The Influence of Environmental, Social, and Governance on Firm Value with Audit Quality and Ownership Structure as Moderators

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ABSTRACT

In an increasingly competitive business environment, the disclosure of Environmental, Social, and Governance (ESG) practices has become a crucial factor in enhancing firm value. This study aims to examine the effect of ESG on firm value in the banking sector, considering audit quality and ownership structure as moderating variables. The sample consists of 22 banking companies listed on the Indonesia Stock Exchange during the 2017–2024 period. The research employs panel data regression analysis using the Fixed Effects Model, processed through STATA software. The findings indicate that ESG positively and significantly increases bank firm value, with audit quality acting as a positive moderator that strengthens this effect. In contrast, ownership structure does not moderate the relationship between ESG and firm value, suggesting that variations in ownership do not influence the positive impact of ESG implementation. These results highlight the importance of ESG adoption supported by high-quality audits in creating higher and sustainable firm value.

Keywords*: Audit Quality, Environmental, Social, and Governance, Firm Size, Ownership Structure.*

INTRODUCTION

The global economy, which has intensified business competition, has created volatile conditions for corporations. Companies must maximize profits while minimizing risks, relying on stakeholders to fulfill their roles and resources that effectively support operational success, thereby enhancing competitiveness in the era of globalization. Sustainability reporting, particularly Environmental, Social, and Governance (ESG) disclosures, has expanded worldwide. These reports provide information on company activities related to environmental and social issues, as well as the financial implications of environmental management decisions (Nur'aeni & Sari, 2023). ESG has emerged as an investment strategy integrated within risk management, allowing companies to better understand operational contexts, recognize risks, and respond to stakeholder needs (Quintiliani, 2022; Cinciulescu, 2024; Astuti et al., 2024). Companies that fail to address ESG issues risk becoming overly dependent on shareholders, which may negatively affect profitability and stock prices.

In Indonesia, ESG adoption remains limited, as many companies have not fully integrated sustainability principles or disclosed related information to the public (Prihandono & Yuniarti, 2023; Suhardjo et al., 2025; Wirawan & Kusuma, 2025). Challenges include limited understanding of ESG, insufficient resources, and high consulting costs. Nevertheless, effective ESG implementation can create value not only for shareholders but also for other stakeholders, while enhancing profitability, stock performance, and investor attractiveness (El-Deeb et al., 2023).

ESG integration has gained considerable attention for its potential to improve company value and financial performance (Zhou et al., 2022; Dako et al., 2023; Shan et al., 2025). Companies adhering to ESG principles reduce conflicts with stakeholders and

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lower the likelihood of failure (Boubaker et al., 2020). Forward-looking investors view the non-financial sector as key to a sustainable global economy, and considering ESG ratings in investment decisions helps avoid companies at risk of financial losses due to irresponsible environmental or social practices (Wu et al., 2022; Yannan et al., 2022). Thus, ESG performance is critical for organizational sustainability and stakeholder satisfaction.

Within the ESG framework, the audit committee plays a vital role in monitoring financial and non-financial aspects while safeguarding the company's reputation. Effective audit committees must understand environmental, social, and governance issues, ensure compliance with regulations, and uphold ethical and integrity standards (Saputra et al., 2024). In addition to financial oversight, audit committees assess environmental commitments such as waste management and energy efficiency, and address social issues including diversity, equality, human rights, and community engagement. Therefore, audit quality is considered a moderating factor in the relationship between ESG disclosure and firm value (Quintiliani, 2022; Wu et al., 2022; El-Deeb et al., 2023; Nur'aeni & Sari, 2023; Saputra et al., 2024).

Ownership structure also moderates the ESG–firm value relationship due to the influence of controlling shareholders over managerial decisions and their potential to exploit minority shareholders (Srivastava & Anand, 2023). Majority shareholders may resist ESG investments perceived as conflicting with shareholder interests (Pongsatitpat et al., 2025). Consequently, ownership concentration affects the scope and form of ESG disclosures and strategic ESG-related decisions (Gupta et al., 2024; Cheng et al., 2024; Truong, 2025). Previous studies indicate that the reciprocal relationship between ESG and firm value is likely shaped by the moderating effects of concentrated ownership structures. Thus, ESG has become a key factor in enhancing firm value and competitiveness in the global market. Successful ESG implementation requires corporate understanding, high-quality audit support, and careful consideration of ownership structures to maximize benefits for all stakeholders and promote long-term sustainability.

LITERATURE REVIEW & HYPOTHESIS DEVELOPMENT

The Effect of Environmental, Social, and Governance on Firm Value

Signaling theory suggests that high-quality information disclosure increases firm value and investor confidence, and studies (Negara et al., 2024; Connelly et al., 2025) show that environmental and social information within ESG has a stronger impact on firm value than other non-financial factors, as transparent ESG disclosure is positively perceived by stakeholders and can enhance stock prices and company value (Rahayu & Sanjaya, 2024). In line with stakeholder theory, companies must consider the interests of various stakeholders beyond shareholders, and ESG implementation helps build strong stakeholder relationships while enabling sustainability reports to function as control and resource allocation instruments (Nur'aeni & Sari, 2023; Perdana et al., 2023). Furthermore, legitimacy theory emphasizes that ESG disclosure, particularly on environmental issues, enables companies to align with societal values, strengthen social legitimacy, and gain public recognition, thereby supporting performance and sustainability.

Corporate value is a central concern for management and investors because it reflects market perceptions of a company's performance and future prospects (Prabawati & Rahmawati, 2022; Dkhili, 2025). It is closely linked to the share price, which represents investor confidence and market evaluation, where higher prices signal positive perceptions and sustainable growth, while lower prices indicate perceived risks. Maximizing corporate value is therefore a key corporate objective, as it enhances investor trust, financial stability, and market competitiveness (Fuadah et al., 2022; Situngkir, 2024). ESG is a framework used by investors to evaluate companies beyond traditional financial metrics by assessing ethical practices, social responsibility, and governance quality as non-financial performance indicators (Quintiliani, 2022). From the environmental aspect, ESG examines contributions to climate change mitigation through

waste management, emission reduction, and energy efficiency, while the social dimension evaluates responsibility toward employees, consumers, and communities, and governance focuses on transparent, accountable, and ethical management practices (Rahmiyati, 2025). The growing use of ESG highlights its role in providing a more comprehensive view of corporate performance, enabling investors to identify non-financial risks and support long-term sustainable growth, making ESG a key tool for assessing firm value, resilience, and reputation (Riwoe et al., 2024; Simatupang et al., 2025).

H1: ESG has a significant positive effect on firm value.

Audit Quality as a Moderating Effect

The audit committee within the ESG framework plays a vital role in a company's governance structure, with responsibilities extending beyond traditional financial oversight (Sheta et al., 2025). It monitors both financial reporting and non-financial factors related to environmental, social, and governance issues, ensuring that the company operates responsibly and sustainably. The audit committee acts as a guardian of the company's reputation, identifying potential risks and preventing negative impacts that could harm the organization's public image. In practice, the committee closely examines the company's compliance with environmental regulations, including waste management, emission controls, and energy efficiency, while also assessing adherence to social standards, such as human rights, employee welfare, and community engagement. Additionally, it ensures that corporate governance is implemented effectively, transparently, and ethically, upholding integrity standards at every level of management.

By performing these functions, the audit committee not only reduces operational and reputational risks but also enhances stakeholder confidence in the company. Its oversight ensures that ESG practices are integrated into the company's strategic decisions and daily operations, supporting sustainable growth and long-term value creation. Consequently, audit committees are considered key moderators in the relationship between ESG disclosure and firm value, helping companies maintain ethical standards while achieving financial and non-financial objectives (Saputra et al., 2024; Prasetiyo, 2025).

H2: Audit quality strengthens the relationships between ESG and firm value.

The Effect of Ownership Structure as a Moderating Effect

Ownership structure refers to the distribution of rights and responsibilities among the owners of a business. It defines how control, decision-making authority, and benefits are allocated among shareholders, influencing corporate governance and strategic choices (Saputra et al., 2024). In much of the literature, ownership structure is often treated as synonymous with equity structure; however, there are important practical distinctions between the two concepts. Ownership structure emphasizes the allocation of control and influence, while equity structure focuses more on the financial stake held by investors (Prasetiyo, 2025).

With the evolution of the social economy, traditional views equating ownership and equity have become outdated. Modern corporate governance recognizes that ownership, management, and operational responsibilities are increasingly distinct. Companies have separated organizational control from daily operations, allowing professional managers to run the business while owners retain strategic oversight. This separation reduces the direct operational risk for shareholders, as risks are now more widely shared among stakeholders, including employees, creditors, and the broader community (Wu et al., 2022).

Understanding ownership structure is therefore critical for evaluating a company's decision-making processes, governance quality, and ability to balance the interests of different stakeholders. It also affects how corporate strategies, such as ESG initiatives or investment decisions, are implemented and monitored. By clarifying ownership

dynamics, companies can enhance transparency, accountability, and long-term sustainable growth, ensuring that both financial and non-financial objectives are aligned with stakeholder expectations (Wu et al., 2022).

H3: Ownership structure strengthens the relationships between ESG and firm value.

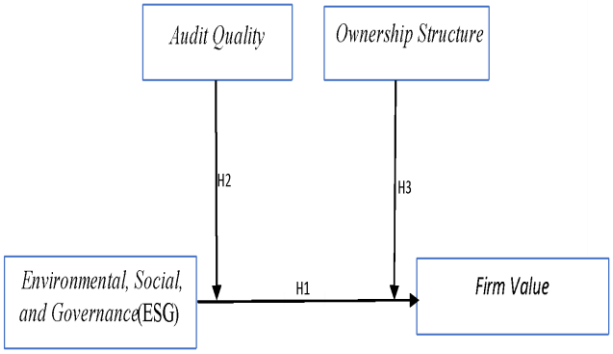

Figure 1. Conceptual Framework

Figure 1 illustrates the relationship between ESG and firm value, with two moderating variables, namely audit quality and ownership structure. ESG is assumed to have a direct influence on firm value (H1), indicating that the implementation of good environmental, social, and governance practices can improve market perception and firm performance. In addition, audit quality (H2) acts as a moderating variable that can strengthen or influence the extent of ESG's influence on firm value, while ownership structure (H3) is tested to determine whether the distribution of company ownership affects the relationship between ESG and firm value. Thus, this diagram emphasizes that ESG implementation not only has a direct impact on firm value but is also influenced by audit quality and ownership structure in determining the effectiveness of ESG's influence on performance and market perception.

RESEARCH METHODS

This study uses a quantitative approach to examine the relationships between variables through numerical data. This method was chosen to produce measurable, testable, and generalizable results, particularly for analyzing the effects of ESG, audit quality, and ownership structure on firm value in the banking sector. The approach is suitable for hypothesis testing based on empirical data. This study uses firm value as the dependent variable measured by Tobin's Q, while ESG is the independent variable measured based on the level of GRI-based disclosure. Audit quality and ownership structure are employed as moderating variables, with audit quality proxied by a Big-4 dummy and ownership structure by the proportion of managerial and foreign ownership. The control variables include firm size, debt to asset ratio, and return on equity. The population consists of all banks listed on the Indonesia Stock Exchange from 2017 to 2024, with a sample of 22 banks selected through purposive sampling. Panel data regression is used to examine the effect of ESG on firm value with audit quality and ownership structure as moderating variables.

Model 1: The influence of ESG on Firm Value

$$FV_{it} = \beta_0 + \beta_1 ESG_{it} + \beta_2 SIZE_{it} + \beta_3 LEV_{it} + \beta_4 ROE_{it} + \beta_5 GROWTH_{it} + \beta_6 AGE_{it} + \beta_7 LOSS_{it} + \varepsilon \quad \ldots\ldots (1)$$

Model 2: Moderation Audit Quality and Ownership Structure towards ESG and Firm Value

$$FV_{it} = \beta_0 + \beta_1 ESG_{it} + \beta_2 AQ_{it} + \beta_3 YOU_{it} + \beta_4 (ESG_{it} x\ AQ_{it}) + \beta_5 (ESG_{it} x\ OS_{it}) + \beta_6 SIZE_{it} + \beta_7 LEV_{it} + \beta_8 ROE_{it} + \beta_9 GROWTH_{it} + \beta_{10} AGE_{it} + \beta_{11} LOSS_{it} + \varepsilon \quad \ldots\ldots (2)$$

According to Hadi (2016), panel data regression combines time-series and cross-sectional data, allowing the analysis of variations across entities and over time. The three common models are: common effect (ignores differences across entities and time), fixed effect (accounts for entity-specific characteristics), and random effect (treats entity variations as part of the error term). Model selection aims to obtain efficient estimates. The Chow test determines whether a common or fixed effects model is more appropriate (F calculated > F table → fixed effects). The Hausman test chooses between fixed and random effects (Hausman statistic > chi-square → fixed effects). The LM test is applied only if common effects are preferred over fixed effects; if LM > chi-square, the random effects model is selected.

Before regression analysis, classical assumption tests are conducted to ensure the model meets the BLUE criteria. Heteroscedasticity is corrected using GLS or robust standard errors, autocorrelation is checked (Wooldridge test), cross-sectional dependence is tested using the Pesaran CD Test ($p < 0.05$ → GLS), and multicollinearity is assessed with VIF (<5 safe, 5–10 moderate, >10 high). After selecting the best model, t-tests evaluate the partial effect of each independent variable ($p < 0.05$ indicates significance), F-tests assess overall model fit ($p < 0.05$ indicates feasibility), and Moderated Regression Analysis (MRA) tests the moderation effects of audit quality and ownership structure using interaction terms.

RESULTS

The data were analyzed using descriptive statistics to obtain the average, minimum, maximum, and standard deviation. The descriptive statistics used in this study are presented in Table 1.

Table 1. Descriptive statistics

Variables	Obs	Mean	Std. dev.	Min	Max
Firm Value (FV)	176	2.56	8.31	0.22	59.48
Environmental, Social, and Governance (ESG)	176	0.27	0.20	0.00	0.89
Audit Quality (AQ)	176	0.73	0.45	0.00	1.00
Ownership Structure (YOU)	176	0.43	0.80	0.00	9.90
Company Size (SIZE)	176	32.37	1.63	27.22	35.43
Leverage/BUT (LEV)	176	1.80	6.86	0.08	50.45
Return on Equity (ROE)	176	0.03	0.10	-0.21	0.61
Asset Growth (GROWTH)	176	0.46	4.14	-0.40	54.70
Company Age (AGE)	176	54.55	30.80	2.00	129.00
Company Losses (LOSS)	176	0.94	0.23	0.00	1.00

Table 1 presents descriptive statistics for 176 banking companies listed on the Indonesia Stock Exchange from 2017 to 2024, covering Firm Value (FV), ESG, Audit Quality (AQ), Ownership Structure (YOU), Company Size (SIZE), Leverage (LEV), Return on Equity (ROE), Asset Growth (GROWTH), Company Age (AGE), and Company Losses (LOSS). Firm value shows a high variance of 2.56, indicating that most firms have relatively low market values. The average ESG score of 0.27 suggests generally low and homogeneous ESG performance across the sample. Audit quality averages 0.73, reflecting the dominance of Big 4 audit firms. Ownership structure varies widely, with an average of 0.43, though a few firms have very high ownership concentration. Company size is relatively consistent, with a mean of 32.37. Leverage exhibits extreme variation (average 1.80), driven by a minority of highly leveraged firms. ROE averages 0.03, indicating low profitability, with substantial differences across companies. Asset growth shows moderate variation (average 0.46), including some outliers with rapid expansion. The average company age is 54.55 years, reflecting firms at different life-cycle stages. Most

companies are profitable, with Company losses averaging 0.94, meaning only about 6% of firms reported losses

The selection of the most appropriate estimation model in this study was carried out in stages using several testing methods, namely the Hausman and Chow Tests. These tests were used to assess the suitability of the model's Common Effect, Fixed Effect, and Random Effect for each combination of variables in the model. Summary of test results, along with the final decision on model selection, is presented in Table 2.

Table 2. Selection of the Best Model

Model	Chow Test	Hausman test	Selected Model
Model 1	Fixed Effect	Fixed Effect	Fixed Effect
Model 2	Fixed Effect	Fixed Effect	Fixed Effect

Table 2 shows that the best model was selected using two tests: the Chow test and the Hausman test. The test results for Models 1 and 2 consistently indicate that the fixed effect model is the most appropriate approach, as supported by the Chow and Hausman tests. Thus, both models were analyzed using the approach.

The next step, after determining the most appropriate research model, is to conduct a Classical Assumption Test. The purpose of the Classical Assumption Test is to ensure that the regression model meets basic regression assumptions such as normality, heteroscedasticity, autocorrelation, and multicollinearity, so that the analysis results can be declared valid and reliable. The multicollinearity test in this study was conducted using the Variance Inflation Factor (VIF), in accordance with panel data guidelines. The calculation results show that all VIF values for the variables are well above the threshold of 10, indicating multicollinearity.

Table 3. Multicollinearity Test

Variables	VIF Model 1	VIF Model 2	Information
ESG	3.14	8.12	Less than 10
YOU	-	1.53	Less than 10
ESGXAQ	-	5.08	Less than 10
ESGXOS	-	2.40	Less than 10
SIZE	23.12	24.26	More than 10
LEV	1.11	1.11	Less than 10
ROE	1.25	1.30	Less than 10
GROWTH	1.01	1.02	Less than 10
AGE	5.04	5.47	Less than 10
LOSS	23.73	23.78	More than 10

Table 3 presents that the majority of independent variables and interactions exhibit low collinearity, with VIF values below 10. However, two variables have VIF values above 10: Size and Loss. Thus, it can be concluded that multicollinearity exists in Models 1 and 2 in this study, and steps are needed to address it, such as transforming variables or using alternative regression techniques that are more robust to multicollinearity, thereby improving the validity and reliability of the model estimates.

Table 4. Heteroscedasticity, Serial Correlation, and Cross-Sectional Dependence Test

Test	Model	Spend^2	F	WITH	Prob	Information
Heteroscedasticity	Model 1	97307.30	215.536	-	0.0000	There is heteroscedasticity
	Model 2	109977.24	75.862	-	0.0000	There is heteroscedasticity
Serial Correlation	Model 1	-	215.536	-	0.0000	There is autocorrelation
	Model 2	-	75.862	-	0.0000	There is autocorrelation
Cross-Sectional Dependence	Model 1	-	-	287.527	0.0067	There is cross-dependency
	Model 2	-	-	317.972	0.0001	There is cross-dependency

Based on Table 4, Model 1 and Model 2 show a probability value of 0.000, which is far below the 5% significance level (α = 0.050). This indicates heteroscedasticity in both models, meaning the error variance is not constant across observations, making Ordinary Least Squares (OLS) less efficient. Thus, for Models 1 and 2, which were identified as exhibiting heteroscedasticity, corrective steps are taken by implementing the model Driscoll-Kraay standard errors, thereby improving efficiency and robustness against violations of classical assumptions.

Testing for serial correlation is part of the classical assumption test that aims to detect relationships between residuals across time periods in a panel data regression model. The presence of autocorrelation can make parameter estimation less efficient and reduce the validity of statistical tests. In this study, autocorrelation detection was performed using the α-test of Wooldridge (2002) for panel data. Decision making is based on probability values (p-values), where p-values < 0.05 indicate the presence of autocorrelation.

Table 4 presents all the models in this study show probability values below the 5% significance level (α = 0.050), indicating the presence of autocorrelation in Models 1 and 2. Thus, this study should use the Driscoll-Kraay model standard error to ensure the estimation results are valid and reliable for hypothesis testing. All models have p-values below 0.05, indicating cross-sectional dependence, which is significant in models 1 and 2. This indicates a statistical relationship between observation units in panel data, which can cause bias and reduce estimation efficiency if using standard regression methods that assume each unit is independent. Given the identified cross-sectional dependence, adjustments are made using the Dickey-Fuller-Kraay standard error method in both models (1 and 2). This method was chosen because it can provide estimates of variance that remain accurate even if classical assumptions are violated, especially those related to heteroscedasticity, autocorrelation, and cross-sectional dependence. Thus, the resulting regression coefficients remain accurate, valid, and interpretable.

Hypothesis testing in this study was conducted based on the regression model estimation results after classical assumption analysis. Due to indications of heteroscedasticity, autocorrelation, and cross-sectional dependence in Models 1 and 2, the Driscoll-Kraay Standard Error method was used to ensure the obtained parameter estimates remained efficient and robust. The following Table 5 presents the results of the hypothesis testing using the Driscoll-Kraay Standard Error.

Table 5. Hypothesis Test

Variables	**Model 1**	**Model 2**
Environmental, Social, and Governance (ESG)	4.373*	10.900**
Audit Quality (AQ)		
Ownership Structure (YOU)		0.126
Company Size (SIZE)	0.523	0.052
Leverage/BUT (LEV)	1.263***	1.197***
Return on Equity (ROE)	-13.436*	-11.022*
Asset Growth (GROWTH)	0.039***	0.025***
Company Age (AGE)	-0.301*	-0.213*
Company Losses (LOSS)	0.037	-0.907
ESGxAQ		-8.995**
ESGxOS		0.932
F Prob/Prob Chi	0.0000	0.0378

Table 5 reports the results of hypothesis testing for two regression models. Model 1 evaluates the direct influence of independent variables on firm value, while Model 2 incorporates Audit Quality (AQ) and Ownership Structure (YOU) as moderating variables, along with interaction terms ESG × AQ and ESG × OS. The findings reveal that ESG positively and significantly affect firm value in both models, with a stronger effect when moderation is included. Leverage and asset growth also positively and significantly impact firm value, whereas ROE and company age have negative and significant effects. Company size and losses show no significant effect. For moderation,

ESG × AQ is negative and significant, indicating that audit quality reduces the influence of ESG, while ESG × OS is not significant, meaning ownership structure does not moderate the relationship. Both models are statistically significant, with F Prob/Prob Chi values of 0.0000 and 0.0378, demonstrating that the models effectively explain variations in firm value.

DISCUSSION

The variable testing for Environmental, Social, and Governance (ESG) in Model 1 shows a positive coefficient of 4.373 (α = 10%) and in Model 2 a coefficient of 10.900 (α = 5%), indicating that ESG has a significant positive effect on Firm Value. This implies that higher implementation of ESG practices by banking companies increases firm value, reflecting that attention to environmental, social, and governance aspects can enhance investor confidence and overall company performance. These findings align with Aydoğmuş et al. (2022), Prabawati and Rahmawati (2022), and El-Deeb et al. (2023), which demonstrate that ESG factors impact firm value. Social responsibility disclosure not only benefits short-term profits but also contributes to long-term firm value. Companies listed on the ESG Index have higher corporate value, and a positive relationship exists between a company's ranking in the index and its value. Thus, a higher ESG ranking correlates with greater firm value. Based on these results, Hypothesis 1 is accepted.

Audit Quality (AQ) testing on the influence of ESG on firm value was omitted in the Fixed Effect regression model. This occurs because the fixed effect model isolates the influence of independent variables based on within-unit time variations. If the Big Four auditor variable does not change over time for a company, it cannot contribute to coefficient estimation and must be excluded. This aligns with Greene (2008), who stated that in Fixed Effect regression, any variable constant over time for a given observation unit has a perfect linear relationship with the dummy variables representing the Fixed Effect, necessitating its removal.

Ownership Structure (YOU) in Model 2 has a positive coefficient of 0.126 but does not significantly affect firm value. This indicates that ownership structure does not significantly influence firm value, meaning variations in ownership do not directly determine changes in firm value in this study. These results contrast with Srivastava and Anand (2023), Sarker and Hossain (2024), and Pongsatitpat et al. (2025), who found that ownership structure impacts firm value. In this study, the lack of effect is likely due to banking sector characteristics, where share ownership is relatively evenly distributed, so managerial decisions and company performance are influenced more by operational factors and strategy than ownership alone.

The moderation of audit quality on the ESG–Firm Value relationship shows a significant negative interaction coefficient of -8.995** (α = 5%). This indicates that audit quality reduces the positive effect of ESG on firm value. Stricter audits may reveal weaknesses or risks in ESG implementation, causing investors to be more cautious. These findings are consistent with Suranta et al. (2025) and Vaihekoski and Yahya (2025), which show that audit quality has a moderate effect on ESG's influence on firm value. High-quality audits are essential to enhance confidence in financial statements for companies with strong ESG performance, ensuring more accurate information and a reliable basis for investment decisions.

The moderation of ownership structure on ESG's effect on firm value shows an insignificant result, with an interaction coefficient of 0.932. This suggests that ownership structure does not strengthen or alter ESG's influence on firm value. Variations in ownership play no significant moderating role in the ESG firm value relationship. These results align with Wu et al. (2022), who found that ownership structure does not significantly moderate ESG's effect on firm value in the banking sector. Differences in findings are likely due to unique banking industry characteristics, variations in bank ownership, and measurement methods, confirming that the moderating role of ownership is context dependent.

CONCLUSION

The results of this study reveal that ESG performance has a positive and significant impact on firm value in the banking sector, indicating that stronger ESG implementation can enhance firm reputation, investor confidence, and overall market valuation. Additionally, audit quality strengthens this relationship, as higher audit quality increases the credibility of ESG disclosures and reinforces stakeholder trust. In contrast, ownership structure does not significantly moderate the relationship between ESG and firm value, suggesting that variations in ownership do not substantially influence the effect of ESG within this sector. These findings have practical implications for both corporate managers and regulators. For bank management, prioritizing comprehensive ESG practices and maintaining high audit standards can be strategic tools for improving firm value and competitive positioning. For regulators and investors, integrating ESG considerations into evaluation frameworks can support more informed decision-making and contribute to market transparency.

Despite these contributions, the study has limitations that point to opportunities for further research. Future studies are recommended to broaden the scope by including firms from multiple industries and countries to improve generalizability and capture diverse contextual dynamics. Extending the observation period could provide insights into long-term effects and trends. It is also advisable to refine variable measurements by employing more nuanced proxies, such as detailed indicators for audit quality and disaggregated ESG pillars. Finally, future research should consider using more robust econometric approaches, such as Generalized Method of Moments (GMM), to address potential endogeneity and explore finer distinctions in ownership structure to better understand moderation effects.

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DECLARATION OF GENERATIVE AI STATEMENT: During the preparation of this work the author(s) used ChatGPT, Grammarly, and Turnitin in order to support academic writing clarity, improve linguistic accuracy, and ensure compliance with plagiarism standards. After using this tool/service, the author(s) reviewed and edited the content as needed and take(s) full responsibility for the content of the publication.

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