

CHAPTER V

CONCLUSION

5.1 Conclusion

This study was conducted to analyze the effect of independent variables, including cash flexibility, debt flexibility, and company-level market competitiveness, on ESG performance. This study also included control variables, including company size, company age, profitability, and financial leverage. Public companies in the non-financial sector listed on the Indonesia Stock Exchange during the five-year study period from 2020 to 2024.

Based on the hypothesis testing in the previous chapter, it was found that cash flexibility did not have a significant effect on ESG performance. This finding indicates that company cash is not a top priority for ESG performance. Conversely, debt flexibility was found to have a significant positive effect on improving ESG performance. This finding indicates that companies with large external financing capacities tend to improve and invest more in sustainability. In addition, this gives us an idea that encouragement, supervision, and transparency from external parties can make companies increase their concern for sustainability.

Meanwhile, the market competitiveness variable at the company level showed insignificant results on ESG performance. These findings indicate that the level of complexity and competitive position of companies in the market has not made ESG a key strategy in market competition. This gives us an indication that the market in Indonesia has not yet fully embraced sustainability as a competitive advantage. Overall, the results of this study explain that external financing factors play a very significant role in motivating companies to improve their ESG performance. Thus, ESG practices in Indonesia are still influenced by institutional pressure, meaning that ESG is only used for reporting purposes.

5.2 Implication

The results of this study provide us with several important implications in terms of theory, practice, and policy related to ESG performance in Indonesia. Theoretically, these findings show that significant debt flexibility proves that external pressure, supervision, and transparency are more effective in promoting ESG practices than internal resources. This contributes the literature by showing that within the context of developing countries, the drive for sustainability is more institutional than market-based.

In practical terms, this research will be useful for company management in understanding that financial flexibility does not automatically influence ESG performance. The availability of large amounts of cash does not necessarily mean that companies will allocate these funds to sustainability. However, external pressure has been proven to have a significant effect on improving ESG performance. Therefore, companies are expected to be able to integrate sustainability strategies into their funding policies and stakeholders.

Strengthening regulations, improving sustainability reporting standards, and developing a sustainable financial ecosystem are important steps. Financial institutions have the authority to incorporate ESG criteria to encourage sustainability. Thus, institutional and externally supervised policies can be the main drivers in accelerating ESG integration in the business world.

5.3 Limitation

This study conducted to contribute significantly to the understanding of factors affecting ESG performance in Indonesia. However, as with other studies, there are limitations that need to be acknowledged, which may also provide opportunities for future research:

1. ESG measurements still use secondary data from third parties, namely the Refinitiv Eikon database, to obtain ESG scores.

2. The variable of company-level market competitiveness is proxied by the level of company complexity, such as the number of subsidiaries and operational scope, which is not yet fully capable of directly representing industrial competition pressures.
3. The research period is still limited to a five-year period, namely 2020-2024, so it does not capture the long-term impact.
4. This study does not include other external factors such as sectoral regulatory pressure, institutional ownership, or corporate governance quality. Therefore, the scope of this study needs to be expanded to look at changes in the dependent variables.

5.4 Suggestion

The limitations identified in this study provide significant opportunities for future research to deepen understanding of ESG performance in Indonesia:

1. Future research could use alternative measures of market competitiveness that better reflect industry competitive pressures, such as market concentration indices or measures of competition intensity at the industry level.
2. In addition, further research could add other more relevant external pressure variables, such as institutional ownership, corporate governance quality, and the level of exposure to sustainability regulations.
3. Extend the research period to see the long-term effects of ESG.
4. Test the role of mediating variables such as corporate governance or corporate reputation.