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ESG Performance and Bankruptcy Risk in Southeast Asia : Moderating Role of Board Gender Diversity

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ABSTRACT

This study examines the impact of Environmental, Social, and Governance (ESG) performance on bankruptcy risk among non-financial firms in Southeast Asia (ASEAN), with board gender diversity acting as a moderating factor. Amid the rapid expansion of ESG adoption in Southeast Asia, heterogeneous regulatory environments and uneven disclosure quality raise concerns over whether ESG initiatives consistently mitigate financial distress or may increase risk when poorly implemented. Using a longitudinal panel of 131 publicly listed non-financial firms across five ASEAN countries over the period 2015–2024 (1,310 firm-year observations), this study applies ordinary least squares (OLS) regression as the baseline method. To address potential endogeneity and ensure robustness, the analysis incorporates one-year lag regressions, Two-Stage Least Squares (2SLS) estimation, alternative bankruptcy risk measures using the Ohlson Score, an ESG Combined Score, and sub-sample analyses based on ESG performance levels. The findings indicate that ESG performance is generally associated with lower bankruptcy risk, and this relationship is significantly strengthened by higher board gender diversity. However, subsample results indicate that high ESG performance can reduce the risk of financial distress. Conversely, for companies with weaker ESG performance, gender diversity on the board of directors plays a crucial governance role in transforming ESG initiatives into effective risk mitigation. These results highlight governance quality as a critical boundary condition in the ESG–bankruptcy risk relationship and provide practical implications for corporate boards, regulators, and investors in ASEAN capital markets.

Keywords : ESG; Bankrupt Risk; Z-Score; Board Gender Diversity; Southeast Asia.
Jel Codes : Q56, G32, G33, J16, M14

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