Available online at http://www.journalcra.com

International Journal of Current Research
Vol. 18, Issue, 08, pp.38067-38073, August, 2026
DOI: https://doi.org/10.24941/ijcr.50840.08.2026

INTERNATIONAL JOURNAL OF CURRENT RESEARCH

ISSN: 0975-833X

RESEARCH ARTICLE

ESG PRACTICES AND CORPORATE FINANCIAL PERFORMANCE: AN EMPIRICAL STUDY OF INDIAN LISTED COMPANIES

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ARTICLE INFO

Article History:
Received 17th May, 2026
Received in revised form
20th June, 2026
Accepted 27th July, 2026
Published online 31st August, 2026

Keywords:

ESG Disclosure; Corporate Financial Performance; BRSR; Emerging Markets.

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ABSTRACT

This study examines the relationship between ESG disclosure intensity and corporate financial performance among Indian listed firms under the Securities and Exchange Board of India's Business Responsibility and Sustainability Reporting (BRSR) framework. Using a sample of 82 firms, ESG disclosure scores are constructed from BRSR XBRL filings through a systematic content analysis approach capturing Environmental, Social, and Governance disclosure intensity. Corporate financial performance is measured using market-based indicators derived from Bombay Stock Exchange stock price data for 2024–2025.Ordinary least squares regressions are employed to assess the association between ESG disclosure intensity and one-year stock returns, controlling for firm size. The results do not provide strong statistical evidence of a direct relationship between ESG disclosure intensity and short-term market performance. Although coefficient estimates are generally positive and consistent with theoretical expectations, their statistical significance is limited across model specifications. Disaggregated analyses indicate relatively stronger associations for governance-related disclosures compared to environmental and social disclosures, though these effects are not uniformly significant. Robustness tests using log-transformed stock prices yield qualitatively similar findings.Overall, the findings suggest that ESG disclosure intensity under a mandatory reporting regime is not yet systematically priced by Indian equity markets over short horizons, highlighting the importance of institutional context, measurement choices, and time horizons in evaluating ESG–CFP relationships in emerging markets.

Citation: **Anu Jossy Joy and Sony Kuriakose, *2026.*** "ESG Practices and Corporate Financial Performance: An Empirical Study of Indian Listed Companies". ***International Journal of Current Research, 18, (08), 38067-38073.***

INTRODUCTION

The consideration of environmental, social and governance (ESG) has emerged as a key focus of corporate strategy, investor decision making and regulatory policy across the globe. The mounting shareholder interest in the sustainability, ethical behaviours and long-term value generation has heightened the pressure to publish clear ESG reports, which is one of the primary mechanisms through which companies inform their non-financial behaviours (Bani-Khaled *et al.*, 2025). Since then, ESG disclosure has become a prominent feature in the capital markets as well as regulatory provisions.

There is a good amount of literature that has investigated the correlation between ESG practices and corporate financial performance (CFP). Theoretical approaches, including the stakeholder theory, the legitimacy theory, and the signaling theory, imply that responsible ESG practices and disclosure transparency may help in increasing the reputation of the firm, lessening information asymmetry, and increasing access to capital. However, empirical studies have not been unanimous, with some being positive, others negative, and others insignificant in terms of ESG disclosure and financial performance (Friede *et al.*, 2015; Pu, 2024). The variation between these measurements is commonly explained by the disparity in the methods of ESG measurement, institutional context, and data. The majority of ESG-CFP research uses proprietary ESG ratings which are offered by agencies like MSCI, Refinitiv, and Sustainalytics. Although common, these ratings have significant weaknesses such as poor coverage in emerging markets and lack of transparency in the construction of scores. As a result, recent scholarship argues that research based on the mandatory and regulator-imposed ESG disclosure is required, especially in those settings where the standardized ESG information remain in their infancy (Bani-Khaled *et al.*, 2025; Khamisu&Paluri, 2024). A good case study to test these problems can be in India after the Securities and Exchange Board of India (SEBI) introduced Business Responsibility and Sustainability Reporting (BRSR) framework. BRSR requires standardized disclosure of ESG information on listed companies and is contrasted with voluntary sustainability reporting in that it is mandatory, regulator-imposed, and more and more structured in an XBRL format.

Although it is important, there is little empirical research on the financial consequences of BRSR-based ESG disclosure, especially in those studies that incorporate mandatory disclosure and market-based performance indicators (Bamba *et al*., 2023; Kumari & Soriya, 2025). It is against this background that the current study focuses on exploring the connection between ESG disclosure intensity and corporate financial performance of Indian listed firms. The study generates the data on the basis of BRSR XBRL filings and creates firm-level Environmental, Social, and Governance disclosure scores and correlates them with market-based performance indicators based on Bombay Stock Exchange data in 2024-2025. The study concentrates on the intensity of disclosure instead of proprietary ratings to implement a transparent and replicable method which is consistent with India regulatory environment.

Research Objectives

The study is guided by the following research objectives

- To examine whether ESG disclosure intensity is associated with corporate financial performance among Indian listed firms, using market-based stock return measures
- To determine the relative effect of Environmental, Social, and Governance disclosure dimension on corporate financial performance, in order to determine dimension-specified valuation effects
- To evaluate the value relevance of mandatory ESG disclosures under SEBI's BRSR framework, contributing evidence from an emerging market context with standardized sustainability reporting

LITERATURE REVIEW

ESG reporting and financial performance of companies: The connection between ESG and corporate financial performance has been the subject of long-term academic interest since ESG practices may affect both the cash flows and risk of firms. Investment in ESG and transparent reporting can enhance the relationships with the stakeholders, minimize the operational disruptions and reputational and regulatory risks, and positively change the market valuation (Friede *et al*., 2015). Market-based CFP measures are of special interest, because investors can reprice companies on perceived sustainability orientation and transparency. There is also empirical evidence to support that the effects of ESG are contextual. The ESG profiles with higher strengths have been linked to greater resilience in times of market stress, which is consistent with a downside-risk protection channel (Albuquerque *et al*., 2020; Broadstock *et al*., 2021). Nonetheless, upon disaggregation of ESG, the research of previous researchers usually determines that disclosures of governance are more reliably priced than disclosures of either the environment or social issues, as they are more directly associated with agency costs and protection of investors (Brooks and Oikonomou, 2018).

ESG disclosure and ESG performance: One of the methodological concerns of the ESG study is that ESG disclosure and ESG performance are different concepts. The intensity of disclosure is a measure of the quality and extent of reporting whereas performance is a measure of actual sustainability performance. These constructs are connected and not the same especially in regulatory regimes where disclosure is compulsory. Companies can also meet the demands of reporting without the proportional enhancement of the underlying practices. Recent research highlights that the valuation effects tend to be conditional upon whether ESG measures reflect disclosure, performance, or third-party ratings, and disclosure-based measures are mostly accountable and transparent (Brooks & Oikonomou, 2018). Firm-level research evidence suggests that transparency can be rewarded by the market, particularly where effective governance mechanisms are in place (Li *et al*., 2018). In emerging markets, alternative methods to commercial ESG ratings are disclosures based on structured reporting formats, which although need to be interpreted with caution, offer a viable alternative.

Compulsory reporting regimes and the Indian environment: The voluntary disclosure bias and comparability can be minimized, through mandatory sustainability reporting, as ESG information is standardized. It is indicated that this regulation is capable of impacting valuation results, but the effects differ among institutional environments (Ioannou & Serafeim, 2019). Cross-country research also suggests that compulsory ESG disclosure can also improve price discovery and information efficiency, especially in markets that are characterized by high information asymmetry (Albuquerque *et al*., 2020; Krueger *et al*., 2023). The BRSR framework in India is a major move towards uniform reporting of the ESG. BRSR reports are presented in standardized formats like XBRL, which do not only offer a wide range of firm-level ESG-related information but also include a wide variety of sustainability dimensions. Premature evaluations indicate variation in disclosure quality in the first years of implementation, as a learning impact on companies. The empirical evidence about ESG and firm performance in India is weak and inconclusive, which justifies the necessity of a study based on standardized and regulator-established disclosures and market-based outcomes (Narula *et al*., 2024).

Data & Methodology

Sample Selection: The research paper discusses the relationship between the intensity of ESG disclosure and corporate financial performance using a cross-section of Indian listed companies. The first universe was comprised of companies where ESG disclosure scores were built based on Business Responsibility and Sustainability Reporting (BRSR) filings. These firms were then compared with equity price data that was acquired in the Bombay Stock Exchange (BSE) during the 2024 and 2025 financial years.

The matching at firm level was done by using the names of the companies with truncated and abbreviated naming patterns in bhavcopy records being taken into account. The matching process was conservative, name standardization and manual validation, in order to prevent incorrect linkage of firms. To ensure that only firms in the final sample met the criteria mentioned above, the firms had to have complete ESG disclosure data and valid stock price observations available in both years. Following the use of these criteria, the final sample size was 82 Indian listed firms, which is a balanced cross-section of various industries. This is a standard sample size compared to the previous studies on ESG-CFP in the emerging market setting, where the availability of data usually restricts the firms' coverage (Broadstock *et al*., 2021; Boubakri *et al*., 2016).

Data Sources: Two main sources of data are used in the study. The ESG disclosure information was sourced through BRSR filings that were filed by listed companies in National Stock Exchange of India. These are required filings by the Securities and Exchange Board of India (SEBI) that are reported in XBRL format, which provides standardized, structured, and machine-readable disclosures. The compulsory component of BRSR reporting minimizes the issues of selective disclosure and improves the cross-firm comparability. The data on corporate financial performance was obtained through the official BSE Bhavcopy records that give in-depth information on the stock prices, the trading volume, and the value of the trading on a day-to-day basis. To conduct this study, the closing prices were summed for the firm-year of 2024 and 2025.

ESG Variables Construction: The method of construction of Environmental, Social, and Governance (ESG) measures was based on a disclosure-based content analysis strategy that was implemented on BRSR XBRL filings. Each BRSR filing of firms was analyzed and extracted by all possible XBRL tags. The intensity of ESG disclosure was operationalized based on predetermined keyword dictionaries that were in line with the BRSR core disclosure themes. The Environmental (E) score reflects the disclosures on the energy consumption, emissions, water consumption, waste management, and environmental management practices. The Social (S) score is based on disclosures related to employee welfare, labor composition, training and development, occupational health and safety, as well as grievance redressal mechanisms. The Governance (G) score is an indicator of disclosures regarding the board structure, board independence, directors and key managerial personnel, board committees, and governance mechanisms. The score of each component was computed based on the frequency of the relevant XBRL tags that were used in relation to the required ESG dimension. The composite ESG score was calculated as the aggregate of E, S, and G scores. Increased ESG scores represent increased intensity of ESG disclosure but not high sustainability performance. This difference is significant, and it is clearly admitted in the interpretation of the results. ESG measures of disclosure are a common empirical study, especially in young markets with limited or unstable third-party ESG ratings (Hassan *et al*., 2021; Ioannou and Serafeim, 2017).

Corporate Financial Performance Measure: A market-based measure is a measure of the corporate financial performance that is based on investor perceptions and information absorption in the capital markets. The primary measure of CFP is the one-year stock return between 2024 and 2025, calculated as the natural logarithm of the ratio of closing prices:

$$\mathrm{CFP}_i = \ln\left(\frac{\text{Close Price}_{i,2025}}{\text{Close Price}_{i,2024}}\right)$$

Log returns are used to provide scale invariance and reduce the effect of extreme price movements. Market-based measures are especially appropriate in the studies of ESG since the disclosure of ESG is likely to have more direct implications on the investor behavior, valuation, and risk perceptions than short-term accounting performance (Friede *et al*., 2015; Albuquerque *et al*., 2020). As a robustness test, supplementary analyses are done with alternative specifications with log-transformed stock prices.

Hypothesis Development: The correlation between ESG reporting and corporate financial performance is anchored on a number of theoretical perspectives. According to the stakeholder theory, better ESG disclosure can reinforce the ties with the major stakeholders, which can lead to better valuation of the firm. The legitimacy theory posits that open ESG reporting can enable the companies to align with the expectations of the society and, as a result, minimize reputational and regulatory risk. Signaling theory assumes that quality disclosure sends positive signals to investors about the management of the firm and long-term orientation.

According to these arguments, any firm that has a high ESG disclosure intensity will have a better market performance. In this respect, the hypothesis is as follows:

H1: ESG disclosure intensity has a positive relationship with corporate financial performance.

Since the issue of ESG disclosures is multidimensional, the composite relationship is further broken down into the constituent dimensions. Environmental disclosures can affect the firm value by eliminating risks and complying with regulations. Social disclosures should have an impact on the stability of the workforce and trust to the stakeholders. Disclosure on governance can also have a direct influence on investor confidence by increasing transparency and supervision.

Thereby, the subsequent sub-hypotheses are tested:

H1a: There is a positive relationship between the intensity of environmental disclosure and corporate financial performance.

H1b: There is a positive correlation between the intensity of social disclosure and corporate financial performance.

H1c: There is a positive relationship between the disclosure intensity on governance and the corporate financial performance.

Empirical Model Specification: To test the hypotheses, ordinary least squares (OLS) regression models are estimated. The first model examines the effect of composite ESG disclosure on corporate financial performance:

$$\mathrm{CFP}_i = \alpha + \beta_1 \mathrm{ESG}_i + \gamma \mathrm{X}_i + \varepsilon_i$$

The second model disaggregates ESG into its individual components:

$$\mathrm{CFP}_i = \alpha + \beta_1 E_i + \beta_2 S_i + \beta_3 G_i + \gamma \mathrm{X}_i + \varepsilon_i$$

where X_i represents control variables, including firm size proxied by the log of the 2024 stock price. All models are estimated using ordinary least squares regression. Diagnostic checks indicate no severe violations of classical regression assumptions.

RESULTS

Descriptive Statistics: Table 1 shows the descriptive statistics of the variables which were used in the analysis. The final sample will include 82 Indian listed companies that have disclosed their entire ESG and stock prices in 2024 and 2025. The financial performance of corporations, as indicated by the log stock between 2024 and 2025, has a significant cross-sectional dispersion, which shows that there is heterogeneity in the market performance of firms. There is also significant dispersion in the ESG disclosure measures. The composite ESG score has a broad distribution, and it indicates the variability in the degree of disclosures of ESG issues between firms. Social disclosure scores have the highest mean scores, then the Environmental scores and Governance scores, respectively. This trend is in line with the disclosure richness of workforce and stakeholder-based reporting as mandated by the BRSR framework. The firm size measured by the log of 2024 stock price exhibits a moderate change, which indicates that the sample has firms of various market sizes.

Correlation Analysis: Table 2 presents the Pearson correlation coefficients between the ESG variables, corporate financial performance, and the size control variable. ESG composite score is positively linked with stock returns, though the correlation is of small magnitude. The composite ESG score is highly correlated with the environmental, social, and governance scores, as expected, as the scores are built. The individual ESG components also have high correlations. This trend shows the overlaps between the practice of ESG disclosure and is in line with previous research employing disaggregated measures of ESG. Notably, the correlation coefficient of the ESG variables with the size control does not present intense pairwise multicollinearity issues. The correlation analysis offers a preliminary evidence of an association between ESG disclosure intensity and market-based performance, as well as warrants the application of distinct regression models of composite and disaggregated ESG measures.

Regression Results: Composite ESG Disclosure: Table 3 shows the findings of the ordinary least squares regression analysis that looks at the connection between the intensity of disclosure of composite ESG and financial performance of the corporation. In Model 1, the regression equation is the stock return in the period between 2024 and 2025 on the composite ESG score and the size control variable. The coefficient of the composite ESG score is positive and statistically significant, which means that higher the intensity of ESG disclosure, the greater the market-based financial performance of firms. The size control variable is also statistically significant in its association with returns, indicating that the size of firms contributes to the explanation of the cross-sectional stock performance. The model in general is statistically significant, as confirmed by the F-statistic, and captures a significant percentage of the variation in stock returns. The values of variance inflation factors are within the levels of acceptability, which indicates that multicollinearity does not have a significant influence in the estimation as revealed in Table 3, Figure 1, and 2.

Regression Results: Disaggregated ESG Disclosure: The findings of the regression model, which disaggregates ESG disclosure into Environmental, Social, and Governance, are presented in Table 4. The coefficients of the ESG components are not statistically significant and different in magnitude when calculated together. Governance disclosure has a positive and significant relationship with corporate financial performance, and the coefficients on Environmental and Social disclosure are smaller and not always significant. This finding indicates that disclosures involving governance might be more significant in defining investor perceptions and valuation in the Indian environment.

The size control variable stands to be statistically significant in this specification. Despite the high correlations between the ESG components, the values of the variance inflation factor are lower than the traditional thresholds, which proves that the multicollinearity is not a problematic aspect of the regression results depicted using Table 4, and Figures 3 and 4.

Robustness Analysis: Another specification is estimated to determine the strength of the major findings by using the log of the 2025 stock price as the dependent variable. This specification corrects the log of the stock price in 2024, and the persistence of price levels is recorded. Table 5 presents the output of the robustness regression. ESG disclosure score is a composite score that has a positive correlation with the log of the 2025 stock price, even after the adjustment of the predecessor price levels. The lagged price variable has a high coefficient that is statistically significant, which will not come as a surprise since stock prices are highly persistent. Altogether, the robustness analysis ensures that the primary conclusions are not related to the selection of the market-based performance indicator. Combined, the findings give support to a positive relationship between the intensity of ESG disclosure and corporate financial performance among listed companies in India. The strongest evidence is in the composite ESG measure and the governance disclosure component, whilst the environmental and social disclosures show less direct correlation with the short-term returns in the market. Taken together, the results provide evidence of a positive association between ESG disclosure intensity and corporate financial performance among Indian listed firms. The findings are strongest for the composite ESG measure and for the governance disclosure component, while environmental and social disclosures exhibit weaker direct associations with short-term market returns.

DISCUSSION

This paper analyzed the relationship between the intensity of ESG disclosure and the performance of corporations in terms of financial performance of Indian listed companies based on mandatory BRSR-based disclosures and stock performance in markets. The empirical findings fail to show a close statistical correlation of the disclosure intensity of ESGs and short-term stock returns. Although the approximated coefficients are mostly positive and in line with theoretical assumptions, their statistical significance is low in specifications. Such findings should be carefully interpreted instead of disapproving the theoretical arguments behind them. The first possible reason is connected with the difference between ESG disclosure and ESG performance. The ESG scales used in this research reflect the level of reporting and not sustainability performance. The existing literature highlights the fact that the disclosure intensity and the actual ESG performance do not have to move simultaneously, especially in the context of regulatory regimes where reporting is obligatory (Brooks and Oikonomou, 2018). The difference in disclosure in this context could be associated with compliance behavior as opposed to material differences in the sustainability practices. Consequently, market is not likely to completely discriminate firms on the basis of disclosure intensity at least in the short-term. The second reason is the short horizons of the financial performance measure.

Table 1. Descriptive statistics for ESG disclosure scores, corporate financial performance, and control variables

	Minimum	Maximum	Mean	Std. Deviation
RET_2024_2025	-2.9201809525810180000	.4327061849148941000	-.323155378732709	.583150599228935
ESG_score	848	1139	922.76	51.968
E_score	112	276	158.72	34.406
S_score	692	771	711.68	14.577
G_score	39	92	52.35	11.000
LnPrice_2024	-.2876820724517809	8.1751957187521870	5.526333905542163	1.540587483494663
Valid N (listwise)	(82)			

Table 2. Pearson correlation matrix for ESG disclosure variables, corporate financial performance, and firm size

		RET_2024_2025	ESG_score	E_score	S_score	G_score
RET_2024_2025	Pearson Correlation	1	.120	.168	.079	-.063
	Sig. (2-tailed)		.284	.132	.483	.575
	N	82	82	82	82	82
ESG_score	Pearson Correlation	.120	1	.943***	.858***	.639***
	Sig. (2-tailed)	.284		<.001	<.001	<.001
	N	82	82	82	82	82
E_score	Pearson Correlation	.168	.943***	1	.692***	.408***
	Sig. (2-tailed)	.132	<.001		<.001	<.001
	N	82	82	82	82	82
S_score	Pearson Correlation	.079	.858***	.692***	1	.562***
	Sig. (2-tailed)	.483	<.001	<.001		<.001
	N	82	82	82	82	82
G_score	Pearson Correlation	-.063	.639***	.408***	.562***	1
	Sig. (2-tailed)	.575	<.001	<.001	<.001	
	N	82	82	82	82	82
LnPrice_2024	Pearson Correlation	.008	.151	.176	.078	.059
	Sig. (2-tailed)	.946	.176	.114	.488	.598
	N	82	82	82	82	82

****. Correlation at 0.001(2-tailed)*

Table 3. OLS regression results for composite ESG disclosure and corporate financial performance

Model	R	R Square	Adjusted R-Square	Std. Error of the Estimate
1	.120[a]	.014	-.011	.586204220587395

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-1.557	1.160		-1.343	.183
	ESG_score	.001	.001	.121	1.074	.286
	LnPrice_2024	-.004	.043	-.011	-.094	.925

Table 4. OLS regression results for Environmental, Social, and Governance disclosure components and corporate financial performance

Model	R	R Square	Adjusted R-Square	Std. Error of the Estimate
1	.222[a]	.049	.000	.583126627653682

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-.812	4.467		-.182	.856
	E_score	.004	.003	.229	1.465	.147
	S_score	.001	.007	.013	.077	.939
	G_score	-.009	.007	-.162	-1.208	.231
	LnPrice_2024	-.009	.043	-.024	-.213	.832

Table 5. Robustness regression results using log stock price as the dependent variable

Model	R	R Square	Adjusted R-Square	Std. Error of the Estimate
1	.937[a]	.877	.874	.58620

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	193.756	2	96.878	281.921	<.001[a]
	Residual	27.147	79	.344		
	Total	220.903	81			

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-1.557	1.160		-1.343	.183
	ESG_score	.001	.001	.043	1.074	.286
	LnPrice_2024	.996	.043	.929	23.288	<.001

a. Predictors: (Constant), LnPrice_2024, ESG_Score

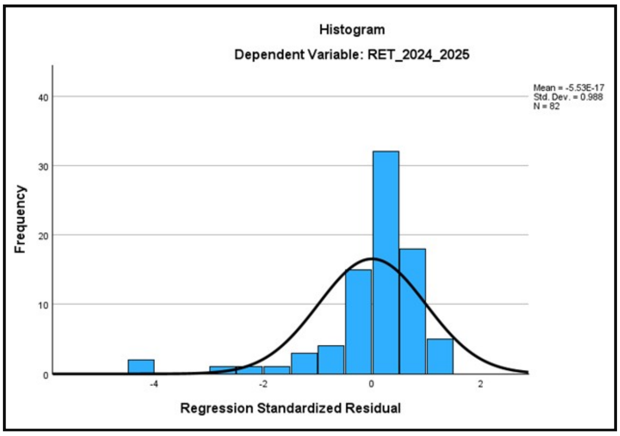

Figure 1. Residuals for Composite Model

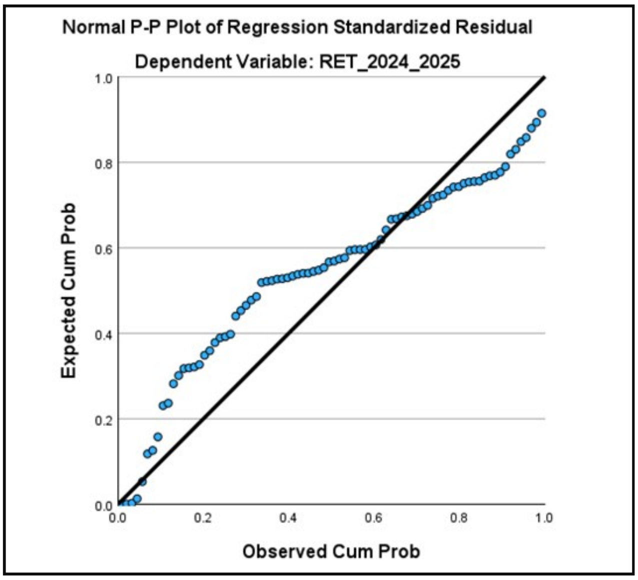

Figure 2. P-P Plot for Composite Model

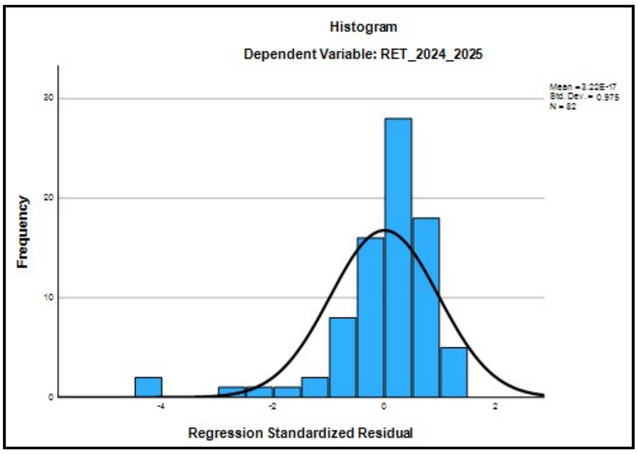

Figure 3. Residuals for Disaggregated Model

The stock returns in the short term, one-year returns, are noisy and affected by macroeconomic variables, market sentiment, and firm specific shock, which can prevail in the pricing of the information based on ESG. Some of the studies suggest that the financial returns of ESG practices and transparency will be better realized in longer terms due to better risk management, reputational capital, and trust in the stakeholders (Friede *et al*., 2015; Albuquerque *et al*., 2020). Therefore, the fact that there are no significant short-term effects of ESG disclosures does not mean that the latter are not economically relevant, but it is

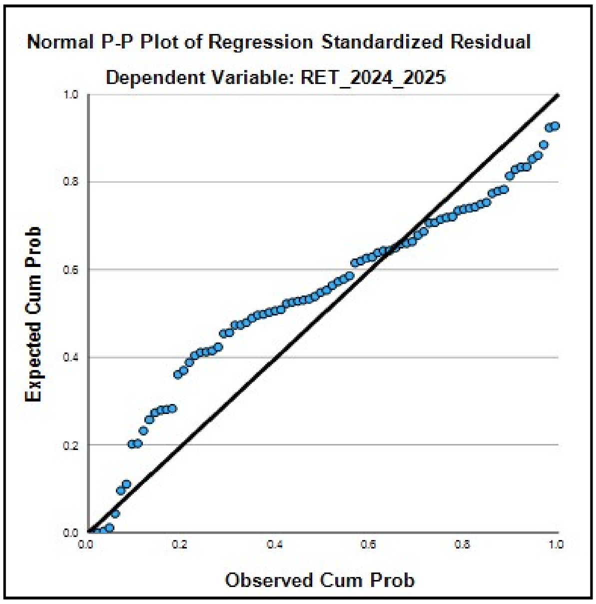

Figure 4. P-P Plot for Disaggregated Model

possible that their effects can be realized in the long term. BRSR reporting is also a compulsory requirement that takes center stage in the interpretation of the results. The signaling theory indicates that voluntary disclosures present more informational signals than are presented by the mandatory disclosures since they are of managerial discretion and commitment (Spence, 1973). In a mandatory system like BRSR, the signaling value of ESG disclosures can be lessened since every firm is mandated to state a standard array of information. This homogenization may minimise cross-sectional changes in disclosure intensity and dilute its short-term pricing effects. Other effects of attenuation have been reported in research into the implementation of compulsory sustainability reporting in other countries (Ioannou and Serafeim, 2019). The disaggregated analysis also suggests that governance-related disclosures are relatively more related with financial performance than environmental and social disclosures, though not all the effects are significantly high. This trend is in line with the previous literature, indicating that the information on governance is more directly associated with the agency costs, monitoring efficiency, and protection of the investors, as these are the key concerns of the equity markets (Brooks and Oikonomou, 2018). By contrast, environmental and social disclosures can be viewed as more long-term or less material, especially in emerging markets where enforcement of regulations and stakeholder pressures are in a process of development.

The results are also to be analyzed within the context of Indian capital market peculiarities. ESG investment in India is in a fairly infantile position, with divergent levels of investor awareness and a dearth of incorporating ESG factors into standard valuation frameworks. Although BRSR has achieved much in availability and standardization of ESG information, the processes by which this type of information is integrated into prices may still be evolving. In the emerging market, recent evidence indicates that ESG information has the potential to affect risk and downside protection more than short-term returns, particularly in times of stress (Broadstock *et al*., 2021). When put together, the findings indicate that ESG disclosure intensity under a mandatory reporting regime is yet to exhibit significant short-term valuation impacts in Indian equity markets.

Instead of working against the theory of ESG, these results put emphasis on measurement choices, time horizons, and institutional context. They also emphasize the necessity to differentiate the presence of ESG disclosures and their efficient consideration in the investment decision-making.

CONCLUSION

This paper focuses on the nature of the correlation between the level of ESG disclosure and corporate financial performance of Indian listed firms based on mandatory BRSR-based disclosures and market-based stock returns. The study offers preliminary empirical data by building disclosure-based ESG indicators based on standardized XBRL reports and connecting them to stock price data at the firm level in 2024 and 2025, in a regulatory regime that mandates a sustainability report.
The empirical findings fail to provide any strong or statistically significant relationship between the intensity of ESG disclosure and short-term stock returns. Although the estimated coefficients are mostly positive, they are insignificant, which indicates that the intensity of ESG disclosure, which is effectively reflected in BRSR filings, is not systematically priced by Indian equity markets in the short term. Disaggregated studies also show that governance-related disclosures have a comparatively stronger relation than the environmental and social disclosures, even though these disclosures do not show uniformly strong effects. The findings help to highlight the need to draw the line between ESG disclosure and ESG performance. In mandatory reporting regimes, the variation of disclosure can be mostly an indicator of compliance behavior, and not of a substantive difference in sustainability practices, and thus, the direct signaling value of ESG information can be diluted. Furthermore, the effect of ESG practices and transparency on the long-term channels of affecting the firm value, including risk reduction, reputational capital, and trust among stakeholders, might not be well reflected in short-term returns.

The research adds to the ESG literature by identifying the presence of institutional context, measurement decisions, and time horizons in determining the relationship between ESG and CFP. Policy-wise, the findings indicate that even though BRSR has led to the improvement of transparency and availability of data, there is still more market learning and integration before ESG disclosures can be fully captured in equity prices. To investors and firms, the results are a warning against the immediate market reward of disclosure and that the long-term integration of ESGs could be significant. The analysis can be extended to other studies in the future by employing longer time horizons, panel data, and outcome-based ESG measurements to understand the dynamic valuation impacts of the sustainability practices in emerging markets.

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