MANAGEMENT AND ACCOUNTING REVIEW, VOLUME 24 NO 3, DECEMBER 2025

The Analysis of Corporate Governance, Finance, and their Impact on ESG Investing Performance

Chinnapat Kanthapanit♣ and Chutiya Kanthapanit
Faculty of Accounting and Management, Mahasarakham University, Thailand

ABSTRACT

This study examined how a significant presence of controlling shareholders within the Thai stock market manage corporate governance, shareholder wealth and financial performance to encourage environment, social responsibility and corporate governance (ESG) performance. Population and samples were collected from the top 100 ESG companies in Thailand during 2020-2023. Multiple-regression modelling examined the relationship between controlling shareholders, corporate governance, shareholder wealth, financial performance, and ESG performance. The research findings showcased a positive association between controlling shareholders and ESG performance. The outcomes clearly demonstrated that positive corporate governance and shareholder wealth and financial performance significantly improved ESG performance.

Keywords: ESG, controlling shareholder, corporate governance, finance

ARTICLE INFO

Article History:
Received: 12 July 2024
Accepted: 28 March 2025
Available online: 1 December 2025

♣ Corresponding Author: Chinnapat Kanthapanit; Faculty of Accounting and Management, Mahasarakham University; Email: chinnapat.k@msu.ac.th; Tel:+66852261833.

INTRODUCTION

The rise of climate change has potential risks and adverse impacts on such stakeholders as the environment, society and shareholders. Strengthening carbon neutral potential, showing how they bring societal equality and stability, and governance matters. ESG performance is managed by corporate ownership who conducts good corporate governance and financial performance. ESG performance also depends on how business owners provide corporate governance that integrate ESG into the company vision which is a core part of a company's sustainable growth strategies because they benefit long term corporate finance performance and shareholder value by developing high quality resource management, including employees, which motivates supply chain finance and investment (Bukari, Agyemang, & Bawuah, 2024).

Researchers have debated how controlling and dispersed ownership affects ESG improvement in different ways. These have some important distinctive features, strengths, and weaknesses which affect how companies implement their priorities regarding ESG matters. The separation of ownership and control thesis suggests ownership diffusion drives long term-value investment because it encourages an environment conducive to improving ESG performance through accountability, transparency, and encouraging companies to align with sustainable and socially responsible practices (Fiorillo & Santilli, 2024). While ownership control often results in better ESG performance due to concentrated decision-making and a long-term strategic focus, dispersed ownership may hamper ESG efforts because of the short-term profit orientation of minority shareholders (Eliza, 2024). Much recent research argues that controlling shareholders have potentially increased monitoring on the long-term sustainability of the business and social responsibility. This is because controlling shareholders are personally attached to the success and good reputation that surrounds the company (Gao, He, & Qu, 2024). In contrast, large publicly traded companies with dispersed shareholders may face pressures from profit-driven investors looking at short-term gains, compromising their eventual ESG performance (Mahoney PG & Mahoney JD, 2022). The research gap was to highlight how controlling shareholders provided substantial benefits to all stakeholders included ESG performance, for instance, shaping long-term strategy, making resource allocations, and embedding ethical values into the company's operations (Zhang, Jin, & Chen, 2023).

This study determined how controlling shareholders within the Thai stock market can introduce corporate governance, shareholder wealth and financial performance to encourage environment, and ESG performance. The contribution to the knowledge of this study was to present how controlling shareholders can promote ESG performance by managing effective corporate governance that safeguards shareholder wealth and financial performance. This study aimed to contribute research that may assist the development of a theory pertaining to ESG investment that was underpinned by research questions and an associated hypothesis, plus a statistical model that had the potential to guide the analyses and the results.

LITERATURE REVIEW

Theoretical Background

The goals of doing business are contributed to shareholder profit maximization and wealth. However, societal, governmental, and investor expectations around the purpose of business are fundamentally shifting. Business is increasingly expected to be a force for good, to generate value in various ways and for various groups, and to collaborate with government and NGOs in addressing pressing ESG challenges, rather than solely having the purpose of generating profits for shareholders (McPhail K, Kafouros M, McKiernan P, & Cornelius N, 2024). This view of the purpose of business also relates to agency conflicts between shareholders and management as explained in the separation of ownership and control, and results from ownership structure, having been the focus of attention in the literature from various perspectives. Large corporation separation between ownership and management brings along conflicts of interest between the manager and the shareholder; which later on, developed into a theory of the firm centering upon the conflicts of interest between the managers and the shareholders termed agency conflicts and costs arising from this relationship termed agency costs (Berle & Means, 1932). The Literature review addresses agency issues from the perspective of firms with diffused ownership, that is, firms at which no shareholder holds enough voting rights to obtain corporate control. At these firms shareholding control is diffused and the main agency conflicts come to be between shareholders as a whole and managers- thus creating the so called principal-agent agency model (Brandão & Crisóstomo, 2024).

At the heart of the Agency Theory and in conjunction lies the separation of ownership and control. It is this relationship that explains the dynamics underlying the interaction between owners and managers in organizations, especially modern corporations. The Agency Theory also defines how ESG performance fits into corporate decision-making, particularly in cases of various conflicts of interest among influential stakeholders (Eisenhardt, 1989). The purpose of the Theory is to resolve disputes between agents and principals by maximizing the profits of their principals (Peng Lee Siew & Isa Mansor, 2020). The Agency Theory finds so little application in reality because, as identified from the literature review, the principals or finance suppliers are not only interested in corporate profitability but also play an important role in promoting ESG performance (Bukari, et al., 2024).

The Stakeholder Theory argues for the separation of ownership and control thesis because the Theory maintains that companies are responsible to unlimited stakeholders, not only to finance suppliers but they themselves are also suppliers, employees, investors, communities, and all the others who have some form of stake in an organization (Kay, Brindisi, & Martin, 2020). Stakeholders are affected by a business' operations, and thus businesses can improve their long-term success and decision-making abilities by taking stakeholder interests into account (Freeman, Andrew, & Bidhan, 2004). The Stakeholder Model aims to create intrinsic value for all stakeholders which is addressed in corporate goals including ESG metrics which can be used to assess and measure company performance and its relative positioning on a range of topics relevant to the broader set of company stakeholders (Kay, et al., 2020). The Stakeholder theory believes that ESG integrating activities may resolve agency problems from a conflict of interest between management and every stakeholders (Arora, Sur, & Yogesh, 2021; Kay, et al., 2020).

The Role of Controlling Shareholders for Enhancing Corporate Governance, Shareholder wealth, Financial and ESG Performance

Previous studies used the Agency Theory to investigate the agency problem which is determined from the relationship between shareholders and managers. Much research proposes that controlling shareholders increase agency problems because large investors inhibit minority investor returns (Gu, Sun, & Zhou, 2024).

However, this investigation argued that the controlling shareholder can influence good corporate governance that improves shareholder wealth, financial and ESG performance of an organization. They can help in developing more sustainable business practices by imposing their vision and commitment to long-term goals, thus reinforcing corporate governance structures (Sun, Ma, & Xu, 2022). Controlling shareholders increase corporate governance by improving high ESG ratings tend to perform better financially and control their risks, hence enjoying investor confidence that leads to more stable performance over time (Shang Ershang, 2024). This is because firms with dominant control tend to implement strategies that enhance CSR policy, maybe in an effort to see an improvement in firm image and reputation. In addition, ownership diffusion impedes firm CSR because small investors focus on short-term oriented investment and do not believe in short-term returns from CSR (Forte, Crisóstomo, & López-Iturriaga, 2024). The role of large shareholders provides several advantages and potential challenges in ESG performance development. For example, controlling shareholders enhance ESG performance because they have financial interest in the long-term performance of the company (Ray & Hardi, 2024). They are also stewardship for protecting their business because they are more likely to adopt policies and strategies directed toward sustainability rather than toward short-term gains. For example, controlling shareholders may also lead to sustainable corporate governance by promoting long-term innovation, such as low-carbon technologies. They could use dual-class shares to align their entrepreneurial vision with institutional investors' goals in climate-conscious sectors. In this way, controlling shareholders can pursue uncertain and perhaps unprofitable innovations while institutional investors scale them up and finance them (Pacces, 2024). They also provide stability in decision-making, especially in long-term projects because they have closely monitor management, reducing agency problems and ensuring operational efficiency (Jagannayaki, Lakshmi, & Rashmitha, 2024). This may be beneficial in industries where consistent leadership and vision are important. Controlling shareholders support corporate governance that enhances financial performance and shareholder wealth because they believe ESG strategies can drive investment (Ray & Hardi, 2024). It is difficult to raise funds if management impedes ESG strategies, such as discouraging ESG in company's strategies, excluding ESG performance measures and targets from the executive pay arrangements and Board of directors have insufficient knowledge about the ESG issues confronting the company (Chalmers, Picard, Eastman, & Wilkinson, 2021).

RESEARCH FRAMEWORK AND HYPOTHESES

The research framework was developed from theoretical background of this study. The Corporate Governance theory suggests that a manager needs good corporate governance practices that safeguards the interests of shareholders and stakeholders (Khan, 2019). The Stakeholder Theory also recommends creating shared value of stakeholders as most important in business management because they escort its core stakeholders together (Freeman, et al., 2004). This study proposes ESG performance as stakeholder's shared value. The Agency Theory suggests that shareholders are suppliers of finance who expect to receive returns from their investment. Investors are not only interested in profit maximization. However, they also play an important role in promoting ESG investment by directing finance towards projects with a positive impact to ESG protection such as green finance and ESG funds (Ozili, 2022). For example in the real world, the global green finance market size was valued at USD 4.2 Trillion in 2022. The market size is expected to grow at a CAGR of 22.40 % from 2023 to 2032 (Global Market Insights, 2024). ESG investment also has been speedily increasing to 33.55% from $30.7 trillion in 2018 to $41 trillion in 2022. They are expected to reach $50 trillion in 2025 which is more than 50% of the world GDP in 2022 ($96.1 trillion) (Henze & Boyd, 2022).

This study drew on the dependent factors that responded to stakeholders' expectations which were measured by ESG performance. The research also integrated the independent factors that determined stakeholders and shareholders satisfaction. These factors were corporate governance, shareholder wealth and financial performance. The conceptual framework of this study (Diagram 1) presents the determinant factors that encouraged ESG performance. This study also filled the gap by investigating the following research question:

Are controlling shareholders an obstacle to improving corporate governance and shareholder satisfaction—such as wealth and financial performance—which in turn enhance ESG performance and address stakeholders' expectations?

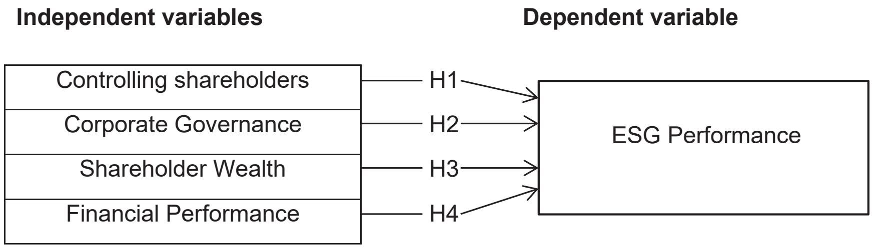

Diagram 1: Conceptual Framework

Hypotheses Development

Controlling shareholders

From 1990-1998, the Thai listed companies' ownership structure was occupied by controlling shareholders who were families (Nam & Nam, 2004). Minority shareholders' rights expropriation was a common problem in the Thai market during Asian financial crisis 1997-1998. The problem was caused by the controlling shareholders who were families with controlling ownership over 25% (Wiwattanakantang, 2001). Expropriation is the behavior of the insiders that simply steal a company's profits by investing in inefficient projects and using corporate resources for their own interests (La Porta, Lopez-de-Silanes, Shleifer, & Vishny, 2000). The 1998 financial crisis ended the Thai family-owned companies who struggled with a shortage of funds to liquidate their business and sold their equity to institutional investors and small investors (Siamwalla, 2001).

After Thailand's economic recovery, the Thai corporate ownership was dominated by controlling shareholders who were institutional investors (Thanatawee, 2013). The Thai controlling shareholders encouraged strong minority shareholder investment protection because they managed firms with good corporate governance, increasing shareholder return (Thanatawee, 2013). Controlling shareholders also adopted a more stakeholder-oriented attitude by using ESG integration on the risk-return characteristics of their companies (Chalmers, Picard, et al., 2021). They also took account of social and environmental issues in their business decisions. Large investors believed ESG protection was good for society and shareholders (Fiorillo & Santilli, 2024). They were convinced that it was right to influence companies to encourage responsible business practices while serving the financial interests of their customers (Khan, 2019). Therefore, the following hypothesis was suggested:

H1: Controlling shareholders have a positive impact on ESG performance

Corporate governance

Corporate governance promotes capital allocation, assuring investors' benefits in relation to their investment costs (Shleifer & Vishny, 1997). Corporate governance is a system for managing corporations that were expanded with funds provided by investors (Nam & Nam, 2004). Corporate governance encourages sustainable business development because corporate governance is the system and regulations that supports shareholders' power to control management, promoting information transparency and were anti-corruption (Khan, 2019; Shleifer & Vishny, 1997). Corporate governance assured managers do business with accountability and responsibility to benefit company performance, capital growth and shareholder wealth maximization (Shleifer & Vishny, 1997). From a Stakeholder Theory perspective, companies are accountable to all stakeholders, not just their shareholders. ESG represents ways in which corporations are accountable to stakeholders. Corporate governance supports ESG because the corporate governance agenda responds to corporate social responsibility by increasingly taking account of ESG issues for investors' decision (Solomon & Solomon, 2004). A corporate social responsibility policy as a part of ESG also creates accountability to stakeholders through their investment policies (Long & Johnstone, 2021). Thus, this research formulated a hypothesis as follows.

H2: Corporate Governance has a positive impact on ESG performance

Shareholder wealth

Shareholder wealth maximization is a long-term goal of investment. Investors demand long-term goals of investment by focusing on ESG issues which also play a part in informing investment decisions because ESG information presents itself as an extra set of intelligence that can also provide insights into future performance (Tim, Robert, & Andreas, 2016). This is because ESG research shows the correlation between strong investment performance and ESG factor integration (Ashwin Kumar et al., 2016). ESG also affects corporate performance and values, increasing shareholder wealth in the future (Peter, 2016). For example, Pwc's 2021 Global investor survey confirmed that most global investors agreed that ESG risk and opportunities were one of the most important investment decisions (Chalmers, Picard, et al., 2021). They included ESG to be a core part of a company's strategy because they were more confident that companies were on top of ESG risks and opportunities when corporate executives were accountable. They are also agreed that ESG performance measures and targets should be incorporated into the executives' remuneration package (Chalmers, Picard, et al., 2021). ESG good news also enhances shareholder value because ESG disclosure positively impacted market reaction (Serafeim & Yoon, 2022). ESG risk disclosure reduced information asymmetry between management and shareholders (Suttipun & Yordudom, 2021). Based on the literature review, this investigation created the following hypothesis.

H3: Shareholder Wealth has a positive impact on ESG performance

Financial performance

The majority of 2,000 empirical studies (90%) reported a positive relationship between ESG and corporate financial performance (Friede, Busch, & Bassen, 2015). This was because corporate executives ensured sustainable development goals that created an ESG framework to enhance corporate development strategies and operational management processes (Fu & Li, 2023). Previous investing research in ESG also suggested that sustainable business improves financial performance in the long term because corporate investments in environmental sustainability did not affect corporate short-term financial performance but had positive results over the longer term, which was associated by the buoyancy of market value of stocks (Whelan, Atz, Holt, & Clark, 2021). For example, NYU Stern Center for Sustainable Business and Rockefeller Asset Management reported meta-studies investigating the relationship between ESG and Financial performance where they found a positive relationship between ESG performance and financial performance up to 58% of the "corporate" studies measured by ROE, ROA, or stock price. The study also showed positive correlations between ESG and operational efficiencies, stock performance and lower cost of capital. ESG was associated with high investment performance when measured by efficient investment methods such as the alpha and sharp ratio (Whelan, et al., 2021). In addition, ESG performance mitigated risks by adopting technology for environmental protection which together benefited ESG strategy and reduced costs at the same time such as renewable energy, energy-efficient appliances, smart grid energy, water-saving technology, waste reduction and recycling technology (Stein Smith, 2020).

Therefore, this study proposed the following hypothesis:

H4: Financial Performance has a positive impact on ESG performance

METHODOLOGY

The research design of the study was a plan that guided the detailed methods and procedures for developing the theoretical framework and collecting and analyzing data. The data analysis in this study is designed to empirically test the hypothesized relationships between controlling shareholders, corporate governance, and shareholder satisfaction as measured through wealth and financial performance, and ESG performance. In order to enhance the reliability, validity, and robustness of findings, the analysis was undertaken using quantitative statistical techniques. This study used a design framework based on the objectives of the study. As stated earlier, the purpose of the study is mainly hypotheses testing so as to explain the relationship between the different constructs as shown in Figure 1. The research methodology used to undertake this research included quantitative methods and secondary data collection methods. They were as follows.

Sources of Data

Population and samples were secondary data collected from the top 100 ESG companies in Thailand which the ESG Book assessed during 2020-2023 (400 samples). The secondary data used in this study were collected from three main sources. ESG rating was collected from ESG Book, presented in the 2020-2023 Stock Exchange of Thailand. Corporate governance rating was collected from Thai Institute of Directors Association (Thai IOD). Companies' financial data were collected from the annual reports in the form of FM56-1 of listed companies in the Stock Exchange of Thailand from 2020 to 2023. The Thai companies were chosen for analysis because the Thai stock market was the most important in Southeast Asia and among the largest. By market capitalization, in 2023, the Stock Exchange of Thailand stood at around $604 billion, compared with Indonesia at $610 billion but slightly lower compared to Singapore's $664 billion. It stood head and shouldered above other neighbors like Malaysia at $381 billion, the Philippines at $239 billion, and Vietnam at $170 billion(The Nation, 2023).

In addition, selecting the top 100 ESG companies in Thailand therefore enabled focused, meaningful analysis of sustainability practices within a key emerging market. It gave a lens from which one can study the interaction between local challenges and global ESG trends and their influence on corporate governance and performance. It was a targeted approach in tune with the rising importance of ESG as a shaper of business strategy and investment decisions across the world. The top 100 ESG companies in Thailand also showed a higher level of commitment to the environmental, social, and governance principles that listed firms should be giving. The same studies demonstrated that those companies were recording giant strides in ESG performance on the back of establishing independent ESG committees and leading practices that introduced transformational changes. The sections below gives further details about the current ESG landscape in Thailand (Suttipun, 2023a).

Quantitative Research Methods

In this study, multiple-regression modelling was used to determine the relationship between independent variables and dependent variables. The statistical model for the analysis was as follows.

ESG Performance = β0 + β1 (Controlling Shareholders) + β2 (Corporate Governance) + β3 (Shareholder Wealth) + β4 (Financial Performance) + Error

Variables and Measures

ESG performance

The ESG score represented sustainable companies better positioned to outperform over the long term. To understand the potential for long-term performance, the ESG score methodology considered the financial materiality principle, meaning that when computing the ESG score of a company, the algorithm only used information that significantly helped explain future risk-adjusted performance. Materiality was applied by over-weighting features with higher materiality and rebalancing these weights on a rolling quarterly basis (ESG Book, 2022). ESG performance was measured by ESG total score assessed by ESG book (Arabesque S-Ray GmbH). ESG total score was 0-100; higher was better (ESG Book, 2022).

Controlling shareholders

The SEC Act B.E. 2535 states that controlling shareholders refers to the person influencing policy-making, management, or the company's operation significantly (The Stock Exchange of Thailand, 2023b). Controlling shareholders were presented when a company had shareholders with either a direct or indirect vote of greater than 25% of all eligible voting rights (The Stock Exchange of Thailand, 2023b). Controlling shareholders were rated by dummy scores such as Yes = 1 or No = 0.

Corporate governance

The Corporate Governance report of Thai listed companies (CGR) was assessed by Thai Institute of Directors Association (Thai IOD). The assessment criteria were developed by referring to the Organization for Economic Cooperation and Development (OECD).In the principles of corporate governance and Thailand's corporate governance code for listed companies. There are 172 criteria in the following four categories. They are (1) Rights and Equitable Treatment of Shareholders, (2) Role of Stakeholders and Business Sustainability, (3) Disclosure and Transparency and (4) Board Responsibilities. Corporate Governance report of Thai listed companies (CGR) is tabulated into percentages corresponding to the corporate governance practices rating from 1-5 levels from very poor (1) to Excellent (5) (Thai Institute of Directors Association, 2021; The Stock Exchange of Thailand, 2023a).

Shareholder wealth

Corporate market value is an important measure of corporate wealth, and it is derived from the stock price of the firm relative to earnings per share, cash flow per share, and book value per share (Brigham & Ehrhardt, 2016). Long-term investors focus on how management applies ESG strategy while increasing shareholder market value, measured by Price-to-Book Ratio (P/B ratio) provided by the Stock Exchange of Thailand (SET).

Financial performance

In financial terms, return on assets (ROA) is generally seen as a measure of a company's financial performance because investors analyze it to determine how effectively the company uses its assets to produce a profit. The meta-analyses of ESG and financial performance also found that 58 per cent of business research looked at ROA, as firms often focus on operational measures in ROA(Whelan, et al., 2021). ROA is calculated by dividing a company's net income by its total assets. As a formula, it is expressed as: Return on Assets = Net Income/Total Assets

RESULTS AND DISCUSSION

The results of the study derived from the testing of four hypotheses refer to the investigation of the relationship between the independent variables and dependent variable. The independent variables were controlling shareholders, corporate governance, shareholder wealth, and financial performance. The dependent variable was ESG performance. The findings present the factors that supported ESG performance. These variables were controlling shareholders, corporate governance, shareholder wealth, and financial performance. The reasons are provided in the following discussion and suggestion section.

Figure 1: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
ESG Performance	.353[a]	.124	.115	7.03160

a. Predictors: (Constant), Controlling Shareholders, Corporate Governance, Shareholder Wealth, Financial Performance

Figure 2: The Analysis of Variance which was Measured by ANOVA[a]

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	2772.353	4	693.088	14.018	.000[b]
Residual	19530.152	395	49.443		
Total	22302.505	399			

a. Dependent Variable: ESG performance
b. Predictors: (Constant), Controlling Shareholders, Corporate Governance, Shareholder Wealth, Financial Performance

Figure 3: Coefficients of ESG Performance Model

Coefficients[a]

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
	B	Std. Error	Beta			Tolerance	VIF
(Constant)	30.702	5.330		5.760	.000		
Controlling Shareholders	1.316	.717	.087	1.836	.067	.979	1.022
Corporate Governance	4.568	1.079	.200	4.233	.000	.993	1.007
Shareholder Wealth	.504	.123	.209	4.110	.000	.854	1.171
Financial Performance	.084	.039	.109	2.165	.031	.870	1.149

a. Dependent Variable: ESG Performance
b. Predictors: (Constant), Controlling Shareholders, Corporate Governance, Shareholder Wealth, Financial Performance

The results of this study (Figure 3) had no Multi-Collinearity issues because Tolerance was more than 0.10 and VIF was less than 10. This finding indicated that all variables provided no bias for statistical analysis because Multi-Collinearity complicates the interpretation of the variate (Sekaran & Bougie, 2016)

Controlling Shareholders and ESG Performance

Hypothesis 1 showed that the controlling shareholders had a positive impact on ESG performance. The results supported the hypothesis (See Figure 3, standardized coefficients beta 0.087 and p-value 0.067). The findings also demonstrated that the controlling shareholders had a positive relationship with ESG performance but a statistically insignificant contribution. This was because large shareholders were able to control the composition of the board which affected the decision-making process so that ESG issues were considered. This allowed them to integrate sustainability more completely into the company's core strategies and operations. Controlling shareholders also integrated ESG criteria in their investment analysis because they relied on sustainable business growth emphasising on how managers applied ESG integration for business operations (Chalmers, Picard, et al., 2021). Controlling shareholders reduced agency problems because they faced pressure from various stakeholders expectations in enhancing ESG strategy which can set companies up for long-term success

(Chalmers, Cox, & Pica, 2021). Large shareholders also played an important part in leadership and policymaking which demanded ESG metrics to improve corporate sustainability for a good reputation. They supported ESG disclosure because they believed ESG information had a positive impact on stock market value of the company and motivated finance suppliers (Kay, et al., 2020). The nexus of the controlling shareholder with ESG performance in Thailand was rather complex and interwoven by the interrelationship of ownership concentration and internal structures of governance. Though studies have indicated that controlling shareholders can actually enhance corporate performance, the effect this has on ESG initiatives was usually nuanced and, in particular contexts, negative (Fiorillo & Santilli, 2024; Truong, 2024). However, recent research found the Thai controlling shareholders such as families increased ESG performance because family business owners improved the integration of ESG factors in their business strategies. By doing so, they can receive better market value and long-term sustainability. This inference underlines the increasing realization of ESG factors as integral parts of business success in the modern investment arena (Wiriyakitjar, Ousawat, Lekhakul, & Bumalayu, 2024).

Corporate Governance and ESG Performance

Hypothesis 2 predicted that corporate governance positively correlated with ESG performance (See Figure 3, standardized coefficients beta 0.200 and p-value 0.000). The results accepted the hypothesis. The finding of this study was consistent with Khan (2019) who exhibited that corporate governance safeguarded ESG performance. They suggested that corporate governance determined efficient capital allocation for the preservation and growth of capital, which were important conditions for supporting sustainable businesses in the long run (Khan, 2019). In the Thai capital market, corporate governance enhanced ESG performance because management of companies increased transparency and information based on ESG disclosure which impacted firm value (Suttipun & Yordudom, 2021). Corporate governance also enhanced stakeholder engagement which was designed to meet the needs of communities. Corporate governance encouraged ESG risk management which provided more accountability and responsibility for stakeholders in response to good corporate performance and also gave appropriate returns to financial suppliers (Peter, 2016). In Thailand, this therefore created a more complex relationship between corporate governance and ESG performance because companies were influenced by multiple elements such as board structure, leadership roles, and ultimately dedicated ESG committees. This was important in boosting firm performance and reducing financial risks. Thai corporate governance showed that the factors that impacted ESG performance included board size and the separation of CEO and chairman. Smaller boards, as well as separation of CEO and chairman, tended to increase ESG performance, whereas large boards and CEO duality diminished ESG performance (Meeprom, Boonyanet, & Tongkong, 2024).

Shareholder Wealth and ESG Performance

Hypothesis 3 presented that shareholder wealth positively impacted ESG performance (See figure 3, standardized coefficients beta 0.209 and p-value 0.000). The results accepted the hypothesis. Shareholder wealth enhanced ESG performance. The findings were consistent with ESG investing research that suggested that shareholder wealth increased ESG performance as ESG was a new metric to identify how successfully a company is operating its business strategy to achieve financial goals such as shareholder wealth (N. C. Ashwin Kumar et al., 2016). This was because ESG factors reduced risks and improved risk-adjusted returns which impacted on shareholder wealth (Schanzenbach & Sitkoff, 2020). Investors also included ESG issues in their investment portfolios because ESG performance promoted itself as an extraordinary financial option to expand market value added for long-term investment (Peter, 2016). In Thailand, a recent study examined the relationship between stock prices and ESG scores. They found controlling shareholders such as family-owned businesses on the Stock Exchange of Thailand increased environmental and governance scores which had a positive effect on stock prices and thus increased shareholder wealth, while social scores did not have a significant effect on stock prices, showing the importance of ESG performance (Wiriyakitjar, et al., 2024).

Financial Performance and ESG Performance

Hypothesis 4 posited that financial performance had a positive relationship with ESG performance (See figure 3, standardized coefficients beta 0.109 and p-value 0.031). The result of this study accepted the hypothesis. This was because adopting ESG strategies into business operations created financial performance, which together encouraged business sustainability growth and ESG performance. Financial performance had a positive relationship with ESG performance because ESG business increased marketing performance and sales by attracting customers with more sustainable products (Paolone, Cucari, Wu, & Tiscini, 2022). They also achieved better access to resources through stronger community and government support (Henisz, Koller, & Nuttall, 2019). ESG business can save operating costs using renewable energy such as net zero-energy solar power (Arif, Taweekun, Muhammad, Yanjun, & Ahmed, 2021). ESG business models promoted productivity by boosting employee motivation through greater social creditability. ESG also enhanced investment returns by better allocation of capital for the long-term (Henisz, et al., 2019). The relationship between financial performance and ESG performance in Thailand was increasingly considered an important one. Some research has shown that better ESG performance may lower corporate financial risk of firms, thus improving their overall financial capacity (Eliza, 2024). This has become imperative for the sustainable development of the Thai corporate environment. For example, the Thai companies had a negative correlation between ESG performance and corporate financial risk because higher ESG scores mitigated financial risks (Suttipun, 2023a). In addition, the Thai companies with higher ESG scores tended to perform better in terms of equity returns and operating performance, therefore suggesting that improved financial performance could enhance ESG performance through attracting investment and fostering sustainable practices within firms.

CONCLUSION

This study contributes to the literature gap by addressing how controlling shareholders manage their corporate governance, included shareholder wealth and financial performance that improved ESG performance. The investigation also focused on corporate governance relationships, investment and highlighted the value of controlling shareholders to corporate ESG performance. Corporate governance was influenced by the relationships between players in the governance system. For instance, controlling shareholders, which included individuals, family holdings, bloc alliances, or other corporations that acted through a holding company or cross shareholding, can have a big impact on corporate behavior (OECD, 2004).

The past studies had shown that controlling shareholders were associated with agency problems because they managed companies based on their self-esteem which contributed to poor corporate governance practices, low transparency, rent-seeking, relationship-based transaction, extensive group structures, and diversification (Claessens & Fan, 2002). Large shareholders also increased inefficient investments which decreased corporate financial performance and shareholder wealth. However, the findings of this investigation showed that the Thai controlling shareholders increased good corporate governance by reducing agency problems and financial costs. This was because they responded to stakeholders' expectation by increasing corporate governance practices that supported ESG disclosure and reports (Suttipun & Yordudom, 2021). They also incorporated the ESG framework into their business operations because they trusted that ESG strategies can lead to a greater emphasis on sustainable practices that benefited the company over time, rather than focusing solely on short-term gains (Zhao, Elahi, Khalid, Sun, & Sun, 2023). The ownership and control of Thai public firms were also shifting away from families to institutional investors (Suttipun, 2023b). Institutional investors were likely to support ESG disclosure which was also voluntary report ESG information in their annual reports. They believed that the ESG framework can reduce corporate financial risks and costs which impact positive corporate financial performance and shareholder wealth (Fu & Li, 2023). In summary, this investigation showed that controlling shareholders contributed to good corporate governance and investor returns that boosted ESG performance. The main shareholders encouraged corporate governance based on stakeholder benefits which responded to ESG issues, for sustainable business growth. They also took account of social and environmental issues in their business decisions. The majority of stockholders believed that ESG protection was good for society and shareholders. They were convinced that it was right to influence companies to encourage responsible business practices while serving the financial interests of their customers.

Research implications are provided in two perspectives. They are theoretical implications and business practice implications. In theoretical implications, the separation between ownership and control addressed 'outsider' or dispersed ownership support systems of finance and corporate governance whereby the majority of publicly listed companies are controlled by their managers but are owned by outside shareholders who could be financial institutions or individual shareholders. This ownership system minimizes agency problems such as a conflict of interest between shareholders and managers. Dispersed ownership also supports corporate governance and investor protection because when no singular entity has controlling influence; the decision-making process tends to be more transparent and subject to checks and balances. They enhance accountability and reduce agency costs. This is because the conflict of interest and agency costs arise due to the different risk preferences, information asymmetry and moral hazards. The Agency Theory suggests that ownership concentration or controlling shareholders is associated with poor investor protection which contributes to highly expropriation of minority shareholder rights, higher financial risks and costs, and poor accounting standards. This is because they have excessive control by a small group of 'insiders', hostile takeover activity is rare, and majority shareholders tend to have more voice in their invested companies (Solomon & Solomon, 2004). However, in our analysis, it was demonstrated that firms with concentrated ownership, exemplified by controlling shareholders, benefited their stakeholders in multiple ways, including assisting with checking corporate governance that supported ESG activities, showing collaboration between stakeholders, financial outcomes and elements of sustainability throughout the corporation. They also handled ESG risks by enhancing business practices and social and environmental responsibilities which influenced the effectiveness of governance bolstering financial health and company performance over time. Majority shareholders also supported their company's ESG performance by overseeing the link, between corporate governance and finance which in turn boost stakeholder engagement and transparency, crucial components that shape the corporate ESG initiatives. They also acted as stewards and had the ability to capitalize on growth opportunities and make an impact. Furthermore they demonstrated a commitment, to safeguarding and upholding all aspects of the business as if they were their own (Sakawa I & Watanabel N, 2019). Controlling shareholders are seen as driven by a desire to excel find fulfillment in accomplishing tasks and take on leadership roles and receive acknowledgment, from colleagues and superiors (Berzins, Bøhren, & Stacescu, 2022). The business practice implications of this study is to acquire insights, into a style of corporate governance maintained by dominant shareholders emphasizing the prioritization of stakeholders' interests, within a company thereby significantly impacting its organizational culture, values and approach to managing ESG issues. Efficient business management is not an automatic process but a chain of values where there are various types of stakeholders. A company has many types of stakeholders and the company must consider the types of stakeholders. Business should determine the characteristics of each of the stakeholders, and how it is important to the organization's strategy. Finally, business should find the shared values of the organization and the stakeholders. Future research could contribute to further understanding of the factors that increase ESG performance, including other forms of ownership, how they practice corporate governance and matters of financial planning that impact ESG performance in various industries and markets. Further research could also investigate how ESG factors are being integrated into the investment strategies of shareholders, asset managers, and institutional investors, involving ESG screening practices, engagement with companies on ESG concerns, and the integration of ESG criteria in designing portfolios.

REFERENCES

Arif, S., Taweekun, J., Muhammad, A. H., Yanjun, f., & Ahmed, A. (2021). Feasibility study and economic analysis of grid connected solar powered net zero energy building (NZEB) of shopping mall for two different climates of Pakistan and Thailand. *Case Studies in Thermal Engineering, 26*, 101049. doi: https://doi.org/10.1016/j.csite.2021.101049.

Arora, S., Sur, J., & Yogesh, C. (2021). Does corporate social responsibility affect shareholder value? Evidence from the COVID-19 crisis. *International Review of Finance*, 1-10. doi: https://doi.org/10.1111/irfi.12353.

Ashwin Kumar, N., Smith, C., Badis, L., Wang, N., Ambrosy, P., & Tavares, R. (2016). ESG factors and risk-adjusted performance: a new quantitative model. *Journal of Sustainable Finance & Investment, 6*(4), 292-300. doi: 10.1080/20430795.2016.1234909.

Berle, A., & Means, G. (1932). *The Modern Corporation and Private Property*. New York: World Inc.

Berzins, J., Bøhren, Ø., & Stacescu, B. (2022). The Family Behind the Family Firm Premium: Agency Conflicts and Personal Financial Constraints (pp. 1-43). Brussels, Belgium: The European Corporate Governance Institute (ECGI).

Brandão, I. d. F., & Crisóstomo, V. L. (2024). Shareholding control, ownership concentration, and the value of the Brazilian firm. *Borsa Istanbul Review, 24*(5), 984-995. doi: https://doi.org/10.1016/j.bir.2024.05.008.

Brigham, E. F., & Ehrhardt, M. C. (2016). *Financial Management: Theory & Practice* (15th ed.). Boston: Cengage Learning.

Bukari, A., Agyemang, A., & Bawuah, B. (2024). Assessing the moderating role of ESG performance on corporate governance and firm value in developing countries. *Cogent Business & Management, 11*(1), 2333941. doi: 10.1080/23311975.2024.2333941.

Chalmers, J., Cox, E., & Pica, N. (2021). The economic realities of ESG (pp. 1-11). London: PwC (PricewaterhouseCoopers).

Chalmers, J., Picard, N., Eastman, H., & Wilkinson, G. (2021). PwC's Global investor survey (pp. 1-8). London: PwC (PricewaterhouseCoopers).

Claessens, S., & Fan, J. P. H. (2002). Corporate Governance in Asia: A survey. *International review of finance, 3*(2), 71-103.

Eisenhardt, K. M. (1989). Agency theory: An Assessment and Review *Academy of Management Review, 14*(1), 57-74.

Eliza, E. (2024). Sustainable Investment Practices: Assessing the Influence of ESG Factors on Financial Performance. *Global international journal of innovative research 2*(7), 1445-1454. doi: https://doi.org/10.59613/global.v2i7.228.

ESG Book. (2022). ESG Scores V2.6.2 User Guide (pp. 18). Frankfurt, Germany: Arabesque S-Ray GmbH.

Fiorillo, P., & Santilli, G. (2024). The influence of shareholder ESG performance on corporate sustainability: Exploring the role of ownership structure. *Finance Research Letters, 67*(A). doi: https://doi.org/10.1016/j.frl.2024.105800.

Forte, H., Crisóstomo, V., & López-Iturriaga, F. (2024). Corporate social responsibility, ownership structure, and corporate governance—An analysis of the Brazilian firm. *Corporate Social Responsibility and Environmental Management*. doi: https://doi.org/10.1002/csr.2991.

Freeman, R. E., Andrew, C. W., & Bidhan, P. (2004). Stakeholder theory and "The Corporate Objective Revisited". *Organization Science, 15*(3), 364-369.

Friede, G., Busch, T., & Bassen, A. (2015). ESG and financial performance: aggregated evidence from more than 2000 empirical studies. *Journal of Sustainable Finance & Investment, 5*(4), 210-233. doi: 10.1080/20430795.2015.1118917.

Fu, T., & Li, J. (2023). An empirical analysis of the impact of ESG on financial performance: the moderating role of digital transformation. *Frontiers in Environmental Science, 11*. doi: https://doi.org/10.3389/fenvs.2023.1256052.

Gao, H., He, J., & Qu, Y. (2024). The bright side of controlling owners in emerging markets: the case of corporate fraud. *Applied Economics*, 1-19. doi: 10.1080/00036846.2024.2394701.

Global Market Insights. (2024). Sustainable finance market size Retrieved 15th May 2024, from https://www.gminsights.com/industry-analysis/sustainable-finance-market.

Gu, Z., Sun, W., & Zhou, F. (2024). Cultural Origin and Minority Shareholder Expropriation: Historical Evidence. *Journal of Accounting Research, 62*(1), 181-228. doi: https://doi.org/10.1111/1475-679X.12517.

Henisz, W., Koller, T., & Nuttall, R. (2019). Five ways that ESG creates value (pp. 1-12). San Francisco McKinsay & Company,.

Henze, V., & Boyd, S. (2022). ESG May Surpass $41 Trillion Assets in 2022, But Not Without Challenges, Finds Bloomberg Intelligence Retrieved 24 January 2022, from https://www.bloomberg.com/company/press/esg-may-surpass-41-trillion-assets-in-2022-but-not-without-challenges-finds-bloomberg-intelligence/.

Jagannayaki, K., Lakshmi, T., & Rashmitha, V. (2024). Impact of ESG Factors on Long-Term Sustainability-An Empirical Analysis *Impact of ESG Factors on Long-Term Sustainability-An Empirical Analysis, 2*(5), 1596-1599. doi: https://doi.org/10.47392/IRJAEM.2024.0219.

Kay, I., Brindisi, C., & Martin, B. (2020). The Stakeholder Model and ESG. *Havard Law School Forum on Corporate Governance* Retrieved 14 March 2023, 2023, from https://corpgov.law.harvard.edu/2020/09/14/the-stakeholder-model-and-esg/.

Khan, M. (2019). Corporate Governance, ESG, and Stock Returns around the World. *Financial Analysts Journal, 75*(4), 103-123. doi: DOI: 10.1080/0015198X.2019.1654299.

La Porta, R., Lopez-de-Silanes, F., Shleifer, A., & Vishny, W. (2000). Investor Protection and Corporate Governance. *Journal of Financial Economics, 58*, 3-27.

Long, F. J., & Johnstone, S. (2021). Applying 'Deep ESG' to Asian private equity. *Journal of Sustainable Finance & Investment*, 1-19. doi: 10.1080/20430795.2021.1879562.

Mahoney PG, & Mahoney JD. (2022). The New Separation of Ownership and Control *Columbia Business Law Review, 2021*(2), 1-41. doi: https://doi.org/10.52214/cblr.v2021i2.8639.

McPhail K, Kafouros M, McKiernan P, & Cornelius N. (2024). Reimagining Business and Management as a Force for Good. *British Journal of Management, 35*(3), 1099-1112. doi: https://doi.org/10.1111/1467-8551.12846.

Meeprom, S., Boonyanet, W., & Tongkong, S. (2024). Relationship of ESG scores on firm performance: Moderating roles of board size and CEO duality. *Journal of Infrastucture, Policy and Development, 8*(7), 1-24. doi: https://doi.org/10.24294/jipd.v8i7.4403.

N. C. Ashwin Kumar, Camille Smith, Leïla Badis, Nan Wang, Paz Ambrosy, & Rodrigo Tavaresb. (2016). ESG factors and risk-adjusted performance: a new quantitative model. *Journal of Sustainable Finance & Investment, 6*(4), 292-300.

Nam, S.-W., & Nam, C. (2004). Corporate Governance in Asia: Recent Evidence from Indonesia, Republic of Korea, Malaysia, and Thailand: Asian Development Bank (ADB).

OECD. (2004). Principles of Corporate Governance. Paris: The Organization for Economic Development.

Pacces, A. M. (2024). Controlling shareholders and sustainable corporate governance: The role of dual-class shares. *Theoretical Inquiries in Law, 25*(1), 43-75. doi: doi:10.1515/til-2024-0004.

Paolone, F., Cucari, N., Wu, J., & Tiscini, R. (2022). How do ESG pillars impact firms' marketing performance? A configurational analysis in the pharmaceutical sector. *Journal of Business & Industrial Marketing, 37*(8), 1594-1606. doi: https://doi.org/10.1108/JBIM-07-2020-0356.

Peng Lee Siew, & Isa Mansor. (2020). Environmental, social and governance (ESG) practices and performance in Shariah firms: agency or stakeholder theory? *Asian Academy of Management Journal of Accounting and Finance, 16*(1), 1-34.

Peter, R. (2016). The Evolution of Integrating ESG Analysis into Wealth Management Decisions. *Journal of Applied Corporate Finance, 28*(2), 75-79.

Ray, S., & Hardi, I. (2024). Refining ESG Disclosure's Role in Corporate Economic, Environmental, and Social Sustainability Performance. *Indatu Journal ofManagement and Accounting, 2*(1), 1-8. doi: https://doi.org/10.60084/ijma.v2i1.144.

Sakawa I, & Watanabel N. (2019). Family control and ownership monitoring in Stakeholder-oriented corporate governance. *Management Decision, 57*(7). doi: https://doi.org/10.1108/MD-04-2018-0480.

Schanzenbach, M. M., & Sitkoff, R. H. (2020). ESG Investing: Theory, Evidence, and Fiduciary Principles. *Journal of Financial Planning, 33*(10), 42-50.

Sekaran, U., & Bougie, R. (2016). *Research method for business: A skill building approach*. West Sussex, UK.: John Wiley & Sons.

Serafeim, G., & Yoon, A. (2022). Which Corporate ESG News does the Market React to? *Financial Analysts Journal, 78*(1), 59-78.

Shang Ershang. (2024). Corporate ESG and Financial Performance - A Study Based on the Mediating Effect of Financing Constraints *Advances in Economics and Management Research, 11*(1), 432-445. doi: https://doi.org/10.56028/aemr.11.1.432.2024.

Shleifer, A., & Vishny, R. W. (1997). A Survey of Corporate Governance *Journal of Finance, 52*, 737-738.

Siamwalla, A. (2001). *Picking up the peices: Banks and corpoarte restructuring in post - 1997 Thailand*. Paper presented at the The subregional Seminar on Financial and Corporate Sectors Restructuring in East and South-East Asia, Seol, Korea.

Solomon, J., & Solomon, A. (2004). *Corporate Governance and Accountability*. West Sussex: John Wiley & Sons Ltd.

Stein Smith, S. (2020). ESG & Other Emerging Technology Applications *Blockchain, Artificial Intelligence and Financial Services: Implications and Applications for Finance and Accounting Professionals* (pp. 175-191). Cham: Springer International Publishing.

Sun, P., Ma, S., & Xu, X. (2022). Multi-Factor Collaborative Governance of Controlling Shareholder Expropriation Behavior in Emerging Economies: A Perspective of Double Principal-Agent Conflicts. *Sage Open, 12*(2), 21582440221097403. doi: 10.1177/21582440221097403.

Suttipun, M. (2023a). ESG Performance and Corporate Financial Risk of the Alternative Capital Market in Thailand. *Cogent Business & Management* 13. doi: https://doi.org/10.1080/23311975.2023.2168290.

Suttipun, M. (2023b). ESG Performance and Corporate Financial Risk of the Alternative Capital Market in Thailand. *Cogent Business & Management, 10*(1), 2168290. doi: 10.1080/23311975.2023.2168290.

Suttipun, M., & Yordudom, T. (2021). Impact of environmental, social and governance disclosures on market reaction: an evidence of Top50 companies listed from Thailand. *Journal of Financial Reporting and Accounting, ahead-of-print*(ahead-of-print). doi: 10.1108/jfra-12-2020-0377.

Thai Institute of Directors Association. (2021). Corporate Governance Report of Thai Listed Companies (pp. 1-24). Bangkok: Thai Institute of Directors Association.

Thanatawee, Y. (2013). Ownership Structure and Dividend Policy: Evidence from Thailand. *International Journal of Economics and Finance, 5*(1). doi: 0.5539/ijef.v5n1p121.

The Nation. (2023). Thai market capitalisation the highest in Asean this year Retrieved 1 December, 2024.

The Stock Exchange of Thailand. (2023a). Corporate governance Retrieved 1 April, 2023, from https://www.set.or.th/en/about/overview/cg.

The Stock Exchange of Thailand. (2023b). Distribution of Minority Shareholdings (Free Float) Retrieved 1 April, 2023, from https://www.set.or.th/en/listing/listed-company/simplified-regulations/maintaining-status/free-float.

Tim, V., Robert, G., & Andreas, F. (2016). ESG for All? The Impact of ESG Screening on Return, Risk, and Diversification. *Journal of Applied Corporate Finance, 28*(2), 47-55.

Truong, T. H. D. (2024). Environmental, social and governance performance and firm value: does ownership concentration matter? *Management Decision, ahead-of-print*(ahead-of-print). doi: 10.1108/md-10-2023-1993.

Whelan, T., Atz, U., Holt, T. V., & Clark, C. (2021). ESG and Financial Performance Uncovering the Relationship by Aggregating Evidence from 1,000 Plus Studies Published between 2015 – 2020 (pp. 1-19). New York: NYU Stern Center for Sustainable Business and Rockefeller Asset Management.

Wiriyakitjar, R., Ousawat, T., Lekhakul, C., & Bumalayu, A. (2024). The Impact of ESG Factors on Stock Prices in Family-Owned Businesses: Evidence from the Stock Exchange of Thailand. *Pakistan Journal of Life and Social Sciences, 22*(2), 6711-6718. doi: https://doi.org/10.57239/PJLSS-2024-22.2.00506.

Wiwattanakantang, Y. (2001). Controlling shareholders and corporate value: Evidence from Thailand *Pacific-Basin Finance Journal, 9*(4), 323-362.

Zhang, H., Jin, T., & Chen, H. (2023). Do controlling shareholders collude with their related large shareholders? Evidence of equity pledges and shareholding increases from China. *International Review of Financial Analysis, 89*, 102781. doi: https://doi.org/10.1016/j.irfa.2023.102781.

Zhao, Y., Elahi, E., Khalid, Z., Sun, X., & Sun, F. (2023). Environmental, Social and Governance Performance: Analysis of CEO Power and Corporate Risk. *Sustainability, 25*(2), 1471 doi: https://doi.org/10.3390/su15021471.