

Independent study title	SUSTAINABILITY INDEX AND COST OF DEBT: EVIDENCE FROM ASEAN MARKET
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Academic year	2022

ABSTRACT

Sustainable finance has emerged as a significant global trend, capturing increased attention as a crucial business matter and key focus for corporate management. However, the relationship between sustainability performance and the cost of debt is still debated, lacking widespread consensus. This study aimed to find the relationship between environmental, social, and governance (ESG) performance and the cost of debt in the Association of Southeast Asian Nations (ASEAN). Samples were 438 firms providing 1,586 observations from six nations (Indonesia, Malaysia, the Philippines, Singapore, Thailand and Vietnam) from 2011 to 2020. Data was analyzed by panel analysis with fixed effect regression. Results were that ASEAN firms with higher sustainability indices had lower debt cost. In terms of the sustainability index, governance and the ESG pillars were negatively correlated to the cost of debt. These findings suggest that debtholders prioritize management team reliability and trustworthiness assessment when making lending decisions. In addition, the relationship between sustainability performance and the cost of debt was particularly emphasized for firms operating in environmentally sensitive industries.

Keywords: Sustainability index, Sustainability performance, Cost of debt, Sensitive industries