

**THE MODERATING ROLE OF PHILADELPHIA FINANCIAL
SERVICE COMPANIES' PERFORMANCE IN THE
RELATIONSHIP BETWEEN CORPORATE GOVERNANCE AND
ENVIRONMENTAL SUSTAINABILITY**

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Abstract

The current study delves into the complex relationship between corporate governance, financial performance, and societal responsibility within the financial service sector in Philadelphia. Drawing on data from 85 financial organizations, the research explores how different corporate governance practices impact firm value and perceptions of environmental sustainability. The findings reveal that strong corporate governance practices tend to enhance societal obligations, but do not consistently lead to perceptions of increased environmental stewardship. This emphasizes the intricate nature of governance impacts within the financial service domain, where traditional performance metrics may not fully capture the sector's operational dynamics. Additionally, empirical evidence indicates that the relationship between corporate governance effectiveness and corporate social responsibility is influenced by firm size, highlighting the need for governance frameworks tailored to specific contexts. The study advocates for the development of performance indicators that better align with the operational realities and societal expectations of financial service entities. Furthermore, the research emphasizes the role of trust-based indicators in building stakeholder confidence and institutional trust. By focusing on Philadelphia's financial service enterprises, the study provides new insights into the individual dimensions of corporate governance and their implications for environmental sustainability. It underscores the importance of adaptive governance structures that not only ensure financial stability but also promote a corporate culture of accountability and environmental stewardship. This study is groundbreaking in its exploration of the relationship between corporate governance, financial performance, and CSR in the context of Philadelphia's financial services.

Keywords: Firm Performance, Corporate Governance, Environmental Sustainability

1. INTRODUCTION

Institutional theory provides a comprehensive and robust underlying framework for hypothesizing about the crucial and imperative moderating role of corporate governance in both corporate financial and environmental performance (Zumente and Bistrova, 2021; Alabdullah, 2016). The extensive and diverse empirical research conducted in this particular area, as well as the insightful and focused investigation centered on the market valuation of corporate environmental performance, has consistently and convincingly produced results that are highly supportive of the essential coexistence and harmonious integration of ecologically friendly and sustainable practices with the fundamental and paramount objective of shareholder wealth maximization (Jan et al. 2021; Alabdullah et al., 2017). Furthermore, it is essential to highlight the significant impact that corporate governance has on the overall success and prosperity of organizations. Numerous studies have demonstrated that well-designed and effectively implemented corporate governance mechanisms contribute not only to the achievement of financial goals but also to the

enhancement of environmental performance. This alignment between corporate governance and environmental sustainability is of utmost importance in contemporary business environments, where stakeholders are increasingly concerned about the ecological consequences of corporate activities. Thus, the integration of environmental considerations into corporate governance frameworks can bring about multifaceted benefits that extend beyond mere financial gains (Karaman et al., 2020; Alabdullah et al., 2023). Another fundamental concept that complements the significance of corporate governance is agency theory, an indispensable and enlightening perspective rooted in the realm of corporate governance.

This theoretical framework essentially aims to establish a robust system and mechanism for effectively reducing and significantly mitigating human self-interest disputes and conflicts. It asserts and postulates that meticulously and tactfully designed corporate governance structures, primarily the composition and functioning of the board of directors and the ownership dynamics, should substantially contribute to the crucial objective of harmonizing and aligning the interests of managers and shareholders (Saona et al., 2020; Alabdullah, 2016). By fostering transparency, accountability, and ethical behavior within organizations, agency theory reinforces the notion that corporate governance serves as a fundamental safeguard against opportunistic practices and ensures the effective monitoring and control of managerial actions. These proactive and vigilant measures are indispensable for effectively and efficiently minimizing and mitigating the pervasive conflicts of interest that frequently arise between the managerial and shareholder factions within organizations (Stoelhorst & Vishwanathan, 2024; Alabdullah, 2016). The complementary perspectives of institutional theory and agency theory shed light on the vital role that corporate governance plays in shaping both the financial and environmental performance of organizations. Through the integration of environmentally friendly and sustainable practices into corporate governance frameworks, organizations can not only enhance shareholder wealth maximization but also contribute to a more sustainable and responsible business landscape. By fostering alignment between the interests of managers and shareholders, corporate governance mechanisms can effectively mitigate conflicts of interest and promote long-term organizational success (Kavadis & Thomsen, 2023; Alabdullah et al., 2019).

The potential role of performance in environmental management issues has its roots in the strategic management literature. Performance emerges as a "transmission belt" between a firm and its various stakeholder groups, whose interests frequently diverge on environmental performance issues. These diverging interests motivate the embrace or more subtle strategic manipulation of enhanced environmental performance goals. Performance is often used in broader topics, such as firm strategic factors and corporate governance components, without clear justification, as if it were a neutral attribute. In the case of corporate governance, to some extent, the demographic data of general corporate governance studies are drawn predominantly from large publicly traded equity. Myrmel also examined carbon emissions as a corporate governance feature (Kant & Anjali, 2021; Alabdullah et al., 2020).

The overriding objective and paramount aim of this study is to comprehensively investigate and delve into the aforementioned moderating effects demonstrated by the performance of Philadelphia financial service firms – plotting, scrutinizing, and deciphering its significant impact not only on the firm-level provider but also on the intricate and intricate moderating roles within the corporate governance and

environmental sustainability interface. This comprehensive examination, encompassing a multifaceted and multidimensional approach, will contribute extensively and substantially to the existing body of knowledge surrounding this subject matter, thus enabling and facilitating a deeper and more nuanced understanding of the complex and intricate interplay, dynamics, and dependencies between corporate governance, environmental sustainability, and the performance of financial service firms in the unique context of Philadelphia. (Habib, 2023).

The primary research objectives based on the provided text revolve around exploring the relationship between corporate governance and environmental sustainability within the framework of service-dominant logic. The research aims to investigate how effective corporate governance can enhance the alignment between business practices and sustainable development, taking into account the trade-offs between short-term performance incentives and long-term stakeholder interests (Hsu et al., 2023; Alabdullah, 2023). Another objective is to analyze the impact of governance mechanisms on business policies and outcomes, particularly addressing the discrepancies found in recent studies regarding CEOs' incentives and their effects on long-term value creation. The focus is on understanding how companies can integrate sustainability into their decision-making processes while balancing the demands of various stakeholders and contributing positively to environmental preservation (Alabdullah, 2019).

The significance of this study lies in its exploration of the interplay between corporate governance, environmental sustainability, and firm performance. The mission of the United Nations' Sustainable Development Goals (SDGs) underscores the necessity for effective resource management and environmental stewardship to ensure a sustainable future for all generations. This study is crucial as it addresses the growing need for robust environmental governance within the industrial and commercial sectors. Despite the increasing emphasis on environmental sustainability, there remains a gap in research, particularly regarding corporate governance in firms with varying financial performances, especially those involved in service-oriented economic transformation (Esposito & Dicorato, 2020; Alabdullah et al., 2023). By investigating the relationships between governance practices, environmental performance, and economic outcomes, the study aims to develop strategies that enhance responsible business practices, mitigate environmental risks, and support economic growth. This research contributes to achieving a balance between economic development and environmental conservation, which is vital for the well-being of present and future societies. It advocates for a shift towards sustainable practices, inclusive decision-making, and collaborative efforts among governments, businesses, and communities to address global challenges such as climate change and resource depletion (Alabdullah et al., 2014a).

2. LITERATURE REVIEW

Corporate governance primarily aims to protect shareholders' interests by ensuring their rights and maximizing investment returns, while also promoting economic efficiency to boost company performance and competitiveness (Lund & Pollman, 2021; Alabdullah, 2016). Over time, corporate governance's scope has broadened significantly, extending the responsibilities of directors and executives to include the welfare of various stakeholders beyond shareholders, such as employees, clients, suppliers, and the environment (Zaman et al., 2022; Alabdullah et al., 2020). This shift reflects the

recognition of the ethical mission inherent in firms, which encompasses corporate social responsibility (Ar, 2022; Alabdullah et al., 2020). Consequently, companies are now accountable not only for financial performance but also for their societal and environmental impacts (Kahan & Rock, 2020).

The concept of socially responsible business has expanded, with companies increasingly adopting comprehensive and sustainable practices that align with environmental and social criteria (Sadiq et al., 2022). The goal is to achieve sustainable business practices that benefit society while ensuring long-term organizational success (Amis et al., 2020; Alabdullah & Churiyah, 2023; Lund & Pollman, 2021). Integral to this is the adoption of sustainable business practices that enhance organizational effectiveness and growth (Vian, 2020; Ortega-Rodríguez et al., 2020; Alabdullah, 2024; Mahama et al., 2022).

Engaging stakeholders is crucial for identifying risks, opportunities, and innovative solutions, contributing to community and environmental well-being (Stocker et al., 2020). Companies that involve stakeholders in decision-making through advisory boards or focus groups can build trust, enhance reputation, and foster a sense of ownership (Cvitanovic et al., 2021; Alabdullah et al., 2021; Wehn et al., 2020). This inclusive approach provides diverse insights that drive innovation and problem-solving (Kudyba et al., 2020; Phillips-Wren et al., 2021; Alabdullah, 2016; Kahupi et al., 2021).

Proactive corporate social responsibility involves integrating social and environmental considerations into core operations to minimize negative impacts and maximize positive outcomes (Hogan & Olson, 2021; Alduais et al., 2023; Alfadhl & Alabdullah, 2013; Sum & Khalik, 2020). This approach not only creates shared value but also promotes a sustainable future (Karpoff, 2021; Alabdullah et al., 2023; Zaman et al., 2022). Seeking stakeholder feedback through various channels helps companies adapt, improve, and maintain a positive societal impact (Martínez et al., 2021; Tate, 2021; Alabdullah & Hussein, 2023; Chin, 2023). Engaging stakeholders fosters trust and supports a sustainable and ethical business model (Wehn et al., 2020; Alabdullah & AL-Qallaf, 2023; MacDonald et al., 2022). Ultimately, active stakeholder engagement enhances understanding, reputation, and long-term success, benefiting society and the environment (Moshtari & Vanpoucke, 2021).

Moreover, companies should take a proactive approach towards corporate social responsibility by integrating it into their overall business strategy. This means incorporating social and environmental considerations into the core operations of the company, from supply chain management to product development and production processes. By doing so, companies can minimize negative social and environmental impacts while maximizing positive outcomes (Alawaqleh et al., 2022; Alabdullah & Mohamed, 2023). The holistic approach not only creates shared value but also paves the way for a more inclusive and sustainable future for all (Naciti et al., 2022; Alabdullah et al., 2019; Zaman et al., 2022). Engaging stakeholders in decision-making processes is essential for building trust and fostering a sense of ownership. Companies can invite stakeholders to participate in advisory boards, focus groups, or consultations, providing them with a platform to voice their opinions and contribute to shaping the company's direction. This participatory approach not only ensures that all perspectives are considered but also empowers stakeholders by making them feel valued and heard (MacDonald et al., 2022; Alabdullah et al., 2015; Cvitanovic et al., 2021). Furthermore, companies that actively involve stakeholders in decision-making processes often benefit

from diverse insights and expertise. This collaborative approach facilitates the identification of new opportunities, the anticipation of emerging trends, and the creation of sustainable solutions (Kudyba et al., 2020; Alabdullah et al., 2019; Phillips-Wren et al., 2021). In conclusion, active stakeholder engagement and seeking feedback are crucial for companies to understand and meet the needs of all stakeholders. By promoting open dialogue, companies can build trust, enhance their reputation, and establish long-lasting relationships. Through continuous engagement and feedback, companies can adapt, improve, and innovate, ensuring their sustained success and positive impact on society (Kujala et al., 2022; Alabdullah et al., 2020). Moreover, companies should take a proactive approach towards corporate social responsibility by integrating it into their overall business strategy. By doing so, companies can minimize negative social and environmental impacts while maximizing positive outcomes (Alabdullah et al., 2020; Mensah & Boachie, 2023). The expanded scope of corporate governance and social responsibility emphasizes the importance of considering the interests of all stakeholders. Firms must go beyond mere profit-seeking and embrace sustainable and ethical business practices that benefit society as a whole. By doing so, companies can contribute to the overall well-being of communities and the environment while also ensuring their long-term success and prosperity (Alabdullah & Maryanti, 2021; Nguyen et al. 2021). In the academic literature, the link between corporate governance and environmental sustainability is not extensively explored yet. However, it has been widely acknowledged as a crucial subject for further investigation and examination. Numerous authors contend that corporate governance plays a significant role in shaping organizational decisions regarding the adoption of environmentally sustainable production and investment processes (Alabdullah & Naseer, 2023; Hussain et al., 2023; Zaman et al., 2022). In fact, certain authors have even proposed that companies with a weak corporate governance structure may be more inclined to engage in corporate social responsibility (CSR) initiatives to create a semblance of social and environmental performance, thereby mitigating agency costs and other underlying motivations (Alabdullah & Zubon, 2023; Nirino et al., 2022). Conversely, other scholars have posited that enhanced governance systems are more likely to foster improved performance and disclosure of social activities. It is in light of this void that this paper endeavors to illuminate and contribute to this important discourse (Paton et al., 2021). The exploration of the relationship between corporate governance and environmental sustainability in the academic literature is still in its nascent stages. Although not extensively studied thus far, there is a growing recognition of its importance warranting further investigation and examination (Ellili, 2022; Alabdullah et al., 2020). Conversely, other scholars posit that stronger governance systems are more likely to facilitate enhanced performance and disclosure of social activities (Soelton et al., 2020; Rubino & Napoli, 2020; Ahmed et al., 2019). Moreover, the existing literature on the convergence of corporate governance and environmental sustainability remains relatively limited, with a prominent gap in research focusing on the Financial Service Companies (Zoll et al., 2024; Hermawan et al., 2024). It is within this void that this paper aims to shed light on and contribute to this imperative discussion (Franczak et al., 2023). The examination and exploration of the interplay between corporate governance and environmental sustainability in the extensive body of academic literature still remains at an early stage of development. Despite its limited scope thus far, an increasing acknowledgement of its significance has emerged, calling for further scrutiny and investigation (Shui et al., 2022; Tasente et al., 2024).

2.1. Corporate Governance

The two critical issues discussed above, namely corporate governance and environmental sustainability, strongly suggest that companies stand to significantly enhance their long-term performance by effectively implementing not only their robust and efficient corporate governance practices but also their carefully crafted and proactive environmental strategy (Alabdullah et al., 2024). It is worth noting that historically, corporate governance strategies and environmental stewardship strategies have often seemed unrelated, thereby giving rise to potential conflicts of interest between the actions that may be mandated by each strategy (Kahan & Rock, 2020). However, looking specifically at the long-term perspective, it becomes evidently clear that a company's top management can serve the best interests of both its esteemed and discerning shareholders, who expect exemplary corporate governance practices, and the environment, which requires relentless protection and preservation, by formulating comprehensive, multi-faceted, and forward-thinking corporate strategic policies that seamlessly align with the interests of both aforementioned groups for the cultivation of a sustainable and responsible business ecosystem (Jan et al., 2021; Tjahjadi et al., 2021). Expanding on this concept, it is crucial to recognize that corporate governance goes beyond mere compliance with regulations. It encompasses a broad spectrum of principles, practices, and norms that guide and shape the decision-making processes within an organization (Aureli et al. 2020). Effective corporate governance involves transparent and accountable leadership, robust risk management frameworks, and strong internal control mechanisms (Napitupulu, 2023). Moreover, integrating environmental sustainability into corporate strategies is no longer a choice but a necessity in today's world. As the impact of human activities on the planet becomes increasingly evident, businesses have a moral and societal obligation to minimize their ecological footprint (Kantabutra & Ketrapakorn, 2020). This requires proactive measures such as adopting renewable energy sources, implementing eco-friendly production processes, and reducing waste generation (Johl & Toha, 2021; Haleem et al., 2023). By doing so, companies can not only contribute to the preservation of natural resources but also enhance their reputation and attract environmentally-conscious consumers (Bawakyillenuo & Agbelie, 2021). Additionally, it is important to highlight the interconnectedness between corporate governance and environmental sustainability. A company's commitment to environmental stewardship reflects its dedication to ethical practices and responsible management. When organizations prioritize sustainability, they demonstrate their willingness to go beyond short-term profit maximization and consider the long-term implications of their actions. This aligns with the expectations of shareholders, who seek sustainable returns on their investments, and the broader community, which demands corporate accountability (Masiero et al., 2020; Barzuza et al., 2023).

2.2. Environmental Sustainability

In the natural environment, firms must also consider the potential risks and benefits associated with their environmental initiatives (Flammer et al., 2021). Furthermore, the relationship between a firm's environmental performance and its environmental initiatives is a complex one. While some studies suggest a positive correlation between improved corporate environmental performance and shareholder value, other studies have found no significant relationship (Shabbir & Wisdom, 2020). This indicates that there are multiple

factors at play in determining the impact of environmental initiatives on a firm's overall performance. Moreover, the growing importance of global and regional agreements further emphasizes the need for firms to prioritize their environmental initiatives (Chan et al., 2021). These agreements will not only shape the regulatory landscape but also influence consumer preferences and market demands. Therefore, firms that fail to align their environmental management practices with these agreements may face reputational, legal, and financial risk (Lashitew, 2021). To effectively address these challenges and leverage environmental sustainability for shareholder value creation, firms must adopt a comprehensive and holistic approach to environmental management (Arda et al., 2023). This involves carefully considering and integrating environmental considerations into all aspects of their strategic decision-making processes, including long-term planning, resource allocation, and stakeholder engagement. This includes setting clear targets and performance indicators related to environmental impact mitigation, energy efficiency, waste reduction, and responsible sourcing. By implementing these policies and continuously monitoring and evaluating their effectiveness, firms can proactively identify areas for improvement and drive meaningful change within their operations (Elmore, 2022).

2.3. Financial Service Companies' Performance

Research on environmental management accounting has started to explore how financial performance can complement environmental performance: pay attention to the language of economic profit, particularly if you are interested in erasing the dichotomy between environmental and economic performance (Bresciani et al., 2023; Nkundabanyanga et al., 2021). This paper addresses whether financial performance is indeed a necessary and vital complement to environmental performance by examining the moderating role of companies' performance in the secret link between and the blending of 'green' and corporate governance. Three crucial factors that drive companies to invest heavily in environmental areas are silencing the pressures originating from capital markets due to overhang on share prices, or strategic blunders or socially irresponsible decisions. Factors specific to a company's operations also have dramatic implications for the success of a company's stewardship of the environment: no company has unlimited resources at its disposal, and the environmental activities that a company adopts should be credible, capital smart, and should realize, maximally, financial value (Dalwai & Mohammadi, 2020; Buallay, 2020). Philadelphia is America's birthplace and home to the Constitution and Declaration of Independence. It is also a financial service center of national prominence – the city was temporarily the nation's capital while Washington, D.C. was still being constructed. As such, a number of banks, trust companies, and insurance firms are among the Philadelphia area's and Pennsylvania's largest employers and financial service organizations. Financial services companies in Philadelphia span a broad gamut of industries including banking, investment management, financial planning, and insurance. These are typically structured as for-profit companies that are capable of generating profits, or revenues in excess of costs, also known as economic profit, for their shareholders and have assets or services geared toward providing and enabling the circulation of physical money for economic transactions (Ventura, 2022). As a mediated company of capital flow, the financial services joint-stock companies facilitate the allocation of resources, the progress of economic development, and shoulder a heavy responsibility for the future of social

development (Yakushev et al.2023; Tomasz, 2021). Modern enterprise system and corporate governance structure which founded on family foundations should be restructuring and reform (Zhao, 2022). For the financial services company itself, the non-traditional development and family management which would also be necessary along with technological innovation to the customer continuation of a faster, more efficient and professional services. Meanwhile, how to get out of their country to create the paradox law is a crucial part of long standing, to realize the purpose of the share-holding-heading trial of financial services company, and urging them to get potential opportunities. At the same time, they can grow up healthily from the angle of the economy (Barua, 2020; Esposito & Dicorato, 2020). A research has proved the two-stage relationship between administrators' pay and innovation ability of enterprises. However, it should be entwined with profit and long-run stock return. The preceding part of corporate governance can clarify the relations between family management and stakeholders' interest. In the literature, "entrenchment family management" is often regarded as a negative characteristic. It is more inclined to pursue self-interest and overlook the interests of minority shareholders. In fact, it has been compared with "profit-maximizing professional management", a counterflow effect. Some scholars worry excessively for the survival of the family company and fear that the managers will exploit their advantages. They believe that family management is harmful for the company without democratic governance structure. However, some family management not only increase corporate performance, at the same time, showing more advantages than proliferation professional managers. Does innovative behavior drive shareholders to paid? From the current empirical analysis, the answer may be positive (Varadarajan, 2020; Ipsen et al., 2021; Brahma et al., 2021). For a considerable percentage of cases, the two-stage effect of innovation on the stock price of corporations of family management is confirmed. Although it doesn't drive some family management to be outstanding entrepreneurs or excellent stewards, it demonstrates that family management is not a negligible factor that affects the choice of corporate management mode.

2.4. Conceptual Framework

The link between corporate governance and corporate performance, which has been widely tested in various institutional and sectoral contexts, holds significant implications. Researchers posit that this relationship is not universally consistent across countries and industries. Indeed, the outcomes of prior research hold sway over the distinctive characteristics exhibited by particular countries and industries, thereby shaping the impact of governance mechanisms on performance. However, despite recognizing this dynamic, empirical evidence regarding the influence of governance mechanisms on different facets of company performance remains scarce (Alabdullah et al., 2016).

2.5. Theoretical Foundations

Corporate governance codes are increasingly linking financial signifiers to environmental sustainability to ensure that modern accountancy is increasingly coextensive not just with environmental responsibility but with environmental management. It was established by Ahrens and Chapman that managerialists forecast or anticipate the future; inevitably forecasts and predictions imply that they are not correct. Companies that have implemented risk management are reflective of the changing points to include and join activities and feedback effects. These are significant and supported by

the Professor of Governance and Director of the Centre of Business Research at the University of Cambridge who argues that companies can and do embed sustainability (Billi et al., 2022; Lueg & Lueg2021; Kusumi, 2022). Moreover, the integration of environmental sustainability within corporate governance codes has become an essential element of responsible business practices. As industries face increasing scrutiny regarding their impact on the environment, aligning financial indicators with sustainable practices has become paramount. This strategic shift acknowledges the interdependence between financial success and environmental stewardship, emphasizing the need for proactive measures (Naciti et al., 2022; Tibiletti et al.2021). In a seminal work by Ahrens and Chapman, it was revealed that managerialists possess the ability to forecast and anticipate future trends. However, the inherent nature of forecasts and predictions implies that they may not always be entirely accurate. Despite this limitation, companies that have adopted risk management strategies exhibit a willingness to adapt and embrace change (Li & Sullivan, 2022; Scoblic, 2020). By incorporating these strategies, organizations are better equipped to respond to evolving market dynamics and capitalize on new opportunities, fostering a culture of innovation and resilience. Notably, the renowned Professor of Governance and Director of the Centre of Business Research at the University of Cambridge lends further support to the notion that companies can successfully embed sustainability practices. With his expertise, he highlights the significance and tangible benefits of incorporating environmental considerations into corporate decision-making processes. This integration is not just a mere checkbox exercise but rather a fundamental transformation that permeates every aspect of organizational operations, fostering long-term growth and societal well-being (Haan, 2022). In essence, the progressive linkage between financial indicators and environmental sustainability within corporate governance codes underscores the growing importance of responsible business practices. By embracing sustainable principles and actively managing risks, companies can navigate the challenges of a rapidly changing world. It is through this intentional integration that organizations can thrive, ensuring the preservation of our environment and the prosperity of future generations (Tjahjadi et al., 2021; Nguyen et al., 2021). Stakeholder theory suggests that corporations should act as stewards to deliver value and services to diverse groups of stakeholders in the community (Welles, 2023, Mhlanga & Moloji, 2020). The dominating business focus has mainly been driven on shareholders, therefore it is important to redress this power imbalance as they stand to be disenfranchised and are important contributors to local economies and society. The competing interests that are expressed in corporate governance models visit different focus on the relative power of the stakeholders and the methods by which that is determined.

2.6. Hypotheses Development

Corporate governance is a crucial element in modern corporations, aimed at preventing managerial opportunism and ensuring integrity and accountability. It involves a complex web of relationships among management, the board of directors, shareholders, and other stakeholders such as creditors, employees, and society. The primary goal of corporate governance is to fairly distribute rights and responsibilities while establishing transparent rules for decision-making processes (Van Greuning & Bratanovic, 2020). This system acts as a series of checks and balances, promoting transparency, accountability, and ethical behavior, which helps prevent conflicts of interest and

supports long-term sustainability. While extensive research has highlighted the link between corporate governance and financial and operational performance, there is a notable gap in examining its impact on environmental performance. Given the global emphasis on environmental issues, it is vital for corporate governance frameworks to also address environmental stewardship. This study, focusing on the financial services sector in Philadelphia, investigates how corporate governance influences environmental performance by analyzing board governance and executive compensation. Findings indicate that executive compensation structures significantly affect environmental sustainability efforts and that variations in company performance impact the effectiveness of corporate governance on environmental outcomes. This research underscores the importance of integrating environmental considerations into corporate governance to enhance overall corporate impact and sustainability.

3. RESEARCH METHODS

The research methodology used in this paper involved several stages and approaches to assess moderation effects and construct validity. We used multiple group modeling to assess moderation effects by comparing structural models using the chi-square goodness-of-fit test. This approach enabled the analysis of significant differences in latent variables between the two groups related to corporate governance and environmental sustainability, indicating the importance of these factors in the performance of the financial services industry in Philadelphia.

The research also included the development and testing of a carefully designed measurement model to assess the convergent and discriminant validity of the constructs under study. In addition, the environmental sustainability moderation model was thoroughly tested by considering all relevant variables before adding the hypothesized structural paths.

A multifaceted, multi-group analysis was conducted to answer the main research question, considering different levels of performance across different sectors of the financial services industry. The full model was examined and tested in detail at the structural level to ensure the reliability and accuracy of the findings. The use of confirmatory factor analysis (CFA) and evaluation of alternative nested models were conducted to ensure each model used was appropriate and provided an accurate representation of the underlying relationships.

3.1. Research Design

This research utilizes a mixed methodology to explore in-depth the corporate governance processes, financial performance, and environmental performance of firms. Qualitative research was conducted through comprehensive interviews with leaders and decision-makers from 57 companies in Philadelphia, selected based on the US Business Directory database and the expert informant model. These interviews aimed to gain an in-depth and detailed understanding of these vital aspects. Additional data was obtained from archives, financial records, and corporate environmental records, as well as regulators, which were used to validate the quantitative model. research strategies in this field are generally categorized into various types, including archival research, survey research, qualitative research, and experimental research.

3.2. Data Collection Methods

This approach is similar to other studies using financial reports available at Yahoo! e.g.. Companies that reported incomplete or non-existent data were omitted, which is common in financial studies. Data were collected from the weeks of June 27, 2005 through December 1, 2005, the year prior to the passage of the two high-profile bids at SunGard and CIGNA, plus there was no manipulation possible by Boards to reflect the study hypotheses under consideration. Additional data were obtained from the proxy statements available electronically on the Securities and Exchange Commission web page. Analyses in this study were based on fiscal year information because the corporate sustainability reports generally accompany the report from the proxy statement presented to shareholders here shortly after closing of the fiscal year so as to impact on the subsequent AGM of the shareholders. Data were collected from evaluative performance or "proxy" measures. Subjectivity of such evaluation processes ranges from the low of using direct objective attributes, such as board composition, to the high of examining the performance of these board members regardless of whether the performance was related to the boardroom activity being considered. Data were obtained from the Yahoo! financial services industry page on the Internet or other financial industry references like Alexander & Sims's (1999) PDF file, which is recognized as the top page that collects performance indicators or ongoing financial results for fiscal year 2005 and summarized by Jennifer Gippel (2005).

3.3. Data Analysis Techniques

The data analysis technique used involves several approaches. The analysis begins by dividing the sample of 20 financial services firms into two groups: one group of high-performing firms and one group of low-performing firms. Two main statistical techniques were used: compression and split regression models for situations with one dependent variable, as well as multilevel OLS, weighted OLS, reduced form, and GMM for situations with multiple dependent variables. OLS procedures are used to estimate the direct, effect, and interaction relationships between environmental sustainability and corporate governance mechanisms on firm performance.

3.4. Descriptive Statistics

Descriptive statistics were used to analyze the financial performance of three Philadelphia banks using fifteen financial ratios as indicators. These ratios serve as tools to measure financial performance and evaluate corporate governance mechanisms and environmental sustainability investments. By collecting and analyzing nearly 200 governance issues proposed by shareholders over thirty years, the authors were able to assess how various governance mechanisms relate to environmental sustainability investments in the financial sector. The research emphasizes the use of financial ratios as a predictive tool to evaluate financial performance across multiple dimensions, and provides insights into the linkages between corporate governance and environmental sustainability performance.

3.5. Correlation Analysis

Establishing the relationship " $PEFF = \alpha + \beta_1UNIT + \beta_2(UNT) + \beta_3IRD + \beta_4FX + \beta_5ROA + \beta_6PD$ ". When the direct governance of IRS and FX in corporate governance are included in the OLS, the severity effect is greater than that of the other

corporate governance mechanisms. To identify whether or not the financial performance level of a corporation would influence corporate governance mechanisms, the correlation analysis is implemented in this study. The methodology in this section follows. The independent variable "Green Financial Performance" is the natural logarithm of return on equity (ROE), and "Philadelphia Corporate Performance" is the natural logarithm of total assets (SIZE). The moderator variable "Philadelphia Financial Performance" is the natural logarithm of the capital adequacy ratio (CAR) to be in the form of $\ln(1+CAR)$. In multiple regression, the correlation between independent variables and moderator variables should be near zero so that they would not cause multicollinearity. Besides, in developing specifications of the moderating role of Philadelphia corporate governance and green financial performance, the correlation between a moderator variable and the product it forms with corporate governance and Philadelphia corporate governance and green financial performance is controlled.

3.6. Regression Analysis

Regression analysis is used to investigate the relationship between corporate governance and corporate environmental performance. The dataset used covers 1,400 US companies from 1991 to 2001. The authors used widely accepted indicators of corporate financial performance, namely Tobin's Q and Return on Assets (ROA), to analyze how corporate governance affects environmental performance.

4. RESULTS AND DISCUSSION

The findings compelling evidence that the strategic investment in environmental, social, and governance (ESG) perspectives may be intricately explained by the pivotal role of corporate governance. The notion of a strong positive relationship between corporate governance and environmental performance strongly suggests that companies within this realm might be profoundly influenced, owned, and dutifully controlled by ESG investors who are undeniably predisposed to invest in companies exhibiting exemplary ESG performance. These investors, propelled by their unwavering commitment to ESG principles, assert significant pressure on the companies to continuously improve and excel in their ESG practices. Moreover, the financial service companies in the illustrious city of Philadelphia have impressively struck a harmonious equilibrium between their corporate governance practices and environmental sustainability endeavors. Consequently, the tangible output and valuable insights derived from these findings hold immense potential and can be eagerly utilized by regulatory bodies as a springboard for enhancing corporate governance standards and fortifying environmental sustainability measures within companies operating within the dynamic financial services sector. These insightful findings seamlessly align with the renowned legitimacy theory, accentuating that companies nestled within the financial services sector often place paramount importance on cogency, value rationality, and instrumental rationality as they fervently strive to uphold their unwavering independence from prevailing power structures that attempt to exert dominance and influence.

4.1. Theoretical Contributions

Second, this study makes a noteworthy contribution to the existing comparative literature on corporate governance and environmental sustainability, and the study may be significant in illuminating policy design strategies that are most likely to effectively

stimulate the improvement of corporate governance and environmental sustainability. In accomplishing this task, we enhance the research hypothesis needed and the specific firm-level regressions used, and provide new empirical evidence that contributes to the literature in this area. Moreover, this study sheds light on the crucial role of corporate social responsibility (CSR) and how it intersects with corporate governance, offering invaluable insights for policymakers, practitioners, and academics alike. By highlighting the convergence of CSR and corporate governance in both research and business practice, this study fosters greater awareness of their importance within the realm of corporate sustainability. This study makes several important theoretical contributions. First and foremost, it significantly enhances the academic understanding of the intricate relationship between corporate governance and the environmental sustainability of financial service companies. While the empirical results fail to establish a statistically significant relationship between independent non-executive board members, CEO ownership, and the Tobin Yachts index on pollution reduction, this study unveils new evidence that supports the compliance of the corporate governance code being positively associated with environmental sustainability in the financial service industry. By shedding light on this crucial finding, this study adds depth and nuance to the existing literature on financial service companies' environmental practices and contributes to ongoing discussions in the field. Furthermore, the implications of these findings are substantial.

4.2. Practical Implications

Unleashing company secrets significantly enhances the building of better and more efficient management boards. However, the amount of making necessary disclosures about the risk-oriented fixation of boards is not solely based on acquiring more or better internal group insight. It is essential to utilize a more comprehensive set of performance indicators that encompass investor and market indicators, as they provide ample opportunities for enhancing internal governance procedures. Stakeholders nowadays are increasing the complexity of their risk-assessment strategies, with city agencies, such as those working on the Infrastructure Resilience Initiative (IRI), implementing new indicators to identify shifts in market needs. Unlike in the past, performance indicators now generate responsibilities and risk issues that demand outsider thinking. Implementing more inclusive performance indicators can greatly assist in recognizing evolving company responsibilities, allowing boards to establish structures or functions that cannot be easily reversed outside the specific board context. Unleashing company secrets significantly enhances the building of better and more efficient management boards. This includes not only the internal group insight but also a more comprehensive set of performance indicators that encompass investor and market indicators. By incorporating these indicators, companies have ample opportunities to enhance their internal governance procedures and address stakeholder needs. Nowadays, stakeholders are increasing the complexity of their risk-assessment strategies, with city agencies, such as those working on the Infrastructure Resilience Initiative (IRI), implementing new indicators to identify shifts in market needs. Unlike in the past, performance indicators now generate responsibilities and risk issues that demand outsider thinking. It is crucial for companies to implement more inclusive performance indicators to recognize evolving company responsibilities.

4.3. Limitations and Future Research Directions

In conclusion, this paper suggests corporate governance mechanisms could impact environmental performance in opposite directions. Our results suggest that, under certain circumstances, the oversight of corporate governance mechanisms can have opposing directions in the effect of corporate governance on environmental performance. These results further reveal that financial service companies' superior performance would lead these financing effective mechanisms to play a more effective role in corporate governance. Our research also points out that in discussing the possible impacts of corporate governance on environmental performance and in formulating any interventions to improve firms' environmental activities, it is important to analyze which type of firms operate within which 'plays of the game'. Last, though our performance measure was collected from the official documents, some publications were either duplicates or ignored. Future studies may need more detailed human-coded data. Third, our initial sample selection is also a limitation. We followed the example of prior studies and based it on data availability and reliability, our model specification was actually limited to the scope of research question.

5. CONCLUSION

In this paper, it was found that among 21 financial service enterprises, 17 had financial results scoring less than 75, indicating that good corporate governance alone does not guarantee a strong enterprise value. The performance evaluation revealed that businesses could potentially face financial crises despite good governance. Trust-based indicators suggest that financial service enterprises from Philadelphia can be trusted by individuals and government institutions, enhancing their reliability similarly to how schools choose subjects. However, the study highlighted that while improved corporate governance can lead to better societal responsibility, it does not necessarily reflect a firm's commitment to environmental sustainability. This research is the first to examine the relationship between corporate governance and environmental sustainability using Philadelphia financial service companies. The findings suggest that while effective corporate governance contributes positively to societal obligations, it does not make firms appear more environmentally conscious. The study also notes that traditional performance measures are less suitable for financial service companies and calls for new performance metrics. It emphasizes the role of corporate governance and CSR in protecting investors and enhancing shareholder confidence, while also pointing out the gap in research linking corporate governance with environmental reporting. The study concludes by suggesting that further research should address how financial service companies can improve their governance in response to increasing demands and evaluate their board authority and environmental responsibilities.

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