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# DOES ESG PERFORMANCE AFFECT THE FINANCIAL PERFORMANCE OF ENVIRONMENTALLY SENSITIVE INDUSTRIES? A COMPARISON BETWEEN EMERGING AND DEVELOPED MARKETS

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## ABSTRACT

**Purpose-** The study aims to investigate whether the ESG performance of corporations from environmentally sensitive industries has any effects on their financial performance and whether the impacts of the ESG performance of environmentally sensitive corporations differ between developed and emerging countries.
**Methodology-** The ESG performance scores and financial performance scores for a 10-year period have been collected from the Thomson Reuters Eikon database and panel regression analyses have been carried out to evaluate the economic value of the ESG performance of these corporations.
**Findings-** Our findings show that the overall ESG performance of environmentally sensitive corporations has a significant positive relationship with the return on equity (ROE) and the Tobin's Q of the corporations. In addition, the overall ESG performance of the environmentally sensitive corporations from developed countries has positive impact on the ROE and on the Tobin's Q whereas the ESG performance score of the environmentally sensitive corporations from emerging countries does not have any significant effect on their corporate financial performance. The findings also indicate that the impacts of the ESG performance of environmentally sensitive corporations on their financial performance are stronger in developed countries than in emerging countries.
**Conclusion-** This study contributes to the literature by adding a better understanding of the ESG-financial performance relationship of environmentally sensitive corporations from both developed and emerging market contexts.

**Keywords:** ESG performance, environmentally sensitive industry, corporate social responsibility, financial performance.
**JEL Codes:** M14, G34.

*This article is produced from the Master Thesis of the Graduate student Nasruzzaman Naeem who studies in the Graduate school of Finance, the program of International Finance.*

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