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# The sustainability imperative: evaluating the effect of ESG on corporate financial performance before and after the pandemic

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## Abstract

The COVID-19 pandemic has reshaped corporate financial stability, emphasizing the role of Environmental, Social, and Governance (ESG) performance in enhancing resilience and value creation. This study investigates the relationship between ESG factors and corporate financial performance, measured by Return on Assets (ROA), Return on Equity (ROE), and Tobin's Q, among firms listed on the Indonesia Syariah Stock Index (ISSI) and the Borsa Malaysia Shariah Index. Utilizing panel regression analysis, the study examines how ESG components influenced firm performance before and after the pandemic while controlling for macroeconomic and industry-specific factors. The dataset, retrieved from the Refinitiv database, covers the period from 2010 to 2022, offering a long-term perspective on ESG-financial linkages. The findings reveal a dynamic shift

in ESG impact over time. Prior to the pandemic, social (S) and governance (G) factors positively influenced profitability and market valuation, while environmental (E) scores were largely insignificant. However, post-pandemic, the effect of social factors turned negative, governance influence weakened, and ESG integration exhibited a weak but positive correlation with operational efficiency. Additionally, macroeconomic variables such as GDP growth and industry munificence played an increasingly significant role in shaping firm value, underscoring the evolving economic determinants of ESG relevance. These findings suggest that the financial impact of ESG is context-dependent and subject to macroeconomic shifts. The study underscores the need for adaptive ESG strategies that align with financial sustainability objectives, providing crucial insights for corporate managers, investors, and policymakers navigating post-pandemic economic uncertainties. © The Author(s) 2025.

## Author keywords

Corporate governance; ESG performance; Financial resilience; Macroeconomic factors; ROA; ROE; Sustainability; Tobin's Q

## Indexed keywords

### Regional Index

Indonesia; Malaysia

### GEOBASE Subject Index

corporate social responsibility; COVID-19; data set; economic growth; environmental economics; governance approach; Gross Domestic Product; macroeconomics; pandemic; performance assessment; policy making; profitability; strategic approach; sustainability; uncertainty analysis

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