

Report on Bachelor Thesis

Institute of Economic Studies, Faculty of Social Sciences, Charles University in Prague

Student:	Purev-Ochir Byambajav
Advisor:	Binyi Zhang, MSc.
Title of the thesis:	The impact of ESG score on financial performance: Evidence from the automotive industry

Short summary

This bachelor thesis aims to explore the effects of ESG ratings on financial performance metrics such as Return on Equity (ROE) and Return on Assets (ROA) within the automotive industry. Utilizing panel data analysis with time and entity fixed effects models, the study delves into sectoral and regional variations. The results reveal distinct impacts of ESG metrics on financial performance, highlighting the significance of sector and regional differences.

Contribution

This thesis makes a notable contribution to the existing body of research on ESG and financial performance by focusing specifically on the automotive industry, an area that has been underexplored in previous studies. The research provides new insights into how ESG metrics affect financial performance across different sectors and regions within the automotive industry. This nuanced understanding is valuable for stakeholders and investors who are looking to make informed decisions based on ESG ratings.

Methods

The methodology employed in this thesis is robust and well-suited for the research question. The use of panel data analysis, specifically time and entity fixed effects models with clustered standard errors, is appropriate for examining the relationship between ESG ratings and financial performance. This approach effectively controls for unobserved heterogeneity and allows for a more precise estimation of the impacts of ESG metrics. The application of these advanced econometric techniques demonstrates the student's strong analytical capabilities.

Literature

The thesis provides an 8-page comprehensive review of the relevant literature, situating the study within the broader context of research on ESG and financial performance. The author acknowledges the inconclusive nature of previous studies and identifies a gap in the literature regarding the automotive industry. This positioning not only justifies the need for the research but also highlights the originality and relevance of the study. Based on this literature survey, 4 principal hypotheses are tested.

Manuscript form

The manuscript is well-organized and clearly written. The structure follows a logical flow, with a clear introduction, literature review, methodology, results, and conclusion. The figures and tables are well-presented and enhance the understanding of the analysis. The writing is concise and professional, making the complex econometric methods and results accessible to readers.

Summary and suggested questions for the discussion during the defense

To summarize, Purev-Ochir has developed a solid academic approach, reviewed the existing literature, identified and investigated open questions and drew relevant conclusions from that. This thesis is a significant and well-executed contribution to the field of ESG and financial performance within the automotive industry. The research is methodologically sound, well-contextualized within the existing literature, and offers valuable practical insights. In my view, the thesis fulfills the requirements for a bachelor thesis at IES, Faculty of Social Sciences, Charles University, I recommend it for the defense and suggest **a grade A**.

he results of the Turnitin analysis indicate 26% text similarity with other available sources. Since this similarity comes from multiple sources, I do not see it as a problem.

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Questions to the defense:

1) Your analysis indicates that the environmental pillar positively impacts the profitability of American and African companies, while the governance pillar positively affects African companies but harms Asian companies. What cultural, regulatory, or developmental factors do you think contribute to these regional differences in the impact of ESG metrics?

2) The conclusion states that car manufacturers showed a consistently insignificant impact of ESG metrics on ROA and ROE, possibly due to declining public perception and skepticism around electric vehicles. Can you discuss potential strategies that car manufacturers could adopt to improve their ESG performance and public perception? How might these strategies impact their financial performance in the long term?

SUMMARY OF POINTS AWARDED (for details, see below):

CATEGORY	POINTS
<i>Contribution</i> (max. 30 points)	28
<i>Methods</i> (max. 30 points)	27
<i>Literature</i> (max. 20 points)	18
<i>Manuscript Form</i> (max. 20 points)	18
TOTAL POINTS (max. 100 points)	91
GRADE (A – B – C – D – E – F)	A

NAME OF THE REFEREE: Prof. PhDr. Petr Teplý, Ph.D.

Digitálně podepsáno (27. 5. 2024)
Petr Teplý

DATE OF EVALUATION: May 27, 2024

Referee Signature

EXPLANATION OF CATEGORIES AND SCALE:

CONTRIBUTION: *The author presents original ideas on the topic demonstrating critical thinking and ability to draw conclusions based on the knowledge of relevant theory and empirics. There is a distinct value added of the thesis.*

<i>Strong</i>	<i>Average</i>	<i>Weak</i>
30	15	0

METHODS: *The tools used are relevant to the research question being investigated, and adequate to the author's level of studies. The thesis topic is comprehensively analyzed.*

<i>Strong</i>	<i>Average</i>	<i>Weak</i>
30	15	0

LITERATURE REVIEW: *The thesis demonstrates author's full understanding and command of recent literature. The author quotes relevant literature in a proper way.*

<i>Strong</i>	<i>Average</i>	<i>Weak</i>
20	10	0

MANUSCRIPT FORM: *The thesis is well structured. The student uses appropriate language and style, including academic format for graphs and tables. The text effectively refers to graphs and tables and disposes with a complete bibliography.*

<i>Strong</i>	<i>Average</i>	<i>Weak</i>
20	10	0

Overall grading:

TOTAL	GRADE
91 – 100	A
81 - 90	B
71 - 80	C
61 – 70	D
51 – 60	E
0 – 50	F