CHAPTER V

CONCLUSION AND SUGGESTION

5.1 Conclusion

The purpose of this study is to examine the effect of ESG (Environmental, Social, and Governance) performance on companies' access to financing through trade credit. The sample of this study consists of companies listed on the stock exchanges in ASEAN countries, namely Indonesia, Singapore, Malaysia, Thailand and the Philippines. This study conducted two types of tests, namely testing using the overall ESG score and testing each ESG pillar, namely environmental score, social score, and governance score. In addition, this study also uses several control variables such as firm size and leverage. Based on the results of the research that has been conducted, the following conclusions are obtained:

1. ESG performance has a positive and significant influence on trade credit financing. This suggests that firms with higher ESG scores tend to have better access to trade credit financing from suppliers in the ASEAN region.
2. Environmental performance as measured by environmental score has a positive and significant effect on trade credit financing. This indicates that companies that are more responsible in managing environmental impacts tend to gain more trust from suppliers in providing trade credit.
3. Social performance as measured by social score does not influence trade credit financing. This indicates that whether the social performance of a company is

good or bad, it will not affect the acceptance of trade credit access from suppliers.

4. Governance performance as measured by governance score also has a significant influence on trade credit financing. This indicates that the better the governance practices implemented by the company, the more likely the company is to obtain financing through trade credit.

5.2 Limitations

In this study, there are several limitations that should be taken into account, including the following:

1. There is still limited literature and previous research that discusses the influence of Environmental, Social, and Governance (ESG) on trade credit, so researchers experience limitations in building arguments and comparing research results.
2. Of all the countries in ASEAN, only five countries have officially reported ESG scores, namely Indonesia, Singapore, Malaysia, Thailand, and the Philippines. This causes limitations in data representation, as there are still countries in ASEAN that do not have standardized ESG reporting.
3. Not all companies in these five countries consistently report their ESG score. This limitation in data availability may affect the research results as well as the level of generalization of the findings to all companies in the ASEAN region.

5.3 Suggestions

Based on the conclusions and limitations presented earlier, the researcher suggests the following recommendations for future research.

1. Companies that want to increase access to trade credit are advised to be more active in disclosing ESG reports in a transparent and comprehensive manner, given that ESG transparency can increase supplier confidence in providing trade credit.
2. Companies need to strengthen ESG performance, especially in environmental and governance aspects, as the results show that these two aspects have a significant influence on trade credit access.
3. Currently, this study only covers companies listed on five stock exchanges in ASEAN countries, namely Indonesia, Singapore, Malaysia, Thailand, and the Philippines. Future research could expand the sample to include other ASEAN countries or regions to obtain a broader understanding of the influence of ESG on trade credit financing.
4. This study uses firm size and leverage as control variables. Future studies may consider incorporating additional variables, such as financial distress or profitability, which could potentially influence suppliers' decisions to provide trade credit.
5. Additionally, this study did not specifically categorize the sample based on industry sector. Future research could investigate whether the effect of ESG on trade credit varies across different industries, as the risk characteristics and financing needs can differ significantly among sectors.
6. For future studies, researchers should consider implementing a time lag when examining the relationship between ESG disclosures and financial outcomes. This is because the impact of ESG disclosures may not be immediately reflected

in financial metrics, as stakeholders require time to process, assess, and integrate ESG information into their decision-making.