CHAPTER V

CLOSING

5.1 Conclusion

This study aims to examine the effect of company profile measured by systematic risk, ROA, FCF, and sensitive industry on environmental, social, and governance (ESG) performance and its sub-components of non-financial companies in Indonesia in 2018-2022. Based on the results of the research and discussion previously described, we can summarize as follows.

Environmental aspects of ESG may suffer during times of high systematic risk due to discretionary project-based outlays, but social and governance dimensions tend to be more insulated from periodic macroeconomic stress given their anchoring in institutional culture, priorities, company's internal operations and decision-making processes, which are less affected by market movements. This bifurcation suggests systematic risk holds different implications across E, S and G dimensions for corporations and ESG-minded investors.

While environmental progress inherently incurs upfront costs in physical installations that constrain ROA, social and governance progress comes more from leadership principles and thoughtful policies that are likely to make current capital efficiency less compromised. Companies can improve social conditions and governance mechanisms through mindset and accountability without directly reducing ROA, but environmental gains tend to demand asset-intensive investments that depress short-term returns by design. This asymmetric dynamic helps explain why companies with strong ESG performance have better ROA over longer time horizons, but environmental and governance dimensions relate differently to capital efficiency ratios over shorter time horizons.

Ample FCF allows companies to execute discretionary ESG projects, while depressed FCF makes management cut back on discretionary investments first. This explains the variable relationship between the cash generation cycle and environmental/social progress. However, governance policies are more closely linked to philosophical values and accountability that top leaders choose to embrace consistently, regardless of balance sheet constraints. Therefore, FCF has more impact on the scope and speed of sustaining environmental/social commitments than embedding strong governance.

The last, Sensitive industries inherently face higher stakes regarding ESG programs and standards compared to less publicly visible industries due to greater potential downside risks from adverse environmental, social, or governance events or perceptions. Public scrutiny drives emphasis on ESG performance.

5.2 Implication

This research has implications for ESG (Environmental, Social, Governance) performance on future (long-term) firm value. Through this research, it is hoped that it can leave benefits for companies, investors and the government. For the company, it is expected to be a material to design and develop the company to be better and have a mature preparation in long-term business management. For investors, it is hoped that it can provide insight and knowledge in determining investment decisions in a company by paying attention in detail to how the company's condition is apart from the short-term financial aspects which will later affect long-term business development. And for the government, the results of this study are expected to emphasize and strengthen regulations or policies regarding disclosure of environmental and social responsibility by providing strict sanctions so that companies are aware of the importance of this.

5.3 Research Limitation

After conducting the research, there are several limitations in this study, namely:

1. This study only uses a sample of non-financial companies in Indonesia that already have ESG values in the Refinitive Eikon database. Researchers only use ESG values from Refinitive Eikon because other independent institutions that issue ESG values, such as Bloomberg and ASEAN CG scorecard. other independent institutions that issue ESG values such as Bloomberg and ASEAN CG Scorecard have different calculation methods so that if this research refers to different sources it will produce analysis that cannot be compared.
2. This research is limited to one emerging market country only, namely Indonesia so that the results cannot be generalized to all emerging markets.
3. In this study, the samples used were not grouped based on certain industrial sectors due to the limited amount of company data that received ESG scores from the Eikon Revinitif database.

5.4 Suggestion

Based on the limitations of the above research, the researcher suggests that:

1. Future research can include other companies listed in other emerging countries so that research can be generalized.
2. Future researchers can use ESG performance data in a different year (t-1) from the observation period, because it is assumed that ESG performance will affect company performance after the disclosure of ESG performance made by the company throughout the observation period (t).
3. In the future there will be a significant increase and research can be carried out by grouping or sorting based on certain sectors so that it can be seen how the results of each sector differ and how the future steps that must be prepared by each company.