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Research Article

The Role of ESG in Driving Firm Profitability: Implications for Stakeholder, Resource-Based View, and Triple Bottom Line Theories in Emerging Markets

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Abstract

Purpose- This study examines how Environmental, Social, and Governance (ESG) practices influence firm profitability and extend key strategic theories like the Stakeholder Theory, Resource-Based View (RBV), and the Triple Bottom Line (TBL) within Zambia's food sector.

Design/Methodology- Using a mixed-methods approach, the study analysed panel data from 2014 to 2024 for listed food companies in Zambia. Fixed effects regression with lagged ESG variables was applied to address endogeneity. Qualitative content analysis of corporate sustainability and governance reports complemented the quantitative findings.

Findings- The regression model explains 55.6% of the variation in firm profitability, as indicated by the adjusted R^2. Among the ESG components, governance practices exhibited a statistically significant positive influence on profitability (coefficient = 23.39, $p = 0.015$). In contrast, environmental initiatives showed a significant short-term negative effect (coefficient = –32.60, $p < 0.001$), while social factors did not demonstrate a statistically significant impact.

Practical Implications- Firms in emerging markets should embed ESG into core strategy, supported by robust governance. Policymakers must strengthen regulatory frameworks to facilitate sustainable business practices. Future studies are encouraged to further investigate ESG dynamics in resource-constrained settings.

Originality/Value – This study contributes to ESG literature in emerging markets by integrating theoretical perspectives with empirical evidence, offering nuanced insights into how ESG performance shapes profitability and strategic outcomes.

Introduction

Stakeholder and Resource-Based View theories have been long recognized as two main approaches to strategic management and corporate performance. Stakeholder Theory, as first defined by Freeman (1984), is built on the idea that a corporation should address the needs of a broad spectrum of groups including not only shareholders but also employees, customers, suppliers or even communities. The Resource-Based View (RBV) developed by Barney (1991) considers firm-specific resources such as capabilities, knowledge or intangible assets to be a major source of sustainable competitive advantage.

Despite their wide usage, these frameworks have not adequately considered the increasing role of Environmental, Social, and Governance (ESG) activities, particularly in emerging market settings. Existing studies have largely focused on ESG performance in developed markets, providing a limited understanding of how firms operating in resource-starved, less regulated environments are embedding sustainability into their strategic objectives (Lee *et al.,* 2024). This begs an important question: can ESG adoption boost financial resilience in these settings? Or does it create new trade-offs that complicate existing strategic frameworks? (Bouguerra *et al.,* 2022). While a large proportion of studies have examined the relationship between ESG and firm performance, fewer have explored how dimensions of ESG intersect with the core tenets of Stakeholder Theory, RBV and the Triple Bottom Line (TBL) to achieve competitive advantage.

The increasing significance of ESG in the world today has brought complexity to the meaning of strategy. Companies continue to find better ways of re-coursing the firm's resources and engaging both internal and external stakeholders. Environmental and social factors play a more prominent role in the long-term growth plans. Elkington (1997)'s TBL framework has been widely acknowledged and aligned to ESG, suggesting that businesses should measure corporate success based on three bottom lines: profit, social equity, and environmental stewardship. However, empirical evidence on the link between ESG factors and profitability is relatively thin in both developed and emerging economies. The limited available literature show that many firms continue to be skeptical about investing in ESG factors on the premise that the immediate financial returns may not be as significant. Thus, the knowledge gap that this study hopes to fill is to establish whether profitability is a derivative of the firm's ESG practices in Zambia's food sector. How might food companies in Zambia, continue to hold in balance stakeholder expectations of economic, social and ecological growth, whilst improving income statements? In hindsight, how will they balance their resource limitations and align sustainability and corporate agendas in their strategic objective setting and decision-making process?

There is mounting evidence that when implemented well, ESG can yield good returns on investment financially as well as for society. Alsayegh *et al.* (2020), for instance, examined private-sector companies and found that profitability increased when they redoubled their efforts to improve governance and forge stronger links with the communities they operated in. This generated greater levels of trust among stakeholders, such as employees and suppliers. Similarly, in a study carried out in BRICS countries – Brazil, Russia, India, China and South Africa – Nguyen *et al.* (2021) found a link between ESG performance and financial returns, even though BRICS countries tend to be perceived as riskier investments due to unstable social and political environments. Various studies have also shown ESG-led innovation has a positive effect, particularly in environmental strategies. These often increase efficiency in areas such as reducing energy consumption

By drawing on the TBL alongside Stakeholder Theory and RBV, this study proposes a comprehensive framework for evaluating ESG's strategic value. It aims to bridge theory and practice by exploring how ESG integration can drive sustainable business performance by balancing economic returns with social and environmental responsibilities. Ultimately, the research contributes to the broader conversation on corporate sustainability in emerging markets, emphasizing ESG's potential to create shared value for businesses and the

communities they serve. As outlined in Figure 1, the study conceptualizes ESG as a multidimensional construct, interpreted through the lenses of Stakeholder Theory, RBV, and the TBL framework.

Literature Review

Stakeholder Theory and ESG

Stakeholder Theory argues that firms should take into account the interests of a broad range of stakeholders, including employees, customers, local communities, and regulators, rather than focusing exclusively on the interests of shareholders. Firms engage with these stakeholder groups to foster trust and legitimacy, and manage for long-term sustainability. (Freeman, 1984; DiMaggio and Powell, 1984, Elkington, 1997)

Recent research has increasingly revealed that ESG practises particularly those related to stakeholder engagement can strengthen a firm's engagement with stakeholder groups. Chen *et al.* (2023) find that ESG initiatives centering on stakeholder needs can create and sustain trust, and provide the impetus for broader, market-shifting innovation by bringing corporate strategies and business models in line with broader societal expectations. Duong *et al.* (2024) demonstrate that social sustainability integration into supply chains enhances firm performance by engaging stakeholders into co-creating shared value. López-Pérez *et al.* (2018) as well report that ESG initiatives in local communities can result into a positive relationship loop to generate trust and to improving a firm's legitimacy - enhancing their capacity to demonstrate value and strength of reputation across market settings. As such, these findings identify addressing environmental and social priorities as a means through which to create new value, increase firm legitimacy, and enable firms to become more resilient in an increasingly challenging and competitive global climate.

Resource-Based View and ESG

The Resource-Based View (RBV) posits that competitive advantage is derived from resources that are valuable, rare, and difficult to imitate (Barney, 1991). ESG capabilities are increasingly being positioned as strategic resources.

Chen *et al.* (2023) point out that firms attain new capabilities, such as renewable energy, circular economy and ethical governance practices, that translates into differentiation from their competitors. Majid *et al.* (2022) find that the role of environmental accounting allows a firm to adapt these sustainability metrics as inputs in resource management. The firms that applied these metrics were able to achieve greater operational efficiency, while improving their financial performance. Similarly, the finding from Dangelico *et al.* (2017) showed that a firm with green innovation driven by their ESG goals can achieve greater levels of new product development and resource efficiency to allow them to obtain greater competitive edge. A finding that aligns with the argument from RBV. It underscores the ability of ESG-centric firms and how they can create dynamic capabilities to allow their workforce to nurture a growth mindset that incentivise the priority of continuous learning and adaptability to market challenges (Teece *et al.,* 1997).

Triple Bottom Line (TBL) Framework

The Triple Bottom Line (TBL) framework was pioneered by Elkington (1997) whose main objective is to express the synergies that co-exist between profit, people and planet to achieve holistic corporate success. Recent literature examining TBL continues to show alignment between ESG and TBL, with the latter strengthening in emerging markets due to greater environmental and social demands from firms.

Bouguerra *et al.* (2022) discover entrepreneurial orientation incorporating ESG dimensions can drive both financial accomplishment and environmental and social equitability. Cantele and Zardini (2024) argue that ESG initiatives designed in the frame of the TBL not only enhance corporate sustainability but produce tangible financial advantages. For instance, workplace diversity initiatives increase creativity and workplace equity, and

environmental programmes reduce both risk and costs (Roberson 2019; Triguero *et al.* 2019). In sum, these studies demonstrate that ESG can cover all three dimensions of the TBL, ensuring accountability and the development of shared value.

Together, the Stakeholder, RBV and TBL theories provide complementary perspectives in examining ESG. While the Stakeholder Theory focus on relationship management and organisational legitimacy, RBV puts more emphasis on ESG as a strategic capability whereas TBL stresses the need to balance economic, social and environmental objectives. These theoretical perspectives collectively provide the foundation for assessing the nexus between ESG practices and firm profitability in a Zambian context.

Conceptual Framework

Based on the reviewed literature, this study proposes a conceptual framework illustrating the hypothesized relationship between ESG dimensions (Environmental, Social, and Governance) and firm profitability, interpreted through Stakeholder Theory, the Resource-Based View, and the Triple Bottom Line framework. The model also considers the contextual challenges of emerging markets, such as institutional voids and resource constraints, as shaping factors in ESG implementation.

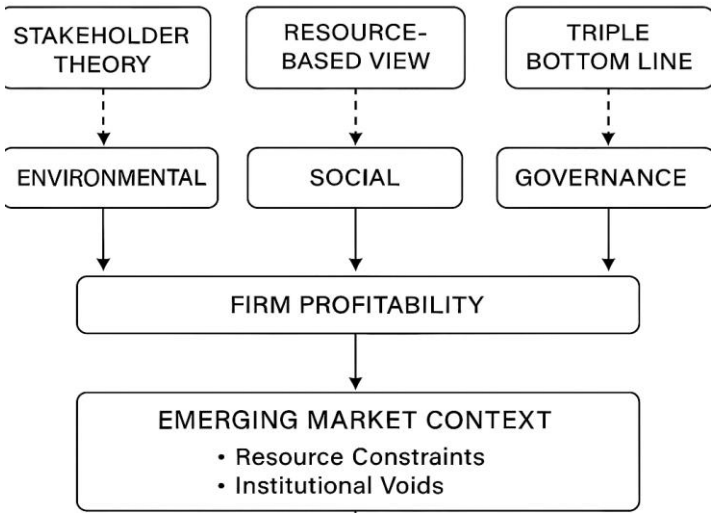

Figure 1: Conceptual framework linking ESG factors to firm profitability in emerging markets

Methodology

A mixed-methods approach was used to explore the relationship between ESG practices and firm profitability. Panel data spanning 2014–2024 from five listed food companies in Zambia was analyzed quantitatively. Robust fixed-effects panel regression models validated by Hausman tests were applied, using heteroskedasticity-consistent standard errors (HC3) to enhance reliability. Logarithmic transformations were implemented to address data skewness, and quantile regressions were used to evaluate the impact of ESG on profitability across firms performing at various levels. Qualitative insights were obtained from thematic content analysis of corporate governance and sustainability reports to add depth and context to the quantitative findings.

Quantitative Analysis

Data Collection and Sources

The data required for the quantitative phase of the study were extracted from publicly available reports produced by Zambia's listed food companies. Specifically, the information was fully obtained from annual company reports and financial statements prepared by the firms; these proved the profitability data such ROA and revenue. Other sources of data included corporate governance disclosures, sustainability reports and other regulatory documents published by the Lusaka Securities Exchange and Government agency repositories. In certain cases, comparison of figures across these different documents was used as a mechanism to verify the reliability of reported financial performance, corporate governance and sustainability activities of the sampled companies.

Key performance indicator

The quantitative procedures in this study sought to examine ROA as the main measure of firm performance. ROA is the ratio of net income from continuing operations to average total assets for the company for the year. It is a measure of profitability that provides insight into how efficiently a firm is managing its resources. Additionally, ROA is easily calculated and serves as a clear minimum benchmark for comparisons between organisations of different sizes. Moreover, ROA elicits clarity on whether investment decisions and asset trajectory results in tangible financial performance.

Data Cleaning and Preparation

The data was cleaned by examining boxplots for potential outliers of ROA and revenue. Outliers that were deemed extreme were detected by using the Interquartile Range (IQR) method. Subsequently, the affected observations were Winsorised or power transformed in order to preserve the trend of observations. Thereafter, Variance Inflation Factors (VIFs) were computed for the Environmental, Social, Governance and control variables. All the VIF were below 5, meaning that none of the variables recorded significant levels of multicollinearity. It was therefore safe to conclude that no two Environmental, Social, Governance and control variables were overlapping. In order to detect heteroskedasticity in the dataset, a Breusch Pagan test was performed and the evidence suggested the presence of heteroskedasticity. The study therefore corrected for heteroskedasticity by computing robust standard errors. Additional residual diagnostic plots showed evidence that the regression analyses were correctly specified.

Econometric Approach

A Fixed Effects regression model was used to account for the unobserved, time invariant firm characteristics. A Hausman test ($\chi^2 = 10.5745$, $p = 0.0143$) was used to choose between Fixed and Random Effects (Table 1). The specification for the Fixed Effects model was endorsed by the Hausman test.

The regression model took the form:

$$\mathbf{ROA}it = \alpha + \beta 1\mathbf{E}it - 1 + \beta 2\mathbf{S}it - 1 + \beta 3\mathbf{G}it - 1 + \gamma i + \varepsilon it$$

Where:
i = denotes the firm,
t = denotes time (year),
γi = captures firm-specific effects, and
εit = is the error term.
Model quality was assessed using Adjusted R^2, F-statistic, AIC, BIC, and the Durbin-Watson statistic to test for autocorrelation.

Qualitative Insights

To enrich the quantitative results, the study integrated the qualitative findings from content and thematic analyses of corporate governance reports, sustainability reports and financial reports. This provided a detailed insight into the contextual underpinnings and theoretical ramifications of ESG practices within strategic management. A thematic content analysis of the reports was undertaken to evaluate how firms narrate and promulgate the ESG within their strategic planning and execution. Stakeholder Engagement, Ethical Governance, and Environmental Responsibility were the thematic items that were coded and understood within the context of Stakeholder Theory, RBV and TBL. The narrative analyses explored how listed firms articulated and implemented ESG practices and how these practices were perceived for their financial performance, stakeholder engagement, and regulatory compliance.

Mixed-Methods Integration

The integration of qualitative and quantitative findings allowed for a more comprehensive understanding of ESG's role in firm performance. While the panel regression provided empirical evidence on the financial effects of ESG, the qualitative insights contextualized these results within Zambia's institutional, regulatory, and cultural environment. This dual approach bridges theoretical constructs with practical implications and strengthens the credibility and richness of the study's conclusions.

Results

Model Diagnostics and Refinements

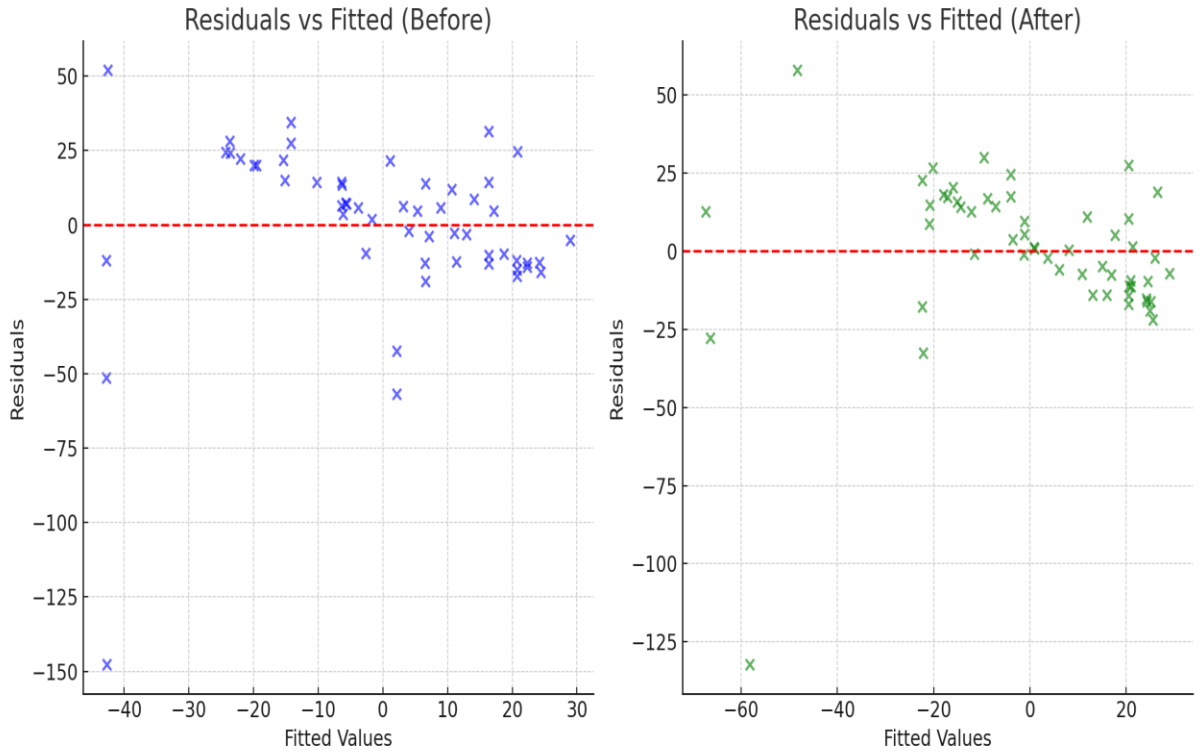

Figure 2: Residuals vs fitted values before and after addressing heteroskedasticity

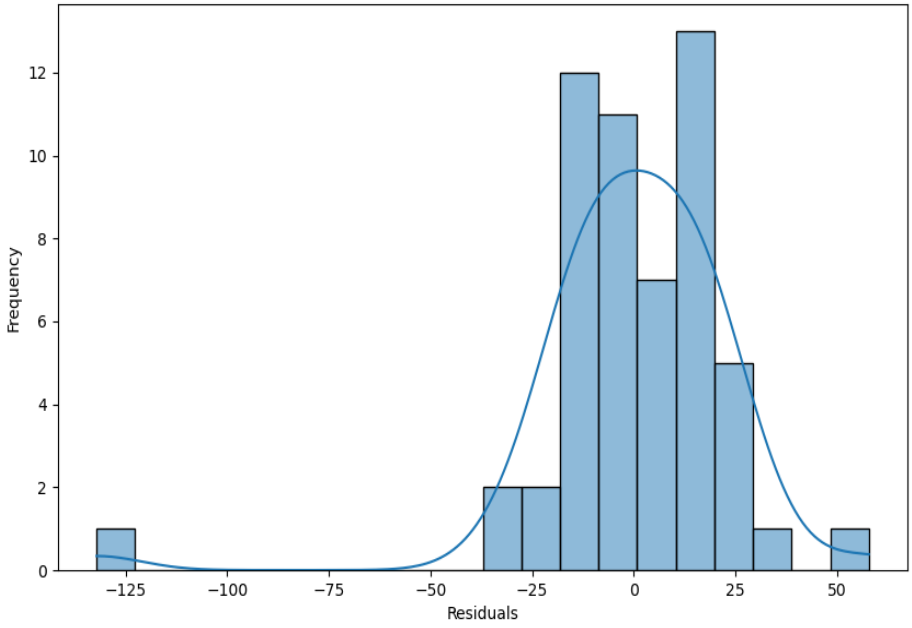

Figure 3: Distribution of Residuals after Log-transformation

Various model diagnostic tests were performed for the reliability and robustness of the regression model of the ESG factors on firm profitability (ROA). First, Variance Inflation Factor (VIF) was performed to check for potential problem of multicollinearity between the independent variables. All the VIF value of dependent variables indicate no multicollinearity among independent variables since they are below than the threshold level (i.e., VIF<5).

Next, heteroskedasticity was tested using the Breusch-Pagan and White tests, revealing the presence of non-constant variance in residuals. To address this issue, heteroskedasticity-robust standard errors (HC3) were applied, ensuring that statistical inferences remained valid despite heteroskedasticity. Additionally, normality of residuals was examined through the Jarque-Bera test, histograms, and Q-Q plots, indicating slight deviations from normality, which were mitigated through log-transformation of revenue to improve distributional properties (Figure 3).

Outliers were identified through boxplots and Cook's Distance analysis, and Winsorisation was applied to extreme values in ROA and revenue to minimize their undue influence on the results while maintaining data integrity.

Regression Results

The panel regression analysis assessed the relationship between Return on Assets (ROA) and the three main ESG dimensions; Environmental (E), Social (S), and Governance (G) using lagged values to mitigate concerns about reverse causality. In order to control for all unobserved firm-specific characteristics, Fixed Effects regression was used as presented in Table 1 (confirmed by the Hausman test as the appropriate specification, $\chi^2 = 10.5745$, $p = 0.0143$).

The model accounted for five anonymized firms observed over eleven (11) time-periods (years), while firm-level dummies accounted for time invariant firm-level characteristics. Collectively, the regression model accounts for 62.0% of the variability in ROA for the same time periods across these five firms (with all the model effects explaining 62.0% of the variance in ROA, and the model adjusted R-squared explaining 55.6%

of the variance). Hence, this regression demonstrated a reasonable degree of explanatory power (R^2 = 0.620, adjusted R^2: 0.556). Lagged ESG factors (collectively) explained a relatively high degree of variability in firm profitability (F-statistic = 9.779, $p < 0.001$). Finally, model selection (Akaike Information Criterion (AIC) of 466.1 and the Bayesian Information Criterion (BIC) of 481.4) suggested a reasonable balance between model complexity and goodness of fit (refer to Table 1).

Regarding individual predictors as presented in Table 2, the lagged Governance Score (G_Score_Lag) have a positive and significant association with ROA (coefficient = 23.39, p = 0.015), suggesting that firms characterised by strong governance frameworks such as board oversight, board independence, ethical accountability etc are likely to be more profitable. The confidence interval for this coefficient (4.84 to 41.94) also confirms the robustness of this positive effect. Lagged Environmental Score (E_Score_Lag) on the other hand, has a negative and highly significant effect on profitability (coefficient = -32.60, $p < 0.001$). This suggests that the costs associated with environmental initiatives, such as undertaking pollution control measures, reducing emissions, or investing in green technology, may incur short-term costs to the firm, thereby impacting profitability. While such actions may have merit in the long term, they appear to yield limited returns in the short term. The lagged Social Score (S_Score_Lag) coefficient was not significant (coefficient = 7.47, p = 0.508), suggesting that short-term profitability was not associated with any significant positive or negative effects on CSR-related activities relating to employee welfare, community involvement, or diversity programs. This could mean that either the activities are too dispersed to influence short-term financial metrics (such as ROA) or would require more nuanced measurement.

Importantly, firms in emerging markets with higher ESG scores create more cash. Interestingly, only the E and G components matter for the cash generation. These effects come from two opposing forces. Governance is first and foremost associated with a more efficient use of capital, i.e., converting better revenues into cash. Environment scores, in contrast, are linked with lower capital efficiency and the repayment of more debt. Interestingly, this indicates that more environmentally friendly companies free up cash by optimizing their balance sheets. These results indicate that good governance creates firm value and increases profitability of firms. In contrast, environmental initiatives, although important, will reduce financial returns in the short term. Social factors have no effect in this model. However, this does not mean that social factors do not create value within this context, but rather the strategic aims that create firm value of firms may be hard to capture. This provides interesting insight into how ESG performance corresponds to financial performance in practice.

Table 1: Model Summary

Model	**Fixed Effects Model**
No. of Observations	50
R-squared	0.62
Adj. R-squared	0.556
F-statistic	9.779
Prob (F-statistic)	<0.001
AIC	466.1
BIC	481.4
Durbin-Watson	1.564
Hausman Test (Chi2)	10.5745
Hausman p-value	0.0143
Preferred Model	Fixed Effects

Table 2: Regression Coefficients

Variable	Coefficient	Std. Error	T-value	P-value	95% CI Lower	95% CI Upper
Intercept	-48.474	46.553	-1.041	0.304	-142.422	45.475
E_Score_Lag	-32.5969	8.009	-4.07	0.0	-48.759	-16.435
S_Score_Lag	7.4705	11.192	0.668	0.508	-15.115	30.056
G_Score_Lag	23.386	9.192	2.544	0.015	4.836	41.936

Discussion

Reinterpreting Stakeholder Theory in Emerging Markets

The study contributes to Stakeholder Theory by showing how governance mechanisms can have direct, positive effects on both stakeholder confidence and firm profitability. The finding of a significant positive effect of governance on ROA echoes Aydoğmuş *et al.* (2022) observation that governance focused on stakeholders enhances transparency and trust by reducing information asymmetry. In the Zambian context, where both regulatory oversight and information disclosure practices are still evolving, governance mechanisms act as substitutes to these institutional voids to avert firm expropriation by enhancing transparency and accountability (Giannopoulos *et al.,* 2022).

These findings are consistent with those of Wang *et al.* (2023) who reveal that strong corporate governance mechanisms improve ESG transparency and environmental performance by responding to pressures from stakeholders, especially minority investors and civil society. These mechanisms act as intermediaries between pressures from outside the firm and managers within firms. Moreover, governance mechanisms play a symbolic role in enabling firms to gain legitimacy in contexts where regulatory enforcement of the standards of corporate behaviour is low. Taking the agency perspective of stakeholder theory, governance mechanisms such as board independence, board gender diversity, and whistleblower policy support inclusivity of stakeholders and provide the scope for building long-term relationships with them, as well as with regulators. From a Zambian perspective, findings show that robust corporate mechanisms play a significant role in mediating the needs of Employees, Community, and Regulators and these are the same stakeholders that Wang *et al.* (2023) alluded to as outlined in Stakeholder Theory.

On the contrary, environmental practices were significant with a negative impact on profitability. This implies that while companies positioned themselves well for sustained future growth through environmental practices, there was a negative trade off on short term profitability. The results indicate that most firms bear the full costs and risks associated with being environmentally friendly (through adoption of green and sustainable initiatives) without any policy related cushion or incentives or sustainable financial investments to help firms cover the green costs and risks. These results conform with Giannopoulos *et al.* (2022)'s findings who argue that environmental scores play a key role for long-term generation of stakeholder's value and mitigate operational, financial, and reputational risks. In addition, environmental scores generate shareholder value in the long term due to the operational investment period of a low-carbon strategy. Both previous and current regressions showed that social investments have no significant statistical effect on financial performance (ROA), however, social investments are deemed critical for stakeholder value generation and legitimacy. The previous regressions in which the coefficient of social score was negative and significant are in conformity with Duong *et al.* (2024) findings which argue that for corporate social responsibility to be strategic, it must be recognised through the company's objectives and strategy so that it may yield some benefit. According to Westerholz and Höhler (2022), if companies' CSR efforts are not directly related to their operational priorities, philanthropic social responsibility may not be economically viable.

These findings imply that Stakeholder Theory in the context of emerging markets requires a shift from conventional stakeholders to ecological and institutional ones, and in line with more realistic findings on this issue, it must acknowledge that value creation due to ESG issues often 'emerges' over longer time periods.

Extending the Resource-Based View

The conceptual premise of the Resource-Based View (RBV) is further strengthened by this study in that governance is found to be a strategic and intangible asset. Governance mechanisms (such as ethical leadership, risk management and transparency of financial and non-financial performance disclosure) qualify the Valuable, Rare, Inimitable, and Non-substitutable (VRIN) requirements of the RBV, and they promote higher financial performance (Barney, 1991; Aydoğmuş *et al.,* 2022), especially in an emerging market context where formal institutional function and support is inadequate. While environmental investments have negatively affected short-term profitability, RBV justifies such investments as strategic assets that bring long-term advantage to firms. To be more specific, Zhao *et al.* (2018) advocated that although green innovations involve upfront costs, they would ultimately enhance cost control, increase brand and reputation, and ease regulatory burden for firms. Moreover, Velte (2021) advocated that sustainability practices reduce long-term risk and strengthen investor confidence in firms.

Social investments, although statistically insignificant, are positively associated with firm performance. While some stakeholders are skeptical about social investments because payoffs are not always instantaneous, corporates with social investments benefit from employee loyalty, stakeholder goodwill and social license to operate. This resonates with the RBV's philosophical persuasions that not every valuable resource investment leads to instantaneous economic returns, particularly in contexts where relational and reputational resources are considered superior (Teece *et al.,* 1997). Additionally, firm size could not be tested separately in the model as it was already modelled indirectly by the fixed effects model. However, preliminary analyses show that it is a relevant control variable. Larger firms have the relative luxury of absorbing ESG costs with ease and also gain from economies of scale. This finding resonates with the RBV philosophical persuasion that resource abundance and industry leadership increases resource flexibility that allows the firm to implement its strategies more efficiently.

Operationalizing the Triple Bottom Line

The study's findings validate the balanced approach of the profit, people, and planet framework espoused in the Triple Bottom Line (TBL) framework (Elkington, 1997). Governance enhanced transparency, board oversight, and ethical conduct in business operations and was considered to augment the "profit" pillar of the TBL framework. The results strongly supported this view, given the strong association between governance and superior ROA (Aydoğmuş *et al.,* 2022; Giannopoulos *et al.,* 2022). However, it is apparent that initiatives aimed at enhancing the "planet" pillar of TBL framework can present trade-offs with short-term profitability. While environmental efforts have the potential for further profitability and growth in the longer term, they detracted from profitability and growth in the short term. This aligns with Zhao *et al.* (2018) and Velte's (2021) observation that green practices can be a strategic move, with the problems of the initial cost of investing in these initiatives. This would suggest that implementing green initiatives should be approached gradually and strategically to align with available resources and minimize financial strain.

The lack of impact of social expenditures ("people" pillar) is neutral, which in turn indicates the need among firms operating in emerging markets to better couple their social investments with core firm strategy. Westerholz and Höhler (2022) assert that the value of CSR actions is partly driven by the degree to which they are embedding within firm value chains. Additionally, Duong *et al.* (2024) highlight improved performance outcomes when social practices align with a broader stakeholder engagement model. Thus, firms will have to

acknowledge that TBL implementation goes beyond ethical posture (i.e., it includes capacity, coordination, and clarity of purpose) to emerging markets.

Synthesizing the Frameworks

This study shows that Stakeholder Theory, RBV, and TBL are not mutually exclusive, using ESG strategy. Governance acts as the hub, because it allows stakeholder alignment (Stakeholder Theory), is a resource that can be a strategic asset (RBV) and enable the organisation to manage 3ps targets (TBL).

While economic and environmental activities may not be profitable in the short – term, in the long-run, projects in these spheres build resilience and create value and reputation. Strong internal governance structures will harmonise and streamline expectation of stakeholder, regulatory requirements and sustainability imperatives. For emerging markets like Zambia, where ESG maturity is slowly evolving, ESG is a strategic management fundamental that – if well treated, will enhance sustainability and equitability of corporate organisations in the trajectory. ESG is not merely a reputation tool or a check-box requirement (Alsayegh *et al.*, 2020; Zhao *et al.,* 2018; Velte, 2021).

Conclusion

This study examined the impact of Environmental (E), Social (S), and Governance (G) factors on firm profitability in Zambia's listed food sector from 2014 to 2024. Using a Fixed Effects panel regression model with lagged ESG variables, the analysis addressed key methodological concerns such as endogeneity, reverse causality, and unobserved heterogeneity. The results underscore governance as a critical enabler of profitability. Governance structures characterized by transparency, accountability, and oversight positively and significantly influenced Return on Assets (ROA), supporting both Stakeholder Theory and the Resource-Based View. In contrast, environmental practices exhibited a strong negative short-term impact on profitability, consistent with prior findings that emphasize the upfront costs of green investments. Social initiatives showed no statistically significant effect, although qualitative insights suggest they contribute to stakeholder trust, employee satisfaction, and long-term resilience.

From a Stakeholder Theory perspective, the findings highlight the role of governance in aligning diverse interests and filling institutional voids in emerging markets. The RBV is extended by framing governance and environmental strategies as strategic resources that may not immediately enhance profitability but contribute to long-term value creation. The TBL framework is also validated, showing that firms must manage trade-offs between financial goals and environmental or social responsibilities. Governance plays a central role in enabling this balance. In emerging markets like Zambia, ESG integration is both a challenge and an opportunity. Limited resources, evolving regulatory frameworks, and stakeholder pressure require firms to take a phased and strategic approach. Embedding ESG into core operations anchored in strong governance allows firms to pursue sustainability without compromising financial performance.

This study contributes to the growing literature on ESG in emerging markets by offering a theory-driven, evidence-based understanding of how ESG practices affect firm performance. It encourages businesses, policymakers, and researchers to consider ESG not just as a compliance issue but as a strategic pathway to inclusive and sustainable growth.

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Data Availability Statement: The data that support the findings of this study are available from the corresponding author upon reasonable request

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