 Qeios

Peer Review

Review of: "ESG Performance and Firm Financial Outcomes: A Cross-Country Analysis of Developed and Emerging Markets"

Paulo Vitor Souza de Souza[1]

1. Universidade Federal do Paraná, Brazil

The article presents a valuable contribution by addressing the relationship between ESG practices and financial performance in a cross-country context, with particular attention to the contrast between developed and emerging markets. The study stands out for the breadth of its dataset and the robustness of its methodological approach, especially through the use of two-stage least squares. However, there are several aspects that could be improved to strengthen the paper and make its contribution clearer.

The abstract is too long and detailed, which makes it lose focus. International standards usually recommend a more concise summary, limited to 200–250 words, emphasizing the objective, methodology, main findings, and practical implications, while avoiding methodological details such as the specification of 2SLS. The introduction identifies an important gap by highlighting the predominance of studies focused on developed markets, but this argument could be made more compelling by explaining in greater depth why emerging markets deserve more attention, for instance by discussing issues such as institutional heterogeneity, greenwashing risks, or compliance costs. The hypotheses are well formulated but remain too generic; they would gain strength if they were more directly connected to the literature and tailored to the differences between contexts.

The literature review is broad but often descriptive. A more critical articulation among the theories—stakeholder, resource-based view, agency, and institutional—would help clarify how each perspective explains different aspects of the ESG performance relationship. The methodology section is detailed but sometimes repetitive and unclear in key points, such as the justification for using Bloomberg ESG scores and for selecting industry-average ESG as the instrument in the 2SLS estimation, which may raise doubts

 doi.org/10.32388/0GQIIW

about its exogeneity. Furthermore, robustness checks such as the Hansen J test or the F-statistic for instrument strength should be explicitly presented.

The results section is rich but overloaded with numbers and lengthy tables, which makes it difficult for readers to identify the most important findings. Summarizing the results, transferring detailed tables to an appendix, and adding visual elements such as graphs or figures would make the discussion clearer and more impactful. The analysis of differences between developed and emerging markets is promising, but the interpretation remains superficial. Stronger connections should be drawn with institutional characteristics, such as regulatory enforcement, capital market maturity, or corporate culture, to strengthen the theoretical contribution.

Practical implications are present but still general. They could be made more concrete by offering clear recommendations: for instance, managers in emerging markets might prioritize environmental practices for immediate operational gains, regulators could focus on governance mechanisms to mitigate greenwashing risks, and investors in developed markets might treat social and governance factors as long-term value drivers. In addition, the paper lacks a dedicated section on limitations and directions for future research, which is expected in high-level academic studies. Recognizing limitations, such as reliance on a single database, exclusion of private firms, or the possibility of residual endogeneity, would enhance the credibility of the findings and open avenues for further inquiry.

Finally, the writing style, while generally clear, could be improved by reducing redundancies, especially in the methodology and variable descriptions, to make the narrative more concise and fluid. In summary, the article has significant strengths, particularly its large sample, robust methodology, and relevant focus, but would benefit from greater clarity and conciseness, stronger theoretical integration, deeper contextual discussion, explicit recognition of limitations, and more concrete practical implications.

Declarations

Potential competing interests: No potential competing interests to declare.