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Industry-wise Analysis of Sustainability Disclosure and Financial Performance: Evidence from Selected Indian Companies

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Abstract

The rising focus on environmental, social and governance (ESG) practices has heightened the significance of sustainability disclosure in corporate reporting. This research examines sustainability disclosure levels and their correlation with financial performance in selected Indian industries from 2020-21 to 2024-25. Focusing on Automobile, Cement, Information Technology and Oil and Gas sectors, the study uses a Sustainability Disclosure Index (SDI) and financial metrics like Return on Assets (ROA) and Return on Equity (ROE). Employing descriptive statistics, correlation analysis and One-Way ANOVA, the findings show increased sustainability disclosure across industries, driven by ESG awareness and regulations. The IT sector leads in disclosure and financial performance. ANOVA results indicate disclosure doesn't significantly vary across industries but improves over time while financial performance shows inter-industry differences. Correlation analysis reveals a moderate positive link between sustainability disclosure and profitability suggesting better disclosure often aligns with better financials. The study concludes sustainability disclosure is integral to Indian corporate reporting contributing to long-term sustainability with varying immediate financial impacts.

***Keywords**: Sustainability Reporting, Financial Performance, Sustainability Disclosure Index.*

Introduction

In recent years, thousands of organizations, including most big public traded companies have started reporting about their sustainability efforts, often because they intend to, not because they have to. While the Global Reporting Initiative (GRI) thinks sustainability reporting is mainly about being open and honest with society, Research is done more and more to know whether it actually helps companies financially. The idea is that when companies report on sustainability in a clear and reliable way, it shows they're well-managed and forward-looking which investors and third parties are interested in knowing. Numerous studies have been done to show that companies with good, consistent sustainability reports are more likely to get investments, keep customers and employees happy.

Sustainability reporting serves as a mechanism through which companies reveal details regarding their environmental, social and governance (ESG) performance as well as its impacts thereof. It constitutes a progressively significant facet of corporate transparency and accountability, given that investors, consumers, third parties and other stakeholders are increasingly seeking greater insight into a company's non-financial performance metrics (Adams & Abhayawansa, 2022, Andrian & Pangestu, 2022). There are several rationales underlying the importance of examining the impact of sustainability reporting on a company's financial performance. Firstly, sustainability reporting serves as a catalyst for enhancing a company's reputation and augmenting its brand image (Patara & Dhalla, 2022).

The effect of sustainability reporting on the reputation of international companies is especially important in industries that face criticism or controversy. This can help build trust with people like investors, customers, employees and various stakeholders which can actually help the company's finances. Also, sustainability reporting can help companies in lowering risks and finding new opportunities (Beerbaum & Puaschunder, 2019).

In emerging economies like India, sustainability disclosure has emerged recently due to regulatory pushes and growing stakeholder awareness. The Business Responsibility and Sustainability Reporting (BRSR) framework of Securities and Exchange Board of India (SEBI) has amplified sustainability reporting and its importance for listed firms. According to Kumar and Prakash (2019), Indian companies have increased sustainability disclosures as a response to regulations, stakeholder expectations and global trends related to sustainability.

Establishing standardized guidelines for companies is essential for accounting bodies to promote and strengthen sustainability disclosure practices. These standards offer a uniform framework for reporting ESG performance enhance transparency and encourage continuous improvement in sustainable business practices (Kalyan et al., 2021).

Laskar and Maji (2016) recommends a mix of qualitative and quantitative approaches is needed to better capture the link between Corporate Social Responsibility Practices and Firm performance. Sustainability practices are more mature in developed countries compared to India where they are still evolving. A comparative analysis between India and developed countries could provide useful guidance for improving business outcomes.

Motwani and Pandya (2016) evaluated that Indian companies understand the value of sustainability reporting and major firms are already practicing it but greater commitment to sustainability issues is still needed. Sustainability reporting has a small yet significant effect on firm profitability. Among the four key sustainability variables, the community aspect contributes most to overall reporting suggesting that stronger community-focused measures could boost profitability and financial performance. Greater emphasis on sustainability practices and disclosure benefits both businesses and society.

The impact of sustainability reporting on a company's financial performance holds significance as it has the potential to enhance the company's reputation and brand image, mitigate risks, augment opportunities while facilitating operational enhancements and cost efficiencies. Consequently, the escalating emphasis on sustainability has prompted numerous companies to disclose their endeavours aimed at reducing their environmental footprint and enhancing their social and governance practices. Nevertheless, a consensus is lacking regarding whether sustainability reporting translates into improved financial performance for companies. This research helps to scrutinize the relationship between sustainability reporting and financial performance with the objective of furnishing insights for companies, investors, third parties and other stakeholders concerning the potential advantages and disadvantages.

Review of Literature

Rubushi and Bugaje (2025) examined sustainability reporting and financial performance of listed Nigerian oil and gas firms. Using secondary data and panel regression, the study assessed environmental, social, governance and economic sustainability reporting against Return on Assets (ROA). Findings showed significant effects of environmental, governance and economic reporting while social reporting was insignificant. Governance disclosure positively affected ROA whereas environmental and economic disclosures had negative significant effects during the study period.

Sharma, Gaur and Manisha (2025) studied how sustainability practices affect financial performance of HDFC Bank and ICICI Bank from 2011-2023. They looked at economic, environmental and social sustainability aspects. The results show economic and social sustainability boost financial performance while environmental sustainability has weaker short-term effects. The study suggests integrating sustainability practices strategically beyond just reporting, improves long-term financial stability and reputation in Indian banking.

Ankit Kumari, Nagina and Sheoran (2024) studied how sustainability reporting affects financial performance of Indian banks from 2017-2021. Using a Sustainability Reporting Score based on National Voluntary Guidelines, they found that better sustainability reporting is linked to improved firm performance and firm value. The results suggest sustainability reporting boosts investor confidence and market perception. Firm size and market capitalization also play an important role but firm age doesn't seem to show positive significance highlighting the need for sustainability disclosures in Indian banking.

Apriyani et al. (2024) conducted a systematic review of studies from 2020-2025 to investigate the link between sustainability reporting and financial performance. They found that economic sustainability reporting is consistently associated with better financial performance, like higher ROA and ROE. However, social and environmental reporting have mixed results. The study also notes that good governance and other factors influence how effective sustainability reporting is improving financial performance.

Ghosh and Paul (2022) studied how sustainability reporting affects financial performance of Indian companies in five industries from 2014-15 to 2021-22. Using a Sustainability Disclosure Index based on GRI guidelines, they found that sustainability disclosure is increasing and is linked to better financial performance, measured by ROA, ROCE and ROE. The study highlights the growing importance of sustainability practices in corporate decision-making.

Kumar and Prakash (2022) This study explores sustainability reporting and its link to financial performance in Indian listed companies. It analyses ESG disclosures and their impact on profitability using descriptive and regression analysis. Findings show increased sustainability disclosure due to regulations and stakeholder awareness with better-performing firms disclosing more which eventually boosting transparency and value.

Research Gap

Despite many studies on sustainability disclosure and company finances, there's still a lot we don't know especially in India. There is Scarcity of **recent multi-year studies (post-2020)** analysing the evolving impact of sustainability disclosure on firm performance.

So, there's a need for a study that looks at how sustainability disclosure affects different aspects of company performance in India, using a Sustainability Disclosure Index (SDI) and focusing on the post-BRSR period.

Research Objectives

- To analyse the level of sustainability disclosure of selected Indian companies using the Sustainability Disclosure Index (SDI).
- To examine industry-wise variability in sustainability disclosures.
- To analyse the Financial Performance of Selected Industries.

Research Hypotheses

H_{01}: There is no significant difference among Sustainability Disclosure Index (SDI) of Selected Industries.

H_{02}: There is no significant difference among Financial Performance of Selected Industries.

Research Methodology

- **Research Design**

This study adopts a Quantitative and Explanatory Research Design to examine the relationship between Sustainability Disclosure and Financial Performance of Selected Indian Industries. This study focuses to understand how sustainability disclosure affects Indian Industries. It examines at how the Sustainability Disclosure Index (SDI) impacts two key financial measures: Return on Assets (ROA) and Return on Equity (ROE.

- **Sample Selection**

The sample comprises four Industries with five Companies selected from each Industry. Companies were selected based on the availability and consistency of Sustainability and Financial data for the entire study period.

- **Nature of Data**

The Study is based entirely on secondary data. The required data were collected from publicly available sources, including:

- Annual Reports of selected companies
- Business Responsibility and Sustainability Reports (BRSR)
- Corporate Sustainability and CSR Reports

- **Time Period of the Study**

The study covers a period of five financial years from 2020-21 to 2024-25. This period is particularly significant as it captures the post-implementation phase of the Business Responsibility and Sustainability Reporting (BRSR) framework in India allowing an assessment of recent sustainability disclosure practices.

- **Construction of Sustainability Disclosure Index (SDI)**

The Sustainability Disclosure Index (SDI) is created using content analysis. A checklist of sustainability indicators is made based on reporting requirements and disclosure practices in annual reports and BRSR frameworks.

Each indicator is assigned a **binary score**:

- **1** if the item is disclosed
- **0** if the item is not disclosed

The SDI score for each company is computed using the following formula:

$$\text{SDI}(\%) = \frac{\text{Number of items disclosed}}{\text{Total number of items considered}} \times 100$$

- **Tools and Technique**

In order to measure the sustainability disclosure across the Industries, the Sustainability Disclosure Index (SDI) has been employed as the primary measurement tool. To evaluate the financial performance Return on Assets (ROA) and Return on Equity (ROE**)** have been used.

To analyse the data, the study utilizes descriptive statistical techniques including mean, standard deviation and coefficient of variation (CV). Correlation analysis is employed to explore the relationship between the Sustainability Disclosure Index (SDI) and key financial performance indicators like Return on Assets (ROA) and Return on Equity (ROE) helping to identify potential links.

The entire data analysis process covering descriptive statistics, correlation analysis, one-way anova was conducted using Microsoft Excel ensuring a comprehensive and detailed examination of the data.

Analysis and Discussion

The Sustainability Disclosure Index (SDI) shows sustainability reporting is well-established across selected industries. In order to analyse and compare sustainability disclosure practices and financial performance across different industries, The **One-Way ANOVA test** is used as a statistical tool to evaluate these differences.

Table 1: Measurement of Sustainable Disclosure Index (SDI %)

S. No.	Name of Industries	Year					Mean	SD	CV %
		2020-21	2021-22	2022-23	2023-24	2024-25			
1	Automobile Industry	68.67	73.33	89.13	92.33	95.07	83.71	11.90	14.22
2	Cement Industry	72.00	73.33	87.00	90.33	93.67	83.27	9.97	11.97
3	IT Industry	82.00	89.33	94.67	96.67	100	92.53	7.05	7.61
4	Oil and Gas Industry	76.00	84.67	91.33	96.00	99.33	89.47	9.33	10.42
Average		**74.67**	**80.17**	**90.53**	**93.83**	**97.02**	**87.24**	**9.56**	**11.06**
Inter-Industry Comparison		**One-way ANOVA**		**F**	**1.08**		**p-Value**		**0.39**
Intra-Industry Comparison		**One-way ANOVA**		**F**	**13.95**		**p-Value**		**0.000**

Source: Authors' own computation from MS-Excel

Table 1 The table presents the industry-wise analysis of the Sustainability Disclosure Index (SDI) for companies selected from four major industries in India, namely Automobile, Cement, Information Technology (IT) and Oil & Gas for the period of five years from 2020-21 to 2024-25. The Inter-industry comparison using One-Way ANOVA shows an F-value of 1.08 with a p-value of 0.39 which is greater than 0.05, the Result is insignificant. This result indicates that there is no significant difference in the level of sustainability disclosure among selected industries.

The null hypothesis (H_{01}) is accepted showing no significant difference in sustainability disclosure among industries. This implies reporting practices are similar, likely due to uniform regulatory frameworks, ESG guidelines and stakeholder expectations

Whereas, the intra-industry comparison across years shows an F-value of 13.95 with a p-value of 0.000 which is less than 0.05. here the result is statistically significant which suggests that there are significant differences in sustainability disclosure levels over the years within the industries. Thus, Reporting of Sustainability have significantly improved over years across the industries, reflecting the growing influence of regulatory frameworks, ESG guidelines and stakeholder expectations.

Table 2: Measurement of Financial Performance in terms of ROA

S. No.	Name of Industries	Year					Mean	SD	CV %
		2020-21	2021-22	2022-23	2023-24	2024-25			
1	Automobile Industry	2.99	4.96	8.63	10.58	10.69	7.57	3.45	45.63
2	Cement Industry	4.86	5.42	5.56	6.86	10.42	6.62	2.25	33.90
3	IT Industry	19.86	17.68	17.70	14.86	15.90	17.20	1.92	11.15
4	Oil and Gas Industry	9.26	6.62	5.36	8.18	7.28	7.34	1.49	20.25
Average		**9.24**	**8.67**	**9.31**	**10.12**	**11.07**	**9.68**	**2.28**	**27.73**
Inter-Industry Comparison		**One-way ANOVA**			**F**	**22.119**	**p-Value**		**0.000**
Intra-Industry Comparison		**One-way ANOVA**			**F**	**0.114**	**p-Value**		**0.975**

Source: Authors' own computation from MS-Excel

Table 2 presents the financial performance of industries which have been measured through Return on Assets (ROA). The inter-industry ANOVA result for ROA shows an F-value of 22.119 with a p-value of 0.000 which indicates that there are statistically significant differences in financial performance between industries. The financial performance measured through ROA differs significantly across industries and this indicates that the characteristics of industries play a vital role in determining profitability.

The IT industry leads in financial performance with a mean ROA of 17.20, despite a slight decline from 19.86 to 15.90. The Automobile industry shows improvement with ROA rising from 2.99 to 10.69 (mean: 7.57). Cement's ROA grew steadily from 4.86 to 10.42 (mean: 6.62). Oil & Gas saw fluctuations with a mean ROA of 7.34, reflecting energy sector volatility

This indicates sustainability reporting is standardising across Indian industries with similar disclosure levels seen across sectors.

However, the Intra-industry ANOVA result shows an F-value of 0.114 with a p-value of 0.975 which indicates that changes in financial performance over time within industries are not statistically significant.

Since the p-values for both financial performance indicators are **statistically significant**, the **null hypothesis (H_{02}) is rejected**. Overall, the results show that **sustainability reporting has become an increasingly important corporate practice while on the other hand, financial performance still continues to depend largely on industry-specific factors.**

Table 3: Measurement of Financial Performance in terms of ROE

S. No.	Name of Industries	Year					Mean	SD	CV %
		2020-21	2021-22	2022-23	2023-24	2024-25			
1	Automobile Industry	4.60	6.38	16.35	25.48	18.76	14.32	8.74	61.09
2	Cement Industry	9.06	10.60	7.92	15.08	16.76	11.88	3.85	32.40
3	IT Industry	29.26	27.72	27.46	24.47	25.82	26.95	1.85	6.85
4	Oil and Gas Industry	17.62	16.78	10.26	16.74	15.02	15.28	2.96	19.39
Average		**15.14**	**15.37**	**15.50**	**20.44**	**19.09**	**17.11**	**4.35**	**29.93**
Inter-Industry Comparison		**One-way ANOVA**			**F**	**8.709**	**p-Value**		**0.001**
Intra-Industry Comparison		**One-way ANOVA**			**F**	**0.371**	**p-Value**		**0.825**

Source: Authors' own computation from MS-Excel

Table 3 shows the inter-industry ANOVA result shows an F-value of 8.709 with a p-value of 0.001 which is statistically significant. This indicates that there are significant differences in financial performance among the selected industries suggesting that industry characteristics play a crucial role in determining profitability. The IT industry demonstrates the strongest financial performance which may be attributed to its high efficiency, technological innovation and global market presence.

However, the intra-industry ANOVA result shows an F-value of 0.371 with a p-value of 0.825 which is statistically insignificant and this indicates that financial performance within industries does not significantly change over the years during the study period. The variation within industries over time is not statistically significant which indicates about the relative stability in industry-level financial performance during the study time period. Overall, the results highlight that industry-specific factors significantly influence financial performance, even as companies across sectors continue to adopt improved sustainability reporting practices.

The analysis of SDI, ROA and ROE reveals sustainability reporting's growing importance across Indian industries, driven by ESG awareness, regulations and stakeholders. While disclosure practices are standardising, financial performance varies by industry due to operational factors. The IT sector excels in both sustainability and finances showing mature integration. Traditional sectors like automobile, cement and oil & gas lag financially despite improving sustainability efforts.

Correlation Analysis

Correlation analysis is used to examine the relationship between sustainability disclosure and financial performance. It determines the strength and direction of the relationship among the variables, namely Sustainability Disclosure Index (SDI), Return on Assets (ROA) and Return on Equity (ROE). The analysis helps assess whether higher levels of sustainability disclosure are associated with improved financial performance as measured by ROA and ROE among the selected companies during the study period.

Table 4: Correlation Between Variables

Variable	SDI	ROA	ROE
SDI	1	0.469	0.566
ROA		1	0.941
ROE			1

Source: Authors' own computation from MS-Excel

Table 4 shows the correlation coefficient between SDI and ROA is 0.469 which indicates a moderate positive relationship between sustainability disclosure and return on assets. This study also suggests that companies with higher sustainability disclosure tend to exhibit relatively better asset utilization and profitability.

Similarly, the correlation between SDI and ROE is 0.566 which indicates a moderately strong positive relationship between sustainability disclosure and return on equity.

The highest correlation is observed between ROA and ROE with a coefficient of 0.941, indicating a very strong positive relationship between these two financial performance indicators and this also means that firms demonstrating efficient asset utilization also tend to generate higher returns for shareholders.

Overall, the results provide evidence that sustainability disclosure and financial performance are positively related supporting the argument that integrating sustainability practices into corporate strategies may contribute to improved financial outcomes.

However, the results also indicate that the financial benefits of sustainability practices may not always be immediate, as financial performance is influenced by multiple external and internal factors.

Conclusion

This study looked at how sustainability disclosure affects financial performance of Indian companies from 2021-22 to 2024-25. We created a Sustainability Disclosure Index (SDI) and found that sustainability reporting improved across industries showing better transparency. Companies with higher SDI had better Return on Assets (ROA) and Return on Equity (ROE) indicating stronger financial performance.

The industry-wise analysis showed widespread adoption of sustainability disclosure practices with varying levels. This study examines sustainability disclosure and its link to financial performance in Indian industries (Automobile, Cement, IT and Oil & Gas, 2020-21 to 2024-25). Sustainability reporting has improved significantly becoming a key part of corporate transparency. While disclosure levels are similar across industries, financial performance (ROA, ROE) varies due to industry-specific factors. Correlation analysis shows firms with higher sustainability disclosure tend to be more profitable. However, The Financial benefits associated with sustainability practices may materialize over the long term.

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