THE IMPACT OF GOVERNANCE METRICS ON CORPORATE FINANCIAL PERFORMANCE

EVIDENCE FROM SINGAPORE, MALAYSIA, INDONESIA & VIETNAM

CGS International

SGFin Capstone Project

Industry Partner: CGS International

National University of Singapore
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OUR MISSION

To identify which governance and ESG factors are most strongly associated with operating profitability **(ROA)**, helping investors screen for **higher-quality companies.**

WHY IT MATTERS

- Better screening decisions
- Lower risk, stronger resilience
- Support sustainable long-term value

DATA & SAMPLE

3,095 firm-year observations (2020–2024)

844 unique firms across 4 markets

Singapore | Malaysia | Indonesia | Vietnam

Final ESG Analysis Sample

2,555 firm-year observations

826 unique firms

KEY FINDINGS (WHAT WE FOUND)

Governance Quality Matters

Better governance is associated with higher ROA.

β = +0.128**	β = +0.046**	β = +0.032*
Board Independence	Board Gender Diversity	Board Size (Non-linear)

ESG – The "G" Pillar Leads

Among ESG pillars, Governance has the strongest positive association with ROA.

Impact on ROA (β)

* $p < 0.10$ ** $p < 0.05$ (All results are statistically significant at 10% or 5% level)

OUR APPROACH

1. **Build Governance Model** — 30+ governance variables tested in progressive regression models
2. **Integrate ESG Factors** — Add overall ESG score and decompose into E, S, and G pillars
3. **Robustness Checks** — Fixed effects, non-linear tests, muiticollinearity control, sample splits
4. **Actionable Insights** — Translate findings into practical screening recommendations

WHAT THIS MEANS FOR INVESTORS

Focus on Governance Quality
Look for companies with independent, diverse, well-structured boards.

Use "G" as a Key Screening Signal
The Governance pillar provides the clearest performance signal.

Go Beyond Headlines
Not all ESG factors are equal—choose what drives real value.

> *"Stronger governance today, stronger performance tomorrow."*

AT A GLANCE

- **4** Countries — SG, MY, ID, VN
- **826** Firms
- **2,555** Firm-year Observations
- Governance Quality ↑ ↑ ROA
- "G" Pillar Strongest ESG Signal

OUR CONTRIBUTION

This study provides investors with evidence-based insights to improve stock screening, support better risk management, and promote long-term sustainable value in ASEAN emerging markets.

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