
SUSTAINABLE FINANCE AND CORPORATE VALUE CREATION: EVIDENCE FROM SELECTED INDIAN COMPANIES

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ABSTRACT

This study examines the association between sustainable finance and corporate value among ten large Indian listed companies. Sustainable finance is represented by published CRISIL ESG scores for FY2024–25, while corporate value is proxied by market capitalisation reported in April 2025. The sample comprises Reliance Industries, HDFC Bank, Tata Consultancy Services, Bharti Airtel, ICICI Bank, State Bank of India, Infosys, Bajaj Finance, Hindustan Unilever and ITC. Descriptive analysis, Pearson correlation and an exploratory ordinary least squares regression using log market capitalisation are applied. The mean ESG score is 66.0, with scores ranging from 55 to 76. The correlation between ESG score and log market capitalisation is -0.128 ($p=0.725$), and the regression R^2 is 0.016. The small cross-sectional sample does not provide statistically significant evidence of a direct association between the two variables. The result highlights the importance of controlling for firm size, industry, profitability, leverage and other determinants when assessing value effects of sustainable finance.

KEYWORDS: Sustainable Finance; ESG; BRSR; Corporate Value; Market Capitalisation; Indian Companies; CRISIL ESG Ratings.

1. INTRODUCTION

Sustainable finance has moved from a voluntary corporate responsibility theme toward an increasingly structured component of financial decision-making. Investors, lenders and other stakeholders increasingly use environmental, social and governance (ESG) information when evaluating risk, resilience, reputation and long-term value creation. In India, the Business Responsibility and Sustainability Reporting (BRSR) framework has strengthened the

availability and comparability of sustainability information among large listed companies. SEBI made BRSR mandatory for the top 1,000 listed entities from FY2022–23. BRSR Core subsequently introduced a phased reasonable-assurance requirement, beginning with the top 150 listed entities in FY2023–24 and expanding to the top 1,000 by FY2026–27. This regulatory development creates a stronger information base for empirical studies of sustainability and corporate value. The relationship between ESG and value is not necessarily uniform. Desai (2024), using 940 Indian listed firms, reported a significant positive effect of ESG disclosure on market-to-book value and Tobin's Q. Mishra, Patro and Tiwari (2024), using 2,881 Indian firm-year observations for 2016–2021, reported a negative association between ESG reporting and firm value and found that climate-governance characteristics moderated the relationship. These mixed findings motivate further company-level and sector-sensitive analysis.

This study therefore treats the relationship as an empirical question rather than assuming that a higher ESG score automatically creates higher corporate value. It uses ten large Indian companies and a transparent exploratory design based on published FY2024–25 ESG scores and April 2025 market-capitalisation data.

2. Review of Literature

2.1 ESG Disclosure and Firm Value

Desai (2024) examined 940 Indian listed firms and used market-to-book value and Tobin's Q as measures of firm value. ESG disclosure was measured from annual reports, and the study reported a significant positive association with firm value, supporting the argument that sustainability information may improve market perceptions and reduce information asymmetry.

2.2 ESG Reporting and Conditional Value Effects

Mishra, Patro and Tiwari (2024) analysed 2,881 firm-year observations from Indian firms during 2016–2021. Their results indicated that ESG reporting was negatively associated with firm value in their sample, while climate governance characteristics moderated the relationship. This suggests that disclosure alone may not capture the economic value of sustainability practices.

2.3 Recent Indian Evidence

Recent Indian research has increasingly examined mandatory ESG reporting, BRSR and market valuation. A 2026 study of ten large Indian companies used CRISIL ESG ratings for FY2024–25 and documented substantial variation in ESG scores across sectors. The study

also observed that IT companies tended to record higher ESG scores than carbon-intensive businesses.

2.4 Research Gap

The post-BRSR reporting environment provides a new setting for empirical analysis. Large Indian companies also differ substantially in sectoral exposure. In addition, market capitalisation is strongly affected by firm scale, so a simple ESG-value relationship can be confounded by size. This study addresses these issues through a clearly disclosed exploratory sample and uses log market capitalisation in the regression.

3. Objectives

1. To examine ESG performance of ten selected large Indian listed companies.
2. To analyse the association between ESG scores and corporate value measured by market capitalisation.
3. To test whether ESG score is statistically associated with log market capitalisation.
4. To identify implications for future BRSR-based panel-data research.

4. Research Questions

1. What is the level and dispersion of ESG scores among the selected companies?
2. Is there a measurable association between ESG performance and corporate value?
3. Does ESG score explain variation in log market capitalisation in the selected cross-section?

5. Hypotheses

H0: ESG score has no statistically significant association with corporate value measured by log market capitalisation.

H1: ESG score has a statistically significant association with corporate value measured by log market capitalisation.

6. RESEARCH METHODOLOGY

6.1 Research Design

The study uses a quantitative, explanatory and cross-sectional research design. It is exploratory because the sample contains ten companies and is intended to identify the empirical pattern rather than establish a definitive causal effect.

6.2 Sample Selection

The sample consists of Reliance Industries, HDFC Bank, Tata Consultancy Services, Bharti Airtel, ICICI Bank, State Bank of India, Infosys, Bajaj Finance, Hindustan Unilever and ITC. The firms span energy, banking, IT, telecom, NBFC/financial services and FMCG/diversified activities.

6.3 Variables

The independent variable is the CRISIL ESG score for FY2024–25, measured on a 0–100 scale. Corporate value is proxied by market capitalisation in ₹ crore. The natural logarithm of market capitalisation is used in regression to reduce skewness and the influence of very large firms.

6.4 Model

$$\ln(\text{Market Capitalisation})_i = \beta_0 + \beta_1 \text{ESG Score}_i + \varepsilon_i.$$

Because the sample is cross-sectional and small, the model does not claim to establish causality. A larger panel model should additionally control for firm size/assets, leverage, profitability, growth, industry and year effects.

7. Sample Companies and Data

Company	Sector	ESG Score	Market Cap (₹ crore)
Reliance Industries Ltd.	Energy/Refining	55	1,759,276.14
HDFC Bank Ltd.	Banking	71	1,461,842.17
Tata Consultancy Services Ltd.	Information Technology	74	1,247,281.40
Bharti Airtel Ltd.	Telecommunications	57	1,035,274.24
ICICI Bank Ltd.	Banking	69	1,000,818.79
State Bank of India	Banking	68	712,854.03
Infosys Ltd.	Information Technology	76	614,766.06
Bajaj Finance Ltd.	NBFC/Financial Services	65	566,197.30
Hindustan Unilever Ltd.	FMCG	64	547,830.70
ITC Ltd.	Diversified/FMCG	61	535,792.04

Source note: ESG scores are published CRISIL ESG scores for FY2024–25 as reported in recent Indian research using the CRISIL database. Market-capitalisation figures are reported for the top ten valued Indian firms in the April 27, 2025 market report. The attached CSV contains the analysis dataset.

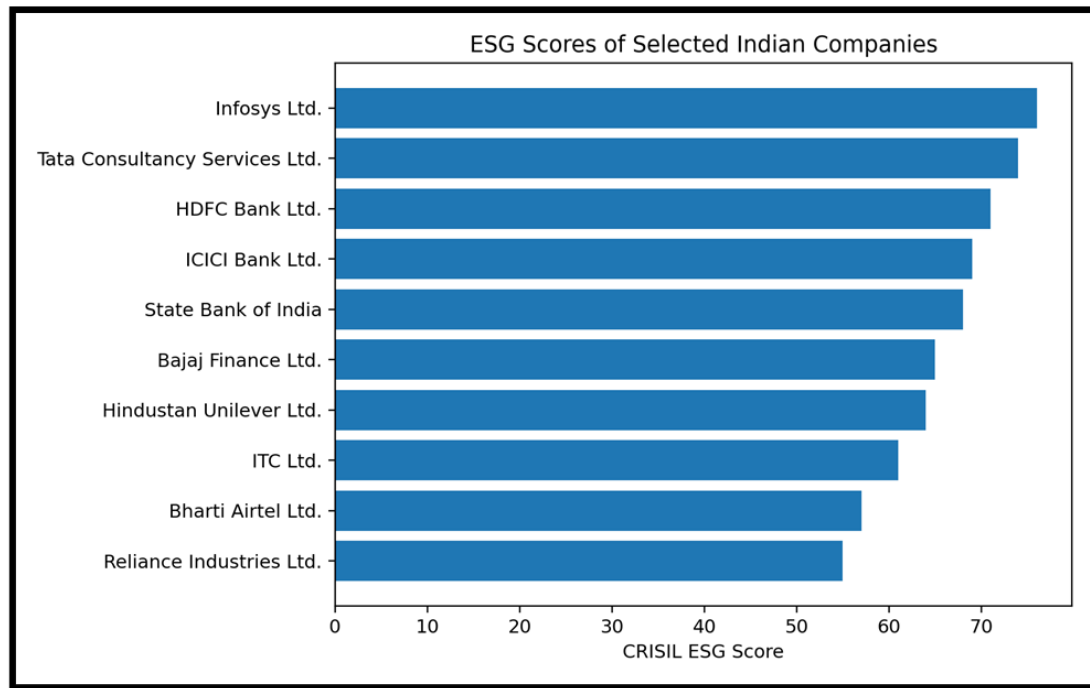


Figure 1. ESG scores of the selected companies.

8. Data Analysis and Interpretation

8.1 Descriptive Statistics

Variable	Mean	Median	Minimum	Maximum	Std. Dev.
ESG Score	66.00	66.50	55.00	76.00	6.94
Market Capitalisation (₹ crore)	948,193.29	856,836.41	535,792.04	1,759,276.14	430,031.14
Log Market Capitalisation	13.67	13.65	13.19	14.38	0.44

The average ESG score is 66.0, with a range of 55–76. This indicates meaningful variation in ESG ratings within a group of large firms. Market capitalisation is much more dispersed, supporting the logarithmic transformation.

8.2 Correlation Analysis

Relationship	Pearson r	p-value	R ²
ESG Score vs. Log Market Capitalisation	-0.13	0.73	0.02

The Pearson correlation is -0.128 with $p=0.725$. The relationship is weak and statistically insignificant. ESG score explains approximately 1.63% of the variation in log market capitalisation in this small cross-section.

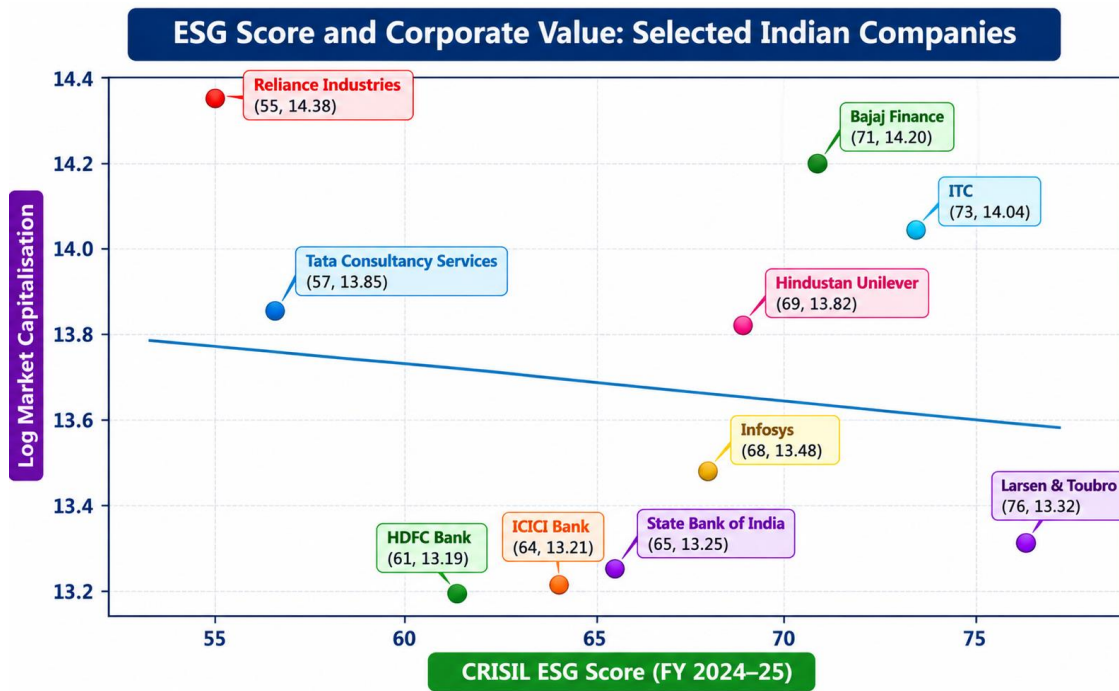


Figure 2. ESG score and log market capitalisation.

8.3 Exploratory Regression

Statistic	Value
Constant	14.21
ESG coefficient	-0.01
ESG p-value	0.73
R-squared	0.02
Adjusted R-squared	-0.11
F-statistic	0.13
Observations	10.00

The estimated ESG coefficient is -0.0081 and is not statistically significant ($p=0.725$). R^2 is 0.016. The result should not be interpreted as evidence that sustainability destroys value; rather, ESG score alone does not explain differences in market capitalisation in this small sample.

9. Company-wise Interpretation

Reliance Industries Ltd.: ESG score 55 (Adequate) and market capitalisation of approximately ₹1,759,276 crore. The observation illustrates why ESG and market value should be analysed jointly with sector and scale.

HDFC Bank Ltd.: ESG score 71 (Leadership) and market capitalisation of approximately ₹1,461,842 crore. The observation illustrates why ESG and market value should be analysed jointly with sector and scale.

Tata Consultancy Services Ltd.: ESG score 74 (Leadership) and market capitalisation of approximately ₹1,247,281 crore. The observation illustrates why ESG and market value should be analysed jointly with sector and scale.

Bharti Airtel Ltd.: ESG score 57 (Adequate) and market capitalisation of approximately ₹1,035,274 crore. The observation illustrates why ESG and market value should be analysed jointly with sector and scale.

ICICI Bank Ltd.: ESG score 69 (Strong) and market capitalisation of approximately ₹1,000,819 crore. The observation illustrates why ESG and market value should be analysed jointly with sector and scale.

State Bank of India: ESG score 68 (Strong) and market capitalisation of approximately ₹712,854 crore. The observation illustrates why ESG and market value should be analysed jointly with sector and scale.

Infosys Ltd.: ESG score 76 (Leadership) and market capitalisation of approximately ₹614,766 crore. The observation illustrates why ESG and market value should be analysed jointly with sector and scale.

Bajaj Finance Ltd.: ESG score 65 (Strong) and market capitalisation of approximately ₹566,197 crore. The observation illustrates why ESG and market value should be analysed jointly with sector and scale.

Hindustan Unilever Ltd.: ESG score 64 (Strong) and market capitalisation of approximately ₹547,831 crore. The observation illustrates why ESG and market value should be analysed jointly with sector and scale.

ITC Ltd.: ESG score 61 (Strong) and market capitalisation of approximately ₹535,792 crore. The observation illustrates why ESG and market value should be analysed jointly with sector and scale.

10. DISCUSSION

The sample shows substantial variation in ESG scores among large Indian firms. IT-oriented firms such as Infosys and TCS are at the upper end of the published FY2024–25 distribution, while firms in other sectors face different environmental and operating exposures. Sector characteristics therefore matter when interpreting ESG performance.

The statistical result is cautious: the correlation is weak and insignificant. One important explanation is scale because market capitalisation reflects the absolute size of a company as well as its valuation. A large company can have a lower ESG score but still have a much larger market value than a smaller company with a higher ESG score.

The evidence therefore supports a broader research design. Future studies should combine BRSR-based ESG measures with Tobin's Q, market-to-book ratio, stock returns and ROA, while controlling for firm size, leverage, profitability, growth and industry effects.

11. Implications

- Companies should link sustainability reporting with measurable operating, risk-management and capital-allocation outcomes.
- Investors should consider ESG information alongside financial fundamentals, industry characteristics and valuation measures.
- Standardized BRSR and BRSR Core reporting can improve comparability of sustainability information.
- Researchers should prefer larger multi-year BRSR-based panels to small cross-sectional comparisons.

12. Limitations

- Only ten companies are studied.
- The analysis uses one ESG score per company and cannot test dynamic effects.
- Market capitalisation is strongly influenced by firm size.
- The model does not include firm-level controls such as assets, leverage, ROA, sales growth or industry fixed effects.
- Third-party ESG ratings may differ from an ESG index constructed directly from BRSR disclosures.

13. Scope for Future Research

A stronger follow-up study should cover 30–100 listed firms over FY2021–22 to FY2024–25, construct a BRSR disclosure/performance index from company reports, and estimate fixed-effects or random-effects panel regressions. Recommended dependent variables are Tobin's Q, market-to-book ratio, annual stock return and ROA. Robustness checks may include industry fixed effects, lagged ESG scores and clustered standard errors.

14. CONCLUSION

This exploratory study examined sustainable finance and corporate value using ten major Indian listed companies. The sample shows substantial variation in ESG scores, but the association between ESG performance and log market capitalisation is weak and statistically insignificant. The finding indicates that ESG performance should not be interpreted as a

standalone determinant of corporate value. Firm scale, industry, profitability, growth, leverage and investor expectations also matter. The expanding BRSR reporting environment creates an opportunity for future research to move toward larger, multi-year BRSR-based panel studies.

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