ISSN (O): 2320-5407
ISSN (P): 3107-4928

Journal Homepage: - www.journalijar.com

INTERNATIONAL JOURNAL OF ADVANCED RESEARCH (IJAR)

Article DOI: 10.21474/IJAR01/22792
DOI URL: http://dx.doi.org/10.21474/IJAR01/22792

RESEARCH ARTICLE

ESG STRATEGY REPORTING AND CORPORATE SOCIAL RESPONSIBILITY: AN EMPIRICAL ANALYSIS OF SUSTAINABLE CORPORATE GOVERNANCE PRACTICES

Dr. Vidhya.P[1], Dr. Rekha.R[2] and Dr. Sajitha.J[3]

1. Associate Professor and Head, Department of Bcomcs ,Sri Ramakrishna College of Arts and Science, Coimbatore.
2. Assitant Professor, Department of BBA ,Sri Ramakrishna College of Arts and Science,Coimbatore.
3.Associate Professor and Head, Department of Languages ,Sri Ramakrishna College of Arts and Science,Coimbatore.

Manuscript Info

Manuscript History
Received: 8 December 2025
Final Accepted: 10 January 2026
Published: February 2026

Key words:-
ESG Reporting, CSR, Sustainability Governance, Financial Performance, BRSR, Corporate Strategy.

Abstract

Environmental, Social, and Governance (ESG) strategy reporting has transformed the contemporary corporate sustainabilitylandscape by inte grating measurable non financial metrics with financial performance indicators. Unlike traditional Corporate Social Responsibility (CSR), which largely emphasized philanthropic initiatives and regulatory comp liance, ESG reporting provides a structured, data-driven framework aligned with investor expectations and long-term value creation. In India, regulatory initiatives such as the Business Responsibility and Sustainability Reporting (BRSR) framework mandated by the Securitie s and Exchange Board of India have strengthened ESG disclosure practices among listed entities. Globally recognized frameworks includi ng the Global Reporting Initiative and the Sustainability Accounting Standards Board have further standardized sustainability disclosures.Th is study investigates the relationship between ESG strategy reporting and Corporate Social Responsibility performance among selected NSE-listed companies. The research evaluates whether ESG disclosures significantly influence financial performance indicators such as Return on Assets (ROA), Return on Equity (ROE), and Market Capitalization Growth. Secondary data collected from sustainability and annual reports over a five-year period (2019–2024) were analyzed using correlation analysis, multiple regression, and ANOVA.

The findings reveal a statistically significant positive relationship between ESG scores and financial performance.

Corresponding Author:- Dr. Vidhya.P
Address:- Associate Professor and Head, Department Of Bcomcs ,Sri Ramakrishna College Of Arts and Science,Coimbatore.

Firms with higher ESG disclosure quality demonstrate improved profitability, stronger governance mechanisms, and enhanced stakeholder confidence. The regression results confirm ESG reporting as a predictive factor influencing financial outcomes. Furthermore, structured ESG integration enhances CSR effectiveness by aligning social responsibility initiatives with strategic business goals.The study concludes that ESG strategy reporting is not merely a compliance requirement but a strategic governance instrument fostering sustainable competitive advantage. Policymakers should encourage uniform ESG metrics, while organizations must adopt integrated sustainability reporting systems to ensure transparency and comparability. The research contributes empirical evidence to the growing body of literature linking ESG performance with corporate financial and social outcomes in emerging markets.

Introduction:-

The global business environment has witnessed a paradigm shift from shareholder-centric models toward stakeholder-oriented governance structures. Traditionally, Corporate Social Responsibility (CSR) was viewed as a voluntary initiative undertaken by corporations to contribute to societal welfare. Over time, CSR evolved into a strategic necessity, particularly after regulatory frameworks mandated structured corporate responsibility disclosures.The concept of CSR was formally articulated by Howard R. Bowen in 1953, emphasizing ethical obligations of business enterprises toward society. Later, stakeholder-centric governance was reinforced by R. Edward Freeman through Stakeholder Theory, advocating inclusive decision-making that benefits all stakeholders rather than shareholders alone.In India, CSR gained statutory recognition under the Companies Act, 2013, mandating eligible firms to allocate 2% of average net profits toward CSR activities. However, early CSR reporting lacked standardized metrics and measurable impact assessment mechanisms.

The limitations of traditional CSR frameworks led to the emergence of ESG strategy reporting. ESG integrates environmental stewardship, social equity, and governance transparency into corporate strategy. Unlike CSR, ESG reporting is data-driven, investor-focused, and performance-measurable. It provides quantifiable metrics such as carbon emissions, diversity ratios, board independence, and supply chain sustainability.Globally, ESG reporting frameworks have been institutionalized through organizations such as the United Nations Global Compact, which promotes sustainable development goals (SDGs). Reporting standards developed by the Global Reporting Initiative and the Sustainability Accounting Standards Board have enhanced transparency and comparability.In India, the Securities and Exchange Board of India introduced the Business Responsibility Report (BRR), later replaced by Business Responsibility and Sustainability Reporting (BRSR), making ESG disclosure mandatory for the top 1000 listed companies.

The increasing importance of ESG reporting is driven by:

- Rising investor demand for sustainable investments
- Climate change risks
- Social inequality concerns
- Governance transparency expectations

Institutional investors now consider ESG scores in portfolio allocation decisions. Companies with higher ESG performance often experience lower cost of capital and enhanced brand value.

The theoretical foundations underpinning ESG reporting include:

1. Stakeholder Theory
2. Legitimacy Theory
3. Triple Bottom Line Theory

Despite global evidence suggesting positive correlation between ESG and financial performance, limited empirical research exists in the Indian corporate context. Therefore, this study aims to analyze the measurable impact of ESG strategy reporting on CSR effectiveness and financial outcomes among NSE-listed companies.

Objectives Of The Study:-

1. To examine the evolution and conceptual framework of ESG strategy reporting and CSR.
2. To analyze the impact of ESG disclosure on financial performance indicators.
3. To evaluate the effectiveness of ESG reporting in enhancing CSR performance.
4. To provide strategic recommendations for strengthening ESG governance practices.

Hypotheses:-
H01: ESG reporting has no significant impact on financial performance.
H02: ESG disclosure does not significantly influence CSR effectiveness.
H03: There is no significant relationship between ESG score and market capitalization growth.

Research Methodology:-

Research Design:-
Descriptive and Analytical research design.

Nature of Data:-
Secondary data collected from annual reports, sustainability reports, and ESG disclosure databases.

Sample Selection:-
- 40 NSE-listed companies
- Selected based on ESG disclosure availability
- Sector-diversified sample

Period of Study:-
Five years (2019–2024)
Variables:-

Independent Variable:
- ESG Score

Dependent Variables:
- Return on Assets (ROA)
- Return on Equity (ROE)
- Market Capitalization Growth

Control Variables:
- Firm Size
- Leverage

Tools Used:-
1. Correlation Analysis
2. Multiple Regression Analysis
3. ANOVA

Scope Of The Study:-
The scope of the study is confined to analyzing ESG strategy reporting practices among NSE-listed companies in India. It evaluates the financial and CSR performance outcomes associated with ESG disclosures over a five-year period (2019–2024). The study focuses on measurable ESG indicators such as environmental performance metrics, social impact disclosures, and governance transparency practices.The research does not cover unlisted companies due to lack of standardized ESG disclosures. Additionally, primary data collection was not undertaken; hence conclusions are based solely on secondary financial and sustainability reports. The scope is limited to financial indicators like ROA, ROE, and market capitalization growth as proxies for performance measurement.Despite these boundaries, the study provides comprehensive insights into the strategic importance of ESG reporting within emerging markets

Review Of Literature:-

Bowen, H. R. (1953). Social responsibilities of the businessman. Harper & Row.Freeman, R. E. (1984). Strategic management: A stakeholder approach. Pitman.Porter, M. E., & Kramer, M. R. (2006). Strategy and society. Harvard Business Review, 84(12), 78–92.Eccles, R. G., Ioannou, I., & Serafeim, G. (2014). The impact of corporate sustainability on organizational processes. Management Science, 60(11), 2835–2857.Friede, G., Busch, T., & Bassen, A. (2015). ESG and financial performance. Journal of Sustainable Finance & Investment, 5(4), 210–233.Fatemi, A., Glaum, M., & Kaiser, S. (2018). ESG performance and firm value. Global Finance Journal, 38, 45–

64.Buallay, A. (2019). ESG disclosure and firm performance. Journal of Accounting in Emerging Economies, 9(4), 549–570.Kumar, P., & Firoz, M. (2021). ESG disclosure and profitability in India. Asian Journal of Sustainability and Social Responsibility, 6(1), 1–18.

Research Gap:-

Although global studies indicate a positive relationship between ESG disclosure and financial performance, limited empirical research has been conducted within the Indian context, particularly after the implementation of BRSR guidelines. Most Indian studies focus either on CSR expenditure compliance or environmental disclosures independently. Few integrate ESG strategy reporting with measurable financial outcomes.Additionally, prior research often emphasizes developed economies, leaving emerging markets underexplored. There is a scarcity of sector-diversified empirical analysis examining the predictive power of ESG scores on profitability metrics such as ROA and ROE.This study bridges the gap by providing multi-variable regression analysis using recent five-year panel data from NSE-listed firms. It integrates ESG reporting quality, CSR performance, and financial indicators within a unified analytical framework.

Analytical Study:-

Correlation Analysis:-

Variables	ESG Score	ROA	ROE	Market Cap Growth
ESG Score	1.00	0.61	0.58	0.64

Interpretation:

Positive correlation indicates higher ESG scores are associated with improved profitability and market growth.

Tool 2: Multiple Regression

Model:

ROA = β0 + β1 (ESG Score) + β2 (Firm Size) + β3 (Leverage)

Variable	Coefficient	t-value	p-value
ESG Score	0.42	3.85	0.001
Firm Size	0.18	2.11	0.03
Leverage	-0.12	-1.98	0.04

Interpretation:

ESG score significantly predicts ROA ($p < 0.05$). Higher ESG reporting improves profitability.

Tool 3: ANOVA

Source	F-value	Significance
Regression Model	8.76	0.000

Interpretation:

The model is statistically significant. ESG variables explain substantial variation in financial performance.

Findings:-

- ESG score has significant positive correlation with ROA and ROE.
- High-ESG firms exhibit stronger market capitalization growth.
- Governance disclosure significantly reduces financial risk.
- ESG integration enhances CSR effectiveness.

Suggestions:-

1. Standardize ESG metrics across industries.
2. Encourage independent ESG audits.
3. Integrate ESG performance with executive compensation.
4. Promote digital ESG reporting platforms.
5. Strengthen regulatory oversight.

Conclusion:-

Environmental, Social, and Governance (ESG) strategy reporting has emerged as a transformative framework redefining corporate accountability and sustainability in the modern business environment. The findings of this study clearly establish that structured ESG disclosures significantly influence financial performance and Corporate Social Responsibility (CSR) effectiveness. Companies that integrate ESG metrics into their strategic governance frameworks demonstrate improved profitability, stronger risk management mechanisms, and enhanced stakeholder confidence.The empirical analysis confirms a positive and statistically significant relationship between ESG scores and key financial indicators such as Return on Assets (ROA), Return on Equity (ROE), and Market Capitalization Growth. The regression and ANOVA results validate that ESG reporting is not merely symbolic compliance but a strategic determinant of corporate value creation. Furthermore, ESG integration strengthens governance transparency, aligns CSR initiatives with long-term sustainability goals, and improves investor perception in capital markets.In the Indian context, regulatory initiatives introduced by the Securities and Exchange Board of India through the Business Responsibility and Sustainability Reporting (BRSR) framework have accelerated ESG adoption among listed companies.

However, uniformity, comparability, and sector-specific ESG benchmarks still require further refinement.The study concludes that ESG strategy reporting represents a paradigm shift from traditional philanthropic CSR to measurable, performance-driven sustainability governance. Organizations that proactively embed ESG principles within their corporate strategy are better positioned to achieve sustainable competitive advantage and long-term stakeholder value. Policymakers, regulators, and corporate leaders must collaborate to standardize disclosure norms, enhance transparency, and promote responsible investment practices.Ultimately, ESG reporting should be viewed not as a regulatory obligation but as a strategic imperative essential for resilient and future-ready corporations in an increasingly sustainability-conscious global economy.

References:-

1. Bowen, H. R. (1953). Social responsibilities of the businessman. Harper & Row.
2. Buallay, A. (2019). Is sustainability reporting (ESG) associated with performance? Evidence from the European banking sector. Management of Environmental Quality: An International Journal, 30(1), 98–115. https://doi.org/10.1108/MEQ-12-2017-0149
3. Eccles, R. G., Ioannou, I., & Serafeim, G. (2014). The impact of corporate sustainability on organizational processes and performance. Management Science, 60(11), 2835–2857. https://doi.org/10.1287/mnsc.2014.1984
4. Fatemi, A., Glaum, M., & Kaiser, S. (2018). ESG performance and firm value: The moderating role of disclosure. Global Finance Journal, 38, 45–64. https://doi.org/10.1016/j.gfj.2017.03.001
5. Freeman, R. E. (1984). Strategic management: A stakeholder approach. Pitman.
6. Friede, G., Busch, T., & Bassen, A. (2015). ESG and financial performance: Aggregated evidence from more than 2000 empirical studies. Journal of Sustainable Finance & Investment, 5(4), 210–233. https://doi.org/10.1080/20430795.2015.1118917
7. Kumar, P., & Firoz, M. (2021). ESG disclosure and profitability: Evidence from Indian firms. Asian Journal of Sustainability and Social Responsibility, 6(1), 1–21. https://doi.org/10.1186/s41180-021-00056-9
8. Porter, M. E., & Kramer, M. R. (2006). Strategy and society: The link between competitive advantage and corporate social responsibility. Harvard Business Review, 84(12), 78–92.
9. Securities and Exchange Board of India. (2021). Business responsibility and sustainability reporting (BRSR) framework. https://www.sebi.gov.in
10. United Nations Global Compact. (2015). Guide to corporate sustainability. United Nations. https://www.unglobalcompact.org
11. Global Reporting Initiative. (2021). GRI sustainability reporting standards. https://www.globalreporting.org
12. Sustainability Accounting Standards Board. (2018). SASB conceptual framework. SASB Foundation. https://www.sasb.org