

Do Sustainability Disclosures Drive Financial Performance? Insights from NSE-200 Firms

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Abstract

In the current business environment, reporting solely financial information is no longer sufficient—non-financial disclosures, particularly those related to sustainability, have become equally important in enhancing a company's overall reporting framework. With increasing interest from investors and stakeholders in sustainability practices, firms are under growing pressure to go beyond profitability and demonstrate their commitment to sustainable development. Previous empirical research indicates that limited attention has been given to exploring the impact of sustainability reporting on firm performance. This study seeks to fill the existing gap by analyzing the relationship between corporate sustainability practices and the financial performance of companies listed in the NSE 200 index. To evaluate performance, the study incorporates both accounting-based indicators such as Profit After Tax (PAT), Return on Assets (ROA), and Return on Equity (ROE), as well as market-based metrics including Earning Yield, Price-to-Book (PB) Ratio, and Tobin's Q. The findings of the study indicate that certain dimensions of sustainability reporting do not show a significant association with the financial performance variables, and firm size shows a negative relationship with some of these variables. To achieve sustainable growth and ensure long-term success and survival, firms should focus on enhancing their asset management and leverage strategies. Policymakers are encouraged to make sustainability reporting mandatory across all dimensions, economic, environmental, and social, as this would guide companies in aligning their operations with broader sustainability goals while also achieving their economic objectives.

Keywords: Sustainability, ESG, Financial Performance, GRI

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