CHAPTER V

CLOSING

This conducting chapter presents the final components of the research. It begins by summarizing the study's key findings, followed by an acknowledgment of its limitations. The discussion then progresses to the research implications and concludes with recommendations for future studies related topics.

5.1 Research Conclusion

This study examines the impact of ESG sub-categories on risk-adjusted return in Korean stock market. This study uses quantitative analysis focusing on companies listed on Korean Stock Exchange (KRX) from 2019 to 2023, with a final sample of 39 qualifying firms. While ESG investing works well in some countries, this research show it has limited impact in South Korea. Specific board gender diversity may actually hurt returns due to Korea's unique business culture. The detailed panel data regression analysis yields four principal findings in the following sections.

1. Climate commitment and board gender diversity negatively affect risk-adjusted return, whereas health and safety training and employee with disabilities show a positive relationship.
2. Board gender diversity has a statistically significant impact that worsens its impact on risk-adjusted return, while climate commitment, health and safety training, and employee with disabilities show no significant effect.

3. Industry type does not moderate the relationship between ESG sub-categories in this study (climate commitment, employee with disabilities, board gender diversity) and risk-adjusted return.
4. The regression in this study suggests that traditional financial metrics (market capitalization and leverage (DER)) dominate than sustainability in Korean market during the 2019-2023 period.

5.2 Research Limitations

While providing valuable insights, this research contains several limitations that offer opportunities for future research:

1. The analysis covers only five-year period (2019 – 2023) requiring at least three most recent years of complete data, resulting in a relatively small sample size. Additionally, the focus on a technology industry as the sole moderating factor may limit the generalizability of findings to other sectors.
2. The analysis only control for Industry Type (IT), omitting other potential moderators such as macroeconomics factors (inflation, interest rate, GDP growth), market sentiment (investor confidence, volatility indices), liquidity, and so on.
3. The unobserved external factors may have a stronger impact than the examined variables because this research model just explain 7.48 of the variation in risk-adjusted return.
4. This study establishes correlations between ESG sub-categories and risk-adjusted return but cannot confirm causal relationship, specifically board gender diversity exacerbating the risk-adjusted return of Korean stocks.

5.3 Implication

Based on the results of the research that has been conducted, the implication of this research are as follows:

1. Theoretical Benefits

This study enriches ESG literature by providing empirical evidence on how specific ESG sub-categories especially on climate commitment, health and safety training, employee with disabilities, and board gender diversity influence risk-adjusted returns in Korean market. It serves as a reference for future research on ESG performance relationship in emerging Asian markets.

2. Practical Benefits

This study is expected to be useful for investors as an additional reference when investing in companies listed on Korean Stock Exchange (KRX). Through this research, investors can also find out the effect of ESG performance on risk-adjusted return in Korean stocks is different from most of regions so that investors can be more careful to see what components really affect risk-adjusted returns.

This study offers actionable insights for corporate decision-makers by demonstrating how targeted ESG implementation can inform strategic prioritization of ESG sub-categories that most significantly influence financial performance. Additionally, the company can also utilize this research for balancing sustainability investments with shareholder returns. For policy makers, this study can contribute to the formulation of regulation and policies that encourage sustainable business practices, thereby promoting a greater responsible financial ecosystem.

5.4 Recommendation and Suggestion

To advance sustainability finance literature, subsequent studies should consider:

1. Future studies could expand the analysis beyond the five-year to include a longer time horizon, capturing more economic cycles and reducing the impact of short-term anomalies.
2. Future studies could enhance generalizability through cross-market comparisons by replicate the study in different national context or compare results between developed and emerging markets.
3. Future studies could incorporate additional moderating variable, such as macroeconomics factors (inflation, interest rate, GDP growth), market sentiment (investor confidence, volatility indices), liquidity, and so on, to provide a more comprehensive analysis.
4. Future research on this topic could explore alternative sub-categories beyond those examined in this study to further identify which factors genuinely influence risk-adjusted returns
5. Future research could deepen the analysis of causality techniques such as the reason board gender diversity worsen risk-adjusted return because of the uniqueness of South Korea.