A Longitudinal Empirical Investigation of How the Sustainability Performance of Indian Listed Companies Influences their Market Performance

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Over the years, numerous empirical studies have been conducted, showing how corporate sustainability practices significantly affect financial performance. More specifically, firms actively engaging and continuously improving their environmental and social issues seem to outperform financially better; thus, their market performance also improved. This study tries to empirically examine the long-run effect and relationship between corporate sustainability performance (CSP) using ESG scores and market performance indicators. The dependent variables used for the study are Price-earnings ratio, Earnings per share, Dividend per share, and Tobin's Q ratios as measures of market performance of S&P Bombay Stock Exchange (BSE) listed mid-large cap firms. A separate investigation of all three E, S, G, and ESG combined scores with the market performance indicators can provide intriguing insights into the area and helps to understand better the association between corporate sustainability performance and market performance, especially in the Indian context. We have applied panel data regression models to analyze time series and cross-sectional data for 168 firms from different industries. The results exhibit that, E score explicates an insignificant negative association with the P/E ratio, EPS, and Tobin's Q; moreover, E score is found statistically negatively significant with Tobin's Q. In all the models, except DPS, the S score is found statistically significant, having a positive association with the market performance indicators. G score is inversely associated with EPS and DPS but still statistically insignificant for all the dependent variables. ESG combined score is positively associated with all the dependent variables but found statistically significant only with the P/E ratio. One exciting finding that came out of this study is that the firms' size has more influence on the EPS and DPS of the firms than sustainability performance. This study will be a pacemaker in academia and provide insights to the corporate world and policymakers to understand which aspects of sustainability provide the most advantages to businesses and which areas require further attention.

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