UNIVERSITAS ANDALAS

FACULTY OF ECONOMICS AND BUSINESS

ACCOUNTING DEPARTMENT

UNDERGRADUATE THESIS

THE LINK BETWEEN INSTITUTIONAL QUALITY AND CORPORATE SUSTAINABLE PERFORMANCE: AN ASEAN-5 EVIDENCE

By

AUDREY ODELIA
2210533045

Supervisor

Prof. Niki Lukviarman, SE., Akt., MBA., DBA.

Submitted in partial fulfilment of the requirements for the degree of Bachelor of Science in Accounting

PADANG

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<table>
<tr><td rowspan="2"></td><td>Alumna's Faculty Number:</td><td>AUDREY ODELIA</td><td>Alumna's University Number:</td></tr>
<tr><td colspan="3">BIOGRAPHICAL DATA
a) Place/Date of Birth: Padang, September 30th, 2004 b) Parent's Name: Andre Kasianus and Lumongga Roy Nathalie Sirait c) Faculty: Economics and Business d) Major: Accounting e) ID Number: 2210533045 f) Graduation Date: August 11th, 2026 g) Grade: Cumlaude h) GPA: 3,68 i) Length of Study: 4 Tahun j) Parent's Address: Dusun Karoniet, Kab. Kep. Mentawai, Sumatera Barat</td></tr>
</table>

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Thesis By: Audrey Odelia

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ABSTRACT

This study examines the effect of institutional quality on corporate sustainable performance, measured by environmental, social, and governance (ESG) scores, across ASEAN-5 countries from 2020 to 2024. Drawing on institutional theory, the study uses six World Governance Indicators, namely Political Stability, Voice and Accountability, Government Effectiveness, Regulatory Quality, Rule of Law, and Control of Corruption, to assess the institutional environment of 217 listed firms across Indonesia, Malaysia, the Philippines, Singapore, and Thailand. A balanced panel of 1,085 firm-year observations is analyzed using Fixed Effects and two-step System Generalized Method of Moments to address endogeneity and ESG persistence. Aggregate institutional quality is not statistically significant in either specification, reflecting institutional heterogeneity, limited temporal variation, and opposing effects across dimensions. At the dimension level, Government Effectiveness has a positive and significant effect on ESG performance in the static model, while Control of Corruption has a negative and significant relationship in both models. Economic growth and firm size are positively associated with ESG performance, whereas Tobin's Q shows a negative short-run relationship. The findings extend institutional theory to the ASEAN emerging market context and provide implications for governance-driven sustainability reform.

Keywords: Institutional quality, ESG performance, ASEAN-5, World Governance Indicators, corporate sustainability, emerging markets, institutional theory

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