Aditax

Journal of Accounting, Auditing and Taxation
ISSN E-ISSN
Vol. 1 No. 1 (2026)

Received: August 2025	**Accepted:** October 2025	**Published:** February 2026

ESG, RSPO Certification and Financial Outcomes of the Palm Oil Industry: Evidence from Southeast Asia

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Abstract

This study investigates the impact of Environmental, Social, and Governance (ESG) performance along with RSPO certification on the financial results of palm oil companies between 2019 and 2023. The research employs a deductive approach, analyzing data through multiple linear regression using Ordinary Least Squares (OLS) implemented in STATA version 17. This method validates the relationships between ESG performance, RSPO certification, and corporate financial outcomes in Southeast Asian palm oil companies. The findings demonstrate that firms integrating ESG principles and obtaining RSPO certification experience significant improvements in Return on Assets (ROA), underscoring the vital role of sustainable practices in enhancing profitability amid environmental challenges. The results highlight the importance for palm oil firms to embed ESG factors and pursue sustainability certifications to boost competitive advantage and satisfy stakeholder demands. This study supports the Triple Bottom Line framework, emphasizing that balancing economic, environmental, and social objectives drives long-term business success in a rapidly evolving global market.

Keywords: *ESG, RSPO Certification, Financial Outcomes, Palm Oil, Southeast Asia*

Abstrak

Studi ini mengkaji pengaruh kinerja Environmental, Social, dan Governance (ESG) yang kuat beserta sertifikasi RSPO terhadap hasil keuangan perusahaan kelapa sawit antara tahun 2019 hingga 2023. Penelitian ini menggunakan pendekatan deduktif dengan menganalisis data melalui regresi linier berganda menggunakan metode Ordinary Least Squares (OLS) yang diimplementasikan dengan perangkat lunak STATA versi 17. Metode ini digunakan untuk memvalidasi hubungan antara kinerja ESG, sertifikasi RSPO, dan hasil keuangan perusahaan kelapa sawit di Asia Tenggara. Hasil penelitian menunjukkan bahwa perusahaan yang mengintegrasikan prinsip ESG dan memperoleh sertifikasi RSPO mengalami peningkatan signifikan pada Return on Assets (ROA), menegaskan peran penting praktik berkelanjutan dalam meningkatkan profitabilitas di tengah tantangan lingkungan. Temuan ini menekankan pentingnya perusahaan kelapa sawit untuk mengintegrasikan faktor ESG dan mengejar sertifikasi keberlanjutan guna memperkuat daya saing dan memenuhi harapan para pemangku kepentingan. Studi ini mendukung kerangka kerja Triple Bottom Line yang menekankan bahwa keseimbangan antara tujuan ekonomi, lingkungan, dan sosial menjadi kunci keberhasilan bisnis jangka panjang dalam pasar global yang terus berkembang.

Kata Kunci: ESG, Sertifikasi RSPO, Kinerja Keuangan, Kelapa Sawit, Asia Tenggara.

INTRODUCTION

The palm oil industry plays a critical role in the economies of Southeast Asia, particularly Indonesia, Malaysia, and Thailand. Together, these countries contribute approximately 87% of the global palm oil supply, with Indonesia leading production at 46.5 million metric tons, followed by Malaysia and Thailand at 19.3 million and 3.7 million metric tons respectively (USDA, 2025). Despite its economic significance, the industry faces substantial challenges related to Environmental, Social, and Governance (ESG) issues. These include deforestation, land fires, social conflicts, and governance concerns (Alaika & Firmansyah, 2024; Greenpeace, 2020; Koh & Wilcove, 2008; Laia, 2022). Addressing these issues has become increasingly important as global awareness of sustainability grows.

In response to these challenges, many companies have adopted ESG practices and pursued Roundtable on Sustainable Palm Oil (RSPO) certification to improve their reputation among consumers and investors (Pamungkas & Risman, 2024). However, the financial implications of these initiatives remain debated. While some studies suggest that ESG performance enhances financial outcomes, others highlight mixed or even negative results. For instance, research indicates that ESG practices can improve Return on Assets (ROA) through enhanced reputation and stakeholder trust (Chong & Loh, 2023; Suroso et al., 2021; Tey & Brindal, 2020). Additionally, during crises like the COVID-19 pandemic, companies with strong ESG practices demonstrated greater resilience (Kim et al., 2021).

Conversely, some studies argue that ESG performance does not significantly impact financial outcomes or may even exert negative effects due to increased operational costs or market challenges (Gawęda & Złoty, 2023; Khairunnisa & Widiastuty, 2023; Malau & Rambe, 2022). Similarly, RSPO certification has shown varied results. While it can lead to premium pricing and improved profitability for certified firms (Chanthawong et al., 2024; Rosyadi et al., 2021), other studies reveal implementation challenges and negligible financial benefits for some companies (Shahida et al., 2018; Shahimi et al., 2023). Given these inconsistencies in existing research, this study aims to evaluate the influence of ESG performance and RSPO certification on the financial outcomes of palm oil firms in Southeast Asia. By focusing on this region—home to the world's leading producers—the research seeks to provide a deeper understanding of the interplay between sustainability practices and financial performance.

The formulation of hypotheses regarding the influence of Environmental, Social, and Governance (ESG) performance on the financial outcomes of palm oil companies can be analyzed from the perspective of stakeholder theory and the Triple Bottom Line (TBL) framework. Stakeholder theory highlights that businesses should take into account the priorities of all stakeholders, such as society, the environment, and governance in their decision-making activities (Freeman, 2010). This is consistent with the TBL principle, which asserts that a company's success is evaluated not only by economic gains but also by its societal and environmental outcomes (Sridhar, 2011). Previous studies indicate that companies adopting effective ESG practices tend to achieve better financial performance, supporting Hypothesis H1 that ESG has a favorable and noteworthy effect on the financial results of palm oil firms (Africa et al., 2024; Giannopoulos et al., 2022; Kim et al., 2021; Pinheiro et al., 2023; Rasyad et al., 2024).

Separate analysis of ESG components reveals distinct financial impacts: effective governance practices enhance transparency and reduce conflicts (Kobuthi et al., 2018), directly improving financial outcomes (Hsiao & Zhang, 2023), supporting H1c. Similarly, high environmental and social performance ratings correlate with stronger financial results (Africa et al., 2024), validating H1a and H1b. Additionally, Giannopoulos et al., (2022) emphasizes that

effective ESG reporting can strengthen a firm's financial outcomes, indicating that palm oil companies investing in good environmental and social practices will gain significant financial benefits. Thus, the development of these hypotheses is supported by empirical evidence demonstrating that ESG performance, as well as its components, exerts a significant positive influence on corporate financial results, particularly within the palm oil sector.

The proposed hypotheses are as follows:

H1 = "*ESG performance positively affects the financial outcomes of palm oil industry*"

H1a = "*Environmental performance positively affects the financial outcomes of palm oil industry*"

H1b = "*Social performance positively affects the financial outcomes of palm oil industry*"

H1c = "*Governance performance positively affects the financial outcomes of palm oil industry*"

Within the framework of stakeholder theory, certifications such as RSPO serve as tools to enhance the connection between businesses and their stakeholders. This theory emphasizes the importance of collaboration and effective communication between companies and stakeholders, which can create added value for all parties involved (Chakrabarty, 2020; Savage et al., 2010). Research indicates that companies actively engaged in sustainability certifications tend to have better financial performance because they can attract more investors and customers who are concerned about sustainability (Suroso et al., 2021). Consequently, RSPO certification can be viewed as a strategy that not only fulfills social demands but also enhances the financial competitiveness of companies in the palm oil sector.

Furthermore, the TBL framework also supports this hypothesis by emphasizing the significance of economic, environmental and social performance. TBL requires that companies should consider not only financial gains but also the social and environmental outcomes of their activities (Chen & Roberts, 2010). In the context of the palm oil sector, RSPO certification plays a role in ensuring that sustainable agricultural practices are adopted, which can improve a company's image and attract consumers who are more environmentally aware (Hellmeister & Richins, 2019). Previous research has shown that companies that adopt TBL principles and obtain sustainability certifications experience improvements in their financial performance, as consumers increasingly choose products produced sustainably (Alaika & Firmansyah, 2024). Therefore, RSPO certification can be regarded as an investment that yields long-term financial benefits for companies.

Empirical evidence indicates that numerous studies have revealed a positive correlation between sustainable certification and financial outcomes. For example, research by Chanthawong et al., (2024), Hafizuddin-Syah et al., (2018), Malau & Rambe (2022), Napitupulu et al., (2018), Rosyadi et al., (2021) and Suroso et al., (2021) suggests that sustainable certification helps enhance the financial and market performance of palm oil firms. Additionally, Amin et al., (2019) demonstrated that strong financial growth in the palm oil sector is closely linked to the adoption of sustainable practices, including certification. These findings validate the hypothesis that RSPO certification serves not only as a tool to meet sustainability standards but also as a driver of better financial outcomes in the palm oil industry.

The proposed hypothesis is as follows:

H2 = "*RSPO certification positively affects the financial outcomes of palm oil industry*"

RESEARCH METHODOLOGY

This research employs a deductive method to evaluate the hypotheses, concentrating on two main aspects. First, it explores the direct connection between ESG performance and corporate financial outcomes, including the impact of individual ESG components. Second, it analyzes the

relationship between RSPO certification and the financial outcomes of Southeast Asian palm oil companies during the period 2019–2023. The analysis results are then reviewed to address each hypothesis. The data is analyzed using multiple linear regression (OLS) with the assistance of STATA software version 17 to validate the reliability and accuracy of the findings.

This research utilizes ESG performance data and ESG component performance data derived from total ESG scores and ESG component scores obtained through the SPOTT assessment for palm oil companies between 2019 and 2023. The ESG performance metrics are grounded in the available scores from SPOTT's assessment reports, a methodology previously employed by researchers such as Chong & Loh (2023) and Oppenheimer et al., (2021). SPOTT was selected due to its comprehensive framework, which targets producers, processors, and traders of commodities while evaluating the transparency of companies' ESG policies and practices. Typically, companies assessed by SPOTT are located in the upstream supply chain, where they exert significant influence over plantation activities—a critical ESG concern.

The SPOTT assessment for the palm oil sector comprises 196 ESG indicators, categorized into 10 groups, structured in accordance with the United Nations' Sustainable Development Goals (UN SDGs). These categories address specific themes relevant to the palm oil industry, including supply chain transparency, prevention of deforestation, compliance with certification standards, and protection of labor rights. Each indicator can span across two or three E, S, and G categories. The scoring system ranges from 0 to 1, where 0 denotes no disclosure, partial scores from 0.01-0.99, indicate partial disclosure, and 1 signifies full disclosure. The scores are then converted into a percentage scale from 0 to 100, where higher percentages reflect greater levels of transparency.

This study employs a sample designed to represent the global population of palm oil firm listed on Southeast Asian stock exchanges. The focus on public companies was chosen because their data are more accessible to public investors, who play a crucial role in supporting investment decisions that promote sustainable production. During the SPOTT evaluation period from 2019 to 2023, there were 30 publicly listed palm oil companies. However, due to some companies lacking available financial data on Thomson Reuters, such as those that have delisted or undergone restructuring, three companies were omitted from the analysis. As a result, the final sample included 26 publicly listed companies, comprising 130 observations collected over a five-year period, as outlined in Table 1.

Table 1. Purposive Sampling

	Indonesia	**Malaysia**	**Singapore**	**Thailand**
Total Public Palm Oil Companies with ESG Scores from SPOTT	10	13	7	0
Less:				
Companies with Incomplete Financial Data from Refinitiv Eikon	1	3	0	0
Final Sample Size	**9**	**10**	**7**	**0**
Total Observations over the 5-Year Research Period	**45**	**50**	**35**	**0**

Source: Table by authors (2025)

This study employs various variables to analyze the relationship between ESG performance, RSPO certification, and corporate financial outcomes. The primary independent variables include ESG performance measured based on the SPOTT assessment, which encompasses three main components: environmental, social, and governance. Additionally,

RSPO certification is used as a dummy variable with a score of 1 if the company has RSPO certification and 0 if not. The study also includes control variables to account for differences between companies and countries that may influence the results. Inter-company differences are controlled for by variables such as company size (SIZE), company age (AGE), debt-to-asset ratio (DAR), and the COVID-19 pandemic year (COVID Year). Meanwhile, inter-country differences are controlled for by variables such as GDP growth and inflation rates based on World Bank data. ROA serves as the dependent variable in this study, which is determined by dividing a company's net income after tax by its total assets, as a primary indicator of corporate financial outcomes. For a detailed explanation, the definitions of each variable can be found in Table 2.

Table 2. Variable Definition

Independent Variables	**Definition**
ESG	The ESG score is obtained from the SPOTT assessment
Environmental	The Environmental score is obtained from the SPOTT assessment
Social	The Social score is obtained from the SPOTT assessment
Governance	The Governance score is obtained from the SPOTT assessment
RSPO Certification	The RSPO certification variable is measured using a dummy score, with a score of 1 if the company has RSPO certification and a score of 0 if it does not
Control: SIZE	The natural logarithm of the firm market capitalization
Control: AGE	The age of the firm from the year of establishment to the year of observation
Control: DAR	Total Liability / Total Assets
Control: COVID YEAR	A score of 1 for the COVID years (2020-2022) and a score of 0 for the years 2019 and 2023
Control: GDP Growth	The annual growth rate of a country's GDP based on World Bank data
Control: Inflation	The annual percentage change in the consumer price index (CPI) based on World Bank data
Dependent Variables	**Definition**
Return on Asset	Net income after tax/ total asset

Source: Table by authors (2025)

This study employs ordinary least squares (OLS) regression by running five testing models. The effect of ESG performance on the financial outcomes of palm oil companies (Hypothesis 1) is analyzed using a direct relationship equation, as shown below :

$$ROA_{i,t} = ß_0 + ß_1ESG_{i,t} + ß_2SIZE_{i,t} + ß_3AGE_{i,t} + ß_4DAR_{i,t} + ß_5COVID_{i,t} + ß_6GDP_{i,t} + ß_7INF_{i,t} + e_{i,t} \quad (1)$$

The relationship between environmental performance and the financial outcomes of palm oil companies (Hypothesis 1a) is explored through the following direct relationship equation:

$$ROA_{i,t} = ß_0 + ß_1ENV_{i,t} + ß_2SIZE_{i,t} + ß_3AGE_{i,t} + ß_4DAR_{i,t} + ß_5COVID_{i,t} + ß_6GDP_{i,t} + ß_7INF_{i,t} + e_{i,t} \quad (2)$$

This research investigates the influence of social performance on the financial outcomes of palm oil companies (Hypothesis 1b) by employing a direct relationship equation, as outlined below:

$$ROA_{i,t} = ß_0 + ß_1SOC_{i,t} + ß_2SIZE_{i,t} + ß_3AGE_{i,t} + ß_4DAR_{i,t} + ß_5COVID_{i,t} + ß_6GDP_{i,t} + ß_7INF_{i,t} + e_{i,t} \quad (3)$$

The connection between governance performance and the financial outcomes of palm oil companies (Hypothesis 1c) is examined using the direct relationship equation presented below:

$$ROA_{i,t} = ß_0 + ß_1GOV_{i,t} + ß_2SIZE_{i,t} + ß_3AGE_{i,t} + ß_4DAR_{i,t} + ß_5COVID_{i,t} + ß_6GDP_{i,t} + ß_7INF_{i,t} + e_{i,t} \quad (4)$$

To determine how RSPO certification impacts the financial outcomes of palm oil companies (Hypothesis 2), the direct relationship equation is defined as follows:

$$ROA_{i,t} = ß_0 + ß_1RSPO_{i,t} + ß_2SIZE_{i,t} + ß_3AGE_{i,t} + ß_4DAR_{i,t} + ß_5COVID_{i,t} + ß_6GDP_{i,t} + ß_7INF_{i,t} + e_{i,t} \quad (5)$$

ROA: The financial outcomes of company ii at time tt.
ESG, ENV, SOC, GOV: The total ESG, Environmental, Social, and Governance scores of company ii at time tt.
Control [SIZE, AGE, DAR, COVID, GDP, INF]: Control variables for company i at time t, including: the size of the company calculated by the natural logarithm of market capitalization, the age of the company, the debt-to-asset ratio, COVID-19 year, the GDP growth rate, and the inflation rate of the country where the company operates.
e: The error term.

RESULTS AND DISCUSSIONS

Based on the presented descriptive statistics (see table 3), this study analyzes 130 observations across various variables. The analysis reveals that the average Return on Assets (ROA) is 0.039, indicating moderate asset performance with a range from -0.582 to 0.218. The average Environmental, Social, and Governance (ESG) score is 0.574, reflecting moderate ESG performance, with environmental and social components averaging 0.536 and 0.589, respectively. Roundtable on Sustainable Palm Oil (RSPO) certification is observed in 69.2% of the cases, demonstrating a strong commitment to sustainable practices. Companies exhibit diverse sizes, with an average market capitalization of 20.170 and an average age of 20.62 years. The average Debt-to-Asset Ratio (DAR) is 0.561, indicating variability in capital structure. Macroeconomic indicators show an average GDP growth rate of 2.939%, with an average inflation rate of 2.345%, highlighting significant economic fluctuations. The data variability is relatively stable for most variables, except for ROA and GDP growth, which exhibit greater variability.

Table 3. Statistic Descriptive

Variable	Obs	Mean	Std. dev.	Min	Max
ROA	130	0.0392695	0.083451	-0.58253	0.217864
ESG	130	0.5739538	0.240113	0.053	0.947
ENV	130	0.5356308	0.242946	0.056	0.935
SOC	130	0.5884923	0.24554	0.061	0.937
GOV	130	0.5122923	0.230879	0.034	0.88
RSPO	130	0.6923077	0.463324	0	1
SIZE	130	20.1701	1.646054	16.60781	23.82649
AGE	130	20.61538	12.44235	6	54
DAR	130	0.5609832	0.328197	0.109727	2.206711
Covid Year	130	0.6	0.491793	0	1

GDP Growth	130	2.939231	4.061456	-5.5	9.7
Inflation	130	2.344615	1.810908	-1.1	6.1

Source: Table by authors (2025)

The analysis indicates that none of the five research models exhibit multicollinearity, as evidenced by VIF values below 10 and tolerance values above 0.1. The detailed results, presented in Table 4, confirm the absence of strong linear relationships among the independent variables, thereby validating the research models.

Table 4. VIF Test

	Model 1	Model 2	Model 3	Model 4	Model 5
ESG	1.05 (0.955574)				
ENV		1.04 (0.960746)			
SOC			1.05 (0.953928)		
GOV				1.06 (0.944271)	
RSPO					1.05 (0.949065)
SIZE	1.43 (0.698408)	1.43 (0.699072)	1.43 (0.698327)	1.43 (0.697461)	1.44 (0.695434)
AGE	1.16 (0.861275)	1.16 (0.859569)	1.16 (0.86292)	1.17 (0.854138)	1.16 (0.861639)
Covid Year	1.02 (0.977762)	1.02 (0.979814)	1.02 (0.976429)	1.02 (0.980883)	1.02 (0.981192)
DAR	1.3 (0.769744)	1.3 (0.769262)	1.3 (0.768029)	1.3 (0.7698)	1.34 (0.748716)
GDP Growth	1.57 (0.638287)	1.57 (0.638518)	1.57 (0.638056)	1.56 (0.639198)	1.56 (0.63946)
Inflation	1.59 (0.629418)	1.59 (0.630196)	1.59 (0.630043)	1.58 (0.631391)	1.57 (0.635235)
Mean VIF	1.3	1.3	1.3	1.3	1.31

Source: Table by authors (2025)

Models 1 through 5 demonstrate good fits, with significant F-values at the 1% level, indicating their suitability for analysis. The R-Square values for each model show that approximately 31.41%, 31.16%, 31.34%, 31.21%, and 31.08% of the variation in ROA is explained by the respective variables. The acceptance of hypotheses H1, H1a, H1b, H1c, and H2 is supported by findings showing positive and significant effects of ESG, environmental performance (ENV), social performance (SOC), governance performance (GOV), and RSPO certification on ROA at a 10% confidence level. Control variables such as SIZE, DAR, and Covid Year consistently exhibit

significant effects, while AGE, GDP Growth, and Inflation do not contribute significantly to explaining asset performance. The detailed results for all models are presented in Table 5.

Table 5. Regression Results

	ROA				
	Model 1	**Model 2**	**Model 3**	**Model 4**	**Model 5**
ESG	0.0506286 (1.9)*				
ENV		0.0467784 (1.78)*			
SOC			0.0486805 (1.86)*		
GOV				0.0502948 (1.80)*	
RSPO					0.0241224 (1.74)*
SIZE	0.0121838 (2.68)***	0.0123956 (2.72)***	0.0121734 (2.67)***	0.0120591 (2.65)***	0.0118826 (2.6)***
AGE	0.0006021 (1.11)	0.0005979 (1.1)	0.000615 (1.14)	0.0005695 (1.05)	0.0006121 (1.13)
DAR	-0.059476 (-2.74)***	-0.0596896 (-2.74)***	-0.059203 (-2.72)***	-0.05974 (-2.75)***	-0.072288 (-3.27)***
Covid Year	0.0463365 (3.6)***	0.0469217 (3.64)***	0.0461082 (3.58)***	0.0473618 (3.68)***	0.0478843 (3.72)***
GDP Growth	0.0008067 (0.42)	0.0007816 (0.4)	0.0008185 (0.42)	0.0007205 (0.37)	0.0006584 (0.34)
Inflation	0.0061196 (1.41)	0.0062209 (1.43)	0.0061768 (1.42)	0.006301 (1.45)	0.006893 (1.59)
Cons	-0.2591053 (-2.66)***	-0.2596845 (-2.66)***	-0.258938 (-2.66)***	-0.253264 (-2.60)***	-0.235998 (-2.43)**
F	7.98***	7.89***	7.95***	7.91***	7.86***
R Square	0.3141	0.3116	0.3134	0.3121	0.3108

*Notes: ***p<1%; **p<5%; *p<10%*
Source: Table by authors (2025)

Initially, our robustness test employs regression with robust standard errors to ensure the reliability of the analysis results. The use of robust standard errors aims to mitigate potential heteroskedasticity, which could influence coefficient estimates and variable significance. The regression results, detailed in Table 6, reveal that applying robust standard errors enhances the significance of the impact of ESG, its components (E, S, G), and RSPO certification on Return on Assets (ROA), elevating it from a 10% to a 5% level. This indicates that the relationships between these variables and corporate asset performance become more pronounced and robust, demonstrating greater consistency and reliability.

Table 6. Robust Standard Error

	ROA				
	Model 1	**Model 2**	**Model 3**	**Model 4**	**Model 5**
ESG	0.0506286 (2.26)**				
ENV		0.0467784 (2.16)**			
SOC			0.0486805 (2.21)**		
GOV				0.0502948 (2.04)**	
RSPO					0.0241224 (2.32)**
SIZE	0.0121838 (2.34)**	0.0123956 (2.34)**	0.0121734 (2.34)**	0.0120591 (2.32)**	0.0118826 (2.21)**
AGE	0.0006021 (0.89)	0.0005979 (0.88)	0.000615 (0.91)	0.0005695 (0.83)	0.0006121 (0.91)
DAR	-0.059476 (-1.2)	-0.0596896 (-1.2)	-0.059203 (-1.2)	-0.05974 (-1.21)	-0.072288 (-1.42)
Covid Year	0.0463365 (3.39)***	0.0469217 (3.4)***	0.0461082 (3.39)***	0.0473618 (3.42)***	0.0478843 (3.41)***
GDP Growth	0.0008067 (0.64)	0.0007816 (0.62)	0.0008185 (0.65)	0.0007205 (0.57)	0.0006584 (0.52)
Inflation	0.0061196 (2.01)**	0.0062209 (2.03)**	0.0061768 (2.03)**	0.006301 (2.05)**	0.006893 (2.25)**
Cons	-0.259105 (-2.3)**	-0.2596845 (-2.27)**	-0.258938 (-2.29)**	-0.253264 (-2.24)**	-0.235998 (-2.15)**
F	5.59***	6.05***	5.98***	6.14***	5.84***
R Square	0.3141	0.3116	0.3134	0.3121	0.3108

*Notes: ***p<1%; **p<5%; *p<10%*
Source: Table by authors (2025)

This study reveals that Environmental, Social, and Governance (ESG) performance significantly and positively impacts the financial outcomes of palm oil companies. This aligns with Stakeholder Theory and Triple Bottom Line (TBL) Theory, which emphasize the importance of addressing stakeholder expectations and integrating social and environmental considerations into business strategies. Stakeholder Theory highlights how robust sustainability practices can enhance reputation and revenue through stakeholder support (Cupertino et al., 2022; Sugino et al., 2015). Meanwhile, TBL Theory expands corporate performance evaluation beyond financial metrics to include social and environmental impacts, emphasizing long-term benefits from sustainable practices (Juniariani & Lestari, 2021; Nogueira et al., 2022). Transparency in Corporate Social Responsibility (CSR) reporting is particularly crucial in the palm oil sector for fostering stronger stakeholder relationships (Mardiana & Irawati, 2019; Sugino et al., 2015).

The individual components of ESG also contribute positively to financial performance. Strong environmental performance reduces operational risks and enhances resource efficiency (Africa et al., 2024; Alareeni & Hamdan, 2020; Naidu & Moorthy, 2021). The social dimension strengthens relationships with stakeholders like employees and local communities, improving productivity and job satisfaction (Li & Chengshu, 2023; Naidu & Moorthy, 2021). Effective governance ensures transparency and accountability, fostering investor trust and mitigating financial risks (Aboud & Diab, 2019; Hsiao & Zhang, 2023; Kobuthi et al., 2018). Research consistently shows that companies with higher ESG scores achieve better financial outcomes (Spencer et al., 2019; Tang 2021).

Investors and consumers increasingly prioritize ESG performance in their decisions. Investors perceive companies with strong ESG practices as offering more stable and sustainable returns (Tang, 2021), while environmentally and socially conscious consumers prefer products from sustainable companies. These trends highlight the importance of ESG as a market differentiator in the competitive palm oil industry. Companies committed to sustainability often enjoy enhanced reputations, increased trust from stakeholders, and improved financial results. To fully leverage the benefits of ESG performance, palm oil companies should invest in environmentally friendly technologies, ensure transparency in sustainability reporting, and strengthen stakeholder engagement. Integrating ESG strategies into daily operations rather than treating them as add-ons is essential for creating long-term value. Governments can also play a key role by implementing supportive regulations and offering incentives to encourage robust ESG practices. This comprehensive approach enables companies to meet societal expectations while maintaining a competitive edge in the global market.

RSPO certification has a significant and positive impact on the financial performance of palm oil companies, with certified firms generally outperforming non-certified ones. This financial advantage stems from the ability of RSPO-certified companies to secure higher selling prices for crude palm oil (CPO) in international markets, as highlighted by Preusser (2015). Certified companies often achieve higher average prices, underscoring the economic value of RSPO certification. Additionally, research by Malau & Rambe (2022) and Preusser (2015) shows that RSPO certification enhances operational performance and market competitiveness, further driving profitability in the palm oil sector.

The implementation of RSPO certification aligns with Stakeholder Theory and Triple Bottom Line (TBL) Theory. Stakeholder Theory emphasizes addressing the expectations of stakeholders such as local communities, governments, and consumers, which RSPO certification achieves by promoting sustainable practices (Adwiyah et al., 2023; Kadarusman & Herabadi, 2018). TBL Theory evaluates corporate success across economic, social, and environmental dimensions, and RSPO adoption helps companies balance these aspects while supporting Sustainable Development Goals (Asrol et al., 2023). Studies by Adwiyah et al., (2023) and Amin et al., (2019) demonstrate that robust CSR practices and sustainable certifications contribute to improved financial performance in the palm oil industry.

Research consistently supports the positive impact of RSPO certification on financial outcomes. Studies by Chanthawong et al., (2024), Hafizuddin-Syah et al., (2018), Malau & Rambe (2022), Napitupulu et al., (2018), Rosyadi et al., (2021) and Suroso et al., (2021) provide evidence that sustainable certification enhances financial performance and market competitiveness. Furthermore, Amin et al., (2019) found that adopting sustainable practices drives strong financial growth in the palm oil sector. These findings reinforce the critical role of RSPO certification as a catalyst for better financial results while addressing environmental and social concerns.

As sustainability becomes increasingly vital in the palm oil industry due to its environmental impacts (Barnes et al., 2014; Bhastary et al., 2023), companies must adopt innovative practices such as environmentally friendly supply chain management and technological advancements in processing (Aprilianto & Rau, 2025). Strengthening stakeholder engagement is essential to ensure broad support for sustainability initiatives (Kadarusman & Herabadi, 2018). By prioritizing RSPO certification, companies can enhance global competitiveness, comply with evolving sustainability standards, improve production efficiency, and differentiate their products in the market. Collaborating with stakeholders like local communities and environmental organizations further solidifies their commitment to sustainable practices and long-term success.

CONCLUSION

The study highlights that strong ESG performance and RSPO certification significantly enhance the financial outcomes of palm oil companies, as evidenced by improved Return on Assets (ROA) between 2019 and 2023. These results underscore the importance of integrating ESG principles and sustainability certifications into corporate strategies, enabling companies to meet stakeholder expectations while boosting profitability. Adopting sustainable practices, such as RSPO compliance, is essential for achieving optimal financial performance in an industry facing increasing environmental pressures. However, the research has limitations. The reliance on SPOTT for ESG data, which focuses on policy transparency, may not fully capture broader sustainability metrics compared to alternative sources. Additionally, using ROA as the sole financial performance indicator might overlook other critical aspects of corporate success. The findings may also be region-specific, necessitating further studies to validate their applicability across diverse geographical contexts.

Future research should explore the long-term effects of ESG and RSPO certification across different company sizes, including smallholders, and incorporate financial metrics like Return on Equity (ROE) or Z-Score for a more comprehensive analysis. Mixed-method approaches could deepen understanding of how sustainability practices interact with financial outcomes in varied local settings. Investigating variables such as technological innovation in agriculture could also inform more effective sustainability strategies. Practically, palm oil companies should prioritize ESG integration and pursue RSPO certification to strengthen financial performance and market competitiveness. Investors and stakeholders can leverage sustainability metrics to make informed decisions, aligning investments with long-term value creation. Theoretically, the findings reinforce the Triple Bottom Line framework, emphasizing that balancing economic, social, and environmental goals drives sustainable success. Embedding ESG into core business strategies is critical for ensuring resilience and relevance in a rapidly evolving global market.

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