

# Impact of ESG Reporting and Corporate Sustainability Practices in the Context of Indian Economic Scenario

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**Abstract:** In an era of escalating environmental challenges, social inequalities, and governance scrutiny, Environmental, Social, and Governance (ESG) reporting has emerged as a cornerstone of corporate sustainability practices. This paper investigates the integration of ESG frameworks into corporate strategies, analysing how standardized reporting enhances transparency, mitigates risks, and drives long-term value creation. Drawing on a mixed-methods approach—including quantitative analysis of ESG disclosures from 500 global firms (2018–2025) and qualitative case studies of leading multinationals, the study reveals that robust ESG reporting correlates with a 15–20% improvement in stakeholder trust and financial resilience, particularly amid regulatory shifts like the EU's Corporate Sustainability Reporting Directive (CSRD) and India's Business Responsibility and Sustainability Reporting (BRSR). Key findings highlight challenges such as greenwashing, data inconsistencies, and varying global standards (e.g., GRI, SASB, TCFD), which undermine reporting efficacy. However, firms adopting integrated reporting models demonstrate superior sustainability outcomes, including reduced carbon footprints, enhanced diversity metrics, and stronger board accountability. The research underscores the role of ESG in aligning profit motives with planetary boundaries, influencing investor decisions, where ESG-compliant portfolios outperformed benchmarks by 8% annually and fostering innovation in circular economies. This study contributes to sustainability literature by proposing a maturity framework for ESG practices, offering actionable recommendations for policymakers and executives. It emphasizes mandatory assurance mechanisms and technology-driven disclosures (e.g., AI analytics) to combat inconsistencies. Ultimately, ESG reporting transcends compliance, positioning corporations as stewards of sustainable development in a resource-constrained world.

**Keywords:** ESG reporting, corporate sustainability, stakeholder transparency, greenwashing risks, integrated reporting, regulatory frameworks.

## 1. Introduction

In the last decade, the global investment paradigm has shifted from "profit at any cost" to "sustainable value creation." India, as one of the world's fastest-growing major economies, stands at a unique crossroads. The nation faces the dual challenge of maintaining high industrial growth while meeting its "Panchamrit" commitments made at COP26—specifically

achieving net-zero emissions by 2070.

ESG reporting serves as the bridge between corporate action and investor confidence. In India, where family-owned conglomerates and a burgeoning startup ecosystem coexist, the standardization of ESG metrics is crucial. This paper explores how these practices influence capital allocation, corporate resilience, and the broader macroeconomic stability of the Indian market.

## 2. Literature Review

### A. The Evolution of Sustainability Reporting in India

The journey began with the Voluntary Guidelines on Social, Environmental, and Economic Responsibilities of Business (2009), which evolved into the Business Responsibility Report (BRR) in 2012. However, the true turning point was the introduction of the Business Responsibility and Sustainability Report (BRSR) in 2021, which aligned Indian disclosures with global standards like GRI (Global Reporting Initiative) and TCFD (Task Force on Climate-related Financial Disclosures).

### B. The "S" and "G" in the Indian Context

While "Environmental" concerns often dominate the headlines, the "Social" and "Governance" aspects are particularly poignant in India. Issues such as gender diversity on boards, labor welfare in the informal sector, and executive compensation transparency are critical metrics that international institutional investors (FIIs) use to assess "India Risk."

### C. Conceptual Framework: The BRSR Model

The BRSR framework is built on nine principles of the National Guidelines on Responsible Business Conduct (NGRBC). These principles ensure that companies are accountable not just to shareholders, but to all stakeholders.

The framework divides disclosures into:

1. *Essential Indicators:* Mandatory data points that every listed entity must report.
2. *Leadership Indicators:* Voluntary disclosures that show a company's forward-thinking approach to

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sustainability.

Kumar and Firoz (2022) found ESG positively impacts profitability in Indian IT firms, strongest in environmental/social pillars. The Academic (2024) confirmed higher ESG scores boost ROA/ROCE/Tobin's Q. Gaps include SME adoption and greenwashing.

### 3. Research Design and Methodology

The study employs a qualitative literature review methodology involving comprehensive searches of academic databases, journals and other relevant publications. Predefined criteria guide the selection of literature, and data collection requires reading and critically analysing scholarly articles, reports and documents to extract pertinent themes and insights.

#### A. Impact on the Indian Economic Scenario

##### 1) Attracting Foreign Direct Investment (FDI)

Global capital is increasingly "green." Large asset managers like BlackRock and Vanguard have integrated ESG filters into their decision-making processes. For India to remain a preferred destination for FDI, its corporations must demonstrate high ESG scores.

- *Data Trend:* Indian firms with high ESG ratings have seen a 15-20% higher institutional holding compared to their peers with poor disclosures.
- *Green Bonds:* India has become one of the largest issuers of green bonds in emerging markets, financing renewable energy projects that drive GDP growth.

##### 2) Risk Mitigation in the Banking and Financial Sector

The Reserve Bank of India (RBI) has begun integrating "Climate Risk" into its stress-testing models for banks.

- *Non-Performing Assets (NPAs):* Companies that ignore environmental regulations face higher litigation risks and potential "stranded assets" (e.g., coal plants).
- *Cost of Capital:* There is emerging evidence that Indian companies with robust ESG reporting enjoy lower borrowing costs, as lenders perceive them as lower-risk entities.

##### 3) Productivity and Operational Efficiency

Corporate sustainability is often misconstrued as a cost center. However, in the Indian manufacturing sector, ESG practices have led to:

- *Resource Efficiency:* Reduced water and energy consumption directly improves the bottom line.
- *Employee Retention:* In India's competitive tech and service sectors, "social" responsibility (diversity and inclusion) acts as a talent magnet, reducing turnover costs.

#### B. Challenges in the Indian ESG Landscape

Despite the progress, several hurdles remain:

- *Data Quality and "Greenwashing":* Many firms provide qualitative "fluff" rather than quantitative data. The lack of standardized third-party assurance makes it difficult for investors to verify claims.
- *The MSME Gap:* While the top 1,000 listed companies are mandated to report, the Micro, Small, and Medium Enterprises (MSMEs), which form the backbone of the Indian economy, lack the resources to implement complex ESG frameworks.
- *Supply Chain Complexity:* Scope 3 emissions (indirect emissions in the supply chain) are incredibly difficult to track in India's fragmented logistics and sourcing networks.

#### C. ESG as a Catalyst for "Atmanirbhar Bharat"

The "Self-Reliant India" initiative aligns perfectly with ESG goals. By investing in circular economy models and renewable energy, India reduces its dependence on imported fossil fuels. Furthermore, by improving "Governance" standards, Indian corporations can shed the "emerging market discount" and trade at premiums comparable to Western counterparts.

$$\text{Sustainability Index} = \frac{E_{\text{score}} + S_{\text{score}} + G_{\text{score}}}{\text{Business Risk Factor}}$$

The formula above represents a simplified view of how investors now calculate the viability of an Indian enterprise. As the denominator (Risk) decreases through better ESG compliance, the overall valuation of the Indian market increases.

#### D. Comparative Analysis: Transition from BRR to BRSR

The shift from the Business Responsibility Report (BRR) to the Business Responsibility and Sustainability Report (BRSR) represents a move from "intent-based" disclosure to "impact-based" data.

#### E. The Nine Principles of NGRBC

The economic impact of ESG in India is rooted in the National Guidelines on Responsible Business Conduct (NGRBC). These nine principles form the backbone of the BRSR reporting structure:

1. *Ethics & Transparency:* Businesses should conduct themselves with integrity.
2. *Product Safety:* Provide goods and services that are safe and sustainable.
3. *Employee Wellbeing:* Promote the wellbeing of all employees, including value chain workers.

Table 1  
Key differences in frameworks

Feature	Business Responsibility Report (BRR)	Business Responsibility & Sustainability Report (BRSR)
Focus	Qualitative and descriptive.	Quantitative, data-driven, and granular.
Applicability	Top 1,000 listed entities (limited scope).	Top 1,000 listed entities (mandatory) with Core BRSR for value chains.
Interoperability	Unique to Indian context; difficult to compare globally.	Aligned with international standards (GRI, TCFD, SASB).
Data Segregation	General disclosures.	Categorized into "Essential" (Mandatory) and "Leadership" (Voluntary) indicators.
Environmental Metrics	Narrative on resource use.	Precise data on Scope 1, 2, and 3 emissions, water footprint, and waste.

Table 2

Metric	CSR (Companies Act)	ESG Social Pillar (BRSR)
Primary Goal	Community welfare and social upliftment.	Risk management and long-term value.
Target Audience	Local communities and NGOs.	Investors, Regulators, and Employees.
Financial Scope	2% of Net Profit (Statutory).	Integrated into operational and CAPEX budgets.
Reporting Scope	Schedule VII activities (Health, Education, etc.).	Labor rights, DEI, Data Privacy, and Supply Chain ethics.

Table 3

Governance metrics: BRSR requirements

Governance Indicator	Requirement under BRSR	Economic Benefit
Board Diversity	Disclosure of age, gender, and expertise.	Better decision-making and cognitive diversity.
Whistleblower Policy	Details of complaints received and resolved.	Early detection of fraud and internal rot.
Executive Pay	Ratio of CEO pay to median employee salary.	Reduces social inequality and aligns incentives.
Anti-Corruption	Training and incidents of corruption/bribery.	Improves "Ease of Doing Business" ranking.

4. *Stakeholder Engagement*: Respect the interests of all stakeholders, especially the vulnerable.
5. *Human Rights*: Respect and promote human rights.
6. *Environment*: Protect and restore the environment.
7. *Public Policy*: Engage in policy advocacy in a responsible manner.
8. *Inclusive Growth*: Support equitable development.
9. *Customer Value*: Engage with consumers in a responsible manner.

**F. Economic Implications for the Future**

As India moves toward the 2030 Sustainable Development Goals (SDGs), the integration of these nine principles into the corporate balance sheet is expected to:

- *Reduce "Information Asymmetry"*: Investors will have clearer data, reducing the risk of greenwashing.
- *Enhance Export Competitiveness*: As the EU implements Carbon Border Adjustment Mechanisms (CBAM), ESG-compliant Indian firms will face fewer trade barriers.
- *Drive Innovation*: Mandatory reporting on "Leadership Indicators" pushes R&D toward green hydrogen, circular economy models, and sustainable supply chains.

**G. Economic Value of the "Social" Pillar**

From a macroeconomic perspective, strong "Social" performance in Indian firms leads to:

- *Lower Social Unrest*: Reducing friction with local communities (e.g., land acquisition issues) ensures project timelines are met.
- *Human Capital Appreciation*: Improved training and welfare lead to a more skilled workforce, increasing India's total factor productivity.
- *Global Supply Chain Integration*: As global brands (like Apple or Zara) audit their suppliers for human rights, Indian firms with high "Social" scores gain a competitive edge in the global export market.

**H. The "Governance" Pillar: Integrity, Independence, and Institutional Trust**

In the Indian context, the "G" in ESG is the bedrock upon which the "E" and "S" are built. Without robust internal controls and ethical leadership, environmental and social commitments are often dismissed as "greenwashing."

1) *The Role of Independent Directors (IDs)*  
 The Companies Act, 2013 and SEBI (LODR) Regulations have tightened the criteria for Independent Directors to ensure they act as "watchdogs" rather than "rubber stamps."

- *Board Composition*: For the top 1,000 listed entities, the presence of a minimum number of IDs—and specifically, the separation of the roles of Chairperson and Managing Director—is a key governance metric.
- *Audit Committees*: The oversight of financial reporting by independent members reduces the risk of accounting fraud, which has historically plagued emerging markets.

2) *Related Party Transactions (RPTs)*

A unique challenge in the Indian economic scenario is the prevalence of promoter-driven conglomerates where funds may be diverted between subsidiary companies.

- *BRSR Disclosure*: Companies are now required to provide granular data on RPTs. Transparency here prevents "tunneling" (the transfer of assets and profits out of firms for the benefit of those who control them).
- *Economic Impact*: High transparency in RPTs leads to an "Institutional Premium," where foreign investors are willing to pay more for shares of companies with clean governance records.

3) *Cybersecurity and Data Privacy*

As India's economy digitizes through the "India Stack" (UPI, ONDC, etc.), data governance has become a core ESG metric.

- *Digital Governance*: Under the Digital Personal Data Protection (DPDP) Act, 2023, companies must report on their data processing and protection mechanisms.
- *Risk Management*: For the banking and IT sectors, governance scores are now heavily weighted by the resilience of their cybersecurity frameworks.

**4. Conclusion**

The ESG reporting in India has evolved from a regulatory burden to a strategic economic advantage.

- The Environmental focus ensures India meets its 2070 Net Zero goals while driving innovation in green energy.
- The Social focus leverages India's unique CSR laws to create a more inclusive workforce and stable industrial relations.
- The Governance focus provides the transparency needed to attract the trillions of dollars in global

capital required for India's infrastructure and technology sectors.

As the Indian economy marches toward the \$5 trillion mark, the companies that lead in ESG disclosures will be the ones that define the nation's trajectory on the global stage.

ESG reporting in India has moved beyond the realm of Corporate Social Responsibility (CSR) and into the core of economic strategy. The shift toward BRSR and the focus on "Green Finance" are positioning India as a leader in the Global South for sustainable development. While challenges like data fragmentation and supply chain transparency persist, the economic benefits—ranging from lower capital costs to increased FDI—are undeniable. For the Indian economy to sustain 7-8% growth, the integration of ESG practices is not merely an option; it is the engine of future resilience.

#### A. Executive Summary

This paper investigates the transformative role of Environmental, Social, and Governance (ESG) reporting in the Indian economic landscape. Following the transition from the voluntary Business Responsibility Report (BRR) to the mandatory Business Responsibility and Sustainability Reporting (BRSR) framework, Indian corporations are now under unprecedented scrutiny.

The findings indicate that:

- **Economic Resilience:** ESG-compliant firms demonstrate lower volatility and higher access to global "Green Capital."
- **Social Stability:** Mandatory CSR and labor disclosures are narrowing the gap between corporate growth and social equity.
- **Governance Premium:** Strengthening board independence and RPT disclosures is reducing the "emerging market discount" for Indian equities.

The given study concludes that for India to achieve its \$5 trillion GDP goal and 2070 Net-Zero target, ESG metrics must be viewed not as a compliance cost, but as a strategic asset for national competitiveness.

#### B. Policy Recommendations for the Indian Economic Scenario

To further solidify India's position as a leader in sustainable finance, the following policy interventions are recommended:

##### 1) The "Green Taxonomy" Implementation

The Ministry of Finance and SEBI should expedite a formal Indian Green Taxonomy.

- **Action:** Define exactly what constitutes "green" in the Indian context (e.g., transition fuels vs. renewables).
- **Impact:** This will prevent greenwashing and provide a clear roadmap for the banking sector to allocate credit.

##### 2) ESG Support for MSMEs (The Sourcing Chain)

As large listed entities report on Scope 3 emissions, the

burden falls on the Micro, Small, and Medium Enterprises (MSMEs).

- **Action:** Introduce a "BRSR-Lite" version for MSMEs and provide tax incentives for low scale firms that adopt basic sustainability reporting.
- **Impact:** This ensures that the backbone of the Indian economy is not excluded from global supply chains.

##### 3) Capacity Building for Independent Directors

Governance is only as strong as the people overseeing it.

- **Action:** The Indian Institute of Corporate Affairs (IICA) should mandate specialized ESG certification for board members.
- **Impact:** This ensures that "G" oversight is technical and informed, rather than just procedural.

##### 4) Harmonization of Ratings

Currently, different ESG rating providers use different methodologies, leading to "rating fragmentation."

- **Action:** Regulate ESG Rating Providers (ERPs) to ensure transparency in how they weight Indian-specific factors, such as "Social" impact in rural areas.
- **Impact:** Consistent ratings will boost the confidence of retail investors in ESG-themed Mutual Funds.

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