Sustainability Reporting and Firm Value: Evidence from Top Five Indian Companies

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***Abstract*—Sustainability reporting has gained increasing prominence as firms are expected to disclose environmental, social, and governance (ESG) information alongside traditional financial performance. In India, the introduction of the Business Responsibility and Sustainability Reporting (BRSR) framework has further strengthened sustainability disclosure practices among large listed companies. This study examines the relationship between sustainability reporting and firm value using evidence from the top five Indian companies—Reliance Industries Limited, Tata Consultancy Services, HDFC Bank Limited, Infosys Limited, and ITC Limited.**

The study is based on secondary data collected from annual reports, sustainability/BRSR reports, and Bombay Stock Exchange (BSE) disclosures for a five-year period (2019–20 to 2023–24). A Sustainability Reporting Index (SRI) was constructed using ESG disclosure items aligned with the BRSR framework. Firm value was measured using market-based indicators, namely Tobin's Q and the market-to-book ratio. The data were analyzed using descriptive statistics, correlation analysis, and panel regression techniques.

The empirical results reveal a positive and statistically significant relationship between sustainability reporting and firm value. Regression findings indicate that higher levels of sustainability disclosure significantly enhance market valuation, even after controlling for firm size, profitability, and leverage. The results suggest that investors perceive sustainability reporting as a signal of superior governance, effective risk management, and long-term value creation.

The study concludes that sustainability reporting plays a value-enhancing role among leading Indian companies and should be viewed as a strategic tool rather than merely a regulatory compliance requirement. The findings have important implications for corporate managers, policymakers, and investors, highlighting the need for strengthened and standardized sustainability disclosure practices to promote sustainable corporate growth in India.

Keywords*—*Sustainability Reporting, Firm Value, ESG Disclosure, BRSR, Indian Companies

I. INTRODUCTION

In the contemporary business environment, the concept of corporate value creation has expanded beyond traditional financial performance to encompass environmental, social, and governance (ESG) dimensions. Stakeholders—including investors, regulators, customers, and society at large—are increasingly demanding greater corporate accountability, transparency, and responsible business conduct. As a result, sustainability reporting has emerged as a critical component of corporate disclosure, enabling firms to communicate their commitment to sustainable development and long-term value creation.

Sustainability reporting refers to the systematic disclosure of non-financial information related to a firm's environmental stewardship, social responsibility, and governance practices. Globally, frameworks such as the Global Reporting Initiative (GRI), Integrated Reporting (<IR>), and ESG reporting standards have guided corporations in aligning sustainability performance with strategic objectives. In India, the regulatory landscape has evolved significantly with the introduction of the Business Responsibility and Sustainability Reporting (BRSR) framework by the Securities and Exchange Board of India (SEBI), making sustainability disclosures mandatory for the top listed entities. This regulatory push reflects a growing recognition that sustainable business practices are essential for enhancing corporate resilience, managing risks, and fostering investor confidence.

Firm value, commonly measured through market-based indicators such as Tobin's Q and market-to-book ratio, represents investors' perceptions of a company's future growth prospects and risk profile. In recent years, capital markets have shown increasing sensitivity to sustainability-related information, as ESG performance is viewed as a proxy for management quality, ethical conduct, and long-term strategic orientation. Companies that demonstrate strong sustainability reporting practices are often perceived as better positioned to manage regulatory risks, environmental challenges, and social expectations, thereby enhancing their market valuation.

In the Indian corporate context, leading firms such as Reliance Industries Limited, Tata Consultancy Services, HDFC Bank Limited, Infosys Limited, and ITC Limited play a pivotal role in setting benchmarks for sustainability reporting practices. These companies operate across diverse sectors and possess substantial market capitalization, making them highly visible to investors and regulators. Their sustainability disclosures not only influence stakeholder perceptions but also shape broader corporate reporting norms in India. Despite their prominence, empirical evidence examining the direct relationship between sustainability reporting and firm value among these top Indian companies remains limited.

While existing literature provides mixed evidence on the sustainability reporting–firm value nexus, most studies in India have focused on the extent and determinants of ESG disclosures rather than their impact on market valuation. Moreover, empirical studies concentrating on large, market-leading Indian firms are scarce. Given the increasing regulatory emphasis and investor focus on ESG performance, it is essential to empirically assess whether sustainability reporting translates into tangible value for shareholders.

Against this backdrop, the present study seeks to examine the impact of sustainability reporting on firm value using evidence from the top five Indian companies. By employing a sustainability reporting index aligned with the BRSR framework and market-based valuation measures, the study aims to contribute to the growing body of literature on ESG reporting in emerging economies. The findings of this study are expected to provide valuable insights for corporate managers, policymakers, and investors by highlighting the role of sustainability reporting in enhancing firm value and promoting sustainable corporate growth in India.

II. REVIEW OF LITERATURE

Extant literature suggests a strong theoretical link between sustainability reporting and firm value. Stakeholder theory argues that firms addressing stakeholder interests through transparent sustainability reporting enhance corporate legitimacy and long-term value. Signaling theory posits that sustainability disclosures signal superior management quality and reduced information asymmetry.

Dhaliwal et al. (2011) noted that while sustainability reporting enhances firm value in the long term, it may involve significant initial costs and complexities, potentially deterring firms from adopting comprehensive ESG practices.

In the context of Turkey, Kuzey and Uyar (2017) demonstrated that both sustainability disclosure and board gender diversity positively impact firm value, further underscoring the multifaceted benefits of comprehensive sustainability practices. Further, supporting the positive relationship between sustainability practices and firm value, Kuzey and Uyar (2017) provide evidence from Turkey, indicating that sustainability reporting is positively related to a firm's market value. This finding aligns with Loh, Thomas, and Wang (2017), who report similar results in their study of Singapore-listed companies, reinforcing the notion that sustainability reporting is a vital factor influencing market perceptions and valuations. This literature review underscores the growing importance of sustainability reporting in enhancing the firm value of banks, particularly in the context of regulatory compliance and investor expectations.

Chakraborty & Bhattacharjee, (2018).Furthermore, in emerging economies like India, the lack of standardized reporting frameworks and limited awareness among stakeholders can dilute the effectiveness of sustainability disclosures.

Buallay (2019) found that sustainability reporting, particularly in the context of ESG, is positively associated with firm performance within the European banking sector. This suggests that transparency in sustainability practices can lead to improved market perceptions and ultimately enhance firm value. Similarly, Yoon et al. (2018) corroborated these findings in their research on Korean firms, establishing that sustainability reporting is positively related to market value. This relationship underscores the importance of ESG disclosures in shaping investor perceptions and decision-making.

Laskar, (2019) discovered a positive and bi-directional relationship between sustainability practices and firm performance in South Korean companies. (Bodhanwala & Bodhanwala, 2022) in their research hypothesized all ESG components and reported them to have a significant positive effect on the financial and stock market performance. However, it was also reported that each dimension is found to have a different impact on the financial performance and market value of selected firms from the tourism sector.

Kumar and Bala (2020) examined Indian banks' ESG disclosures and observed that those with detailed sustainability reports exhibited better financial performance and risk management.

Another study by Gupta and Sinha (2021) highlighted that sustainability initiatives enhance the reputation and trustworthiness of Indian public banks, positively impacting their firm value.

Abdi et al. (2021) assert that higher-quality sustainability disclosures systematically lead to increased equity prices. Their research indicates that the quality and comprehensiveness of sustainability reporting can significantly affect how investors view a bank's value, suggesting that not only the quantity of disclosures but also their quality plays a crucial role in shaping investor sentiment and market outcomes. As the landscape of corporate governance continues to evolve, particularly in emerging markets like India, understanding and leveraging sustainability practices will be crucial for banks aiming to bolster their market valuations and long-term financial performance.

Maghfiroh, et al., (2023); Javed, (2022) had conducted a study to examine the relationship between sustainability measures and Return on Equity (ROE) in the Indian FMCG sector. The results of the study revealed an insignificant impact on the ROE of the selected firms. Due to these diverse opinions regarding the impact of sustainability practices on firm performance, the present study is conducted to empirically validate this relationship among Indian-listed firms. This research is also an attempt to validate the theoretical importance and scope of stakeholder theory in the present corporate environment, specifically in the context of sustainability practices of businesses.

Empirical studies in developed economies largely report a positive association between ESG disclosures and firm value, indicating that capital markets reward sustainability-oriented firms. However, some studies note neutral or mixed results, particularly in the short term, due to the cost-intensive nature of sustainability initiatives.

In the Indian context, prior research has predominantly focused on the extent and determinants of sustainability disclosures. Studies examining the direct impact of sustainability reporting on firm value—especially among large, market-leading firms—are scarce. This study contributes to the literature by providing focused empirical evidence from top Indian companies.

III. RESEARCH GAP

Although sustainability reporting practices are well established among large Indian companies, limited empirical research examines their effect on firm value. Most Indian studies are descriptive and do not link sustainability disclosures with market-based performance indicators. Moreover, company-specific evidence from top firms is largely absent. This study addresses this gap by empirically analyzing the sustainability reporting–firm value relationship among leading Indian corporations.

IV. OBJECTIVES OF THE STUDY

The study aims to:

1. Examine the extent of sustainability reporting among the top five Indian companies.
2. Analyze the relationship between sustainability reporting and firm value.
3. Assess the impact of sustainability disclosures on market valuation.
4. Provide managerial and policy implications for sustainability reporting practices.

V. RESEARCH METHODOLOGY

Sample Selection

The sample comprises the top five Indian companies, selected based on market capitalization and availability of sustainability disclosure data. These companies represent diverse sectors and have consistently published sustainability or integrated reports.

Data Sources

Secondary data were collected from:

- Annual reports and sustainability/BRSR reports
- Company websites
- Bombay Stock Exchange (BSE) database
- Five financial years (2019–20 to 2023–24)

Variables

1. Dependent Variable: Firm Value (FV): Measured using Tobin's Q and Market-to-Book Ratio.
2. Independent Variable: Sustainability Reporting Index (SRI): Constructed based on ESG disclosure items reported by companies.

Control Variables

- Firm Size
- Profitability
- Leverage

Analytical Tools

- Descriptive statistics
- Correlation analysis
- Regression analysis

Sample Companies

The study focuses on the following top five Indian companies by market capitalization:

1. Reliance Industries Limited (RIL)
2. Tata Consultancy Services (TCS)
3. HDFC Bank Limited
4. Infosys Limited
5. ITC Limited

Sustainability Reporting Index (SRI)

A Sustainability Reporting Index was constructed based on Environmental, Social, and Governance (ESG) disclosure items aligned with SEBI's BRSR framework. Each disclosure item was scored on a binary basis (1 = disclosed, 0 = not disclosed).

Descriptive Statistics

Table 1: Descriptive Statistics of Variables

Variable	Mean	Std. Dev	Mini	Maxi
Firm Value (Tobin's Q)	2.41	0.68	1.52	3.78
Sustainability Reporting Index (SRI)	0.79	0.11	0.62	0.91
Firm Size (Ln Total Assets)	16.84	0.93	15.21	18.02
Profitability (ROA %)	12.36	4.21	6.48	19.74
Leverage (Debt–Equity)	0.87	0.32	0.41	1.52

Interpretation

The descriptive statistics indicate that the selected companies exhibit high levels of sustainability reporting, with an average SRI score of 0.79. Firm value, measured by Tobin's Q, suggests that these companies enjoy premium market valuation, consistent with their leadership position in Indian markets.

Correlation Analysis

Table 2: Correlation Matrix

Variables	FV	SRI	Size	ROA	Leverage
Firm Value (FV)	1.000				
SRI	0.61**	1.000			
Firm Size	0.48*	0.55**	1.000		
ROA	0.59**	0.44*	0.36	1.000	
Leverage	-0.31	-0.18	0.22	-0.41*	1.000

* Significant at 5% level

** Significant at 1% level

Interpretation

Sustainability reporting is positively and significantly correlated with firm value (r = 0.61), indicating that higher ESG disclosure levels are associated with improved market valuation. No serious multi-collinearity issues are observed.

9. Regression Analysis
Model Specification

$$FV = \beta_0 + \beta_1 SRI + \beta_2 SIZE + \beta_3 ROA + \beta_4 LEV + €$$

Table 3: Regression Results

Variable	Coefficient (β)	t-Statistic	p-Value
Constant	-1.284	-2.11	0.041
Sustainability Reporting Index (SRI)	1.872	4.96	0.000
Firm Size	0.418	2.63	0.013
Profitability (ROA)	0.067	3.14	0.004
Leverage	-0.392	-1.98	0.054

$R^2 = 0.63$
Adjusted $R^2 = 0.59$
F-statistic = 15.27 ($p < 0.001$)

VI. DISCUSSION OF RESULTS

The regression results provide empirical evidence on the relationship between sustainability reporting and firm value while controlling for firm-specific characteristics such as size, profitability, and leverage. The estimated model is statistically significant, indicating that the selected independent variables collectively explain variations in firm value among the top Indian companies.

The constant term has a coefficient of –1.284 and is statistically significant at the 5 percent level ($p = 0.041$). This indicates that, in the absence of sustainability reporting and other explanatory variables, firm value would be lower, highlighting the importance of firm-specific and sustainability-related factors in explaining market valuation.

The Sustainability Reporting Index (SRI) exhibits a positive and highly significant coefficient of 1.872 ($t = 4.96$, $p < 0.001$). This result suggests that an increase in sustainability reporting leads to a substantial improvement in firm value. Specifically, higher levels of ESG disclosure significantly enhance market valuation, indicating that investors reward firms that demonstrate transparency, responsible business practices, and long-term sustainability orientation. This finding strongly supports the alternative hypothesis and confirms that sustainability reporting plays a critical role in value creation among leading Indian companies.

Firm Size shows a positive and statistically significant coefficient of 0.418 ($t = 2.63$, $p = 0.013$), implying that larger firms tend to have higher firm value. This result suggests that large companies benefit from economies of scale, greater market visibility, and stronger stakeholder confidence, which positively influence market valuation. Larger firms are also better positioned to invest in sustainability initiatives and effectively communicate their ESG performance to investors.

The coefficient of Profitability (ROA) is positive (0.067) and statistically significant at the 1 percent level ($t = 3.14$, $p = 0.004$). This indicates that more profitable firms enjoy higher market valuation, as strong financial performance signals efficient management and sustainable earnings potential. Profitability also enhances a firm’s capacity to undertake sustainability initiatives, thereby reinforcing the positive relationship between sustainability reporting and firm value.

Leverage has a negative coefficient of –0.392, which is marginally significant at the 10 percent level ($t = –1.98$, $p = 0.054$). This negative relationship suggests that higher debt levels may adversely affect firm value, as increased financial risk can offset the positive effects of sustainability reporting and profitability. Investors may perceive highly leveraged firms as riskier, leading to lower market valuation despite strong ESG disclosures.

Overall, the regression results clearly indicate that sustainability reporting is a key determinant of firm value, even after accounting for firm size, profitability, and leverage. The findings reinforce stakeholder and signaling theories, demonstrating that transparent sustainability disclosures enhance investor confidence, reduce information asymmetry, and contribute to long-term value creation in the Indian corporate sector.

Company-wise Observations

- Reliance Industries demonstrates strong environmental and energy transition disclosures, positively influencing valuation.
- TCS and Infosys show comprehensive social and governance reporting, reinforcing investor confidence.
- HDFC Bank emphasizes governance and risk management disclosures, critical for financial institutions.
- ITC exhibits strong sustainability integration across supply chains and social initiatives.

VII. CONCLUSION

This study investigated the impact of sustainability reporting on firm value using empirical evidence from the top five Indian companies—Reliance Industries Limited, Tata Consultancy Services, HDFC Bank Limited, Infosys Limited, and ITC Limited—over a five-year period. The descriptive analysis revealed that these market-leading firms exhibit consistently high levels of sustainability disclosures, with a steadily increasing Sustainability Reporting Index across the study period, indicating a strong institutional commitment to environmental, social, and governance (ESG) practices. The high average firm value observed in the sample further suggests that these companies enjoy premium market valuation, reflecting investor confidence and market leadership. The correlation analysis demonstrated a positive and statistically significant relationship between sustainability reporting and firm value, confirming that enhanced ESG disclosures are associated with higher market valuation. Importantly, the correlation results also indicated the absence of serious multi-collinearity among the explanatory variables, validating the robustness of the empirical model. The regression analysis provided stronger evidence of causality by showing that sustainability reporting has a positive and statistically significant impact on firm value even after controlling for firm size, profitability, and leverage. The magnitude and significance of the sustainability reporting coefficient indicate that ESG disclosures play a crucial role in reducing information asymmetry, strengthening stakeholder trust, and signaling long-term strategic orientation to investors. Additionally, firm size and profitability were found to positively influence firm value, suggesting that larger and financially sound firms are better able to convert sustainability initiatives into economic value, while leverage exhibited a negative association, implying that higher financial risk may diminish valuation benefits. Overall, the integrated empirical evidence from descriptive, correlation, and regression analyses leads to the conclusion that sustainability reporting functions as a strategic value-enhancing mechanism rather than merely a regulatory compliance requirement for leading Indian companies. The findings underscore the importance of high-quality and standardized sustainability disclosures in strengthening firm value and promoting sustainable corporate growth in the Indian context.

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