International Journal of Finance, Accounting and Economics Studies, 5(2), 2024, 87-101.
Print ISSN: 2251-645X *Online ISSN: 2383-2517*

Islamic Azad University
Science and Research Branch
Faculty of Management and Economics

International Journal of Finance, Accounting and Economics Studies
JournalHomepage:https://sanad.iau.ir/journal/ijfaes

Impact of ESG Management on Financial Performance with an Emphasis on Trust and Reputation

Mohammad Reza Radfar*[1] Mansoureh Aligholi[2]

[1]*Assistant Professor, Department of Financial Management and accounting, South Tehran Branch, Islamic Azad University, Tehran, Iran* (Corresponding Author)

[2] *Associate Professor, Department of Business Management, Central Tehran Branch, Islamic Azad University, Tehran, Iran*

Submission date: 2024-03-04
Revised date: 2024-4-27
Accepted date: 2024-9-09
Available online: Summer 2024

Abstract:
ESG is one of the most important topics in recent years and paying attention to ESG has become a necessary issue in organizations. This research aims to investigate impact of ESG management on financial performance with an emphasis on trust and reputation. The research method is based on the objective, applied, and in terms of the implementation method, it is a descriptive survey, and the statistical population includes the shareholders of Parsian bank in Tehran Stock Exchange, and a sample of 384 people was selected using available sampling method and to collect the data of the research, a questionnaire tool was used and after confirming the validity and reliability, it was distributed among the sample size. Structural equation modeling and Smart PLS software were used to test the research hypotheses, and the results indicate that ESG has a significant impact on financial performance, trust and reputation. In addition, by the use of Sobel's test, it was determined trust and reputation play a mediating role in the impact of ESG on financial performance.

Keywords: Environment, Social, Governance (ESG), Trust, Reputation, Financial Performance

* Corresponding Author: mohamadr.radfar@gmail.com

1-Introduction

In 1981, the concept of sustainable development was first proposed in “Building a Sustainable Society,” published by Brown in the United States, and it was believed that it is necessary to control population growth, protect the resource base, and develop renewable energy to achieve sustainable development. However, in most industrial countries or developing countries, the financial economy continues to grow, but this has also led to serious ecological and environmental problems. Ecological problems that cannot be ignored harm the sustainable development of social economy (Wang and Luo, 2020). Environmental, social, and governance (ESG) is a concept of responsibility that takes into account corporate earnings and social value and promotes sustainable corporate development through non-financial returns and other related values (Alsayegh et al., 2020). At present, academic research on the influencing factors of ESG is still in the exploratory stage. Within firms, poor financial performance can prevent firms from improving their environmental performance (DasGupta, 2022). Outside the enterprise, government supervision is an important factor affecting the daily operations of the enterprise. Government regulation is manifested in the political system (legal framework and corruption), labor system (labor protection and unemployment rate), and cultural system (social cohesion and equal opportunities). These systems have a significant impact on corporate ESG performance and play different roles (Baldini et al., 2018; Qian and Yu, 2024). Over the past two years, there has been a growing focus on ESG research. In this context, the impact of ESG factors on company operations has attracted increasing attention (Xu, 2022). According to a 2018 global survey, more than half of global asset owners are currently implementing or evaluating ESG considerations in their investment strategy (Ahlstrom and Monciardini, 2022). The notable rise of ESG is demonstrated by the fact that socially responsible investment has risen globally more by than 34% since 2016, and “in the last two decades ESG integration has grown by 60%” (Umar et al., 2020). However, ESG practices come with specific costs and externalities, and they may conflict with a company’s economic interests. Nevertheless, with the emergence of climate change, the crisis of greenhouse and ecological diversity, and other public issues, environmentally friendly investments have become a necessary objective, leading to the demand for sustainable development (Li and Feng, 2022). ESG emphasizes that in addition to protecting the interests of shareholders, companies should also protect the rights and interests of stakeholders such as employees and the public to promote the overall well-being of society (Fan et al., 2024). According to the neoclassic theory of Friedman (2007), there is a negative relationship between ESG and financial performance, because ESG practices could increase costs, harm corporate performance and impair competitive advantage. In this sense, some scholars claim that social and environmental objectives would detract managers from aiming to increase shareholder value. In line with the neoclassic theory, the satisfaction of stakeholder groups other than shareholders may negatively affect profit maximization and value creation for owners and managers (Galant and Cadez, 2017; Kusi et al., 2018). While bank regulators, managers and investors have traditionally focused on financial risks, new emerging risks related to ESG aspects pose a threat to the financial system and to the real economy, pushing an increasing number of bank stakeholders to demand more effective ESG strategies and

ESG risk management practices, in an attempt to make banks more resilient, sustainable and capable to face such a type of risks (Cantero-Saiz et al., 2024).

To put it simply, the assets of a company are the funds the firm has and estimates that will be useful to the company in the future. Cash on hand and accounts receivable are the most typical examples of monetary assets. Stock, land, buildings, and machinery are some examples of intangibles that cannot be converted into cash. There are also intangible assets that cannot be physically touched, such as patents, trademarks, and copyrights. Companies can only function as intended if their owners have legal title to the company's assets. All the parts of an organization's assets, liabilities, and equity must work together for the business to succeed. It is common to practice measuring the success of an investment by the rate of return on its shares. But contrary to the efficient market idea, studies have demonstrated that markets are reluctant to absorb publicly available information. Sales and profit growth rates are also crucial yardsticks of success (Zhu et al., 2022; Wang and Shafiq, 2024). Financial performance measures how well a company's strategy and operations are carried out and it may fully capture the impact of cost management, asset management, funding allocation, and the make-up of shareholders' equity return rate (Wang et al., 2021).

As the economic environment changes rapidly, financial performance remains a crucial aspect of planning and development for the financial sector. In the modern global economy, the use of traditional techniques that only involve financial criteria in the evaluation of financial performance has been associated with problems and has made the need to pay attention to non-financial criteria even more noticeable. Paying attention only to financial criteria in order to promote and improve financial performance is absolutely not enough. In this competitive age where businesses are facing the risk of collapse at any moment, only companies and organizations succeed in survival, growth and development that, along with financial indicators, pay attention to non-financial variables and criteria that directly affect financial performance (Radfar and Darabi, 2021). In recent years, environmental performance, social responsibility and corporate governance (ESG) have become increasingly relevant for banks and financial industries. ESG issues are not only an ethical question but also becoming an economic matter as they have a basic influence on economic stability. Studies on the relationship between ESG disclosure and financial performance have provided conflicting findings. Many studies have demonstrated a positive relationship in developed and developing countries while other studies have tested no significant relationship between ESG and financial performance. Conflicting results are explained by the need for additional measures to integrate sustainability policies into operational activities. The relationship between ESG dimensions and performance is more complex than a simple cause-and effect link. Hence, each element of ESG strategy needs to be further investigated as significant relationships could be expected between the individual ESG dimensions and financial performance. This study makes a significant contribution to the pool of literature examining the impact of ESG performance and financial performance as the existing literature on this topic is very limited. In recent years, managers are increasingly placing emphasis on ESG indicators to communicate their commitment to sustainability goals, engaging in ESG-related activities to enhance their reputation and financial performance. In particular, the relationship between ESG policies and financial performance has been explored in depth from theoretical and empirical perspectives but there are few studies focusing on ESG strategies in Iran. We aim to fill this gap by investigating impact of ESG management on financial performance with an emphasis on trust and reputation in Parsian bank, so the main question of this research defines as: What is the impact of ESG management on financial performance with an emphasis on trust and reputation? So the article tries to gather these points to reach a comprehensive view of ESG and financial performance among trust and reputation.

2- Literature review and hypotheses development

2-1- Environment, Social, Governance (ESG)

The interest in responsible investment is assumed to have developed where investors' demands are rising for heightened transparency and disclosures with regards to how and where their funds are being invested. According to United Nations Principles of Responsible Investment UNPRI (2021), "responsible investment is a strategy which seeks to incorporate environmental(E), social(S) and governance(G) ESG factors into investment policies, decisions and ownership in a bid to generate sustainable risk-adjusted returns" (Chininga and Alhassan, 2023). The Environmental (E) factor involves actions related to the external environment, aiming to improve environmental performance across business operations (Kim and Kim, 2021; Litvinenko et al., 2022). This includes establishing sustainable management strategies through eco-friendly policies and integrating renewable energy management, which has garnered increasing interest from public-sector organizations in recent years (Tripopsakul and Puriwat, 2022; Hannan and Sutherland, 2015; Chang and Tsai, 2015). The Social variable denotes socially responsible activities within an organization aimed at contributing to the local community and stakeholders through cooperative relationships. In essence, it involves activities that contribute to the public interest and development (Drempetic et al., 2020). Governance has been a prominent subject of research for decades, exploring methods and strategies employed by corporations for organizational structure and control in pursuing strategic objectives (Handayani, 2019). Governance variables encompass management actions transparently fulfilling responsibilities as defined by laws and regulations within an organization (Ganesan et al., 2017). In other words, the ESG framework comprises three pillars: environmental, social, and governance. Environmental criteria consider a company's stewardship of the environment; social criteria examine how a company manages its relationships with human resources, customers, suppliers, and local communities; governance criteria address a company's management structure, executive compensation, internal controls, audits, and shareholder relations (Liu et al., 2023). The importance of the ESG paradigm for finance and the economy is growing rapidly. Both progressive and mainstream investors have been following the crescendo of ESG fever and are now driving the demand for a further understanding of ESG performance (Arvidsson and Dumay, 2022). ESG has gradually become an important window for interaction and communication between enterprises and stakeholders, and its influence on the business performance and sustainable development ability of enterprises has been continuously highlighted, which also makes it possible to reduce financing constraints through ESG practices (Zhu, 2014). Environmental, social, and governance (ESG) is a corporate evaluation standard and investment philosophy that focuses on the environmental, social, and governance performance of enterprises instead of their financial performance, reflecting how enterprises can contribute to sustainable development (Wang and Yang, 2024).

2-2- Financial Performance

Financial performance measures should support managerial decisions (Gelsomino et al., 2016) and be easy to use (Godinho and Veloso, 2013). Financial performance refers to the act of performing financial activity. In broader sense, financial performance refers to the degree to which financial objectives have been accomplished. It is the process of measuring the results of a firm's policies and operations in monetary terms. It is used to measure firm's overall financial health over a given period of time and can also be used to compare similar firms across the same industry or to compare industries or sectors in aggregation. It gives true reflection of return on investment, return on assets, value added, etc. Financial performance is a complex and multidimensional phenomenon, so it is difficult to find accurate ways to measure it (Jyoti and Chalotra, 2016). Financial performance include return on assets, return on equity, profit to revenue ratio, cash flow from operations, profit, return on investment, revenue growth, market share gained, productivity, effectiveness (i.e., sales growth and range of product or service growth), and efficiency (i.e., productivity and profitability growth). The other measure of firm performance include price per share (Al-Mamary et al., 2020).

2-3- Trust

Trust is a complex and multifaceted concept that varies across disciplines, making an all-encompassing definition challenging (Ambali and Begho, 2021). Trust is the susceptibility of one stakeholder to other partners' actions which manifests in enhanced resource exchange, increased access to valuable information, stronger relationships and reduced transaction costs in the face of risk and uncertainty (Gomez-Mejía ´ and Becerra, 2010). Trust is considered as an individual's confidence in an organization's commitment to performing mutually beneficial actions in the future (Lee et al., 2022; Suhartanto, 2019). This further highlights that trust is a fundamental strategic element for cultivating a positive reputation. An active role played by the trust can help a company gain respect, attain success, and strengthen its position in the eyes of both the public and the organization (Muflih, 2021; Park and Kim, 2019).

2-4- Reputation

In a literature review performed by Chun (2005), reputation has been characterized as an effective tool in managing the stakeholders' behavior towards an organization. Chun (2005) described such behavior as employee retention, customer satisfaction and loyalty, and attraction of good/efficient staff (Chun, 2005; Febra et al., 2022). According to Deephouse et al. (2016), firm reputation to an extent is based on the institutional theory in that it takes good reputation from firms to gain organizational legitimacy. This reasonable assertion further espouses that when firms, specifically, operating in manufacturing sectors adopt green production practices thereby full-filling stakeholder groups demand to preserve the environment in addition to meeting regulatory requirements earn goodwill which translates into legitimacy since these firms' behaviors are deemed acceptable in comparison with industry norms, assumptions and strategies. Several scholars have identified that firm reputation is multidimensional and that acquiring good reputation can come from social performance as well as from environmental performance (Fombrun, 2005; Baah et al., 2020).

In this section, a summary of previous researches is discussed. Candio (2024) investigated the relationship between ESG and financial performance and whether CSR attitude moderates this relationship. A panel data set with all the listed companies in STOXX Europe 600, covering the period 2012–2022 was built. Six measures of financial performance and three regression frameworks were considered for analysis. Overall, inconsistent patterns of effect are identified across ESG predictors and financial performance measures. The presence of a CSR committee was found to negatively moderate the effect of ESG score on ROA only, whereas an external auditor to the CSR report to negatively moderate it with share price. Cantero-Saiz et al., (2024) analyzed the relationship between ESG and bank asset quality and the moderating role of profitability. An international sample of 96 banks located in 33 countries were used and findings show the existence of a positive ESG - asset quality relationship, which can be even reversed for particularly high levels of profitability. Findings have important policy and managerial implications that banks should not only implement better ESG strategies, but also stabilize their financial performance, avoiding unsustainable short-term profits that could reverse the beneficial effects of ESG on asset quality. Lee et al., (2023) examined how implementing ESG (environment, social, and governance) principles at Incheon International Airport affects business performance. A comprehensive survey involving 323 airport users at Incheon International Airport was rigorously analyzed using a structural equation model (SEM). The findings revealed a robust positive correlation between ESG activities and business performance. Naeem et al., (2022) investigated whether the environmental, social, and governance (ESG) performances of corporations from environmentally sensitive industries affect their financial performance. Moreover, the study determines how the impact of ESG performance on the corporate financial performance of environmentally sensitive corporations differs between developed and emerging countries. Findings indicate that overall ESG performance of environmentally sensitive corporations has a significantly positive relationship with the return on equity and Tobin's Q of the corporations. Moreover, findings indicate that the impacts of the ESG performance of environmentally sensitive corporations on the financial performance are stronger in developed countries than emerging countries. This study contributes to the literature by adding a better understanding of the ESG–financial performance relationship, especially for the environmentally sensitive industries from both developed and emerging countries.

Based on theoretical foundations and background of the research, the following conceptual model is presented as a research model.

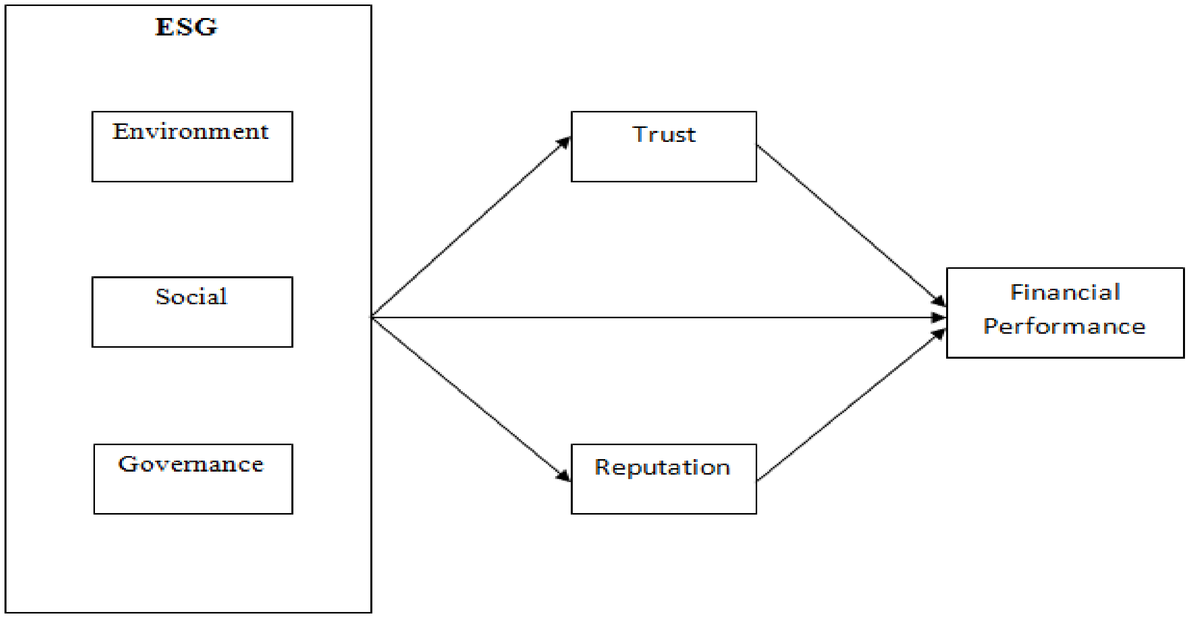

Figure 1- Conceptual framework of research

H1: Trust plays a mediating role in the impact of ESG on financial performance.

H2: Reputation plays a mediating role in the impact of ESG on financial performance.

H3: ESG has a significant impact on financial performance.

H4: ESG has a significant impact on trust.

H5: ESG has a significant impact on reputation.

H6: Trust has a significant impact on financial performance.

H7: Reputation has a significant impact on financial performance.

3- Methodology

This research is applied based on the purpose and descriptive survey in terms of the method of doing the work. The statistical population includes the shareholders of Parsian Bank in Tehran Stock Exchange and a sample of 384 people was selected using the available sampling method with the Cochran formula. A questionnaire containing 20 items was used to collect data, and its indicators were scored using a 5-point Likert scale. In this questionnaire, environment, social, governance and trust include 3 items and reputation and financial performance include 4 items. Experts and professors of the university helped to check the validity of the questionnaire and it was confirmed by applying correction comments and Cronbach's alpha was used to measure reliability.

Table 1- Result of Cronbach's alpha, CR & AVE

Variable	Number of Items	Cronbach's alpha	CR	AVE
ESG	9	0.886	0.906	0.520
Trust	3	0.908	0.942	0.845
Reputation	4	0.922	0.945	0.810
Financial Performance	4	0.868	0.911	0.719

Source: Research results

According to table (1), Cronbach's alpha for all variables is more than 0.7, so the reliability of questionnaire is confirmed. Also, according to table (1), composite reliability (CR) and average variance extracted (AVE) are confirmed.

4- Findings and Results

In this research, structural equation modeling with SmartPLS software is used to survey the research hypotheses. Using T-Value outputs in diagram (2), hypotheses are examined. The way of judgment is that if the significant of T-Value is greater than 1.96 or smaller than -1.96, the hypothesis is accepted.

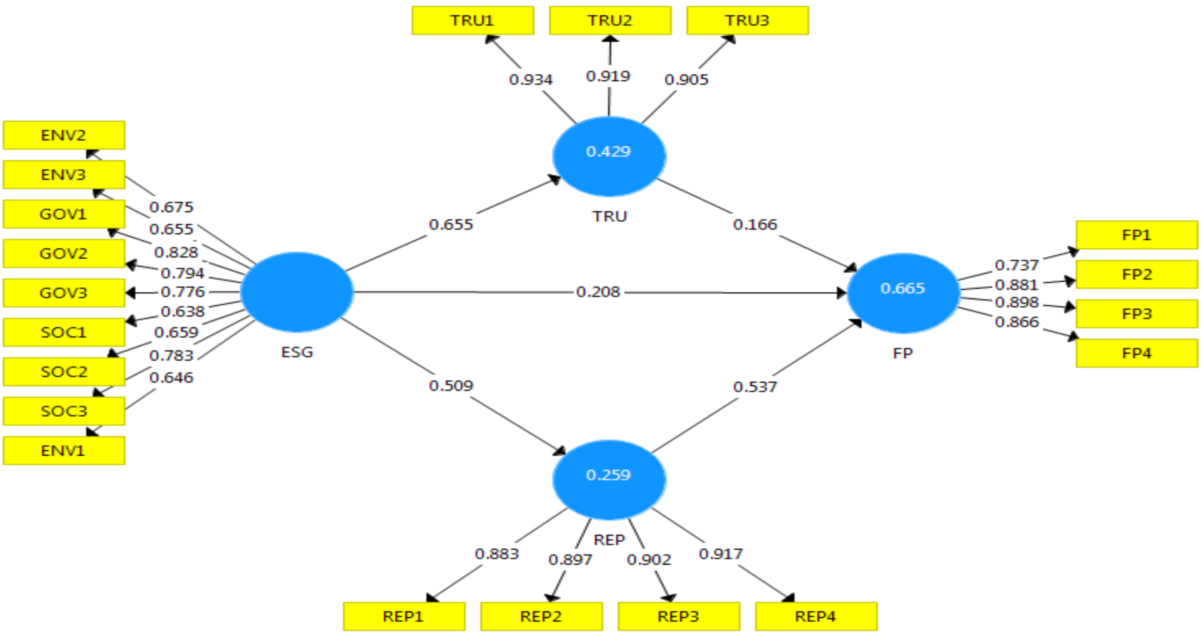

Diagram 1- The final structural model of the research with standard coefficients

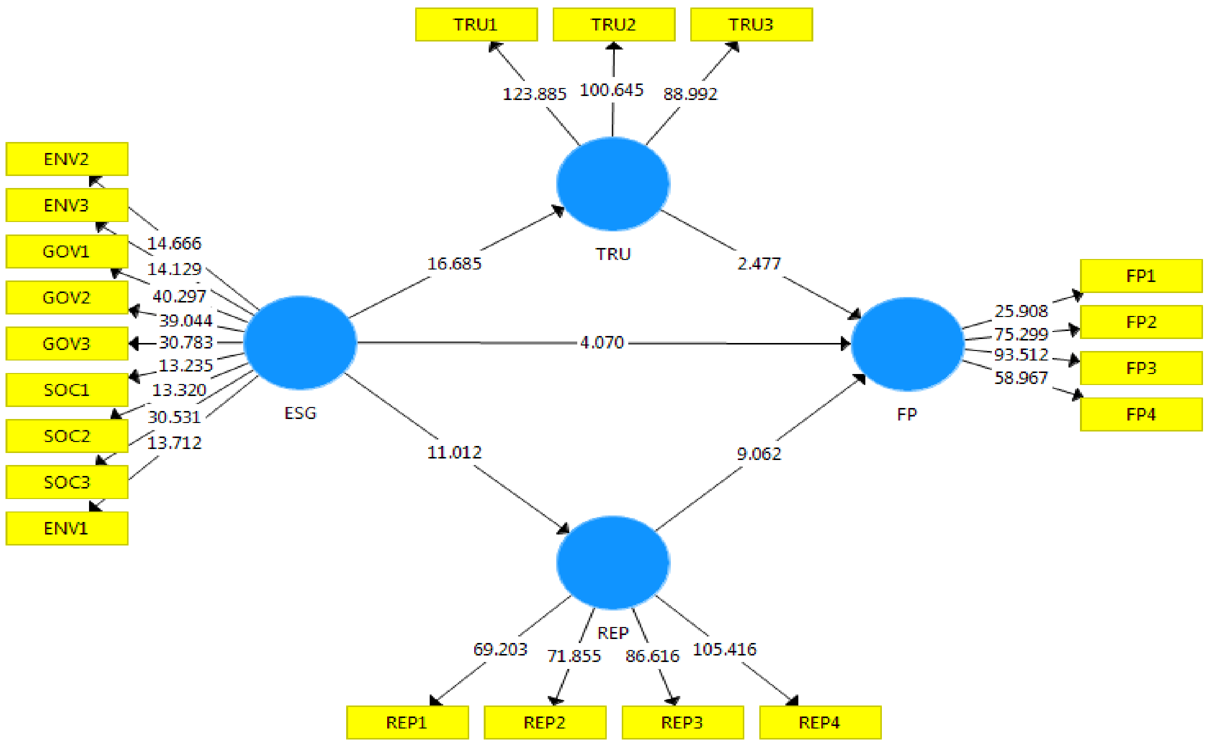

Diagram 2- The final structural model of the research with meaningful coefficients

According to diagram 2 and since the T-Value is equal to 4.070 and is more than 1.96, the third hypothesis of the research is accepted; meaning ESG has a significant impact on financial performance with a path coefficient of 0.208. Since the T-Value is equal to 16.685 and is more than 1.96, the fourth hypothesis of the research is accepted; meaning ESG has a significant impact on trust with a path coefficient of 0.655. Since the T-Value is equal to 11.012 and is more than 1.96, the fifth hypothesis of the research is accepted; meaning ESG has a significant impact on reputation with a path coefficient of 0.509. About hypothesis 6 and 7 we can say that because T-Value is equal to 2.477 and 9.062 and is more than 1.96, the sixth and seventh hypothesis of the research are accepted; meaning trust and reputation have a significant impact on financial performance with a path coefficient of 0.166 and 0.537.

Table 2- Result of direct hypothesis

Hypothesis	Path Coefficient	T-Value	Result
ESG ⟶ Financial performance	0.208	4.070	accepted
ESG ⟶ Trust	0.655	16.685	accepted
ESG ⟶ Reputation	0.509	11.012	accepted
Trust ⟶ Financial performance	0.166	2.477	accepted
Reputation ⟶ Financial performance	0.537	9.062	accepted

Source: Research results

The Sobel test is used to test the indirect hypothesis that has a mediating variable. The way to examine the hypothesis with a mediator variable is that if the effect of the independent variable on the mediator and the effect of the mediator on the dependent becomes significant at the same time, the role of the mediator will be confirmed and the indirect effect will be confirmed; According to the research models in the standard and significance mode and the Sobel test statistic, we draw conclusions regarding the rejection or acceptance of the hypothesis.

Table 3- Result of indirect hypothesis

Indirect hypothesis	Sobel test statistic	Result
ESG ⟶ Trust ⟶ Financial Performance	2.451	accepted
ESG ⟶ Reputation ⟶ Financial Performance	7.029	accepted

Source: Research results

According to Table 3 and since the value of the Sobel test statistic is equal to 2.451 and 7.029, the indirect hypothesis of the research is confirmed; meaning trust and reputation play a mediating role in the impact of ESG on financial performance.

The GOF index is used to evaluate the fitness value of the whole model. This test determines the overall quality of measurement and structural models. The higher the value of this index is, the higher the fit of the model, and the closer it is to zero, the lower the fit of the model. Three values of 0.01, 0.25 and 0.36 for GOF explain weak, medium and strong fit, respectively.

$$\mathrm{GOF} = \sqrt{\overline{\text{Communalities}} \times \overline{R^2}}$$

Table 4- Result of GOF index

Variable	R-Square	AVE
ESG	-	0.520
Trust	0.429	0.845
Reputation	0.259	0.810
Financial Performance	0.665	0.719
Average	0.451	0.723

Source: Research results

$$\mathrm{GOF} = \sqrt{\overline{\text{Communalities}} \times \overline{R^2}} = \sqrt{0.451 \times 0.723} = 0.571$$

As can be seen, the value calculated for the GOF index is 0.571 and it shows the strong fit of the overall research model; therefore, it can be concluded that the presented model has a good fit and the collected data have been able to cover the designed model and confirm the model with high power.

4- Conclusion

Rapid economic growth has resulted from the wide development pattern since the industrial revolution; nevertheless, this has also resulted in the over-exploitation of natural resources and severe environmental damage. Some studies have found that ESG activities enhance a company’s profitability, whereas others suggest that ESG practices can harm performance but it is worth noting that ESG performance has a significantly positive influence on company value. This research aims to investigate the impact of ESG management on financial performance with an emphasis on trust and reputation in Parsian bank. Among the limitations of the present research, we can mention the inherent limitations of the questionnaire and its completion. To achieve this goal, the structural equation modeling approach was used and after examining the direct hypotheses of the research, it was determined ESG has a significant impact on financial performance, trust and reputation with path coefficient of 0.208, 0.655 and 0.509. Also it was observed that trust and reputation have a significant impact on financial performance with path coefficient of 0.166 and 0.537. In addition, in the current research, Sobel's test was used to investigate indirect hypotheses and it was determined trust and reputation play a mediating role in the impact of ESG on financial performance. The results of this research are aligned with Lee et al., (2023). Based on results and since ESG improves trust and reputation and ultimately leads to better financial performance, it is suggested bank should form an independent committee to implement the principles of ESG as much as possible, and by investing in environmental issues, gain trust and improve its reputation and finally achieve higher financial performance and profitability.

References

Ahlstrom, H., Monciardini, D (2022). The regulatory dynamics of sustainable finance: paradoxical success and limitations of EU reforms. J. Bus. Ethics 177 (1), 193–212. https://doi.org/10.1007/s10551-021-04763-x.

Al-Mamary, Y.H. Alwaheeb, M.A. Alshammari, N. G. M. Abdulrab, M. Balhareth, H and Hela Ben Soltane (2020). The Effect of Entrepreneurial Orientation on Financial and Non-Financial Performance in Saudi SMEs: A Review. Journal of Critical Reviews · July 2020 DOI: 10.31838/jcr.07.14.35

Alsayegh, M. F., Abdul Rahman, R., & Homayoun, S. (2020). Corporate economic, environmental, and social sustainability performance transformation through ESG disclosure. Sustainability, 12(9), 3910.

Ambali, O.I. and Begho, T (2021). Examining the relationship between farmers' perceived trust and investment preferences, J. Int. Dev. 33 (8) (2021) 1290–1303, https://doi.org/ 10.1002/jid.3576.

Arvidsson, S., Dumay, J., 2022. Corporate ESG reporting quantity, quality, and performance: where to now for environmental policy and practice? Bus. Strat. Environ. 31 (3), 1091–1110. https://doi.org/10.1002/bse.2937.

Baah, C. , Opoku-Agyeman, D. , Acquah, I.S.K. , Issau, K. , Abdoulaye, F.A.M. (2020). Understanding the influence of environmental production practices on firm perfor- mance: a proactive versus reactive approach. J. Manuf. Technol. Manag.

Baldini, M., Maso, L. D., Liberatore, G., Mazzi, F., & Terzani, S. (2018). Role of country-and firm-level determinants in environmental, social, and governance disclosure. Journal of Business Ethics, 150, 79–98.

Candio, P (2024). The effect of ESG and CSR attitude on financial performance in Europe: A quantitative re-examination. Journal of Environmental Management 354 (2024) 120390

Cantero-Saiz, M. Polizzi, S & Scannella, E (2024). ESG and asset quality in the banking industry: The moderating role of financial performance. Research in International Business and Finance, 69 (2024) 102221

Chang, A.S.; Tsai, C.Y. (2015). Sustainable design indicators: Roadway project as an example. Ecol. Indic. **2015**, 53, 137–143.

Chininga, E. Alhassan, A.L (2023). ESG ratings and corporate financial performance in South Africa. Journal of Accounting in Emerging Economies. 14(23) DOI:10.1108/JAEE-03-2023-0072

Chun, R. (2005). Corporate reputation: Meaning and measurement. International Journal of Management Reviews, 7(2), 91–109. http://doi.org/10.1111/j.1468-2370. 2005.00109.x.

DasGupta, R. (2022). Financial performance shortfall, ESG controversies, and ESG performance: Evidence from firms around the world. Finance Research Letters, 46, Article 102487.

Deephouse, D.L. , Newburry, W. , Soleimani, A. (2016). The effects of institutional development and national culture on cross-national differences in corporate rep- utation. J. World Bus. 51 (3), 463–473 .

Drempetic, S.; Klein, C.; Zwergel, B. (2020). The influence of firm size on the ESG score:

Corporate sustainability ratings under review. J. Bus. Ethics **2020**, 167, 333–360.

Fan, Z., Chen, Y., Mo, Y (2024). Management myopia and corporate ESG performance. Int. Rev. Financ. Anal. 92, 103071.

Febraa, L. Costab, M and Pereira, F (2022). Reputation, return and risk: A new approach. European research on management and business economics 29 (2023) 100207

Fombrun, C.J. (2005). The leadership challenge: building resilient corporate reputations. Handb. Responsib. Leadersh. Gov. Glob. Bus. 54, 68 .

Galant, A. and Cadez, S. (2017), "Corporate social responsibility and financial performance relationship: a review of measurement approaches", Economic Research-Ekonomska Istrazˇivanja, Vol. 30 No. 1, pp. 676-693, doi: 10.1080/1331677X.2017.1313122.

Ganesan, Y.; Hwa, Y.W.; Jaaffar, A.H.; Hashim, F. (2017). Corporate governance and sustainability reporting practices: The moderating role of internal audit function. Glob. Bus. Manag. Res. **2017**, 9, 159–179.

Gelsomino, L.M., Mangiaracina, R., Perego, A. and Tumino, A. (2016), "Supply chain finance: a literature review", International Journal of Physical Distribution and Logistics Management, Vol. 46 No. 4, pp. 348-366.

Godinho, F.M. and Veloso, S.E. (2013), "From time-based competition (TBC) to quick response manufacturing (QRM): the evolution of research aimed at lead time reduction", The International Journal of Advanced Manufacturing Technology, Vol. 64 Nos 5-8, pp. 1177-1191.

Gomez-Mejia, L. R., Cruz, C., Berrone, P., & De Castro, J. (2011). The bind that ties: Socioemotional wealth preservation in family firms. Academy of Management Annals, 5(1), 653–707. https://doi.org/10.5465/19416520.2011.593320.

Handayani, M. (2019). The effect of ESG performance on economic performance in the high profile industry in Indonesia. J. Int. Bus. Econ. **2019**, 7, 112–121.

Hannan, S.; Sutherland, C. (2015). Mega-projects and sustainability in Durban, South Africa: Convergent or divergent agendas? Habitat Int. **2015**, 45, 205–212.

Jyoti, J., & Chalotra, A. K. (2016) Impact of Strategic Entrepreneurship on Financial Performance: A Study of Hosiery Industry in India. Sustainable Competitive Advantage: A Road to Success, pp.184-196.

Kim, K and Kim, Y (2021). Study of the Improvement plans of related to Environmental Factors (E) of ESG—Focused on Information Disclosure and Tax Regulations. Environ. Law Policy **2021**, 27, 55–91.

Kusi, B.A., Gyeke-Dako, A., Agbloyor, E.K. and Darku, A.B. (2018), "Does corporate governance structures promote shareholders or stakeholders value maximization? Evidence from African banks", Corporate Governance: The International Journal of Business in Society, Vol. 18 No. 2, pp. 270-288, doi: 10.1108/CG-09-2016-0177.

Lee, S.; Park, J.-W.; Chung, S. (2022). The Effects of Corporate Social Responsibility on Corporate Reputation: The Case of Incheon

International Airport. Sustainability **2022**, 14, 10930.

Lee, S. Park, J.W and Choi, D.R (2023). The Effects of ESG Management on Business Performance: The Case of Incheon International Airport. Sustainability 2023, 15, 16831. https://doi.org/10.3390/su152416831.

Li, Z., Feng, L (2022). Corporate ESG performance and commercial credit acquisition. Financ. Res. 48 (12), 151–165.

Litvinenko, V.; Bowbriñk, I.; Naumov, I.; Zaitseva, Z. (2022). Global guidelines and requirements for professional competencies of natural resource extraction engineers: Implications for ESG principles and sustainable development goals. J. Clean. Prod. **2022**, 338, 130530.

Liu, S. Jin, J & Nainar, K (2023). Does ESG performance reduce banks' nonperforming loans? Finance Research Letters, 55 (2023) 103859

Muflih, M. (2021). The link between corporate social responsibility and customer loyalty: Empirical evidence from the Islamic banking industry. J. Retail. Consum. Serv. **2021**, 61, 102558.

Naeem, N. Cankaya, S. Bildik, R (2022). Does ESG performance affect the financial performance of environmentally sensitive industries? A comparison between emerging and developed markets. Borsa _Istanbul Review 22-S2 (2022) S128–S140

Qian, S., & Yu, W. (2024). Green finance and environmental, social, and governance performance. International Review of Economics & Finance, 89, 1185–1202.

Park, E.; Kim, K.J. (2019). What drives "customer loyalty"? The role of corporate social responsibility. Sustain. Dev. **2019**, 27, 304–311.

Radfar, M.R. and Darabi, M (2021). Non-financial variables and financial performance, Hooshmand Tadbir Publications.

Suhartanto, D (2019). Predicting behavioural intention toward Islamic bank: A multi-group analysis approach. J. Islam. Mark. **2019**, 10, 1091–1103.

Tripopsakul, S.; Puriwat,W. (2022). Understanding the Impact of ESG on Brand Trust and Customer Engagement. J. Hum. Earth Future **2022**, 3, 430–440.

Umar, Z., Kenourgios, D., Papathanasiou, S (2020). The static and dynamic connectedness of environmental, social, and governance investments: international evidence. Econ. Modell. 93, 112–124. https://doi.org/10.1016/j. econmod.2020.08.007. Epub 2020 Aug 12. PMID: 32834335; PMCID: PMC7419258

Wang, L & Yang, L (2024). Corporate ESG performance and trade credit financing: Moderating effect of life cycle. Borsa Istanbul Review Volume 24, Issue 4, July 2024, Pages 818-827.

Wang Y. Z & Shafiq. A (2024). Green process innovation, green product innovation, leverage, and corporate financial performance; evidence from system GMM. Heliyon 10 (2024) e25819.

Wang, M. Li, Y. Li, J. Wang, Z (2021). Green process innovation, green product innovation and its economic performance improvement paths: a survey and structural model, J. Environ. Manag. 297 (2021), 113282, https://doi.org/10.1016/j.jenvman.2021.113282.

Wang, X., & Luo, Y. (2020). Has technological innovation capability addressed environmental pollution from the dual perspective of FDI quantity and quality? Evidence from China. Journal of Cleaner Production, 258, Article 120941.

Xu, Z (2022). Research on the impact of ESG performance on corporate value. Adv. Appl. Math. 11, 4313.

Zhu, H. Chen, Z. Zhang, S. Zhao, W. Zhu, H. Chen, Z. Zhang, S. Zhao, W (2022). The role of government innovation support in the process of urban green sustainable development: a spatial difference-in-difference analysis based on China's innovative city pilot policy, Int. J. Environ. Res. Publ. Health 19 (2022) 7860, https:// doi.org/10.3390/IJERPH19137860, 7860. 19 (2022).

Zhu, X. (2014). Corporate social responsibility and financing constraints: Empirical evidence from China's listed corporates. In Proceedings of 2014 International Conference on Education Technology and Social Science (pp. 67–71). Paris: Atlantis Press.

HOW TO CITE THIS ARTICLE:
Radfar.M R, Aligholi ,M (2024). Impact of ESG Management on Financial Performan with an Emphasis on Trust and Reputation , International Journal of Finance, Accounting and Economics Studies, 5(2): 87-101.

Journal homepage: https://sanad.iau.ir/journal/ijfaes