# Short-Term Performance or Long-Term Sustainability? The Role of ESG Performance and Financial Resilience in ASEAN Manufacturing Firms

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**Abstract.** This study examines the effect of Environmental, Social, and Governance (ESG) Performance on Firm Value and investigates the mediating role of Financial Resilience among ASEAN manufacturing firms. Using secondary data from 1,004 manufacturing firms listed on major ASEAN stock exchanges in 2024, the study employs multiple regression and bootstrapping mediation analysis using IBM SPSS Statistics 26. The results show that ESG Performance does not have a significant direct effect on Firm Value. However, ESG Performance positively influences Financial Resilience, which subsequently has a significant positive effect on Firm Value. Furthermore, the mediation analysis confirms that Financial Resilience fully mediates the relationship between ESG Performance and Firm Value. These findings indicate that ESG initiatives create firm value indirectly by strengthening firms' financial capacity to withstand economic uncertainty and sustain long-term performance. This study contributes to the literature by integrating Stakeholder Theory and the Resource-Based View to explain Financial Resilience as the mechanism through which ESG Performance is transformed into sustainable firm value. The findings also provide practical implications for managers and policymakers in developing resilience-oriented ESG strategies to enhance long-term corporate competitiveness.

**Keywords:** Environmental, Social, and Governance (ESG), Financial Resilience, Firm Value, Manufacturing Firms, ASEAN.

## 1 Introduction

The rapid advancement of Industry 4.0 has transformed manufacturing through digitalization, automation, artificial intelligence (AI), and increasingly integrated global supply chains, enabling firms to enhance operational efficiency and competitiveness [1-3]. However, these developments have also intensified dependence on energy, natural resources, and complex production systems, resulting in greater environmental degradation, greenhouse gas emissions, industrial waste, and social challenges related to workforce sustainability [4-5]. Consequently, manufacturing firms are under growing pressure to pursue sustainable business strategies that balance economic performance with environmental protection and social responsibility [6].


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In response, Environmental, Social, and Governance (ESG) practices have evolved beyond compliance-oriented reporting into a strategic framework for improving corporate governance, managing environmental and social risks, strengthening stakeholder relationships, and enhancing long-term competitiveness [6-7]. By integrating sustainability into corporate strategy, ESG is expected to improve operational efficiency, reduce financing constraints, enhance corporate reputation, and ultimately create sustainable firm value. Consequently, ESG has become an important strategic capability through which firms pursue long-term value creation while addressing increasing stakeholder expectations.

ASEAN provides a particularly relevant context for examining this relationship. As one of the world's fastest-growing manufacturing regions, manufacturing contributes more than one-fifth of the region's GDP and serves as a major source of exports and industrial investment [8-9]. At the same time, rapid industrialization has intensified sustainability challenges and increased regulatory and stakeholder pressure for ESG implementation. Nevertheless, considerable institutional differences across ASEAN countries—including variations in regulatory enforcement, corporate governance quality, capital market development, and ESG disclosure practices—create substantial heterogeneity in sustainability performance [10-11]. This institutional diversity makes ASEAN an appropriate setting for investigating whether ESG contributes to firm value under emerging-market conditions. Despite the growing importance of ESG, empirical evidence regarding its effect on firm value remains inconclusive. Numerous studies report that superior ESG performance enhances firm value by improving reputation, lowering financing costs, and strengthening stakeholder confidence [6, 7, 12]. In contrast, other studies argue that ESG implementation requires substantial investments that may increase operating costs and reduce short-term financial performance, particularly in resource-intensive manufacturing industries [13]. These conflicting findings suggest that ESG may not influence firm value directly but rather through intermediate organizational mechanisms that remain insufficiently explored.

Financial resilience offers a plausible explanation for this relationship. Unlike traditional financial performance measures, financial resilience reflects a firm's capability to absorb shocks, maintain financial flexibility, secure external financing, and sustain operations during periods of uncertainty [14-15]. From the perspective of Stakeholder Theory, ESG strengthens organizational legitimacy and stakeholder trust, facilitating access to critical resources during adverse conditions [6, 16]. Meanwhile, the Resource-Based View (RBV) argues that ESG-related capabilities constitute valuable and difficult-to-imitate strategic resources that enhance firms' adaptive capacity and long-term competitiveness [17-18]. Integrating these perspectives suggests that ESG creates firm value by strengthening financial resilience rather than through a direct relationship. However, empirical evidence examining financial resilience as the mechanism linking ESG performance and firm value remains limited, particularly among manufacturing firms in ASEAN.

Accordingly, this study investigates the direct effect of ESG performance on firm value and examines the mediating role of financial resilience among manufacturing firms listed on major ASEAN stock exchanges. This study contributes to the literature in three ways. First, it integrates Stakeholder Theory and the Resource-Based View by positioning financial resilience as the strategic organizational capability through which

ESG creates sustainable firm value. Second, it extends ESG research by providing evidence from ASEAN manufacturing firms, a regional context characterized by substantial institutional heterogeneity and limited empirical investigation. Third, it offers practical implications for managers, investors, and policymakers by demonstrating how resilience-oriented ESG strategies can support sustainable value creation and strengthen long-term corporate competitiveness.

## 2 Literature Review

This study integrates Stakeholder Theory [16] and the Resource-Based View (RBV) [17] to explain how ESG performance creates sustainable firm value. Stakeholder Theory argues that firms create long-term value by balancing the interests of multiple stakeholders. Accordingly, ESG practices enhance organizational legitimacy, strengthen stakeholder trust, reduce information asymmetry, and improve access to critical financial and non-financial resources [6, 7, 19]. However, while Stakeholder Theory explains why firms adopt ESG practices, it provides limited insight into the mechanisms through which ESG generates economic value.

This limitation is addressed by the Resource-Based View, which argues that sustainable competitive advantage originates from valuable, rare, inimitable, and non-substitutable (VRIN) resources and capabilities [17]. Within the ESG context, governance quality, risk management, and organizational adaptability constitute strategic capabilities that enhance firms' competitiveness and long-term performance [18, 20, 21]. Integrating these perspectives suggests that ESG creates value by strengthening financial resilience, which enables firms to adapt to uncertainty and sustain long-term performance [12, 14]. Therefore, financial resilience is conceptualized as the organizational capability through which ESG initiatives are transformed into sustainable firm value.

### 2.1 ESG Performance and Firm Value

Based on the integrated theoretical framework, ESG performance is expected to enhance firm value by simultaneously strengthening stakeholder relationships and developing strategic organizational capabilities. Effective ESG implementation improves corporate reputation, governance quality, transparency, and risk management, thereby reducing information asymmetry, lowering financing costs, and increasing investor confidence [6, 7, 12]. These advantages contribute to greater competitive strength and higher market valuation. Nevertheless, empirical findings remain mixed. While many studies report a positive association between ESG performance and firm value, others argue that ESG implementation requires substantial investment, and its financial benefits may only materialize over the long term [13, 21]. Moreover, institutional quality, regulatory enforcement, and capital market development may influence the extent to which ESG performance is reflected in firm value, particularly in emerging economies such as ASEAN. Given the region's institutional heterogeneity and growing sustainability pressures, further empirical investigation is warranted.

**$H_1$:** ESG performance positively affects firm value.

## 2.2 ESG Performance and Financial Resilience

Financial resilience refers to a firm's capability to withstand external shocks, maintain financial flexibility, secure funding, and sustain operations under uncertain conditions [14-15]. Unlike conventional financial performance measures, financial resilience reflects a dynamic organizational capability that enables firms to adapt, recover, and continue creating value during periods of disruption. Drawing upon Stakeholder Theory and the Resource-Based View, ESG performance is expected to strengthen financial resilience through two complementary mechanisms. First, responsible ESG practices enhance stakeholder trust, organizational legitimacy, and access to financial resources. Second, ESG develops strategic capabilities—including governance quality, risk management, and organizational adaptability—that improve firms' capacity to anticipate, absorb, and recover from financial shocks [12, 17]. Previous studies generally support this relationship, demonstrating that firms with stronger ESG performance experience lower financing costs, greater financial flexibility, more stable cash flows, and stronger resilience during periods of economic uncertainty [22-23]. However, evidence remains inconclusive because ESG implementation often requires considerable investment, and its benefits may vary across institutional environments and firm characteristics, particularly in emerging markets [24-25]. Accordingly, examining the ESG–financial resilience relationship in ASEAN manufacturing firms provides important evidence regarding the strategic role of ESG in strengthening firms' adaptive capacity.

**$H_2$:** ESG performance positively affects financial resilience.

## 2.3 Financial Resilience, Firm Value, and the Mediating Role of Financial Resilience

Financial resilience is increasingly recognized as a strategic capability that enables firms to maintain financial stability, preserve operational continuity, and recover from adverse economic conditions. Unlike traditional financial indicators that primarily measure historical performance, financial resilience reflects a firm's ability to adapt, absorb external shocks, and sustain long-term growth under uncertain environments [14-15]. From the Resource-Based View, financial resilience represents an organizational capability developed through effective resource allocation, financial flexibility, and adaptive decision-making, allowing firms to maintain competitiveness despite environmental turbulence [17]. Empirical studies consistently indicate that financially resilient firms achieve higher market valuation because they exhibit lower financial distress, stronger liquidity, greater investment capacity, and more stable cash flows, all of which increase investor confidence and reduce financing constraints [26-27]. Nevertheless, existing evidence remains limited in emerging economies, where institutional quality, financial market development, and governance systems vary considerably. Such institutional differences are particularly evident among ASEAN manufacturing firms, which face increasing exposure to global supply chain disruptions, climate-related risks, and sustainability regulations. Re-examining this relationship therefore contributes to understanding whether financial resilience consistently enhances firm value within heterogeneous institutional environments.

**H$_3$:** Financial resilience positively affects firm value.

Although ESG performance is expected to improve firm value, its economic benefits may not occur directly. Instead, ESG initiatives are likely to generate value by strengthening firms' financial resilience, which subsequently improves market valuation. Stakeholder Theory suggests that responsible ESG practices enhance legitimacy, stakeholder trust, and long-term access to critical resources, while the Resource-Based View explains that ESG develops governance quality, risk management capability, and organizational adaptability as strategic resources that enhance financial resilience [16-17]. Recent studies support this indirect relationship by demonstrating that firms with superior ESG performance generally experience stronger governance, greater financial flexibility, lower financing costs, and better resilience during periods of uncertainty [12, 22, 28]. In turn, resilient firms are better able to sustain investment, preserve operational continuity, and maintain stakeholder confidence, thereby generating superior firm value [15, 27]. However, prior research has predominantly examined the direct relationship between ESG performance and firm value, while relatively few studies have investigated financial resilience as the mechanism through which ESG creates long-term economic value, particularly in ASEAN manufacturing firms characterized by institutional heterogeneity and increasing sustainability pressures. Building on the integrated perspective of Stakeholder Theory and the Resource-Based View, this study proposes that ESG enhances firm value by strengthening financial resilience. In this framework, financial resilience functions as the strategic organizational capability that transforms sustainability-oriented investments into sustainable economic outcomes, providing a more comprehensive explanation of how ESG contributes to long-term corporate value creation.

**H$_4$:** Financial resilience mediates the relationship between ESG performance and firm value.

## 3 Research Methodology

### 3.1 Research Design and Sample

This study employs a quantitative explanatory design using cross-sectional secondary data to examine the relationships among ESG performance, financial resilience, and firm value in ASEAN manufacturing firms. The population comprises 1,004 manufacturing companies listed on the Indonesia Stock Exchange (IDX), Bursa Malaysia (MYX), the Stock Exchange of Thailand (SET), the Singapore Exchange (SGX), and the Ho Chi Minh Stock Exchange (HOSE) in 2024. Purposive sampling is applied based on four criteria: (1) manufacturing firms, (2) continuously listed during 2024, (3) available Refinitiv ESG scores, and (4) complete financial and market data. Secondary data are obtained from Refinitiv ESG Database, Refinitiv Eikon (Datastream), and audited annual reports.

Firm value is measured using the Price-to-Book Value (PBV) ratio:

$$PBV = \frac{\text{Market Price per Share}}{\text{Book Value per Share}}$$

where

$$Book\ Value\ per\ Share = \frac{\text{Total Equity}}{\text{Outstanding Shares}}$$

ESG performance is measured using the Refinitiv ESG Score, which ranges from 0 to 100, with higher values indicating better environmental, social, and governance performance.
Financial resilience is proxied by Return on Equity (ROE):

$$ROE = \frac{\text{Net Income}}{\text{Total Shareholders' Equity}}$$

ROE reflects the firm's ability to generate returns from shareholders' equity and represents its financial capability to sustain profitability and absorb economic uncertainty.

### 3.2 Empirical Model

The proposed hypotheses are examined using the following regression models:

$$PBV_i = \alpha + \beta_1 ESG_i + \varepsilon_i$$
$$ROE_i = \alpha + \beta_1 ESG_i + \varepsilon_i$$
$$PBV_i = \alpha + \beta_1 ROE_i + \varepsilon_i$$
$$PBV_i = \alpha + \beta_1 ESG_i + \beta_2 ROE_i + \varepsilon_i$$

Where PBV denotes firm value, ESG represents ESG performance, ROE proxies financial resilience, α is the intercept, β denotes regression coefficients, and ε is the error term.

The data are analyzed using IBM SPSS Statistics Version 26. The analysis begins with descriptive statistics and Pearson correlation analysis, followed by classical assumption tests, including normality, multicollinearity (Variance Inflation Factor), and heteroscedasticity (Glejser test). Multiple linear regression is employed to test the direct relationships among ESG performance, financial resilience, and firm value. The mediating effect of financial resilience is examined using the bootstrapping procedure with 5,000 resamples. Mediation is supported when the indirect effect is statistically significant and the 95% bias-corrected confidence interval excludes zero.

# 4 Result

## 4.1 Descriptive Statistics

The descriptive statistics present the number of observations, minimum values, maximum values, mean values, and standard deviations for firm value, financial resilience, and ESG performance. Understanding these characteristics is essential because the variability of the data may influence the subsequent regression and mediation analyses. Table 1 presents the descriptive statistics of the study variables based on 1,004 ASEAN manufacturing firms. The average firm value (PBV) is 2.1552, financial resilience (ROE) is 0.1063, and the ESG score is 46.9267. The relatively large standard deviations indicate substantial heterogeneity in market valuation, financial performance, and ESG practices across the sampled firms, supporting the suitability of the dataset for regression analysis.

**Table 1.** Descriptive Statistics

| Heading level | N | Minimum | Maximum | Mean | Std. Deviation |
|---|---|---|---|---|---|
| Firm_Value | 1004 | .05 | 253.89 | 2.1552 | 8.54885 |
| Financial_Resilience | 1004 | -1.20 | 5.68 | .1063 | .25789 |
| ESG | 1004 | .42 | 89.29 | 46.9267 | 18.15170 |
| Valid N (listwise) | 1004 | | | | |

## 4.2 Correlation Analysis

Before conducting the regression analysis, Pearson correlation analysis was performed to examine the direction and strength of the bivariate relationships among the study variables. Correlation analysis also provides preliminary evidence regarding the associations between variables and helps identify potential multicollinearity problems. According to Hair et al. [29], correlation coefficients below 0.80 generally indicate that multicollinearity is unlikely to be a concern in subsequent regression analyses. The results of the Pearson correlation analysis are presented in Table 2.

**Table 2.** Correlations

| | | Firm Value | Financial Resilience | ESG |
|---|---|---|---|---|
| Firm Value | Pearson Correlation | 1 | .187** | -.008 |
| | Sig. (2-tailed) | | .000 | .795 |
| | N | 1004 | 1004 | 1004 |
| Financial Resilience | Pearson Correlation | .187** | 1 | .100** |
| | Sig. (2-tailed) | .000 | | .002 |
| | N | 1004 | 1004 | 1004 |

| | | | | |
|---|---|---|---|---|
| ESG | Pearson Correlation | -.008 | .100** | 1 |
| | Sig. (2-tailed) | .795 | .002 | |
| | N | 1004 | 1004 | 1004 |

**. Correlation is significant at the 0.01 level (2-tailed).

Table 2 shows that financial resilience is positively associated with firm value, while ESG performance is positively associated with financial resilience. In contrast, ESG performance has no significant correlation with firm value. All correlation coefficients are well below the multicollinearity threshold, indicating that the variables are appropriate for regression analysis.

## 4.3 Analysis Regression

Following the descriptive statistics and correlation analysis, regression analysis was conducted to empirically test the proposed hypotheses and examine the causal relationships among ESG performance, financial resilience, and firm value. While the correlation analysis provides preliminary evidence regarding the direction and strength of the bivariate relationships, it does not account for the simultaneous effects among the variables nor establish the hypothesized causal relationships. Therefore, multiple linear regression analysis was employed to estimate the direct effects of ESG performance on firm value and financial resilience, as well as the effect of financial resilience on firm value.

Model 1

**Table 3.** Coefficientsa

| Model | | Unstandardized Coefficients | | Standardized Coefficients | | |
|---|---|---|---|---|---|---|
| | | B | Std. Error | Beta | t | Sig. |
| 1 | (Constant) | 2.336 | .749 | | 3.121 | .002 |
| | ESG | -.004 | .015 | -.008 | -.259 | .795 |
| a. Dependent Variable: Firm Value | | | | | | |

Model 2

**Table 4.** Coefficientsa

| Model | | Unstandardized Coefficients | | Standardized Coefficients | | |
|---|---|---|---|---|---|---|
| | | B | Std. Error | Beta | t | Sig. |
| 1 | (Constant) | .040 | .022 | | 1.765 | .078 |
| | ESG | .001 | .000 | .100 | 3.181 | .002 |
| a. Dependent Variable: Financial_Resilience | | | | | | |

Model 3

**Table 5.** Coefficientsa

| Model | | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. |
|---|---|---|---|---|---|---|
| | | B | Std. Error | Beta | | |
| 1 | (Constant) | 1.495 | .287 | | 5.211 | .000 |
| | Financial Resilience | 6.211 | 1.029 | .187 | 6.038 | .000 |
| a. Dependent Variable: Firm Value | | | | | | |

The regression results indicate that ESG performance has no significant direct effect on firm value; therefore, $H_1$ is rejected. Conversely, ESG performance has a positive and significant effect on financial resilience, supporting $H_2$. Financial resilience also has a positive and significant effect on firm value, supporting $H_3$. The simultaneous regression model does not confirm mediation because mediation should be assessed using the bootstrapping indirect effect rather than the significance of regression coefficients alone.

**Table 6.** Mediation Effect

| Indirect | Indirect Effect (a×b) | BootLLCI | BootULCI | Conclusion |
|---|---|---|---|---|
| ESG → Financial Resilience → Firm Value | 0.00895 | 0.00351 | 0.02488 | Significant |

The mediation analysis indicates that ESG Performance does not have a statistically significant direct effect on Firm Value ($\beta = -0.0128$, $p = 0.383$). However, ESG Performance has a positive and significant effect on Financial Resilience ($\beta = 0.0014$, $p = 0.002$), while Financial Resilience, in turn, exerts a positive and significant effect on Firm Value ($\beta = 6.3016$, $p < 0.001$). Furthermore, the bootstrapping results reveal a significant indirect effect of ESG Performance on Firm Value through Financial Resilience (indirect effect = 0.00895, 95% CI [0.00351, 0.02488]). Because the 95% bootstrap confidence interval does not include zero, the indirect effect is statistically significant. These findings provide evidence that Financial Resilience fully mediates the relationship between ESG Performance and Firm Value. This suggests that ESG initiatives do not directly enhance firm value; rather, they create value indirectly by strengthening firms' financial resilience, which subsequently contributes to higher firm value.

## 5 Discussion

### 5.1 ESG Performance and Firm Value

The findings reveal that ESG performance does not have a statistically significant effect on firm value among manufacturing firms in ASEAN ($\beta = -0.008$; $p = 0.795$). This result suggests that improvements in ESG performance are not immediately reflected in investors' valuation decisions within the observed firms. From the perspective of Stakeholder Theory [16], firms implementing ESG practices are expected to strengthen relationships with stakeholders, enhance corporate legitimacy, and improve long-term organizational sustainability. Likewise, the Resource-Based View (RBV) argues that ESG-related capabilities constitute valuable strategic resources that can generate sustainable competitive advantages [17]. However, the benefits of ESG investments generally materialize over time rather than immediately, particularly in emerging markets where ESG reporting standards and investor awareness are still developing [30-31]. The insignificant relationship is consistent with studies reporting that ESG performance does not always directly increase firm value because investors continue to emphasize traditional financial indicators such as profitability, earnings quality, and growth opportunities [32-33]. In the ASEAN manufacturing context, heterogeneous ESG disclosure practices and different institutional environments may further weaken the immediate market response to ESG initiatives.

### 5.2 ESG Performance and Financial Resilience

The empirical results indicate that ESG performance positively and significantly influences financial resilience ($\beta = 0.100$; $p = 0.002$). These findings suggest that firms with stronger ESG practices tend to possess greater financial capacity to maintain stable performance under changing economic conditions. According to Stakeholder Theory [16], responsible ESG practices strengthen relationships with customers, employees, investors, and regulators, thereby improving organizational legitimacy and reducing operational uncertainty. Similarly, the Resource-Based View [17] proposes that ESG practices enhance internal capabilities, improve governance quality, strengthen risk management, and increase organizational flexibility, all of which contribute to greater financial resilience. These findings are supported by previous studies showing that firms with superior ESG performance generally experience lower financing costs, stronger operational efficiency, and greater resilience during periods of economic uncertainty [12, 22]. Consequently, ESG performance can be viewed as a strategic investment that strengthens firms' ability to absorb shocks while maintaining financial stability.

### 5.3 Financial Resilience and Firm Value

The results further demonstrate that financial resilience has a positive and statistically significant effect on firm value ($\beta = 0.187$; $p < 0.001$). This finding indicates that firms with stronger financial resilience tend to receive higher market valuations because they possess greater financial flexibility, stronger profitability, and a better capacity to withstand economic uncertainty. From the Resource-Based View, financial resilience represents an important organizational capability that enables firms to sustain competitive advantages over time [17]. Firms capable of maintaining healthy financial performance during uncertain economic conditions are perceived as less risky and more sustainable, thereby increasing investor confidence. This finding is consistent with previous studies showing that financially resilient firms generally exhibit higher market value because they are better positioned to sustain investment activities, maintain stable cash flows, and pursue long-term growth opportunities [14, 27]. Therefore, financial resilience constitutes an important determinant of corporate value creation.

### 5.4 Financial Resilience as the Mediating Mechanism

The mediation analysis demonstrates that Financial Resilience fully mediates the relationship between ESG Performance and Firm Value. Although ESG Performance does not directly influence Firm Value, it significantly enhances Financial Resilience, which subsequently increases Firm Value. This finding suggests that the economic benefits of ESG initiatives are realized through firms' ability to strengthen their financial capacity to withstand uncertainty rather than through an immediate market response. This result is consistent with Stakeholder Theory, which argues that ESG practices improve stakeholder trust and access to strategic resources [16], and with the Resource-Based View (RBV), which emphasizes that competitive advantage is created when organizational resources are transformed into valuable capabilities [17]. The findings also support previous studies indicating that financial resilience serves as a critical mechanism through which sustainability practices enhance long-term firm performance and firm value [22, 27, 34]. Therefore, ESG investments are more likely to generate higher firm value when they successfully strengthen firms' financial resilience against economic shocks.

## 6 Conclusion, Limitations, and Future Research

This study examines the relationship between ESG Performance, Financial Resilience, and Firm Value in ASEAN manufacturing firms. The findings show that ESG Performance does not directly influence Firm Value but significantly improves Financial Resilience, which subsequently enhances Firm Value. The mediation analysis confirms that Financial Resilience fully mediates the relationship between ESG Performance and Firm Value. These results suggest that ESG creates firm value indirectly by strengthening firms' financial capacity to withstand uncertainty and maintain long-term performance. This study contributes to the literature by identifying Financial Resilience as an important mechanism linking ESG Performance to Firm Value. This study has several limitations. First, it focuses only on manufacturing firms in ASEAN, limiting the generalizability of the findings. Second, ESG Performance is measured using a composite ESG score without examining the individual environmental, social, and governance dimensions. Third, only Financial Resilience is considered as the mediating variable, while other potential mechanisms are not explored.

Future research should include firms from different industries and countries to improve the generalizability of the findings. Researchers are also encouraged to investigate the separate effects of ESG dimensions and incorporate additional mediating or moderating variables, such as innovation capability, financial flexibility, or corporate governance. From a practical perspective, managers should integrate ESG initiatives into long-term financial and risk management strategies to strengthen financial resilience and enhance sustainable firm value. Policymakers should continue promoting ESG disclosure standards and sustainability policies that support long-term corporate resilience and competitiveness.

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