

A STUDY ON IMPACT OF ESG ON OPERATIONAL, FINANCIAL AND MARKET PERFORMANCE OF NSE LISTED FIRMS IN INDIA

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Abstract

This paper aims to investigate whether there are any empirical relationships among corporate disclosure of environmental, social and governance (ESG) and firms 'operational , financial (ROE & ROE) and market performance, and if these relationships are positives or negatives or even neutral. For the purpose yearly ESG Ratings data ranging from period 2016 – 2020 has been used to find the impact on NSE 100 listed firms in India. Empirical results suggest that there is statistically significant relation between ESG Ratings and Total Asset Turnover, which indicated the operational performance of firms. A firm's TAT seems to be positively impacted by ESG ratings at 5% level. There is a positive relation of 21% among the two variables. All the variables do not seem to be impacted by ESG ratings and hence all other hypothesis have been accepted.

Keywords: ESG Performance, ESG Rating, Corporate ESG Performance, Financial Performance, ESG Corporate Disclosures, Corporate sustainability performance, Indian firms ESG

1. Introduction

Traditionally, for a long time, investors and analysts have been providing weightage mainly to quantitative and easily measurable objective parameters, such as growth, financial positions, profit, dividend pay-out, financial ratios, peer comparison, etc., for investment decisions. This was perfect when analysis was done in isolation. However, with the passage of time, investors and corporations have become aware of the fact that they do not exist in isolation but operate in an ecosystem where long-term, sustainable survival is possible only with a two-way relationship with environment and society. No longer can a business perform in isolation; it must integrate itself with the environment in which it operates.

Climate change, rising temperatures, plastic pollution, forest wildfires, rising disparity, gender inequality, equal opportunity, social responsibility, uneven development, discrimination, corruption, sexual harassment, customer privacy, data security, frauds, corporate governance, audit committee, Board independence - the frequency with which these terms have been spoken about in the last few years reflects the growing attention to these issues from various stakeholders. It is probably also a warning bell and a precursor for imminent change, which companies, investors, and all other

stakeholders must brace themselves for, if they want to grow in a sustainable manner and avoid risks on account of the changing world.

Given the growing understanding of environmental stability, socioeconomic growth, and commitment to ethical values, the focus on sustainable and responsible investment (SRI) strategies has gradually increased. Recently, the alleged lack of governance since the global financial crisis, the rising challenge of global warming, social movements, and other considerations have contributed to a consensus on the importance of holistic development and responsible investment. Environmental, socioeconomic, and governance (ESG) investing is one such approach that has increasingly gained traction among investors. The underlying premise of ESG-based investments is to recognize and measure the intrinsic value held by socially conscious, environmentally sustainable companies with strong governance policies in place. These companies are thought to have superior risk control plans on ESG metrics, which provides value for investors by long-term sustainable business models.

ESG-based investing theory has a long tradition, dating back to the 1960s and 1970s in the United States and Europe. In Europe, the first SRI fund was founded in Sweden in the 1960s, while socio-political movements in the United States prompted the establishment of socially conscious investments in the 1970s. As of 2016, there were \$22.89 trillion in assets professionally handled under the SRI theme globally. This reflects a respectable 11.9% CAGR increase since 2014.

In recent years, both regulatory as well as voluntary efforts have made ESG a focus area. There has been a steady growth in ESG disclosures by companies and an enhanced attention from institutional investors on ESG performance of companies. ESG evaluations have swiftly become a key consideration for most investors, especially international investors. They had once been regarded a specialized themed approach to investment.. Investors and stakeholders in developing economies now objectively assess a company's contribution to ESG, its goals, strategies, and results, as well as its non-financial performance on a regular basis. Globally, investors are increasingly demanding that businesses must focus on ESG impact and discharge their responsibilities cautiously. Many investors are looking for sustained returns with responsible investment. Short-term profit-making is no longer the only objective for these investors, as many of them wish to integrate the business with environment and society to generate sustainable profits in responsible manner. It is a choice between short-term higher profits vs sustainable profits in the long run. Inching towards the dawn of a new decade, we are witnessing an accelerated shift in investor stance, in favor of investing based on ESG performance of companies worldwide.

Assets handled under the sustainable and responsible investment (SRI) theme have steadily increased, reaching USD 22.9 trillion in AUM in 2016, representing a CAGR of 11.9 percent since 2014. Europe continues to be a leading power in SRI theme-based investing, accounting for more than 52 percent of overall spending, led by the United States at 38 percent. Japan is geographically the fastest growing SRI-based investment location with a tremendous growth from 7 billion US dollars in 2014 to 474 billion US dollars in 2016. In 2016, the ESG Thematic focused Investment Strategy (SRIs), which accounted for 17.4 percent CAGR growth since 2014, had an AUM of US\$10.3 trillion in 2016. In 2016, 56% of AUM handled by ESG was in the United States.

In 2018, assets built up into ESG-related strategies totals €30 trillion, according to the global Sustainable Investment Alliance. This occurred between 2014 and 2016 with a 25% increase to \$23 trillion. Moreover, thousand-year owners are expected to be equity in the next five years of an

extraordinary \$30 trillion. The Group is almost twice as willing as the bulk of the individual investor community to participate in enterprises and funds that fulfil their environmental and social goals according to a Morgan Stanley poll. With ESG investing becoming more common, many market investors are investigating the degree to which ESG credentials can influence and justify financial results, both in terms of corporate earnings and investment returns.

ESG reporting and review in a standardized format is relatively recent in India, though it has existed in fragmented form for some time. Though businesses have been assessed by investors for buy or sell recommendations and by credit rating agencies for credit rating purposes, ESG assessment has been absent since then, but in the current scenario, ESG is becoming increasingly relevant in evaluating market risks and continuity.

2. Literature Review

Ataünal, Aybars. Gürbüz (2019) analyzed the analytical association between the Thomson Reuters Environmental Social Governance (ESG) Combined Score and the output of S&P 500 companies using data from 2006 to 2016. The study found a unidirectional favorable and meaningful relationship between ESG Combined Score and ROA, implying that gains in ESG score have a positive effect on the firm's operational results. Despite the fact that simultaneous equation estimations with instrumental variables (IV) using two-stage least squares (2SLS) and three-stage least squares (3SLS) verified the important positive relationship between ESG Combined Score and organizational Tobin's Q, on the other hand, appeared to impact ESG score rather than ESG score triggering Tobin's Q. A higher Tobin's Q seems to be associated with a lower ESG score. Firms with greater growth prospects, as shown by a higher Tobin's Q, are shown to be less vulnerable to ESG problems.

According to Daub (2007), the first environmental assessments were released towards the end of the 1980s, primarily by multinational corporations. Kinder (2005) described socially responsible investing (SRI) as "the inclusion of the investor's social or ethical criteria in the investment decision-making process," emphasizing investors' demand for environmental, social, and governance (ESG) details. According to Kinder (2005), SRI first appeared in the United Kingdom, Canada, and Australia in the mid-1980s, after its arrival in the United States in the late 1960s.

Only by reviewing extra-financial statements in addition to financial reports can a systematic assessment of a corporation's success and risks be obtained. The assessment of environmental, social, and governance scores is crucial for assessing the long-term feasibility of a company's success and sustainability (Achim & Borlea, 2015). However, environmental, social, and governance challenges are likely to have a long-term impact on financial results. Short-term buyers are less likely to integrate ESG factors into their investing process.

When analysts and stakeholders became more mindful of non-financial disclosure and concerned about more than just financial reports, capital distribution became more dynamic. Firms are being pushed to devote capital to environmental and social problems in addition to investing for improved financial performance and expansion. As a result, the effect of corporate social success (CSP) on corporate financial results has been extensively researched and debated (Waddock & Graves, 1997).

According to Su et al. (2016), while academics in management reported a favorable relationship between CSR (Corporate Social Responsibility), ESG, and firm financial results, those in economics and finance indicated a negative or non-significant relationship. Some leading research in finance

and management literature have shown that CSR practices have a favorable impact on success and valuation (Orlitzky, Schmidt, & Rynes, 2003; Margolis & Walsh, 2003). However, several other researchers have shown a negative association (Brammer, Brooks, & Pavelin, 2005). Aupperle et al. (1985) confirmed a hazy relationship between social responsibility and profitability.

3. Rationale

In today's world, non-financial data such as Environmental, Social, and Governance (ESG) is becoming as relevant as financial data. Investors have recognized that Environmental, Social, and Governance (ESG) considerations are critical metrics for business valuation, risk control, and even regulatory compliance, so sustainability is gradually becoming part of core corporate strategy.

Almost 60% of Indian businesses have aligned their operations with the Sustainable Development Goals (SDGs). ESG investment will continue to proliferate, placing pressure on businesses which practice in unethical activities. Companies are not the only ones influenced; regulators and researchers are as well influenced by the idea that sustainability and financial results are inextricably linked and must be managed successfully.

The results have immediate consequences for businesses, consumers, regulators, and policymakers.

4. Objectives & Hypothesis

Objectives:

- This paper aims to investigate whether there is relationships among corporate disclosure of environmental, social and governance (ESG) and firms' operational (TAT), financial (ROE & ROA) and market performance (Tobin's Q & MCAP), and if these relationships are positives or negatives or even neutral.
- To study relationship between corporate efficiency and corporate sustainability to determine whether firms concerned about environmental, social, and governance (ESG) issues can also be efficient and profitable.

Hypothesis

The following null hypothesis have been proposed in the study:

H 1: ESG performance has a positive effect on the financial performance (ROA) of companies.

H 2: ESG performance has a positive effect on the financial performance (ROE) of companies.

H 3: ESG performance has a positive effect on the operational performance (TAT) of companies

H 4: ESG performance has a positive effect on the market value (TobinsQ) of companies.

H 5: ESG performance has a positive effect on the market value (MCAP) of companies.

5. Research Methodology

The methods used throughout the study discussed in detail in this chapter. The entire chapter serves as a framework for all research projects, taking into account the study's goals. This section covers the econometric model used in this study, as well as the data source and sample utilized, and the variables used.

Data source and period

Yearly ESG Ratings data ranging from period 2016 – 2020 will be used to find the impact of ESG on operational, financial and market performance of NSE 100 listed firms in India. ESG Ratings data will be collected from MSCI ESG Ratings database. The ROA, ROE ratios will be taken from yahoo finance data base. Tobin's Q Ratio will be manually calculated using data from yahoo finance.

Data Sample

Initially for the study was commenced with a sample size of 100 firms that were a part of NSE 100 Index as on 22nd April, 2021. Not all firms disclose ESG and CSR related data, and that is why the firms that were not rated on the ESG parameters were excluded from the study. And this brought the number down to 64 firms. Furthermore, all banking firms were also excluded from the study as the accounting norms differ from that of other (industrial) firms, so it would have been difficult banks to compare to industrial firms. Furthermore, their leverage is far greater than that of industrial firms. So finally, the sample size stands at 58 firms, which makes a total of 290 observations. Further, the selected companies have been categorized into 15 sectors. Table 1 shows the sectoral composition of the companies under study

For analyzing data descriptive statistics, correlation analysis, and panel regression analysis were used to examine the study hypotheses and achieve the study objectives. Panel Data Model is used to examine the impact of ESG on financial, market and operational performance of NSE 100 listed companies. For the purpose of research, Pooled Ordinary Least Square (POLS) test, the Lagrange multiplier Breusch-Pagan test as well as Hausman have been applied to determine the best model from among the Pooled Ordinary Least Square (POLS), Random Effect Model (REM), and Fixed Effect Model (FEM) models to apply on the provided data.

Dependent Variables

The dependent variables in this study, as described in the model, indicate financial performance, operational performance and market performance. It is worth noting in the part devoted to the literature study that financial performance of organizations is measured using two major groups of variables: accounting as well as market variables in the market. Therefore, we will be utilizing ROA and ROE to evaluate financial performance. Tobin's Q is used to assess market performance.

a) Return on Assets (Financial Performance): Return on Assets (ROA) is a form of return statistic that calculates a firm's financial position in relation to its total assets. This ratio measures a company's performance by comparing its profit (net income) to the capital it has invested in assets. The greater the return rate, the more managerial effectiveness is in exploiting economic resources.

b) Return on Equity (Financial Performance): The return on equity ratio is a financial ratio metric which assesses the ability of a firm to generate profits from its shareholders' investments. This profitability may be used to assess a company's performance in employing equity investment to conduct its day-to-day operations.

c) Tobin's Q (Market Performance): The Q Ratio, often known as Tobin's Q Ratio, is a ratio that compares the market value of a physical item to its replacement value. James Tobin, a Nobel winner in economics, devised the ratio. Tobin proposed the premise that the total market value of all firms listed on the stock exchange should be about equal to their replacement costs. The ratio can be used to value a single firm or the whole stock market. The Q Ratio is extensively used to assess a company's worth. If the ratio is larger than one, a company's market value surpasses the value of its booked assets. Because the market valuation includes certain unmeasured or unrecorded assets, the firm is overpriced. A ratio larger than one implies that a company's earnings exceed the replacement costs of its assets. This information may entice potential competitors to re-create the company strategy in order to reap part of the rewards. When the ratio is less than one, the company's recorded assets are worth more than their market value. When the Q Ratio equals one, the situation is optimal. It implies that the company's assets are reasonably valued by the market.

d) Market Capitalization (Market Performance): The market value of a data stream is calculated by multiplying the share price by the number of ordinary shares in issue. When additional tranches of shares are issued or there is a capital change, the amount in issue is updated. The market value of a company having more than one class of equity capital is presented according to the particular issuance. The market value is indicated in millions of local currency units. Investors can make wise investment selections based on a company's categorization and real market capitalization value.

e) Total Asset Turnover (Operational Performance) : Total asset turnover ratio (TATR) gauges how efficiently a corporation utilizes its assets to generate revenues. The asset turnover ratio formula is equal to net sales divided by a company's total or average assets. When compared to rivals with lower ratios, a firm with a high asset turnover ratio performs more effectively. The ratio assesses how well a firm uses its assets to generate revenues. A greater ratio is preferable since it implies more effective asset utilization. A smaller ratio, on the other hand, implies that the company's assets are not being used as efficiently. This might be due to excess manufacturing capacity, ineffective collecting procedures, or ineffective inventory management.

Independent Variable

a) ESG Ratings

The term ESG signifies "environment, social and governance," as seen in the introduction. All of these characteristics make enterprises successful and sustainable for the whole of society and the different parties involved, not only (financial shareholders). "CSR" which stands for Corporate Social Responsibility, is also used as a synonym for ESG.

Three pillars of ESG concept:

1) Environment: this pillar covers the environmental effect and adverse externalities of the functioning of the firm. This may address the control of pollution, the utilization of natural resources Energy use, CO₂ emissions, global warming policy, etc.

2) Social: All concerns relating to corporations' interaction with society as a whole are covered in this pillar. This is a matter both of external (government, suppliers, company, etc.) as well as internal players (workers, consumers etc.). Examples include the values of the firm,

workers' working conditions, the dedication of the firm to the local community, the promotion of safety and health in the firm and so on.

3) The ultimate pillar of the philosophy is governance. In corporate governance has historically always been more anxious for investors than environmental and social concerns (Eccles et al., 2011). This issue may concern the independence of the Management Board, duality of Chief Executive Officer and CEO, diversity of Board of Directors in the broad sense of their meaning (diversity in gender, age, ethnicity, experience, etc.), managers' level of openness, their dealings with shareholders, etc.

Companies issue "ESG reports" to make sure that the ESG initiatives are visible. For companies, ESG reporting is critical, because it depends entirely on how to communicate the ESG strategy assessment and its "sustainability" to investors and other financial professionals. Non-financial reports of ESG are also known. Publication of ESG information is only required if this information is considered useful for investors by the firm (Woodcock et al., 2019). As in the US, ESG disclosures in Switzerland are now voluntary.

The MSCI ESG rating evaluates the resilience of a firm to environmental, social and governance (ESG) hazards in the long-term, industrial materials. In accordance with their exposure to ESGs and the way they manage such risks relative to peers, they apply a regulatory approach to identify leaders and backwardness's from the sector. Our ESG ratings vary from leader (AAA, AA) to medium ratings (A, BBB, BB) (B, CCC). We also grade stock and securities, credits, mutual funds, ETFs and nations with fixed income.

MSCI compares the weighted average of all key topics with the ESG ratings of industry peers to arrive at the final ESG rating. After any overrides at the committee level are determined, the final adjusted score of each firm corresponds to an estimate from best to worst (AAA) (CCC). The evaluations are not absolute, but are designed clearly for interpretation in relation to industry peers of a firm. Following table scores the letters mapped to ratings:

The measurement variables utilized in the model are summarized and described in Table 1.

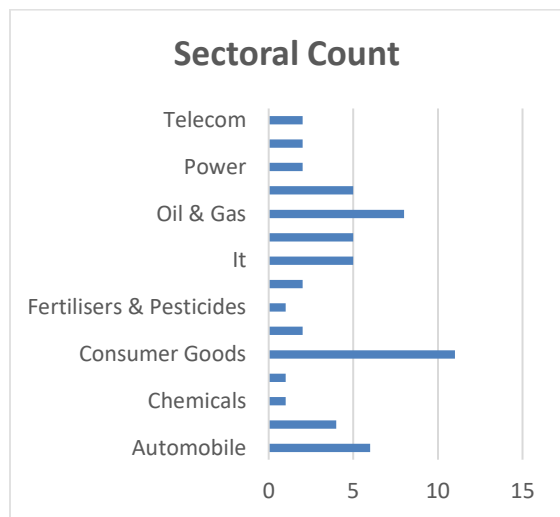
Table 1: Summary of Variables

| VARIABLE | PROXY | MEASUREMENT |
|------------------------------|-------|--|
| INDEPENDENT VARIABLE: | | |
| ESG ratings | LESG | |
| DEPENDENT VARIABLES: | | |
| <i>Return on Assets</i> | LROA | Net Income / Average Assets |
| <i>Return on Equity</i> | LROE | Net Income / Shareholders' Equity |
| <i>Tobins Q</i> | LTQ | Equity Market Value / Equity Book Value |
| <i>Market Value</i> | LMCAP | Current share price * number of shares outstanding |
| <i>Total Assets Turnover</i> | LTAT | Net sales / Average Total Assets |

Data analysis and Interpretation

1. Sectoral Observation

The graph below depicts the distribution of observations by industry sector, as described by the MSCI ESG ratings categorization. Overall, the representation of the various industries is balanced. The “Consumer Goods Sector” is having dominance followed by “Oil & Gas” sector. Companies in the “Finances” category, as mentioned above were not included.



| Descriptive Statistics | LESG | LROA | LROE | LMCAP | LTQ | LTAT |
|------------------------|----------|----------|----------|----------|----------|----------|
| Mean | 1.496273 | 1.947928 | 2.794454 | 13.09459 | 1.312526 | -0.16173 |
| Median | 1.609438 | 1.918091 | 2.886262 | 13.36746 | 1.243599 | -0.14368 |
| Standard Error | 0.020744 | 0.045731 | 0.05076 | 0.100135 | 0.06542 | 0.044027 |
| Standard Deviation | 0.353254 | 0.778775 | 0.864404 | 1.705237 | 1.114067 | 0.749753 |
| Sample Variance | 0.124788 | 0.606491 | 0.747195 | 2.907834 | 1.241146 | 0.56213 |
| Kurtosis | -0.18735 | 4.942478 | 1.843508 | 6.177765 | -0.1962 | 0.884003 |
| Skewness | -0.79258 | -0.83567 | -0.53957 | -2.26749 | 0.30592 | -0.41653 |
| Range | 1.252763 | 7.253003 | 5.684403 | 10.56505 | 5.618196 | 4.78139 |
| Minimum | 0.693147 | -2.87529 | -0.40242 | 5.784571 | -1.14295 | -2.66513 |
| Maximum | 1.94591 | 4.377717 | 5.281984 | 16.34962 | 4.475248 | 2.116256 |
| Sum | 433.9192 | 564.899 | 810.3918 | 3797.43 | 380.6326 | -46.9031 |
| Count | 290 | 290 | 290 | 290 | 290 | 290 |

2. Descriptive Statistics

Source: Author's Computation

The total number of observations is 290 across all variables. In order to smoothen the data, logs are taken for all the dependent and independent variables. LESG, the model's independent variable, has a standard deviation of 0.35, which is within an acceptable range with no excessive volatility. LTQ and LTAT skewness data suggests that there is fairly symmetrical, LMCAP is highly skewed whereas the remaining variables suggest moderate symmetrical skewness. The mean value of Tobin's Q which is 1.31 implies that most Indian enterprises are valued 1.5 times their intrinsic worth, indicating the health of Indian corporates.

The normality distribution as well as the mean to median ratio of the given data is approximately 1, which indicates the normality of the data. Comparing mean and standard deviation, it depicts lesser coefficient of variation. Thus, it can be concluded that the data is normally distributed

3. Correlation Analysis:

The table below depicts the correlation matrix.

| | LESG | LROA | LROE | LTQ | LTAT | LMCAP |
|-------|---------|--------|--------|--------|---------|-------|
| LESG | 1 | | | | | |
| LROA | -0.2512 | 1 | | | | |
| LROE | -0.1464 | 0.7135 | 1 | | | |
| LTQ | -0.1830 | 0.6866 | 0.6022 | 1 | | |
| LTAT | -0.1038 | 0.5655 | 0.5231 | 0.4755 | 1 | |
| LMCAP | 0.0937 | 0.0710 | 0.0586 | 0.2455 | -0.0591 | 1 |

Source: Author's Calculation

Correlation analysis explains the relationship between the dependent and explanatory variables. The above table concludes that variables LESG and LMCAP highest positive high degree of correlation which 0.0937. Rest all other variables have negative correlation which depicts moderate

to low degree correlation.

4. Panel Data Model

Following the basic investigation, the research continues to estimating the panel data model for analysing the impact of ESG ratings on financial, operational and market performance. On the assumption that the intercept and coefficient of all entities are more or less the same, the Pooled Regression Model is used and in addition the Breusch-Pagan (BP) test is applied to estimate the best model. The estimation model's results are reported in Table in the Appendix section. The p-value for cross-section is less than 0.05. It implies that, we reject the null hypothesis which states that there are no cross-section effects. This implies we accept the alternate hypothesis and go for Random Effects Model. The Hausman experiment was conducted to investigate if Random Effect estimations should be employed, or not and the REM were calculated. Further after analysis it was concluded that Random Effects Model will be suitable for all the 5 dependent variables.

| | LROA | LROE | LTQ | LMCAP | LTAT |
|----------------------------|-------------|-------------|------------|--------------|-------------|
| R-Squared | 0.006779 | 0.002247 | 0.000063 | 0.002893 | 0.0313 |
| Adjusted squared | 0.003331 | -0.00121 | -0.003409 | -0.00057 | 0.028 |
| Prob(F-statistic) | 0.1619 | 0.4213 | 0.8928 | 0.3614 | 0.0024 |
| Durbin-Watson stat. | 1.0261 | 1.3275 | 1.136201 | 1.09653 | 1.059 |

The results of the estimation model as per the REM are presented below for each dependent variable:

Table 4: Random Effect Estimates

| RANDOM EFFECT MODEL | | | | |
|----------------------------|-------------|--------------------|---------------------|--------------|
| Dependent Variable | | Coefficient | t-Statistics | Prob. |
| LROA | C | 2.2988 | 0.26398.708 | 0.0000 |
| | LESG | -0.235 | -1.408 | 0.1600 |
| LROE | C | 3.039 | 9.6386 | 0.0000 |
| | LESG | -0.1634 | -0.8073 | 0.4201 |
| LTQ | C | 1.2802 | 4.689 | 0.0000 |
| | LESG | 0.0211 | 0.1353 | 0.8925 |
| LMCAP | C | 13.313 | 40.6471 | 0.0000 |
| | LESG | -0.1465 | -0.914 | 0.3614 |

| | | | | |
|------|------|--------|---------|--------|
| LTAT | C | -0.476 | -3.3569 | 0.0009 |
| | LESG | 0.21 | 3.0638 | 0.0024 |

Source: Author's Calculation

For analyzing Random Effect estimates,
H0 = There is no significant relationship between

ESG Rating and dependent variable

H1 = There is a significant relationship between ESG Rating and dependent variable

Now we will check the P values for accepting or rejecting the null hypothesis at 95% level. From the table above it can be concluded that LESG which is ESG ratings and disclosures is having significant impact on LTAT which is the total asset turnover ratio as the P value is less than 0.05. on the other hand, ESG ratings seems to have no significant all other variables namely ROA, ROE, TOBINSQ, and Market Capitalization.

Empirical findings suggest that if the ESG ratings of companies increase by 1% then, the total asset turnover ratio will increase by 21 %, indicating that operational performance evaluated by using TAT as proxy seems to have positively impacts by an upgradation in the ESG rating.

Findings & Discussion

In line with the hypothesis laid back, empirical results suggest that there is statistically significant relation between ESG Ratings and Total Asset Turnover, which indicated the operational performance of firms. A firm's TAT seems to be positively impacted by ESG ratings at 5% level. There exists a positive relationship amounting to 21% among the two variables. All the variables does not seem to be impacted by ESG ratings and hence all other hypothesis have been accepted.

Conclusion

The main objective of this research was to analyses the relationship among corporate disclosure of environmental, social and governance (ESG) and firms' operational (LTAT), financial (ROE & ROA) and market performance (Tobin's Q & MCAP), and if these relationships are positives or negatives or even neutral. The findings suggest that there is no significant relationship among the ESG disclosures and financial performance as both the proxy variables Return on assets (LROA) and return on equity (LROE) are insignificant at 5% level. Further no significant association can be seen among the ESG ratings and market performance of firms, as both the proxy variables Tobins Q ratio (LTQ) and Market value represented by Market capitalization (LMCAP) are also insignificant at 5% level. Only operational performance, indicated by Total Asset Turnover (LTAT) a proxy variable, seems to have statistically significant relationship at 5% level, with ESG ratings and disclosures, indicating a 21% positive linkage with ESG. Further it can be concluded that corporates that are efficient and focused towards continuous corporate sustainability as well are concerned about environmental, social, and governance (ESG) issues are no different than firms that are not involved in these ESG activities, as they enjoy no significant benefits. Findings for Indian companies reflect the standard (Friedman 1962) thesis that ex allocating sustainability often reduces financial performance and that companies which demonstrate more success in sustainability are thus no different from those which have less performance in sustainability in India. These results might also show that the accounting measures are based mostly on the book value of the company based on a fundamental value based on tight internal and historical financial conditions. Because of increased

sustainability through reform, a business and hence may not have considerable influence. Barnett and Salomon (2012) have stated that companies might have a reduced financial performance to undergo the specified term as they invest in social performance. In India. In India. Since investments in social dimensions appear only to increase after 2015 (probably due to changes in companies' law in 2013) Jha and Rangarajan Asian Journal of Social Responsibility (2020) 5:10 Page 23 of 30done Indian companies can take some time to reflect their financial performance. Investments in social dimensions are expected to increase only in the post-2015 period. Maybe the present sample data period is not enough for Indian companies to have a substantial CFP influence because of these recent results