

The Effect Of Country Level Esg And Firm Performance: Evidence From Mauritian Equity Markets

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Abstract

The purpose of the study investigated the impact of country level ESG on firms' performance from Mauritian equity markets. The study opted 30 publicly listed companies from the Stock Exchange of Mauritius from 2015 to 2022 with 306 panel data firm-year observations. Estimates stated that environment was negatively related to performance signifying that environment related actions might take longer to gain results for companies (Ergun et al., 2022). Meanwhile, a negative significant relationship was found between Governance score and profitability with the exception of non- financial companies. Due to conflicting stakeholder and management interests, ESG policies are threatened. Companies gained more income by investing in riskier projects thereby preventing companies from fulfilling the adoption of better ESG policies (Yen et al., 2022). This would be more relevant for the case of companies adhering to sustainability standards as they have recently introduced ESG as part of their activities and due to this, this brought into new conflicts between shareholder and management interests. Further, there was a negative relationship between ESG and profitability stipulating that the adoption of ESG standards compels institutions leads to more expenses and investment to meet social and environmental goals thereby lowering profitability. As per study, Mauritian companies have a tendency to associate the importance of ESG concept from the aspect of profitability. The study recommends that more policy measures from regulators and the Mauritian government should be implemented so as to encourage more companies to invest in ESG and sustainable activities thereby maximizing firm value and wealth.

Keywords: CSR; ESG; Mauritius; Stock Markets