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The Impact of ERM and Institutional Ownership on Market Value Through ESG: Evidence from ASEAN Energy Firms

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Abstract

Purposes: This study aims to examine how enterprise risk management disclosure and institutional ownership influence market value performance on energy sector firms in ASEAN countries in 2021 until 2024, particularly in the context of in increasing global concerns about economic instability, climate change, sustainability and corporate governance. The research offers novelty by positioning ESG as both a direct signal and an indirect mediating mechanism in explaining firm value in emerging markets.

Methods: The research adopts a quantitative methodology and employs secondary data sourced from the annual reports of companies. The research sample was 25 companies in sector energy in Indonesia, Thailand, Malaysia, Singapore, and Philippine. The study adopts a non-random sampling technique, with purposive sampling used as the selection method. The Data analysis was carried out panel data regression by E-views 13, and the mediation effect undertaken by Sobel test.

Findings: The results reveal that institutional ownership plays a significant role in influencing ESG and market value, while ESG is also found to significantly affect market value. In contrast, enterprise risk management does not have a substantial effect on either ESG or market value. The mediation analysis further reveals that ESG mediates the linkage between institutional ownership and market value, but does not mediate the linkage between ERM and market value.

Novelty: This study contributes new insights by addressing gaps in previous research regarding the direct relationship between ERM, IO, ESG, and MVP. The study literature by conceptualizing ESG as an imperfect signalling mechanism in emerging markets, where its value relevance is not consistently recognized by investors. By focusing on the ASEAN energy sector characterized by heterogeneous ESG practices and less mature market responses, thereby extending the current understanding of ESG's role in market value. However, it has challenged to generalize the results of the findings generally according to the relatively small sample. Furthermore, the current research recommends increasing the sample to include companies in multiple sectors or geographies in order to further strengthen generalizations.

Keywords*:* ERM, ESG, Institutional Ownership, Market Value

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INTRODUCTION

Market value performance reflects a firm's financial value as captured by its stock price and is inherently volatile across capital markets, significantly influencing investor behavior

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(Maccarrone et al., 2024; Ishak & Selamat, 2024). Compared with accounting-based measures, market value performance is considered more relevant for investors in assessing firm value (Natalia et al., 2016). Between 2021 and 2023, ASEAN stock markets have experienced extreme volatility due to the lingering disruptions caused by Coronavirus Disease 19, uneven recovery in the economy, and global economic pressures (Yulianti et al., 2024). Global dynamics such as the energy crisis, rising interest rates, and geopolitical uncertainty in 2022 have weakened investor confidence, reflected in sharp fluctuations in the stock prices of the ASEAN-6 index (Aeni & Stefhani, 2024).

Stock prices are a key component of market performance, reflecting both historical performance and market valuation (Amalia & Kusuma, 2023). Firm market performance is influenced by how investors receive clear and comprehensive disclosures regarding both the firm's financial condition and other relevant aspects of its operations. From a signalling perspective, information released by companies can assist investors in evaluating investment opportunities. Information regarding risk mitigation strategies represents an important non-financial factor that can influence investor judgments under uncertain business conditions.

The past few years, ASEAN The expansion of stock markets has drawn in overseas investors (Bui & Ngo, 2026). In emerging markets, energy industry is an essential contributor to both economic advancement and industrialization. The other hand, their core business activities are sensitive with environmentally issue. Simultaneously, ESG considerations have gained increasing attention among investors due to growing awareness of sustainability challenges (Thakkar et al., 2023). Consequently, Corporations in the energy industry must exercise greater caution in conveying signals to investors.

The energy sector is widely recognized as a high-risk industry characterized by significant uncertainty (Mitka & Kosmala, 2024). The high risk requires energy companies to establish sophisticated governance structures to address the uncertainty. Such governance information can be critical for investors in assessing investment alternatives. Signalling theory for suggests that corporate disclosures will can reduce information asymmetry among investors with enhance the investors' faith in the business (Spence, 1973). The breadth of corporate risk related information may indicate the quality of a firm's risk management practices, thereby improving the its attractiveness to investors (Aryanti et al., 2021). However, empirical findings on the ERM's influence over market value are inconsistant. While Sajida and Purwanto (2021) suggest that effective of ERM on firm market performance due to improved risk management and favorable investor responses. However, evidence from other studies find no significant linkage between ERM and market performance (Fajriah & Ghozali, 2022; Fitriana et al., 2024; Kwintana & Hanggraeni, 2023).

Beyond risk management, corporate governance policies particularly those related to ownership structure may shape managerial choices regarding a firm's strategic orientation (Alkurdi et al., 2021). Different shareholder groups possess distinct economic incentives and approaches to enhancing their investments (Kao et al., 2019). Institutional ownership, in particular, plays a critical role in monitoring managerial behavior and mitigating agency problems (Liu et al., 2019).

Prior studies reveal that that institutional ownership (IO) positively affects firm market value (Alkurdi et al., 2021; Murti et al., 2024; Sajida & Purwanto, 2021) as institutional investors tend to have superior knowledge of firm performance and are therefore able to monitor management more effectively (Sajida & Purwanto, 2021). However, empirical findings remain mixed Sari and Patrisia (2019) report Institutional ownership and company market value fail to strongly connect, suggesting that relatively low levels of institutional shareholdings may limit their effectiveness in influencing corporate outcomes.

In connection with risk mitigation, corporate governance, and company's commitment to environmental responsibility, recently, the multinational corporate environment has undergone substantial changes, with increasing a focus on ESG variables criterias (Chopra et al., 2024). Many companies have begun to apply ESG aspects to their business operations. Data from the Mandiri

Institute Research (2023) indicate that 95% of firms adopt ESG practices with the objective of enhancing corporate value. Naeem et al. (2022) reveal that ESG adoption is positively associated with market performance among firms in environmentally sensitive sectors across G7 economies. These reports is in line with Kumar and Dua (2022) and Amalia and Kusuma (2023), who report that environmental management practices positively influence firm market performance in India and Indonesia. However, contrasting evidence is reported by Bifulco et al. (2023) and Mondal and Bauri (2024), who document a negative effect of climate transition risk proxied by ESG ratings on the market performance of company listed on European and Indian stock exchanges.

This study is using signalling theory and stakeholder theory to explain the relationship betweem the independent variables and market value performance. Signalling theory explains that corporate disclosures serve as a communication mechanism to reduce informational imbalances between management and investors (Spence, 1973). Information regarding firm performance influences investor perceptions with market responses, as investors rely on available signals to evaluate firm quality and future prospects (Brigham & Weston, 1993). In financial markets, positive signals are expected to generate favorable investor responses, resulting in higher stock prices and increased market value, whereas negative signals may lead to adverse market reactions (Komara et al., 2020). Firms therefore have incentives to disclose information that conveys credibility, transparency, and strong performance to maintain or enhance their market valuation.

Signaling theory explainates proces individuals or organizations convey information to others to demonstrate their quality (Connelly et al., 2011). In a business, signals can include financial reports, certifications, or a company's reputation. Bergh et al. (2014) explain that signaling theory is used by several disciplines, including corporate strategy and human resource management, where signals can increase trust and reduce uncertainty. In a financial context, they show that companies use signals such as dividend payments or capital structure to communicate information about their prospects and financial health to investors (Harris et al., 2007).

Meanwhile, stakeholder theory explains that corporations have a responsibility to consider the interest of a broad range of stakeholder rather that focusing solely on investors (Freeman, 2010). The primary objective about stakeholder theory is to balance the interests of different involved parties in order to maintain the company's sustainability future (Clarkson, 1995). In the context of institutional ownership, stakeholder theory explains how Institutional investors are involved into incentivizing companies to improve governance, social practices, and the environment. Institutional ownership, dominated by banks, investment corporations, insurance companies, and various organizations, will foster more effective oversight of corporate management (Kao et al., 2019). This oversight mechanism will ensure stakeholder improvement and well-being and raise the market value of the organization (Hadiansyah et al., 2022).

Signalling theory explains that information disclosed by firms, both non-financial and financial, serves as a signal for assisting investors evaluate what to invest in (Spence, 1973). A specific sort of non-monetary information that companies publicly disclose is enterprise risk management (ERM) practices, which reflect a firm's ability to identify, manage, and mitigate business risks. ERM disclosure provides insight into how firms address uncertainty, thereby potentially minimizing losses and enhancing investor confidence (Shalihah et al., 2024).

Several empirical studies document a Risk management methodologies and corporate market value are strongly correlated. Sajida and Purwanto (2021) and Sprčić et al. (2016) find that ERM has a positive effect on firm market value, as effective ERM implementation assists management in coping with uncertainty and managing risks in an integrated manner. ERM implementation makes it easier for management to navigate uncertain conditions that can potentially create risks (Iswajuni et al., 2018).

The firms can improve their implementation of ERM and minimize ESG risks, primarily through increased oversight by institutional investors (Liu et al., 2019). Institutional investor

participation is strongly and in a favorable correlated with a corporate performance in ESG related areas (Wang et al., 2024). This is because The fundamental principle value of a stock will be of interest to long-term institutional shareholders (Oikonomou et al., 2020) and tend to exert strong control over companies, as they are less susceptible to pressure from management (Saunders et al., 2003). The effective ESG performance can indirectly convey to other investors strong signals, ultimately increasing a company's market performance. The following concept will be set forward in context with this assumption:

H_1: Enterprise risk management is associated firm market value.

As stated in stakeholder theory, corporations fails to only have responsibilities to investors in general, but furthermore to all stakeholders, encompassing staff members, consumers, suppliers, government agencies, and the public (Freeman & McVea, 2001). Stakeholder theory explains that a company's success is established based on the capacity it has can to manage relationships with various stakeholders (Donaldson & Preston, 1995). Institutional ownership can act as a functioning system of administration because institutions typically possesses the capacity as well as capabilities to pay attention to management effectively (Abedin et al., 2022). The high institutional involvement, most often executive management has a more cautious in making decisions about strategy along with making ensured that the best interests of everyone involved represented meet their requirements and it will increase transparency and accountability, and encourage sustainable value enhancement for the company.

Prior direct observation document a positive connection amongst ownership of an institution as well as firm market value. Murti et al. (2024) and Sajida and Purwanto (2021) find that institutional ownership has a positive impact on a company's market value. Institutional investors are better and more experienced in understanding issuer performance as a source of profit from their investment activities, allowing them to participate in efficient oversight activities, thereby fostering greater investor confidence and increasing the company's market value (Murti et al., 2024; Sajida & Purwanto, 2021).

Institutional shareholders generally possess significant capacity, knowledge, and a vested interest in ensuring efficient and transparent company management. The presence of points concerning interests between institutional investors and conventional investors can be mitigated management and shareholders through more effective oversight. This level of oversight is expected to improve company performance and influence market perception of company value. Therefore, the potential improves with ownership by an institution increasing a company's market value. Based on this discussion, then for ensuing argumentations has been set presented:

H_2: Institutional ownership is associated with market value performance.

Signaling theory states that information disclosed by a company represents a signal for investor in the market to consider when making investment decisions (Spence, 1973). In addition to financial and non-financial disclosures, a firm's ESG performance may provide valuable information that assists investors in evaluating the company. Disclosure of ESG can provide investors with relevant information regarding a firm's sustainability orientation, ethical business practices, and governance effectiveness (Darnall et al., 2022; Gond et al., 2012).

Several existing research has established a significant Performance of ESG and overall market performance have a positive connextion. Naeem et al. (2022) study found that the adoption of ESG practices by environmentally sensitive companies positively impacted their market value in group of seven countries. Similar results are reported by Kumar and Dua (2022), which showed that the adoption of sustainability principle specially ESG positively impacted the market value of companies in India. This finding is further confirmed by Amalia and Kusuma (2023) study, which found that ESG performance significantly impacted the market performance of companies in Indonesia.

The performance of the ESG favorably impacts the surrounding environment and aligns with society's current focus on a sustainable economy. Improving ESG performance can provide a positive stimulus for investors to evaluate a company in both advantages financial as well as non-monetary viewpoint. Therefore, point higher ESG functionality of a company, which is fundamental stronger trust among investors in the company's adherence towards creating long-term value, leading to a higher market valuation. The ones that follow concept is brought toward considering the context of this specific premise:

H_3: Environmental social governance is assocciated with market value performance.

In recent years, the firms have faced various risks stemming from environmental, social, and governance aspects (Chairani & Siregar, 2021). In this challenge, firms tend to emphasize ERM implementation to mitigate ESG risks (Shah et al., 2024). The firms with a high risk of deterioration of environmental conditions potentially maintain environmentally friendly development by means of participating a role in campaigns to improve their ESG performance.

Based on signaling theory, information provided by companies will be analyzed by investors, including non-financial information (Spence, 1973). Nonfinancial information is disclosed by companies includes risk management practices whose primary goal is to protect company value. Company value cannot be separated from how the company impacts its surrounding environment, including its kinder to the environment improvement by engaging in responsibility for programs.

The effective risk management practices naturally include how a company mitigates potential environmental and social risks. Therefore, improved risk management practices will also impact ESG performance. Consequently, firms with more comprehensive ERM disclosure and a stronger commitment to identifying and controlling environmental and social risks, ultimately driving improved overall ESG performance. The subsequent aforementioned hypothesis will be set out according to the context of this standard of reasoning:

H_4: Enterprise risk management is associated with environmental social governance.

Based on stakeholder theory, companies are expected to generate a revenue rather than merely because their shareholder base, in addition to providing for more diverse groups of further stakeholders, particularly workers and community, regulators, customers, and investors. This theory argues that companies that effectively consider the interests of their stakeholders are more likely to ensure their long-term sustainability and legitimacy (Freeman & McVea, 2001). Investments from institutional investors remain essential in the present scenario as influential stakeholders, possessing the resources and incentives to monitor corporate behavior and encourage responsible business practices. The involvement of institutional investors in a company is positively and significantly associated with its ESG performance (Wang et al., 2024). Long-term institutional investors tend to prioritize a company's core values and exert tighter control over management decisions, enabling them to influence corporate policy more effectively (Oikonomou et al., 2020; Saunders et al., 2003).

Retirement plans along with additional institutional investors in general, foundations, as well as insurance firm, often operate within broader investment mandates that extend beyond simply seeking short-term financial returns. These investors are increasingly considering social and environmental impacts when allocating capital and prioritize the sustainability over the long term of companies. Consequently, the presence of institutional shareholders incentivizes companies to adopt along with improving their environmental, social, and governance standards to meet the requirements of stakeholders and strengthen long-term value creation. The ensuing idea will be set through with consideration based on this standard of reasoning proposed:

H_5: Institutional ownership is associated with environmental social governance performance.

Signalling theory, as proposed by Spence (1973), states firms communicate relevant information to external parties to mitigate informational disparities and facilitate investor

evaluation of firm prospects. ERM acceptance then powerful measurement of an organization's adherence ability to manage risk comprehensively and proactively. ERM demonstrates a firm's capacity to cope with uncertainty and maintain its operational and financial stability (Iswajuni et al., 2018). For investors, the existence of effective ERM indicates that a firm has a mature and professional management system, thereby reducing investment risk (Faisal et al., 2021). Consequently, ERM can send an encouraging signal pertaining to market conditions and potentially increase afocus of company market capitalization.

However, the result impact by ERM toward market from value point is not only direct but can also be modulated by ESG side performance. Effective ERM implementation encourages companies to actively identify and manage risk of environmental stewardship, social responsibility, and governance practices (Denia et al., 2024). When a company integrates ESG principles into its ERM framework, it demonstrates that it is not solely focused on financial risks but is also attentive to sustainable development and social responsibility (Denia et al., 2024). Strong ESG performance provides an additional signal that strengthens a company's credibility with investors, as it demonstrates its commitment to responsible and sustainable business practices (Lestari et al., 2024).

Based on signaling theory, the interaction among the concept of ERM as well as stock market performance via ESG criteria can be interpreted as a series of signals sent by companies to investors. First, ERM demonstrates rigorous risk management; second, sound ESG practices resulting from ERM implementation indicate that the company is strengthening its environmental and social responsibilities. This combination of signals reinforces investors' positive perception of the company's reputation and quality, thereby stimulating investor interest and contributing to an increase in its stock market value. This logical reasoning eventually results in an upcoming hypothesis being put into effect:

H_6: Environmental social governance mediates the linkage between enterprise risk management and market value performance.

Signaling theory, introduced by Spence (1973), states that, in a context of information asymmetry between a firm and external stakeholders, firms or shareholders with more complete information can send signals to the market to demonstrate their internal reliability. The involvement of institutional investors in the capital structure can constitute a positive signal for the market, as these investors are perceived as possessing the analytical capabilities, resources, and incentives necessary to effectively control management (Yahaya, 2025). A high level of institutional participation indicates that a firm is perceived as a promising entity with good governance, which strengthens the confidence of other investors and influences the firm's stock market value (Murti et al., 2024).

However, institutional shareholders can also exert an indirect influence on a company's stock market value, notably by encouraging the improvement of its ESG disclosures. Institutional investors, particularly those with a long-term perspective, generally encourage companies to apply sustainable and responsible in their business practices (Drobetz et al., 2025). This pressure from institutional shareholders stimulate management to increase transparency, more rigorously manage ESG risks, and prioritize compliance with international sustainable development standards (Yahaya, 2025). In other words, institutional shareholders such play with crucial role for being improving a company's ESG practices and performance, thereby strengthening its market image and creating long-term value.

Based on the signaling theory, favorable ESG practices, resulting from the influence of institutional shareholders, can be considered an additional signal that reinforces investors' positive perception of the company. When a company demonstrates a strong commitment to ESG practices, it indicates that it is managed responsibly and has stable long-term prospects. The combination of institutional investor oversight and the implementation of ESG criteria

creates a dual signal that reduces informational uncertainty at the market as well as increases the firm attractiveness to investors in general. Regarding that argument, the following hypothesis is proposed:

H_7: Environmental social governance performance mediates the linkage between institutional ownership and market value performance.

METHODS

The associative research is implemented with quantitative approach for this study with purpose to examine the linkage ERM, institutional ownership, ESG and market value. The population consists of energy sector companies listed in ASEAN 5 countries, namely Indonesia, Thailand, Malaysia, Philippines, and Singapore, overview in period 2021–2024. The total population includes 203 firms.

This research study uses purposive technically for sampling to select firms according to data availability and completeness requirements. The final sample consists of 25 firms after eliminated by purposive stage according predetermined all criterias. The results from the selection of the explain research samples are in Table 1. There are 203 companies in energy sector with 2 companies do not provide complete annual report in 2021 – 2024 and 176 companies without ESG data on Bloomberg platform. The relatively small sample size is largely attributable to the insufficient availabity of ESG disclosure data across ASEAN energy firms, as a large number of companies have yet to establish regular ESG reporting practices. Such sampling constraints are common in emerging market studies, particularly when incorporating ESG variables, which are not uniformly disclosed and adopt of varying disclosure standards across firms. Therefore, the selected sample is considered appropriate for ensuring data consistency and reliability.

Table 1. Purposive Sampling Criteria

No	Criteria	Total
1	Energy sector companies	203
2	Energy sector companies who not provide complete annual reports on view period (2021–2024)	(2)
3	Energy sector companies without ESG data on the Bloomberg platform (2021–2024)	(176)
	Final sample size	**25**
	Number of data observations (sample × 4 years period)	**100**

Source: The data process by author, 2025

This study uses with secondary data has obtain from reliable web sources, including firms' annual reports and Bloomberg database. Annual report is used to collect data of market value, ERM and institutional ownership. Bloomberg is used to collect ESG disclosure scores. The data are collected using a documentation method.

The market value in this research study is measured to use Tobin's Q formula. In this study, the proxically Tobin's Q was calculated by annual financial report, this study used the period from 2021 to 2024. Enterprise risk management or ERM is measured using content analysis with on 35 disclosure components. The measurement employs a dichotomous scale, with a score of 1 indicating disclosure and 0 indicating non-disclosure. Meanwhile, institutional ownership has been determined through dividing the overall total shares issued that are in circulation by the overall total shared issued that average institutional investors typically possess. Environmental social governance is measured using the ESG Disclosure Score by obtained from the Bloomberg web platform. Table 2 presents the definitions of all operational variables used in this research study.

The dataset is structured as panel data consisting of cross-sectional (firms) and time-series (2021–2024) observations. The dataset is unbalanced across countries due to differences in data availability among ASEAN-5 markets. However, unbalanced panel data are common in cross-country studies and can be appropriately handled using panel data estimation techniques (Baltagi et al., 2020).

Table 2. Operation Definitions of Variables

No	Source journal and Variable Name	Operational Definition	Measurement
1	Denia et al. (2024) Dependent Variable (Y): Market Value Performance (MVP)	Market value performance reflects the firm's market valuation and is measured utilizing Tobin's Q, that assesses a proportion of each company's assets to the prevailing market value of ordinary stock plus all liabilities.	$Tobin's\ Q = \frac{market\ value\ of\ equity + total\ liabilities}{total\ assets}$
2	Denia et al. (2024) Independent Variable (X1): Enterprise Risk Management (ERM)	Enterprise risk management is an integrated process implemented by the board of directors, management, and organizational personnel to achieve the company's operational, reporting, and compliance objectives.	ERM disclosure is measured using content analysis based on 35 disclosure components The measurement employs a dichotomous scale, with a score of 1 indicating disclosure and 0 indicating non-disclosure. $\sum_{k=1}^{35} \frac{Qualitative(k)}{1(35)}$
3	Hadiansyah et al. (2022) Independent Variable (X2): Institutional Ownership	Institutional ownership represents the percentage of a firm'sequity held by institutional investors, including private corporations, financial institutions, and pension funds.	The ratio of institutional investors' stocks to all the shares that are in circulation is used to calculate the amount of institutional ownership. $Institutional\ ownership = \frac{Ratio\ of\ institutional\ shares}{total\ number\ of\ oustanding\ shares}$
4	Bloomberg Database Platform Mediating Variable (Z): Environmental, Social, and Governance (ESG)	Bloomberg ESG disclosure represents metrics that evaluate the extent of a company's environmental, social and governance disclosures.	ESG is measured using the ESG Disclosure Score obtained from the Bloomberg database.

Source: Data Processed (2025)

The analysis technique uses the software EViews 13, which is widely applied for econometric and statistical analysis of data from standard panels. The method of panel data regression is utilized in this standard study models applying Random Effect (REM). This research is used Chow test, Hausman test, and Lagrange multiplier as the framework standard selection procedure (Basuki & Prawoto, 2016). The best estimation considering such a framework, a panel based data regression method model was determined test. In addition, mediation Analysis has been carried out with a view at the variable factors' indirect and conventional effects. This research also does descriptive statistical path analysis, model viability tests (F stat - test and coefficient determination test or value of Adjusted R Square), hypothesis test (t stat- test), indirect testing (Sobel test), and classical assumption tests (data normality test, multicollinearity test, heteroscedasticity test, and autocorrelation test) (Wahyudin, 2015). Path analysis determines how the impact variable affects the response outcome both directly and indirectly (Models 1 and 2).

Model 1:

$$MVP = \alpha + \beta 1\ ERM + \beta 2\ OI + \beta 3\ ESG + e \quad \ldots\ldots (1)$$

Model 2:

$$ESG = \alpha + \beta 1\ ERM + \beta 2\ OI + e \quad \ldots\ldots (2)$$

Where:

α = Constanta
β = Coefficient Regression Influences Variable
MVP = Market Value Performance
ERM = Enterprise Risk Management
IO = Institutional Ownership
ESG = Environmental Social Governance
E = Error

RESULTS AND DISCUSSION

Results of Descriptive Statistical Analysis

Descriptive statistical methodology analyzes the minimum and highest, corresponding mean, as well as standard deviation values of the data that was collected to describe the quality of the research data. The findings of the descriptive statistical evaluation are arranged as follows.

Table 3. Data Descriptive Result

	N	Minimum	Maximum	Mean	Std. Deviation
Market Value Performance	100	0.630	6.441	1.196	0.749
Enterprise Risk Management	100	0.628	0.914	0.843	0.061
Institutional Ownership	100	0.000	0.963	0.648	0.184
Environmental Social Governance	100	0.146	0.975	0.613	0.193
Valid N (listwise)	100				

Source: Data Processed by E-views-13 (2025)

Market Value Performance (MVP) variable on Table 3 shows an average value of 1.196 with a standard deviation of 0.749. The minimum value of 0.630 and maximum value of 6.441 indicate a relatively wide range, suggesting substantial variation in market performance among the sampled companies. The relatively large standard deviation compared to the mean confirms this observation, indicating that some companies have experienced significantly higher market valuations than others. Higher MVP scores indicate favorable investor perceptions regarding a firm's future prospects and overall performance. This performance is shaped by the company's solid financial fundamentals, as well as external influences from global dynamics that significantly impact companies in the energy sector. During the study period, there was a significant increase in coal prices, resulting in a significant increase in the market value of one of Indonesia's leading coal companies, PT Alamtri Minerals Indonesia. The company strategically capitalized on price increases in various energy and mineral commodities, which were considered effective by the market.

Enterprise Risk Management (ERM) variable has a mean value of 0.843 with a relatively small standard deviation of 0.061. The minimum values range of 0.628 and maximum value of 0.914, indicating that most companies in the sample have implemented ERM practices at a relatively high and consistent level. The low variability suggests that ERM adoption is fairly homogeneous across firms, which may indicate increasing awareness and standardization of risk management practices in corporate governance.

Institutional Ownership shows an average value of 0.648 with a standard deviation of 0.184. The minimum value of 0.000 and maximum value of 0.963 indicate a wide distribution,

meaning that some companies have no institutional ownership at all, while others are dominated by institutional investors. The relatively high standard deviation indicates significant variation in ownership structure, which may influence corporate monitoring mechanisms and decision-making processes across firms.

Environmental Social Governance (ESG) variable has a mean of 0.613 with a standard deviation of 0.193. The minimum values of 0.146 and maximum value of 0.975, indicating a broad spread in ESG performance among companies. This suggests that while some firms have adopted strong ESG practices, others still lag behind. The difference of ESG score indicates a strong commitment to implementing and disclosing sustainability initiatives more comprehensively. It reflects the company's efforts to manage its environmental impact, address social aspects, and strengthen corporate governance as part of its long-term strategy. High ESG scores can also be influenced by regulatory pressures, investor expectations, and increased market attention to sustainability issues, particularly for energy companies with significant environmental impacts.

Panel Data Regression Testing

The selection of the appropriate panel data model was conducted using the Chows, Hausmans, and Lagrange Multiplier (LM) tests. The Chow evalute generated a cross-section chi-square probability of 0.0000, which is below the 0.05 significance, its indicating that the FEM is preferable to the CEM. Subsequently, the Hausman's evaluating produced a p-value of 0.1026, exceeding 0.05, suggesting that the REM is more suitable than the FEM.

To confirm the model choice, the LM test was performed to compare the REM and CEM. The Breusch Pagan probability value of 0.0000 was below the 0.05 threshold, leading to the rejection of the CEM in favor of the REM. Overall, the findings from the three model selection tests indicate that the REM is the most appropriate approach for the panel data analysis in this study.

Classic Assumption Test Result

Normality Test

The data are normally distributed if the Jarque–Bera statistic is less than 2 or if the probability value exceeds 0.05. Based on the normality test results, the Jarque–Bera value is 1.978,845 (> 2) and the probability value is 0.0000 (< 0.05), indicating that the data are not normally distributed. Therefore, the normality assumption is not satisfied. Based on the normality tests conducted, the regression model does not satisfy the normality assumption. However, since the selected regression specification is the Random Effect Model (REM) estimated using the Generalized Least Squares (GLS) approach, re-testing classical assumptions is not required (Widarjono, 2018). Therefore, the REM regression model employed in this study is deemed appropriate for further hypothesis testing, despite the violation of the normality assumption.

Multicollinearity Test

The multicollinearity test is conducted to detect whether there is a high linear relationship among the independent variables in the regression model. This test is performed using a correlation matrix among Enterprise Risk Management (ERM), Institutional Ownership (IO), and Environmental Social Governance (ESG) as independent variables, with Market Value Performance (MVP) as the dependent variable.

Tabel 4. Correlation Matrix

	MVP	ERM	IO	ESG
MVP	1.000000	- 0.034971	- 0.317776	- 0.123246
ERM	-0.034971	1.000000	-0.036104	0.204120
IO	0.317776	-0.036104	1.000000	0.349914
ESG	-0.123246	0.204120	0.349914	1.000000

Source: Data Processed by E-views-13 (2025)

The correlation coefficients among the independent variables on Table 4 (ERM, IO, and ESG) are all below 0.80. The highest correlation is 0.31776 between MVP and IO, while the lowest correlation is −0.123246 between MVP and ESG. These values indicate that there is no strong linear association among the independent variables in the model. According to Gujarati (2003), multicollinearity becomes problematic when the correlation coefficient among independent variables exceeds 0.80. Since all correlation values in this model are well below this threshold, it can be concluded that the regression model does not suffer from multicollinearity.

Heteroscedasticity Test

Based on the results of the heteroskedasticity test on Figure 1 as illustrated by the residual plot above, the distribution of residual values (blue line) fluctuates around the zero line without any systematic pattern. The residuals appear to be randomly dispersed both above and below the zero line and do not exhibit clustering or a gradual increase in variance. This indicates that the residual variance is relatively constant (homoscedastic) across all observations. Therefore, it means that the regression model does not suffer from heteroskedasticity and satisfies the classical assumption of homoskedasticity.

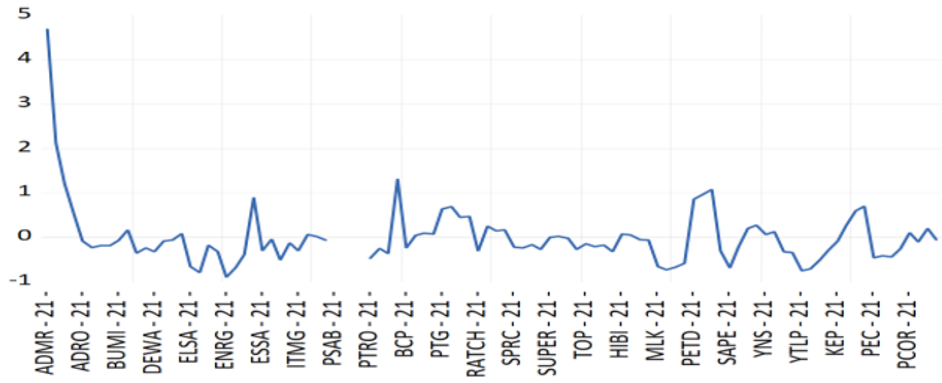

Figure 1. Heteroscedasticity test result

Source: Data Processed by Eviews-13 (2025)

Autocorrelation Test

To find determine whether there has been an interaction amongst the error terms (residuals) in the current period compared to the results in the prior period in the panel data regression standard model, the autocorrelation test is done. Based on the estimation results of the REM (Panel EGLS – cross-section random effects) on Table 5, the Durbin–Watson (DW) statistic is 1.017470, yielding a transformed value of d = 4 – 1.017470 = 2.98253. According to the decision criterion, a value of d greater than the upper bound (DU), that is 2.98253 > 1.7584, show that the absence of autocorrelation in the regression model.

Table 5. Autocorrelation test result

Weighted Statistics			
R-Squared	0.111582	Mean dependent var	0.514247
Adjusted R-Squared	0.082612	S.D. dependent var	0.520363
S.E. of regression	0.498406	Sum squared resid	22.85358
F-statistic	3.851631	Durbin-Watson stat	1.0174740
Prob(F-statistic)	0.012037		

Source: Data Processed by E-views-13 (2025)

Path coefficients estimation and model equation development Structural

This study's data testing employed the path analysis technique (Path Analysis), which demonstrates that independent factors can affect the dependent variable both directly and indirectly through an intervening variable. Tables 6 and 7 display the results of the path coefficient computation. We may create the structural equation (Equation 3) using the substructure two path analysis description in Table 6. Regression research shows that enterprise risk management (ERM) has little impact to market value performance, with p-value of ERM 0.8155 > 0.05. Meanwhile, the institutional ownership (IO) has positively significant effect to market value performance, with p-value 0.0266 <0.05, and the environmental social governance (ESG) has negatively significant effect to market value performance with p-value 0.0031 < 0.05. The dependence coefficient basically quantifies the extent to which the dependent variable's variance can be explained by the ability model. An updated R-squared point of 0.082612 is revealed by the path analysis based on structure equation 3. This shows that environmental social governance (ESG), institutional ownership (IO), and enterprise risk management (ERM) account for 8.26% of the variance. Other factors not included in the model are responsible for the remaining 91.74%.

Tabel 6. Path Analysis Test Result (Structure 1)

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	1.3751	1.5960	0.8615	0.3912
ERM	-0.4297	1.8359	-0.2340	0.8155
IO	1.3782	0.5973	2.3071	0.0233
ESG	-1.2178	0.4006	-3.0395	0.0031

Source: Data Processed by Eviews-13 (2025)

MVP = 1.3751 – 0.4297 ERM + 1.3782 IO – 1.2178 ESG + e …….…. (3)

Then can generate a standard structural equation (Equation 4) using the substructure of the path analysis described in Table 7. Regression analysis generally shows that enterprise risk management (ERM) has not effect to environmental social governance with p- value 0.1258 > 0.05. Meanwhile, the institutional ownership (IO) has positively significant effect to environmental social governance with p- value 0.0019 < 0.05. An up to date R-squared point of 0.0984 is displayed in path analysis based on structure equation 4. This shows that institutional ownership (IO) and enterprise risk management (ERM) account for 9.84% of the variation. The breadth of the model and other factors contribute for the remaining 90.16%.

Table 7. Path Analysis Test Result (Structure 2)

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-0.2967	0.4032	-0.7358	0.4637
ERM	0.7094	0.4592	1.5445	0.1258
IO	0.4617	0.1443	3.1989	0.0019

Source: Data Processed by Eviews-13 (2025)

ESG = -0.2967 + 0.7094 ERM + 0.4617 IO + e ……..... (4)

Table 8 summarizes the results of the direct effect analysis, while the Table 9 shows the summary of hypotheses testing using the indirect effect.

Table 8. Summary of Hypotheses Testing Result (Direct Effect)

Hypothesis	Hypothesis Statement	**B**	Sig.	Result
H1	Enterprise risk management is associated with market value performance	-0.4297	0.8155	Rejected
H2	Institutional ownership is associated with market value performance	1.3782	0.0233	Accepted
H3	Environmental Social Governance is associated with market value performance	-1.2178	0.0031	Accepted
H4	Enterprise risk management is associated with environmental social governance	0,7094	0.1258	Rejected
H5	Institutional ownership is associated with environmental social governance	0.4617	0.0019	Accepted

Source: Data Processed (2025)

Indirect Testing Test Result

The Sobel test has been utilized in this standardized indirect analysis in order to determine the environmental social governance as mediator of correlation between market value performance and institutional ownership and business risk management Figure 2 below presents the calculation results illustrating the influence of enterprise risk management as the independent variable on ESG disclosure, as well as the impact of ESG disclosure on market value performance. Therefore, the standard Sobel test result is as outlined below:

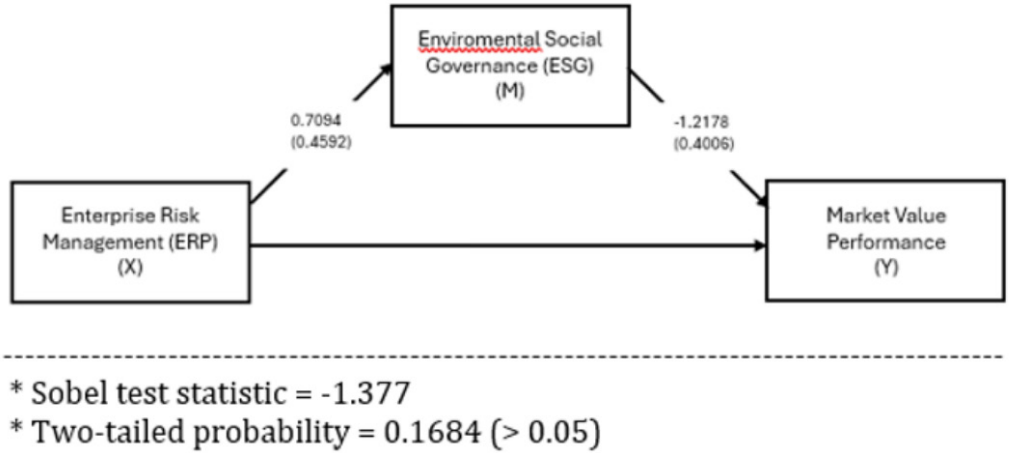

Figure 2. Diagram Sobel Test Result (1)
Source: The Processed data with Sobel test (2025)

The Sobel evaluation calculation, based on the illustration above, reveals that the Sobel test result is -1.3772, which is lower than 1.985 with the two-tailed probability 0.1684 > 0.05. Thus, the environmental social governance has not mediate the relationship between enterprise risk management with market value performance.

The figure below shows the results of the calculation obtained from the influence of the independent institutional ownership variable on the environmental social governance, and environmental social governance on market value performance, so the calculation for the Sobel test is as follows:

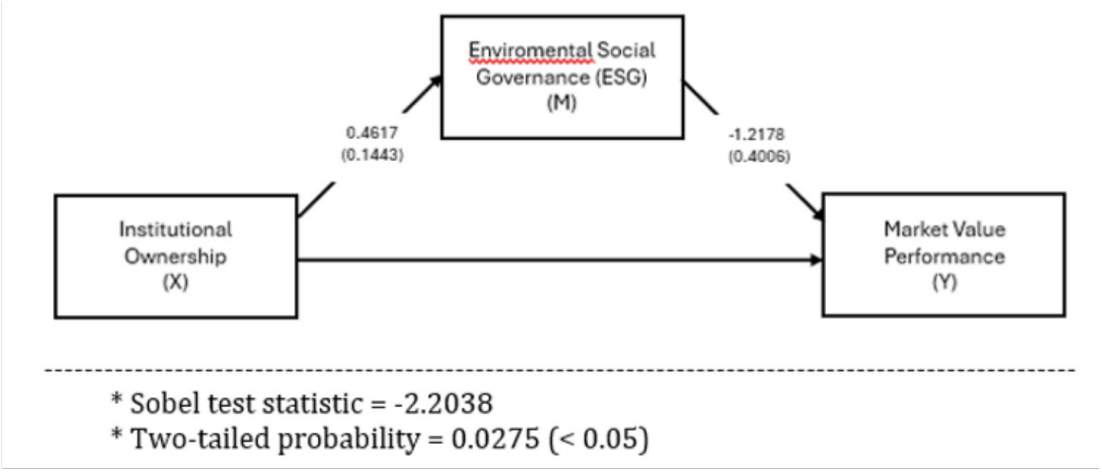

Figure 3. Sobel Test Result (2)
Source: The Processed data with Sobel test (2025)

Based on the Figure 3, the Sobel test equation shows that Sobel test value is -2.2038, which is higher than -1.985 with the two-tailed probability 0.0275 < 0.05.Thus, the environmental social governance has mediate the relationship between institutional ownership with market value performance.

Table 9. Summary of Hypotheses Testing Result (Indirect Effect)

Hypothesis	Hypothesis Statement	Sobel test statistic	Sig.	Result
H6	Environmental social governance mediates the influence of enterprise risk management on market value performance	-1.3772	0.1684	Rejected
H7	Environmental social governance mediates the influence of institutional ownership on market value performance	-2.2038	0.0275	Accepted

Source : Data Processed with Sobel Test (2025)

The effect of enterprise risk management on market value performance

The first hypotheses test's conclusion (H1) show a p-value on point 0.8155, which is point greater over 0.05, indicating that H1 is rejected. Enterprise risk management (ERM) has no apparent influence affect market value performance (MVP) among energy sector companies in the ASEAN-5 region. These findings do not support signalling theory, which suggests that the disclosure of non-financial information serves as a positive signal to investors and can enhance firm market value. Under signalling theory, the disclosure of effective risk management practices is expected to signal firm quality and reduce perceived investment risk (Rosyid et al., 2022). However, the results indicate that although ERM disclosures are relatively extensive, they do not significantly contribute to improvements in market value performance.

The average ERM disclosure score for energy sector companies in the ASEAN 5 countries is relatively high, at 0.843. This indicates that almost all companies disclose ERM consistently. The research data demonstrate a uniform and homogeneous disclosure pattern. This confirms that ERM practices have become standardized across companies, driven by industry regulations and standards in these countries. This uniformity means that ERM disclosure is not strong enough to serve as a differentiating signal for investors. Although MVPs showed high valuations, averaging 1.196, during the study period, this relationship was not statistically significant. This study concluded that ERM disclosure alone is neither sufficiently informative nor attractive to

investors and is therefore insufficient to influence market value. This further suggests that the capital market may place less emphasis on the homogeneity of ERM disclosure across companies.

The outcomes of the research match up alongside those of Kwintana and Hanggraeni (2023), who stated that risk management had no influence on a corporation's market performance. The time frame for sampling, whereby encompassed the pandemic by covid-19, also played a role in their findings, suggesting that the effect of ERM may not be apparent due to the preponderance of external factors (Kwintana & Hanggraeni, 2023). These results are consistent with those of Fitriana et al. (2024), who established that a company's performance in the marketplace had not been impacted by ERM.

Conclusions are additionally confirmed by the current research of Fajriah and Ghozali (2022), who stated that most sample companies are expected to operate risk management units. Information about the expertise and resilience (quality) of each company's risk management process remains largely unknown, thus having no impact on the company's market for point performance. However, these results contradict those of Sajida & Purwanto (2021), who found that ERM had a positive effect on a company's market value.

The effect of institutional ownership on market value performance

The by results can reachout of the next hypothesis test (H2) show a p-value then 0.0233, which is below than 0.05, indicating that H2 is accepted. Institutional by owner (IO) is associated with market value performance (MVP) among energy sector companies in the ASEAN-5 region. This finding implies that an positivelly in institutional ownership is associated with improved firm market performance. These results support stakeholder theory, which posits that companies are responsible not only to by shareholders but also to a broader set of stakeholders. Institutional ownership typically dominated by banks, financial services companies, insurance corporations, and other types of financial institutions enhances managerial monitoring and governance effectiveness (Kao et al., 2019). Stronger monitoring mechanisms help ensure the protection of stakeholder interests and contribute to increased firm market value (Hadiansyah et al., 2022).

The usual degree of ownership by the institution with energy sector companies in the ASEAN 5 is 0.648. This institutional ownership falls into the category of majority ownership, meaning it exerts control over corporate strategy and governance. When combined with the average Tobin's Q value of 1.196, this indicates that a high proportion of institutional shareholding tends to increase a company's market valuation. Institutional ownership can strengthen oversight and monitoring of corporate policies and governance, aligning them with managerial decisions and the interests of shareholders and stakeholders (Romano, 2001).

This finding supports research by Murti et al. (2024), which states a positive linkage between institutional ownership and market performance. This institutional ownership can serve as a signal for companies to demonstrate the quality and reliability of financial reports, which can increase investor confidence and, thus, increase the company's market valuation (Murti et al., 2024). In line with this, research by Sajida and Purwanto (2021) shows that institutional investors have expertise in carrying out effective monitoring and evaluation of company performance. However, this study contrasts with the findings of Sari and Patrisia (2019), who report that institutional ownership does not significantly affect firm market value. Their results suggest that relatively low levels of institutional ownership may limit its effectiveness as a governance mechanism, preventing it from functioning optimally.

The effect of environmental social governance on market value performance

The results subsequent third hypothesis evaluation (H3) show a p-value then 0.0031, which is below than 0.05, indicating that H3 is accepted. ESG disclosure contribute to market value performance (MVP) among energy sector companies in the ASEAN-5. This research state that ESG disclosure significantly enhance firms' market value. This result support signalling theory, which posits that the disclosure of non-financial information serves as a positive signal to investors and, in turn, increases firm market value. Prior studies argue that the adoption of

ESG practices particularly among environmentally sensitive firms can enhance market valuation (Naeem et al., 2022).

The average ESG disclosure score in the energy sector of the ASEAN 5 countries was 0.613, while the average market capitalization of companies was 1.196. Statistical data show that high ESG disclosure scores can negatively impact a company's market valuation. The research results demonstrate a negative impact of ESG on a company's market value. The findings indicate limited and inconsistent data related to ESG reporting, with many companies lacking a Bloomberg ESG score in 2024. This is likely due to the uneven reporting of sustainability performance by companies. The proportion of companies consistently publishing sustainability reports is relatively low and inconsistent, making them insufficient to provide a reliable signal to investors. Furthermore, ESG disclosure assessments published by various ESG reporting and rating agencies lack standardization, reducing their comparability and credibility, and in turn, undermining investor confidence. Furthermore, companies incur significant costs, which negatively impacts short-term financial performance and market valuation.

These research are in line with study of Prabawati and Rahmawati (2022), which revealed that ESG scores negatively influence the market after being the value of an enterprise the better the ESG performance, the lower its market valuation. Similarly, the evidence of Indonesian listed companies shows that ESG has a negative and significant effect on firm value which implies that ESG implementation does not automatically lead to higher market performance (Mandasari & Dewinda, 2025). Other studies find that ESG practices may reduce firm value in the short run, especially when firms are not financially ready to absorb the additional costs of ESG initiatives (Sari & Valdiansyah, 2025). These findings imply that in emerging markets, ESG disclosure could be perceived as a cost rather than a value-enhancing signal, particularly when the quality of disclosure is inconsistent and not completely trusted by investors, who demonstrate a significant positive correlation between market value and ESG performance compared to corporations in energy-related sector in Indonesia region.

The effect of enterprise risk management on environmental social governance

The subsequent hypothesis evaluation (H4) generated a value for p as 0.125, which is above the threshold of 0.05, suggesting that H4 is disregarded. The ERM did not have a considerable effect on ESG performance among energy sector firms in the ASEAN-5 area. This data implies that ERM disclosure may not automatically lead into more ESG disclosure. This conclusion contradicts signalling theory, which believes that all information released by corporations including non-financial information is examined by investors. Corporate risk management is aimed to protect business value (COSO, 2004), and in recent years, corporations have increasingly addressed risks coming from environmental, social, and governance factors (Chairani & Siregar, 2021), making ESG disclosure even more necessary. However the results of this investigation suggest otherwise.

Based on a review of corporate disclosures, risk management reports do not extensively address the mitigation of environmental and social risks. Instead, these reports primarily focus on governance-related risks, such as occupational safety risks, project risks, macroeconomic risks, industry risks, product quality risks, and facility and infrastructure risks. However corporated disclosures indicate that risk management disclosures do not meaningfully reduce social and environmental hazards. Rather, most of these studies center around governance-related risks, such as those related to projects, industry, macroeconomics, occupational safety, product quality, facilities, and infrastructure. Social hazard's are often included in corporated social responsibilited (CSR) sections, but the main focus of sustainability reports is usually environmental risk. The report on overall business performance is still not well related to CSR disclosure and reporting. This disarray suggests a weak link between ERM and ESG disclosure (Putri et al., 2025).

The find in this study are consistent with Astari et al. (2025), especially can find that enterprise risk management does not significantly affect ESG performance. Although firms may have implemented risk management practices related to ESG disclosure, managers may prioritize

short-term corporate interests, focusing on achieving rapid returns rather than long-term sustainability (Astari et al., 2025). Firms may also shift attention away from ESG issues toward other factors perceived as more urgent in the short term (Irwansyah & Sebrina, 2024). However, this result contrasts with Chairani and Siregar (2021), who report that higher ERM disclosure in ASEAN countries is associated with higher ESG disclosure.

The effect of institutional ownership on environmental social governance

The fifth hypothesis test's (H5) p-value of 0.0019, which is less than 0.05, shows that H5 is accepted. In accordance with statistical findings, institutional ownership significantly improves ESG disclosure in ASEAN 5 countries' energy sector companies. This suggests that a company's disclosure of its environmental, social, and governance record will be more comprehensive when there is more of the shareholding of institutional investors. These results align alongside the theory of the theory of stakeholder engagement, which argues corporations have responsibility to more entities besides merely shareholder.

In practice, institutional ownership is common among insurance companies, investment firms, banks, and other financial institutions. These institutions act as supervisors, monitoring and providing strategic guidance to companies to improve their corporate governance (Kao et al., 2019). These investors tend to have a more reliable assessment of a company's financial fundamentals and emphasize its long-term sustainability prospects (Oikonomou et al., 2020).

Based on sample company data, energy sector companies in the ASEAN 5 countries tend to be owned by large domestic and foreign business groups. This concentration provides institutional investors with sufficient power and incentives to effectively monitor management behavior (Saunders et al., 2003), including oversight of ESG disclosure and performance. Furthermore, the conclusions of the present study are in agreement with Wardani et al. (2025), who report that institutional ownership has a positive effect on ESG disclosure. The presence of institutional investors encourages firms to enhance responsibility as well as visibility in company operations, particularly with respect to ESG-related aspects (Wardani et al., 2025). This result is also in line with Al Amosh and Khatib (2022), who argue that institutional ownership promotes corporate transparency because institutional investors typically demand more detailed and structured non-financial information, including ESG performance. Nevertheless, this finding contrasts with Qasem et al. (2022), who find that certain types of institutional ownership specifically privately managed Institutional investors generally have a negative connection alongside ESG reporting.

Environmental social governance mediates the effect the enterprise risk management on market value performance

Considering as results from the the Sobel method test, the result about p-value then 0.1684, which that on upper point from 0.05, indicating that the sixth hypothesis (H6) that Environmental, Social, and Governance variable (ESG) mediates the connecting line between Enterprise Risk Management variable (ERM) and Market Value Performance (MVP) is rejected. This result indicates there is no mediator responsibilities over ESG in the direct interaction between ERM along with MVP. Moreover, in the immediate link between ERM as well as ESG in the present research is also found to be statistically insignificant.

These findings were not same line with signalling theory, which deliver that under conditions of gap of information between principal and agents, companies has will show for some signalling into market to radar anaclitic managerial quality and business prospects (Iswajuni et al., 2018). Conceptually, the linked connected though over variable ERM and MVP through ESG can be viewed as a sequence of signals transmitted by firms to investors. However, in this study, ESG does not function as an effective intermediary that enables ERM to be gifting as a signal of managerial quality analysis and prospects capable of influencing firm market point value.

The final result find for indicate about ESG fails to mediate the line connected between ERM and company create for market value. This result is the consistent with several previous findings that report for ERM implementation is not always accompanied by improvements in

ESG transparency or disclosure quality and therefore does not directly affect market perceptions (Putri et al., 2025). ESG disclosure tends to generate market effects only when it is perceived as relevant and credible by investors, whereas in many cases ESG has not yet become a primary consideration for investors in the energy sector within the ASEAN region (Junius et al., 2020).

Environmental social governance mediates the effect the institutional ownership on market value performance

Based side on the Sobel test results, the result about p-value is 0.0275, which is below than 0.05, then the seventh hypothesis (H7) is accepted. This finding indicates that ESG disclosure distribute a significant mediating for the linkage between Instutional by owned to MVP. However, about mediation occurs with a negative coefficient indicating that ESG transmits a weakening effect connecting line with the linkage between IO and companys value. However, institutional ownership impacts ESG disclosure but the ESG practices coming out of it is related causing an overall reduction within value to the market efficiency.

The results of this reseaching study are compatible about stakeholder theory, which illustrates how institutional investors can lead to more ESG disclosure by corporations, notably in the energy industry, as a manner of exercising corporate responsibility to the stakeholders. Institutional investors are vital in monitoring and supporting improved sustainability practices by management. However, the mediating impact demonstrates a detrimental effect associated to these ESG initiatives. The comparatively high costs are considered as unfavorable for investors in the short term for financaillay performance, notably into energy industry, where sustainable developments demand a lot of capital expenditure and can affect short-term company earning (Hadiansyah et al., 2022).

The signalling hypothesis suggests that shareholders should receive an encouraging signal from disclosures related to ESG, but the finding of this study is the other way around: negative sentiment. The problems with the quality, consistency and credibility of ESG performance information are not evenly distributed across companies. This makes investors consider these signals as unreliable information and tend to ignore them as greenwashing, which reduces a company's market valuation based on an investment industry (Benuzzi et al., 2025; Junius et al., 2020).

CONCLUSIONS

This study offers tangible evidence for the results of ERM and institutional ownership on market value performance via ESG in ASEAN-5. The outcomes reveal that ownership of an institution substantially and positively interacts market value as well as ESG, whereas ERM does not have significant impact on both variables. However, the negative effect of ESG on market value is also found and ESG mediates the relationship between ownership by institutions as well as firm value. Then from finding has suggests that ESG is a multi faceted mediation mechanism through which the institutional investors influence ESG activities. Institutional investors can encourage ESG activities, but such activities can be perceived as a short-term costly burden, especially in the energy industry. This also emphasizes the need to raise trustworthiness and standardization of about ESG disclosure to boost its relevance for investors.

There are some limitations of this result from reseach. The sample has about size is constrained by the data availability of ESG limited to 2024, and the observation period (2021-2024) may not fully capture long-term effects. Also, ERM measurement depends on a limited number of indicators. Suggestions for further research include extending the observation period, including alternative ESG data sources and using a more comprehensive ERM measurement framework to capture for long-term and multidimensional connected of ERM, institutional ownership and focus to ESG on firm value.

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