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EXPLORING THE RELATIONSHIP BETWEEN ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) PERFORMANCE, FINANCIAL CONSTRAINTS, AND CORPORATE VALUE IN CHINESE LISTED FIRMS (CLFS): A COMPREHENSIVE LITERATURE REVIEW

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ABSTRACT: In the contemporary global business landscape, there is an escalating emphasis on the adoption of sustainable and responsible practices by enterprises. The integration of environmental, social, and governance (ESG) considerations into corporate strategies is increasingly recognized as a pivotal driver for the enduring creation of value. However, a notable information gap persists concerning the nexus between ESG performance, economic constraints, and corporate valuation, particularly within the specific milieu of Chinese listed corporations (CLFs). Consequently, the primary objective of this scholarly inquiry is to address this gap by systematically exploring the intricate relationship among ESG performance, economic constraints, and corporate value within the context of Chinese listed companies. Furthermore, the study aims to discern the mediating and moderating factors that influence this complex interplay. To undertake this investigation, a methodologically rigorous approach based on a comprehensive literature review was employed. This encompassed the systematic collection and analysis of pertinent research papers, articles, and studies. Initially, a pool of 200 papers was subjected to consideration, from which 96 research papers were deemed suitable for further scrutiny. These selected papers underwent meticulous critical review to discern and elucidate key themes, variables, and propositions. The empirical findings of this study unveil a discernible positive relationship between ESG performance and corporate value in Chinese listed firms. Furthermore, it was observed that corporate culture and supply chain management operate as mediating mechanisms within this relationship, whereas stakeholder pressure, CEO leadership, and governmental regulations were identified as moderators. By illuminating the intricacies of the relationship between ESG performance, financial constraints, and corporate value, this study makes a substantial contribution to the comprehension of sustainable business practices within Chinese listed firms. The implications of these findings underscore the imperative nature of integrating ESG considerations into corporate strategies, while also underscoring the nuanced role played by various influencing factors in shaping this relationship. The practical relevance of these insights extends to organizational decision-makers, policymakers, and stakeholders, providing valuable guidance for informed decision-making and facilitating the adoption of sustainable and responsible business practices in the Chinese business landscape.

Keywords: Environmental, Social, Governance, Performance, Financial Constraints, Corporate Value, Chinese Listed Companies, Corporate Culture, Employee Engagement, Stakeholder Pressure, CEO Leadership

1. Introduction

In recent years, there has been a burgeoning recognition of the imperative to incorporate environmental, social, and governance (ESG) considerations into global business practices. The escalating interest in this concept reflects a growing acknowledgment that enterprises wield significant influence on both societal dynamics and environmental conditions (Khaled, Ali, & Mohamed, 2021). An increasing realization is taking hold that the adoption of sustainable and responsible practices by businesses can engender enduring value. Chinese listed firms (CLFs) assume a pivotal role in propelling economic growth and development in China, underscoring the significance of scrutinizing the correlation between ESG performance and corporate value within their distinctive contextual framework (Zhang, 2022).

Considerable research has been undertaken on a global scale to investigate the nexus between ESG performance and corporate value. Nevertheless, there exists a necessity for a thorough comprehension of this relationship tailored specifically to the context of Chinese listed firms. The rapid economic growth in China, coupled with an increasing recognition of the significance of sustainable development, presents both opportunities and challenges for these entities as they endeavour to align their ESG performance with their corporate valuation (Zheng et al., 2023).

In recent years, China has undergone a remarkable transformation, evolving into a host for numerous large-scale corporations, thereby attaining the status of the world's second-largest economy. However, this expansion has given rise to significant environmental and societal challenges, encompassing issues such as pollution, resource depletion, and unequal resource distribution. Acknowledging the imperative of sustainable development, the Chinese government has instituted various policies and initiatives aimed at fostering responsible and environmentally conscientious practices within corporate entities. These policies encompass heightened environmental regulations, incentivization of eco-friendly investments, and advocacy for the implementation of sustainable supply chain management (Zhou, Zhu, & Xu, 2022). In the specific milieu of Chinese listed firms, the interconnection between ESG performance and corporate value assumes heightened significance. The distinctive business landscape in China, typified by the prevalence of state-owned enterprises, a burgeoning consumer inclination towards sustainable products, and evolving stakeholder expectations, underscores the exigency for a thorough investigation into the dynamics of the interaction between ESG performance and corporate value (Huang, Han, & Li, 2023b). Although extant research has yielded valuable insights into the correlation between ESG performance and corporate value across diverse nations and industries, a lacuna exists in the scholarly discourse concerning the particular challenges and opportunities encountered by Chinese listed firms as they endeavour to integrate ESG practices and harness them for the purpose of sustainable value creation (He et al., 2023).

Numerous scholarly investigations have delved into the influence of ESG performance on corporate value within the Chinese context. As an illustration, (Maybee, Lilford, & Hitch, 2023) Unearthed was a favourable correlation between ESG performance and the valuation of companies listed in China. The researchers underscored the importance of effective environmental management, social responsibility initiatives, and robust governance practices in augmenting corporate value. Similarly, Liu, Fan, and Shao (2021) conducted an empirical inquiry investigating the influence of ESG performance on stock returns in the Chinese market, revealing a positive and substantial association. These investigations offer valuable insights into the nexus between ESG performance and corporate valuation within the Chinese business landscape.

While extant research has explored the correlation between ESG performance and corporate value, there persists a need for a comprehensive literature review that synthesizes existing knowledge and scrutinizes the influence of various factors on this relationship (Mohammad & Wasiuzzaman, 2021). The objective of this study is to undertake an exhaustive literature review that investigates the interplay among ESG performance, financial constraints, and corporate value within Chinese listed companies. Through an examination of the underlying mechanisms and contingencies, this research aims to impart a more profound comprehension of the dynamics governing the interaction between ESG performance and corporate value within the specific context of the Chinese business milieu.

Table 1: Research Objective and Question.

Research Objective	Research Question
To explore the relationship between ESG performance, financial constraints, and corporate value in Chinese listed firms (CLFs)	How does ESG performance affect corporate value in Chinese listed firms?
	What are the mediating and moderating factors in the relationship between ESG performance and corporate value?
	How do financial constraints impact the relationship between ESG performance and corporate value in Chinese listed firms?

This research endeavours to augment existing knowledge by providing a comprehensive understanding of the interconnectedness between ESG performance and corporate value within Chinese listed companies. Additionally, through the identification of mediating and moderating elements, the study seeks to illuminate the underlying mechanisms and contingencies influencing this relationship. The implications of this research are twofold. Firstly, it holds practical relevance by offering insights for Chinese listed firms aspiring to enhance their corporate value through enhanced ESG performance (Huang et al., 2023b). Through a nuanced comprehension of the mediating and moderating factors, enterprises can formulate tailored strategies and initiatives to harness ESG performance as a catalyst for enduring value creation. Secondly, this study aims to enlighten policymakers and regulatory entities, guiding the development of supportive frameworks that incentivize and facilitate the adoption of sustainable business practices among Chinese listed firms (Jiang et al., 2022).

2. Methodology

The methodology employed for the comprehensive literature review adhered to a systematic research approach involving the collection, selection, and analysis of pertinent research papers. Initially, a dataset comprising 200 research papers germane to the research topic was assembled. Subsequently, a meticulous screening process was instituted, wherein titles and abstracts of the papers were systematically scrutinized to gauge alignment with the research objectives and themes. Papers that distinctly addressed the nexus between ESG performance, financial constraints, and corporate value in Chinese listed firms were shortlisted for further evaluation. Following the initial screening, a rigorous full-text review was conducted on the shortlisted papers, subjecting each to critical scrutiny regarding methodological rigor, theoretical pertinence, empirical substantiation, and contribution to the research topic. Based on these evaluative criteria, a final selection of 96 research papers was made for inclusion in the comprehensive literature review. The chosen research papers underwent a meticulous analysis, during which relevant information and insights were systematically extracted. To facilitate this analytical process, a coding framework was devised, grounded in the identified research objectives and themes. This framework served as a systematic guide for coding the selected papers, ensuring consistency in the analysis. The data extraction phase involved discerning key findings, arguments, and evidentiary support related to the research objectives and themes from each of the 96 research papers. Subsequently, the extracted data were systematically organized to enable comparative analysis and synthesis across the selected papers.

Inclusion and Exclusion Criteria

The research methodology utilized explicit inclusion and exclusion criteria to ascertain the selection of pertinent research papers for the comprehensive literature review. These criteria were systematically applied in the data selection phase to identify and shortlist the most relevant papers from the initial dataset of 200 research papers.

Inclusion Criteria

- Adherence to Research Objectives: Inclusion was contingent upon papers directly addressing the correlation between ESG performance, financial constraints, and corporate value within Chinese listed firms.
- Empirical Investigations: Inclusion criteria encompassed papers featuring empirical research, inclusive of quantitative, qualitative, or mixed-methods methodologies.
- Publication Credibility: Solely peer-reviewed research papers disseminated through academic journals or conference proceedings were incorporated.
- Language: Inclusions comprised papers published in the English language, ensuring accessibility and comprehensibility.

Exclusion Criteria

- Irrelevant topics: Exclusions comprised papers that lacked a specific focus on the correlation between ESG performance, financial constraints, and corporate value within Chinese listed firms.
- Non-Empirical Studies: Exclusions encompassed papers of a theoretical or conceptual nature devoid of empirical evidence.
- Publication Type: Exclusions comprised non-peer-reviewed articles, including opinion pieces, editorials, and book chapters.
- Non-English Language: Exclusions were applied to papers published in languages other than English, owing to constraints in language proficiency.

Through the meticulous application of these inclusion and exclusion criteria, a definitive compilation of 96 research papers was established for the comprehensive literature review.

Table 2: Literature Search Words Combination.

Search Words Combination
1. ESG performance, corporate value, Chinese listed firms
2. Environmental performance, social performance, governance performance
3. Mediating factors, moderating factors, ESG performance, corporate value
4. Financial constraints, ESG performance, corporate value
5. Corporate culture, supply chain management, employee engagement, stakeholder pressure, ESG performance, corporate value
6. CEO leadership, government regulations, ESG performance, corporate value

As delineated in Table 3 and Figure 1, a predominant proportion of pertinent articles considered for this study were published in 2022 (27 articles), with 2019 exhibiting the lowest count of articles (11). Correspondingly, the number of articles published in 2020 amounted to 13, in 2021 it totalled 26, and in 2023, the count was 19.

Table 3: Number of Articles Publish in Each Year.

Year	No of Paper
2019	11
2020	13
2021	26
2022	27
2023	19

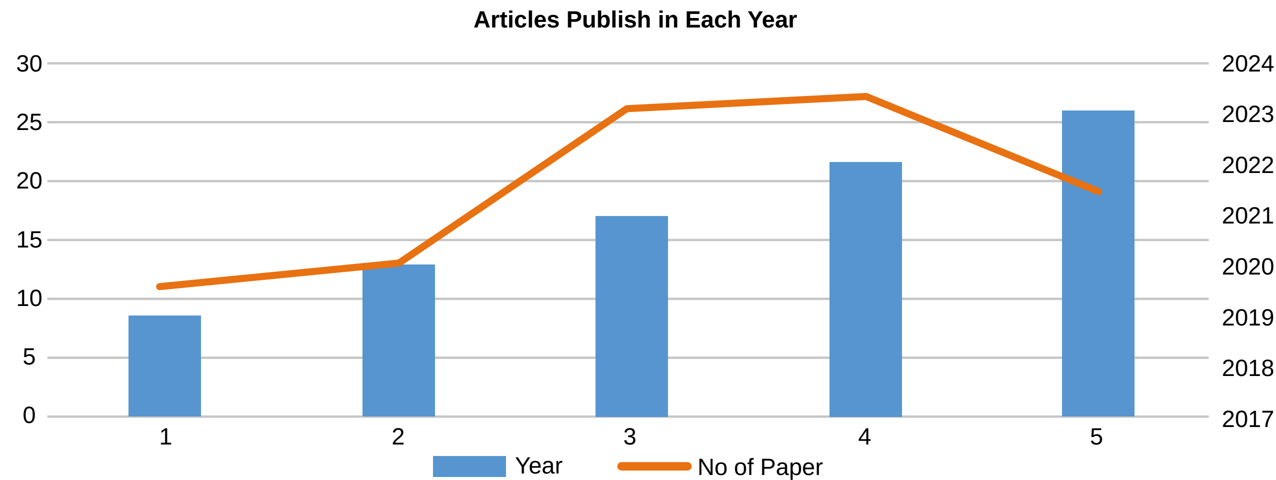

Figure 1: Number of Paper Publish in Each Year.

3. Literature Review Analysis

Environmental Performance

In the discourse of an organization's environmental performance, one contemplates diverse elements that influence its ramifications on the environment. This encompasses facets such as environmental understanding, awareness of ecological issues, and commitment to environmental well-being. The entity's grasp of environmental concerns, spanning the influence of its operations on natural resources, pollution, climate change, and ecological sustainability, constitutes the essence of environmental knowledge (Schoenherr, 2023). Possessing a profound comprehension of the environment empowers companies to discern potential risks and opportunities inherent in their environmental footprint. Conversely, environmental awareness implies a company's recognition of the importance of sustainable methodologies and its commitment to mitigating any adverse impact on the environment. To prioritize environmentally friendly practices, it is imperative to institute policies and procedures, embrace eco-friendly technologies, and actively seek avenues to curtail resource consumption and minimize waste generation (Juárez-Hernández, 2021). Moreover, environmental concern manifests as a genuine expression of a company's care for the environment, surpassing mere adherence to regulatory requirements. Entities prioritizing environmental concern exhibit a proactive stance in tackling environmental challenges. Their focus lies in investing in research and development to innovate products or services that align with environmentally friendly practices (Wu, Zhang, & Elliott, 2023). Furthermore, they engage in initiatives aimed at preserving and restoring natural resources. Various scholarly investigations have underscored that enterprises emphasizing environmental performance accrue manifold advantages. These encompass heightened operational efficiency via diminished resource consumption and reduced costs associated with waste management, an augmented reputation among environmentally conscious consumers, investors, and other stakeholders, and a diminished susceptibility to regulatory and legal risks (Singhania & Saini, 2022). Moreover, a robust environmental performance serves as a gateway to green markets, augments market share, and cultivates prospects for innovation and distinctiveness within the industry (Jensen & Whitfield, 2022).

Social and Governance Performance

Social performance encapsulates a firm's commitment to ethical behaviour, social responsibility, and active engagement with stakeholders. The enterprise undertakes initiatives that confer benefits not only upon its employees but also extend to its clients, communities, and other pertinent stakeholders. When organizations prioritize social performance, their objectives encompass ensuring equitable treatment of employees, fostering diversity and inclusion, contributing to community development, and engaging in philanthropic activities. Conversely, governance performance is concentrated on the effectiveness of an organization's internal controls, board mechanisms, and transparency in decision-making processes. This encompasses aspects like board independence, the existence of ethical guidelines and codes of conduct, practices in risk management, and the disclosure of pertinent information to stakeholders (Marić et al., 2023). Ample research consistently underscores a positive correlation between social and governance performance and financial performance. Organizations exhibiting proficiency in these domains typically experience an elevated likelihood of attracting and retaining a skilled workforce, cultivating robust relationships with clientele, and establishing a favourable industry image. Moreover, they exhibit more robust risk management strategies that may yield superior financial outcomes and diminished expenses associated with legal and compliance matters. Furthermore, when organizations implement authentic governance practices such as transparency in reporting and accountability for their actions, it can result in elevated market values and enhanced trust from investors. An increasing number of investors are recognizing that social and governance factors serve as crucial indicators of an enterprise's capacity to endure and prosper in the long term (Kutty et al., 2022).

Financial Constraints and Corporate Value

In the pursuit of securing financial resources for investment endeavours, companies may confront financial constraints, denoting inherent limitations. Elements such as elevated indebtedness, restricted cash flow, challenges in accessing capital markets, or prioritization of alternative financial obligations can precipitate the emergence of these constraints (Machokoto, Areneke, & Ibrahim, 2020). In instances where a company contends with financial constraints, its capacity to invest in sustainability projects may be compromised, consequently impacting its overall ESG performance. Entities facing financial limitations may encounter difficulties in allocating adequate resources for the initiation and maintenance of sustainable practices, thereby influencing their environmental performance, social initiatives, and governance practices (Choi et al., 2021). However, scholars have examined inventive financial methodologies aimed at mitigating these constraints. One illustrative instance is the deployment of green bonds, offering companies access to funds earmarked exclusively for environmentally sustainable initiatives. Alternatively, the adoption of sustainability-linked loans presents another approach, wherein the interest rate is tethered to the firm's ESG performance (Hasan, Lobo, & Qiu, 2021). This framework establishes inducements for firms to enhance their sustainability practices. Through the utilization of these financial instruments, companies can synchronize their financial objectives with their sustainability aspirations, effectively addressing financial constraints and concurrently fostering ESG performance. The interplay between financial constraints and corporate value is intricate. While financial constraints may curtail a company's immediate investment capabilities, research has evidenced that adept management of ESG performance can be conducive to the creation of long-term value (Sun et al., 2023). Through the incorporation of ESG considerations into their strategic decision-making frameworks, firms can elevate their standing, allure socially responsible investors, mitigate risks, and discern novel market opportunities. These resultant effects ultimately contribute to the comprehensive corporate value and sustainability of the company (Chi et al., 2023).

Chinese Listed Firms (CLFs)

Chinese listed firms (CLFs) function within a unique business environment moulded by diverse elements, encompassing governmental policies, ownership configurations, industry attributes, and cultural impacts. The ascendancy of China as the preeminent emerging market globally has intensified scrutiny on ESG performance and sustainability practices within the purview of CLFs (Jiang et al., 2022).

Government policies wield considerable influence in moulding the ESG terrain for CLFs in China. Regulatory initiatives and guidelines instituted by the government are geared towards fostering sustainable development, environmental conservation, and social responsibility. Frequently, these policies incorporate specific targets and incentives intended to stimulate CLFs to embrace sustainable practices and augment their ESG performance (Huang et al., 2023b).

The ownership configurations prevalent within CLFs may carry ramifications for both ESG performance and corporate value. Notably, state-owned enterprises (SOEs) constitute a significant proportion of the listed firms in China (Ding et al., 2022). Inquiries into the impact of government ownership on ESG performance have produced divergent outcomes. Certain studies propose that government ownership could impede

ESG performance, attributing it to potential conflicting priorities. Conversely, an opposing perspective posits that SOEs may adeptly harness government backing and resources to effectively institute sustainable practices (Sha, Kang, & Wang, 2020). Industry attributes are integral in configuring the nexus between ESG performance, financial constraints, and corporate value within CLFs. Varied sectors confront distinctive sustainability challenges and regulatory mandates (Wu et al., 2023). As an illustration, sectors characterized by high energy consumption may encounter heightened scrutiny to address environmental considerations, whereas service-oriented industries might emphasize social initiatives. Discerning the unique industry context is imperative for a nuanced analysis of the influence of ESG performance and financial constraints on corporate value within CLFs (Xu et al., 2023a).

Cultural factors, ingrained in traditional values and societal expectations, exert a considerable influence on ESG performance within CLFs. Chinese culture, characterized by an emphasis on harmony, social responsibility, and long-term perspectives, imparts a distinctive imprint on firms' orientations toward sustainability and their dedication to social and environmental considerations (Hou et al., 2023). Scholarly inquiry has delved into the influence of cultural factors on propelling ESG performance and corporate value within CLFs. An all-encompassing consideration of these factors furnishes a comprehensive comprehension of the distinctive business milieu within which CLFs function, elucidating the interplay between ESG performance, financial constraints, and corporate value in the Chinese market.

Government Regulations (Moderator)

Government regulations assume a crucial moderating role in influencing the association between ESG performance and corporate value. Governments on a global scale have acknowledged the importance of addressing environmental and social challenges through policy interventions and regulatory frameworks (Mathivathanan, Kannan, & Haq, 2018). Their objective is to incentivize companies to embrace sustainable practices, alleviate environmental and social risks, and enhance their comprehensive ESG performance through the establishment of legal mandates and the provision of incentives. Government regulations pertaining to ESG encompass a diverse array of domains. Environmental regulations may centre on emission standards, mandates for waste management, initiatives for water conservation, and measures for the preservation of biodiversity (Maybee et al., 2023). Social regulations may encompass labour standards, human rights, diversity and inclusion, and community engagement, while governance regulations could address corporate transparency, board composition, executive compensation, and anti-corruption measures. These regulatory frameworks typically mirror societal concerns, global commitments such as the Sustainable Development Goals, and evolving sustainability issues (Ebolor, Agarwal, & Brem, 2022).

More stringent environmental regulations can impact the ESG performance of a firm by imposing legal mandates to diminish pollution, preserve resources, and mitigate environmental footprints. Enterprises situated in areas characterized by robust environmental regulations are more inclined to invest in clean technologies, embrace sustainable production methodologies, and institute stringent environmental management systems (Thapa & Camtepe, 2021). Scholarly investigations have indicated that such enterprises tend to attain elevated levels of environmental performance and progressively enhance their financial standing. Government incentives can similarly propel companies to adopt sustainable practices and augment their ESG performance. Firms meeting or surpassing specified ESG criteria may be eligible for incentives such as tax benefits, grants, subsidies, or preferential treatment (Jang, Kang, & Kim, 2022). Governments may provide tax credits as a means to incentivize investments in renewable energy projects, research and development in sustainable technology, or the implementation of energy-efficient processes. These incentives can furnish financial backing to firms, endowing them with a competitive edge, thereby fostering innovation and elevating their ESG performance (Liang, Lee, & Jung, 2022).

Government regulations also play a role in enhancing corporate governance practices, constituting a fundamental facet of ESG performance. Regulations related to board independence, directorial responsibilities, shareholder rights, and disclosure requirements contribute to the augmentation of transparency, accountability, and ethical conduct within firms (Hansson et al., 2019). Through the implementation of sound governance practices, governments aim to safeguard the interests of diverse stakeholders and cultivate trust within the business community. Companies adhering to these governance regulations are inclined to augment their ESG performance and attract investors actively seeking responsible and well-governed entities (Pather et al., 2020).

CEO Leadership (Moderator)

The leadership approach employed by a Chief Executive Officer (CEO) holds considerable significance in delineating a company's emphasis on its ESG (Environmental, Social, and Governance) performance and its subsequent impact on the overall valuation of the firm. As the paramount executive authority, the CEO wields the authority to delineate the organization's strategic trajectory, values, and priorities (James, Borah, & Lirely, 2022). Their leadership approach, personal ethos, and dedication to sustainability exert a substantial impact on the firm's ESG performance and its assimilation into the comprehensive business strategy. CEOs who accord prominence to ESG considerations are prone to infuse sustainability into the core values, vision, and decision-making processes of the firm. Their commitment to sustainability is frequently steered by personal convictions, awareness of long-term risks and opportunities, and external pressures from stakeholders (Lu & Wang, 2021). Empirical studies indicate that the commitment of a CEO to sustainability exerts a positive influence on ESG performance, leading to enhancements in the firm's reputation, investor confidence, and the creation of long-term value (Chiu & Walls, 2019). The leadership of the CEO plays a pivotal role in instigating cultural transformations within the organization. They contribute to the promotion of sustainability as a collective value and guiding ethos. CEOs who accord precedence to sustainability initiatives cultivate a culture infused with responsibility, transparency, and accountability throughout their company (Tjahjadi, Soewarno, & Mustikaningtiyas, 2021). They adeptly communicate the significance of ESG performance, establish performance benchmarks, and allocate resources to bolster sustainability initiatives. This style of leadership instils a sense of purpose among employees, aligning their conduct with the sustainability objectives of the firm.

Empirical investigations consistently underscore the favourable influence of CEO leadership on ESG performance across a spectrum of industries and nations. Research within the banking sector suggests that banks led by CEOs prioritizing sustainable and responsible banking practices exhibit superior ESG performance, diminished risk exposure, and augmented financial performance (Wang et al., 2021). Research in the manufacturing sector indicates that companies led by sustainability-focused CEOs tend to adopt environmentally friendly technologies, reduce waste, and enhance energy efficiency.

Innovation and Technology (Independent Variable)

The correlation between ESG performance and corporate value is markedly shaped by innovation and technology. Firms that invest in environmentally sustainable technologies and inventive solutions have the potential to enhance their social and environmental footprint, thereby contributing to an augmentation in their overarching corporate value (Liu et al., 2021).

Companies can leverage innovation and technological advancements to formulate and implement sustainable practices and solutions. Through the adoption of eco-friendly technologies, such as renewable energy systems, energy-efficient methodologies, waste reduction technologies, and sustainable materials, corporations can mitigate their environmental impact. The integration of these technologies facilitates a reduction in resource consumption, a decrease in greenhouse gas emissions, and an enhancement in waste management practices (Hemalatha et al., 2023). Companies can improve environmental performance, comply with regulations, save costs, and enhance operations by adopting eco-friendly technologies. Additionally, innovation and technology can address social issues, as seen in advancements in supply chain management, traceability systems, and labour monitoring tools, fostering responsible sourcing, fair labour conditions, and human rights protection. Utilizing digital technologies and platforms enables firms to engage with stakeholders transparently, fostering collaboration towards social impact (Borah, Iqbal, & Akhtar, 2022). Companies, through innovative ideas, can enhance community well-being, foster inclusivity, and drive positive social advancement. Research consistently demonstrates that companies embracing innovative and sustainable technologies often experience positive outcomes in financial performance and overall corporate value (Chen et al., 2019). Organizations can achieve cost savings through the adoption of eco-friendly technologies, leading to diminished resource consumption, lower energy expenditures, and heightened operational efficiency. Additionally, companies demonstrating robust environmental and social performance frequently gain a bolstered reputation, increased brand value, and heightened customer loyalty. These elements collectively contribute to elevated market valuations, expanded access to capital, and enhanced financial returns, thereby exerting a positive influence on corporate value (Chang et al., 2023).

Supply Chain Management (Mediator)

Indeed, proficient supply chain management practices function as a mediating factor in delineating the

association between ESG performance and corporate value. By engaging in sustainable and responsible sourcing practices and fostering collaboration with suppliers, supply chain management positively influences the reputation and operational efficiency of a firm, thereby contributing to an augmentation in corporate value (Bai & Zhang, 2022). The strategic selection of suppliers and partners adhering to environmental and social standards represents a pivotal facet of supply chain management termed as sustainable and responsible sourcing. Prioritizing sustainable sourcing enables organizations to ensure the environmental responsibility of their supply chains, preventing harm to ecosystems, biodiversity, and natural resources (Dzebo & Adams, 2023). Sustainable sourcing goes beyond environmental considerations, encompassing social factors like labour rights, fair trade, and ethical business practices. Partnering with suppliers upholding these values allows firms to foster positive social outcomes, including enhanced labour conditions, community development, and human rights respect. Such sustainable sourcing practices contribute positively to a firm's environmental and social performance, thereby bolstering its reputation. Consumers and stakeholders increasingly esteem and endorse companies prioritizing sustainable sourcing, aligning with their environmental and social considerations. Entities adopting sustainable sourcing practices are perceived as responsible and dependable, fortifying their brand reputation and fostering customer loyalty. This favourable reputation, in reciprocity, augments corporate value by attracting clientele, investors, and business collaborators with a predisposition towards ESG considerations (Yang, 2023).

Supplier engagement represents an essential facet of supply chain management that functions as a mediating factor in the association between ESG performance and corporate value. The collaborative involvement of suppliers is imperative for instigating sustainable practices across the entirety of the supply chain (Bhamidipati & Hansen, 2021). Companies that proactively participate and cooperate with their suppliers to foster ESG performance promote the adoption of conscientious practices, encompassing waste reduction, enhanced energy efficiency, and the implementation of social responsibility initiatives. Initiatives for supplier engagement may encompass training programs, audits, certifications, and collaborative endeavours focused on sustainability projects (Xu et al., 2023b). Proficient supply chain management practices, incorporating sustainable sourcing and supplier engagement, concurrently enhance operational efficiency within the organization. Through the optimization of supply chain processes, waste reduction, and heightened transparency, companies can realize cost efficiencies, heightened productivity, and streamlined operations (Hong et al., 2020). Adopting sustainable sourcing practices, exemplified by local sourcing and the reduction of transportation distances, can substantively contribute to diminished carbon emissions and decreased logistics costs. The effective management of the supply chain positively influences financial performance, consequently augmenting corporate value (De Giacomo et al., 2019). Furthermore, the practices in supply chain management exert an influence on risk management within an organization. The proactive handling of environmental and social risks across the supply chain serves to mitigate potential disruptions, reputational harm, and legal liabilities. The strategic choice of suppliers adhering to ESG standards, coupled with continuous monitoring and evaluation, enables firms to identify and address potential risks at an early stage. This effective risk management approach contributes to enhanced financial performance and the long-term augmentation of corporate value (Dzebo & Adams, 2023).

Employee Engagement (Mediator)

Employee engagement significantly contributes to propelling corporate sustainability performance and serves as a mediator in the connection between ESG performance and corporate value. The active involvement, commitment, and alignment of employees with the organization's sustainability objectives yield various positive outcomes (Bai & Zhang, 2022).

Primarily, employees who are actively engaged are predisposed to embrace and execute sustainable practices within the organizational framework. By means of training, effective communication, and empowerment initiatives, employees can play an instrumental role in actively enhancing the organization's ESG performance (Lim & Lee, 2022). Engaged employees may propose and enact measures to reduce waste, enhance energy efficiency, and elevate social responsibility practices. Their active involvement and dedication to sustainability initiatives result in tangible enhancements to the organization's environmental and social performance, consequently positively influencing overall ESG performance (Shakil, 2021).

Secondly, employee engagement possesses the potential to shape the reputation and brand image of the firm. Engaged employees aligned with the organization's sustainability values and practices are predisposed to serve as advocates and ambassadors for the company (Ashfaq & Irum, 2021). They can proficiently convey the firm's sustainability endeavours to external stakeholders, encompassing customers, investors, and the community. Active participation in positive initiatives enhances the organization's image as a responsible and sustainable entity, potentially leading to increased customer loyalty, heightened brand value, and enhanced market differentiation (Tian & Robertson, 2019). A strong sustainability reputation significantly impacts a company's financial performance and enhances its long-term value. Employee engagement also cultivates an innovative culture, as committed employees are more prone to contribute ideas aligning with sustainability goals. Their dedication inspires innovation in product design, manufacturing processes, service delivery, and business models (Jamalnia, Gong, & Govindan, 2023). Through the promotion of employee creativity, organizations can devise novel and more sustainable products and services, thereby augmenting ESG performance and establishing a competitive edge in the market. Innovations spurred by engaged employees have the potential to positively influence the company's financial standing and elevate its corporate value.

Corporate Culture (Mediator)

The corporate culture assumes a pivotal role in delineating the impact of ESG performance on an organization's value. When a company fosters a corporate culture that emphasizes sustainability and ethical business practices, it establishes an environment wherein ESG considerations are ingrained in the company's values and daily operations. A robust corporate culture lays the groundwork for enduring decision-making and actions that impact all stakeholders, including employees. Those within a sustainability-oriented corporate culture are more inclined to embrace and align with the organization's ESG goals, consequently leading to enhanced ESG performance (Lu & Wang, 2021). This culture motivates employees to integrate ESG considerations into their daily tasks, resulting in improved environmental, social, and governance outcomes. For instance, a culture emphasizing energy conservation can prompt employees to actively pursue energy-saving measures and propose innovative solutions, reducing the organization's environmental footprint. Likewise, a focus on social responsibility may drive employees to participate in community initiatives, positively impacting the firm's social performance. Moreover, within an organization with a corporate culture prioritizing sustainability, employees are stimulated to become more engaged and committed. When employees perceive alignment with the organization's sustainability objectives and a sense of purpose, they are inclined to invest additional effort, time, and skills to enhance ESG performance (Shin, Moon, & Kang, 2023). Employee engagement can result in increased productivity, heightened innovation, and enhanced overall organizational effectiveness, thereby positively influencing the company's financial performance and corporate value. A culture fostering sustainability and responsible business practices also contributes to the organization's reputation and stakeholder relationships. In the contemporary business environment, stakeholders, including customers, investors, and business partners, esteem and endorse organizations that prioritize ESG considerations (Maltese & Zamparini, 2023). A robust sustainability culture builds trust, attracts like-minded stakeholders, enhances brand reputation, retains customers, secures capital, and increases market valuation, collectively elevating corporate value. Prioritizing sustainability in company culture influences decision-making, contributing to long-term value creation as it becomes an integral part of the business strategy (Medase, 2020). By incorporating sustainability considerations, decision-making processes ranging from product development to supply chain management and risk assessment are systematically evaluated. Organizations can discern opportunities, alleviate risks, and generate enduring value for all stakeholders by conscientiously weighing the long-term implications of decisions on ESG performance.

Stakeholder Pressure (Mediator)

Stakeholder influence is pivotal in moulding the association between ESG performance and corporate value. Customers, investors, employees, communities, and non-governmental organizations (NGOs) collectively exert substantial impact on a company's sustainability endeavours, reputation, and financial outcomes (Chin et al., 2022). The requisites, anticipations, and promotion of sustainable methodologies by stakeholders impose pressure on enterprises to elevate their ESG performance, consequently augmenting their corporate value. Customers, in particular, are progressively factoring a firm's ESG performance into their purchase deliberations. Consumer preferences are inclining towards companies that champion sustainability, ethical practices, and social responsibility (Toombs et al., 2021). Research has evidenced that firms integrating environmental and social considerations into their offerings, be it through eco-friendly alternatives or advocacy for fair trade, can attract and retain customers

with a predilection for environmental sustainability. Fulfilling customer expectations regarding sustainable products and services contributes positively to a firm's financial performance and market share (Mark, 2019).

Investors assume a pivotal role in mediating the interplay between ESG performance and corporate value. Increasingly, evidence suggests that investors view ESG factors as crucial markers of a firm's enduring value and risk characteristics. Notably, sustainable and responsible investment strategies have garnered prominence, with investors endeavouring to align their portfolios with ESG principles (Khaled et al., 2021). Corporations exhibiting robust ESG performance are prone to drawing in socially responsible investors who perceive sustainability as an indicator of sustained financial viability. Studies indicate that companies emphasizing ESG performance tend to incur reduced capital costs, enhanced capital accessibility, and improved financial outcomes over the long term (Capelli, Ielasi, & Russo, 2023). Employees, notably the younger demographic, assert influence on corporations to emphasize sustainability. Individuals seek employment opportunities in organizations aligning with their values and providing a sense of purpose. A company's commitment to ESG practices and a positive reputation in these domains typically attracts and retains talented employees. This can lead to increased productivity, greater employee satisfaction, and enhanced innovation. Furthermore, employee involvement in sustainability initiatives augments a firm's ESG performance, enabling effective addressing of environmental and social challenges (Veltri et al., 2023).

Communities & NGOs play a substantial role in exerting stakeholder pressure. Local communities influenced by a company's operations and activities, along with NGOs dedicated to environmental and social concerns, champion responsible business practices and hold companies responsible for their consequences (Zikargae, Woldearegay, & Skjerdal, 2022). Protests within communities, advocacy campaigns, and reputational harm arising from adverse environmental or social occurrences have a pronounced effect on a company's standing and financial standing. Companies that actively collaborate with communities and NGOs, attend to concerns, and exhibit a dedication to sustainable practices cultivate favourable relationships, alleviate risks, and augment corporate value (Camara et al., 2019).

In response to stakeholder pressure, corporations frequently partake in endeavours such as sustainability reporting, stakeholder engagement, and corporate social responsibility initiatives. These endeavours are undertaken with the objective of fulfilling stakeholder expectations, elevating transparency, and showcasing a dedication to sustainable development (Ton Nu Hai & Speelman, 2020). Studies reveal that companies actively addressing stakeholder pressure by augmenting their ESG performance encounter favourable outcomes, encompassing heightened reputation, enhanced brand value, augmented customer loyalty, and sustained financial prosperity in the long term (Huang et al., 2023a).

Table 4: Variables Operational Definitions.

Variable	Operational Definition
ESG Performance	The extent to which a firm demonstrates environmental responsibility, social impact, and governance effectiveness
Corporate Value	The overall worth or financial performance of a firm, including its market value, profitability, and long-term sustainability
Financial Constraints	The limitations or restrictions faced by a firm in obtaining financial resources for its operations and growth
Corporate Culture	The values, beliefs, and norms that shape the behaviour and decision-making processes within a firm
Supply Chain Management	The practices and strategies employed by a firm to manage its supply chain, including sourcing, supplier engagement, and sustainability considerations
Employee Engagement	The level of involvement, commitment, and alignment of employees with the firm's sustainability goals and initiatives
Stakeholder Pressure	The demands, expectations, and influence exerted by various stakeholders (e.g., customers, employees, communities, regulators) on a firm's sustainability efforts and practices
CEO Leadership	The role and actions of the CEO in driving and promoting sustainability initiatives within the organization
Government Regulations	The legal requirements and incentives set by the government to encourage firms to adopt sustainable practices and comply with environmental and social standards

Therefore, grounded in the literature and the preceding discussion, we posit the subsequent propositions and framework.

P1: ESG performance will significantly affect corporate value
P2: Corporate culture will mediates the relationship between ESG performance and corporate value
P3: Supply chain management will mediates the relationship between ESG performance and corporate value
P4: Employee engagement will mediate the relationship between ESG performance and corporate value
P5: Stakeholder pressure will mediates the relationship between ESG performance and corporate value.
P6: CEO leadership will moderate the relationship between ESG performance and corporate value
P7: Government regulations will moderate the relationship between ESG performance and corporate value.

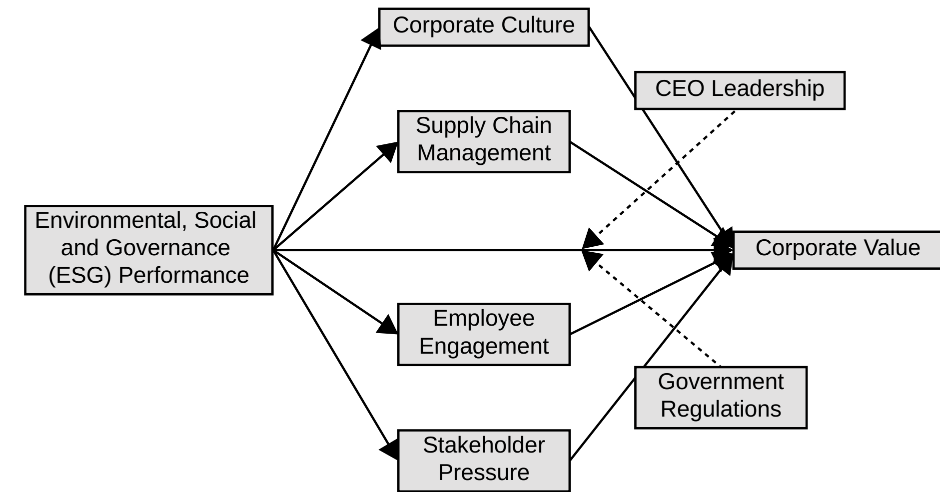

Figure 2: Proposed Framework.

4. Findings and Discussion

Following an exhaustive examination of the scholarly literature, which explored the nuanced connection between ESG performance, corporate value, and the pertinent factors influencing this relationship, a multitude of significant discoveries emerged. These findings offer valuable insights into the significance and complex interactions of various variables, particularly within the distinctive realm of CLFs.

Table 5: Future Research Questions.

Future Research Questions
How do different industry contexts influence the relationship between ESG performance and corporate value?
What are the long-term effects of ESG performance on corporate value in Chinese listed firms?
How do specific financial constraints impact the relationship between ESG performance and corporate value in different industries?
What are the specific mechanisms through which corporate culture mediates the relationship between ESG performance and corporate value?
What are the effective strategies for promoting employee engagement in driving ESG performance and enhancing corporate value?
How do different types of stakeholder pressures impact the relationship between ESG performance and corporate value?
What are the specific leadership behaviours and strategies employed by CEOs to drive and promote ESG performance in Chinese listed firms?
How can government regulations be further optimized to enhance the relationship between ESG performance and corporate value?

P1: Environmental, Social, and Governance (ESG) performance significantly affects corporate value:

Research conducted on Chinese listed firms consistently supports the influence of ESG performance on corporate value. The literature consistently indicates a robust positive correlation between corporate value and diverse facets of ESG performance (Mohammad & Wasiuzzaman, 2021). Environmental performance, encompassing aspects such as energy efficiency, waste management, and carbon footprint reduction, not only leads to cost reduction but also enhances a company's reputation and attractiveness to environmentally conscious consumers (Kruk et al., 2021). Likewise, social performance, which involves considerations such as employee well-being, community engagement, and human rights practices, contributes significantly to corporate value (Veltri et al., 2023). Chinese listed firms that prioritize social responsibility are more inclined to attract and retain top talent, cultivate favourable community relationships, and mitigate social risks, thereby

positively influencing their financial performance and corporate value (He et al., 2023). Governance performance, encompassing elements such as board diversity, executive compensation, and transparency, has been identified as a significant factor influencing corporate value. Companies exhibiting robust governance practices instil confidence among investors, uphold ethical standards, and adeptly manage risks, collectively enhancing their corporate value.

P2: Corporate culture mediates the relationship between ESG performance and corporate value:

Corporate culture assumes a pivotal role in moderating the connection between ESG performance and corporate value. Scholarly investigations propose that a resilient and sustainable corporate culture functions as a guiding influence that moulds employee conduct, decision-making procedures, and organizational practices associated with ESG initiatives (Wang et al., 2021). A corporate culture that champions sustainability, responsible business practices, and stakeholder engagement cultivates a collective commitment to ESG performance within the organization. Engaged employees are inclined to actively engage in sustainability initiatives, incorporate ESG considerations into their daily work, and contribute to the overall organizational performance. Consequently, Chinese listed firms fostering a positive corporate culture emphasizing ESG principles witness enhanced ESG performance, subsequently contributing positively to corporate values.

P3: Supply chain management mediates the relationship between ESG performance and corporate value:

The connection between ESG performance and corporate value is influenced by proficient supply chain management practices. Positive impacts on a firm's reputation, operational efficiency, and risk management arise from sustainable and responsible sourcing, coupled with active engagement with suppliers (Yang, 2023). Chinese listed firms emphasizing sustainable supply chain management realize cost reductions related to waste, energy, and resource consumption. Through collaboration with suppliers committed to responsible practices, these firms uphold ESG standards across the entirety of the supply chain (Bai & Zhang, 2022). Implementing these practices elevates transparency, minimizes reputational risks, and fosters an improved ESG performance. Consequently, the resultant positive effects on corporate value manifest through heightened brand reputation, increased customer loyalty, and enhanced operational efficiency.

P4: Employee engagement mediates the relationship between ESG performance and corporate value:

Employee engagement acts as a crucial intermediary in the association between ESG performance and corporate value. Employees who are actively involved and supportive of a company's sustainability objectives play a pivotal role in propelling ESG performance and enhancing corporate value (Kim & Kim, 2020). When personnel exhibit heightened engagement, there is an increased propensity for their endorsement of sustainable practices, formulation of inventive solutions, and enthusiastic involvement in initiatives associated with ESG concerns. This elevated level of engagement serves to augment the execution and efficacy of ESG programs, thereby contributing to enhanced environmental and social performance outcomes (Veltri et al., 2023). Subsequently, these enhancements exert a positive influence on corporate valuation by attracting investors with a commitment to social responsibility, enhancing the perception of customers, and mitigating operational risks.

P5: Stakeholder pressure mediates the relationship between ESG performance and corporate value:

Stakeholder pressure assumes a substantial mediating role in the correlation between ESG performance and corporate valuation. Various stakeholders, encompassing customers, investors, regulatory bodies, and local communities, wield considerable influence over a company's ESG endeavours, thereby exerting a consequential impact on its reputation and financial performance (Ullah et al., 2022). Chinese publicly listed companies encounter escalating anticipations from stakeholders to contend with environmental and social concerns, manifest responsible governance, and generate enduring value with sustainability. The exigencies imposed by stakeholders impel these firms to embrace sustainable methodologies, enhance their ESG performance, and harmonize their strategic approaches with the preferences of pivotal stakeholders (Yadegaridehkordi et al., 2023). Conforming to these expectations yields a positive influence on corporate valuation through the augmentation of brand reputation, the attraction of investors with a commitment to social responsibility, and the establishment of enduring business partnerships.

P6: CEO leadership moderates the relationship between ESG performance and corporate value:

The leadership of CEOs assumes a pivotal moderating function in the nexus between ESG performance and corporate valuation. The dedication and initiatives undertaken by CEOs exert a substantial influence on the degree to which ESG performance is accorded priority within a corporation and its consequential impact on corporate value. CEOs who advocate for sustainability and proactively spearhead ESG initiatives within their organizations serve as catalysts for employee inspiration, establishment of a common vision, and the integration of sustainability into the strategic decision-making processes of the firm. Such leadership cultivates a sustainability-oriented organizational culture, stimulates innovation in environmentally friendly technologies, and propels advancements in ESG performance (Skarlicki et al., 2023). As a result, the influence of ESG performance on corporate valuation is fortified, culminating in amplified financial performance and heightened market competitiveness for Chinese publicly listed companies.

P7: Government regulations moderate the relationship between ESG performance and corporate value:

Government regulations assume a moderating function in the correlation between ESG performance and corporate valuation within Chinese publicly listed companies. Regulatory frameworks delineate legal mandates and furnish incentives for corporations to embrace sustainable practices (Debnath et al., 2023). Rigorous environmental regulations, exemplified by stringent standards, foster an atmosphere wherein firms are incentivized to prioritize ESG performance. Through the deployment of environmentally sustainable technologies, mitigation of emissions, and adept management of environmental risks, firms not only ensure regulatory compliance but also enhance their overall environmental performance. Consequently, the favourable effect on corporate value materializes via heightened operational efficiency, diminished regulatory risks, and an augmented perception among stakeholders.

Theoretical and Practical Implications

Theoretical Implications

This research enriches existing literature by providing a comprehensive insight into the relationship between ESG performance and corporate value in Chinese publicly listed companies. It enhances theoretical knowledge by identifying key themes, variables, and propositions. The study underscores the mediating influence of corporate culture, supply chain management, employee engagement, and stakeholder pressure, as well as the moderating effects of CEO leadership and government regulations. These findings contribute to a nuanced understanding of the mechanisms through which ESG performance impacts corporate value, establishing a theoretical foundation for future research, particularly in the context of Chinese listed firms, by integrating diverse theoretical perspectives and empirical evidence.

Practical Implications

The study's implications for Chinese listed firms aiming to boost corporate value through enhanced ESG performance include prioritizing positive corporate culture, adopting sustainable supply chain practices, actively engaging employees, and addressing stakeholder concerns. This involves clear communication of sustainability goals, employee training, and embedding sustainability in organizational values. Engaged employees, aligned with sustainability goals, can contribute to improved ESG performance, positively impacting corporate value. Acknowledging and addressing stakeholder pressure is essential for firms to proactively implement sustainable practices, improve relationships, and enhance reputation and corporate value. CEOs are urged to assume a proactive stance in steering ESG performance within their organizations. Through showcasing leadership and unwavering dedication to sustainability, CEOs possess the capacity to establish the organizational tone and guarantee the integration of ESG considerations into strategic decision-making processes. Additionally, policymakers are encouraged to institute regulatory frameworks that are conducive to and incentivize ESG performance within Chinese listed firms. The implementation of rigorous and diligently enforced regulations holds the potential to foster sustainability practices, establish an equitable business environment, and foster alignment between ESG performance and corporate value.

Limitations and Future Directions

Limitations

It is imperative to acknowledge the inherent limitations in this study. Relying solely on a literature review introduces the risk of bias in the selection of research papers and the interpretation of their findings. Despite conscientious efforts to encompass a diverse range of research, inadvertent omission of certain discoveries may have impacted the analytical outcomes. Furthermore, the research focalized on listed Chinese firms, potentially restricting the generalizability of the results to different contexts. The distinctive institutional and cultural attributes of the Chinese business milieu may have influenced the relationship between ESG performance and corporate value in ways distinct from other regions or industries. Thirdly, the study primarily delved into the correlation between ESG performance and corporate value, omitting consideration of other potential factors influencing corporate value. Subsequent research endeavours may contemplate the inclusion of supplementary variables, such as financial performance indicators, industry-specific factors, or firm-specific characteristics, to furnish a more exhaustive comprehension of the determinants of corporate value.

Future Directions

In light of the acknowledged limitations, several avenues for prospective research emerge. Firstly, empirical investigations should be undertaken to validate the postulations advanced in this study. Through the acquisition of primary data from Chinese listed firms, scholars can scrutinize the actual associations among ESG performance, corporate value, and the mediating and moderating elements discerned in the literature review. Moreover, the execution of comparative analyses spanning diverse regions and industries may enhance our comprehension of how the nexus between ESG performance and corporate value manifests across varied contexts. Such insights would contribute to an understanding of the influence exerted by institutional, cultural, and industry-specific factors on this relationship. Another avenue involves the initiation of longitudinal inquiries to probe the protracted impacts of ESG performance on corporate value. By longitudinally tracking the ESG practices and financial performance of firms over an extended temporal horizon, researchers can investigate the enduring nature of this relationship and discern any latent effects or time-dependent dynamics. Finally, qualitative investigations could delve more profoundly into the mechanisms by which mediating factors—such as corporate culture, supply chain management, employee engagement, and stakeholder pressure—exert influence on the correlation between ESG performance and corporate value. Employing methodologies such as interviews, case studies, or ethnographic approaches could provide a comprehensive understanding of the intricate processes and dynamics inherent in these interactions.

5. Conclusion

This extensive literature review furnishes empirical support for the substantive association between ESG performance and corporate value within Chinese publicly listed companies. It underscores the pivotal role of environmental, social, and governance performance domains in influencing corporate value. The review identifies various mediating factors such as corporate culture, supply chain management, employee engagement, and stakeholder pressure, along with two moderating factors—CEO leadership and government regulations. These revelations contribute to an enhanced comprehension of the intricate mechanisms by which ESG performance shapes corporate value. The study imparts practical implications for Chinese listed firms, advocating for the augmentation of corporate value through enhanced ESG performance, emphasizing the cultivation of a positive corporate culture, adept supply chain management, employee engagement, and constructive stakeholder relationships. Furthermore, the study delineates avenues for future research encompassing empirical inquiries, comparative analyses, longitudinal studies, and qualitative investigations to further scrutinize the relationship between ESG performance and corporate value in diverse contexts, thereby deepening our understanding of the underlying mechanisms at play.

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