

ABSTRACT

Amid increasing demands for sustainable practices and responsible governance, the performance of Environmental, Social, and Governance (ESG) factors and the effectiveness of asset management through the Loan to Asset Ratio (LAR) have become two strategic aspects in determining the profitability of the banking sector. In the ASEAN 5 region (Indonesia, Malaysia, Thailand, the Philippines, and Singapore), banks face regulatory pressure, investor expectations, and operational efficiency challenges. Although numerous studies have explored the relationship between ESG and profitability, the results remain inconsistent, particularly in developing countries, highlighting the need for more context-specific and empirical analysis.

This study evaluates the influence of ESG pillars and LAR on bank profitability in the ASEAN 5 during the period 2019 to 2023, using data from 22 banks and applying panel data regression with Return on Assets (ROA) as the profitability indicator. The findings reveal that only LAR has a significant positive effect on profitability, while the ESG pillars show no meaningful impact. These results underscore the importance of optimal asset management in enhancing financial performance, while also indicating that the integration of ESG factors may require time and long-term commitment to yield a direct impact on financial outcomes.

Keywords: *Environmental, Social, and Governance (ESG) Performance, Loan to Asset Ratio, Profitability*