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TRANSLATING GOVERNANCE INTO GROWTH: THE MEDIATING ROLE OF G-ESG DISCLOSURE IN THAI LISTED FIRMS

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Abstract

In the evolving landscape of emerging capital markets, aligning corporate governance (CG) mechanisms with long-term viability is critical. This study investigates how corporate governance scores translate into financial resilience by examining the mediating role of governance-dimension sustainability disclosure (G-ESG) on the sustainable growth rate (SGR) of companies listed on the Stock Exchange of Thailand. Grounded in Agency and Signaling Theories, the research employs a quantitative path analysis approach to evaluate empirical data from Thai listed firms. The empirical results reveal a robust structural relationship: superior corporate governance scores not only directly enhance sustainable growth but also exert a significant indirect influence through the transparency of governance-specific sustainability reporting. This evidence confirms that G-ESG disclosure functions as a vital strategic conduit, efficiently amplifying the value of internal governance quality into tangible economic performance. These findings challenge the traditional view of compliance as a mere administrative cost, demonstrating instead that high-quality governance signaling—mediated by transparent disclosure—is a fundamental driver of sustainable competitiveness. Consequently, this study offers a strategic imperative for regulators and boards to prioritize G-ESG transparency as a key mechanism for unlocking long-term corporate value.

Keywords: Corporate Governance Score, G-ESG Disclosure, Sustainable Growth Rate, Path Analysis, Stock Exchange of Thailand

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Introduction

The current business environment is constantly changing and becoming more complex due to technological advancements, geopolitical shifts, economic volatility, and global crises such as the COVID-19 pandemic. These factors compel businesses to adapt quickly to maintain competitiveness and long-term survival amidst uncertainty. The concept of Sustainable Growth has thus become a key driver for organizations, which must continuously increase revenue without negatively affecting their financial position, as this is a fundamental factor in stable, efficient growth (Adebayo et al., 2021).

Currently, the concept of sustainable growth has been integrated into corporate strategies, especially among listed companies that must consider the expectations of investors and stakeholders not only in financial dimensions but also in environmental, social, and governance (ESG) dimensions, which are crucial criteria for assessing the value and potential of organizations internationally (Eccles et al., 2014).

While the holistic ESG framework is vital, this study focuses exclusively on the Governance (G) dimension of sustainability for several critical reasons. First, Governance often acts as the foundational mechanism and internal control structure necessary for effectively integrating and disclosing E and S factors. Second, our research specifically links the official Corporate Governance Score (CGS) disclosure with the Sustainable Growth Rate (SGR), making the Governance dimension (ESG_G) the most theoretically and contextually relevant mediating variable. ESG_G disclosure directly reflects a firm's commitment to internal quality, transparency, and accountability, which are prerequisites for achieving long-term, stable growth. Third, in the context of the Stock Exchange of Thailand (SET), the CGS is a mandated, highly visible measure of corporate quality. However, the existing literature often lacks an explicit analysis of how this formal score is translated into tangible SGR via the ESG_G disclosure mechanism. By isolating and focusing on ESG_G, this study aims to strengthen the theoretical framework and clarify this crucial causal link that is essential for both investors and policymakers.

For Thailand, as a country focused on sustainable development, especially in the capital market, the Stock Exchange of Thailand (SET) plays a significant role in promoting this approach through the implementation of the Corporate Governance Code (CG Code) since 2017. The code aims to enhance transparency, verifiability, and accountability to all stakeholders, which are essential components for leading organizations to stable, long-term growth. This also aligns with the principles of Socially Responsible Investing, which emphasizes considering ESG factors alongside financial data to generate stable returns and reduce future risks (Stock Exchange of Thailand, 2023).

However, while international research provides evidence that ESG disclosure, particularly in the governance dimension, has a positive effect on organizational sustainable growth (Dai et al., 2024; Asaolu et al., 2022), some studies have found different results. For example, Bagh et al. (2024) reported that ESG as a whole may not have a significant influence on sustainable growth, and Lin (2024) found that the environmental dimension might hinder sustainable growth, while the social and governance dimensions still showed a positive influence on organizations' financial performance. This reflects the complexity of the mechanism linking ESG_G disclosure with organizational growth. In the Thai capital market, research on the influence of corporate governance scores on sustainable growth through the mechanism of governance-dimension sustainability information disclosure remains limited. This is especially true for mechanistic studies that analyze the role of ESG_G disclosure as a mediating variable between CGS and the sustainable growth rate.

In the Thai capital market, a critical gap remains in understanding the precise mechanisms by which formal corporate governance quality translates into tangible economic outcomes. Specifically, existing literature lacks mechanistic studies that explicitly analyze the role of

ESG_G disclosure as a mediating variable between the Corporate Governance Score (CGS) and the Sustainable Growth Rate (SGR). This leaves policymakers and investors without clear evidence on how a high CGS score leads to long-term sustainable growth in the Thai context. Therefore, this research directly addresses this gap. The primary objective of this study is to investigate the influence of the corporate governance score on the Sustainable Growth Rate of companies listed on the Stock Exchange of Thailand, by examining the mediating role of the governance dimension of sustainability information disclosure. The study uses the widely accepted framework developed by Higgins (1977), based on data from 2021 to 2023, to investigate in depth the link between governance quality and organizational sustainable growth.

Literature Review

This study reviewed concepts, theories, and related research, both domestic and international, to synthesize a conceptual framework for examining the effect of corporate governance score disclosure on the sustainable growth rate of listed companies on the Stock Exchange of Thailand by disclosing sustainability information on the governance dimension. This study relies on two main theoretical concepts:

Theoretical Framework

Agency Theory: This theory addresses the potential conflict of interests between shareholders (Principals) and management (Agents). Effective corporate governance, as reflected by a high Corporate Governance Score (CGS), serves as a monitoring mechanism that reduces agency costs and information asymmetry. By aligning managerial actions with shareholder interests, good governance ensures more efficient resource utilization and financial stability, which are prerequisites for achieving a long-term Sustainable Growth Rate (SGR) (Jensen & Meckling, 1976).

Stakeholder Theory: This theory emphasizes that a business must manage its operations by considering the balanced interests of all stakeholders (e.g., employees, customers, regulators, and the community) to promote long-term sustainability. The disclosure of governance dimension sustainability information (ESG_G) is a key communication tool that demonstrates the firm's commitment to transparency, fairness, and accountability toward all stakeholders. This responsiveness builds trust and legitimacy, leading to stronger relationships and a greater "license to operate," thereby collectively enhancing the firm's credibility and supporting its ability to achieve a robust SGR (Freeman, 1984).

Corporate Governance Score (CGS) and Governance Information Disclosure

Good Corporate Governance (GCG), developed by the Stock Exchange of Thailand and the Thai Institute of Directors (IOD) under the OECD and CG Code framework, is considered a key mechanism for assessing an organization's transparency, accountability, and management quality. This is reflected in the Corporate Governance Score (CGS), which is divided into six levels.

The CGS aligns with the Bloomberg ESG Governance (ESG_G) disclosure criteria, which are assessed from publicly disclosed information, focusing on transparency, disclosure of key information to investors, and international risk management. The IOD's assessment criteria, in contrast, focus on examining the internal governance structure and mechanisms. At the same time, Bloomberg emphasizes the quality and quantity of external disclosure to meet the expectations of international investors. (Ratanabanchuen, 2021). Both systems complement each other in driving organizational transparency and sustainability.

A review of relevant literature, such as Mallin (2009), Eccles et al. (2014), Khan et al. (2016), and Friede et al. (2015), found that good governance has a positive effect on the quality of ESG disclosure, especially in the Governance dimension, and promotes investor confidence and sustainable performance. In Thailand, studies by Lertrujiwanich (2016) and Kongkadvanich (2020) found a positive relationship between corporate governance scores and firm value.

Mukherjee & Sen (2019) and Ahsan et al. (2021) also confirmed the board of directors' important role in driving organizational sustainability.

However, some research, such as that by Sabsombat et al. (2020), found that CGS scores may not be significantly related to firm value or performance. This may be due to limitations in information disclosure or to different contextual factors across organizations.

Conceptual Synthesis and Hypotheses

The literature consistently supports the idea that strong internal governance (CGS) is linked to positive outcomes (SGR). However, the literature identifies a conceptual gap regarding the specific mechanism that translates a high internal CGS score into an external economic outcome, such as SGR, particularly in the Thai market. We hypothesize that ESG_G disclosure serves as an information conduit, publicly verifying CGS quality to the market. This synthesis leads to the following study hypotheses:

H1: Companies with excellent (5-star) corporate governance (CGS) scores have a direct positive influence on sustainability disclosure in the corporate governance (ESG_G) dimension.

H2: Companies with excellent (5-star) corporate governance (CGS) scores have a direct positive influence on the sustainable growth rate (SGR).

Governance Dimension Sustainability Information Disclosure

The disclosure of governance dimension sustainability information (ESG_G) is rooted in the concept of Corporate Social Responsibility (CSR), which emphasizes doing business with honesty, transparency, and fairness to be socially responsible and reduce negative impacts on the environment and stakeholders (Stock Exchange of Thailand, 2012). Subsequently, the concept of Environmental, Social, and Governance (ESG) was developed on the foundation of CSR, focusing on the sustainable growth of organizations through management in three main areas: environment, society, and governance. ESG is a crucial tool for investors to assess organizational sustainability (Stock Exchange of Thailand, 2021; Kongkadvanich, 2020). Although CSR and ESG share the common goal of promoting social responsibility and sustainable organizational development, ESG differs from CSR in being a more intensive management framework and a standard for assessing an organization's long-term risks and opportunities. ESG focuses on creating transparency and good corporate governance to build investor confidence (Worldfavor, 2024). The disclosure of sustainability or ESG information is a key communication tool for stakeholders and investors to build confidence in an organization's transparency and competitive potential. Most companies, therefore, publish this information through annual reports, sustainability reports, and annual registration statements, such as the 56 1 One Report (Stock Exchange of Thailand, 2024). Numerous studies show that ESG disclosure has a significant positive effect on an organization's sustainable growth rate by enhancing transparency, increasing credibility, and reducing risk. This results in investors and stakeholders having confidence in making long-term investment decisions (Asaolu et al., 2022; Dai et al., 2024; Chai et al., 2023; Oprean-Stan et al., 2020; Alsayegh et al., 2020). Stakeholder Theory supports this idea by emphasizing responsiveness to the needs of all stakeholder groups to promote sustainability in economic, social, and environmental dimensions (Wang et al., 2022). Furthermore, ESG_G disclosure has been found to positively affect the growth of high-growth companies during crises such as the COVID-19 pandemic (Bagh et al., 2024).

Conversely, there are still debates about the role of ESG in sustainable growth, especially when ESG operations are merely compliance with regulations or short-term investments (Amini & Yulianti, 2025). However, the governance dimension is widely accepted as having a clear positive effect on performance and sustainable growth rates (Sila & Cek, 2017; Lin, 2024). Therefore, the disclosure of governance dimension sustainability information (ESG_G Disclosure), which reflects transparency, accountability, and verifiability, is considered a key

factor that positively affects confidence-building and promotes an organization's sustainable growth rate. The researchers, therefore, hypothesize that:

H3: Governance Dimension Sustainability Information Disclosure (ESG_G) has a direct positive influence on the sustainable growth rate (SGR).

Sustainable Growth Rate (SGR) and Hypotheses on Mediation

A company's sustainable growth is an important financial indicator, reflecting its ability to expand sales and operations in the long term rather than focusing on short-term profits. This increases the company's value. Good corporate governance promotes transparency, management efficiency, and builds confidence among shareholders and stakeholders (Stock Exchange of Thailand, 2023).

Higgins (1977) defined the Sustainable Growth Rate (SGR) as the maximum growth rate of revenue or sales that a company can achieve without changing its operating policy or seeking external funding. It emphasizes that companies should control growth to a level that is stable and financially strong. This growth rate reflects the company's ability to grow from retained earnings and efficient capital utilization. The Higgins model for measuring SGR depends on the Retention Rate (b) and Return on Equity (ROE) according to the equation:

$$\text{SGR} = b \times \text{ROE}$$

$$\text{SGR} = (1-d) \times \text{ROE}$$

Where:

SGR = Sustainable Growth Rate

b = Retention Rate of Earnings

d = Dividend Payout Ratio

ROE = Return on Equity

Payout Ratio is the dividend payout as a percentage of net profit.

Studies by Altahtamouni et al. (2022), Halim (2024), and Shen and Xu (2025) found that financial debt negatively affects sustainable growth. In contrast, high financial liquidity increases a company's growth rate. Additionally, Higgins (1977) noted that good performance and profitability are key factors that promote sustainable growth and create value for shareholders. In Thailand, although studies on the relationship between Corporate Governance Rating (CGR) and the sustainable growth rate, as well as the governance dimension of sustainability information disclosure, have been conducted, the results are not unanimous and are contradictory in some respects. Therefore, the researchers see the importance of studying the effect of corporate governance score disclosure on the sustainable growth rate through sustainability information disclosure to fill the research gap in the context of the Stock Exchange of Thailand. The researchers hypothesize that:

H4: Companies with excellent (5-star) corporate governance (CGS) scores have an indirect positive influence on the sustainable growth rate (SGR) through Governance Dimension Sustainability Information Disclosure (ESG_G).

Research Methods

Population and Sample

This study investigated the influence of corporate governance score disclosure on the sustainable growth rate of companies listed on the Stock Exchange of Thailand, focusing on sustainability information disclosure within the governance dimension. The researchers collected data from the Bloomberg Terminal database, a global database of listed companies, and disclosed it to the Stock Exchange of Thailand via the SET Fin Lab database. Therefore, it can be considered reliable information about companies registered on the Stock Exchange of Thailand.

The sample consisted of data from 131 listed companies with complete information throughout the period from 2021 to 2023, totaling 393 data points (131 companies x 3 years). The

researchers screened and removed 29 outlier data points, resulting in a final sample of 364. This is considered a sufficient and appropriate sample size for the analysis. The researchers used G*Power 3.1.9.7 to calculate the required sample size for the analysis and found that at least 153 data points were needed. Therefore, the actual sample of 364 data points is suitable and reliable for this research and data analysis.

Research Instruments and Statistical Analysis

To ensure a rigorous examination of the hypothesized relationships, this study employed inferential statistical analysis, specifically utilizing the Path Analysis technique. This methodological approach enabled precise evaluation of causal influences by calculating correlation and path coefficients. The primary objective was to dissect the structural mechanism connecting the Corporate Governance Score (CGS) to the Sustainable Growth Rate (SGR), explicitly modeling the Governance-dimension of Sustainability Disclosure (ESG_G) as a mediating variable to capture both direct and indirect effects. Furthermore, to enhance the model's robustness and isolate the true impact of governance factors, the analysis incorporated critical control variables—namely, firm size and financial risk—thereby accounting for potential confounding determinants of sustainable growth. A detailed summary of all variables and their respective measurement criteria is presented in Table 1.

Table 1 Variables and Variable Measurement

Variable and meaning	Abbreviation	Measurement Method
Independent Variable:		
Corporate Governance Score Disclosure	CGS	Dummy variable with a value of 1 for companies receiving the "Excellent" (55-star CGS3), "Very Good" (4-star: CGS2), and "Good" (3-star: CGS1) rating and 0 for companies with a lower rating or no rating.
Mediating Variable:		
Governance Dimension Sustainability Information Disclosure	ESG_G	Measured from the Bloomberg ESG data, focusing on the Governance pillar.
Dependent Variable:		
Growth of sales, assets, SGR, and shareholder equity in the organization, according to the equation from Higgins (1977)	SGR	$SGR = ROE \times \text{Retention Rate}$ or $SGR = ROE \times (1 - \text{Dividend Payout Ratio})$
Control Variables:		
Firm Size	Size	Measured by the natural logarithm of total assets.
Financial Risk	DF	Measured by the Debt-to-Equity Ratio.

Research Results

The analysis of the influence between variables and hypothesis testing was conducted using a statistical software program. This was done to analyze the influence of corporate governance disclosure scores on the sustainable growth rate, using sustainability information in the corporate governance dimension of companies listed on the Stock Exchange of Thailand. The researcher performed two types of tests, which were:

Model 1: No Control Variables

The analysis of the model without control variables revealed a clear and significant role for the Governance dimension in influencing the Sustainable Growth Rate (SGR), particularly among firms that achieved the "Excellent" or 5-star Corporate Governance Score (CGS3). The most

critical finding is that the disclosure of corporate governance sustainability information (ESG_G) acts as a full mediator in the relationship between CGS3 and SGR (0.033; $p < .05$). This implies that the internal quality of corporate governance (CGS3) does not directly translate into sustainable growth; rather, it must be channeled through the public mechanism of ESG_G disclosure. The disclosure serves as the essential informational conduit, verifying the internal quality to the market, which, in turn, influences SGR. CGS3 had a highly significant direct positive influence on ESG_G disclosure (0.000; $p < .001$), confirming that firms with superior governance are more likely to be transparent. ESG_G disclosure exhibited a direct positive influence on SGR (0.011; $p < .05$), establishing its role as a key driver of sustainable growth. Crucially, no direct influence was observed between CGS3 and SGR after accounting for the mediator. Conversely, ESG_G was not found to mediate for the subsamples of firms receiving lower scores, the "Very Good" (CGS2) and "Good" (CGS1) ratings. In summary, these findings underscore that ESG_G disclosure is a necessary and critical mechanism that enables the internal excellence of corporate governance to tangibly translate into the desired external economic outcome of long-term sustainable growth.

Table 2 Direct and indirect influences of the variables in Model 1: No Control Variables.

Path Analysis	Estimate	SE	β	Z	p-Value	Research hypothesis
Direct Influence						
CGS1 → ESG_G	-0.106	3.020	-0.003	-0.035	0.972	
CGS2 → ESG_G	3.960	2.411	0.185	1.642	0.101	
CGS3 → ESG_G	8.749	2.225	0.477	3.931	0.000***	H1: Accept
CGS1 → SGR	-6.957	5.132	-0.101	-1.356	0.175	
CGS2 → SGR	1.017	4.114	0.029	0.247	0.805	
CGS3 → SGR	-3.739	3.861	-0.126	-0.968	0.333	H2: Reject
ESG_G → SGR	0.226	0.089	0.139	2.539	0.011*	H3: Accept
Indirect Influence						
CGS1 → ESG_G → SGR	-0.0241	0.683	-0.000	-0.035	0.972	
CGS2 → ESG_G → SGR	0.896	0.650	0.026	1.379	0.168	
CGS3 → ESG_G → SGR	1.979	0.928	0.066	2.133	0.033*	H4: Accept
$R^2 = 0.0352$ p-Value 0.001, GFI = 1.00, AGFIX = 1.00, RMSEA = 0.00, CFI = 1.00, SRMR = 0.00, TLI = 1.00						

Note: * $p < .05$, ** $p < .01$, *** $p < .001$

Model 2: With Control Variables

The analysis of the second model, which includes control variables for firm size and financial risk, further validates the critical role of ESG_G disclosure in promoting the Sustainable Growth Rate (SGR). For companies achieving the "Excellent" or 5-star corporate governance score (CGS3), the results confirmed that ESG_G disclosure acts as a full mediator. The primary relationships supporting this full mediation remained statistically significant: CGS3 positively influences ESG_G at $p < .001$ (0.002), and ESG_G subsequently influences SGR at $p < .05$ (0.011). This reinforces the finding that for the highest-rated firms, the CGS must be channeled through public disclosure (ESG_G) to impact SGR. Consistent with the first model, mediation was not found for firms in the "Very Good" (CGS2) and "Good" (CGS1) subsamples.

Table 3 shows the direct and indirect influences of the variables in Model 2: With Control Variables.

Path Analysis	Estimate	SE	β	Z	p-Value	Research hypothesis
Direct Influence						
CGS1 → ESG_G	0.563	2.837	0.013	0.193	0.843	
CGS 2 → ESG_G	3.464	2.255	0.162	1.536	0.125	
CGS 3 → ESG_G	6.654	2.101	0.363	3.166	0.002**	H1: Accept
CGS 1 → SGR	-7.874	5.138	-0.114	-1.532	0.125	
CGS 2 → SGR	0.944	4.097	0.027	0.230	0.818	
CGS 3 → SGR	-3.899	3.577	-0.131	-1.011	0.312	H2: Reject
ESG_G → SGR	0.240	0.095	0.148	2.530	0.011*	H3: Accept
SIZE → ESG_G	1.352	0.229	0.342	5.902	0.000**	
LEV → ESG_G	0.462	1.973	0.013	0.234	0.815	
SIZE → SGR	0.259	0.434	0.040	0.597	0.551	
LEV → SGR	-6.076	3.574	-0.107	-1.700	0.089	
Indirect Influence						
CGS 1 → ESG_G → SGR	0.135	0.683	0.002	0.198	0.843	
CGS 2 → ESG_G → SGR	0.832	0.634	0.024	1.313	0.189	
CGS 3 → ESG_G → SGR	1.598	0.809	0.054	1.977	0.048*	H4: Accept
SIZE → ESG_G → SGR	0.325	0.140	0.051	2.326	0.020*	
LEV → ESG_G → SGR	0.111	0.476	0.002	0.233	0.816	
$R^2 = 0.0432$ p-Value 0.001, GFI = 1.00, AGFIX = 1.00, RMSEA = 0.00, CFI = 1.00, SRMR = 0.00, TLI = 1.00						

Note: * $p < .05$, ** $p < .01$, *** $p < .001$

Crucially, the control variable for Firm Size introduced a new insight. The Firm Size variable was found to exhibit an influence pattern strikingly similar to CGS3. Firm size demonstrated a direct positive influence on ESG_G disclosure (0.000; $p < .001$), and subsequently exerted an indirect positive influence on SGR via ESG_G (0.020; $p < .05$).

This finding suggests that while superior governance quality (CGS3) is essential, Firm Size also plays a significant role, acting as a secondary driver for comprehensive ESG_G disclosure. The inclusion of control variables strengthens the robustness of the core conclusion: ESG_G remains the decisive and necessary channel through which both high CGS and Firm Size translate into tangible Sustainable Growth.

A path analysis of the two models (with and without control variables) found that the model without control variables yielded clearer and more statistically significant results. It showed that corporate governance scores at the "Excellent" (5-star) level had a significant positive influence on the disclosure of corporate governance sustainability information (ESG_G). This ESG_G disclosure was found to be a crucial mediating variable in increasing the Sustainable Growth Rate (SGR). Although the direct relationship between CGS and SGR was not significant, ESG_G emerged as a prominent mediator. This confirms that sustainability disclosure plays a vital role in linking an organization's governance mechanisms with its sustainable business growth.

Conclusion and Discussion

The research findings align with the Stakeholder Theory, which posits that companies must engage with all stakeholders to promote long-term sustainability. Specifically, the disclosure of ESG_G information demonstrates a company's commitment to transparency, which builds confidence and trust among stakeholders and ultimately leads to sustainable growth. These

results support the research of Asaolu et al. (2022) and Dai et al. (2024), which found that ESG_G disclosure has a positive effect on sustainable growth. Interestingly, the finding that CGR scores do not have a direct influence on SGR is consistent with some prior research (Sabsombat et al., 2020; Chanthawong et al., 2025), which suggests that a company's governance rating alone may not be sufficient to drive performance without the tangible action of disclosing that information to the public. However, the study confirms that when governance information is disclosed, as measured by ESG_G, it serves as a crucial link, enabling the benefits of good corporate governance to be reflected in a company's sustainable growth rate. The research's use of the bootstrapping method to test the mediating effect provides a robust and reliable finding, confirming that ESG_G acts as a full mediator. This suggests that without the disclosure of governance-related information, the positive influence of a high CGR score on SGR would be nonexistent. This highlights the importance of information disclosure as a key mechanism for value creation and sustainable growth, while simultaneously confirming the validity of Higgins's (1977) model for measuring SGR in the Thai capital market. Based on these empirical insights, practical implications for the market are evident. Listed companies should place greater emphasis on disclosing sustainability information on governance dimensions (ESG_G) in their annual reports, sustainability reports, and other communication channels. This disclosure is identified as a critical factor that helps translate good corporate governance into sustainable growth and builds confidence among investors and stakeholders. Concurrently, regulators should continue promoting and encouraging the disclosure of ESG information, especially in the governance dimension. Consideration could be given to developing more explicit guidelines or incentives for disclosure to ensure that companies with good governance are effectively communicating this to the market, thereby fostering a more transparent and resilient capital market ecosystem.

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