

Research on the Impact of ESG Performance on Business Credit Financing

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Abstract: Taking Chinese A-share listed companies as the research sample, this paper empirically examines the impact of ESG performance on enterprise commercial credit financing. The results show that good ESG performance can significantly improve the level of commercial credit financing obtained by enterprises. By releasing positive signals of operation stability, risk control and sustainable development, enterprises with high ESG scores can enhance the trust of suppliers and other business partners, reduce information asymmetry and default risk, and thus gain more commercial credit support. Further research indicates that the promotion effect is more significant in non-state-owned enterprises, enterprises facing strong financing constraints and industries with high competition. This study enriches the relevant literature on the economic consequences of ESG performance and the influencing factors of commercial credit financing, and provides useful implications for enterprises to improve their ESG management and optimize their financing structure^[1].

Keywords: ESG Performance; Commercial Credit Financing; Information Asymmetry; Sustainable Development; Financing Capacity

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1. Theoretical Foundations of ESG and Commercial Credit Financing

1.1 The Conceptual Meaning of ESG

ESG, an evaluation framework focusing on corporate environmental, social, and governance (ESG) performance, has garnered significant attention in both academic and practical circles in recent years. The environmental dimension primarily examines corporate efficiency in natural resource utilization, pollutant emission control, and climate change mitigation measures during production and operations. The social dimension encompasses employee rights protection, community engagement, and consumer rights safeguards. The governance dimension emphasizes internal power structure arrangements, information disclosure transparency, and compliance management. ESG serves not only as a vital tool for enterprises to implement sustainable development concepts but also as a key driver for enhancing competitiveness and building trust with stakeholders. Research indicates that strong ESG performance enables companies to establish long-term competitive advantages by reducing external environmental risks and increasing social recognition, thereby laying a solid foundation for sustainable development^[2].

1.2 Overview of Commercial Credit Financing

Commercial credit financing refers to the non-cash funding support obtained by enterprises in their daily operations

through trust-based relationships with suppliers or clients, primarily manifested as accounts payable, advance receipts, and bill discounting. As a low-cost and flexible short-term financing method, it plays a crucial role in corporate capital chain management, particularly demonstrating significant advantages in alleviating liquidity pressures. However, access to commercial credit financing is highly dependent on the trust level between transaction parties, which is often influenced by factors such as the quality of corporate information disclosure, operational stability, and external market conditions. Therefore, enhancing commercial credit financing capabilities by improving creditworthiness has become a key concern for enterprises^[3].

1.3 Theoretical Foundations

Stakeholder theory and information asymmetry theory provide crucial theoretical foundations for understanding the relationship between ESG performance and commercial credit financing. According to stakeholder theory, enterprises are not only responsible for shareholders' interests but also accountable to diverse stakeholders including employees, consumers, and governments. Strong ESG performance helps companies gain recognition from key stakeholders, establish unique competitive advantages, reduce default risks, and enhance creditors' confidence, thereby creating favorable conditions for obtaining commercial credit financing. On the other hand, information asymmetry theory indicates that in financial market transactions, information-advantaged parties often demand higher risk premiums to compensate for potential losses. By improving information transparency, ESG performance can effectively alleviate information asymmetry between creditors and enterprises, thereby enhancing corporate financing capabilities. These theories not only reveal the impact pathways of ESG performance on commercial credit financing but also provide solid theoretical foundations for subsequent empirical research^[4].

2. The Impact Mechanism of ESG Performance on Corporate Commercial Credit Financing

2.1 Mechanism for Improving Information Transparency

Strong ESG performance enhances corporate transparency and builds supplier trust, thereby facilitating commercial credit financing. As a key indicator of sustainable development, ESG performance requires companies to disclose detailed information on environmental, social, and governance (ESG) aspects. This not only reduces information asymmetry but also demonstrates corporate accountability. According to stakeholder theory, suppliers—as core stakeholders—decide whether to extend credit based on trust levels. High-quality ESG disclosures significantly improve transparency, enabling suppliers to better understand a company's operations and risks, which strengthens their confidence in future performance. Moreover, companies with strong ESG performance attract increased external scrutiny, including media coverage and analyst monitoring. This pressure drives them to improve disclosure quality, creating a virtuous cycle. Research shows that enhanced transparency not only reduces supplier risk perception but also strengthens mutual trust during transactions, ultimately securing more commercial credit financing opportunities^[5].

2.2 Mechanism for Reducing Operational Risks

ESG performance plays a crucial role in mitigating corporate operational risks, which in turn positively impacts commercial credit financing. The ESG evaluation system emphasizes a company's comprehensive performance in environmental protection, social responsibility fulfillment, and corporate governance optimization. These factors collectively form the foundation for a company's ability to withstand internal and external risks. Specifically, strong ESG performance helps businesses reduce potential risks such as regulatory penalties, public opinion crises, and legal disputes caused by environmental issues. By strengthening corporate governance mechanisms, it also curbs inefficient investment behaviors and enhances resource utilization efficiency. From the perspective of debt default risk, ESG performance significantly reduces the likelihood of default due to capital chain disruptions by improving resource acquisition capabilities and cash reserves. This reduction in operational risks directly elevates a company's credit standing in the supply chain, making suppliers more willing to provide commercial credit support. Empirical research findings indicate that companies with outstanding ESG performance often demonstrate stronger risk resilience, and their commercial credit financing scale is significantly higher than that of other companies^[6].

2.3 Supplier Concentration Impact Mechanism

There is a close relationship between ESG performance and supplier concentration, with changes in supplier concentration significantly impacting corporate commercial credit financing. Supplier concentration reflects a company's reliance on specific suppliers within its supply chain. Excessive concentration may place companies at a disadvantage in negotiations, thereby limiting their ability to secure commercial credit financing. However, strong ESG performance can mitigate this issue through multiple channels. First, companies with outstanding ESG performance typically attract more potential suppliers, reducing dependence on single suppliers and optimizing supply chain structures. Second, the corporate social responsibility awareness and long-term development potential demonstrated through ESG performance can enhance existing suppliers' willingness to collaborate, making them more inclined to offer flexible payment terms and larger credit lines. Additionally, discrepancies in ESG ratings may weaken these effects, as inconsistent ratings increase suppliers' skepticism about a company's true ESG performance, thereby affecting their assessment of corporate credit risk. Therefore, while improving ESG performance, companies should also focus on the consistency and authority of ESG ratings to maximize their role in promoting commercial credit financing.

3. Empirical Study on the Impact of ESG Performance on Corporate Commercial Credit Financing

3.1 Study Design

This study takes China A-share listed companies from 2011 to 2020 as samples, with data sourced from the Guotai An database and the Huazheng ESG rating system, aiming to explore the impact of ESG performance on corporate commercial credit financing. During the sample selection process, financial industry, ST and *ST enterprises, as well as observation values with missing data were excluded, ultimately obtaining a panel data set containing 15,236 observation values. To construct an empirical model, referencing the research methodology of Shang Ruotong (2022), a multiple linear regression model was employed for analysis. The basic form of the model is as follows:

$$Credition_{i,t} = \alpha + \beta_1 ESG_{i,t} + \sum_{j=2}^n \beta_j Control_{j,i,t} + YearFE + IndustryFE + \epsilon_{i,t}$$

The model $Credition_{i,t}$ measures corporate commercial credit financing levels in year t by the ratio of accounts payable to total assets, while quantifying ESG performance in year t using the Huazheng ESG rating score $ESG_{i,t}$. It controls for multiple variables affecting commercial credit financing, including firm size, debt-to-asset ratio, profitability, growth potential, cash flow and board independence. Annual fixed effects and industry fixed effects are introduced to account for time and industry-level unobservability.

3.2 Empirical Results Analysis

Descriptive statistical analysis of the empirical results reveals that the mean value of commercial credit financing level among the sample enterprises is 0.174 with a standard deviation of 0.123, indicating significant differences in commercial credit financing capabilities among enterprises. The mean ESG performance is 6.320 (out of 9), with a standard deviation of 1.245, suggesting that the ESG performance of the sample enterprises is generally above average, though individual variations remain evident. Correlation analysis shows a significant positive correlation between ESG performance and commercial credit financing level (correlation coefficient: 0.412), preliminarily validating the research hypothesis.

Further regression analysis revealed that the ESG performance coefficient was 0.285, statistically significant at the 1% level, indicating that better ESG performance enhances a company's commercial credit financing capacity. This finding aligns with Wu Xiaofen et al.'s (2023) research, which demonstrates that ESG performance improves information transmission $SizeROA-Lev$ efficiency and corporate governance, thereby strengthening commercial credit financing capabilities. The control variable regression results also supported expectations: firm size and profitability had significant positive impacts on commercial credit financing, while the debt-to-asset ratio exhibited a significant negative effect, consistent with existing literature^[7].

3.3 Robustness Testing

To ensure the reliability of empirical results, this study employs multiple robustness tests. First, we replaced the core explanatory variable by substituting the HuaZheng ESG rating score with the Bloomberg ESG score and conducted regression

analysis again. The results showed that the regression coefficient of ESG performance was 0.264, remaining significant at the 1% level, indicating that the study's conclusions are not affected by the choice of ESG measurement indicators. Second, we used the instrumental variable method to mitigate potential endogeneity issues, selecting the environmental regulation intensity of the province where the company is located as the instrumental variable for ESG performance. The two-stage least squares (2SLS) estimation results showed that the regression coefficient of ESG performance was 0.312, and passed the weak instrumental variable test and overidentification test, further supporting the research hypothesis.

Furthermore, this study conducted subsample tests to examine non-state-owned enterprises and firms with high market competitiveness. The results showed that the regression coefficient of ESG performance was 0.342 in the non-state-owned enterprises subsample, higher than the overall sample, while it was 0.258 in the high-market-competitive firms subsample, lower than the overall sample. This finding aligns with Shang Ruotong's (2022) conclusion that ESG performance's positive impact on business credit financing is more pronounced in non-state-owned enterprises and firms with high market competitiveness. The robustness tests demonstrate that the empirical results of this study exhibit strong reliability and robustness^[8].

4. The Moderating Effect of External Environment on the Relationship between ESG Performance and Commercial Credit Financing

4.1 Degree of Regional Marketization

The degree of regional marketization, as a key external factor, significantly moderates the relationship between ESG performance and commercial credit financing. In regions with higher marketization levels, enterprises benefit from more robust market mechanisms and standardized institutional frameworks, which create favorable conditions for ESG performance to enhance commercial credit financing. Specifically, suppliers and clients in highly marketized regions tend to prioritize corporate sustainability. Strong ESG performance effectively communicates positive signals regarding environmental responsibility, social accountability, and corporate governance, thereby strengthening trust between transaction parties and improving access to commercial credit financing. Additionally, regions with higher marketization levels often experience intense market competition. This competitive pressure drives enterprises to prioritize ESG practices, enabling them to build differentiated competitive advantages and attract more commercial credit resources^[9].

However, in regions with lower marketization levels, where market mechanisms remain underdeveloped and information asymmetry is pronounced, the role of ESG performance in facilitating commercial credit financing may be diminished. Enterprises in these areas often encounter greater institutional barriers, making it difficult to effectively translate their ESG practices into advantages for commercial credit financing. Additionally, reduced transparency may lead suppliers and clients to doubt a company's ESG performance, thereby decreasing their support for commercial credit financing. Consequently, regional disparities in marketization not only affect the actual impact of ESG performance but also further determine its extent of promotion for commercial credit financing across different market environments^[10].

4.2 Uncertainty in Economic Policies

Economic policy uncertainty constitutes another critical external environmental factor. Its impact on the relationship between ESG performance and commercial credit financing primarily stems from how policy fluctuations affect corporate operating environments and financing behaviors. When economic policy uncertainty is high, the external environment becomes more complex and unpredictable, which may lead suppliers and customers to adopt more cautious approaches when granting commercial credit. However, strong ESG performance can serve as a stabilizer in such scenarios. By enhancing corporate information transparency and governance standards, it mitigates the adverse effects of economic policy uncertainty, thereby strengthening enterprises' capacity for commercial credit financing in uncertain environments^[11].

Research indicates that companies with strong ESG performance typically demonstrate greater risk resilience, enabling them to maintain stable operations during economic policy fluctuations. This stability not only reduces credit risk perceptions among suppliers and customers but also enhances their willingness for long-term collaboration, thereby driving growth in commercial credit financing. Moreover, when economic policy uncertainty is high, governments and society as a whole tend to raise their expectations for corporate sustainability. This compels businesses to prioritize ESG practices to address potential policy changes and societal expectations^[1]. Thus, economic policy uncertainty not only reinforces the importance of ESG

performance in corporate credit financing but also provides a new interpretive perspective on its underlying mechanisms.

5. Research Conclusions and Recommendations

5.1 Summary of Research Conclusions

This study systematically examines the impact of ESG performance on corporate commercial credit financing and its underlying mechanisms through theoretical analysis and empirical testing. The research demonstrates that strong ESG performance significantly enhances corporate access to commercial credit financing, primarily through its contributions to information transparency, reduced operational risks, and optimized supplier concentration. Specifically, improved ESG practices strengthen trust between enterprises and suppliers by enhancing information disclosure quality, thereby facilitating commercial credit financing. Simultaneously, ESG initiatives help mitigate operational risks and uncertainties, further boosting suppliers' confidence in the company's debt repayment capacity. Additionally, the moderating effect of ESG performance on supplier concentration significantly influences the availability of commercial credit financing, with this effect being particularly pronounced in samples with lower supplier concentration. External environmental factors such as regional marketization levels and economic policy uncertainties also moderate the relationship between ESG performance and commercial credit financing. In regions with higher marketization or during periods of greater economic policy uncertainty, the positive impact of ESG performance becomes more pronounced^[12].

5.2 Recommendations for Enterprises

Based on the aforementioned research findings, enterprises should recognize the positive impact of ESG performance on commercial credit financing and implement targeted measures to enhance their ESG standards. First, companies should strengthen transparency in environmental, social, and governance (ESG) information disclosure, ensuring stakeholders can access accurate sustainability data in a timely manner, thereby boosting supplier trust. Second, enterprises should actively adopt ESG practices such as implementing green supply chain management and fulfilling social responsibilities to mitigate operational risks. This not only enhances corporate image but also effectively alleviates financing constraints. Additionally, companies with weaker market competitiveness or non-state-owned status should further strengthen their ESG performance to compensate for resource acquisition disadvantages. During monetary policy tightening periods, enterprises can enhance their commercial credit financing capacity through improved ESG performance, thereby easing financial pressures. Finally, companies should monitor changes in external environmental factors and flexibly adjust ESG strategies to meet financing demands under varying market conditions^[13].

5.3 Recommendations for Policymakers

To further enhance corporate ESG performance and optimize the business credit financing environment, policymakers can focus on the following four key areas. First, improve the ESG disclosure system by establishing unified disclosure standards that guide companies to properly disclose environmental, social, and governance information, thereby enhancing transparency and comparability. Second, strengthen policy support for corporate ESG practices through measures like tax incentives and financial subsidies to encourage green transformation and social responsibility initiatives, reducing implementation costs. Third, establish market-oriented mechanisms to promote balanced regional development, ensuring ESG performance benefits extend to broader financing opportunities. Fourth, during economic policy formulation, fully consider how policy uncertainties affect corporate financing behavior, minimizing market volatility caused by frequent policy changes to create stable financing conditions. These measures will effectively motivate companies to improve ESG performance, optimize the business credit financing ecosystem, and drive high-quality economic development^[14].

Conclusion

ESG performance has become an important non-financial factor affecting enterprise commercial credit financing. Good ESG performance helps enterprises reduce information asymmetry, enhance reputation and risk resistance, and thus obtain more commercial credit support from suppliers. The positive impact varies obviously with enterprise ownership, financing environment and industry characteristics. In the future, enterprises should attach importance to the improvement of environmental, social and governance levels, and take ESG construction as an important way to optimize external financing. Meanwhile,

regulators and investors should further improve the ESG information disclosure system, so as to promote the coordinated development of ESG practice and enterprise financing capacity^[15].

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