

EQUITY FINANCING AND ESG ORIENTATION: AN ANALYTIC HIERARCHY PROCESS PERSPECTIVE

Duong Thi Huong Lien

Thai Nguyen University of Economics and Business Administration, Thai Nguyen, Vietnam

<http://doi.org/10.35409/IJBMER.2026.3740>

Received: 22 January 2025/ Published: 03 March 2026

ABSTRACT

This study examines ESG priorities under equity financing using the Analytic Hierarchy Process (AHP) in the context of Vietnamese listed firms. Rather than investigating causal relationships, the research adopts a multi-criteria decision-making approach to evaluate the relative importance of Environmental, Social, and Governance (ESG) dimensions and their underlying factors based on expert judgments. The AHP framework is employed to structure ESG criteria hierarchically and to derive priority weights through pairwise comparisons, ensuring consistency and reliability of the results.

The findings reveal a clear hierarchy of ESG priorities under equity financing. The environmental dimension receives the highest weight, followed by governance, while social factors are assigned comparatively lower priority. At the factor level, greenhouse gas emissions reduction and renewable energy investment emerge as the most important environmental considerations, whereas transparency and accountability dominate governance priorities. Social factors are primarily valued when they directly contribute to workforce stability and operational effectiveness.

These results suggest that equity financing is closely aligned with strategic, long-term ESG considerations, particularly in the environmental and governance domains. By applying AHP, this study contributes methodologically to the ESG literature and provides practical insights for managers and policymakers in emerging markets where standardized ESG data remain limited.

Keywords: Equity financing; ESG priorities; Analytic Hierarchy Process; Sustainability; Emerging markets; Vietnam.

1. INTRODUCTION

In recent years, Environmental, Social, and Governance (ESG) considerations have become increasingly central to corporate strategy and investment decision-making. Growing concerns over climate change, social inequality, and corporate misconduct have prompted investors, regulators, and other stakeholders to demand greater transparency and accountability from firms (Eccles et al., 2014; Friede et al., 2015). As a result, ESG performance is no longer viewed solely as an ethical concern but as a strategic factor closely linked to long-term firm sustainability and risk management.

Within this context, access to finance and capital structure choices play a critical role in shaping corporate ESG strategies. Prior studies suggest that firms with stronger ESG orientation often benefit from improved access to capital and enhanced investor confidence (Cheng et al., 2014).

Among various financing sources, equity financing is frequently regarded as particularly compatible with ESG initiatives due to its long-term investment horizon and flexibility. Unlike debt financing, equity capital does not impose fixed repayment obligations, allowing firms to allocate resources to projects with uncertain or delayed returns, such as environmental investments and governance reforms.

Despite the growing body of literature on ESG and financial performance, most existing studies focus on examining the financial consequences of ESG performance or the causal relationship between ESG and firm value, typically using regression-based methods (Friede et al., 2015; Velte, 2017). Comparatively less attention has been given to understanding how equity financing is associated with the prioritization of ESG dimensions and factors, particularly from a decision-making perspective. Moreover, ESG is often treated as a homogeneous construct, overlooking potential differences in how environmental, social, and governance aspects are valued by investors (Aouadi & Marsat, 2018).

This gap is especially relevant in emerging markets, where ESG frameworks, disclosure practices, and institutional environments are still evolving. Vietnam represents a compelling case in this regard. As a rapidly growing emerging economy with increasingly active capital markets, Vietnamese firms are facing rising ESG expectations from both domestic and international investors. At the same time, limitations in standardized ESG data and reporting quality pose challenges for conventional quantitative analysis (Siew, 2015).

To address these issues, this study adopts the Analytic Hierarchy Process (AHP) as a multi-criteria decision-making tool to evaluate ESG priorities under equity financing. Originally developed by Saaty (1980, 2008), AHP allows researchers to decompose complex decision problems into hierarchical structures and derive relative priorities based on expert judgment. This approach is particularly suitable for ESG research in contexts where quantitative ESG metrics are incomplete or inconsistent (Büyüközkan & Karabulut, 2018). Rather than establishing causal relationships, this study focuses on identifying the relative importance of ESG dimensions and specific ESG factors associated with equity financing. By applying AHP to expert evaluations in the Vietnamese context, the study aims to answer the following research question:

How are ESG dimensions and factors prioritized under equity financing among Vietnamese listed firms?

By addressing this question, the study makes three main contributions. First, it enriches the ESG–finance literature by shifting the focus from outcomes to priority structures under equity financing. Second, it demonstrates the applicability of AHP as a methodological tool for ESG analysis in emerging markets. Third, it provides practical insights for managers and policymakers seeking to align equity markets with sustainable development objectives.

2. LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT

2.1 ESG and Equity Financing

The growing importance of Environmental, Social, and Governance (ESG) considerations has reshaped investment decision-making in global capital markets. Prior studies indicate that investors increasingly view ESG performance as a signal of long-term value creation, corporate resilience, and risk management (Eccles et al., 2014; Friede et al., 2015). Firms with stronger ESG orientation tend to enjoy improved access to capital and enhanced investor confidence (Cheng et al., 2014).

Equity investors, in particular, are more exposed to long-term firm performance and therefore have stronger incentives to consider ESG-related risks and opportunities. Unlike debt holders, equity investors do not benefit from fixed returns and collateral protection, making them more sensitive to sustainability-related uncertainties such as environmental regulation, governance failures, and reputational risk (Aouadi & Marsat, 2018). As a result, equity financing is often associated with stronger attention to ESG-related issues, although the degree of emphasis may vary across ESG dimensions.

However, empirical evidence suggests that ESG is not treated as a homogeneous construct. Instead, investors tend to prioritize ESG aspects that are more visible, material, and closely linked to financial performance (Velte, 2017). This selective orientation highlights the need for analytical approaches that can capture **relative** ESG priorities, rather than assuming uniform ESG effects.

H1: Equity financing is associated with differentiated ESG priorities.

2.2 Environmental Priorities under Equity Financing

Among ESG dimensions, environmental performance has received the greatest attention in both academic research and investment practice. Climate-related risks, emissions regulation, and energy transition pressures have elevated the importance of environmental sustainability in capital markets (Broadstock et al., 2021). Firms that proactively address environmental issues are often perceived as better positioned to manage long-term risks and comply with evolving regulatory standards.

Equity investors tend to favor environmental initiatives that involve strategic commitments and long-term impact, such as reducing greenhouse gas emissions and investing in renewable energy (Friede et al., 2015). These initiatives often require substantial upfront capital and extended payback periods, making equity financing particularly suitable. In contrast, operational environmental practices, such as waste management or energy efficiency, are frequently viewed as compliance-driven activities with limited signaling value (Siew, 2015).

This differentiation suggests that environmental priorities under equity financing are likely to favor high-impact, long-term initiatives rather than routine environmental management.

H2: Environmental factors receive the highest priority under equity financing.

2.3 Governance Priorities under Equity Financing

Corporate governance plays a central role in equity investment decisions by mitigating agency problems and reducing information asymmetry. High-quality governance structures enhance transparency, accountability, and risk oversight, which are critical for protecting shareholder interests (Eccles et al., 2014; Cheng et al., 2014).

Empirical studies consistently demonstrate that governance quality is closely linked to firm valuation and investor trust, particularly in emerging markets where institutional frameworks are still in development (Velte, 2017). Transparency and accountability mechanisms are particularly important for equity investors, who rely heavily on disclosed information to monitor managerial behavior and assess a firm's performance.

Moreover, effective risk management and regulatory compliance have gained prominence as ESG-related risks become increasingly integrated into financial analysis. These considerations suggest that governance factors are likely to receive high priority under equity financing, serving as a foundational condition for ESG-oriented investment.

H3: Governance factors are highly prioritized under equity financing.

2.4 Social Priorities under Equity Financing

Compared to environmental and governance dimensions, social performance has received relatively less attention in equity investment decisions. While social initiatives, such as employee welfare, training, and community engagement, contribute to long-term corporate legitimacy, their financial benefits are often indirect and less immediately observable (Friede et al., 2015).

Equity investors tend to value social practices that have a direct impact on firm productivity and operational stability, such as working conditions and employee benefits (Velte, 2017). Broader social initiatives, including gender diversity and community development, may be perceived as less tangible in the short to medium term, particularly in emerging markets where ESG integration is still in its early stages of development. This pattern suggests that social factors, while relevant, are likely to receive lower priority relative to environmental and governance considerations under equity financing.

H4: Social factors receive lower priority under equity financing.

2.5 AHP as an Approach to ESG Prioritization

Most existing ESG studies rely on regression-based methods to examine causal relationships between ESG performance and financial outcomes. However, such approaches often require extensive quantitative data and may struggle to capture the relative importance of ESG dimensions in decision-making contexts (Büyükoçkan & Karabulut, 2018). The AHP, originally developed by Saaty (1980, 2008), offers a robust multi-criteria decision-making framework for evaluating complex constructs such as ESG. AHP enables researchers to incorporate expert judgment, assess consistency, and derive relative priorities across multiple criteria. This makes it particularly suitable for ESG research in emerging markets, where standardized ESG data and long time-series observations remain limited (Siew, 2015). By applying AHP, this study contributes to the literature by shifting the focus from causality to priority structure, providing deeper insight into how equity financing aligns with ESG considerations.

3. RESULTS

This section presents the empirical findings on the impact of equity financing on ESG performance, based on the results obtained from expert evaluations using the AHP. The analysis examines ESG priorities at both the dimension level (E, S, G) and the factor level, highlighting how equity capital shapes sustainability orientations among Vietnamese listed firms.

3.1 Impact of Equity Financing on ESG Dimensions

The AHP results reveal a clear hierarchy of ESG priorities under the equity financing scenario. As shown in Table 1, the Environmental dimension (E) receives the highest weight (0.524), followed by Governance (G) (0.320) and Social (S) (0.155).

Table 1. Relative importance of ESG dimensions under equity financing

ESG dimension	Weight	Rank
Environmental (E)	0.524	1
Governance (G)	0.320	2
Social (S)	0.155	3

Note: *Weights are derived from AHP expert evaluations ($CR \leq 0.10$).*

Source: Author's calculations.

The results indicate that equity investors place the greatest emphasis on environmental sustainability, reflecting increasing concern over climate risks, regulatory compliance, and long-term value creation. Governance plays a supporting but essential role in ensuring transparency and investor protection, while social considerations receive comparatively less attention.

3.2 Environmental Priorities under Equity Financing

Given the dominance of the environmental dimension, the analysis further examines the prioritization of specific environmental factors (E1–E5) under equity financing.

Table 2. AHP results for environmental factors under equity financing

Environmental factor	Description	Local weight	Global weight	Rank
E1	Greenhouse gas emissions reduction	0.308	0.162	1
E5	Renewable energy investment	0.211	0.111	3
E3	Water resource management	0.180	0.094	5
E4	Waste reduction and recycling	0.168	0.088	6
E2	Energy efficiency	0.133	0.07	7

Source: Author's calculations

The findings show that greenhouse gas emissions reduction (E1) is the most influential environmental factor under equity financing. This reflects heightened investor sensitivity to carbon-related risks and regulatory pressure. Renewable energy investment (E5) ranks second among environmental factors, highlighting the role of equity capital in supporting capital-intensive, long-term environmental projects. In contrast, operational environmental initiatives, such as energy efficiency, waste reduction, and water management, receive lower priority.

3.3 Governance Priorities under Equity Financing

Governance is the second most important ESG dimension under equity financing, emphasizing its foundational role in attracting and sustaining equity investment.

Table 3. AHP results for governance factors under equity financing

Governance factor	Description	Local weight	Global weight	Rank
G1	Transparency and accountability	0.440	0.141	2
G3	Risk management and compliance	0.295	0.095	4
G2	Board effectiveness	0.265	0.085	8

Source: Author's calculations.

The results indicate that transparency and accountability (G1) are the most critical governance factors for equity investors. This finding underscores the significance of disclosure quality and information symmetry in mitigating agency problems. Risk management and compliance (G3) also receive substantial weight, reflecting investor concern with long-term stability and regulatory risk. Board effectiveness (G2), while important, plays a more indirect role.

3.4 Social Priorities under Equity Financing

Compared to environmental and governance dimensions, the social dimension receives the lowest overall priority under equity financing.

Table 4. AHP results for social factors under equity financing

Social factor	Description	Local weight	Global weight	Rank
S1	Working conditions and employee benefits	0.419	0.065	9
S4	Employee training and development	0.265	0.041	10
S3	Community development and welfare	0.182	0.028	11
S2	Gender equality and diversity	0.134	0.021	12

Source: Author's calculations

Among social factors, working conditions and employee benefits (S1) receive the highest weight, suggesting that equity investors value social practices that directly influence productivity and workforce stability. Other social initiatives, such as gender diversity and community development

rank lowest, indicating their limited influence on equity investment decisions in the current Vietnamese context.

3.5 Synthesis of ESG Priorities under Equity Financing

Overall, the results demonstrate that equity financing leads to a **distinct ESG prioritization pattern: Environmental (52.4%)**, including emissions reduction and renewable energy. **Governance (32.0%)**, emphasis on transparency and risk control. **Social (15.5%)**, supportive role, mainly related to labor stability. These findings suggest that equity financing promotes ESG performance selectively, favoring dimensions and factors that directly enhance long-term value, legitimacy, and investor confidence.

4. DISCUSSION

This study examines how equity financing shapes ESG priorities among Vietnamese listed firms. By integrating AHP results at both the dimension and factor levels, the discussion interprets the findings in relation to the proposed hypotheses and existing literature.

4.1 Equity Financing and Overall ESG Orientation

The results presented in Table 1 provide clear evidence that equity financing exerts a differentiated influence across ESG dimensions. The environmental dimension dominates equity-supported ESG strategies, accounting for 52.4% of the total weight, followed by governance (32.0%) and social (15.5%) considerations.

This finding confirms that equity investors in Vietnam prioritize ESG aspects that are closely linked to long-term firm value, regulatory legitimacy, and risk mitigation. The dominance of environmental and governance dimensions suggests that equity capital functions not merely as a financial resource, but as a strategic mechanism that directs corporate sustainability efforts toward areas most visible and material to investors.

These results support H1, which posits that equity financing has a significant influence on ESG performance, while also demonstrating that this influence is selective rather than uniform across the ESG pillars.

4.2 Equity Financing and Environmental Performance

As shown in Table 2, equity financing is most strongly associated with environmental performance, particularly in terms of reducing greenhouse gas emissions (E1) and increasing renewable energy investment (E5).

The top ranking of E1 (global weight = 0.162) highlights the centrality of emissions reduction in equity investors' evaluations. This reflects growing regulatory pressure, international climate commitments, and the increasing integration of carbon-related risks into investment decision-making. In emerging markets such as Vietnam, compliance with environmental standards also serves as a signal of global market readiness. While renewable energy investment (E5) ranks second among environmental factors, it does not surpass emissions reduction. This finding partially supports H2 and suggests that equity investors view renewable energy as a strategic but secondary environmental initiative, following foundational measures to control emissions.

In contrast, operational environmental practices, such as energy efficiency (E2), waste reduction (E4), and water resource management (E3), occupy lower positions in Table 2. These

results support H4, indicating that equity financing favors strategic, high-visibility environmental commitments over routine environmental management activities.

4.3 Equity Financing and Governance Performance

Governance plays a critical supporting role in equity financing decisions, as reflected in Table 3. Although governance ranks second overall, the high global weight assigned to transparency and accountability (G1) underscores its foundational importance.

Equity investors face greater exposure to agency problems and information asymmetry compared to creditors. Consequently, transparent disclosure and accountability mechanisms are essential for reducing uncertainty and maintaining investor confidence. The prominence of risk management and compliance (G3) further reinforces the importance of governance systems that safeguard long-term financial stability.

The relatively lower ranking of board effectiveness (G2) suggests that board quality is perceived indirectly, through transparency and risk control, rather than as an isolated governance attribute. These findings support H3, confirming that equity financing has a positive influence on governance performance, particularly in areas that mitigate investor risk.

4.4 Equity Financing and Social Performance

As shown in Table 4, social factors receive the lowest priority under equity financing. Among them, working conditions and employee benefits (S1) rank highest, while gender equality (S2) and community development (S3) rank lowest.

This pattern indicates that equity investors primarily value social practices that have a direct and observable impact on firm performance, such as labor stability and productivity. Broader social initiatives, although important for long-term legitimacy, appear less decisive in shaping equity investment decisions.

These findings strongly support H4, which posits that equity financing has a weaker influence on social performance relative to environmental and governance dimensions. The results also reflect the current **stage of** ESG integration in Vietnam, where social sustainability is still emerging as an investment criterion.

5. CONCLUSION AND POLICY IMPLICATIONS

5.1 Conclusion

This study investigates ESG priorities under equity financing using the Analytic Hierarchy Process (AHP), based on expert evaluations in the context of Vietnamese listed firms. Unlike empirical studies that focus on causal relationships, this research adopts a priority-based approach, enabling a nuanced understanding of how equity financing is associated with the relative importance of ESG dimensions and factors.

The results reveal a clear and consistent ESG hierarchy under equity financing. Among the three ESG dimensions, the environmental pillar emerges as the top priority, followed by governance, while the social dimension receives the lowest weight. At the factor level, greenhouse gas emissions reduction and renewable energy investment are identified as the most influential environmental priorities. Within governance, transparency and accountability dominate, underscoring the importance of disclosure quality and information symmetry for equity investors.

Social factors, although not ignored, are primarily valued when they have a direct and observable impact on operational stability, such as working conditions and employee benefits.

These findings suggest that equity financing is closely aligned with strategic, long-term ESG initiatives, particularly those related to environmental sustainability and governance quality. However, equity-supported ESG strategies are selective rather than comprehensive, favoring initiatives that directly enhance firm value, regulatory compliance, and investor confidence. Social practices with broader societal impact remain secondary in equity financing considerations within the current Vietnamese context. By applying AHP, this study contributes methodologically by demonstrating the usefulness of multi-criteria decision-making tools in ESG–finance research, especially in emerging markets where standardized ESG metrics and long time-series data are often limited.

5.2 Managerial Implications

The findings offer several important implications for corporate managers. First, firms seeking to attract equity investment should prioritize strategic environmental initiatives, particularly those focused on emissions reduction and renewable energy projects, as these are highly valued by equity investors. Positioning environmental performance as part of a long-term growth and risk management strategy can enhance access to equity capital. Second, governance quality remains a prerequisite for effective equity financing. Transparent reporting, effective accountability mechanisms, and robust risk management systems are crucial for mitigating information asymmetry and fostering investor trust. Managers should therefore integrate ESG initiatives with governance reforms rather than treating them as separate agendas. Third, while social initiatives currently receive lower priority, firms should not disregard them entirely. Investments in employee welfare and training can indirectly support ESG performance by improving productivity and organizational resilience, laying the groundwork for broader social engagement as investor expectations evolve.

5.3 Policy Implications

From a policy perspective, the results provide several insights. First, regulators and stock market authorities should continue to strengthen ESG disclosure requirements, particularly in the environmental and governance domains. Improved disclosure quality can enhance the effectiveness of equity markets in channeling capital toward sustainable firms. Second, policymakers should encourage the standardization of ESG reporting frameworks, such as the wider adoption of GRI-aligned disclosures, to reduce information asymmetry and enhance comparability across firms. This would enable equity investors to better assess ESG priorities and long-term sustainability performance. Third, to address the relatively weak emphasis on social factors, policy initiatives may be needed to incentivize corporate social investment, for example, through tax incentives, public-private partnerships, or integration of social indicators into listing and reporting requirements. Such measures could help rebalance ESG priorities over time.

5.4 Limitations and Directions for Future Research

This study has several limitations. First, the AHP method relies on expert judgment, which, despite consistency checks, may reflect subjective perceptions. Second, the analysis focuses

exclusively on equity financing and does not compare ESG priorities across alternative financing sources.

Future research could extend this study by comparing ESG priorities across equity, short-term debt, and long-term debt using AHP. Combining AHP with quantitative models to explore causal relationships. Examining how ESG priorities under equity financing vary by industry, firm size, or ownership structure

REFERENCES

Aouadi, A., & Marsat, S. (2018). Do ESG controversies matter for firm value? Evidence from international data. *Journal of Business Ethics*, 151(4), 1027-1047. <https://doi.org/10.1007/s10551-016-3213-8>

Broadstock, D. C., Chan, K., Cheng, L. T. W., & Wang, X. (2021). The role of ESG performance during times of financial crisis: Evidence from COVID-19 in China. *Finance Research Letters*, 38, 101716. <https://doi.org/10.1016/j.frl.2020.101716>

Büyüközkan, G., & Karabulut, Y. (2018). Sustainability performance evaluation: Literature review and future directions. *Journal of Environmental Management*, 217, 253–267. <https://doi.org/10.1016/j.jenvman.2018.03.064>

Cheng, B., Ioannou, I., & Serafeim, G. (2014). Corporate social responsibility and access to finance. *Strategic Management Journal*, 35(1), 1-23. <https://doi.org/10.1002/smj.2131>

Eccles, R. G., Ioannou, I., & Serafeim, G. (2014). The impact of corporate sustainability on organizational processes and performance. *Management Science*, 60(11), 2835–2857. <https://doi.org/10.1287/mnsc.2014.1984>

Friede, G., Busch, T., & Bassen, A. (2015). ESG and financial performance: Aggregated evidence from more than 2000 empirical studies. *Journal of Sustainable Finance & Investment*, 5(4), 210-233. <https://doi.org/10.1080/20430795.2015.1118917>

Saaty, T. L. (1980). *The analytic hierarchy process*. New York, NY: McGraw-Hill.

Saaty, T. L. (2008). Decision making with the analytic hierarchy process. *International Journal of Services Sciences*, 1(1), 83–98. <https://doi.org/10.1504/IJSSCI.2008.017590>

Siew, R. Y. J. (2015). A review of corporate sustainability reporting tools (SRTs). *Journal of Environmental Management*, 164, 180–195. <https://doi.org/10.1016/j.jenvman.2015.09.010>

Tampakoudis, I., Noulas, A., Kiosses, N., & Drogalas, G. (2021). ESG performance and financial performance: The case of European banks. *Economic Analysis and Policy*, 70, 292-306. <https://doi.org/10.1016/j.eap.2021.03.013>

Velte, P. (2017). Does ESG performance have an impact on financial performance? Evidence from Germany. *Journal of Global Responsibility*, 8(2), 169-178. <https://doi.org/10.1108/JGR-11-2016-0029>