THE IMPACT OF ESG DISCLOSURE ON FIRM VALUE: EVIDENCE FROM THE TOURISM INDUSTRY

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Abstract

In light of recent challenges, including climate change initiatives, the need for natural resource preservation, and the impact of the COVID-19 pandemic, the significance of Environmental, Social, and Corporate Governance (ESG) disclosure has reached new heights. The tourism industry, characterized by its reliance on natural resources and interaction with local communities, stands out as a sector where sustainability initiatives are essential not only to mitigate negative impacts but also to improve stakeholder relations. The data was collected from Thomson Reuters' Eikon platform and covers a sample of 117 tourism companies from 2020 to 2022. Using SPSS statistical software, regression modelling was applied to determine the extent to which ESG information is correlated with market value. This paper highlights the key findings, including a significant association between ESG disclosure and firm value in the tourism sector, with ESG values explaining 59.4% of the variation in market value. Positive impacts were observed in two industry subcategories- Hotels, Motels & Cruise Lines and Leisure & Recreation, while Restaurants & Bars showed no significant effect. The originality of this study consists of its examination of the impact of ESG not only within the tourism industry as a whole, but also across its three specific sub-categories, providing a comprehensive perspective on the topic. It contributes to the broader discourse on sustainable business practices and has implications for both companies and investors seeking to harmonise financial and sustainability objectives. Future research could benefit from qualitative approaches to better understand the nuanced relationship between ESG practices and corporate value.

Keywords*:* ESG, firm value, sustainable tourism, sustainability, market value

JEL Classification: L83, M14, Q56

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1. Introduction

Crises such as climate change, depletion of resources, and the COVID-19 pandemic have highlighted the need to adopt Environmental, Social, and Governance (ESG) practices and enabled companies to develop guidelines to mitigate and overcome them (Cheng et al., 2024; Singhania and Saini, 2021). In this regard, companies are defining strategies to create value in the short, medium and long term, a perspective that extends beyond profit maximisation and incorporates broader stakeholder interests (Papuc et al., 2024). As a result, attention is shifting from shareholders to all stakeholders and from financial reporting to the inclusion of non-financial information in corporate reporting (Caraiani et al., 2015). ESG factors have gained considerable attention in both academic literature and corporate practice and have become a key non-financial factor in the valuation of a company that influences investors' decisions (Banerjee and David, 2024; Cheng et al., 2024; Gu, 2024). In addition, stakeholders are calling for the introduction of ESG practices into corporate operations as a must (Lin et al., 2024a).

This paper addresses the growing academic and practical interest in the role of ESG disclosure in shaping firm value - a topic that becomes especially relevant in the tourism industry, where social and environmental dynamics are deeply intertwined. It enhances the understanding of the distinctive features of tourism regarding ESG-related procedures. Due to its direct impact on society and the environment, we decided to conduct this analysis in the tourism industry. Natural resources, economic policies and local communities have an ongoing interaction in this complex sector (Faisal et al., 2023; Liu, 2023; Abu Al Haija, 2011). Therefore, sustainability-related initiatives are more visible in this field (Agarwal et al., 2024). Integrating ESG disclosure into business strategies and policies is important not only to reduce negative effects on the environment and communities, but also to increase the market

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value of companies by enhancing investor and consumer confidence (Nugroho et al., 2024; Tang et al., 2024; Tahmid et al., 2022). These issues highlight the complexity of aligning ESG disclosure with firm value in tourism.

Despite the large number of studies investigating possible associations between ESG and firm value, the findings are contradictory. While some scholars state a positive correlation (Cho et al., 2024; Desai, 2024; Tang et al., 2024; Aydogmus et al. 2022; Chang and Lee, 2022; Tahmid et al., 2022; Zhou et al., 2022), others report a negative relationship (Wu et al., 2024; Duque-Grisales and Aguilera-Caracuel, 2021; Landi and Sciarelli, 2019), or even no significant influence at all (Setiawati and Hidayat, 2023).

Given this lack of consensus, this study aims to clarify how ESG disclosure connects to firm value within the tourism sector — a field especially exposed to environmental and social challenges. It addresses the existing research gap regarding how each ESG pillar individually affects market value across different tourism sub-industries. The research design relies on ESG scores sourced from the Thomson Reuters Eikon platform for evaluating ESG disclosure, while market value is employed as an indicator of firm value. Due to data unavailability, the final sample was reduced to 117 companies from the tourism sector, covering the period from 2020 to 2022.

The research findings underscore important insights, showing a positive association between ESG disclosure and firm value in the tourism sector, where ESG scores account for 59.4% of the variation in market value, with positive effects in the Hotels, Motels & Cruise Lines and Leisure & Recreation subcategories, while Restaurants & Bars show no significant relationship. The environmental pillar is the most significant factor across all industry subcategories. Social and governance disclosures are also relevant, but their influence differs among the subsectors. The results show the nuanced role that ESG factors have on market value in tourism, and that some pillars are more influential than others by industry subcategory. Based on the overall outcomes of this research, our findings are consistent with stakeholder theory. Focusing on this sector provides an interesting perspective for the research area as it contributes with valuable insights regarding the relationship between ESG disclosure and market value across industry subcategories (Restaurants & Bars, Hotels, Motels & Cruise Lines, and Leisure & Recreation). The novelty of this study is reflected in its analysis of the impact of ESG on firm value not only within the broader tourism industry but also across its three distinct subcategories, providing a deeper understanding of the topic.

The rest of this paper is organized as follows. Section 2 reviews the prior research, while the third section describes the research method, sample date, and variables. Section 4 presents the research results. Conclusions are drawn in section 5.

2. Literature review

Given the unprecedented circumstances, such as the advent of climate change initiatives, the natural resources preservation, and the COVID-19 pandemic, the relevance of Environmental, Social, and Corporate Governance (ESG) disclosure increased more than ever (Lin et al., 2024a; Singhania and Saini, 2021). ESG refers to environmental sustainability, social responsibility, and corporate governance, which integrate the concept of sustainable development into modern management practices (Gu, 2024; Widia and Wibisono, 2024).

The ESG disclosure adoption offers a more complex understanding of a company's activities, compared to what is revealed through financial information alone (Constantinescu et al., 2021). It enhances company reputation (Meng et al., 2023), mitigates financial risks (Fu et al., 2024; Lee and Koh, 2024), achieves long-term sustainable growth (Belcaid, 2024; Chang et al., 2022), attracts investors' interest (Banerjee and David, 2024; Lippi and Poli, 2024), and, ultimately, improves the market value of firms (Cheng et al., 2024; Tahmid et al., 2022). For instance, market value may be influenced by investors' reactions (Lin et al., 2024b; Tang et al., 2024). ESG factors are employed in investment analysis, divided into three components – Environmental, Social, and Governance, providing key insights relevant to investor decision-making (Cunea et al., 2025; Pollman, 2022). According to Nelson (2021), on behalf of Ernst &Young, more than 85% of investors surveyed stated that the COVID-19 pandemic increased their attention to companies with better ESG performance when making strategic and investment decisions. ESG criteria became a set of guidelines for assessing potential investments

concerning a company's ongoing operations (Fu and Li, 2023). As this study focuses on a main hypothesis that investigates whether there is a relationship between ESG disclosure and firm value for companies operating in the tourism industry, the following main hypothesis is proposed:
H1. There is an association between ESG disclosure and firm value for companies operating in the tourism industry.

The *environmental pillar* of ESG focuses on the impact of business activities on ecosystems, including resource management, carbon emissions reduction, and sustainability initiatives (Sneideriene and Legenzova, 2025). Companies that adopt environmental policies can benefit from reduced climate change risks and improved corporate reputation (Camilleri, 2025; Ye et al., 2025). However, the lack of consistent guidelines for reporting environmental performance might facilitate greenwashing, which decreases stakeholder trust and could mislead investors (Sneideriene and Legenzova, 2025; Guerrero and Viteri, 2025). In the tourism industry, where natural resources are intensively used, the adoption of specific ESG reporting frameworks is essential to increase transparency and minimize environmental impact (Ye et al., 2025; Bancu, 2024). Therefore, the following hypothesis is proposed:
H1.1. There is an association between environment disclosure and firm value for companies operating in the tourism industry.

The *social pillar* of ESG covers the relationships between companies, employees, and local communities, influencing consumer loyalty and investment attractiveness (Legendre et al., 2024; Khamisu and Paluri, 2024). Social responsibility standards, such as respecting employee rights and ethical commitments to communities, are essential for strengthening brands and avoiding reputational risks (Ye et al., 2025; Camilleri, 2025). However, the challenges of diversity and inclusion at a global level remain an important topic of debate, being influenced by the cultural and economic context of each region (Ye et al., 2025; Sundarasen et al., 2024). In tourism, where interaction with various categories of stakeholders is inevitable, adopting clear social policies may improve the relationship with customers and business partners (Legendre et al., 2024). Thus, the following hypothesis is proposed:
H1.2. There is an association between social disclosure and firm value for companies operating in the tourism industry.

The *governance pillar* of ESG focuses on corporate leadership structures, transparency, ethical business conduct, and regulatory compliance (Guerrero and Viteri, 2025; Khamisu and Paluri, 2024). Effective governance practices include board independence, transparent reporting, and anti-corruption policies (Choi et al., 2024; Sneideriene and Legenzova, 2025). However, discrepancies in ESG assessment methodologies can generate confusion among investors, directly impacting the perception of companies (Guerrero and Viteri, 2025). In the tourism sector, where operational risks are high, effective governance plays a key role in ensuring business sustainability and compliance with international regulations (Back, 2024). Moreover, to remain competitive, companies must embrace technological innovations and adapt their operations accordingly (Anica-Popa et al., 2023; Anica-Popa et al., 2021). Therefore, the following hypothesis is proposed:
H1.3. There is an association between corporate governance disclosure and firm value for companies operating in the tourism industry.

The positive influence of *ESG disclosure on firm value* in different studies is based on the stakeholder theory (Pinheiro et al., 2024; Rahmaniati and Ekawati, 2024; Aouadi and Marsat, 2018). From this perspective, to attain a competitive advantage, a company should first satisfy its stakeholders (Khamisu et al., 2024). When businesses are responsible for meeting stakeholders' expectations, better financial returns are expected (Pinheiro et al., 2024; Rahmaniati and Ekawati, 2024; Buniamin, 2020; Freeman et al., 2010). Ethical obligations are rewarded financially through stakeholder support and engagement (Foley et al., 2024). Kim et al. (2024a) state that companies with enhanced ESG performance are more prepared to manage risk during crisis periods and have lower idiosyncratic volatility, thus contributing to higher firm value and long-term financial stability.

However, other scholars pointed out that, under certain circumstances, ESG practices may have a negative impact on firm value, suggesting that the relationship is not always positive (Eriandani and Winarno, 2024; Chong and Loh, 2023; Khandelwal et al., 2023). For example, Lee and Suh (2022) found that overinvestment in ESG activities can lead to a misallocation of resources away from core business or value-creating activities. There are concerns that strongly embracing ESG criteria might lead to higher operational costs, a decline in short-term profits, or communication problems with shareholders who favour immediate financial returns over long-term sustainability (Saif-Alyousfi et al., 2023; Giannopoulos et al., 2022). This is underpinned by shareholder theory, according to which the primary responsibility of a company is to maximise profits for its shareholders (O'Connell and Ward, 2020). If activities related to ESG disclosure run counter to this goal, companies may encounter investor resistance and suffer a decline in shareholder value as the perceived benefits are not directly quantifiable (Duque-Grisales and Aguilera-Caracuel, 2021).

As a sector that fundamentally depends on natural resources, cultural heritage, and human capital, the tourism industry presents an unique context whereby firm value is shaped by ESG factors (Bodhanwala and Bodhanwala, 2022). This increased attention arises because this industry is susceptible to environmental risks, such as climate change - which directly affect destinations (Kim et al., 2024b; Kumar, 2024). As a result, ESG disclosure was incorporated into the strategic decision-making process for firms in the tourism sector (He et al., 2024). The positive impact of strong ESG practices on firm value in tourism is widely reported in the literature (Xue et al., 2024; Ionescu et al., 2019).

However, the tourism industry's reliance on ESG to enhance firm value is not without challenges. When engaging in sustainable matters, tourism businesses occur higher costs, making it difficult to profit from these investments (Da Hyun et al., 2024; Daszyńska-Żygadło et al., 2016). Moreover, there is the risk of greenwashing, when companies exaggerate or falsify sustainability-related achievements to attract customers and investors (Papagiannakis et al., 2024; Poveda-Pareja et al., 2024).

3. Methodology

In this paper, a quantitative approach was used to test whether there is a relationship between ESG disclosure and firm value in the tourism industry. To achieve this aim, data is examined using a linear regression model for identifying possible associations between the variables. By employing this method, the hypothesized links are tested, while the conclusions rely on empirical evidence.

3.1. Sample and data

To examine the association between ESG disclosure and firm value within the tourism industry, we identified companies with accessible data from the Refinitiv database. From an initial sample of 375 firms, only 117 were included in the final dataset due to insufficient data availability. As a result, a total of 351 company-year observations were analysed over three years (2020–2022). According to the Refinitiv database, the collected information was classified into three industry subcategories of tourism: *(1) Hotels, Motels & Cruise Lines*, *(2) Leisure & Recreation*, and *(3) Restaurants & Bars*, as shown in Table no. 1.

Table 1. Database overview

Industry subcategory	**No of companies**	**No of observations**
Hotels, Motels & Cruise Lines	33	99
Leisure & Recreation	37	111
Restaurants & Bars	47	141
Total industry-year observations	**117**	**351**

Source: author's own research

The Refinitiv Eikon platform was utilized to gather the scores for both combined and individual ESG scores quantified as numerical values for the years 2020 to 2022. This three-year timeframe was chosen because the majority of the selected companies have available data for this recent period. Additionally, financial information (market value, total revenue, total assets, cash and cash equivalents) was also sourced from the Refinitiv database. Since the US dollar is the major global currency, all financial information taken into consideration is expressed in US dollars.

3.2 Variables

We utilized the natural logarithm of market value as a proxy for firm value, representing the dependent variable in the proposed regression analysis. Market value is recognized in the literature (Constantinescu et al., 2021; Li et al., 2018) as one of the most commonly employed variables for assessing firm value. Details regarding the variables used in this research are presented in Table no. 2. This paper considers as independent variables both the overall ESG score of a company and its individual Environmental (ENV), Social (SOC), and Governance (GOV) scores. According to Refinitiv-LSEG Data & Analytics (n.d.), these scores, which range from 0 to 100, are intended to provide a transparent evaluation of a company's ESG performance, commitment, and auditable data. Various papers that analyze the association between ESG disclosure and firm value utilize ESG scores as the independent variable (Cheng et al., 2024; Desai, 2024; Eriandani and Winarno, 2024).

Table 2. Variables employed in the linear regression model

Variables	Type of variable	Description	Referenced papers
LNMV	dependent	Natural logarithm of market value	Constantinescu et al., 2021; Li et al., 2018
ESG	independent	ESG scores	Cho et al., 2024; Desai, 2024; Segura et al., 2024; Ionescu et al., 2019; Cheng et al., 2024
ENV	independent	Environment score	Cheng et al., 2024; Bodhanwala and Bodhanwala, 2022; Ionescu et al., 2019;
SOC	independent	Social score	Cheng et al., 2024; Bodhanwala and Bodhanwala, 2022; Ionescu et al., 2019;
GOV	independent	Corporate Governance score	Cheng et al., 2024; Bodhanwala and Bodhanwala, 2022; Ionescu et al., 2019;
CASH_TA	control	The ratio of cash and cash equivalents to total assets	Constantinescu et al., 2021; Li et al., 2018
LNTR	control	Natural logarithm of total revenue	Segura et al., 2024; Constantinescu et al., 2021

Source: author's own research

Moreover, two control variables are employed: firm size and the CASH_TA ratio. Firm size is measured as the natural logarithm of total revenues, while CASH_TA represents the value of cash and cash equivalents divided by total assets.

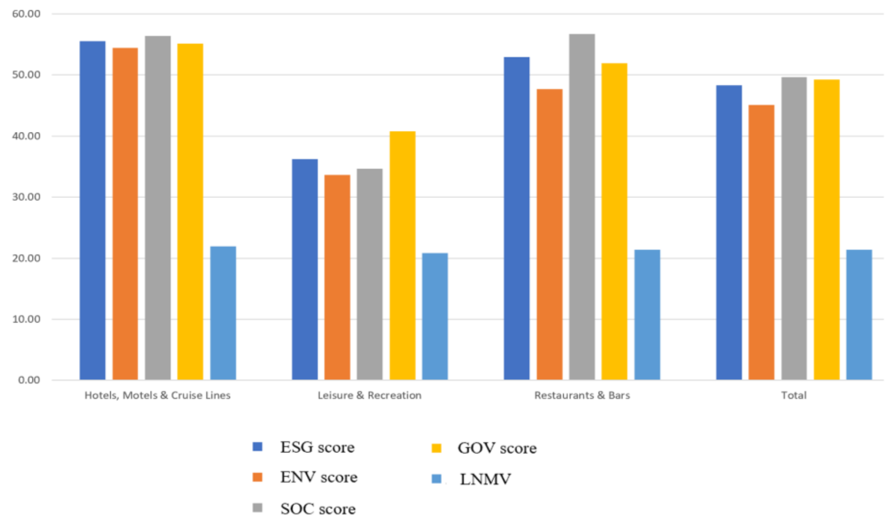

Figure 1. ESG scores combined and individual, market value by industry subcategory

Source: author's own research

Figure 1 presents the differences at the industry subcategory level (*Hotels, Motels & Cruise Lines*, *Leisure & Recreation*, and *Restaurants & Bars*, as well as the overall sector), for companies operating in the tourism industry regarding the dependent and independent variables taken into consideration for this paper. *Hotels, Motels & Cruise Lines* are leading the top, while also having consistency across the individual pillars. However, the *Leisure & Recreation* subcategory shows significantly lower ESG scores and notable disparity among the pillars. Its GOV score suggests that this subcategory prioritizes governance practices, but may need to improve aspects regarding the ENV and SOC dimensions.

Restaurants & Bars category presents the highest average SOC score from the entire sample. The natural logarithm of market value is roughly the same in all the industry subcategories, with *Hotels, Motels & Cruise Lines* recording the highest value.

The highlighted variations validate the relevance of analysing each pillar independently, as the correlations with firm value might vary. These insights justify the secondary hypotheses (*H1.1*, *H1.2*, *H1.3*) of this study, assessing the individual effects of ENV, SOC, and GOV disclosures on firm value.

3.3 Research method

To assess the impact of ESG factors (independent variable) on firm value – market value (dependent variable), we used a linear regression analysis. Other scholars also employed linear regression on fixed datasets to draw relationships between ESG factors and firm value (Pinheiro et al., 2024; Rahmaniati and Ekawati, 2024; Constantinescu et al., 2021; Aouadi and Marsat, 2018). To further understand how the disclosure of ESG components affects a firm's value, regression models were applied to both the ESG combined score and the scores of the individual pillars (ENV, SOC, GOV). For the final sample, we used the statistical software SPSS.

The primary research hypothesis on the association between ESG factors disclosure and firm value within the tourism sector is tested within one main scenario (ESG) and three sub scenarios, each evaluating the model according to the three pillars of ESG factors: ENV, SOC, and GOV, while using the natural logarithm of market value to represent the dependent variable.

Main scenario: $LNMVt = \beta 0 + \beta 1ESG + \beta 2CASH\_TAt + \beta 3LNTRt + \varepsilon t$
Scenario (a): $LNMVt = \beta 0 + \beta 1ENVt + \beta 2CASH\_TAt + \beta 3LNTRt + \varepsilon t$
Scenario (b): $LNMVt = \beta 0 + \beta 1SOCt + \beta 2CASH\_TAt + \beta 3LNTRt + \varepsilon t$
Scenario (c): $LNMVt = \beta 0 + \beta 1GOVt + \beta 2CASH\_TAt + \beta 3LNTRt + \varepsilon t$

The regression models in this study are designed using key-dependent and independent variables identified in the literature to evaluate the relationship between ESG disclosure and firm value. Each variable corresponds to a company-year observation. The primary independent variable is the overall ESG score or its components – ENV, SOC, and GOV scores, following a common approach in prior research. The dependent variable, firm value, is the natural logarithm of market value. The regression model also includes two control variables, which were previously identified in the literature as relevant: the CASH_TA ratio (cash and cash equivalents scaled by total assets) to account for liquidity, and total revenues (expressed as the natural logarithm) to reflect firm size. All data for the analysis were sourced from the Refinitiv database.

4. Results

4.1 Descriptive statistics and correlation analysis

The SPSS software was employed to compute the descriptive statistics for the regression variables (Table no. 3); the assumption of normal data distribution was addressed to validate the regression models. Because of the high skewness of the variables market value and total revenues, natural logarithms were used to transform them.

In the sample, the market value ranges from 0.1 to 191,985.4 million, with an average value of 8,928.7 million. The considerable difference between the mean and median suggests there is a positively skewed distribution, with most firms having small market values, while a few very large firms keep the average high. To address this skewness and stabilize variance, a log transformation was applied to the market value before being employed in the proposed regression model.

Table 3. Descriptive Statistics

Variables	N statistic	Minimum Statistic	Maximum Statistic	Mean Statistic	Std. Deviation	Median
Market value	351	0.1*	191,985.4*	8,928.7*	22,767.4*	1,647.7*
ESG	351	2.8	91.3	48.3	21.5	47.7
ENV	350	0	97.0	45.1	28.1	46.4
SOC	351	1.1	94.9	49.6	23.3	49.2

Variables	N statistic	Minimum Statistic	Maximum Statistic	Mean Statistic	Std. Deviation	Median
GOV	351	3.4	94.4	49.3	23.5	49.0
Total Revenues	351	26.6*	32,250.3*	2,656.1*	4,622.8*	936.8*
CASH_TA	349	-0.000000001*	0.75	0.10	0.11	0.07

Source: author's own research.
*Notes: The above variables are presented in Table no. 2. *Indicates values in millions.*

Regarding the independent data - ESG scores, it ranges from a minimum of 2.8 to a maximum of 91.3. The mean is 48.3, and the standard deviation is 21.5, which shows variation across firms in terms of sustainability performance. The median score of 47.7 suggests that the distribution of ESG scores is relatively symmetric. This variation highlights the diversity in ESG disclosure levels among companies, which may vary from a few sustainability efforts to extensive policies. Considering the ENV pillar, the scores range from 0 (no environmental sustainability practices) to 97 (highly proactive environmental initiative). The average score is 45.1 with a median of 46.4, which suggests there is a symmetrical distribution. The relatively high value of the standard deviation (28.1) indicates significant variation in the environmental performance of firms. The ENV pillar plays a pivotal role in the tourism industry, as the existence and growth of the sector are closely related to environmental sustainability (Bodhanwala and Bodhanwala, 2022). Companies with green initiatives may enhance their ESG profile, appeal to sustainable travellers, and minimize risks, while those dismissing environmental standards could encounter operational and brand challenges (Nugroho et al., 2024; Tang et al., 2024). The SOC pillar score has a mean of 49.6, which is the highest among the three ESG dimensions, and a median of 49.2. This indicates a strong focus on social projects. The scores range from 1.1 to 94.9, suggesting that some firms prioritize the SOC pillar much more than others. The marginally higher mean of the SOC dimension compared to the ENV dimension may suggest that social factors are more likely to be linked to the customer-oriented nature of the tourism industry. The GOV score is also strong, having a mean of 49.3 and a median of 49.0. The range from 3.4 to 94.4 demonstrates that while some firms excel in GOV disclosure, others are less transparent or underdeveloped in this area.

Regarding the control variables, Total Revenues, which averages 2,656.1 million USD (median 936.8 million USD), shows an overall skewed distribution, with only a few very large firms contributing to the sector. This may be observed from the minimum (26.6 million USD) and maximum values (32,250.3 million USD) and high standard deviation (4,622.8 million USD) of the data as shown in Table no. 3. This variable was log-transformed to allow a valid interpretation and reduce the impact of extreme values in the regression model. The variations of CASH_TA ratios indicate how firms employ various liquidity strategies. While some companies adopt conservative approaches with high cash reserves, others reinvest heavily into operations, which may reflect different levels of financial flexibility and risk tolerance (Gofran et al., 2023).

The statistical relationship of the variables may be estimated by computing the Pearson correlation matrix, with indicators of possible multicollinearity issues. The correlation coefficients for all variables are displayed in Table no. 4.

Table 4. Pearson/Spearman correlation matrix

Variables	LNMV	ESG	ENV	SOC	GOV	LNTR	CASH_TA
LNMV	1	0.513**	0.502**	0.493**	0.323**	0.744**	0.127*
ESG	0.513**	1	0.903**	0.927**	0.759**	0.573**	-0.143**
ENV	0.502**	0.903**	1	0.807**	0.533**	0.549**	-0.092
SOC	0.493**	0.927**	0.807**	1	0.529**	0.572**	-0.147**
GOV	0.323**	0.759**	0.533**	0.529**	1	0.341**	-0.129*
LNTR	0.744**	0.573**	0.549**	0.572**	0.341**	1	-0.004
CASH_TA	0.127*	-0.143**	-0.092	-0.147**	-0.129*	-0.004	1

Source: author's own research.
*Notes: ** Correlation is significant at the 0.01 level.*
** Correlation is significant at the 0.05 level.*

As shown in Table no. 4, LNMV is highly significantly and positively correlated with ESG ($r=0.513$, $p<0.01$), ENV ($r=0.502$, $p<0.01$), SOC ($r=0.493$, $p<0.01$), GOV ($r=0.323$, $p<0.01$), and LNTR ($r=0.744$, $p<0.01$). LNMV is also significantly correlated with CASH_TA, but weakly ($r=0.127$, $p<0.05$). These findings show that the independent variables (ESG, ENV, SOC, GOV) and control variables (LNTR and CASH_TA) are all significantly correlated to LNMV, the dependent variable.

Since the independent variables have high correlations among them, multicollinearity may occur if these variables were all included in the same regression model. To overcome this, independent variables are tested one at a time in individual regression models to avoid a multicollinearity problem. Moreover, the control variables, LNTR and CASH_TA, report weak correlations with one another ($r=-0.004$), confirming no understanding of multicollinearity between the controls. In conclusion, the correlation analysis confirms the validity of the regression models.

4.2 Discussion on the research hypotheses

The relationship between ESG scores and firm value is analyzed for the full sample and each industry subcategory (Restaurants & Bars, Hotels, Motels & Cruise Lines, and Leisure & Recreation) in the main scenario ($LNMVt = \beta0 + \beta1ESGt + \beta2CASH\_TAt + \beta3LNTRt + \varepsilon t$). In addition, three subscenarios are presented estimating the relation between firm value and each of the three ESG pillars (ENV, SOC, GOV).

The regression analysis conducted within this study provides notable insights into the impact of ESG disclosure on firm value in the tourism sector. The main hypothesis, which states an association between ESG disclosure and firm value for companies operating in this sector, is supported by the data for the overall sample. Similar results were found in previous research (Cheng et al., 2024; Aydogmus et al., 2022; Chang and Lee, 2022; Tahmid et al., 2022) assessing the association of ESG disclosure on firm value. The research findings indicate that the ESG score explains 59.4% of the variation in the market value of tourism companies when sales and cash scaled by total assets are controlled. This substantial explanatory power underscores the significant role ESG factors play in determining market valuations within the industry. The effect of ESG scores on firm value varies, both for each subindustry and for the full sample. Regarding the overall sample, the ESG coefficient is 0.014, with a highly significant p-value (<0.001), indicating a small but statistically significant positive effect. This means that companies with better ESG disclosure in the tourism industry generally tend to have a slightly improved market value. As for the industry subcategories, we obtain an ESG coefficient of 0.010 for Hotels, Motels and Cruise Lines, which is also significant ($p=0.015$), indicating a similarly small but positive and significant impact. This means that ESG disclosure is viewed favourably in this segment. This means that investors consider ESG disclosures an important element of corporate transparency and accountability. In the Leisure & Recreation sub-category, the ESG coefficient is 0.035, suggesting that ESG scores play a greater role in driving firm value in this segment. However, as with Restaurants & Bars, ESG scores do not have a significant impact on market value ($p=0.901$). This lack of impact may suggest that greater integration of ESG principles in this sub-category is needed to improve investor perceptions. Thus, in terms of industry sub-category, H1 is supported in Hotels, Motels & Cruise Lines, and Leisure & Recreation, but not in the Restaurants & Bars industry sub-category.

Table 5. Effects of Market Value on ESG Disclosure

LNMV (dependent variable)	Overall sample			Restaurants & Bars			Hotels, Motels & Cruise Lines			Leisure & Recreation		
Main scenario	**Coeff.**	**Sig.**	**VIF**	**Coeff.**	**Sig.**	**VIF**	**Coeff.**	**Sig.**	**VIF**	**Coeff.**	**Sig.**	**VIF**
(constant)	3.529	<0.001		-0.175	0.907		5.434	<0.001		3.422	0.124	
ESG	0.014	<0.001	1.547	-0.001	0.901	1.827	0.010	0.015	1.350	0.035	<0.001	1.280
CASH_TA	2.798	<0.001	1.031	3.181	<0.001	1.087	2.445	0.048	1.043	3.386	0.025	1.233
LNTR	0.817	<0.001	1.515	1.011	<0.001	1.893	0.758	<0.001	1.377	0.783	<0.001	1.520
F statistic	168.856			92.918			75.228			43.102		
Adj R-square	0.594			0.665			0.701			0.539		
Durbin-Watson	1.991			1.771			2.139			2.071		
Scenario (a)	**Coeff.**	**Sig.**	**VIF**	**Coeff.**	**Sig.**	**VIF**	**Coeff.**	**Sig.**	**VIF**	**Coeff.**	**Sig.**	**VIF**
(constant)	3.527	<0.001		-0.447	0.765		5.010	<0.001		4.111	0.076	
ENV	0.010	<0.001	1.458	-0.002	0.625	1.584	0.004	0.185	1.392	0.022	<0.005	1.316
CASH_TA	2.641	<0.001	1.012	3.205	<0.001	1.089	2.274	0.072	1.046	3.309	0.028	1.227
LNTR	0.828	<0.001	1.446	1.027	<0.001	1.693	0.794	<0.001	1.419	0.776	<0.001	1.561
F statistic	168.099			93.146			70.543			42.768		
Adj R-square	0.593			0.665			0.687			0.537		
Durbin-Watson	1.962			1.765			2.101			2.078		
Scenario (b)	**Coeff.**	**Sig.**	**VIF**	**Coeff.**	**Sig.**	**VIF**	**Coeff.**	**Sig.**	**VIF**	**Coeff.**	**Sig.**	**VIF**
(constant)	3.225	<0.005		0.926	0.541		5.149	<0.001		2.266	0.307	
SOC	0.010	<0.005	1.544	0.007	0.207	1.876	0.006	0.088	1.371	0.025	0.016	1.185
CASH_TA	2.726	<0.001	1.032	3.220	<0.001	1.087	2.274	0.069	1.037	3.079	0.046	1.227
LNTR	0.840	<0.001	1.511	0.937	<0.001	1.939	0.781	<0.001	1.400	0.862	<0.001	1.407
F statistic	164.870			94.534			71.818			39.202		
Adj R-square	0.588			0.669			0.691			0.515		
Durbin-Watson	2.059			1.826			2.164			2.187		
Scenario (c)	**Coeff.**	**Sig.**	**VIF**	**Coeff.**	**Sig.**	**VIF**	**Coeff.**	**Sig.**	**VIF**	**Coeff.**	**Sig.**	**VIF**
(constant)	2.376	0.009		-0.433	0.743		4.794	<0.001		1.333	0.540	
GOV	0.008	0.008	1.156	-0.005	0.209	1.207	0.013	<0.001	1.091	0.013	0.053	1.053
CASH_TA	2.631	<0.001	1.019	3.098	<0.001	1.096	2.498	0.034	1.034	2.655	0.083	1.196
LNTR	0.887	<0.001	1.137	1.035	<0.001	1.260	0.780	<0.001	1.111	0.928	<0.001	1.251
F statistic	163.784			94.518			84.453			37.725		
Adj R-square	0.590			0.669			0.725			0.505		
Durbin-Watson	1.930			1.761			2.053			2.008		

Source: author's own research

As with the first two secondary hypotheses (*H1.1* and *H1.2*), the ENV and SOC pillars have a positive and statistically significant impact on firm value (scenario (a): β=0.010, p<0.001; scenario (b): β=0.010, p<0.005) for the total sample, suggesting that higher ENV and SOC values are associated with a slight increase in market value. This highlights the crucial role of environmental and social practices in shaping perceptions of corporate value. Among the control variables, firm size and CASH_TA ratio also show a significant positive influence, emphasising their crucial role in influencing firm value. According to our results, the proposed regression model estimates 59.3% (ENV) and 58.8% (SOC) of the variation in market value in the tourism industry. Within the subcategories Restaurants & Bars and Hotels, Motels & Cruise Lines subcategories, there is no significant relationship between firm value and the ENV and SOC columns. In contrast to the overall sample, these findings suggest there may be variations in the assessment of environmental and social practices in the individual subcategories of the industry. Thus, H1.1 and H1.2 are supported in the overall sample and in the Leisure & Recreation industry, but not in the Restaurants & Bars and Hotels, Motels & Cruise Lines subcategories, where ENV and SOC disclosure do not significantly impact firm value. These variations highlight the different priorities and expectations of stakeholders in the various tourism sectors.

Regarding the last secondary hypothesis (*H1.3*), the GOV pillar shows a positive but slightly weaker effect on firm value in the overall sample (β=0.008, p<0.05). In the subcategories Restaurants & Bars and Leisure & Recreation subcategories, the GOV pillar is not significant. Governance practices are more important for Hotels, Motels & Cruise Lines (β=0.013, p<0.001) than for the overall industry sample (β=0.008, p<0.005). H1.3 is supported in the overall sample and in the Hotels, Motels & Cruise Lines sub-industry, but not in Restaurants & Bars and Leisure & Recreation, where GOV disclosure has no significant effect on firm value. This emphasizes governance's crucial role, particularly in the hospitality industry, and reflects the importance of stakeholders to corporate governance standards. Among the control variables, firm size and the CASH_TA ratio show significance across all models, highlighting their robust relationship with market value. These results are reliable and are also confirmed by the low values of the variance inflation factor in each scenario where there is no multicollinearity risk.

The results of this research are consistent with the key elements of stakeholder theory, in particular, for the overall sample, which exhibited beneficial effects of the ENV, SOC, and GOV pillars on firm value. This corresponds with the increasing acknowledgment of the stakeholder approach, where firms may pursue the financial gain when companies align their strategy with the needs of society, for the interest of both the shareholders and the world. Moreover, these findings highlight the importance of ESG disclosure in enhancing firm value, suggesting that companies that actively engage in responsible practices may create a competitive advantage. As the tourism industry adapts to changing market demands, focusing on ESG factors is becoming essential for long-term success and sustainability.

5. Conclusions

This study highlights the association between ESG disclosure and firm value in the tourism industry, providing empirical evidence of benefits arising from sustainability practices. The regression models were developed for the combined ESG factors and each pillar – environmental (ENV), social (SOC), and corporate governance (GOV). The research findings confirm a substantial and positive impact of ESG factors on firm value in tourism, with notable variations among the industry subcategories. Thus, the research findings support the hypothesis that the ESG factors disclosure and firm value for companies within the tourism industry are correlated. Similar results were found in other studies (Cheng et al., 2024; Aydogmus et al., 2022; Chang and Lee, 2022; Tahmid et al., 2022) investigating this association.

The present study contributes to the existing literature by demonstrating how the influence of ESG disclosure on market value may differ between tourism sub-industries. Although the generally positive relationship between ESG disclosure and firm value reflects the findings of the existing literature, including findings across sub-industries, it provides a better understanding of how sustainability is perceived and valued in different operational contexts.

The study supports its main hypothesis, showing that ESG disclosure significantly influences firm value in the tourism industry. Regarding the overall sample, ESG scores explain 59.4% of the variation in market value with a statistically significant ESG coefficient ($\beta=0.014$, $p<0.001$). Yet, the impact varies in industry subcategories with a positive and significant effect on Hotels, Motels & Cruise Lines ($\beta=0.010$, $p=0.015$) and Leisure & Recreation ($\beta=0.035$, $p<0.001$), but a non-significant effect on Restaurants & Bars ($p=0.901$). The ENV and SOC pillars positively and significantly influence firm value for the overall sample (ENV: $\beta=0.010$, $p<0.001$; SOC: $\beta=0.010$, $p<0.005$), supporting H1.1 and H1.2. However, in subindustry analysis, ENV and SOC pillars are associated with significant effect only in Leisure & Recreation. These findings reflect the importance of sustainability initiatives as they vary based on the priorities of the subsector and the expectations of stakeholders. The GOV pillar shows a weaker yet significant impact on firm value in the full sample ($\beta=0.008$, $p<0.05$), thus supporting H1.3. GOV practices have a positive impact on Hotels, Motels & Cruise Lines ($\beta=0.013$, $p<0.001$), but not on Restaurants & Bars or Leisure & Recreation. Firm size and CASH_TA ratio-control variables are both highly statistically significant with positive influence in all models, emphasizing their important role in the market value analysis. These results are consistent with the principles of stakeholder theory, indicating that the integration of ESG practices into corporate strategies benefits both shareholders and other stakeholders in society.

Although this paper provides valuable insights, the following limitations should be acknowledged. The analysis covers the 2018-2022 period, which is relatively short and includes the COVID-19 pandemic. As this global crisis had a major impact on the tourism industry, it may have influenced the relationship between ESG disclosure and firm value. This context may lead to research findings that are not fully generalizable over the long term. Another limitation of this study is the relatively small sample size of 117 companies, which may not fully reflect the diversity of the entire sector. Since different industry subcategories (Restaurants & Bars; Hotels, Motels & Cruise Lines; Leisure & Recreation) follow distinct ESG practices, having a larger sample could offer a more representative view and lead to stronger conclusions. A further challenge concerns data availability. Due to insufficient data, some companies from the initial sample were excluded. This could impact the generalizability of the findings across the industry. Nevertheless, these limitations point to areas for future research. Further studies with larger samples and longer timeframes could provide a deeper insight into the subject.

Future research should explore cross-national comparisons, which may provide an understanding of how regional and cultural differences shape ESG initiatives. Qualitative methods (e.g. case studies, interviews) are able to explain how particular ESG practices resonate with stakeholders. Studying the impact of external contingent factors, like regulatory changes or investor preferences, may better frame the association between ESG disclosure and firm value. Moreover, given that the significance levels for the GOV dimension are lower compared to those for the ENV and SOC, it is clear that further studies are needed to explore more deeply the impact of governance on firm value, especially in sectors such as Restaurants & Bars and Leisure. This could involve a qualitative analysis of governance practice, to better understand how this pillar influences firm value.

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