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Research Article

The Relationship Between ESG Performance and the Market Value and Market Share of Listed Companies Before and After COVID-19

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ABSTRACT

Objective:
This study investigates the relationship between Environmental, Social, and Governance (ESG) performance and two key financial indicators market value and market share of industrial listed companies on the Iraq Stock Exchange, before and after the COVID-19 pandemic.

Methodology:
A descriptive-analytical approach was applied. The study covered all 24 Iraqi industrial companies listed on the Iraq Stock Exchange from 2016 to 2022. Secondary data were collected from published financial reports. Hypotheses were tested using Structural Equation Modeling (SEM) and Path Analysis with Smart PLS version 4.

Findings:
ANOVA results revealed significant variations among companies in terms of environmental, social, and overall ESG performance. Path analysis showed no statistically significant effect of ESG performance on market value in either period. However, ESG performance was found to have a statistically significant positive impact on market share, both before and after the pandemic.

Conclusion:
The study concludes that while ESG performance does not affect market value, it positively influences market share. It recommends enhancing corporate transparency and accountability by issuing separate ESG reports alongside annual financial statements to better meet investor and stakeholder information needs.

Keywords: ESG, Market Value, Market Share, Iraq Stock Exchange

INTRODUCTION

The COVID-19 pandemic has had a profound global impact, challenging socio-economic structures and testing the resilience of businesses across all industries (Al Amosh & Khatib, 2022). This crisis has ushered in a new era characterized by heightened attention to ethical and sustainable corporate practices, as well as an increased awareness of global challenges (Khan et al., 2016). In this context, Environmental, Social, and Governance (ESG) factors have gained prominence, particularly as markets grapple with ongoing uncertainties and disruptions. These factors are increasingly shaping corporate strategies and investment decisions in a rapidly evolving landscape (Gillan et al., 2021). As firms seek to adapt to shifting societal and environmental expectations while recovering from the economic shocks of the pandemic, ESG considerations have become integral to business strategy (Boulhaga et al., 2023; Hasan & Kermani, 2022). Stakeholders—including investors, consumers, and regulators—are increasingly recognizing the importance of sustainable practices in fostering organizational resilience and long-term value creation (Adams & Abhayawansa, 2022). ESG scores, which reflect a firm's environmental sustainability, social responsibility, and governance quality, have become key indicators of corporate strength and adaptability in the face of crisis and beyond (Al-Amiri, 2018). Consequently, understanding the relationship between ESG performance and firm market outcomes is vital for guiding sustainable recovery and economic growth in the post-COVID era (Al-Mutawali, 2021).

In the other hand, interest in environmental stewardship, social responsibility, and corporate governance—the foundational elements of ESG—has grown significantly (Gupta & Krishnamurti, 2023).

Need of societies and pressure of stackholder causes a tending to ESG by companies although Today, ESG performance serves as a global benchmark for evaluating corporate social and environmental responsibility by scocieties. (Shakil, 2021; Chen et al., 2023). High ESG performance is associated with reduced information asymmetry and market volatility, and is often seen as a signal of responsible corporate behavior. Such companies are also less likely to face litigation, as they proactively manage environmental and social risks (Hasani & Kermani, 2022; Salehi et al., 2020).

The increasing importance of ESG criteria in creating value for both companies and society has driven firms to integrate ESG considerations into their operations and disclosures. By issuing ESG reports, companies demonstrate transparency and a commitment to managing externalities. Scholars argue that strong ESG performance can be predictive of managerial competence and operational efficiency, with organizations that perform well on ESG criteria often perceived as more trustworthy and future-ready.

Although a growing body of literature has explored the relationship between ESG factors and corporate market value, the findings remain inconclusive. Several studies report no significant correlation between ESG performance and market value (Rahman & Alam, 2021). Others suggest that while ESG activities may positively influence firm value, establishing a clear and direct causal link remains challenging (Fatemi et al., 2018 ; Bajic & Yurtoglu, 2016). Meta-analyses and reviews (Friede et al., 2015) highlight the diversity of findings and methodologies, emphasizing the need for continued empirical investigation.

There is increasing consensus among scholars and practitioners that ESG factors significantly influence a company's market value. Empirical research suggests that financial markets tend to reward firms with high ESG scores, viewing them as lower-risk and better managed. Conversely, companies with poor ESG performance may be seen as riskier and less efficient relative to their industry peers.

ESG has become a widely used tool for assessing the investment potential of firms. As Al-Najjar & Al-Najjar (2021) notes, online searches related to ESG have grown exponentially in recent years, a trend accelerated by the COVID-19 pandemic, which intensified awareness of social and environmental challenges.

This research aims to address a significant gap in the literature by analyzing the relationship between ESG performance, firm value, and market share in the Iraqi market—a context that has received limited scholarly attention. By examining how sustainable business practices and corporate social responsibility (CSR) relate to firm value and market position, this study contributes to advancing the discourse on sustainable development and corporate strategy in emerging markets. Ultimately, the findings aim to support the promotion of more resilient and socially responsible business practices, fostering long-term value creation for both companies and society.

This study aims to contribute to this ongoing debate by examining whether ESG performance is associated with the market value and market share of industrial companies listed on the Iraq Stock Exchange, particularly in light of the structural shifts caused by the COVID-19 pandemic.

The remainder of the study is divided into four parts. The first section reviews the literature related to this research topic and proposes the research hypotheses. The second part introduces the research methods, including data collection and sample selection. Section 3 discusses the results, and Section 4 presents the findings.

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LITERATURE REVIEW

Theoretical and Hypothesis Development

Concept of Market Value

In the business world, the primary objectives of companies are survival, growth, and continuity. Achieving these goals largely depends on the ability of different departments to develop strategies aimed at maximizing the firm's market value—specifically, the market value of its stock (Al-Ghandour, 2023). Stocks, as one of the most actively traded securities, do not impose financial obligations on shareholders unless profits are realized and subsequently distributed (Amin et al., 2021).

also The market value of a share is a critical indicator for investors, shareholders, and financial analysts alike. It reflects the financial market's assessment of a company's current performance and future potential, unlike the book value, which is based solely on measurable assets. According to the International Valuation Standards, market value is defined as "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion" (Boulhaga et al., 2023). Market value is a foundational concept in economics and plays a pivotal role in global financial markets. It is generally defined as the current value of a company or financial asset in the stock market at a given point in time.

Concept of Market Share

Market share has been defined in various ways, including as "an indicator of the extent of influential power and the volume of activity within the industry in which a company operates, compared to its competitors" (Chiaramonte et al., 2023). It is also described as the process through which a company sells a product or service, expressed as a percentage of the total sales within the sector in which the company operates (Chollet & Sandwidi, 2018). Another definition posits market share as a measure that differentiates between market leaders and laggards, represented by a company's sales in relation to the sales of other organizations with similar objectives (Chen et al., 2021). Market share is typically calculated as the ratio of a company's sales to total industry sales (Deegan & Shelly, 2014). This metric reflects the competitive strength of an organization, positioning it relative to other firms within the same market (Jermsittiparsert et al., 2022). Market share is a crucial element for businesses, as it provides insights into the volume of activity within the market, serving as a guide for business expansion.

Market share can also be defined as "the percentage of sales relative to the total sales of the organization and its direct competitors" (Li & Zhang, 2023). The factors influencing market share include three primary components: acquiring new customers, retaining existing customers, and increasing purchasing demand from current customers (Kotsantonis et al., 2016).

Environmental, Social, and Corporate Governance (ESG)

Issues related to environmental, social, and corporate governance (ESG) have evolved from being mere compliance objectives to becoming strategic necessities. Driven by shifting consumer preferences, rising investor expectations, and global challenges such as climate change and inequality, ESG considerations are reshaping corporate behavior. Consumers increasingly prioritize ethical and sustainable practices, while investors are more attuned to the long-term impact of ESG performance on financial returns. As such, the need to address environmental, ethical, and governance impacts has grown substantially.

In response to these global trends, corporate boards are encouraged to proactively incorporate ESG factors into their strategic decision-making processes. This approach fosters long-term value creation and enhances organizational resilience in a business environment that increasingly values ethical conduct and sustainable performance. Stakeholders—ranging from shareholders to customers and regulatory bodies—are seeking companies that demonstrate maturity and transparency in managing ESG-related risks and opportunities. Achieving robust ESG performance requires the effective integration of processes and controls, as well as aligning company strategies with stakeholder priorities related to environmental, social, and governance issues. This includes embedding ESG considerations into corporate disclosures and governance frameworks.

The COVID-19 pandemic further underscored the critical importance of ESG, accelerating global expectations for investment strategies that prioritize sustainability and social responsibility. As a result, ESG analysis has become a core component of corporate evaluations and investment portfolio construction. ESG data typically refer to metrics linked to intangible assets within an organization—such as reputation, innovation capacity, and stakeholder relationships—which are increasingly recognized as vital to long-term business success. Collectively, these ESG factors are used to derive a composite ESG score, now widely adopted across the financial industry. This score is a key indicator of a company's sustainability and societal impact. Over time, various terms such as "green," "eco-friendly," "ethical," "socially responsible investment," and "long-term investment" have emerged to describe these practices. Nevertheless, ESG has become the most universally accepted and standardized term. Within the broader framework of the three pillars of sustainable development—environmental integrity, social equity, and economic viability—ESG encompasses a wide array of non-financial considerations increasingly central to investor evaluations and stakeholder expectations. The term "triple sustainability governance" has been used to encapsulate these integrated criteria aimed at ensuring the longevity and ethical conduct of economic institutions. ESG serves as a benchmark in responsible investment practices, ensuring that corporate policies align with the principles of sustainability and governance (Nguyen & Tran, 2022). ESG disclosures help portray a company's positive image to the public and demonstrate transparency through the documentation of policy changes on ESG-related matters (Sheikh, 2018). These disclosures play a critical role in enhancing investor trust and regulatory accountability, offering essential information that aids stakeholders and investors in making informed strategic decisions (Mahdavi & Omidi, 2022). Understanding the relationship between ESG performance and corporate value is key to this discourse. Stakeholder theory and signaling theory offer valuable frameworks for interpreting this relationship (Wang et al, 2021). Additionally, ESG's effectiveness is best contextualized within institutional theory, which posits that business behavior is significantly shaped by prevailing social structures and institutional norms (Amorvand & Pourzmani, 2017). Each component of ESG—environmental, social, and governance—must be assessed holistically to understand its role in shaping firm performance and societal outcomes (Zadeh & Eskandari, 2021).

The Impact of ESG on Market Value and Share Price Before and After COVID-19

In the past, many companies believed that their responsibilities were limited to disclosing financial performance and focusing on profit maximization. As a result, they did not give adequate attention to environmental, social, and governance (ESG) issues, viewing them as non-financial information. However, recent financial research has shown that the simultaneous use of both financial and non-financial indicators to assess performance can positively impact a company's financial performance, ultimately contributing to its long-term stability and sustainability (Wibowo & Putri, 2021). In this context, various theories explain companies' motivations for disclosing ESG-related information. These theories include agency theory (Almashaqbeh et al., 2023), stakeholder theory (Basse et al., 2023), legitimacy theory (Bhattacherjee et al., 2023), signaling theory (Bui et al., 2023), and political economy theory (Ragab et al., 2020).

According to agency theory, due to the conflict of interest between managers and shareholders, owners seek to establish contracts that minimize these conflicts (Malik & Kanwal, 2018). The disclosure of more non financial information can reduce agency monitoring costs and increase cash flows related to shareholders, thus enhancing firm value (Albuquerque et al., 2015). Therefore, reducing the risk of moral hazards, minimizing agency costs, and building shareholder trust can incentivize the voluntary disclosure of environmental, social, and governance (ESG) information.

Stakeholder theory posits that stakeholders have legitimate interests in the activities of an organization, and management should operate the organization to maximize the benefits for all stakeholders. Therefore, stakeholders pay significant attention to social responsibility issues within a company (Liu et al., 2022). According to this theory, managers disclose ESG information to demonstrate to stakeholder groups that the organization is responding to their

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expectations (Liu et al., 2021). Legitimacy theory addresses the idea that businesses seek to know whether their activities are perceived as legitimate by external parties. According to this theory, companies strive to achieve legitimacy in society through ESG disclosures (Martinez-Alonso et al., 2022). Similarly, when organizations feel that their reputation and credibility are threatened by environmental issues, they seek to manage their legitimacy by promoting strategies such as disclosing ESG information in annual reports (Tarkom & Ujah, 2023). Additionally, companies with higher profitability and liquidity are more inclined to disclose information and signal good performance, as this helps attract investors and gain shareholder trust. If a company is well-regarded in terms of reporting and provides more information about its activities, including environmental, social, and governance practices, it will have a better chance of attracting investment (Tian et al., 2020).

The sustainability of an organization requires support from the community in which it operates. If the community observes that an organization is involved in undesirable social activities, it will withdraw its support, which may lead to the organization's downfall. To maintain its position in society, management may disclose relevant information about ESG activities (Deegan & Shelly, 2014). In this regard, companies are expected to enhance social welfare and environmental justice by integrating sustainability issues into their strategies. Non-financial reporting is considered one of the essential steps toward this integration.

Non-financial reporting not only serves as a communication channel with stakeholders but also drives companies toward fulfilling their environmental, social, and governance commitments and operationalizing these aspects of organizational performance, ultimately contributing to corporate sustainability. Moreover, this type of reporting enhances market transparency and reduces information asymmetry, thereby optimizing financing costs and increasing company value (Fatima et al., 2023).

Recent studies indicate that companies with better ESG performance enhance their reputation, which helps them sustain competitive advantages. This, in turn, leads to improved company value and long-term sustainability (Umar et al., 2022). Furthermore, research has shown that companies with high ESG ratings enjoy competitive advantages and better financial performance (Wan et al., 2021).

Wellalage et al. (2022) and Wright & Swidler. (2023) focused on two dimensions of ESG activities, namely social responsibility and corporate governance, in relation to company performance. However, further research is needed on the impact of non-financial product market performance and its moderating role on corporate performance in this area. Other studies have shown that voluntary non-financial disclosures can have a significant positive impact on corporate sustainability performance (Shen et al., 2023).

Finally, recent studies suggest that the systematic impacts of ESG on financial performance and market share have become even more pronounced following the outbreak of COVID-19. This global crisis has increased the importance of sustainability and social responsibility in business strategies, drawing more attention to ESG disclosure.

Based on the aforementioned discussions, the first and second hypotheses of the research are stated as follow

(H1). ESG reporting significantly affects the market values of companies listed on the Iraqi Stock Exchange, both before and after the outbreak of COVID-19..

(H2). ESG reporting significantly affects the market share of companies listed on the Iraqi Stock Exchange, both before and after the outbreak of COVID-19.

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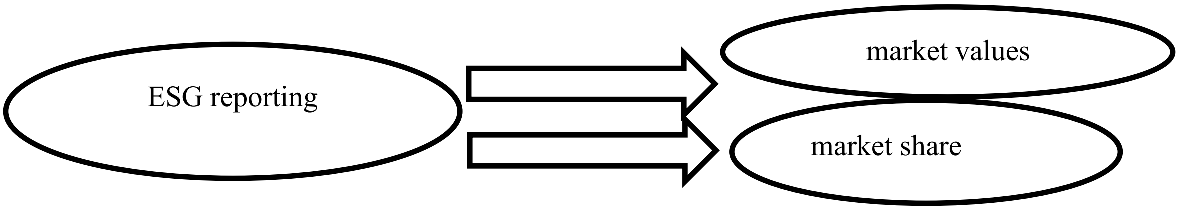

Figure 1: Resaerch conceptual Model

METHODOLOGY

Research Methodology

The research design, in general, conceptualizes the research variables and the analytical procedures, thus serving as a plan or framework for conducting the research (Al Amosh & Khatib, 2022). In other words, the research design logically addresses research modules, combining them in accordance with the research objectives and hypotheses. A research design can either be quantitative, qualitative, or a combination of both. Qualitative research design typically provides a clear understanding of complex phenomena, following unique or unexpected events to generate hypotheses and move towards explanations (Al-Zaidi Naima, 2022). On the other hand, quantitative design is generally employed when research problems and hypotheses are clearly defined (Aydoğmuş et al., 2022). It is also used to examine the relationship between two or more variables. The primary aim of this study is to investigate the relationship between Environmental, Social, and Governance (ESG) factors and market value and market share before and after the COVID-19 outbreak in industrial companies listed on the Iraq Stock Exchange. Therefore, this study employs a quantitative research method using Structural Equation Modeling (SEM) with Path analysis. This quantitative SEM-Path analysis seeks to answer the question of how and why independent variables influence dependent variables. In other words, the research design aims to test the formulated theory, which consists of a set of logically organized and interconnected principles, rules, assumptions, statements, and propositions. These are employed to explain, describe, and predict the phenomenon under investigation. The direction of the hypotheses may be either positive or negative, influencing the strength or weakness of the causal relationship between the variables.

Data and sample

Data collection entails the systematic gathering of information through various methods, including secondary sources, to generate insights into the proposed research topic. Secondary data offers essential factual information for addressing the research problem and testing hypotheses (Feng, 2022). This study includes all industrial companies listed on the Iraq Stock Exchange as of December 31, 2024, encompassing a total of 24 companies in the industrial sector (Iraq Stock Exchange, 2024).

The sample for this study consists of all industrial companies listed on the Iraq Stock Exchange between 2016 and 2022. Data pertaining to ESG performance, market capitalization, market share, were extracted from the annual reports of these companies. The industrial sector plays a pivotal role in advancing the pillars of economic and social development. This is demonstrated through its active contributions as a key driver of economic growth, its significant impact on employment generation, its ability to attract high-quality investments, its access to global markets, and its role in shaping the image and identity of Iraqi products.

Table 1: Study sample that comprises 24 companies

No.	Company Name
1	National Home Furniture Industries
2	Baghdad Packaging Industries
3	Baghdad Soft Drinks
4	Electronic Industries

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5	Fallujah Construction Materials Production
6	Al-Hilal Industrial
7	Iraqi Carton Industries
8	Iraqi Date Manufacturing and Marketing
9	Iraqi Engineering Works
10	Iraqi Carpets and Furnishings
11	Kirkuk Construction Materials Production
12	Al-Khazer Road Construction Materials Production and Trade
13	Al-Kindi Veterinary Vaccines Production
14	Al-Mansour Pharmaceutical Industries
15	Modern Chemical Industries
16	Modern Construction Materials Industry
17	National Metal Industries and Bicycles
18	Modern Tailoring
19	Modern Paint Industries
20	National Chemical and Plastic Industries
21	Nineveh Food Industries
22	Northern Soft Drinks
23	Ready-Made Garments Production
24	Light and Mining Industries

Research Instrument

This study investigates the relationship between Environmental, Social, and Governance (ESG) performance and both market value and market share in companies listed on the Iraq Stock Exchange, before and after the COVID-19 pandemic. In this analysis, ESG serves as the independent variable, while market value and market share are the dependent variables. In line with existing literature, control variables including firm size (FS), leverage (LV), profitability (PRT), growth (G), capital structure, ownership structure, number of shareholders, and family share ratio are incorporated, due to their potential impact on the primary variables. The interrelationships among these variables are represented in the following SEM-PATH analysis equation:

Table 2: Operational Definition of The Variables

Variables	Measure	References
Independent variable		
ESG	A dichotomous technique in which disclosed items are marked as 1 or 0	(Fakhari et al., 2018).
Dependent variable		
Market value	Number of shares issued × price per share	(Sam, & Zhang, 2020)
Market ***S***hare	The ratio of the company's sales to the sector's total sales in a specific period	(Sam, & Zhang, 2020)
Control variables		
Profitability	earning	Agbakwuru et al. (2024)

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Size	long assets	(Ayunika, 2018)
capital structure	debit / **equity**	(Sam, & Zhang, 2020)
owner ship structure	institutional owner/ outstanding stock	(Agbakwuru, 2024
Leverage	**debit / asset**	(Sumendap et al. 2023)
Growth	sales	(Sam, & Zhang, 2020)
Number of stockholders	share capital/ Number of stockholders	(Sam, & Zhang, 2020)
family share ratio	**family owner ship/ total stockholders**	(Sam, & Zhang, 2020)

Demographic Analysis of The Sample

For the years 2016-2019 and 2021-2022, a total of 144 observations were recorded, accounting for 85.7% of the dataset, both in terms of valid and cumulative percentages. The year 2020, distinguished by the global COVID-19 pandemic, comprises 24 observations, representing 14.3% of the dataset, thus bringing the cumulative percentage to 100%. This distinction underscores the unique circumstances under which data were collected during a year marked by significant global disruption.

The environmental constructs (E1, E2, E3) demonstrate varying levels of presence. E1 is almost evenly split, with 31.0% of observations scoring 0 and 69.0% scoring 1, totaling 100%. E2 shows a higher degree of non-presence, with 91.7% of observations scoring 0 and only 8.3% scoring 1. Similarly, E3 shows 81.5% scoring 0 and 18.5% scoring 1, summing to 100%.

The social constructs (S1, S2, S4) exhibit different levels of observation. S1 has 79.8% of observations scoring 0 and 20.2% scoring 1. Both S2 and S4 show a strong tendency toward zero scores, with 95.8% of observations scoring 0 and only 4.2% scoring 1, resulting in a cumulative percentage of 100% for both constructs.

The governance constructs (G1, G2, G3) reveal notable patterns. G1, like S2 and S4, shows 95.8% of observations scoring 0 and 4.2% scoring 1. G2 stands out with all observations (100%) scoring 1, indicating the universal presence of this governance factor in the dataset. G3 mirrors the distribution of G1, S2, and S4, with 95.8% scoring 0 and 4.2% scoring 1.

Overall, the table systematically organizes the constructs under the three pillars of ESG reporting, highlighting the prevalence and distribution of various ESG factors across different years and categories within the dataset. This structured presentation helps clarify the predominant trends and disparities in ESG reporting, which is essential for comprehensive analysis and interpretation. Clear and comprehensive presentation and interpretation of the results are crucial for drawing meaningful conclusions.

To test Hypothesis 1 (H1), the first step is to compare the descriptive statistics of variables before and after the COVID-19 year, as well as for the year 2020. The table presents descriptive statistics for various financial metrics across 168 observations of Iraqi companies. The Family Share Ratio has a mean of 0.0255, with a standard deviation of 0.06203, ranging from 0.00 to 0.22. The Number of Stockholders has a mean of 0.2376, with values ranging from 0.08 to 0.50, and a standard deviation of 0.13874. Growth has a substantial mean of approximately 23.56 billion, with a standard deviation of around 92.85 billion, indicating significant variability among companies. The Leverage ratio has an average of 0.3034, with a maximum value of 0.97. Ownership Structure and Capital Structure show low averages of 0.0227 and 0.3547, respectively. Company Size has a mean of approximately 44.65 billion, reflecting considerable variation in company size. Profitability earnings average 2.39 billion, but with a large standard deviation, indicating substantial variation across companies. Market Value has an average of about 3.5 billion, with a maximum of approximately 82.84 billion. Market Share has a mean of 0.1083, with considerable variation as reflected in the standard deviation of 0.22438This summary highlights the means and standard deviations of the study variables among the sampled Iraqi companies.

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Table 3: Respondents' Profile

Construct	Frequency	Percent	Valid Percent	Cumulative Percent	Minimum	Maximum	Mean	Std. Deviation
Year								
2016-2019, 2021-2022	144	85.7%	85.7%	85.7%				
2020	24	14.3%	14.3%	100.0%				
E1								
0	52	31.0%	31.0%	31.0%				
1	116	69.0%	69.0%	100.0%				
E2								
0	154	91.7%	91.7%	91.7%				
1	14	8.3%	8.3%	100.0%				
E3								
0	137	81.5%	81.5%	81.5%				
1	31	18.5%	18.5%	100.0%				
S1								
0	134	79.8%	79.8%	79.8%				
1	34	20.2%	20.2%	100.0%				
S2								
0	161	95.8%	95.8%	95.8%				
1	7	4.2%	4.2%	100.0%				
S4								
0	161	95.8%	95.8%	95.8%				
1	7	4.2%	4.2%	100.0%				
G1								
0	161	95.8%	95.8%	95.8%				

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Construct	Frequency	Percent	Valid Percent	Cumulative Percent	Minimum	Maximum	Mean	Std. Deviation
1	7	4.2%	4.2%	100.0%				
G2								
1	168	100.0%	100.0%	100.0%				
G3								
0	161	95.8%	95.8%	95.8%				
1	7	4.2%	4.2%	100.0%				
Total	168	100.0%	100.0%					
Family Share Ratio					0.00	0.22	0.0255	0.06203
Number of Stockholders					0.08	0.50	0.2376	0.13874
Growth					559,017	679,082,827,368	23,560,649,053.63	92,854,041,463.156
Leverage					0.00	0.97	0.3034	0.26953
Ownership Structure					0.00	0.17	0.0227	0.04782
Capital Structure					0.00	1.18	0.3547	0.27297
Size					-300,992,721	6,461,654,654,165	44,646,124,584.36	499,100,379,541.042
Profitability Earnings					-34,011,695,516	93,955,388,888	2,388,942,988.18	13,898,178,739.386
Market Value					0.00	82,844,277,777	3,498,636,165.14	12,304,195,046.56483
Market Share					0.00	0.91	0.1083	0.22438

Measurement Model

In this study, the values of AVE, CR, rho_A, and CA are utilized to assess the validity and reliability of the constructs. The AVE (Average Variance Extracted) for ESG reporting is 0.782, and for the control variables, it is 0.676, indicating good construct validity, as both values exceed the threshold of 0.5. The CR (Composite Reliability) for ESG reporting is 0.933, and for the control variables, it is 0.954, demonstrating high internal consistency of the constructs. Additionally, the rho_A value for ESG reporting is 0.716, and for the control variables, it is 0.700, which indicates good reliability of these constructs. Finally, the CA (Cronbach's Alpha) for ESG reporting is 0.913, and for the control variables, it is 0.720, reflecting high reliability for both constructs. These results suggest that both the ESG reporting and control variable constructs exhibit good validity and reliability.

Table 4: **Validity and Reliability for Constructs**

Variable	CA	rho_A	CR	AVE
ESG reporting	0.913	0.716	0/933	0.782
control variables	0.720	0. 700	0954	0.676

Structural model

Before and after the spread of COVID-19, the relationship between ESG reporting and market value remains statistically insignificant, as evidenced by a p-value of 0.553. This suggests that ESG reporting does not significantly influence market value, thereby failing to support the hypothesis that ESG reporting has a substantial effect on market value. On the other hand, when examining ESG reporting in relation to market share, the original sample value is 0.700, and the hypothesis is supported with a t-statistic of 2.224 and a p-value of 0.001. These findings indicate that ESG reporting has a statistically significant positive impact on market share for companies listed on the Iraqi Stock Exchange. Consequently, companies that engage in ESG reporting are likely to experience an increase in their market share.

In non-COVID years, the data on ESG reporting reveals an original sample value of 0.296 and a t-statistic of 0.696 result in a p-value of 0.487. This suggests that the relationship between ESG reporting and market value is not statistically significant, thereby failing to support the hypothesis. In contrast, when examining ESG reporting in relation to market share, the original sample value is 0.741, and the hypothesis is supported with a t-statistic of 3.377 and a p-value of 0.001. These findings indicate that ESG reporting has a statistically significant positive impact on market share. Companies that engage in ESG reporting are likely to experience an increase in their market share, reflecting the growing importance of sustainability and ethical practices in the business world.

COVID-19 Year Effect: Regarding ESG reporting, the original sample value is 0.113, but the hypothesis is not supported, indicating that ESG reporting did not have a statistically significant impact on market value during the COVID-19 year. Similarly, for market share, the original sample value is -0.095, and the hypothesis is not supported. This suggests that ESG reporting did not have a statistically significant impact on market share during the COVID-19 year. The negative value implies that ESG reporting may have been perceived less favorably or had a reduced influence on market share during the pandemic.

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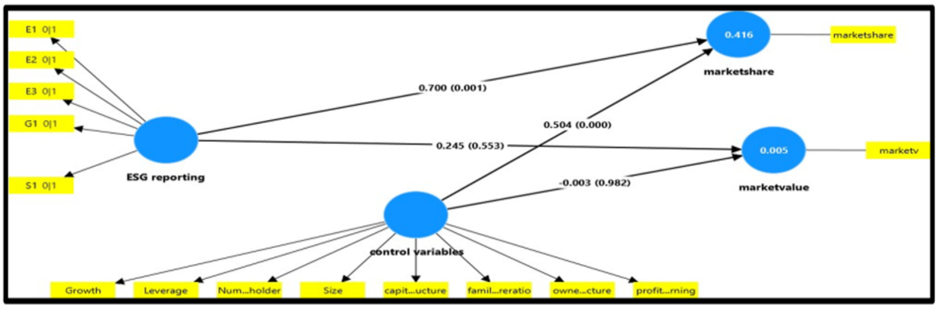

Figure 2: Multi-Group Analysis (MGA) in Smart-PLS complete Model

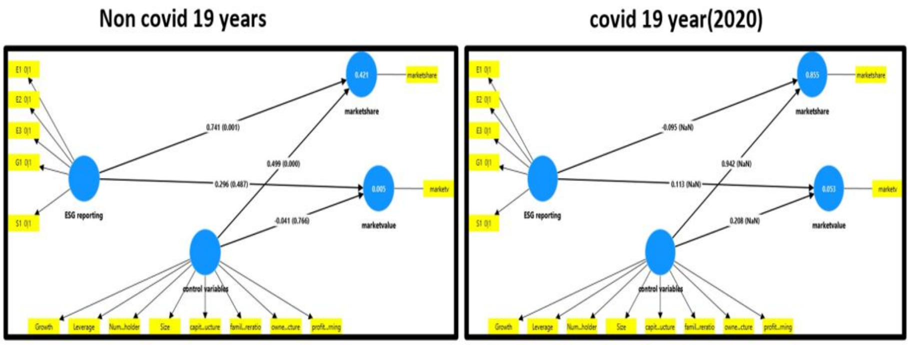

Figure 3: Multi-Group Analysis (MGA) in Smart-PLS

Table 5: Structural complete Model – Direct Effect

Hypothesis number		B	t-stat
ESG reporting	market value.	0/245	0/593
ESG reporting	market share	0/700	2.224

Table 5: Structural Non Covid 19 year Model – Direct Effect

Hypothesis number		B	t-stat
ESG reporting	market value.	0/296	0/696
ESG reporting	market share	0/741	3.377

Table 5: Structural Covid 19 year Model – Direct Effect

Hypothesis number		B	t-stat
ESG reporting	market value.	0/113	-
ESG reporting	market share	-0/095	-

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DISCUSSION AND CONCLUSION

Discussion

The findings also suggest that ESG disclosures (ESGD) do not enhance the market value of Iraqi industrial companies; however, they do improve market share and increase competitiveness. This implies that a higher level of ESGD plays a crucial role in enhancing a company's market share for customer and other stakeholders, as well as contributing to its long-term sustainability.

Finally, with respect to the main variables, the literature review identifies three theoretical perspectives on the relationship between ESG factors and market value. The first perspective, the traditional view, posits a negative correlation between ESG factors and market value, arguing that the additional costs associated with ESG investments reduce profitability and, consequently, market value. This view challenges the classical profit-maximization theory, which assumes that resource allocation is focused exclusively on shareholders (Artiach, Lee, Nelson, & Walker, 2010; Friedman, 1970).

The second perspective suggests that there is no correlation between ESG factors and market value, primarily because the level of ESG investments is determined through cost-benefit analysis, leading to an equilibrium between the costs and benefits of ESG (Hassel & Semenova, 2013). This neutral relationship may also arise from the financial market's failure to fully and efficiently incorporate ESG factors into asset pricing (Statman, 2000). It is relate to Iraq stock market condition that it is inefficient.

The third perspective argues for a positive correlation between ESG factors and market value, asserting that better resource utilization, improved shareholder relations, and stronger governance contribute to higher market value. Additionally, ESG practices can enhance relationships with stakeholders, generating both direct and indirect benefits for the company, which in turn positively impacts its market value.

Also in control variable analysis, the finding showed, growth has a significant positive impact on market value and market share. This suggests that the higher a company's sales, the more likely it is to attract investors, thereby increasing its value. Leverage, on the other hand, demonstrates a significant negative impact on market value and market share. Capital structure refers to the mix of permanent funding sources a firm uses to finance its operations, including long-term debt, preferred debt, preferred stock, common equity, and debentures, excluding short-term credit (e.g., overdraft). The amount of debt a firm uses to finance its assets is referred to as leverage. A firm with a significant amount of debt in its capital structure is considered highly leveraged, whereas a firm with no debt is termed unlevered. The primary goal of financial leverage is to maximize shareholder wealth or increase the market value of the firm. According to Jerry and Gordon (2005), financial leverage increases the variability of the firm's market value, and they suggest that considerable controversy remains regarding whether imperfections, such as bankruptcy and agency costs, determine the optimal capital structure that maximizes shareholder wealth.

The number of shareholders is another factor that significantly influences market value and market share. In contrast, firm size does not show a significant impact on either market value or market share. Capital structure, however, has a significant positive impact on market value, as an optimal capital structure is crucial for maximizing shareholder wealth and increasing the market value or share price of a firm. Pandy (2005) argues that the primary motive for a company using financial leverage is to amplify shareholder funds under favorable economic conditions. His assumption is based on the premise that fixed-charged funds, such as loans from financial institutions and banks, can be obtained at a cost lower than the firm's rate of return on net assets. Therefore, when the difference between the earnings generated by assets financed by debt and the cost of these funds is distributed to shareholders, earnings per share (EPS) or return on equity (ROE) increases, thereby increasing the market value of the company.

Modigliani and Miller (1958) proposed that the value of the firm remains constant regardless of the debt level, arguing that as debt increases, the cost of equity also rises just enough to keep the weighted average cost of capital

(WACC) constant, thereby making cash flow the sole determinant of the firm's value and rendering capital structure irrelevant. According to their theory, the firm can only increase shareholder wealth through sound investment decisions. The family share ratio has a significant negative impact on market value and market share. Ownership structure also has a significant negative effect on both market value and market share.

Finally, profitability demonstrates a significant positive impact on market value and market share, indicating that greater profits send a positive signal to investors regarding the potential for increased company value.

Conclusion

In conclusion, the findings of this study underscore the significance of Environmental, Social, and Governance (ESG) disclosures (ESGD) in enhancing market share and competitiveness among Iraqi industrial companies, although their direct impact on market value remains limited. This suggests that a higher level of ESGD contributes to the long-term sustainability of companies and plays a crucial role in improving their value to shareholders and other stakeholders. Despite the lack of a significant relationship between ESGD and market value, it is clear that ESG practices enhance a company's market position and strengthen its competitive advantage.

The study also emphasizes the need for further development of ESG reporting mechanisms, particularly in fostering companies' commitment to regular and systematic ESG disclosures. The introduction of regulatory measures requiring ESG factor disclosures could improve transparency and accountability. Additionally, separating ESG reports from financial statements and ensuring their timely release alongside annual financial reports would provide valuable information to decision-makers and investors, aiding them in making more informed choices.

Finally, while this study offers valuable insights, it is recommended that similar research be conducted across various sectors of the Iraqi Stock Exchange, incorporating additional financial indicators to further evaluate the effectiveness of ESG disclosures. Expanding the scope of ESG research will better equip policymakers and business leaders to understand the broader implications of sustainability efforts on financial performance and market behavior.

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