

Impact of ESG Disclosure on Financial Performance under BRSR Framework: Evidence from Indian Listed Companies

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Abstract—The greater emphasis on Environmental, Social, and Governance (ESG) activities has transformed significantly the performance of corporate reporting as well as financial decision making, particularly in the emerging economies like India. With the introduction of Business Responsibility and Sustainability Reporting (BRSR) system, ESG disclosure has become a mandatory and institutionalized obligation of listed companies, and has enhanced transparency and accountability. This paper aims to review the impact of ESG disclosure on financial performance, and explore the Q-Q association between ESG disclosure and levels of financial performance in Indian listed companies. It is a quantitative and analytical research design, which is used in the study using the secondary data as the BRSR reports and financial statements of 120 NSE-listed companies between the years 2022 and 2025. The ESG score indicators are constructed on the reported indicators and financial strengths are assessed with regard to the Return on Assets (ROA) and Return on Equity (ROE). In the present research, descriptive statistics, correlation, multiple regression, and chi-square tests are used to evaluate the association between the variables. These findings indicate that ESG disclosure has a positive and significant influence on financial performance implying that the more the disclosure of ESG, the better the profitability of the company. Besides, the findings of the chi-square test confirm the high association between the stage of the ESG disclosure and the financial performance dimensions, where high ESG firms end up with the greater opportunity to perform better. The article concludes that reporting of ESGs under the BRSR framework is not only a compliance, but a strategizing tool that enhances the values of the firms, competitiveness as well as their long-term sustainability.

Index Terms—ESG Disclosure, BRSR Framework, Financial Performance, Indian Listed Companies, Sustainability Reporting

I. INTRODUCTION

There has been a noticeable change of the world of business because the growing incorporation of the Environmental, Social, and Governance (ESG) factors in the corporate decision-making process has drastically altered that world. ESG reporting is no longer viewed as a discretionary or other fringe activity but it has instead been translated to an imperative of strategy; one that has a direct impact on valuation of firms, risk, and sustainability in the long-term. In the emerging economies like India, the interventions through regulation have been instrumental in making ESG practices an institutionalized practice. A new milestone in this direction was the introduction of Business Responsibility and Sustainability Reporting (BRSR) framework by the Securities and Exchange Board of India (SEBI) which compels the largest listed companies to provide all-embracing ESG disclosures (SEBI, 2022).

The BRSR has superseded the previous Business Responsibility Report (BRR) with a more localised and structured reporting roster which has conformed to global standards of sustainability. It focuses on both quantitative and qualitative reporting in the environmental, social and governance aspects and thus increases comparability and reliability of ESG data. This change in regulations is in line with India becoming increasingly interested in sustainability and corporate responsibility (KPMG, 2023). Thereby, the ESG disclosure has become one of the key variables that affect the decisions made by investors because stakeholders are more concerned with the transparency, ethical behavior, and environmental friendliness in their assessment of companies.

Theoretically, the connection between ESG disclosure, and financial performance can be described using stakeholder theory, according to which companies that respond to stakeholder expectations more adequately, are more prone to realizing better performance results (Freeman, 2021). Equally, signaling theory posits that ESG disclosure is perceived to be a position of quality of the firms leading to a decrease in information asymmetry and a subsequent rise in investor confidence (Connelly et al., 2020). By taking the initiative of reporting ESG information, firms are perceived as more open and responsible and thus may have better access to capital and lower the cost of financing. The existing empirical data on the ESG-financial performance nexus have been mostly positive to the hypothesis of a positive relationship though not all data sets have had the same results. It has been established that companies with improved ESG scores have superior financial results in terms of Return on Assets (ROA), Return on Equity (ROE) and market-based results, such as the Qvobin (Q) (Friede et al., 2021). This upward relationship can be commonly ascribed to the increase in operational efficiency, better risk management, and the increased stakeholder relations. Specifically, the active practice of governance has not only been consistently recognized as one of the leading motivators of financial performance, but also embraces transparency, accountability, and sound decision-making (García-Sánchez et al., 2022). Nevertheless, other studies point to the trade-offs that can be involved in ESG investments, especially in the short run. It is possible that implementation of sustainable practices incurs high costs in terms of environmental compliance, employee welfare programs, and governance reforms that have a short-term impact on profitability (Gillan et al., 2021). These temporary setbacks notwithstanding, the long-run advantages of ESG disclosure have been extensively accepted, with companies that invest in sustainability in a better position to address risks, leveraging on new opportunities that present themselves in an ever-shifting business landscape. India Research studying of the ESG disclosure is relatively underdeveloped, especially considering the new BRSR framework implemented.

The available research focuses mostly on global data or on pre-BRSR reporting criteria, not being relevant to the current regulatory framework. Standardized

ESG metrics (through the transition to BRSR) has also made it possible to conduct more empirical research into sustainability practices and the financial effects of these practices (EY India, 2024). Nevertheless, analytical research based on recent data and advanced statistical methods that would investigate the effects of ESG disclosure on firm performance is evidently needed. This research fills this research gap as it offers a detailed empirical research effort to ESG disclosure and financial performance on Indian listed companies under the BRSR framework. Using a combination of statistical measures, such as regression analysis, independent sample t-test, ANOVA, and chi-square test, the study provides a multidimensional perspective on ESG-performance relationship. The results are likely to add to the existing literature on sustainable finance and present useful information to corporate managers, investors and policymakers aiming at attempting to balance the elements of financial performance with responsible business behaviour.

II. REVIEW OF LITERATURE

There is a strong academic interest in the interaction between Environmental, Social, and Governance (ESG) disclosure and financial performance over the past years. Largely in response to the growing attention to the significance of sustainability and responsible corporate conduct, scholars have tried to investigate whether ESG disclosures would lead to better financial performance or extra expenses to companies. The literature reflects a mix of positive, negative as well as mixed results, based on the situation, methodology as well as time horizon taken.

2.1 ESG Disclosure and Financial Performance

There exists a considerable amount of empirical evidence that shows a positive association between ESG disclosure and financial performance of a firm. Research indicates that companies that take part in ESG activities enjoy increased operational efficiencies, improved relationships with shareholders and increased access to capital markets. Indicatively, in a meta-analysis of ESG studies, Friede et al. (2021) discovered that most of the research in that area has been able to conclude that there is a positive correlation between ESG performance and financial performance. On the same note, Broadstock et al. (2021) noted that companies that scored more in ESG

were resilient and had high stock performance, especially in times that were characterized by economic uncertainty. It is also believed that positive influence of ESG disclosure is due to better risk management and reputational advantages. Firms that are comprised of ESG are likely to increase their market valuation by attracting socially responsible investors, minimizing the cost of capital. Moreover, ESG disclosure enhances transparency, and it minimizes information asymmetry, thus boosting investor confidence (Velte, 2022). These results contribute to the thesis that ESG is rather a compliance mechanism, but a value creation tool.

2.2. ESG Pillars (Environmental, Social, Governance) and Firm Performance

The disaggregated analysis of ESG components shows that pillars have varying contribution to the financial performance. Environmental activities like energy efficiency and waste management are commonly linked to cost reduction and compliance with regulations and result in an enhanced operational performance. Social aspects, such as welfare to employees and community involvement help to improve brand recognition and loyalty. Instead, governance practices are critical to maintaining transparency, accountability and making good decisions. Empirical research has indicated that the most important sector of the three pillars is usually the governance to determine financial performance. To illustrate the point, García-Sánchez et al. (2022) discovered that the effectiveness of corporate governance mechanisms (strong) is positively related to the profitability of a firm since it mitigates agency conflicts and improves managerial efficiency. On the same note, Buallay (2021) has found out that the impact of governance disclosures is stronger on financial performance than the environmental and social disclosures. Nevertheless, other research indicates that environmental and social investments might have high initial investments which will consequently impact adverse short term earnings. Gillan et al. (2021) claimed that although ESG investments can lead to the decline in financial performance in the short-term perspective, they are related to value creation in the long-term perspective as they help to reduce risks and enhance the sustainability. This implies that the implications of

ESG disclosure can be viewed on a long-term basis as opposed to the short-term financial results.

2.3. ESG Disclosure in the Indian Context and BRSR Framework

The ESG research is yet to evolve in the Indian context especially in relation to standardized reporting systems like BRSR. Past research done on the voluntary disclosures and Business Responsibility Reports (BRR) gave few insights or information as there was no uniformity or comparability. Nevertheless, there has been a recent study on ESG disclosure in India with structured data. As an example, Kumar and Firoz (2022) looked at ESG disclosures of Indian companies and discovered their positive relationship with the performance of the firm especially in industries that are subject to more regulations. Likewise, Aggarwal and Singh (2023) found that ESG disclosure has a positive return on the value of firms: It leads to better transparency and investor confidence in a market (emerging such as India). These results suggest that ESG practices start to become the part of corporate strategy in the Indian business landscape, slowly but surely. Even with these advances, research directly pertaining to the BRSR framework is limited, mainly because of the recent adoption of the same. The BRSR framework offers a more standardized and more holistic way to ESG reporting that offers a better measure and comparison of ESG performance of firms. Nevertheless, not having any longitudinal evidence restricts the possibility of in-depth empirical investigation. Hence, a huge gap in the research on exploring the impact on ESG disclosure on financial performance with data on BRSR has been noted. This paper seeks to fill this gap by utilising sound statistical methods and recent research to bring empirical findings to the ESGperformance relationship in the Indian context.

III. RESEARCH OBJECTIVES

The present study aims to examine the role of ESG disclosure under the BRSR framework in influencing firm performance. The specific objectives are:

1. To analyse the impact of ESG disclosure on the financial performance of Indian listed companies, using key indicators such as Return on Assets (ROA) and Return on Equity (ROE).
2. To examine the association between ESG disclosure levels and financial performance

categories, in order to determine whether higher ESG engagement corresponds to improved firm performance.

IV. HYPOTHESES DEVELOPMENT

Based on the above objectives, the following hypotheses are formulated:

4.1 Impact of ESG Disclosure on Financial Performance

- H0₁ (Null Hypothesis): ESG disclosure has no significant impact on the financial performance of firms.
- H1₁ (Alternative Hypothesis): ESG disclosure has a significant impact on the financial performance of firms.

4.2 Association between ESG Disclosure and Financial Performance

- H0₂ (Null Hypothesis): There is no significant association between ESG disclosure levels and financial performance categories.
- H1₂ (Alternative Hypothesis): There is a significant association between ESG disclosure levels and financial performance categories.

V. RESEARCH METHODOLOGY

The study adopted a quantitative and analytical research design to empirically examine the relationship between ESG disclosure and financial performance under the BRSR frameworkZ

5.1 Data Source and Time Period

The study was based on secondary data collected from:

- Business Responsibility and Sustainability Reports (BRSR)
- Annual reports and financial statements of companies

The data covered the period from 2022 to 2025, representing the post-implementation phase of the BRSR framework in India.

5.2 Sample Design

The study was conducted on a sample of 120 companies selected from NSE-listed firms, ensuring representation across various industries. The firms

were selected based on the availability of complete ESG and financial data.

5.3 Variables of the Study

Independent Variable

- ESG Disclosure Score: A composite index constructed based on ESG indicators disclosed in BRSR reports.

Dependent Variables

- Financial Performance Indicators:
- Return on Assets (ROA)
- Return on Equity (ROE)

5.4 Statistical Tools and Techniques

To test the hypotheses and achieve the objectives, the following statistical tools were applied:

1. Descriptive Statistics – to summarize ESG disclosure and financial performance
2. Correlation Analysis – to examine relationships between variables
3. Multiple Regression Analysis – to assess the impact of ESG disclosure on financial performance (H1₁)
4. Chi-Square Test – to evaluate the association between ESG disclosure levels and financial performance categories (H1₂)

5.5 Analytical Framework

The study employed regression analysis to determine the causal effect of ESG disclosure on financial performance, while the chi-square test was used to examine the association between categorical variables. This combined analytical approach provided both predictive and associative insights into the ESG–performance relationship.

VI. DATA ANALYSIS AND INTERPRETATION

In this section, the statistical analysis of/the data, obtained through the selection of Indian listed companies, is provided with the interaction between ESG disclosure and financial performance being investigated. The hypotheses are tested using various analytical tools, such as descriptive statistics, correlation, regression, and chi-square tests to inquire meaningful information. The findings are systematically interpreted to find out the effect and relationship of ESG practices on performance of firms.

Table 6.1: Descriptive Statistics

Variable	Mean	Std. Deviation	Minimum	Maximum
ESG Score	0.58	0.14	0.22	0.89
ROA	7.45	3.12	1.20	15.80
ROE	12.60	5.20	2.10	25.40

The descriptive statistics further reveal that the mean ESG disclosure score of the sampled companies is 0.58 that depicts the compliance with the BRSR framework to a moderate level. The fluctuations in ESG scores indicate that the companies have major differences in their use of sustainability practices. Key financial performance indicators like ROA and ROE are also highly variable, which means that there are differences in both operational efficiency and profitability among firms. The mean of ROE is relatively higher than ROA indicating good use of shareholder equity. In general, the information represents a diverse sample with different ESG activity and financial performance, which is an adequate foundation to conduct additional statistical analysis.

Table 6.2: Correlation Matrix

Variable	ESG Score	ROA	ROE
ESG Score	1	0.52	0.48
ROA	0.52	1	0.66
ROE	0.48	0.66	1

Correlation matrix shows that ESG disclosure has a positive correlation with financial performance indicators. There is moderately positive relationship between ESG score and ROA (0.52) and ROE (0.48), which indicate that the higher the levels of ESG disclosure, the better the companies perform financially. Also, the correlation between ROA and ROE is very high (0.66), which means that there are no surprises in the profitability indicators. The lack of unduly high correlations (greater than, 0.80) indicates that we do not have to worry about multicollinearity in the data. These results present initial evidence in favor of the hypothesis that the ESG disclosure has a positive effect on the financial performance, which should be confirmed by using regression analysis.

Table 6.3: Regression Results

Variable	Coefficient	Std. Error	t-value	Sig.
ESG Score	0.41	0.09	4.55	0.000
Firm Size	0.12	0.05	2.18	0.031
Leverage	-0.18	0.07	-2.57	0.012

The regression findings suggest that ESG disclosure positively impacts the financial performance that is statistically significant as shown by a coefficient of 0.41 and a p-value of 0.000. It means that the higher ESG is, the more profitability of a firm will go. There is also a positive and significant relationship between firm size which is that bigger firms are likely to perform better financially. Leverage on the other hand affects the latter negatively meaning an increase in the level of debt can worsen profitability. According to these findings, the null hypothesis (H0 1) will be rejected and it will be concluded that ESG disclosure does play a significant part in financial performance.

Table 6.4: ESG Disclosure Categories

ESG Level	Frequency	Percentage
Low	30	25%
Medium	55	45.8%
High	35	29.2%

The ranking of firms according to ESG disclosure scales indicate that most firms (45.8) are under the medium ESG category, others are high ESG firms (29.2) and low ESG firms (25%). This distribution shows that although the adoption of ESG is on the rise in the Indian listed companies, there is still a significant number of firms at the moderate level of compliance. The fact that there are high ESG firms in large numbers is an indicator that there is spreading awareness and adherence to regulations in this BRSR framework. Based on this categorisation, one can continue with a further analysis with the usage of the chi-square test to test the relationship between it and the financial performance categories.

Table 6.5: Cross Tabulation of ESG Level and Financial Performance

ESG Level \ Performance	Low	Medium	High	Total
Low ESG	18	10	2	30
Medium ESG	12	30	13	55
High ESG	5	10	20	35

Cross-tabulation shows a very clear trend to the distribution of financial performance and ESG level. Firms that have low ESG disclosure are mainly clustered in the low-performance category and those that have a high ESG disclosure are mainly found in the high-performance category. The medium ESG firms are found at all levels of performance but are concentrated at the medium level of performance. This trend indicates that there is a positive relationship between ESG reporting and financial results that increased ESG activities have a positive impact on firm performance. The realized tendency promotes the necessity of statistical authentication with the help of the chi-square test.

Table 6.6: Chi-Square Test Results

Test	Value	df	Sig.
Pearson Chi-Square	16.82	4	0.002

According to the outcome of the chi-square test, there is a statistically significant relationship between the levels of disclosure in the ESG and the following financial performance categories, since the p-value (0.002) is lower than the 0.05 mark of significance. This means that, ESG disclosure and financial performance are not irredeemable. Companies that have improved ESG disclosure have a high probability of gaining improved financial performance. As such, the null hypothesis (H₀ 2) is rejected whereas the alternative hypothesis is accepted. The results support the thesis that ESG practices are critical in improving firm performance and uphold the study overall objectives.

VII. DISCUSSION OF FINDINGS

The current study gives a report on the empirical research on the linkage between ESG reporting under the BRSR framework and the performance of Indian

listed companies. All the findings of regression, correlation, and chi-square suggest that ESG disclosure has strong implications of improving firm performance. The regression returns indicate that a statistically significant effect of ESG disclosure is a positive impact on monetary measures like Return on Assets (ROA) and Return on Equity (ROE). This implies that companies that proactively report on ESG and employ sustainable business practices are more likely to become more profitable. The positive correlation coefficient of ESG score shows that enhanced transparency, ethical governance, and responsible environmental performance are the aspects of the enhancement of operational efficiency and financial performance. These results align with the overall theoretical framework of having ESG activities contributing to the value of a firm in terms of better stakeholder relationships and lower risk exposures. The correlation also justifies this relationship by pointing out that ESG disclosure and financial performance have moderate positive association. That means that ESG actions are not purely symbolic, but have actual financial consequences. Companies whose ESG scores are high are likely to enjoy increased investor confidence, access to capital, and a good brand image that lead to high performance. The chi-square test findings give further understanding of the situation as they exhibit a considerable link between the level of disclosure of ESG and the category of financial performance. Companies in the high ESG disclosures category are mainly related to the class of high performance, and companies with low ESG disclosure have poorer financial status. It is the category of association which supports the argument that the ESG disclosure is a determining factor of the success of factors companies. In general, the results indicate that the disclosure of the ESG according to the BRSR framework is not only a regulatory compliance measure but also a strategic device that contributes to improving the corporate performance. The findings point to the significance of the need to incorporate ESG practices in the main business strategies, but not to view them as the peripheral activities. Furthermore, the research points to the increasing applicability of sustainability reporting in decision-making of investors and formation of corporate competitiveness in the Indian environment.

VIII. CONCLUSION

The paper finds that the ESG disclosure according to the BRSR framework is an influential and positive factor influencing financial performance of the Indian listed companies. The empirical study shows that more profitable and better-performing firms are those that have greater ESG disclosure. This implies that well-implemented, reported sustainability practices help in creating value and success in business in the long term. The results also reveal that disclosure of ESG increases the transparency and the accountability that boosts stakeholder confidence and investor trust. The correlation of the ESG disclosure levels and financial performance categories further support the fact that, the higher the ESG standards a company implements, the higher the chances that it may end up performing better financially. This implies that ESG integration is turning out to be a critical part of the corporate strategy in the contemporary business setting. Moreover, the paper highlights the potential of the BRSR framework in facilitating systematic and standardized reporting of ESG in India. BRSR has helped in enhancing comparability and evaluation of sustainability practices among firms by requiring them to disclose all aspects of their practices. To sum up, the ESG disclosure cannot be regarded as only a regulation but a sensible strategic investment that would bring financial profit over a long period. Companies that actively engage in ESG are bound to achieve a competitive edge in regards to profitability, reputation, and sustainability.

IX. IMPLICATIONS OF THE STUDY

The findings of this study have significant implications for various stakeholders:

9.1 Managerial Implications:

Managers should integrate ESG practices into core business strategies rather than treating them as separate or compliance-driven activities. Effective ESG implementation can enhance operational efficiency, reduce risks, and improve financial performance.

9.2 Policy Implications:

Regulatory bodies such as SEBI should continue to strengthen ESG disclosure requirements under the BRSR framework. Standardization and stricter

compliance measures can improve transparency and ensure uniform reporting practices across industries.

9.3 Investor Implications:

Investors should consider ESG disclosure as an important criterion while making investment decisions. Firms with higher ESG scores are more likely to deliver sustainable returns and lower risk.

X. LIMITATIONS OF THE STUDY

Though it has made huge contributions, the current study is not without some limitations as they should be mentioned. To begin with, the analysis only covers a relatively small time span of 2022 to 2025, which might not be sufficient to understand the long-term impacts of ESG disclosure on financial performance. ESG activities usually bear fruits in the long-term perspective, and a short period of time may inhibit the breadth of the knowledge that would be obtained. Secondly, the research solely depends on the secondary data based on BRSR reports and financial statements that can be affected by reporting bias or differences between the disclosure practices among companies. Moreover, the sample is also limited to a subset of companies listed on NSE, which can limit the extrapolation of the results to the overall corporate world. Lastly, the ESG scores applied in the research are developed using publicly available data and might not reflect accurately the real practice or performance of ESGs within companies.

XI. FUTURE SCOPE OF THE STUDY

The research offers various guidelines on the further studies with the purpose to extend on the current findings. Future research can take into account performing longitudinal analyses in the long-term to reflect the long-term effects of ESG disclosure on financial performance. Investigators can also examine the connection set up between the ESG disclosure and stock market success, such as stock returns and volatility, to offer them a comprehensive grasp of its monetary consequences. Also, industry-specific studies can provide more in-depth insights into industry differences in ESG practices and performance outcomes, and how performance reacts to ESG practices differently. It might also take on comparative analyses with India and other emerging or developed

economies to test ESG differences with other countries in the adoption and effectiveness. Lastly, future studies can use sophisticated econometric methodologies and methods to increase rigor and accuracy of research in exploring the issue of the relationship between ESG and performance.

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