифікація: F21, G32, G34, M14, Q56