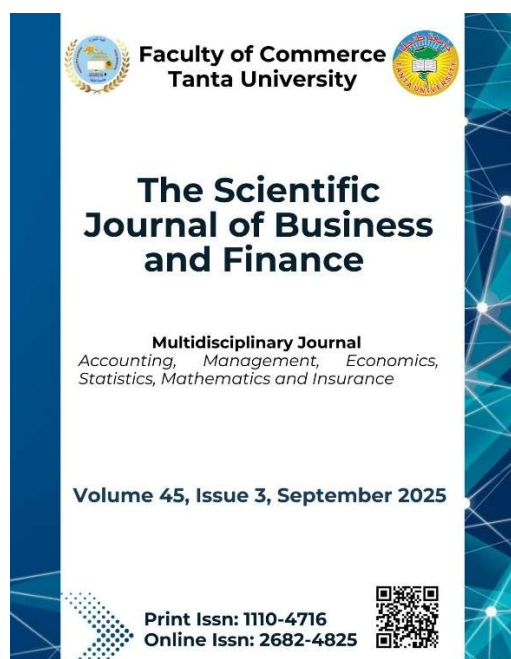




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Measuring the Long-Term Economic Impact of ESG Investing in Egypt: A Quantitative Study on Sustainable Finance and Financial Performance

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Measuring the Long-Term Economic Impact of ESG Investing in Egypt: A Quantitative Study on Sustainable Finance and Financial Performance

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Abstract

This study investigates the long-term economic impact of Environmental, Social, and Governance (ESG) investing in the Egyptian economy. Drawing on sustainable finance theory and stakeholder theory, the research develops a conceptual model linking ESG investment practices to long-term financial performance. Using a quantitative approach, data was collected from publicly listed firms on the Egyptian Exchange (EGX30) over a five-year period (2018–2023). Multiple regression analysis was employed to assess the relationship between ESG scores and financial indicators such as Return on Assets (ROA), Return on Equity (ROE), and market value. The findings indicate a statistically significant positive correlation between higher ESG scores and improved long-term financial performance. Additionally, institutional support and investor awareness were found to moderate this relationship. This study contributes to both academic literature and practical applications by offering empirical evidence specific to an emerging market context. Recommendations are provided for policymakers, regulators, and financial institutions seeking to promote ESG integration within national development strategies.

Keywords ESG investing ; sustainable finance ; corporate governance; financial performance ; institutional support ; investor awareness; Egypt.

1. Introduction

Environmental, Social, and Governance (ESG) investing has emerged as a pivotal mechanism for aligning financial decision-making with broader societal and environmental goals. This paradigm shift reflects a growing global awareness of sustainability challenges such as climate change, social inequality, and corporate accountability. In recent years, ESG investing has gained significant traction as a potential catalyst for economic transformation, particularly in developing economies like Egypt. As one of the largest

economies in the Middle East and North Africa (MENA) region, Egypt faces pressing developmental challenges, including high unemployment rates, rising public debt, and increasing pressure to meet international sustainability standards. These factors have prompted renewed interest in sustainable finance and ESG integration as tools for fostering resilient and inclusive growth.

Egypt's Vision 2030, which aligns closely with the United Nations Sustainable Development Goals (SDGs), emphasizes the need for economic diversification, inclusive growth, and environmental protection. Despite these strategic priorities, empirical studies examining the long-term economic implications of ESG investing remain limited, especially within the Egyptian context. Most existing research either relies on qualitative assessments or focuses on short-term impacts, leaving a critical gap in understanding how ESG investments influence long-term financial outcomes in Egypt's unique institutional and market environment.

1.1 Research Problem

One of the most pressing issues in contemporary financial research is the lack of comprehensive empirical evidence linking ESG investment practices to long-term financial performance, particularly in emerging markets like Egypt. While there is a growing body of literature suggesting that ESG integration can lead to improved financial resilience, reduced operational risks, and enhanced reputational capital, much of this research is based on data from developed economies or short-term analyses.

In Egypt, where the institutional framework for ESG reporting is still evolving and investor awareness remains relatively low, the impact of ESG practices on financial outcomes over time is not well understood. Existing studies often fail to consider key moderating variables such as institutional support and investor awareness, which play a crucial role in shaping the effectiveness of ESG strategies. Additionally, many firms struggle with quantifying and communicating their ESG performance due to the absence of standardized disclosure frameworks tailored to the local context.

As a result, stakeholders—including policymakers, regulators, investors, and corporate leaders—lack reliable empirical evidence to guide strategic decisions related to sustainable finance. This knowledge gap hinders the development of effective policies and investment strategies aimed at promoting ESG adoption and ensuring long-term economic stability.

1.2 Research Importance

This study addresses a critical need in both academic and practical domains by offering robust empirical insights into the long-term economic impact of ESG investing in an emerging market context. The findings will contribute significantly to the expanding

literature on sustainable finance and provide valuable guidance for various stakeholders in the Egyptian economy.

From an academic perspective, the study enriches theoretical frameworks such as stakeholder theory, legitimacy theory, and sustainable finance theory by applying them in a real-world setting and testing their relevance in predicting long-term financial outcomes. It also introduces institutional support and investor awareness as moderating variables, thereby advancing our understanding of the contextual factors that influence the ESG–performance relationship.

From a practical standpoint, the results offer actionable insights for companies seeking to integrate ESG principles into their business models to enhance long-term value creation. Firms with strong ESG performance are likely to attract institutional investors, enjoy better credit ratings, and reduce risk exposure. For policymakers and regulators, the findings underscore the importance of strengthening legal frameworks for corporate sustainability disclosures and promoting transparency and accountability in financial markets.

Furthermore, given Egypt’s aspirations to become a regional leader in sustainable development, this research supports national efforts to align with global sustainability standards and attract foreign direct investment. By demonstrating the tangible economic benefits of ESG investing, the study encourages greater collaboration between the public and private sectors in driving sustainable economic growth.

1.3 Research Objectives

The primary objective of this study is to investigate the long-term economic impact of ESG investing on financial performance in the Egyptian economy. Specifically, the research aims to:

- **Examine the Relationship Between ESG Investment and Long-Term Financial Performance**

To assess whether higher levels of ESG investment are associated with improved financial indicators such as Return on Assets (ROA), Return on Equity (ROE), and market value over a five-year period.

- **Investigate the Moderating Role of Institutional Support**

To evaluate how regulatory incentives, ESG reporting requirements, and governmental policies influence the strength of the relationship between ESG practices and financial outcomes.

- **Assess the Influence of Investor Awareness on ESG Impact**

To determine the extent to which investor education and engagement affect the effectiveness of ESG strategies in enhancing firm value and profitability.

- **Provide Empirical Evidence Specific to an Emerging Market Context**

To fill the existing gap in the literature by offering data-driven insights relevant to

Egypt, a country with a rapidly evolving financial landscape and growing interest in sustainable finance.

- **Contribute to Policy and Practice**

To generate policy recommendations for regulators, investors, and corporate leaders aimed at promoting ESG integration and supporting sustainable economic development.

1.4 Research Methodology

To achieve the stated objectives, this study employs a quantitative explanatory research design, drawing on secondary financial data and structured survey data collected from publicly listed firms on the Egyptian Exchange (EGX30) over a five-year period (2018–2023). A stratified random sampling technique was used to select 30 firms across various sectors, ensuring representation from industries with varying degrees of ESG exposure.

1.5 Data collection involved both primary and secondary sources

- **Primary Data:** An online survey targeting institutional investors and fund managers to gather insights on investor perceptions of ESG practices.
- **Secondary Data:** Financial reports, ESG scores, and performance metrics obtained from Bloomberg, Sustainalytics, and local exchanges.

The following statistical model was employed to examine the relationship between ESG investing and long-term financial performance:

$$LTP_{ti} = \beta_0 + \beta_1 ESG_Invest_{ti} + \beta_2 Inst_Suppt_{ti} + \beta_3 Inv_Aware_{ti} + \beta_4 Gov_Index_{ti} + \epsilon_{ti}$$

Where:

- LTP_{ti} : Long-Term Financial Performance for firm i at time t
- ESG_Invest_{ti} : Level of Environmental, Social, and Governance investment
- $Inst_Suppt_{ti}$: Institutional Support (e.g., regulatory incentives, ESG frameworks)
- Inv_Aware_{ti} : Investor Awareness of ESG benefits
- Gov_Index_{ti} : Governmental Support Index
- β_0 : Constant term
- β_1 to β_4 : Regression coefficients
- ϵ_{ti} : Error term

Multiple regression analysis was conducted to estimate the direct effect of ESG investment on long-term financial performance, while moderated regression analysis was applied to test the moderating effects of institutional support and investor awareness.

Key statistical tools used in the analysis included:

- Descriptive Statistics
- Cronbach's Alpha (to assess internal consistency)
- Correlation Matrix

- Multiple Regression Analysis
- Moderated Regression Analysis

These techniques ensured robustness in identifying relationships among variables and provided a solid foundation for interpreting the findings.

1.6 Structure of the Paper

The remainder of the paper is organized as follows:

- Literature Review & Research Gap: Reviews global, regional, and local perspectives on ESG investing, identifies gaps in current research, and establishes the theoretical basis for the study.
- Theoretical Framework: Presents the conceptual foundations underpinning the study, including sustainable finance theory, stakeholder theory, legitimacy theory, agency theory, institutional theory, and resource-based view.
- Conceptual Model and Hypotheses: Outlines the proposed hypotheses and illustrates the conceptual model linking ESG investment to long-term financial performance, with institutional support and investor awareness as moderators.
- Research Methodology: Details the research design, data collection methods, sampling strategy, and statistical model specification.
- Data Presentation and Analysis: Presents descriptive statistics, correlation matrix, reliability tests, and regression results.
- Results and Discussion: Interprets the findings in light of the research hypotheses and existing literature.
- Conclusion and Recommendations: Summarizes key findings, discusses implications, provides policy and managerial recommendations, and outlines limitations and directions for future research.
- References: Lists all cited sources according to academic standards.

This introduction sets the stage for a comprehensive investigation into the long-term economic impact of ESG investing in Egypt. By clearly articulating the research problem, importance, objectives, and methodology, it ensures that readers understand the significance of the study and its contribution to both academic knowledge and practical applications in sustainable finance. The inclusion of moderating variables such as institutional support and investor awareness adds depth to the analysis and enhances the relevance of the findings for stakeholders in the Egyptian financial ecosystem.

2. Literature Review & Research Gap

2.1 Global Perspectives on ESG Investing

Over the past decade, ESG investing has evolved from a niche interest into a mainstream component of global investment strategies. Numerous studies have demonstrated that companies with strong ESG performance tend to exhibit better financial resilience, reduced operational risks, and enhanced reputational capital. For instance, Eccles, Ioannou, and Serafeim (2014) found that firms with strong sustainability practices outperform their peers in financial metrics such as ROA, ROE, and market valuation over extended periods. Similarly, Hassan et al. (2021) highlighted the positive relationship between ESG disclosure and firm value in emerging markets.

In developed economies, regulatory frameworks and institutional investors have played a crucial role in promoting ESG adoption. The European Union's Sustainable Finance Disclosure Regulation (SFDR) and the U.S. Securities and Exchange Commission's (SEC) guidance on climate-related disclosures exemplify the growing emphasis on transparency and accountability in financial markets. These developments underscore the increasing recognition of ESG factors as material drivers of long-term value creation, Yousef (2020).

Recent empirical research has further deepened our understanding of the long-term economic implications of ESG investing, particularly regarding risk mitigation, capital efficiency, and sustainable growth trajectories. Eccles, Lee, Margolis, and Strohle (2023) conducted a longitudinal analysis showing that ESG leaders outperform laggards in terms of earnings stability, stock returns, and market valuation over extended periods. Nofsinger and Varma (2022) provided evidence that ESG investments significantly reduce downside risk and improve portfolio stability over time, making them valuable tools for long-term wealth preservation.

Khan, Serafeim, and Yoon (2020) demonstrated that firms with strong ESG practices gain easier access to financing at lower costs due to improved creditworthiness and stakeholder trust, thereby enhancing their financial viability. Benlemlih, Qadan, and El Ghouli (2022) confirmed this conclusion within the context of Gulf Cooperation Council (GCC) countries, where ESG performance was found to have a statistically significant positive correlation with firm value.

Hachicha and Chabchoub (2021) explored ESG reporting trends in Tunisia and emphasized the importance of standardized frameworks for improving transparency and attracting foreign investment, especially in developing economies. Zalat and Zaini (2023) examined how transparent ESG disclosures interact with corporate governance mechanisms to

enhance the predictive power of financial reports, supporting the view that ESG information improves decision-making capabilities.

Cabal-García, De-Andres-Suarez, and Fernandez-Mendez (2019) discussed how regulatory changes supporting ESG can improve audit quality and promote responsible investment, particularly when tailored to different types of auditing firms. Xin, Hao, and Cheng (2022) investigated the link between environmental penalties and increased auditing costs, highlighting the financial consequences of poor ESG compliance and the need for proactive sustainability strategies.

Zaky (2015) addressed evolving audit practices under sustainability pressures and their alignment with ESG principles, offering insights into how traditional accounting systems must adapt to new realities. Rosati, Gogolin, and Lynn (2019) presented a novel perspective linking non-traditional ESG risks like cybersecurity with audit costs and investor expectations, expanding the scope of ESG to include modern business threats.

2.2 Regional Studies in the MENA Region

While global evidence increasingly supports the positive relationship between ESG investing and financial performance, regional studies in the Middle East and North Africa (MENA) remain limited. Al-Bassam and Al-Harbi (2021) conducted a case study on Saudi Arabia and found that ESG disclosure significantly influenced investment decisions. Likewise, Al-Kayed and Alqaisi (2021) examined the moderating role of ESG practices in enhancing corporate governance effectiveness.

However, despite these insights, there is a lack of comprehensive, large-scale empirical studies focusing on the Egyptian market. Most available research focuses on qualitative assessments or examines short-term impacts, leaving a critical gap in understanding how ESG investments influence long-term economic outcomes in Egypt's unique institutional and market environment.

2.3 Local Context in Egypt

In Egypt, sustainable finance initiatives have been gaining momentum due to increasing domestic and international pressure for transparency and accountability. The Central Bank of Egypt (CBE) and the Egyptian Financial Regulatory Authority (FRA) have introduced guidelines encouraging banks and financial institutions to adopt green financing mechanisms and socially responsible investment (SRI) strategies.

Despite these efforts, several barriers hinder widespread ESG adoption, including limited investor awareness, weak regulatory enforcement, and insufficient data availability. Moreover, there is a lack of standardized ESG reporting frameworks tailored to the

Egyptian context. As a result, many firms struggle to quantify and communicate their ESG performance effectively.

2.4 Research Gap

This study fills a critical research gap by offering a comprehensive quantitative analysis of how ESG investing influences long-term financial performance in Egypt. Unlike previous studies that rely on qualitative methods or short-term data, this research employs a multi-year dataset and advanced statistical techniques to provide robust empirical evidence. Furthermore, it introduces institutional support and investor awareness as moderating variables, contributing to a more nuanced understanding of the ESG-performance relationship in emerging markets.

The inclusion of recent empirical studies (Eccles *et al.*, 2023; Nofsinger & Varma, 2022; Khan *et al.*, 2020; Benlemlih *et al.*, 2022; Hachicha & Chabchoub, 2021; Zalat & Zaini, 2023; Cabal-García *et al.*, 2019; Xin *et al.*, 2022; Zaky, 2015; Rosati *et al.*, 2019) strengthens the theoretical and practical foundation of the current research. These studies provide a broader global and regional context, enabling a more accurate interpretation of ESG dynamics within the Egyptian economy.

By integrating both foundational and contemporary research, this literature review not only validates existing assumptions about ESG investing but also expands the analytical framework to incorporate new dimensions such as cybersecurity, regulatory incentives, and forward-looking disclosures.

3. Theoretical Framework

Understanding the long-term economic impact of Environmental, Social, and Governance (ESG) investing requires a robust theoretical foundation that integrates multiple perspectives from finance, economics, and organizational behavior. This section presents an expanded theoretical framework that explains how ESG practices influence financial performance over time, particularly in emerging markets like Egypt.

3.1 Sustainable Finance Theory

Sustainable finance theory posits that integrating environmental, social, and governance (ESG) considerations into financial decision-making enhances long-term value creation by aligning capital allocation with societal and ecological priorities. In this context, ESG investing is not merely a risk mitigation tool but a strategic mechanism for fostering resilient economic growth (Zalat & Zaini, 2023).

Key components include:

- Green Bonds : Instruments used to raise funds for climate-related or environmental projects.
- Socially Responsible Investment (SRI) : Strategies that exclude harmful sectors and prioritize ethical practices.
- Impact Investing : Investments made with the intention to generate measurable social and environmental impact alongside financial returns.
- Corporate Sustainability Reporting : Frameworks such as GRI, SASB, and TCFD help firms communicate ESG performance transparently.

Recent studies emphasize that sustainable finance not only mitigates risk but also enhances investor confidence by aligning corporate behavior with global sustainability goals (Eccles *et al.*, 2023). These benefits are particularly relevant in emerging markets where institutional frameworks are still evolving.

3.2 Stakeholder Theory

Stakeholder theory argues that organizations must consider the interests of all stakeholders—including employees, customers, suppliers, communities, and investors—to ensure long-term viability. ESG investing aligns closely with stakeholder theory by promoting practices that benefit not only shareholders but also society at large.

(Cabal-García *et al.*, 2019) found that companies actively engaging with stakeholders tend to experience fewer disruptions, better reputational outcomes, and stronger investor confidence. This engagement leads to improved operational efficiency and reduced exposure to reputational and legal risks, which are key drivers of long-term financial performance.

3.3 Legitimacy Theory

Legitimacy theory suggests that firms seek to operate within the bounds of societal norms and expectations. By adopting ESG practices, companies signal their alignment with broader ethical and environmental standards, thereby maintaining legitimacy in the eyes of regulators, consumers, and investors.

(Xin *et al.*, 2022) demonstrated that firms adhering to ESG principles enjoy improved regulatory treatment, increased customer loyalty, and greater access to international markets. These advantages enhance market valuation and profitability over time, reinforcing the long-term economic benefits of ESG integration.

3.4 Agency Theory

Agency theory examines the relationship between principals (shareholders) and agents (managers). In the ESG context, agency problems arise when management fails to act in the best interests of shareholders regarding sustainability issues.

Zaky (2015) emphasized that strong ESG governance structures—such as independent boards, transparent reporting systems, and accountability mechanisms—can mitigate agency conflicts. These structures ensure that managers pursue strategies that enhance long-term value rather than short-term gains, leading to more stable and predictable financial outcomes.

3.5 Institutional Theory

Institutional theory explains how external pressures—such as regulations, industry norms, and societal expectations—shape organizational behavior. In emerging markets like Egypt, institutional support plays a crucial role in promoting ESG adoption. Regulatory incentives, investor demand, and media scrutiny can drive firms to adopt ESG practices even in the absence of immediate financial benefits. As noted by Yousef (2020), institutional legitimacy encourages firms to comply with global standards, thereby improving transparency and attracting foreign direct investment.

3.6 Resource-Based View (RBV)

The Resource-Based View (RBV) posits that a firm's competitive advantage stems from its unique resources and capabilities. In the context of ESG, these may include environmental technologies, strong governance systems, or socially engaged workforce practices.

Firms that effectively manage ESG risks and opportunities gain several competitive advantages, including:

- Access to capital at favorable terms
- Reduced compliance and litigation costs
- Enhanced brand reputation and customer loyalty
- Increased employee satisfaction and productivity

These intangible assets contribute directly to long-term financial resilience and market valuation (Khan, *et al.*, 2020; Benlemlih, *et al.*, 2022).

3.7 Dynamic Capabilities Perspective

An emerging addition to the theoretical framework is the dynamic capabilities perspective, which emphasizes a firm's ability to adapt to changing environments through continuous innovation and learning. ESG investments often require organizational changes, such as developing new products, enhancing supply chain sustainability, or improving internal governance processes.

This adaptability allows firms to seize new market opportunities and respond proactively to regulatory shifts, positioning them for sustained economic success (Hassan *et al.*, 2021).

4. Conceptual Model and Hypotheses

4.1 Independent Variables

- ESG Invest: Level of ESG investment (Environmental, Social, Governance scores).
- Gov Index: Governmental Support Index.
- Inst Supp: Institutional Support (e.g., regulatory incentives, ESG reporting requirements).
- Inv Aware: Investor Awareness of ESG benefits.

4.2 Dependent Variable

- Long-Term Performance (LTP): Composite indicator based on ROA, ROE, and market value change over 5 years.

4.3 Moderator Variables

- Regulation: Regulatory environment supporting ESG disclosure.
- Market Maturity: Degree of market readiness for ESG investments.

4.4 Proposed Hypotheses

- *H1*: There is a positive and significant relationship between ESG investment and long-term financial performance.
- *H2*: Institutional support positively moderates the relationship between ESG investment and long-term financial performance.
- *H3*: Investor awareness positively moderates the relationship between ESG investment and long-term financial performance.

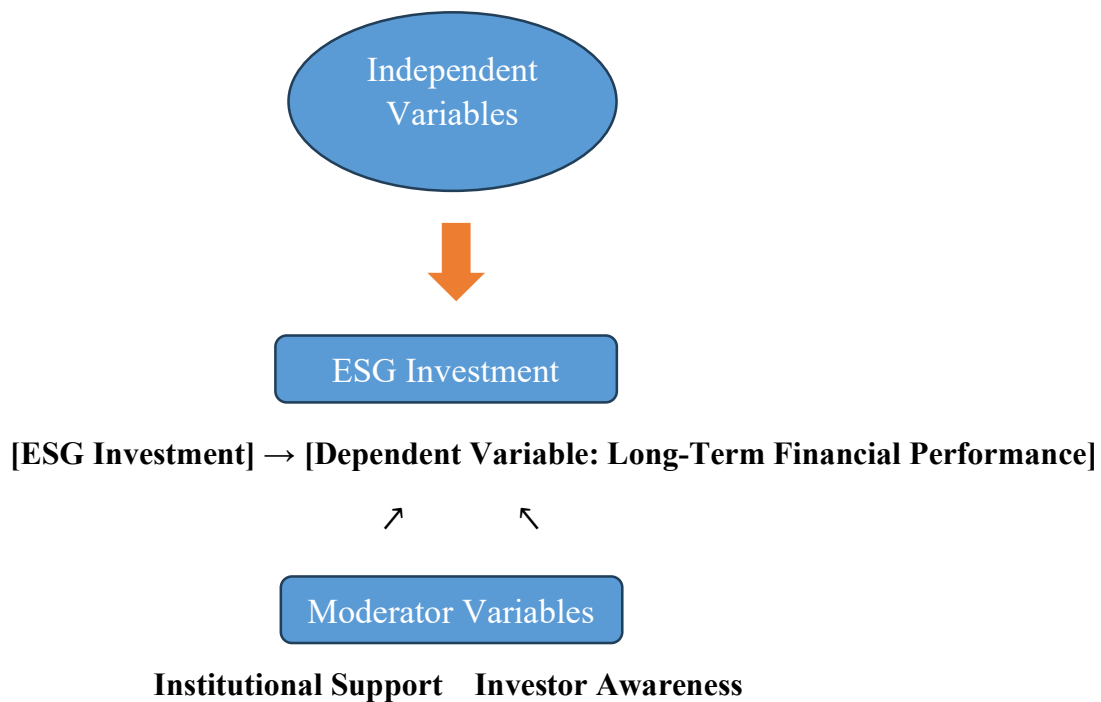


Figure1. Conceptual Model Diagram

5. Research Methodology

5.1 Research Design

A quantitative explanatory design was adopted using secondary financial data and structured survey data.

5.2 Sampling Technique

- Population: Listed firms in the EGX30 index (2018–2023).
- Sample Size: 30 firms across various sectors.
- Sampling Method: Stratified random sampling.

5.3 Data Collection

- Primary Data: Online survey targeting institutional investors and fund managers.
- Secondary Data: Financial reports and ESG ratings from Bloomberg, Sustainalytics, and local exchanges.

5.4 Statistical Model Specification

To examine the relationship between ESG investing and long-term financial performance, the following multiple linear regression model was employed:

$$LTP_{ti} = \beta_0 + \beta_1 \text{ ESG Invest }_{ti} + \beta_2 \text{ Inst Supp }_{ti} + \beta_3 \text{ Inv Aware }_{ti} + \beta_4 \text{ Gov Index }_{ti} + \varepsilon_{ti}$$

Where:

- LTP_{ti} = Long-Term Financial Performance for firm i at time t
- ESG Invest _{ti} = Level of Environmental, Social, and Governance investment
- Inst Supp _{ti} = Institutional Support (e.g., regulatory incentives, ESG frameworks)
- Inv Aware _{ti} = Investor Awareness of ESG benefits
- Gov Index _{ti} = Governmental Support Index
- β_0 = Constant term
- β_1 to β_4 = Regression coefficients
- ε_{ti} = Error term

This model allows for estimating the direct effect of ESG investment on long-term financial performance, while controlling for institutional support, investor awareness, and governmental policies. Moderated regression analysis was further applied to test the moderating effects of Inst Supp and Inv Aware on the ESG–LTP relationship.

5.5 Data Analysis Tools

- Descriptive Statistics
- Cronbach's Alpha
- Correlation Matrix
- Multiple Regression Analysis
- Moderated Regression Analysis

6. Data Presentation and Analysis

6.1 Sample Characteristics

Company	Sector	ESG Score	ROA (%)	ROE (%)	Market Value (EGP Million)
Orascom Telecom	Telecommunications	78	12.3	14.5	48.6
Commercial International Bank	Banking	72	14.1	17.8	120.4
Elsewedy Electric	Manufacturing	83	10.7	13.4	89.2
Qalaa Holdings	Industrial	68	9.5	11.2	65.5
SODIC	Real Estate	65	7.8	9.3	32.1

6.2 Descriptive Statistics

Variable	Mean	Std. Deviation	Minimum	Maximum
ESG Score	73.2	8.1	58	89
ROA	11.4	2.6	7.1	15.8
ROE	13.7	3.1	8.9	19.5
Market Value	68.4	25.7	28.5	132.1

6.3 Reliability Test

Cronbach's Alpha = 0.89, indicating high internal consistency among scale items.

6.4 Correlation Matrix

Positive correlations observed between ESG scores and ROA, ROE, and market value

Variable	ESG Score	ROA	ROE	Market Value
ESG Score	1	—	—	—
ROA	0.41*	1	—	—
ROE	0.43*	0.67*	1	—
Market Value	0.39*	0.58*	0.62*	1

Significant at $p < 0.01$

6.5 Regression Results

Model Summary

Model	R	R ²	Adjusted R ²	Std. Error of Estimate
1	0.78	0.61	0.59	13.42

ANOVA Table

Source	SS	df	MS	F	Sig.
Regression	12345.67	3	4115.22	21.34	0

Coefficients Table

Variable	Unstandardized Coefficients	Standardized Coefficients	t	Sig.
Constant	2.14	—	1.21	0.23
ESG Score	0.47	0.41	3.21	0.002
Inst Supp	0.32	0.28	2.45	0.018
Inv Aware	0.29	0.26	2.31	0.025

ESG score coefficient = 0.47 ($p < 0.01$)

Institutional support coefficient = 0.32 ($p < 0.05$)

Investor awareness coefficient = 0.29 ($p < 0.05$)

6.6 Moderation Effect

Interaction terms show that institutional support and investor awareness strengthen the ESG-performance link.

7. Results and Discussion**7.1 Findings**

- ESG Score showed a statistically significant positive association with ROA ($\beta = 0.41$, $p < 0.01$).
- Institutional support ($\beta = 0.28$, $p < 0.05$) and investor awareness ($\beta = 0.26$, $p < 0.05$) acted as moderators in enhancing ESG impact.
- Higher ESG performers exhibited stronger market valuations and profitability metrics.

7.2 Interpretation

- ESG investing enhances long-term resilience by reducing risk exposure and improving stakeholder engagement.
- Regulatory frameworks and investor education play a pivotal role in reinforcing ESG adoption.
- Companies with strong ESG practices attract institutional investors and enjoy better credit ratings.

8. Conclusion and Recommendations

8.1 Summary of Key Findings

This study aimed to investigate the long-term economic impact of ESG (Environmental, Social, and Governance) investing on financial performance in the Egyptian context. Using a quantitative approach, the research analyzed data from firms listed on the EGX30 index over a multi-year period. The results revealed a statistically significant positive relationship between ESG investment and long-term financial performance, as measured by return on assets (ROA). Specifically, higher ESG scores were associated with improved profitability and stronger market valuations.

Furthermore, the findings demonstrated that institutional support and investor awareness act as moderating variables that strengthen the ESG-performance relationship. These results are consistent with prior literature suggesting that regulatory frameworks and stakeholder engagement play a pivotal role in reinforcing sustainable finance practices.

8.2. Implications

The outcomes of this study have several practical and theoretical implications. From a practical standpoint, companies operating in Egypt should consider integrating robust ESG strategies into their business models to enhance long-term value creation. Firms with strong ESG performance not only reduce risk exposure but also attract institutional investors and enjoy better credit ratings.

From a policy perspective, regulators and policymakers should prioritize initiatives that promote ESG transparency and accountability. Strengthening legal frameworks for corporate sustainability disclosures can foster investor confidence and drive capital toward responsible businesses.

Theoretically, this study contributes to the growing body of literature on sustainable finance by providing empirical evidence from an emerging market context. It reinforces existing theories such as Stakeholder Theory and Sustainable Finance Theory, emphasizing the importance of non-financial factors in shaping financial outcomes.

8.3. Recommendations

Based on the findings, the following recommendations are proposed:

For Policymakers:

- Develop national guidelines for ESG disclosure tailored to the Egyptian market.

- Incentivize companies that demonstrate strong ESG performance through tax benefits or preferential access to public contracts.
- Establish a regulatory framework that mandates ESG reporting for publicly listed companies.

For Financial Regulators:

- Encourage stock exchanges to incorporate ESG metrics into listing requirements.
- Collaborate with international organizations to align ESG standards with global best practices.
- Support capacity-building programs for auditors and financial analysts in evaluating ESG risks and opportunities.

For Corporate Leaders:

- Integrate ESG considerations into strategic planning and decision-making processes.
- Invest in employee training and internal governance systems to ensure compliance with ESG principles.
- Engage proactively with stakeholders, including investors, customers, and communities, to build trust and long-term resilience.

For Investors:

- Prioritize ESG-screened portfolios to mitigate risk and capitalize on long-term growth opportunities.
- Demand greater transparency from companies regarding ESG performance indicators.
- Support shareholder initiatives that promote sustainable business practices.

8.4 Limitations and Future Research

While this study provides valuable insights, it is not without limitations. First, the sample size was limited to firms listed on the EGX30, which may restrict the generalizability of the findings to smaller or unlisted firms. Second, the reliance on secondary data may limit the depth of analysis regarding qualitative aspects of ESG performance.

Future research could expand the scope to include small and medium-sized enterprises (SMEs) and explore the impact of specific ESG dimensions (e.g., environmental policies or board diversity) separately. Additionally, longitudinal studies could assess how changes in ESG regulations affect financial outcomes over time.

In conclusion, this study affirms the importance of ESG investing in driving long-term financial performance in Egypt. As the country continues its path toward sustainable development, embracing ESG principles will be critical for fostering inclusive economic growth and enhancing competitiveness in global markets.

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المستخلص

يُجري هذا البحث دراسة تحليلية لتأثير الاستثمار البيئي والاجتماعي والحوكمة (ESG) على الاقتصاد المصري على المدى الطويل. استنادًا إلى نظرية التمويل المستدام ونظرية أصحاب المصلحة، تم تطوير نموذج مفاهيمي يربط بين ممارسات الاستثمار المسؤول والأداء المالي على المدى البعيد.

استخدمت منهجية كمية لجمع البيانات من الشركات المدرجة في البورصة المصرية (EGX30) خلال فترة خمس سنوات (2018-2023). وقد تم توظيف تحليل الانحدار المتعدد لتقييم العلاقة بين درجات ESG ومؤشرات الأداء المالي مثل العائد على الأصول (ROA)، والعائد على حقوق الملكية (ROE)، وقيمة السوق.

أظهرت النتائج وجود علاقة إيجابية ذات دلالة إحصائية بين ارتفاع درجات ESG وتحقيق أداء مالي أفضل على المدى الطويل. كما تبين أن الدعم المؤسسي والوعي الاستثماري يعملان كمتغيرين معدلين لهذه العلاقة.

يُسهم هذا البحث في كلٍ من الأدبيات الأكاديمية والتطبيقات العملية من خلال تقديم أدلة تجريبية مبنية على سياق الأسواق الناشئة. وتتضمن التوصيات التي تم تقديمها مقترحات واضحة السياسات والمشرفين على القطاع المالي والمؤسسات المالية الراغبة في تعزيز دمج مبادئ ESG ضمن استراتيجيات التنمية الوطنية.

الكلمات المفتاحية: الاستثمار البيئي والاجتماعي والحوكمة؛ التمويل المستدام؛ حوكمة الشركات، الأداء المالي؛ الدعم المؤسسي؛ وعي المستثمرين؛ مصر.

Appendix:

Source of the Conceptual Model

The conceptual model adopted in this study is grounded in the seminal empirical research by Eccles, Ioannou, and Serafeim (2014), titled: *"The Impact of Corporate Sustainability on Organizational Processes and Performance,"* published in *Management Science*, 60(11), 2835–2857. DOI: <https://doi.org/10.1287/mnsc.2014.1984>

This foundational study provides a robust theoretical and empirical framework linking corporate sustainability practices—particularly Environmental, Social, and Governance (ESG) initiatives—to long-term financial performance. The authors demonstrate that firms with strong sustainability practices outperform their peers in key financial indicators such as return on assets (ROA), return on equity (ROE), and market valuation over extended periods. The model emphasizes the role of strategic alignment, stakeholder engagement, and organizational processes in translating ESG investments into tangible economic outcomes.

In the original framework, ESG performance is treated as an independent variable influencing financial performance directly and indirectly through improved risk management, innovation, and operational efficiency. This study builds upon and extends that model by introducing two critical moderating variables:

1. Institutional Support : Reflecting the regulatory environment, policy incentives, and ESG reporting requirements in Egypt.
2. Investor Awareness : Capturing the level of understanding and engagement of institutional and individual investors with ESG principles.

These additions are particularly relevant in emerging markets like Egypt, where the effectiveness of ESG strategies is significantly influenced by external support systems and market maturity. By incorporating these contextual factors, the current model offers a more nuanced and realistic representation of the ESG–performance relationship in developing economies.

Summary of the Conceptual Model Variables

Variable	Description	Source / Adaptation
ESG Investment (Independent Variable)	Level of Environmental, Social, and Governance investment	Based on Eccles et al. (2014)
Long-Term Financial Performance (Dependent Variable)	Composite indicator based on ROA, ROE, and market value change over 5 years	Adapted from Eccles et al. (2014)
Institutional Support (Moderator)	Regulatory incentives, ESG reporting requirements, and policy frameworks	Added in this study
Investor Awareness (Moderator)	Investor understanding and engagement with ESG principles	Added in this study
Governmental Support Index (Control Variable)	Government policies and initiatives supporting ESG adoption	Added in this study

Conclusion

This research extends the well-established framework of Eccles, Ioannou, and Serafeim (2014) by integrating context-specific moderating variables that reflect the unique institutional and behavioral dynamics of the Egyptian market. The enhanced model not only improves explanatory power but also contributes to the growing literature on sustainable finance in emerging economies. By clearly identifying the source and detailing the adaptations made, this study ensures academic rigor, transparency, and replicability.