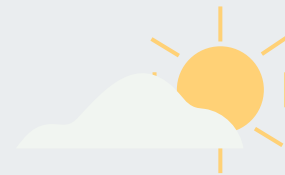




ifma

The Indonesian Financial Management Association



Sustainable Finance in Shaping ASEAN's Future: The Impacts of ESG on Efficiency Performance of ASEAN Banking Industry

Prof. Dr. Rossazana Ab. Rahim
Faculty of Economics & Business
Universiti Malaysia Sarawak

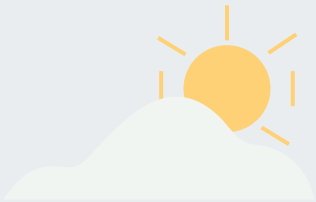


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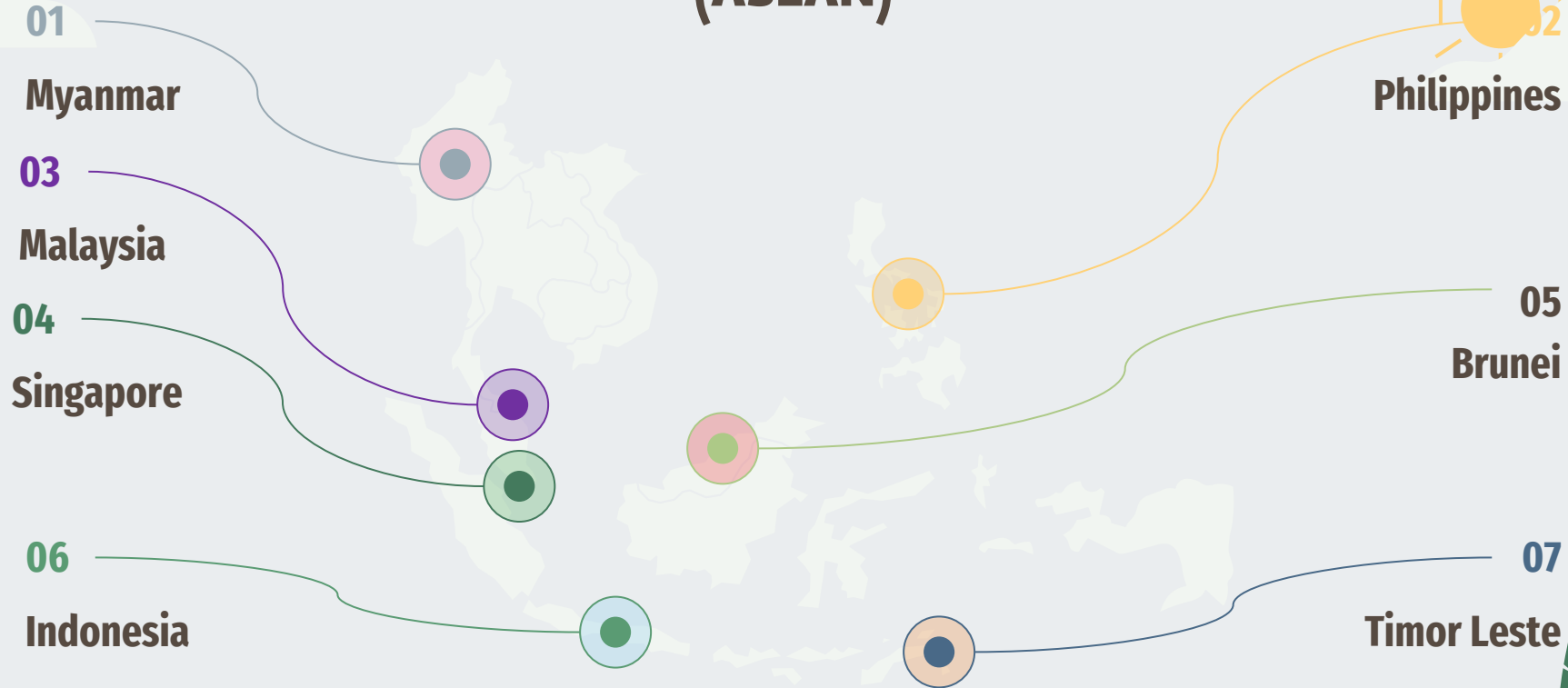




01

Background of ASEAN

Members of Association of Southeast Asian Nations (ASEAN)



Members of ASEAN

08

Thailand

09

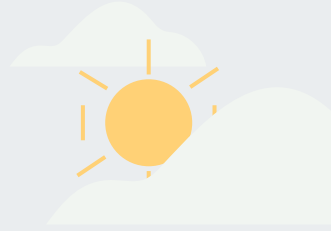
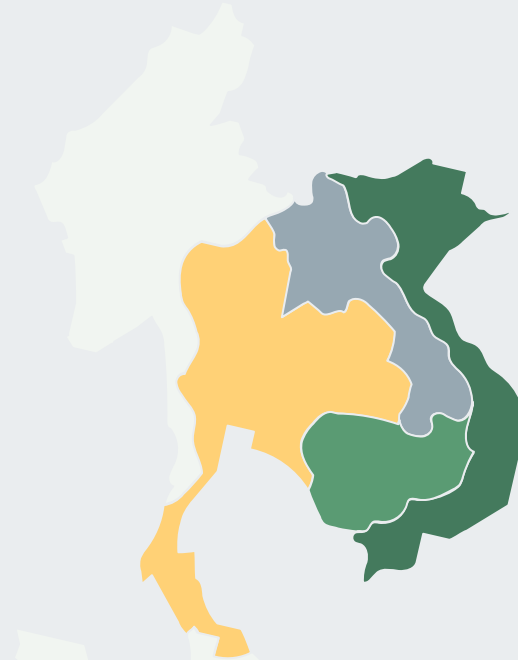
Laos

10

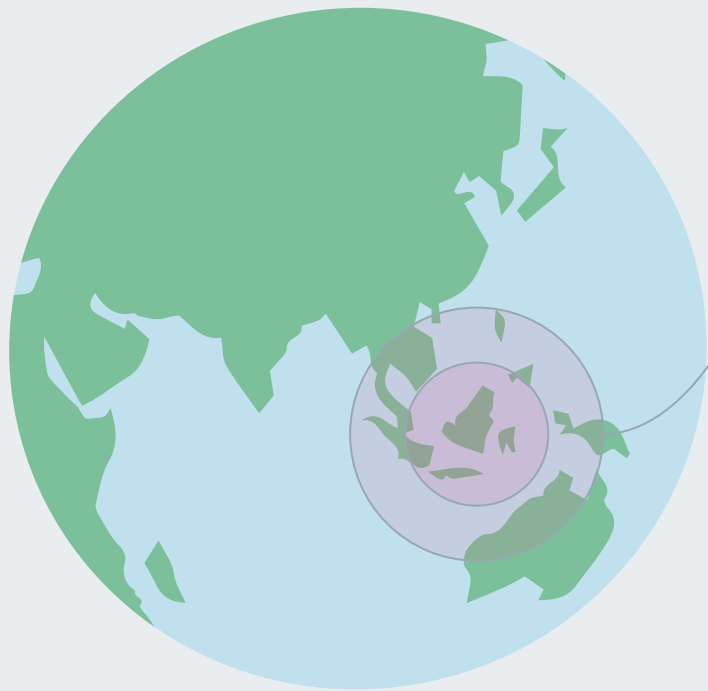
Cambodia

11

Vietnam



Map of ASEAN



ASEAN

The Association of Southeast Asian Nations (ASEAN) is an intergovernmental organization established on August 8, 1967, promoting economic growth, regional peace, and security



Area

4,545,792 km²

Population

680,298,044

HDI

↑0.723

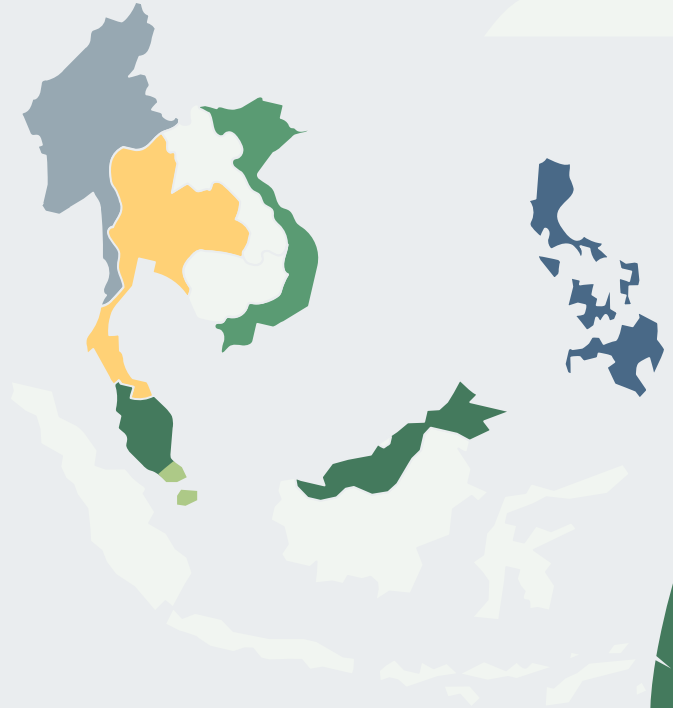
GDP

\$9.727 trillion



ASEAN 1970s vs 2026

Indicator	1970s	Today
Population	~280 million	>680 million
GDP	Less than USD 100 billion	>USD 4 trillion
Urban Population	Below 25%	More than 50%
Poverty	Widespread	Significantly reduced



ASEAN Transformation

1970s



Phase 1:
Agricultural economies

1980–
1990s



Phase 2: Industrialisation

2000s



Phase 3: Globalisation and
economic integration

2010s

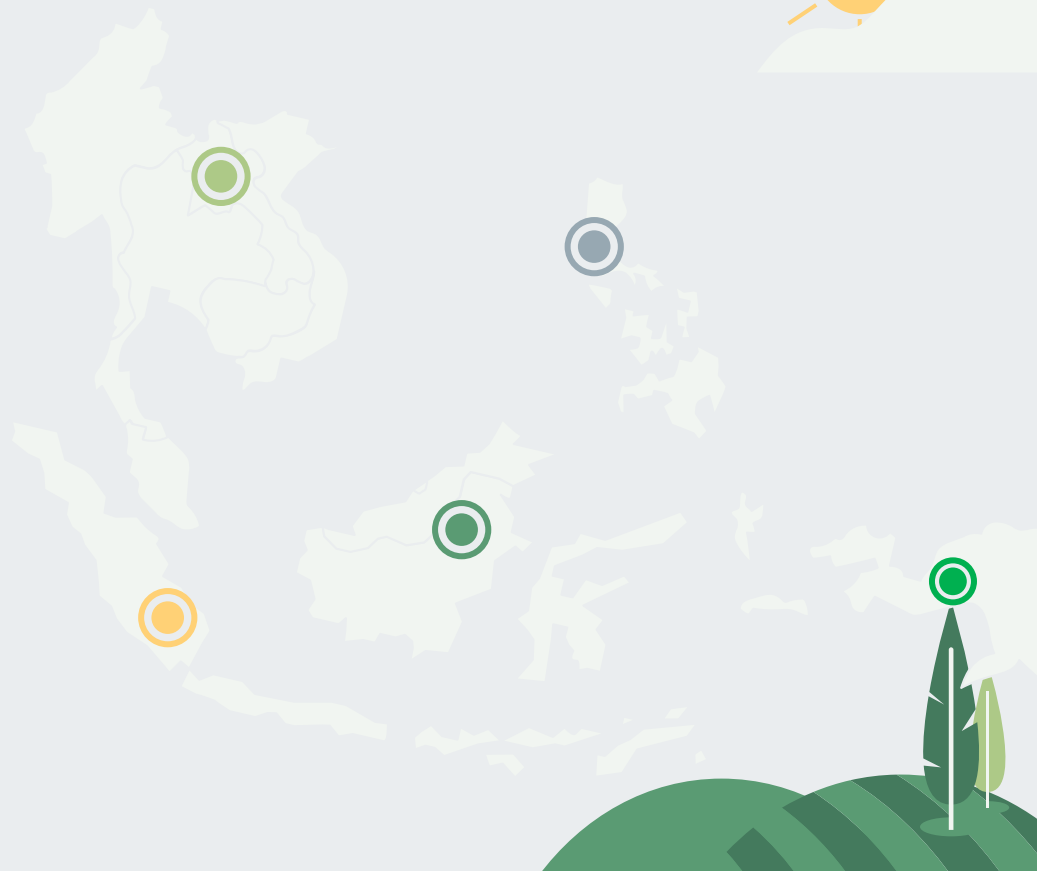


Phase 4: Digital economy

2020s



Phase 5: Green and
knowledge economy



ASEAN Tariff Rate

01

Early 1990s

10–15%

02

2004

1.5%

03

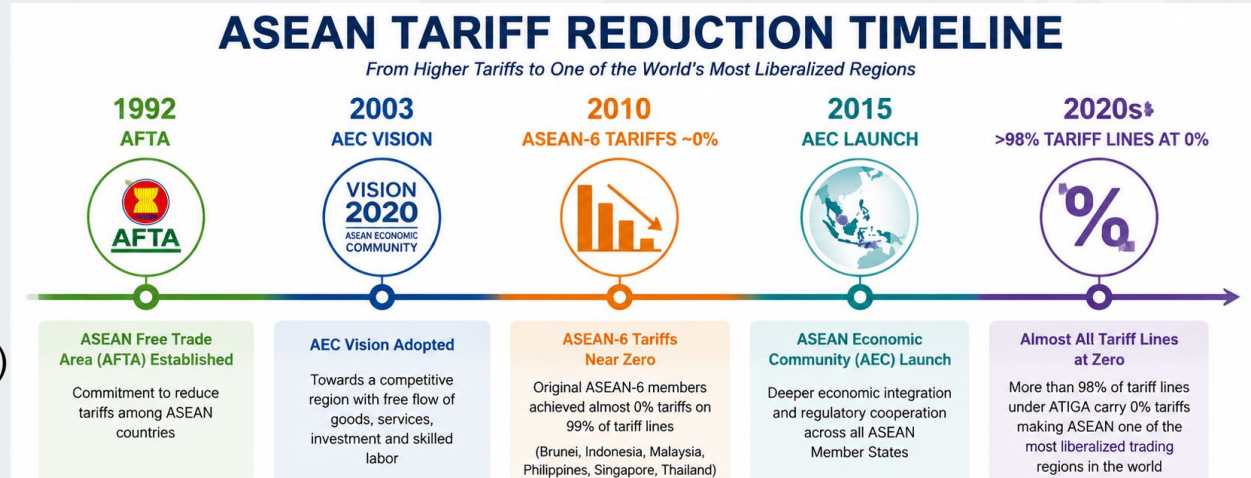
2010

Near 0% (ASEAN-6)

04

At present

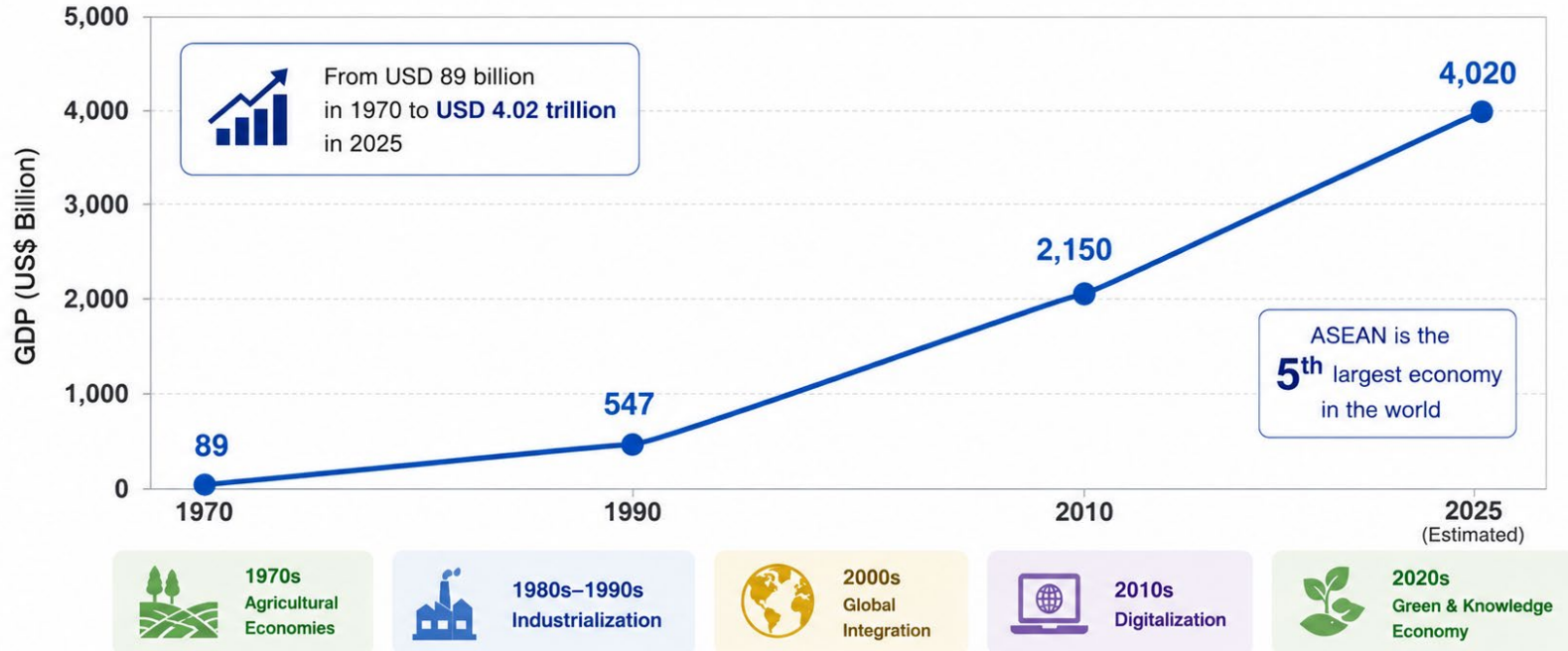
Almost zero on most products



1. GDP Performance

ASEAN GDP Growth Over Five Decades

ASEAN GDP (Current US\$ Billion)

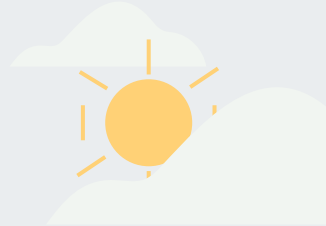


Source: ASEAN Secretariat (ASEANstats), World Bank

Note: Figures may not add up to total due to rounding.

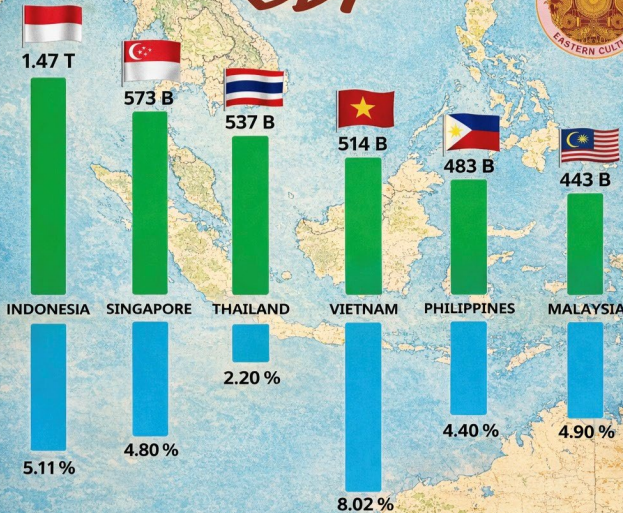
ASEAN's economy has grown more than 45 times since 1970, making it one of the world's most dynamic economic regions.

ASEAN-6 economic outlook



ASEAN-6 ECONOMIC OUTLOOK 2025: FINAL GDP & GROWTH RANKINGS

GDP



	Historical average			Forecast
	2000-2009	2010-2019	2020-2023	2024-2034
Vietnam	6.9%	6.6%	4.6%	6.6%
The Philippines	4.5%	6.4%	2.3%	6.1%
Indonesia	5.3%	5.4%	3.0%	5.7%
Malaysia	4.7%	5.4%	2.5%	4.5%
Thailand	4.3%	3.6%	0.0%	2.8%
Singapore	5.4%	5.0%	2.7%	2.5%
Asean-6	5.1%	5.3%	2.6%	5.1%

SOURCE: ANGSA NA COUNCIL, BAIN & COMPANY AND DBS BANK
GRAPHIC: HANNAH KWAH, BT

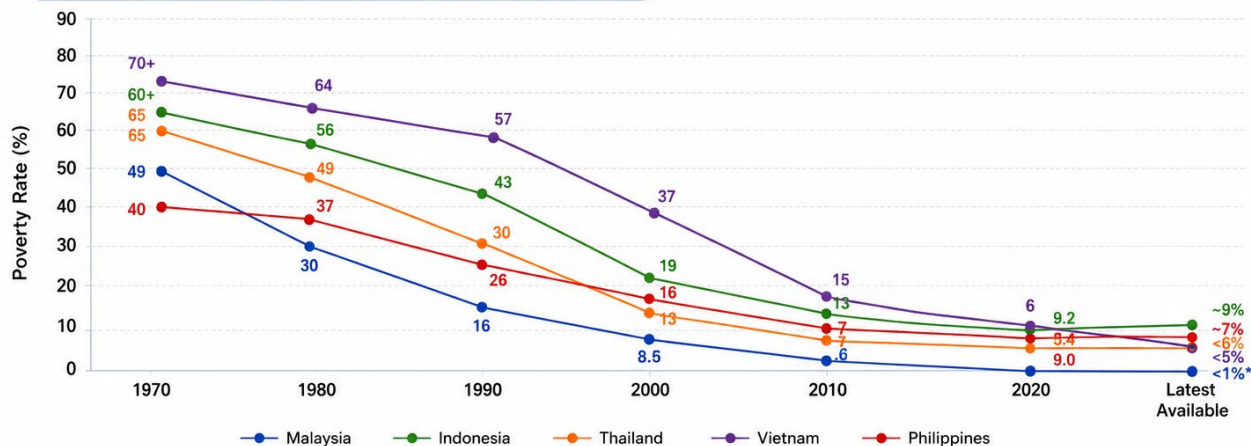


2. Poverty Reduction

TREND OF POVERTY REDUCTION IN ASEAN

Five Decades of Progress: Lifting Hundreds of Millions Out of Poverty

PERCENTAGE OF POPULATION LIVING ON LESS THAN US\$3.65 A DAY
(2017 Purchasing Power Parity)



Poverty Rate (%)	1970 / Early Period	1990	1990	2000	2010	2020	Latest Available
Malaysia	49.3	30.0	16.0	8.5	3.6	0.6	<1%*
Indonesia	60+	56.0	40.0	19.0	13.0	9.2	~9%
Thailand	65.0	49.0	30.0	13.0	7.0	5.4	<6%
Vietnam	70+	64.0	57.0	37.0	15.0	6.0	<5%
Philippines	40.0	37.0	26.0	16.0	11.0	9.0	~7%

Sources:

World Bank – PovcalNet (Data as of 2022/Latest available)

ASEAN Secretariat – ASEAN Statistical Yearbook 2023

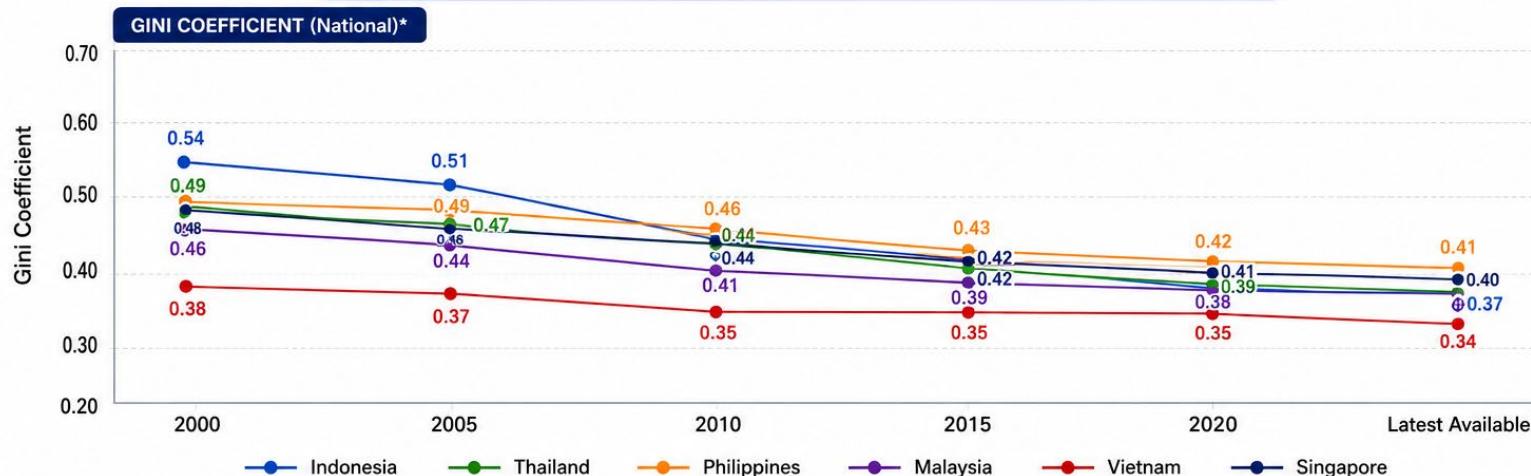
National Statistical Offices
(Respective ASEAN Countries)

TREND OF INCOME INEQUALITY IN ASEAN

Gini Coefficient (0 = Perfect Equality, 100 = Perfect Inequality)



Income inequality in ASEAN has improved over the past two decades, with Gini coefficients declining in most member states.



Country	2000	2005	2010	2015	2020	Latest Available	Trend (2000 – Latest)
Indonesia	0.54	0.51	0.45	0.41	0.38	0.37 (2023)	↓
Thailand	0.49	0.47	0.44	0.41	0.39	0.38 (2022)	↓
Philippines	0.49	0.48	0.46	0.43	0.42	0.41 (2023)	↓
Malaysia	0.46	0.44	0.41	0.39	0.38	0.37 (2022)	↓
Vietnam	0.38	0.37	0.35	0.35	0.35	0.34 (2022)	↓
Singapore	0.48	0.46	0.44	0.42	0.41	0.40 (2023)	↓

* Gini coefficient is measured on a scale of 0 to 100.
0 = perfect equality; 100 = perfect inequality.

Sources:

World Bank – World Development Indicators (SI.POV.GINI)

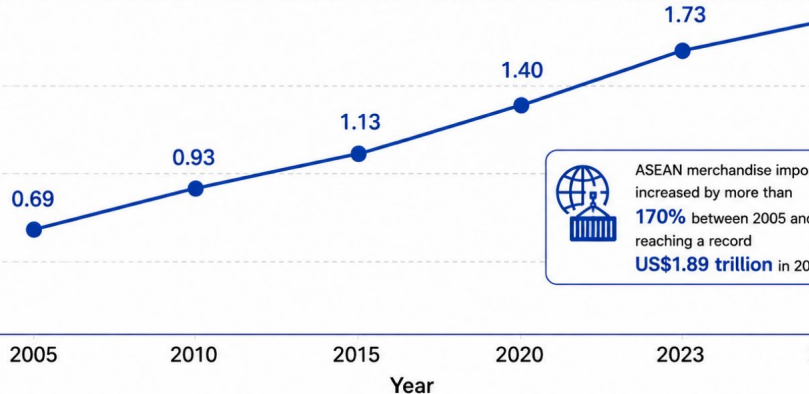
ASEAN Secretariat – ASEAN Statistical Yearbook 2023

3. ASEAN Export Growth



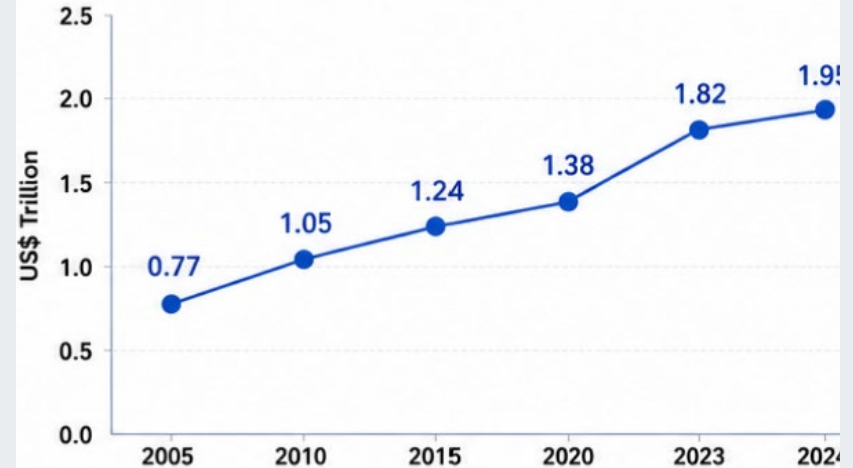
ASEAN IMPORT GROWTH

ASEAN Merchandise Imports (US\$ Trillion)



SEAN Statistics Division (ASEANStats) – ASEAN Key Figures 2024

ASEAN MERCHANDISE EXPORTS (US\$ TRILLION)



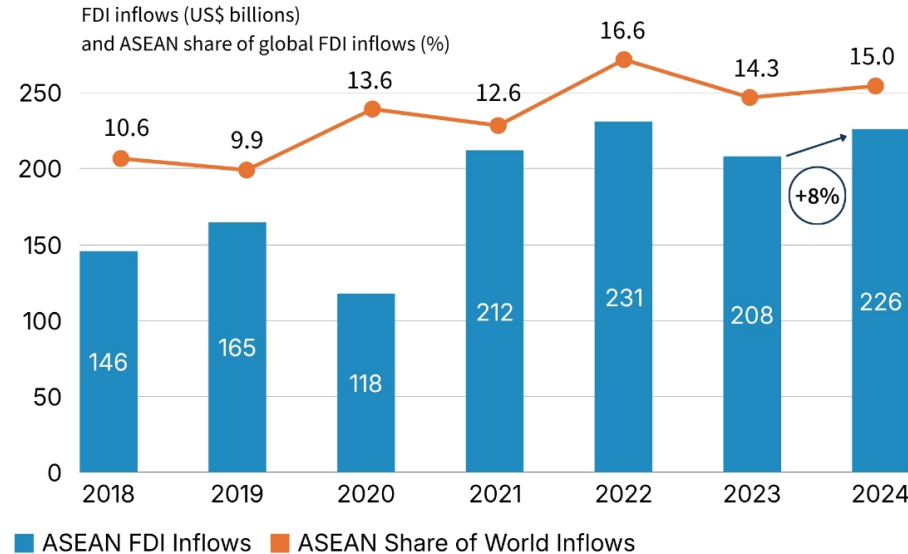
ASEAN merchandise exports nearly tripled over two decades, increasing by **more than 150%** between 2005 and 2024, reaching a record **US\$1.95 trillion** in 2024.

4. FDI Competitiveness

SUPPLY CHAIN SHIFT

ASEAN FDI Inflows Outpace Global Decline

Billions of Dollars and Share of World Inflows, 2018 to 2024

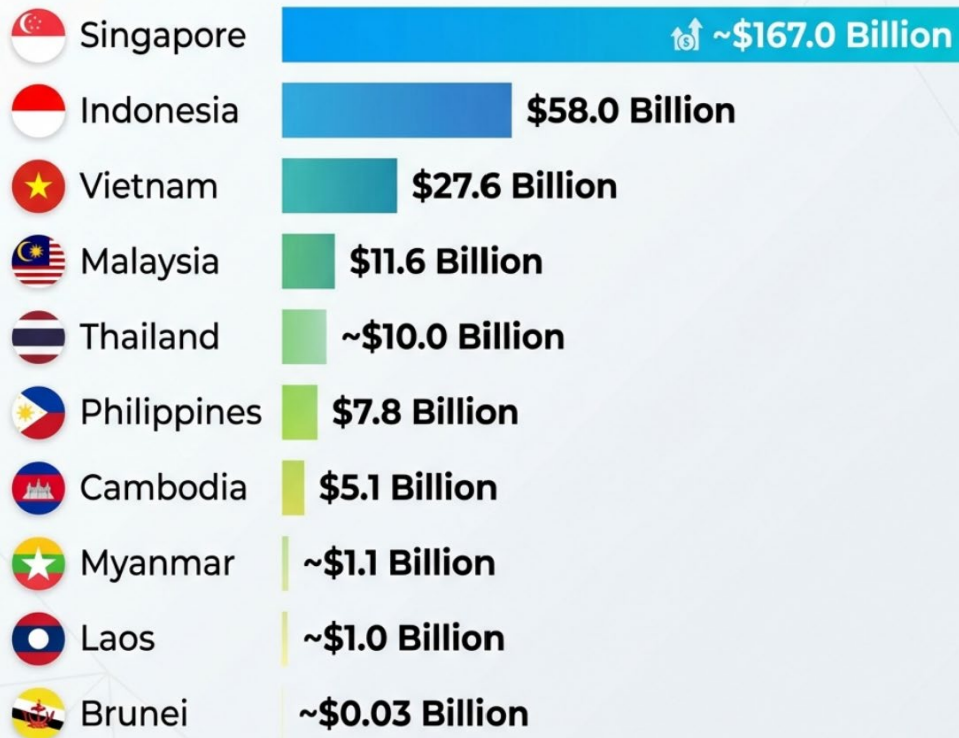


Note: World FDI flows exclude conduit economies

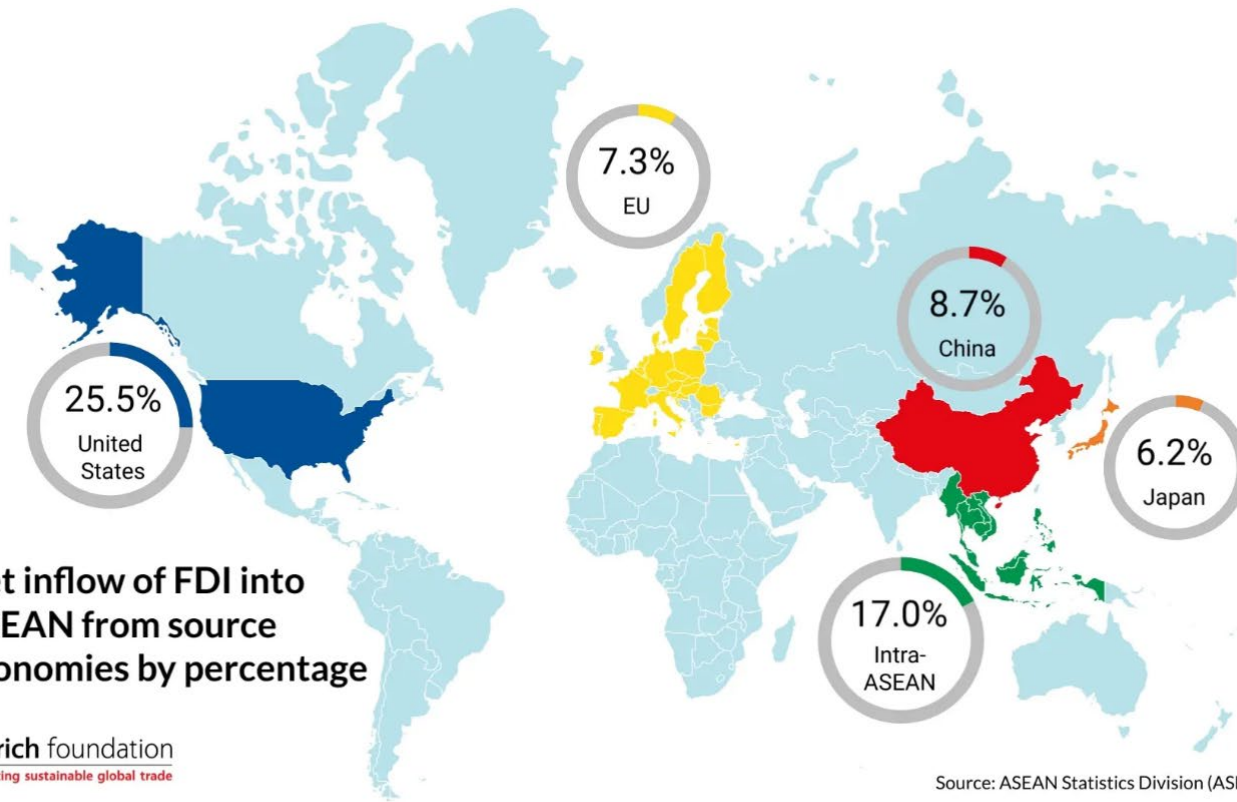
Source: ASEAN Secretariat and UNCTAD, 2025

2025 Net FDI Inflows: Southeast Asia (ASEAN 10)

(Projected Billions USD, Ranked by Inflow)

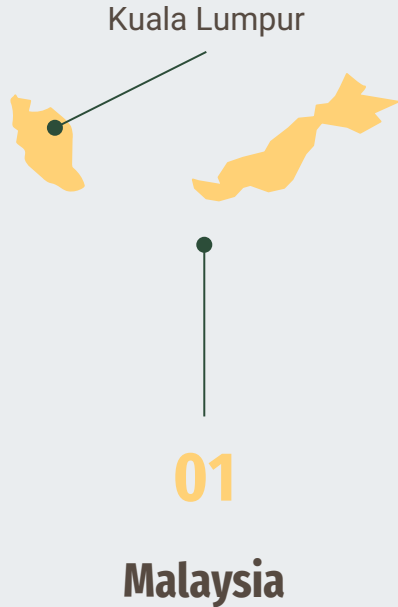
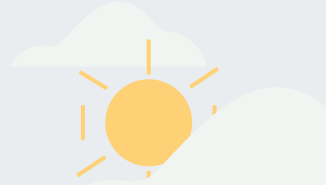


Source: Projected Data. Visual for Illustrative Purposes.



Data source: ASEAN Statistics Division (ASEANstats)

Backbone of ASEAN



- Comparing Malaysia and Indonesia is not just about differences; it helps us understand:
- Multiple pathways to economic growth
- How diversity strengthens ASEAN
- Why collaboration between the two is critical for regional stability and global competitiveness



02

Sustainable Finance in Shaping ASEAN Future

The background is a light blue sky with a yellow sun and white clouds. A large green rounded rectangle contains the text. The foreground is a green field with stylized trees and a deer. The text is in a bold, dark brown font.

**"The future of ASEAN depends on
how sustainability becomes
embedded in finance and business"
(Perdana et al., 2023; Sadiq et al., 2023)**

THE THREE PILLARS OF SUSTAINABILITY



SUSTAINABLE FINANCE MATTERS

BECAUSE IT ALIGNS FINANCIAL PERFORMANCE
WITH **HUMAN** AND **PLANETARY** WELL-BEING.



ADDRESSING GLOBAL CHALLENGES



CLIMATE
CHANGE



BIODIVERSITY
LOSS



WATER
SCARCITY



POVERTY &
INEQUALITY



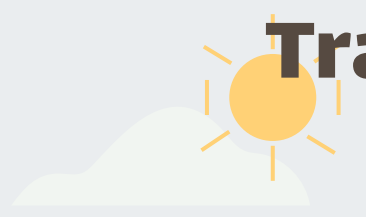
UNSUSTAINABLE
CITIES



RESPONSIBLE
CONSUMPTION



SUSTAINABLE FINANCE
IS NOT JUST ABOUT PROFIT.
**IT'S ABOUT PURPOSE,
PEOPLE AND THE PLANET.**



Traditional finance vs Sustainable finance

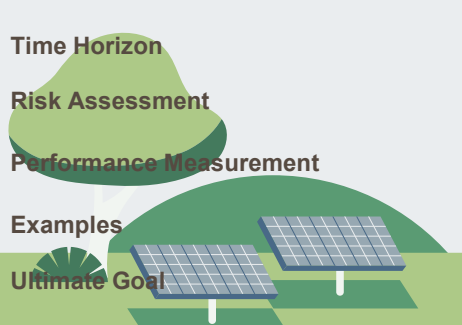


Traditional Finance



Sustainable Finance

Aspect	Traditional Finance
Primary Objective	Maximize financial returns
Investment Focus	Profit and shareholder wealth
Decision Criteria	Financial risk and return
Time Horizon	Often short- to medium-term
Risk Assessment	Market, credit, and operational risks
Performance Measurement	Financial indicators (ROI, EPS, profitability)
Examples	Conventional loans, stocks, bonds
Ultimate Goal	Wealth maximization



Aspect	Sustainable Finance
Primary Objective	Maximize long-term financial, environmental, and social value
Investment Focus	Profit with positive ESG impact
Decision Criteria	Financial + Environmental + Social + Governance (ESG) factors
Time Horizon	Long-term resilience and value creation
Risk Assessment	Financial risks plus climate, environmental, and social risks
Performance Measurement	Financial performance combined with ESG outcomes
Examples	Green bonds, sustainability-linked loans, ESG funds, carbon finance, Islamic sustainable finance
Ultimate Goal	Sustainable prosperity for people, planet, and profit

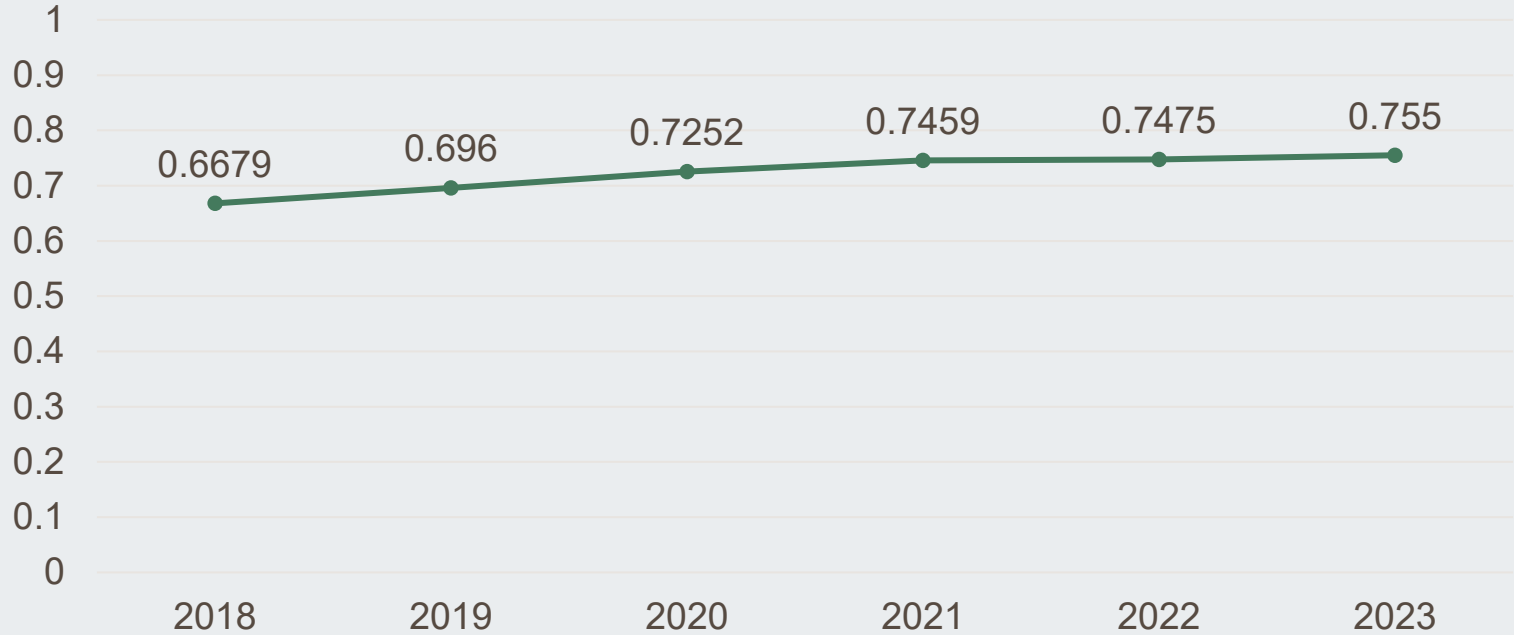




03

**Environmental, Social, and
Governance (ESG) Index and the
Efficiency Performance of Banks in
Selected ASEAN Countries**

Figure 1: ESG Index by Year



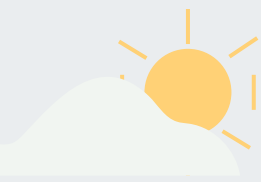
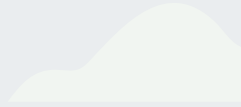
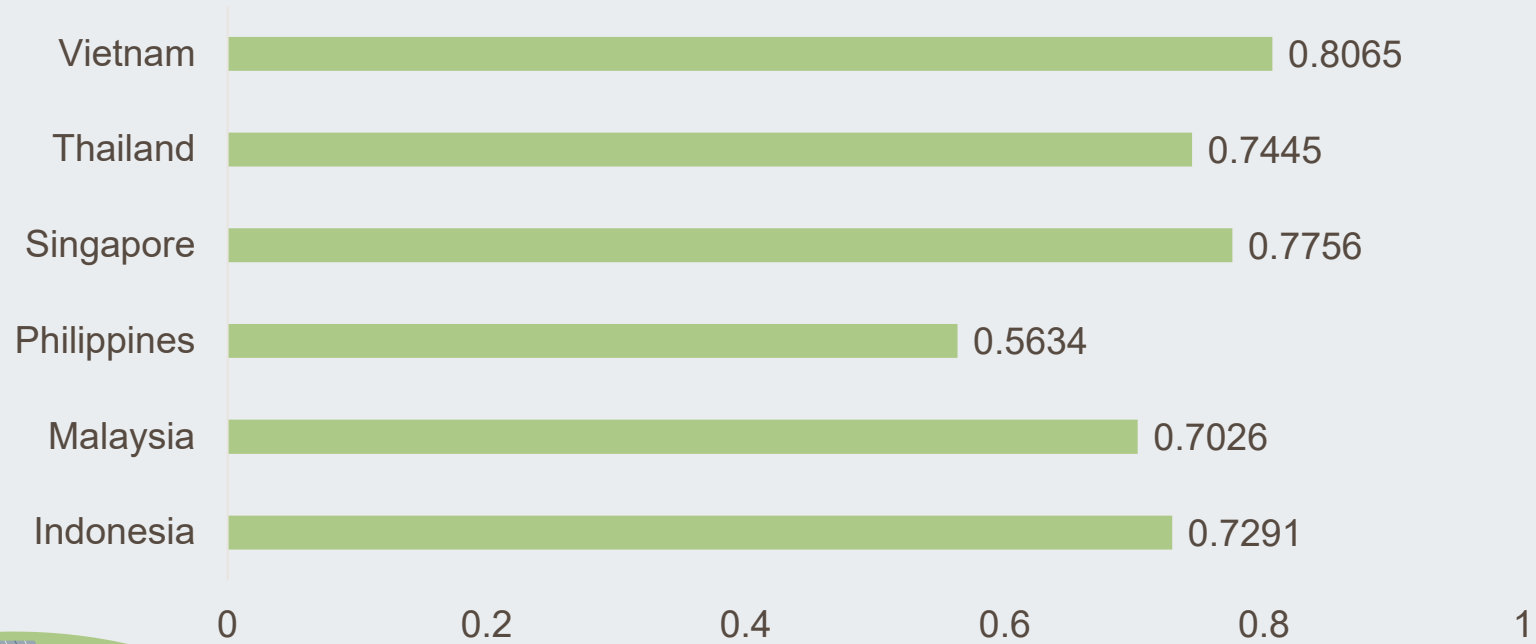


Figure 1: ESG Index by Year



- **Figure 1** illustrates a consistent improvement in ESG performance over the period **2018–2023**. The ESG Index increased from **0.6679 in 2018** to **0.6960 in 2019** and **0.7252 in 2020**, before reaching **0.7459 in 2021**. The index remained relatively stable in 2022 at **0.7475**, followed by a further increase to **0.7550 in 2023**. Overall, the upward trend indicates a gradual strengthening of ESG performance over time, suggesting increasing attention to environmental, social, and governance considerations across the selected countries.

Figure 2: ESG Index by Country



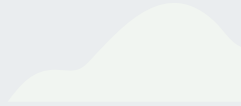
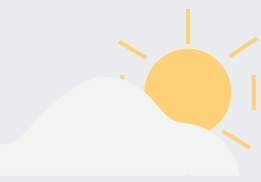


Figure 2: ESG Index by Country

- **Figure 2** shows considerable variation in ESG performance across the six countries. Vietnam records the highest ESG Index at **0.8065**, followed by Singapore (**0.7756**) and Thailand (**0.7445**), indicating relatively stronger ESG performance among these countries. Indonesia records a moderately high index of **0.7291**, while Malaysia has a slightly lower score of **0.7026**. The **Philippines records the lowest ESG Index at 0.5634**, suggesting a comparatively weaker level of ESG performance. Overall, the results indicate that ESG development is uneven across the selected ASEAN countries, with Vietnam, Singapore, and Thailand demonstrating stronger performance, while the Philippines faces greater challenges in achieving comparable ESG outcomes.

Figure 3: Mean Technical Efficiency Performance by Year

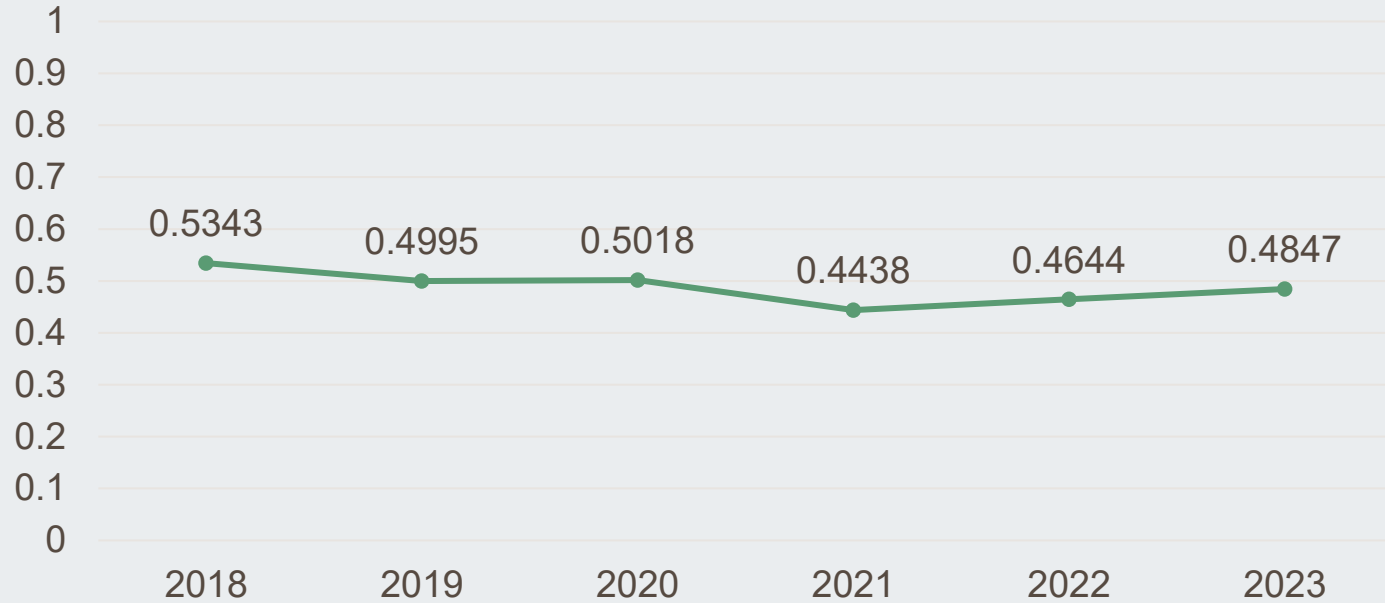




Figure 3: Mean Technical Efficiency Performance by Year

- **Figure 3** shows a generally declining trend in mean technical efficiency from **0.5343 in 2018** to **0.4995 in 2019**, followed by a slight improvement to **0.5018 in 2020**. The efficiency level then declined more substantially to its lowest value of **0.4438 in 2021**, before recovering to **0.4644 in 2022** and **0.4847 in 2023**. Overall, the results indicate that technical efficiency weakened considerably during 2018–2021, particularly in 2021, but subsequently showed a gradual recovery through 2023. Nevertheless, the 2023 level remained below the 2018 level, suggesting that there is still considerable scope for improving the efficiency with which inputs are transformed into outputs across the observed countries.

Figure 3: Mean Technical Efficiency Performance by Year

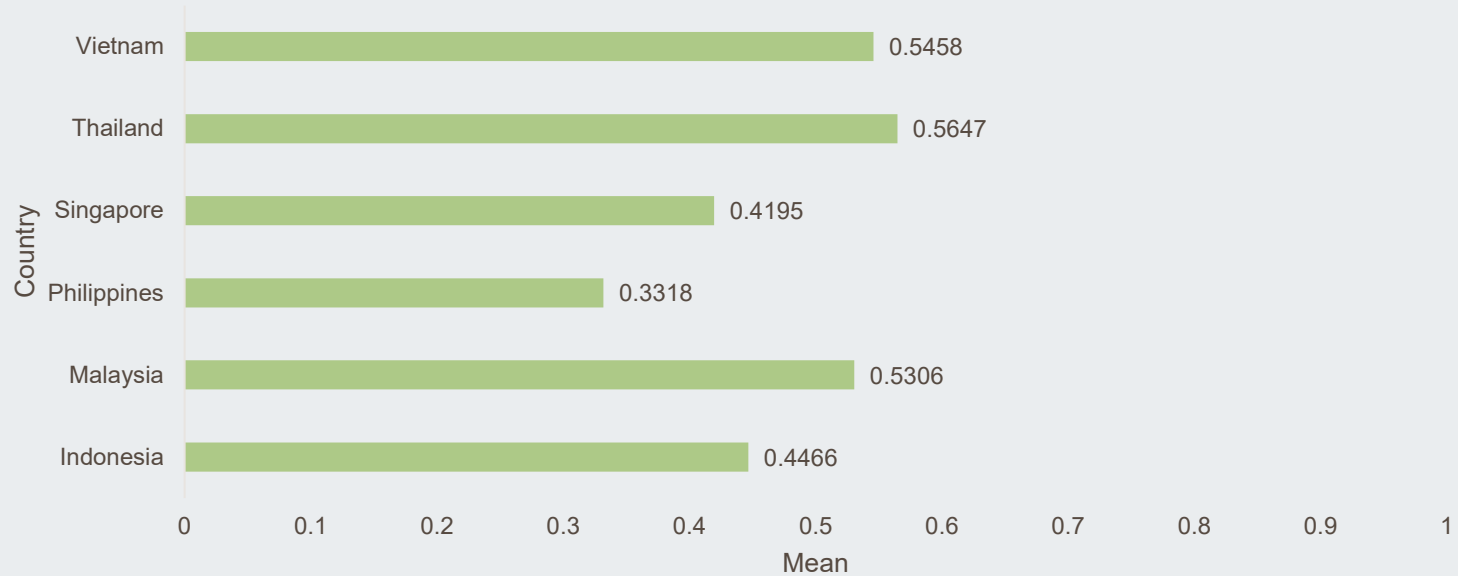




Figure 4: Mean Technical Efficiency Performance by Year

- **Figure 4: Mean Technical Efficiency Performance by Country** shows substantial differences in technical efficiency across the six countries. **Thailand records the highest mean technical efficiency at 0.5647**, followed closely by **Vietnam at 0.5458** and **Malaysia at 0.5306**, indicating relatively stronger efficiency in converting inputs into outputs. **Indonesia** records a moderate efficiency score of **0.4466**, while **Singapore** has a lower score of **0.4195**. The **Philippines records the lowest mean technical efficiency at 0.3318**, suggesting greater inefficiency relative to the other countries. Overall, the results reveal considerable cross-country variation, with Thailand, Vietnam, and Malaysia demonstrating comparatively better technical efficiency, while the Philippines has the greatest potential for efficiency improvement.

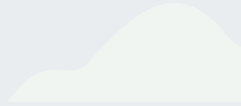
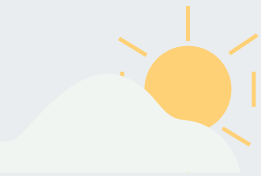


Table 1: Regression Results

Variable	Model 1
	Coefficient Estimate & Confidence Interval
ESG Index	0.2352*** [0.1799, 0.2879]
Bank Size	-0.0047 [-0.0217, 0.0112]
Capitalisation	0.0028*** [0.0017, 0.0040]
Liquidity	0.0042*** [0.0035, 0.0049]
Credit Risk	0.0017*** [0.0015, 0.0020]
GDP Growth	-0.0005 [-0.0035, 0.0026]
Inflation	-0.0055*** [-0.0090, -0.0021]
Sigma	0.1207 [0.1130, 0.1265]
(Intercept)	0.0019 [-0.0978, 0.1032]

The background is a light blue sky with a yellow sun and white clouds. A large, light green rounded rectangle frames the text. The foreground is a green field with stylized trees and a deer. On the left, there are two rounded green trees. On the right, there are two tall, thin green trees. A grey deer with small antlers is standing in the field, facing left. There are also some small green bushes scattered across the field.

**"The future of ASEAN depends on
how sustainability becomes
embedded in finance and business"
(Perdana et al., 2023; Sadiq et al., 2023)**