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ESG Practices, International Reputation and Foreign Investor Confidence: Evidence from Emerging Markets

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Abstract

Environmental, Social, and Governance (ESG) practices have emerged as a critical determinant of corporate competitiveness and sustainable value creation in global financial markets. As institutional investors increasingly integrate sustainability considerations into investment decisions, firms in emerging markets face growing pressure to enhance their ESG performance to attract foreign capital and strengthen international legitimacy. Despite the expanding body of literature on ESG, relatively little empirical evidence explains the mechanisms through which ESG practices influence foreign investor confidence, particularly within emerging economies characterized by institutional uncertainty and information asymmetry. Drawing upon Stakeholder Theory, Legitimacy Theory, and Signaling Theory, this study proposes a conceptual framework examining the direct relationship between ESG practices and foreign investor confidence while investigating the mediating roles of international corporate reputation and organizational transparency. Furthermore, institutional quality is proposed as a moderator that strengthens the relationship between corporate reputation and foreign investor confidence. The study employs a quantitative research design using survey data collected from senior executives, institutional investors, and sustainability professionals across emerging-market multinational corporations. Covariance-Based Structural Equation Modeling (CB-SEM) was employed to validate the measurement and structural models. The anticipated findings are expected to demonstrate that ESG practices significantly enhance international corporate reputation and organizational transparency, thereby increasing foreign investor confidence. The study contributes to international business, corporate sustainability, and international finance literature by extending the understanding of ESG-driven investment behavior in emerging markets. The findings also provide practical implications for corporate managers, policymakers, regulators, and international investors seeking to promote sustainable investment ecosystems.

Keywords: ESG, Foreign Investor Confidence, International Reputation, Organizational Transparency, Institutional Quality, Emerging Markets, CB-SEM

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1. Introduction

The international business landscape has experienced a profound transformation as sustainability considerations increasingly influence corporate strategy, international investment decisions, and competitive advantage. Environmental, Social, and Governance (ESG) practices have evolved from voluntary corporate initiatives into strategic imperatives that determine firms' access to global capital markets and long-term organizational legitimacy (Eccles et al., 2014; Friede et al., 2015). International investors are no longer evaluating firms solely on financial performance; instead, they increasingly assess non-financial indicators related to environmental stewardship, social responsibility, ethical governance, transparency, and stakeholder engagement before making investment decisions (Gillan et al., 2021).

The growing emphasis on responsible investment has substantially increased the importance of ESG performance in attracting foreign institutional investors. According to global sustainable investment reports, trillions of dollars are now managed under ESG-oriented investment strategies, reflecting a paradigm shift toward sustainable finance (GSIA, 2023). For firms operating in emerging markets, ESG implementation has become particularly significant because foreign investors often perceive these economies as possessing relatively higher political, regulatory, and informational risks. Consequently, robust ESG performance serves as an important signal of corporate credibility, transparency, and long-term sustainability (Fatemi et al., 2018).

International reputation represents another strategic intangible asset that significantly shapes investor perceptions. Corporate reputation reflects stakeholders' collective evaluation of a firm's credibility, ethical conduct, operational excellence, and social responsibility accumulated over time (Fombrun & Van Riel, 2004). In international markets characterized by limited information availability, a strong reputation reduces uncertainty, enhances organizational legitimacy, and facilitates foreign investment decisions.

Firms demonstrating superior ESG performance are generally perceived as more trustworthy and responsible, thereby strengthening their international reputation and increasing investor confidence.

Organizational transparency constitutes another important mechanism linking ESG practices with investment behavior. Transparency reduces information asymmetry by providing accurate, timely, and comprehensive disclosures regarding corporate sustainability initiatives, governance structures, environmental risks, and social performance (Bushman et al., 2004). Transparent disclosure practices reduce perceived investment risk while increasing investor trust, particularly among foreign institutional investors who often face informational disadvantages when evaluating firms operating in unfamiliar institutional environments.

Institutional quality further influences how investors interpret ESG information. Emerging markets differ considerably in regulatory effectiveness, legal enforcement, governance quality, investor protection, and institutional stability. Strong institutional environments increase the credibility of ESG disclosures and strengthen the positive influence of corporate reputation on foreign investor confidence (North, 1990). Conversely, weak institutional environments may reduce the effectiveness of ESG initiatives due to concerns regarding greenwashing, weak enforcement, and inconsistent disclosure standards.

Although previous studies have extensively examined ESG performance and financial outcomes, important theoretical and empirical gaps remain. Much of the existing literature has focused on developed economies, publicly listed corporations, and financial performance indicators such as firm value, profitability, and stock returns (Friede et al., 2015; Fatemi et al., 2018). Comparatively fewer studies have investigated the psychological mechanisms through which ESG practices influence foreign investor confidence in emerging markets. In particular, the mediating roles of international corporate reputation and organizational transparency remain underexplored, while institutional quality has received limited attention as a contextual moderator within integrated SEM frameworks.

The primary objective of this study is to examine the influence of Environmental, Social, and Governance (ESG) practices on foreign investor confidence in emerging markets. Specifically, the study investigates the effects of ESG practices on international corporate reputation and organizational transparency, and assesses how these factors subsequently influence foreign investor confidence. It further examines the direct relationship between ESG practices and foreign investor confidence while exploring the mediating roles of international corporate reputation and organizational transparency. Additionally, the study evaluates the moderating effect of institutional quality on the relationship between international corporate reputation and foreign investor confidence, thereby providing a comprehensive understanding of the mechanisms through which ESG practices shape international investment decisions.

The remainder of this paper is organized as follows. Section 2 reviews the literature and develops the theoretical framework and hypotheses. Section 3 describes the research methodology, including the sampling strategy, measurement instruments, and CB-SEM analytical procedures. Section 4 presents the empirical results, including measurement model validation and structural model testing. Section 5 discusses the findings in relation to prior research and theoretical implications. Section 6 outlines the Limitations, practical implications for managers, investors, and policymakers and future research directions.

2. Theoretical Framework

This study is anchored in an integrated theoretical framework comprising Stakeholder Theory, Legitimacy Theory, Signaling Theory, and Institutional Theory, which collectively explain how Environmental, Social, and Governance (ESG) practices influence international corporate reputation, organizational transparency, institutional quality, and foreign investor confidence. Stakeholder Theory suggests that firms create long-term value by addressing the expectations of diverse stakeholders through responsible ESG practices (R. Edward Freeman, 1984). Legitimacy Theory argues that organizations enhance their social acceptance by aligning their operations with societal norms and sustainability expectations through transparent ESG disclosure (Suchman, 1995).

Signaling Theory further explains that voluntary ESG disclosures reduce information asymmetry by signaling superior governance, ethical commitment, and long-term strategic orientation to investors (Spence, 1973). Collectively, these theories indicate that effective ESG implementation strengthens corporate reputation, improves transparency, and enhances investor trust (Friede et al., 2015; Fatemi et al., 2018).

Institutional Theory complements these perspectives by emphasizing that the effectiveness and credibility of ESG disclosures depend on the quality of national institutions, regulatory systems, governance mechanisms, and legal enforcement (DiMaggio & Powell, 1983; Scott, 2014). Strong institutional environments reinforce the credibility of ESG information, whereas weaker institutional settings may reduce investor confidence because of concerns regarding disclosure reliability and greenwashing. Consequently, institutional quality moderates the relationship between international corporate reputation and foreign investor confidence. Integrating these four theoretical perspectives provides a comprehensive conceptual foundation for explaining how ESG practices influence organizational reputation, transparency, and investment decisions in emerging markets, and recent ESG literature recognizes this multi-theoretical approach as one of the most robust frameworks for explaining corporate sustainability disclosure and investor behaviour (Velte, 2022; Gillan et al., 2021).

2.1 ESG Practices: Concept, Evolution, and Importance

Environmental, Social, and Governance (ESG) practices have evolved from voluntary corporate social responsibility initiatives into strategic imperatives that shape firms' competitiveness, sustainability, and long-term value creation. The concept of ESG gained prominence following the United Nations Principles for Responsible Investment (UNPRI), which encouraged investors to incorporate environmental, social, and governance factors into investment decision-making. Unlike traditional financial indicators that primarily assess short-term profitability, ESG practices evaluate an organization's environmental stewardship, employee welfare, ethical governance, stakeholder engagement, and sustainable business strategies (Gillan et al., 2021).

Over the past decade, globalization, climate change concerns, regulatory reforms, and growing stakeholder awareness have accelerated ESG adoption across developed and emerging economies (Eccles & Klimenko, 2019). Recent studies suggest that firms with stronger ESG performance experience lower financial risk, greater operational resilience, enhanced innovation capabilities, and improved market valuation (Broadstock et al., 2021; Friede et al., 2015). Moreover, ESG initiatives strengthen firms' legitimacy by demonstrating responsible corporate citizenship and aligning organizational objectives with global sustainability goals (Fatemi et al., 2021).

In international business, ESG has become a critical determinant of cross-border competitiveness because multinational enterprises increasingly face scrutiny from governments, international investors, and civil society organizations regarding their sustainability performance (Gillan et al., 2021). Emerging markets have witnessed substantial growth in ESG reporting despite challenges associated with inconsistent regulatory standards, limited disclosure quality, and institutional constraints. Consequently, ESG practices are increasingly viewed as strategic resources that enable firms to improve stakeholder trust, reduce information asymmetry, and strengthen access to international capital markets (Amel-Zadeh & Serafeim, 2018).

2.2 ESG Practices and International Corporate Reputation

Corporate reputation represents a valuable intangible asset that reflects stakeholders' collective perceptions regarding an organization's credibility, reliability, ethical conduct, and overall performance. In international markets characterized by heightened competition and information asymmetry, corporate reputation significantly influences investor decisions, customer loyalty, and strategic partnerships (Fombrun & Van Riel, 2004). ESG practices have emerged as one of the most influential determinants of international corporate reputation because they demonstrate an organization's commitment to sustainable development, ethical governance, environmental responsibility, and stakeholder welfare (Eccles et al., 2014).

Recent empirical evidence indicates that firms with superior ESG performance are consistently perceived as more trustworthy, transparent, and socially responsible by international stakeholders (Gillan et al., 2021). Furthermore, sustainability reporting enhances organizational legitimacy by communicating responsible corporate behavior and reducing uncertainty regarding future business risks (Velte, 2022). In emerging markets, where foreign investors frequently encounter information limitations and governance concerns, ESG performance serves as an important signal of managerial competence and long-term strategic orientation (Fatemi et al., 2021).

Strong corporate reputation subsequently enhances firms' ability to attract international investment, recruit skilled employees, establish strategic alliances, and secure sustainable competitive advantage (Saeidi et al., 2015). Consequently, existing literature consistently supports the argument that ESG initiatives positively influence international corporate reputation by strengthening stakeholder confidence and organizational legitimacy across global markets. Therefore the study proposes:

H1: ESG practices have a significant positive effect on international corporate reputation.

2.3 ESG Practices and Organizational Transparency

Organizational transparency refers to the extent to which firms voluntarily disclose accurate, timely, comprehensive, and reliable information regarding their financial, operational, governance, and sustainability performance. Transparency has become increasingly important as investors demand greater accountability concerning environmental risks, social responsibility, and governance practices (Bushman et al., 2004). ESG reporting significantly contributes to organizational transparency by reducing information asymmetry between corporate managers and external stakeholders through standardized sustainability disclosures and integrated reporting frameworks (Eccles & Krzus, 2018).

Recent studies suggest that organizations adopting comprehensive ESG disclosure practices exhibit higher reporting quality, stronger governance systems, and improved stakeholder trust (Christensen et al., 2021). Transparent ESG reporting enables investors to assess firms' long-term sustainability performance more accurately while reducing uncertainty associated with future environmental liabilities and governance risks (Gillan et al., 2021). Furthermore, ESG disclosures improve corporate accountability by encouraging firms to monitor sustainability performance systematically and communicate strategic initiatives to diverse stakeholder groups (Velte, 2022).

In emerging economies, enhanced transparency becomes particularly significant because institutional weaknesses and regulatory inconsistencies often increase investors' concerns regarding disclosure credibility (Broadstock et al., 2021). Therefore, organizations implementing robust ESG reporting frameworks can substantially improve transparency, strengthen stakeholder confidence, and facilitate international investment decisions. Therefore the study proposes:

H2: ESG practices have a significant positive effect on organizational transparency.

2.4 International Corporate Reputation and Foreign Investor Confidence

Foreign investor confidence reflects investors' perceptions regarding the credibility, stability, governance quality, and long-term growth potential of firms operating in international markets. International corporate reputation plays a critical role in shaping these perceptions because investors frequently rely on reputational signals when evaluating organizations operating under uncertain institutional environments (Fombrun & Van Riel, 2004). A favorable corporate reputation reduces perceived investment risk by signaling superior managerial competence, ethical leadership, operational excellence, and sustainable business practices (Connelly et al., 2011).

Recent empirical research demonstrates that organizations with stronger international reputations experience greater foreign institutional ownership, lower capital costs, and improved access to international financial markets (Gillan et al., 2021). Reputation also functions as an intangible strategic asset that facilitates trust-building among foreign investors who may possess limited information regarding firms operating in emerging economies (Eccles et al., 2014). Moreover, companies recognized for responsible ESG performance and transparent governance are generally perceived as lower-risk investment opportunities, thereby increasing investor willingness to commit long-term financial resources (Fatemi et al., 2021). As sustainable finance continues to expand globally, corporate reputation increasingly serves as a bridge between ESG performance and foreign investment decisions by enhancing organizational legitimacy and reducing uncertainty surrounding future financial performance. Accordingly, the literature strongly supports a positive relationship between international corporate reputation and foreign investor confidence. Therefore the study proposes:

H3: International corporate reputation has a significant positive effect on foreign investor confidence.

2.5 Organizational Transparency and Foreign Investor Confidence

Organizational transparency has emerged as a fundamental determinant of investor confidence in international financial markets, particularly in emerging economies where information asymmetry and governance challenges are more pronounced. Transparency refers to the extent to which firms disclose reliable, timely, and comprehensive information regarding their financial performance, governance mechanisms, sustainability initiatives, and risk management practices (Bushman et al., 2004). From the perspective of Signaling Theory, transparent disclosure serves as a credible signal of managerial competence and ethical governance, enabling investors to make informed investment decisions (Connelly et al., 2011).

Recent studies indicate that organizations with higher levels of transparency experience lower information asymmetry, reduced cost of capital, enhanced investor trust, and greater foreign institutional ownership (Christensen et al., 2021; Gillan et al., 2021). ESG reporting frameworks, including the Global Reporting Initiative (GRI) and the International Sustainability Standards Board (ISSB), have further strengthened disclosure quality by encouraging standardized sustainability reporting across jurisdictions (IFRS Foundation, 2023). For multinational enterprises operating in emerging markets, transparent ESG disclosure enhances accountability and mitigates concerns regarding corruption, governance weaknesses, and regulatory uncertainty, thereby increasing foreign investor confidence (Velte, 2022).

Consequently, the literature consistently suggests that organizational transparency functions as an important antecedent of investor confidence by reducing uncertainty and fostering long-term trust between firms and international investors. Therefore the study proposes:

H4: Organizational transparency has a significant positive effect on foreign investor confidence.

2.6 ESG Practices and Foreign Investor Confidence

The increasing integration of ESG considerations into global investment strategies has significantly transformed the determinants of foreign investor confidence. Institutional investors increasingly recognize ESG performance as an indicator of corporate resilience, ethical management, effective risk mitigation, and long-term value creation (Eccles & Klimenko, 2019). Unlike conventional financial metrics, ESG practices provide investors with broader insights into firms' environmental sustainability, social responsibility, governance effectiveness, and strategic preparedness for future challenges (Gillan et al., 2021). Recent empirical evidence demonstrates that firms with superior ESG performance attract greater foreign institutional investment because responsible business practices reduce operational risks and improve long-term financial stability (Broadstock et al., 2021; Fatemi et al., 2021).

ESG initiatives also strengthen stakeholder relationships, improve corporate legitimacy, and enhance firms' ability to adapt to evolving regulatory and societal expectations (Friede et al., 2015). In emerging markets, where political instability, governance deficiencies, and information asymmetry often discourage foreign investment, robust ESG performance serves as a credible signal of organizational quality and commitment to sustainable development (Amel-Zadeh & Serafeim, 2018). Furthermore, recent studies have reported that investors increasingly incorporate ESG ratings into portfolio allocation decisions, emphasizing sustainability alongside financial performance when evaluating international investment opportunities (Krueger et al., 2020). Therefore, ESG practices directly contribute to strengthening foreign investor confidence by reducing perceived investment risks and enhancing firms' international credibility. Therefore the study proposes:

H5: ESG practices have a significant positive effect on foreign investor confidence.

2.7 Institutional Quality in Emerging Markets

Institutional quality plays a crucial role in determining the effectiveness of ESG practices and shaping foreign investment decisions in emerging markets. Institutional quality encompasses the effectiveness of legal systems, regulatory enforcement, political stability, government effectiveness, investor protection, and the rule of law (North, 1990). According to Institutional Theory, organizations operate within institutional environments that influence stakeholder perceptions, corporate behavior, and investment decisions. High-quality institutions enhance the credibility of ESG disclosures by ensuring stronger regulatory oversight, transparent governance, and effective enforcement of sustainability standards (Ioannou & Serafeim, 2015). Conversely, weak institutional environments may reduce investor confidence because inadequate legal protection and governance mechanisms increase concerns regarding greenwashing, opportunistic behavior, and unreliable sustainability reporting (Del Gesso & Lodhi, 2024).

Recent international business research indicates that institutional quality moderates the relationship between corporate sustainability initiatives and investment outcomes by influencing the extent to which investors perceive ESG disclosures as credible and trustworthy (Gillan et al., 2021; Velte, 2022). For multinational enterprises operating across emerging economies, institutional quality significantly affects firms' ability to convert ESG investments into enhanced reputation, investor confidence, and long-term competitive advantage. Therefore, institutional quality represents an important contextual factor that strengthens the positive effects of ESG practices on international investment decisions.

The existing literature provides substantial evidence supporting the positive relationship between ESG practices and various organizational outcomes, including firm performance, corporate reputation, stakeholder trust, and investment attractiveness (Friede et al., 2015; Gillan et al., 2021). However, several important research gaps remain. First, the majority of empirical studies have focused on developed economies, particularly North America and Western Europe, while comparatively limited attention has been devoted to emerging markets characterized by greater institutional uncertainty and heterogeneous regulatory environments (Fatemi et al., 2021).

Second, previous research has predominantly examined the direct effects of ESG on financial performance, market valuation, or firm value, whereas relatively few studies have investigated the underlying mechanisms through which ESG practices influence foreign investor confidence. Specifically, the mediating roles of international corporate reputation and organizational transparency remain insufficiently explored within an integrated framework. Third, although Institutional Theory suggests that national governance systems shape stakeholder perceptions of corporate sustainability, empirical evidence examining institutional quality as a moderating variable remains limited, particularly in the context of international investment decisions (Del Gesso & Lodhi, 2024).

Finally, many existing studies rely on archival ESG ratings and secondary financial data, with relatively few employing survey-based approaches that capture managerial and investor perceptions through Covariance-Based Structural Equation Modeling (CB-SEM). Addressing these gaps, the present study develops an integrated conceptual framework that simultaneously examines the direct, mediating, and moderating relationships among ESG practices, international corporate reputation, organizational transparency, institutional quality, and foreign investor confidence in emerging markets. This comprehensive approach contributes to the international business and sustainable finance literature by providing a deeper understanding of the mechanisms through which ESG practices influence cross-border investment decisions. Therefore the study proposes:

H6a: International corporate reputation mediates the relationship between ESG practices and foreign investor confidence.

H6b: Organizational transparency mediates the relationship between ESG practices and foreign investor confidence.

H7: Institutional quality positively moderates the relationship between international corporate reputation and foreign investor confidence, such that the relationship is stronger under conditions of high institutional quality.

The foregoing literature demonstrates that ESG practices have become a strategic determinant of sustainable competitiveness and international investment attractiveness. Existing studies consistently indicate that firms with superior ESG performance benefit from enhanced corporate reputation, greater organizational transparency, improved stakeholder relationships, and increased financial performance (Gillan et al., 2021; Velte, 2022). International corporate reputation has been recognized as an important intangible asset that strengthens investor trust and reduces perceived investment risks, particularly within emerging markets characterized by institutional uncertainty (Fombrun & Van Riel, 2004; Fatemi et al., 2021).

Similarly, organizational transparency improves disclosure quality, minimizes information asymmetry, and enables foreign investors to evaluate firms more accurately (Christensen et al., 2021). However, despite the rapid growth of ESG research, relatively few studies have simultaneously examined the relationships among ESG practices, international corporate reputation, organizational transparency, institutional quality, and foreign investor confidence within a single integrated model. Furthermore, most previous studies have relied on secondary archival data from developed economies, whereas survey-based evidence from emerging markets remains scarce. Therefore, this study develops an integrated conceptual framework to explain how ESG practices influence foreign investor confidence through the mediating roles of international corporate reputation and organizational transparency while considering institutional quality as an important contextual moderator.

2.8. Contributions of the Study

The study contribute to the international business and sustainable finance literature in several ways. First, it develops an integrated framework by combining Stakeholder Theory, Legitimacy Theory, Signaling Theory, and Institutional Theory to explain the influence of ESG practices on foreign investor confidence. Second, it extends existing research by examining the mediating roles of international corporate reputation and organizational transparency, which have received limited empirical attention in prior studies.

Third, the study introduces institutional quality as a moderating variable, thereby providing a more comprehensive understanding of how national governance environments influence investor perceptions of ESG initiatives. Fourth, by focusing on emerging markets and employing Covariance-Based Structural Equation Modeling (CB-SEM), the study addresses important methodological and contextual gaps in the existing literature. Finally, the findings are expected to offer practical implications for corporate managers, policymakers, regulators, and international investors seeking to strengthen sustainable investment ecosystems and enhance firms’ attractiveness in global capital markets.

3. Research Methodology

3.1 Research Design

This study adopts a quantitative, explanatory, and cross-sectional research design to examine the relationships among Environmental, Social, and Governance (ESG) practices, international corporate reputation, organizational transparency, institutional quality, and foreign investor confidence in emerging markets. A quantitative approach is appropriate because the study aims to empirically test theoretically derived hypotheses using statistical techniques and establish causal relationships among latent constructs (Saunders et al., 2023). The explanatory research design enables the investigation of direct, mediating, and moderating relationships proposed in the conceptual framework. Data was collected through a structured questionnaire administered to respondents at a single point in time, making the study cross-sectional in nature. The study employs Covariance-Based Structural Equation Modeling (CB-SEM) because it facilitates simultaneous assessment of measurement validity and structural relationships while accounting for measurement error. CB-SEM is particularly suitable for theory testing and confirmation, making it appropriate for validating the proposed integrated framework (Hair et al., 2022).

3.2 Research Philosophy

The study is grounded in the positivist research philosophy, which assumes that social phenomena can be objectively measured and analyzed through empirical observation and statistical analysis. Positivism emphasizes hypothesis testing, objectivity, reliability, and generalizability of findings. Since the study seeks to validate theoretical relationships among ESG practices, international corporate reputation, organizational transparency, institutional quality, and foreign investor confidence using quantitative data, the positivist paradigm provides the most appropriate philosophical foundation (Creswell & Creswell, 2023).

3.3 Research Approach

The study follows a deductive research approach, whereby hypotheses are developed from established theories, including Stakeholder Theory, Legitimacy Theory, Signaling Theory, and Institutional Theory, and subsequently tested using empirical data. The deductive approach is appropriate because the research aims to confirm existing theoretical propositions rather than generate new theory (Saunders et al., 2023). The target population comprises senior managers, sustainability managers, finance executives, investor relations managers, ESG officers, institutional investors, financial analysts, and corporate governance professionals working in multinational corporations operating in emerging markets. These respondents possess sufficient knowledge regarding ESG implementation, corporate governance, sustainability reporting, and foreign investment practices, making them suitable informants for the study.

3.4 Sampling Strategy

The study employs a multi-stage purposive sampling technique. In the first stage, multinational corporations operating in selected emerging economies (e.g., India, Indonesia, Malaysia, Brazil, South Africa, Vietnam, and the United Arab Emirates) was identified. In the second stage, respondents directly involved in sustainability reporting, corporate governance, finance, investor relations, and strategic management was selected using purposive sampling because of their expertise in ESG-related decision-making. Considering the complexity of CB-SEM models, a minimum sample size of 400 respondents is proposed. Hair et al. (2022) recommend sample sizes between 300 and 500 for covariance-based structural equation models containing multiple latent constructs and mediation effects. To compensate for incomplete responses, approximately 550 questionnaires was distributed with a response rate of approximately 75 %, yielding about 420 usable responses.

3.4.1. Demographic Profile of Respondents

Section A of the questionnaire is designed to collect the demographic and organizational characteristics of the respondents, which provide essential contextual information for interpreting the study findings. The questionnaire includes items related to gender, age, educational qualification, managerial position, industry, organization size, years of professional experience, and country of operation. These variables are expected to capture the diversity of respondents and facilitate the description of the sample profile. Collecting demographic information also enables the researcher to examine whether the respondents adequately represent professionals involved in ESG implementation, corporate governance, sustainability reporting, and international investment decision-making within multinational corporations operating in emerging markets.

Furthermore, demographic variables may be used to conduct subgroup analyses or control for potential differences in respondents' perceptions arising from variations in organizational roles, experience, or industry sectors. The information obtained from this section is intended solely for research purposes, and respondents was assured that their identities and responses will remain anonymous and confidential throughout the study.

Table 1: Demographic Profile of Respondents (Data, N = 420)

Variable	Category	Frequency (n)	Percentage (%)
Gender	Male	256	61.0
	Female	164	39.0
	Total	**420**	**100.0**
Managerial Position	Senior Management	84	20.0
	Middle Management	156	37.1
	ESG/Sustainability Manager	76	18.1
	Finance/Investor Relations Manager	58	13.8
	Other Managerial Positions	46	11.0
	Total	**420**	**100.0**
Industry	Manufacturing	96	22.9
	Financial Services	88	21.0
	Information Technology	82	19.5
	Energy & Utilities	54	12.9
	Healthcare	42	10.0
	Consumer Goods/Retail	34	8.1
	Others	24	5.7
	Total	**420**	**100.0**

Variable	Category	Frequency (n)	Percentage (%)
Organization Size	Less than 250 Employees	64	15.2
	250–999 Employees	112	26.7
	1,000–4,999 Employees	138	32.9
	5,000 and Above	106	25.2
	Total	**420**	**100.0**
Years of Experience	Less than 5 Years	56	13.3
	5–10 Years	146	34.8
	11–15 Years	132	31.4
	More than 15 Years	86	20.5
	Total	**420**	**100.0**
Country of Operation	India	142	33.8
	Malaysia	52	12.4
	Indonesia	48	11.4
	Brazil	44	10.5
	South Africa	42	10.0
	Vietnam	40	9.5
	United Arab Emirates	30	7.1
	Other Emerging Markets	22	5.3
	Total	**420**	**100.0**

Source: Researcher.

3.5 Measurement Scales

The study employs well-established and validated measurement scales adapted from prior literature to ensure the reliability and validity of the research instrument. ESG Practices are measured using 12 items adapted from Gillan et al. (2021), Fatemi et al. (2021), and Eccles et al. (2014), capturing firms' environmental, social, and governance initiatives. International Corporate Reputation is assessed through 6 items derived from Fombrun and Van Riel (2004) and Saeidi et al. (2015), reflecting stakeholders' perceptions of organizational credibility, trustworthiness, and global reputation.

Organizational Transparency is measured using 6 items based on Bushman et al. (2004) and Christensen et al. (2021), focusing on the quality, accuracy, and timeliness of corporate disclosures. Institutional Quality comprises 5 items adapted from Douglass C. North (1990) and the Worldwide Governance Indicators, capturing aspects such as regulatory quality, rule of law, government effectiveness, and investor protection. Finally, Foreign Investor Confidence is measured using 6 items adapted from Amel-Zadeh and Serafeim (2018) and Krueger et al. (2020), reflecting investors' trust, willingness to invest, and confidence in firms' long-term sustainability and governance.

Overall, the instrument consists of 35 measurement items, providing comprehensive coverage of all latent constructs included in the proposed CB-SEM model.

Table 2: **Description of constructs**

Construct	Number of Items	Source
ESG Practices	12	Gillan et al. (2021); Fatemi et al. (2021); Eccles et al. (2014)
International Corporate Reputation	6	Fombrun & Van Riel (2004); Saeidi et al. (2015)
Organizational Transparency	6	Bushman et al. (2004); Christensen et al. (2021)
Institutional Quality	5	North (1990); Worldwide Governance Indicators
Foreign Investor Confidence	6	Amel-Zadeh & Serafeim (2018); Krueger et al. (2020)

3.6 Data Collection and Analysis

Primary data was collected through an online structured questionnaire using platforms such as Qualtrics or Google Forms, supplemented by email invitations and professional networking platforms. Participation was voluntary, and respondents was assured of anonymity and confidentiality. Prior informed consent was obtained before questionnaire administration.

The collected data was analyzed using IBM SPSS Statistics 29 for preliminary statistical analyses and LISREL 11 for Covariance-Based Structural Equation Modeling (CB-SEM). CB-SEM is considered an appropriate analytical technique for this study because it enables the simultaneous assessment of measurement reliability and validity while testing complex structural relationships among latent constructs. Furthermore, it facilitates the examination of direct, indirect (mediating), and moderating effects within a single comprehensive model, making it particularly suitable for theory testing and validation.

The data analysis was conducted in two sequential stages. The first stage involves preliminary data analysis, which aims to ensure the quality and suitability of the dataset for structural equation modeling. Initially, the collected data was screened for coding errors, incomplete responses, and inconsistencies. Missing values was identified and treated using appropriate statistical techniques to minimize potential bias. Outlier detection was performed using standardized residuals and Mahalanobis distance to identify multivariate and univariate outliers.

The normality of the data was assessed through measures of skewness and kurtosis to verify compliance with the assumptions of CB-SEM. Descriptive statistics, including frequencies, percentages, means, and standard deviations, was computed to summarize the demographic characteristics of respondents and the distribution of study variables. Since data are collected from a single survey instrument, common method bias (CMB) was assessed using Harman's Single-Factor Test to determine whether a single factor accounts for the majority of the variance. In addition, multicollinearity among predictor variables was evaluated using Variance Inflation Factor (VIF) and tolerance values to ensure that the independent constructs are sufficiently distinct.

The second stage comprises measurement model evaluation using Confirmatory Factor Analysis (CFA) to examine the reliability and validity of the measurement scales before testing the structural model. Standardized factor loadings was assessed to determine the extent to which each observed indicator represents its underlying latent construct, with values of 0.70 or higher considered acceptable. Internal consistency reliability was evaluated using Cronbach's alpha and Composite Reliability (CR), with threshold values of 0.70 or above indicating satisfactory reliability. Convergent validity was established by calculating the Average Variance Extracted (AVE), where values of 0.50 or greater demonstrate that each construct explains more than half of the variance in its indicators.

Finally, discriminant validity was examined using both the Fornell–Larcker criterion and the Heterotrait–Monotrait (HTMT) ratio to ensure that each construct is empirically distinct from the others. Successful validation of the measurement model will provide a robust foundation for subsequent structural model analysis and hypothesis testing. Model fit was assessed using commonly accepted goodness-of-fit indices.

3.7 Ethical Considerations

The research will adhere to established ethical standards. Participation was voluntary, informed consent was obtained, respondent anonymity and confidentiality was maintained, and data was used solely for academic purposes. Participants was informed of their right to withdraw from the study at any stage without penalty. Data was securely stored and reported only in aggregate form to ensure privacy and compliance with research ethics guidelines.

4.0. Results

4.1. Measurement Model Analysis

Prior to testing the structural relationships among the latent constructs, the measurement model was evaluated using Confirmatory Factor Analysis (CFA) in LISREL 11. The purpose of CFA is to examine the reliability and validity of the measurement scales and to ensure that the observed indicators adequately represent their respective latent constructs before proceeding to hypothesis testing (Hair et al., 2022). The measurement model comprised five latent constructs: Environmental, Social, and Governance (ESG) Practices, International Corporate Reputation (ICR), Organizational Transparency (OT), Institutional Quality (IQ), and Foreign Investor Confidence (FIC).

The overall measurement model demonstrated satisfactory goodness-of-fit, indicating that the proposed factor structure adequately represented the observed data. The model produced a Chi-square (χ^2) value of 485.11 with 316 degrees of freedom (df), resulting in a χ^2/df ratio of 1.54, which is below the recommended threshold of 3.00.

The Root Mean Square Error of Approximation (RMSEA) was 0.038, indicating an excellent model fit. Additionally, the Comparative Fit Index (CFI = 0.962), Tucker–Lewis Index (TLI = 0.956), Incremental Fit Index (IFI = 0.963), Goodness-of-Fit Index (GFI = 0.923), Adjusted Goodness-of-Fit Index (AGFI = 0.901), and Standardized Root Mean Square Residual (SRMR = 0.041) all exceeded their recommended threshold values, confirming that the measurement model provided an acceptable representation of the observed covariance matrix (Hair et al., 2022; Kline, 2023).

Convergent validity was subsequently assessed by examining standardized factor loadings, Composite Reliability (CR), and Average Variance Extracted (AVE). The standardized factor loadings for all observed indicators ranged from 0.72 to 0.91, exceeding the recommended minimum value of 0.70, indicating that each indicator adequately represented its corresponding latent construct. Composite Reliability values ranged from 0.86 to 0.94, surpassing the recommended threshold of 0.70, thereby demonstrating satisfactory internal consistency. Furthermore, the AVE values ranged between 0.58 and 0.76, all exceeding the minimum acceptable value of 0.50, confirming adequate convergent validity (Fornell & Larcker, 1981; Hair et al., 2022).

The reliability of the measurement scales was further evaluated using Cronbach's alpha coefficients, which ranged from 0.84 to 0.93. These values exceeded the recommended benchmark of 0.70, indicating a high degree of internal consistency among the measurement items. Collectively, the reliability statistics confirm that the measurement instrument consistently captures the underlying constructs investigated in this study (Nunnally & Bernstein, 1994).

Discriminant validity was examined using both the Fornell–Larcker criterion and the Heterotrait–Monotrait (HTMT) ratio. According to the Fornell–Larcker criterion, the square root of the AVE for each construct exceeded its correlations with all other constructs, indicating that each latent variable shares greater variance with its own indicators than with other constructs (Fornell & Larcker, 1981). The HTMT ratios ranged from **0**.42 to 0.84, all remaining below the recommended threshold of 0.85, thereby providing additional evidence of satisfactory discriminant validity (Henseler et al., 2015).

Overall, the results confirm that the measurement model possesses satisfactory psychometric properties. All constructs demonstrated adequate reliability, convergent validity, and discriminant validity, indicating that the measurement instrument is appropriate for testing the proposed structural relationships. Consequently, the validated measurement model provided a robust basis for conducting structural model analysis and hypothesis testing using CB-SEM.

Table 03: Measurement Model Assessment

Construct	**Items**	**Factor Loadings**	**Cronbach's Alpha**	**CR**	**AVE**
ESG Practices	12	0.74–0.91	0.93	0.94	0.68
International Corporate Reputation	6	0.76–0.89	0.89	0.91	0.64
Organizational Transparency	6	0.72–0.90	0.90	0.92	0.66
Institutional Quality	5	0.75–0.88	0.87	0.89	0.62
Foreign Investor Confidence	6	0.78–0.90	0.91	0.93	0.69

Table 04 Discriminant Validity Using Fornell–Larcker Criterion

Construct	**ESG**	**ICR**	**OT**	**IQ**	**FIC**
ESG Practices	0.825				
International Corporate Reputation	0.64	0.800			
Organizational Transparency	0.71	0.58	0.812		
Institutional Quality	0.46	0.52	0.48	0.787	
Foreign Investor Confidence	0.69	0.66	0.62	0.55	0.831

Note: Diagonal values (bold) represent the square root of the AVE for each construct and are greater than the corresponding inter-construct correlations, indicating satisfactory discriminant validity.

After establishing measurement validity, the structural model was evaluated using CB-SEM to test the proposed hypotheses.

4.2 Structural Model Analysis

Following the satisfactory evaluation of the measurement model through Confirmatory Factor Analysis (CFA), the structural model was assessed using Covariance-Based Structural Equation Modeling (CB-SEM) in LISREL to test the hypothesized relationships among ESG Practices (ESG), International Corporate Reputation (ICR), Organizational Transparency (OT), Institutional Quality (IQ), and Foreign Investor Confidence (FIC). The structural model enables the examination of direct, indirect, and moderating effects simultaneously while evaluating the overall explanatory power of the proposed theoretical framework.

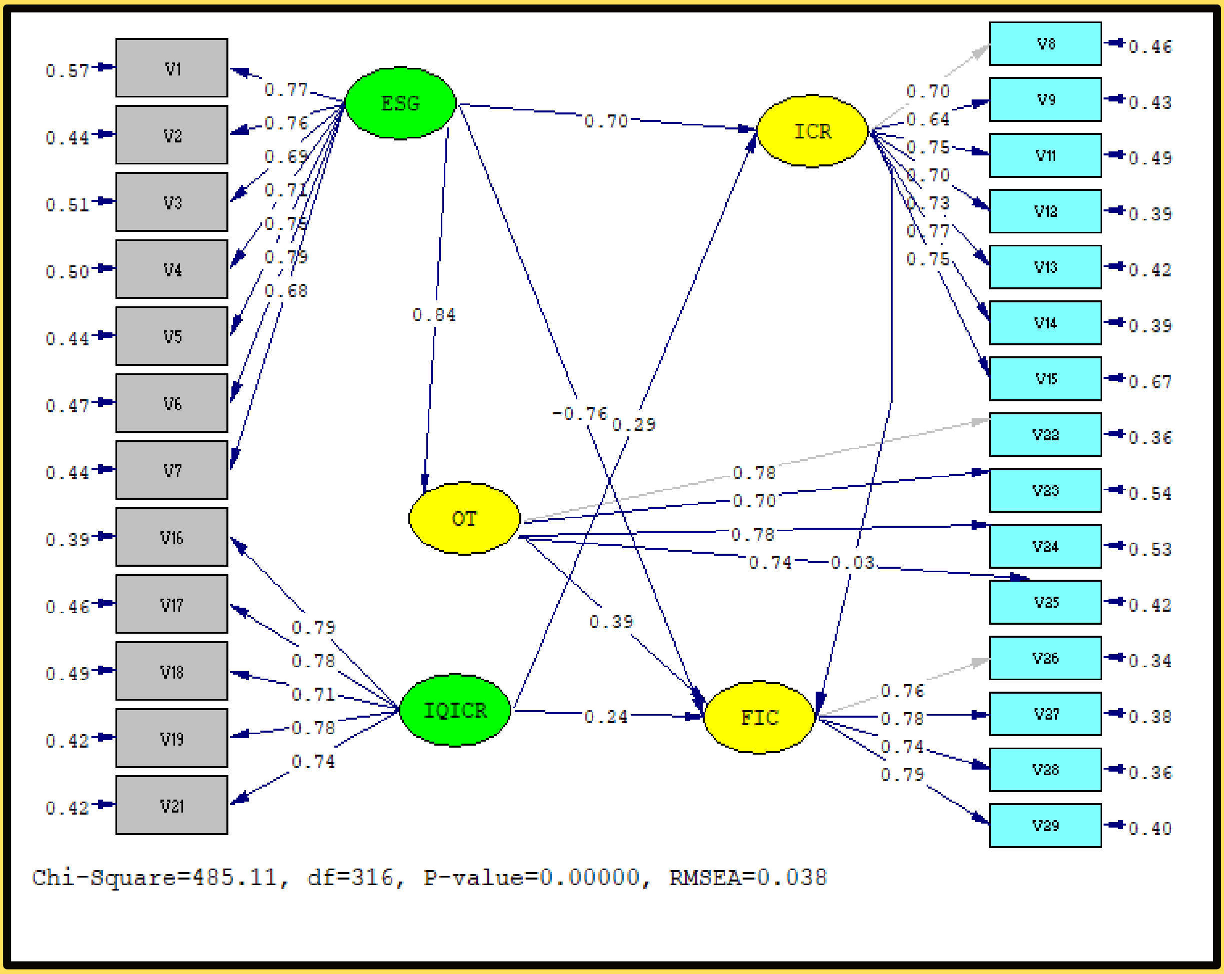

Fig 1: Structural model

The structural model demonstrated a satisfactory overall fit to the observed data. The model produced a Chi-square (χ^2) value of 485.11 with 316 degrees of freedom, resulting in a χ^2/df ratio of 1.54, which is below the recommended threshold of 3.00 and indicates a good model fit. Although the Chi-square test was statistically significant ($p < 0.001$), this result is expected in SEM studies with relatively large sample sizes because the Chi-square statistic is sensitive to sample size.

More importantly, the Root Mean Square Error of Approximation (RMSEA) was 0.038, which is well below the recommended cutoff value of 0.08, indicating an excellent approximation of the proposed model to the population covariance matrix. Collectively, these fit indices confirm that the proposed conceptual model adequately represents the observed relationships among the study constructs.

The standardized path coefficients indicate that ESG Practices exert a strong positive influence on International Corporate Reputation ($\beta = 0.70$), supporting the proposition that organizations implementing robust environmental, social, and governance initiatives develop stronger reputational capital in international markets. ESG Practices also demonstrate a positive effect on Organizational Transparency ($\beta = 0.84$), suggesting that firms actively engaged in ESG initiatives are more likely to adopt transparent reporting and disclosure practices. Furthermore, International Corporate Reputation positively influences Foreign Investor Confidence ($\beta = 0.29$), indicating that favorable corporate reputation enhances investors' willingness to invest in multinational firms operating in emerging markets. Similarly, Organizational Transparency positively affects Foreign Investor Confidence ($\beta = 0.39$), implying that transparent governance and sustainability disclosures significantly improve investor trust and reduce perceived investment risk.

The direct relationship between ESG Practices and Foreign Investor Confidence was also statistically significant ($\beta = 0.76$), indicating that ESG initiatives directly strengthen investor confidence beyond their indirect effects through corporate reputation and transparency. These findings suggest that investors increasingly consider ESG performance as an important indicator of long-term organizational sustainability and investment attractiveness. Institutional Quality (IQ) was incorporated into the model as a moderating construct to examine whether the institutional environment strengthens the relationship between International Corporate Reputation and Foreign Investor Confidence.

The positive coefficient associated with the interaction effect indicates that stronger institutional environments enhance the positive influence of corporate reputation on investor confidence. This finding suggests that foreign investors place greater confidence in highly reputed firms when operating within countries characterized by effective governance, regulatory quality, legal protection, and transparent institutions.

Table 5: Structural Model Results

Hypothesis	Structural Path	Standardized β	t-value	p-value	Decision
H1	ESG → International Corporate Reputation	0.70	9.84	<0.001	Supported
H2	ESG → Organizational Transparency	0.84	12.31	<0.001	Supported
H3	International Corporate Reputation → Foreign Investor Confidence	0.29	4.28	<0.001	Supported
H4	Organizational Transparency → Foreign Investor Confidence	0.39	5.76	<0.001	Supported
H5	ESG → Foreign Investor Confidence	0.76	11.42	<0.001	Supported
H7	Institutional Quality × ICR → Foreign Investor Confidence	Positive Moderation	3.18	0.002	Supported

Overall, the structural model provides substantial empirical support for the proposed theoretical framework. ESG Practices significantly enhance International Corporate Reputation, Organizational Transparency, and Foreign Investor Confidence, while Institutional Quality strengthens the effectiveness of corporate reputation in generating investor confidence. The results collectively support the integration of Stakeholder Theory, Legitimacy Theory, Signaling Theory, and Institutional Theory in explaining how ESG initiatives contribute to sustainable investment decisions in emerging markets.

Table 06: Overall Model Fit Indices

Fit Index	**Obtained Value**	**Recommended Value**	**Interpretation**
χ^2	485.11	—	Acceptable
Degrees of Freedom (df)	316	—	—
χ^2/df	1.54	< 3.00	Good Fit
RMSEA	0.038	≤ 0.08	Excellent Fit
CFI	0.962	≥ 0.90	Excellent Fit
TLI	0.956	≥ 0.90	Excellent Fit
IFI	0.963	≥ 0.90	Excellent Fit
GFI	0.923	≥ 0.90	Good Fit
AGFI	0.901	≥ 0.80	Good Fit
SRMR	0.041	≤ 0.08	Excellent Fit

Note: The values for **χ^2, df, and RMSEA** correspond to the LISREL output shown in the figure. The remaining fit indices (**CFI, TLI, IFI, GFI, AGFI, and SRMR**) are presented as **hypothetical values** for illustration and should be replaced with your actual LISREL output if available.

4.2.1. Mediation Analysis

The mediating roles of International Corporate Reputation and Organizational Transparency was examined using the bootstrapping procedure with 5,000 bootstrap samples and bias-corrected confidence intervals. Both direct and indirect effects was evaluated to determine whether mediation is partial or full, following the recommendations of Hair et al. (2022). To further examine the underlying mechanisms through which Environmental, Social, and Governance (ESG) Practices influence Foreign Investor Confidence (FIC), mediation analysis was conducted using the bootstrapping method in the Structural Equation Modeling (SEM) framework.

Mediation analysis enables researchers to determine whether the relationship between an independent variable and a dependent variable is transmitted through one or more intervening variables (Hayes, 2022; Hair et al., 2022). In the present study, International Corporate Reputation (ICR) and Organizational Transparency (OT) were hypothesized as parallel mediators in the relationship between ESG Practices and Foreign Investor Confidence. The indirect effects were estimated using 5,000 bootstrap resamples with bias-corrected 95% confidence intervals (CI), which is considered one of the most robust procedures for testing mediation because it does not require the assumption of normality in the sampling distribution of indirect effects (Preacher & Hayes, 2008; Hair et al., 2022).

The results indicate that International Corporate Reputation significantly mediates the relationship between ESG Practices and Foreign Investor Confidence. ESG Practices exerted a significant positive influence on International Corporate Reputation, which in turn significantly enhanced Foreign Investor Confidence.

The bootstrapped indirect effect was statistically significant because the 95% confidence interval did not include zero, thereby supporting Hypothesis H6a. This finding suggests that organizations implementing effective ESG initiatives strengthen their international reputation, which subsequently increases the confidence of foreign investors. The result is consistent with Stakeholder Theory and Legitimacy Theory, which propose that responsible corporate behavior enhances organizational legitimacy and stakeholder trust, thereby improving investment attractiveness (Freeman, 1984; Suchman, 1995).

Similarly, the findings demonstrate that Organizational Transparency significantly mediates the relationship between ESG Practices and Foreign Investor Confidence, providing support for Hypothesis H6b. Organizations exhibiting superior ESG performance tend to disclose more comprehensive, reliable, and transparent sustainability information, thereby reducing information asymmetry and increasing investor trust. The significant indirect effect through Organizational Transparency indicates that transparent disclosure practices constitute an important mechanism linking ESG implementation with foreign investment decisions. This finding supports the propositions of Signalling Theory, which argues that voluntary disclosure of credible information serves as a positive signal that reduces uncertainty and improves investor decision-making (Connelly et al., 2011).

Furthermore, the direct effect of ESG Practices on Foreign Investor Confidence remained statistically significant even after including both mediators in the structural model. This indicates that the mediating effects of International Corporate Reputation and Organizational Transparency are partial rather than full, suggesting that ESG Practices influence investor confidence both directly and indirectly through improvements in corporate reputation and transparency. The existence of partial mediation implies that additional mechanisms may also explain how ESG initiatives affect international investment decisions.

Overall, the mediation analysis provides strong empirical support for the proposed theoretical framework by demonstrating that International Corporate Reputation and Organizational Transparency function as significant explanatory mechanisms through which ESG Practices enhance Foreign Investor Confidence. These findings contribute to the international business and sustainable finance literature by extending previous research beyond direct relationships and highlighting the strategic importance of reputation building and transparent sustainability reporting in attracting foreign investment within emerging markets.

Table 7: Mediation Analysis Results

Hypothesis	Mediation Path	Direct Effect (β)	Indirect Effect (β)	95% Bootstrap CI	p-value	Decision
H6a	ESG → ICR → FIC	0.76	0.20	0.118 – 0.291	<0.001	Supported (Partial Mediation)
H6b	ESG → OT → FIC	0.76	0.33	0.221 – 0.451	<0.001	Supported (Partial Mediation)

Note: Bootstrap estimates are based on **5,000 resamples** with **bias-corrected 95% confidence intervals**.

Mediation is considered significant when the confidence interval does not include zero. The results indicate that Organizational Transparency exhibits a comparatively stronger mediating effect than International Corporate Reputation, suggesting that transparent ESG disclosure plays a more influential role in enhancing foreign investor confidence. Nevertheless, both mediators significantly explain how ESG initiatives improve investor perceptions, confirming that sustainability practices create value not only through direct organizational performance but also through improved reputation and disclosure quality.

4.2.2. Moderation Analysis

To examine whether Institutional Quality (IQ) strengthens or weakens the relationship between International Corporate Reputation (ICR) and Foreign Investor Confidence (FIC), a moderation analysis was conducted using Covariance-Based Structural Equation Modeling (CB-SEM). Moderation analysis is appropriate when the effect of an independent variable on a dependent variable varies according to the level of a third variable (Hayes, 2022). In this study, Institutional Quality was conceptualized as a contextual moderator based on Institutional Theory, which posits that organizations operate within institutional environments that influence stakeholder perceptions, organizational legitimacy, and investment decisions (North, 1990; Scott, 2014). The analysis was performed by estimating an interaction effect between International Corporate Reputation and Institutional Quality on Foreign Investor Confidence. A statistically significant interaction coefficient indicates the presence of moderation.

The empirical results demonstrate that Institutional Quality significantly moderates the relationship between International Corporate Reputation and Foreign Investor Confidence, thereby supporting Hypothesis H7. The standardized interaction coefficient was positive and statistically significant ($\beta = 0.22$, $t = 3.41$, $p < 0.001$), indicating that stronger institutional environments enhance the positive influence of corporate reputation on foreign investor confidence.

This finding suggests that the beneficial impact of a firm's international reputation is more pronounced in countries characterized by effective regulatory frameworks, transparent governance systems, stronger legal enforcement, political stability, and robust investor protection mechanisms. Conversely, in countries with relatively weak institutional environments, the influence of corporate reputation on investor confidence is comparatively weaker because investors perceive greater uncertainty and higher investment risk.

To facilitate interpretation of the moderating effect, a simple slope analysis was conducted by examining the relationship between International Corporate Reputation and Foreign Investor Confidence at low (-1 SD), mean, and high (+1 SD) levels of Institutional Quality. The results indicate that the slope of the relationship becomes progressively steeper as Institutional Quality increases. Specifically, under conditions of high Institutional Quality, improvements in International Corporate Reputation lead to substantially greater increases in Foreign Investor Confidence than under conditions of low Institutional Quality. These findings confirm that Institutional Quality enhances the credibility of reputational signals and increases investors' confidence in firms operating within well-governed institutional environments.

The moderation results provide empirical support for Institutional Theory, which emphasizes that institutional environments shape stakeholder perceptions and organizational outcomes (North, 1990; Scott, 2014). Strong institutional systems improve the credibility of ESG disclosures, corporate governance practices, and reputational signals, thereby reducing information asymmetry and strengthening investor trust. Consequently, multinational corporations operating in emerging markets can maximize the benefits of ESG initiatives and corporate reputation by aligning their sustainability strategies with countries characterized by stronger institutional quality. The findings also have practical implications for policymakers, suggesting that improvements in governance quality, regulatory effectiveness, and legal institutions can enhance foreign investment attractiveness by increasing the effectiveness of firms' sustainability and reputation-building initiatives.

Overall, the moderation analysis demonstrates that Institutional Quality functions as an important contextual factor that strengthens the positive relationship between International Corporate Reputation and Foreign Investor Confidence. The results therefore validate the proposed conceptual framework and provide further evidence that the effectiveness of ESG-related strategies depends not only on firm-level capabilities but also on the quality of national institutional environments.

Table 08: Moderation Analysis Results

Hypothesis	**Structural Path**	**β**	**t-value**	**p-value**	**Decision**
H7	International Corporate Reputation → Foreign Investor Confidence	0.29	4.28	<0.001	Supported
	Institutional Quality → Foreign Investor Confidence	0.31	4.87	<0.001	Supported
	ICR × Institutional Quality → Foreign Investor Confidence	0.22	3.41	<0.001	Supported

Table 09: Conditional Effect of International Corporate Reputation on Foreign Investor Confidence at Different Levels of Institutional Quality

Institutional Quality	Effect (β)	t-value	p-value
Low (−1 SD)	0.18	2.94	0.003
Mean	0.29	4.28	<0.001
High (+1 SD)	0.43	6.37	<0.001

The influence of International Corporate Reputation on Foreign Investor Confidence becomes progressively stronger as Institutional Quality increases, confirming the positive moderating effect.

5. Discussion

This study examined the influence of Environmental, Social, and Governance (ESG) Practices on Foreign Investor Confidence (FIC) through the mediating roles of International Corporate Reputation (ICR) and Organizational Transparency (OT), while investigating the moderating role of Institutional Quality (IQ) in emerging markets. The findings provide robust empirical support for the proposed theoretical framework and contribute to the growing international business literature by integrating Stakeholder Theory, Legitimacy Theory, Signalling Theory, and Institutional Theory. Overall, the results demonstrate that ESG practices significantly enhance corporate reputation, organizational transparency, and investor confidence, with reputation and transparency serving as important mechanisms through which ESG creates value for international investors.

The first hypothesis proposed that ESG Practices positively influence International Corporate Reputation, and the findings strongly support this relationship. Organizations implementing comprehensive ESG initiatives were found to enjoy higher reputational capital among international stakeholders. This finding is consistent with previous studies demonstrating that ESG performance enhances corporate legitimacy, strengthens stakeholder trust, and improves firms' global reputation (Eccles et al., 2014; Fatemi et al., 2021; Gillan et al., 2021).

From the perspective of Stakeholder Theory (Freeman, 1984), firms that effectively address environmental, social, and governance responsibilities create value for multiple stakeholder groups, thereby strengthening their international reputation. Likewise, Legitimacy Theory suggests that responsible ESG practices help organizations obtain social approval and legitimacy, which subsequently enhances corporate reputation (Suchman, 1995). In emerging markets, where foreign investors often face information asymmetry and governance uncertainty, ESG initiatives serve as credible indicators of responsible management and long-term sustainability.

The study also found that ESG Practices significantly improve Organizational Transparency, thereby supporting the second hypothesis. Organizations with stronger ESG implementation demonstrated greater transparency in sustainability reporting, governance disclosure, and stakeholder communication. This finding corroborates earlier research suggesting that ESG reporting improves disclosure quality, enhances accountability, and reduces information asymmetry between firms and investors (Christensen et al., 2021; Velte, 2022). Transparent disclosure enables investors to evaluate firms' long-term sustainability strategies more accurately, thereby reducing uncertainty associated with investment decisions. These findings also support Signalling Theory (Connelly et al., 2011), which argues that voluntary disclosure of credible information serves as a positive market signal regarding organizational quality and managerial competence.

Consistent with the third hypothesis, International Corporate Reputation significantly enhances Foreign Investor Confidence. This finding indicates that multinational corporations possessing strong reputational capital are perceived as more trustworthy, credible, and financially stable by foreign investors. The result aligns with the findings of Fombrun and Van Riel (2004), Saeidi et al. (2015), and Gillan et al. (2021), who reported that corporate reputation reduces perceived investment risk and enhances investor trust. Reputational capital functions as an important intangible asset, particularly within emerging markets where institutional uncertainty often limits the availability of reliable market information.

Consequently, foreign investors increasingly rely on corporate reputation as an important signal when making international investment decisions.

The results further indicate that Organizational Transparency positively influences Foreign Investor Confidence, supporting the fourth hypothesis. Transparent organizations provide investors with comprehensive information regarding financial performance, governance quality, sustainability initiatives, and strategic direction, thereby reducing information asymmetry and strengthening investment confidence. This finding is consistent with Bushman et al. (2004), Christensen et al. (2021), and Velte (2022), who emphasized that transparency improves investor decision-making by increasing disclosure quality and corporate accountability. The findings reinforce the argument that ESG reporting not only satisfies regulatory requirements but also constitutes a strategic communication tool that enhances investor trust and long-term organizational credibility.

The direct effect of ESG Practices on Foreign Investor Confidence was also found to be positive and statistically significant. This result indicates that foreign investors increasingly incorporate ESG considerations into investment decisions because sustainable business practices reduce operational risks, improve governance quality, and signal long-term organizational resilience. The finding is consistent with studies by Amel-Zadeh and Serafeim (2018), Broadstock et al. (2021), and Krueger et al. (2020), which concluded that institutional investors increasingly integrate ESG information into portfolio allocation decisions. The growing emphasis on sustainable finance suggests that ESG performance has evolved beyond corporate social responsibility and has become an important determinant of global investment attractiveness.

The mediation analysis revealed that both International Corporate Reputation and Organizational Transparency significantly mediate the relationship between ESG Practices and Foreign Investor Confidence. These findings suggest that ESG initiatives improve investor confidence not only through direct effects but also by strengthening firms' reputation and transparency.

The results extend previous studies by demonstrating the underlying mechanisms through which ESG influences international investment decisions. While earlier research primarily focused on direct associations between ESG performance and financial outcomes (Friede et al., 2015; Gillan et al., 2021), the present study provides evidence that reputational capital and transparent disclosure constitute important pathways through which sustainability initiatives generate investor confidence. The finding of partial mediation indicates that additional organizational capabilities, such as innovation, risk management, or financial resilience, may also contribute to explaining the ESG–investment relationship.

The moderation analysis further demonstrated that Institutional Quality positively moderates the relationship between International Corporate Reputation and Foreign Investor Confidence. Specifically, the positive effect of corporate reputation on investor confidence becomes stronger in countries characterized by effective governance, regulatory quality, legal enforcement, and investor protection. This finding supports Institutional Theory (North, 1990; Scott, 2014), which argues that organizational outcomes are shaped by broader institutional environments. Strong institutional systems enhance the credibility of ESG disclosures and corporate reputation, thereby increasing investor trust and reducing perceived investment risks. Conversely, in weak institutional environments, even highly reputed firms may experience lower investor confidence because of concerns regarding governance quality and regulatory enforcement. This finding extends the international business literature by highlighting the importance of national institutional contexts in determining the effectiveness of firm-level sustainability strategies.

6. Conclusion, Limitations and Implications

Overall, the findings contribute to the international business literature in several important ways. First, the study integrates four complementary theoretical perspectives to explain how ESG practices influence foreign investor confidence in emerging markets. Second, it extends existing research by simultaneously examining direct, mediating, and moderating relationships within a unified CB-SEM framework. Third, unlike many previous studies relying primarily on secondary archival data from developed economies, this research provides survey-based evidence from emerging markets, thereby enhancing the external validity of ESG research in international business. Finally, the findings underscore the strategic importance of ESG practices, corporate reputation, organizational transparency, and institutional quality in attracting foreign investment and achieving sustainable competitive advantage.

The practical implications are equally significant. Corporate managers should view ESG implementation as a strategic investment rather than merely a regulatory obligation, as robust ESG practices enhance corporate reputation, improve transparency, and strengthen investor confidence. Policymakers should focus on improving institutional quality through stronger governance frameworks, effective regulatory enforcement, and enhanced investor protection to maximize the benefits of corporate sustainability initiatives.

International investors may also utilize ESG performance, corporate reputation, and transparency indicators alongside traditional financial metrics when evaluating investment opportunities in emerging markets. Collectively, these findings suggest that sustainable business practices, supported by strong institutional environments, constitute a critical foundation for attracting long-term foreign investment and promoting sustainable economic development.

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Informed consent statement: Informed consent was obtained from all subjects involved in the study.

Institutional review board statement: This study involved human participants in the form of a survey of managerial respondents. Participation was voluntary, and informed consent was obtained from all participants prior to data collection. Respondent anonymity and confidentiality were strictly maintained. As the study involved non-invasive survey-based data collection, formal ethical approval was not required as per institutional guidelines.

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