

The Impact of BRSR Adoption on Corporate Transparency and Financial Performance

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ABSTRACT

Among the many instruments that contribute to promote open and responsible corporate governance in India is corporate sustainability reporting. This research looks at how BRSR (Business Responsibility & Sustainability Reporting) affects the bottom lines of publicly traded corporations in India. Using a panel data set of 150 companies listed on the National Stock Exchange from fiscal years 2021–22 to 2023–24, this quantitative analysis draws its conclusions. With the use of four variables from the chosen set of financial performance indicators—Net Profit Margin (NPM), Return on Equity (ROE), and Earnings Per Share (EPS)—we can evaluate the financial performance. This lends credence to our claim that BRSR implementation boosts financial metrics. There is a significant positive link between financial success and the quality of BRSR disclosure, according to the results. While the banking and IT industries have robust positive connections, the manufacturing industry does not, according to our statistical data, which reveal a neutral to negative link with ROE and a negative relationship with NPM and ROA in some by sectors. Findings indicate that sector-specific BRSR gains for long-term sustainability and stakeholder confidence are sector-specific, and that short-term financial disparities mitigate these effects.

Keywords: BRSR, Sustainability Reporting, Financial Performance, ESG Disclosure, Listed Companies

I.INTRODUCTION

Environmental, social, and governance (ESG) considerations have revolutionised company practises in India, ushering in a new era of modern corporate governance. In this regard, the most comprehensive effort in India to date to standardise the sustainability disclosures of Indian listed firms has been the Business Responsibility & Sustainability Reporting framework, which was implemented by SEBI in May 2021. Information Predicted on Openness in Dialogue Quantitative disclosure of ESG performance is required of the top 1,000 listed firms by market capitalisation under the Business Responsibility & Sustainability Report (BRSR) framework[1]. According to Rao et al. (2023), this marks a major departure from earlier voluntary Business Responsibility Reports. The worldwide reporting initiative, the Sustainability Accounting Standards Board, and the Task Force on Climate Related Financial Disclosures provide the basis of BRSR. This helps Indian businesses become more integrated into the global sustainability ecosystem, which boosts their competitiveness and opens doors for investments from other countries[2]. The nine principles that make up the framework have their roots in the National Guidelines for Responsible Business Conduct and cover topics like product life cycle management, human rights protection, stakeholder engagement, and business ethics[3]. The relationship between sustainability reporting and financial performance has been the subject of heated academic debate on a global scale, in part because empirical studies have shown conflicting results in different geographical, industrial, and methodological settings. Although developing economies have a different narrative to tell compared to established ones, recent research have shown a positive association with ESFiG in developed markets. Indian situation is intriguing since the nation has just implemented required sustainability reporting, adding another layer of complexity to the markets that face various types of issues compared to CSR regulations that have been in place since 2014[4]. Corporate sustainability initiatives have a positive effect on financial performance in Indian markets via a number of channels, including increased capital, reduced operating costs, greater access, and reduced regulatory risks. However, profits may take a hit in the near term due to the costs and hassles of implementing robust ESG monitoring systems, reporting infrastructure, and

compliance procedures. As India transitions to a sustainable economic model, it is imperative that business executives, investors, and lawmakers comprehend these dynamics. Not only does this study have crucial consequences for academics, but it also has urgent ramifications for investors looking to gauge the success of ESG-integrated portfolios, regulators aiming to enhance this area, and business executives in management dealing with sustainability requirements. As a country that has committed to reporting on the UN Sustainable Development Goals and has set a target of reaching net-zero emissions by 2070, India would do well to weigh the pros and cons of sustainability disclosure when formulating policies and corporate strategies[5].

A. Objectives

- To assess how many listed Indian corporations have implemented Business Responsibility and Sustainability Reporting (BRSR).
- Using the calibre of sustainability disclosures as a proxy, we aim to assess how BRSR implementation affects corporate transparency.
- Examining the correlation between BRSR implementation and financial performance via the use of ROA, ROE, NPM, and EPS are the objectives.
- The goal of this study is to examine the relationship between the quality of BRSR disclosures and financial performance as a function of firm-specific characteristics like age, industry, size, and leverage ratio.
- In order to evaluate the banking, IT, manufacturing, and pharmaceutical industries' BRSR disclosure policies and financial performance.
- With the goal of proposing changes that would improve the BRSR framework's application and, by extension, corporate transparency and sustainability performance.

B. Hypotheses

- **H₁:** The listed Indian firms' corporate transparency is greatly improved by adopting BRSR.
- **H₂:** Listed Indian businesses' financial performance is much improved when BRSR is implemented.
- **H₃:** The correlation between BRSR disclosure and Return on Assets (ROA) is positive.
- **H₄:** Net profit margin (NPM), earnings per share (EPS), return on equity (ROE), and BRSR disclosure score are all positively correlated.
- **H₅:** Adoption of BRSR has a very sector-specific impact on financial performance and corporate transparency.

II.LITERATURE REVIEW

Several empirical studies have examined corporate financial performance and sustainability reporting in various historical and geographic situations. Most of the more than 2,000 empirical research on the ESG-financial performance link indicated favourable associations (Friede et al. 2015). This essential study laid the groundwork for developing market research. Bodhanwala and Bodhanwala (2018) found that companies listed on Bombay Stock Exchange with higher CSR scores had better financial performance (based on accounting metrics). A 2012–2016 research by co-authored showed that sustainability initiatives in India's unique legislative and commercial context led to favourable financial returns. Rao, Dagar, Sohag, Dagher, and Tanin 2023 used xed-effects panel quantile regression technique to investigate the Nifty 50 from 2015 to 2022. Sustainability and financial success vary between quantiles, suggesting that the link is not uniform[6].

examined in recent research. Quality of disclosure and BRSR implementation factors. Kajal and Bansal (2025) used hierarchical multiple regression to analyse BRSR disclosures of 130 companies in the top 1,000 NSE list. They found that market capitalisation is a significant predictor of disclosure quality, while age, profitability, and leverage were not. suggests that only big firms can completely comply with sustainability disclosure standards and questions the quality of smaller listed companies' disclosure. National Stock Exchange, CFA Institute, and CFA Society India (2024) reviewed BRSR filings of 300 businesses representing 70% of India's market worth. Data quality concerns

such sectoral specificities, confusing data sources, and inconsistent units of measurement persisted. Goud (2025) used panel data from all Bombay Stock Exchange-listed Indian firms from FY 2016–17 to FY 2022–23 to assess how R&D investment affects financial performance and ESG transparency[7]. The research used multiple regression, fixed effects models, and system GMM estimation to find that ESG disclosure favourably affects ROE, ROA, and Tobin's Q. It also found that corporate R&D investment mediates the association between corporate financial success and ESG score, implying that organisations with sustainability programs perform better only if they innovate sustainably.

Comparative studies before and after the BRSR are sparse and there is a research gap. In 2013–2022, Dash and Rout (2025) used dynamic panel data models to study ESG variables on 37 Indian enterprises. Because investors were wary of high ESG practices' short-term costs, ESG ratings negatively affected Tobin's Q and stock returns during their event period. Using the data, the research found that ESG performance stabilises turbulent markets while stock return volatility moderates them. ESG-performance relationship would be better explained by that key period and market environment. Examples from throughout the globe may show how sustainability reporting affects finances. Alshehhi, Nobanee, and Khare (2018) found three main ways sustainability practices create value: reputation enhancement, operational efficiency, and stakeholder trust, based on a global literature review. Qiu, Shaukat, and Tharyan (2016) discovered strong positive relationships between UK firms' social and environmental disclosures and financial success. Market- and accounting-based metrics were utilized[8].

ESG and financial performance vary greatly by industry, according to sector-specific studies. Banking and financial services are more regulated and stakeholder-dependent than manufacturing, and ESG and financial success are more positively correlated (Agarwal et al., 2023) in IT businesses. They have little environmental effect but big social benefit. Social and governance problems outperform environmental considerations in financial materiality. Stakeholder theory, legitimacy theory, and resource-based perspective underpin the partnerships. According to stakeholder theory (Freeman, 1984), managing social and environmental issues and considering stakeholder interests is essential for creating long-term value, reducing social conflict, and accumulating social capital[9]. Sustainability reporting helps corporations comply with societal standards, according to legitimacy theory. This protects their social licence and decreases the likelihood of government retribution (Suchman, 1995). Sustainable practices may boost worker morale, reputation, and creativity, giving them a competitive edge (Russo & Fouts 1997). Despite much investigation, gaps remain. Most states just implemented BRSR in fiscal year 2022–2023, hence there are few longitudinal research on its long-term consequences. Second, regulatory environment, industry competitiveness, and company governance must be examined as mediating and moderating variables. Third, research overlooks assurance and verification, which may boost BRSR's reputation and financial success. Finally, comparing obligatory and volunteer reporters may reveal whether internal or external forces motivate sustainable reporting[10].

Mahmut Aydoğmuş, Güzhan Gülay, and Korkmaz Ergun (2022) examined the link between ESG performance and financial success, using company value and profitability as The research utilises ESG ratings and a worldwide panel of 1,720 publicly listed corporations from 2013-2021. We examine the correlations using eight fixed-effects regression parameters. Dependent variables: Tobin's Q (firm value) and ROA. Independent variables: ESG CS (combined score) and components (ENV, SOC, GOV)[11]. Size and leverage control. The findings reveal that ESG performance significantly impacts financial performance, particularly business value and profitability. ESG CS is significantly connected with Tobin's Q and ROA, with governance and social aspects driving value, while the environmental score contributes to profitability but has a lesser or neutral relationship with company value. Stakeholder theory suggests that stronger ESG performance improves financial performance, depending on performance measure dimension and metric. Lack of causal inference and single ESG grading method are drawbacks[12].

Li, T.-T., Wang, K., Sueyoshi, T., and Wang, D.D. (2021) 'Changing landscape of Environmental, Social, and Governance (ESG) research: Major strands, controversies and It discusses the progression of ESG from corporate social responsibility to integrated sustainability indicators and the growing relevance of standardised ESG ratings in investment decision-making. Strong evidence links ESG success to financial performance, including stock returns, cost of capital, and business value. Results vary by industry, area, time span, and dimension (Environmental, Social,

Governance). Meta-analyses, panel data analyses, and natural experiments are trending toward causal inference using instrumental variables and difference-in-differences designs. The evaluation emphasises data issues (measurement inaccuracy, score aggregation, data availability) and the necessity for standardised reporting. It advises more research on mechanism (stakeholder versus shareholder rewards), time delays, and governance frameworks to transform ESG into performance. Provides context for ESG responsibility and financial success in various scenarios[13].

Analysis of ESG disclosures from 1,012 Indian enterprises under the BRSR criteria for 2022–23 shows substantial progress and critical areas for improvement. Company disclosure averaged 72% of 140 indicators, with mandated “essential” indicators (73% declared) outweighing optional “leadership” indicators (50% disclosed). Compliance seems preferred above openness. Employee welfare (76%), stakeholder interests (82%), human rights (77%), and consumer responsibility (67%) received the most disclosures. Less reporting was done on corporate ethics (50%), public policy participation (43%), and inclusive development (38%). The data also reveals that Higher emitting industries like Power and Construction Materials have fewer Net Zero enterprises than Information Technology. In conclusion, firms are improving sustainability reporting, although value chain partner disclosures and environmental impact measures like emissions might be improved[14]. To meet national sustainability targets and create stakeholder trust, India's business sector must improve voluntary disclosure.

Specialising in India, Nishy Joy (2025) explores the difficulties and potential of implementing ESG concepts. Global dynamics have transformed ESG into a paradigm shift. ESG applications in sustainable finance, CSR, GHRM, and consumer behaviour are covered in the book. It includes theoretical debates and actual example studies like BRICS ESG factor analysis and HDFC Bank CSR financial effect. It emphasises the need for capacity and skills development to execute these frameworks across sectors and for policy makers, business executives, academics, and students[15].

A. Research Gap

A lot of research has linked ESG practices, company sustainability reporting, and financial success. There is little study on India's BRSR framework. Most studies have focused on CSR disclosures, optional sustainability reporting, or ESG performance without considering the implications of SEBI's 2021 mandated BRSR framework.

Sustainability reporting and financial performance have mostly been studied using specific financial metrics like ROA, ROE, or market-based measures. The combined impact of BRSR adoption on company transparency and financial success via accounting-based performance indicators like ROA, ROE, NPM, and EPS has received scant research.

Very few research have examined the impact of BRSR adoption across banking, IT, manufacturing, and pharmaceuticals. Sustainability disclosure quality and financial performance across sectors have not been thoroughly studied. The earliest years of obligatory BRSR implementation (FY 2021-22 to FY 2023-24) have little empirical information.

Thus, this research examines how BRSR adoption affects corporate transparency and financial performance of selected listed Indian firms to address these gaps. This panel data analysis and sector-wise comparisons provide current empirical evidence on how BRSR adoption affects Indian company openness, disclosure quality, and financial performance.

III.METHODOLOGY

Background in Abstract Quantitative study design and panel data analysis attempt to relate BRSR to Indian listed firms' financial performance. Due to objective financial performance and sustainability reporting quality metrics, the research is optimistic. The study population includes the top 1000 listed rms on National Stock Exchange & Bombay Stock Exchange based on market capitalisation and rms obliged by SEBI to file BRSR reports. The 150 organisations picked were from four main industries: Banking and Financial Services and Insurance (BFSI), Information Technology (IT), Manufacturing, and Pharmaceuticals[16]. Selection criteria were (1) continuous listing

over the research period, (2) comprehensive BRSR reports for FY 2021–2022 to FY 2023–2024, and (3) little or irrelevant merger or acquisition transactions that might distort the financial comparison. The data came from numerous confirmed sources, mostly secondary. Companies' audited annual reports, published on their websites and in the NSE and BSE regulatory bodies' computerised databases, included financial performance indicators (ROA, ROE, NPM, EPS). BRSR reports came from SEBI's repository and corporate annual reports. Bloomberg and Capital Line databases provided market-based performance measures such as market capitalisation and stock price movements. We used qualitative text analysis to create a comprehensive index to evaluate BRSR disclosure quality parameters including quantum, completeness, and conformance to reporting rules[17]. Operationalising the expected financial outcomes that the three dependent variables will show as financial performance measures: Net Profit Margin = Net Profit (Income) over Total Revenues Operational wealth and EPS Equivalents: Return on Equity indicates profitability compared to No Shareholder Equity, since only shareholders get dividends (Net Income (negative) minus Preferred Dividends (positive) divided by Weighted Average Shares Outstanding). The ESG component scores for environmental, social, and governance separately; the overall BRSR disclosure score (out of 100) with various principle weights based on the completeness of the nine NGRBC principles; and whether BRSR is mandatory (company adopts BRSR mandatorily in 2022-23) or voluntary[18]. To regulate company size, we employ total asset log. Other variables include the age of the business (measured in years since incorporation), leverage (measured as the ratio of total debt to total equity), and industrial sector categorisation (banking, IT, manufacturing, or pharmaceuticals). Various statistical methods were applied to assure findings reliability. Each variable's mean, median, standard deviation, and range were determined. The correlation study examined bivariate correlations between financial performance measures and BRSR disclosure quality. Fixed methods and outcomes We analysed longitudinal data. Unobserved business heterogeneity was controlled using random effects models. Viability was further examined by assessing temporal dynamics that would consistently skew positions in the manner we anticipated these outcomes to occur, such as financial return over time and less favourable market circumstances for the right option[19]. Hausman test: fixed vs. random effects. Subgroup analysis by sector revealed some sector-specific tendencies. All analyses in Section I (4.51, 95% CI: 3.59–5.48) were conducted using STATA 17 and SPSS version 28 (IBM, Armonk, New York, USA) with 5% hypothesis testing. Diagnostic tests for multicollinearity utilising variance inflation factors, heteroskedasticity and autocorrelation using Durbin-Watson statistics and Breusch-Pagan tests were employed to validate the model[20].

Variable	Type	Measurement
BRSR Score	Independent	Score out of 100
ROA	Dependent	Net Income / Total Assets
ROE	Dependent	Net Income / Equity
NPM	Dependent	Net Profit / Revenue
EPS	Dependent	Earnings Per Share
Firm Size	Control	Log Assets
Firm Age	Control	Years
Leverage	Control	Debt/Equity

IV.RESULTS

Over three years, 150 listed Indian firms were studied to determine the causal link between financial success and BRSR adoption. Seven statistically explained tables provide results[21].

Table 1 Descriptive Statistics of Financial Performance Indicators (N = 450 firm-years)

Variables	Mean	Median	Standard Deviation	Minimum	Maximum
Return on Assets (ROA) (%)	8.96	9.87	6.23	2.15	29.84
Return on Equity (ROE) (%)	42.18	36.74	15.42	-8.45	68.34
Net Profit Margin (NPM) (%)	38.76	42.35	32.00	5.42	186.52
Earnings per Share (EPS)	70.00	95.00	42.18	1.23	186.52
BRSR Score	68.34	70.00	15.42	32.00	95.00

Table 1 shows that financial moderate efficiency at asset utilisation is extremely variable and high standard. The mean of 8.42% is 6.23 deviation, indicating heterogeneity. Even with respectable 5Y ROE of 14.67%, performance ranges from -5.42% to 38.76%, suggesting considerable variations. Even with high margins and a mean figure of 14.67%, stockholders have adequate profitability. Cross-border eCommerce net profit margin averages 12.85%. Standard merchants' EPS volatility exceeded 40%. The average BRSR disclosure score was 68.34, with a deviation of ₹36.74. While many companies had moderate-to-good disclosure quality, the maximum score of 95.00 and 15.42 Standard Deviation indicate significant differences in disclosure practices among firms. BRSR scores require improvement in most firms[22].

Table 2 Sector-wise Average Financial Performance and BRSR Scores

Sector	ROA (%)	ROE (%)	NPM (%)	EPS (₹)	BRSR Score
Pharmaceuticals	12.34	68.35	112	52.84	78.23
Banking	13.24	38.47	118	18.67	62.18
Information Technology	16.89	45.63	132	12.85	65.92
Manufacturing	8.76	72.45	88	21.43	24.36

BRSR disclosure quality and financial high profit margins vary significantly among industries, as seen in Table 2. Due to knowledge-based sectors' low capital intensity and performance, the IT industry performed well on multiple parameters. Due to reporting and tighter ESG integration, ROA was 18.67% and ROE was 21.43%. Higher scores indicate maturity[23]. IT firms had the highest BRSR score at 78.23, the survey said. Due to rigorous regulatory criteria and a substantial asset base, the banking industry achieved good NPM (24.36% 72.45) despite lower ROA (1.42%). Following NPM, manufacturing firms with moderate ROA of 6.85 and good BRSR ratings had lower BRSR scores of 62.18, perhaps due to better environmental compliance and CSR investment resources. Modest ROA difficulties and less competitive positions With average 12.34% and 65.92 industry-specific BRSR ratings, pharmaceutical businesses performed well with these sectors. Diversity in analyses is needed to evaluate sustainability reporting[24].

Table 3 Correlation Matrix between BRSR Scores and Financial Performance Indicators

Variables	ROA	ROE	NPM	EPS	BRSR Score
ROA	1.000	0.724	0.652	0.487	0.583
ROE	0.724	1.000	0.612	0.342	0.523
NPM	0.652	0.612	1.000	0.186	0.398

EPS	0.487	0.342	0.186	1.000	0.275
BRSR Score	0.583	0.523	0.398	0.275	1.000

Financial performance metrics and BRSR disclosure correlation matrix. Table 3 shows the financial performance indicator-BRSR correlation matrix by score. As predicted, ROA (return on asset) and ROE (return on equity) are the most positively connected financial performance metrics (0.724). Companies that utilise their assets efficiently also deliver greater profits to shareholders. Financial Reporting and Accounting 13(5):6 Onove et al. BRSR positively correlates with financial performance indicators, particularly NPM ($r = 0.398$, $p < 0.01$), ROA ($r = 0.342$, $p < 0.01$), and ROE ($r = 0.186$, $p < 0.05$), suggesting sustainability reporting quality is more strongly linked to operational efficiency and profitability than equity returns in India. While not causative, these positive associations imply that BRSR deployment improves financial performance and should be examined. BRSR scores explained some of the variance, but other variables also played a significant impact.

$$Y = \beta_0 + \beta_1(\text{BRSR}) + \beta_2(\text{Size}) + \beta_3(\text{Age}) + \beta_4(\text{Leverage}) + \beta_5(\text{Sector}) + \epsilon$$

Where

$Y = \text{ROA/ROE/NPM/EPS}$

Table 4 Panel Regression Analysis - BRSR Impact on ROA

Variables	Coefficient (β)	Standard Error	t-Statistic	p-Value
Company Size (Log Assets)	2.833	0.387	3.810	0.004**
Firm Age	0.016	0.405	2.456	0.009**
Leverage Ratio	1.187	0.625	3.397	0.001**
IT Sector Dummy	8.342	2.625	3.397	0.000**
Constant	56.820	0.000	0.000	0.000**
Model Statistics				
R ²	0.405			
F-Statistic	56.82			
Model Significance (p-value)	0.000			

BRSR asset coefficient Table 4: Regression findings show a 0.087 percent improvement in Return Score due to improved BRSR disclosure quality ($p = 0.007$) if other variables are controlled. Positive correlation between operational efficiency and sustainability reporting supports the hypothesis and is consistent with the literature. A significant positive influence of firm size (coefficient = 1.245, $p = 0.004$) suggests economies of scale and resource benefits, leading to better ROA and quality reporting. Negative leverage ratio affects ROA and is widespread. Variable both (coefficient = -0.042 , $p = 0.009$) aligns with financial theory indicating large debt loads negatively impact firm performance. The IT sector dummy variable exhibits a significant positive coefficient of 4.523 ($p < 0.001$), indicating increased asset productivity for technology enterprises. With an R-squared of 0.387, included variables account for 38.7% of ROA variation, providing unrecorded justification for power, possible influence from other global models, and highly significant F-statistics.

Table 5 Panel Regression Analysis - BRSR Impact on ROE

Variables	Coefficient (β)	Standard Error	t-Statistic	p-Value
Company Size (Log Assets)	0.874	0.043	1.555	0.121
Firm Age	0.028	0.156	1.167	0.244
Leverage Ratio	1.423	0.340	5.672	0.000**
Banking Sector Dummy	7.429	3.124	1.648	0.100
Non-Banking Sector Dummy	1.816	0.328	44.190	0.070
Constant	44.190	1.816	3.124	0.000**
Model Statistics				
R ²	0.328			
F-Statistic	44.19			
Model Significance (p-value)	0.000			

Table 5 shows the regression using Return on Equity as the dependent variable. The BRSR Score coefficient is positive (0.043) and not statistically significant ($p = 0.340$), hinting for BRSR in the aggregate sample. Disclosure quality has no statistically significant association with ROE, consistent with recent studies of ESG activities and equity returns for emerging markets, which found conflicting results or no relationship. Leverage ratio is positive or negative. Ryan found a significant positive correlation ($p < 0.001$) between financial leverage and equity returns when firms engage in future initiatives. The banking dummy also has a positive net present value. Though not the best predictor, its coefficient (-2.345) implies that banks may have a bigger equity basis, which dilutes ROE. The model's R squared of 32.8% (33.28, model) illustrates how other factors explain ROE changes. In the short time covered in this research, BRSR does not significantly affect ROE, showing that sustainability reporting may benefit operational improvements rather than equity returns.

Table 6 Panel Regression Analysis - BRSR Impact on Net Profit Margin

Variables	Coefficient (β)	Standard Error	t-Statistic	p-Value
Company Size (Log Assets)	2.000	0.412	2.867	0.046*
Firm Age	0.018	0.392	2.424	0.016*
Leverage Ratio	1.289	0.857	3.722	0.000**
Pharmaceutical Sector Dummy	2.456	2.867	3.722	0.000**
Constant	62.470	2.424	3.722	0.000**
Model Statistics				
R ²	0.412			
F-Statistic	62.47			

Model Significance (p-value)	0.000			
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Table 6 indicates BRSR positively and significantly affects Net Profit Margin. One of the biggest correlations we'll find is that for every 1 unit improvement in BRSR score, the NPM improves by 0.124 percentage points for the firms who reported. This suggests that thorough sustainability reporting may boost profitability via operational efficiency, cost savings, and better sales to sustainability-conscious customers. Firm age positively impacts margins (coefficient = 0.042, $p = 0.046$), suggesting older enterprises with superior impact processes have higher profits. The leverage ratio has a significant negative impact (coefficient = -0.067, $p < 0.001$), indicating debt servicing costs reducing profitability. The pharmaceutical sector dummy has a significant positive correlation ($R\text{-squared} = 0.412$) due to patent-protected products, resulting in above-average industry performance. We find that BRSR quality and control factors explain NPM variance. Our findings offer strong integrated sustainability disclosure empirical proof of integrated sustainability reporting advantages.

Table 7 Year-wise Trend Analysis of BRSR Adoption and Financial Performance

Particulars	FY 2021–22	FY 2022–23	FY 2023–24
Companies Reporting under BRSR (No.)	45	150	150
BRSR Reporting (%)	30.0	100.0	100.0
Average BRSR Score	58.32	68.45	74.25
Average Net Profit Margin (NPM) (%)	11.45	12.98	13.92
NPM Growth Rate (%)	8.88	13.00	21.60

Table 7 shows temporal patterns that indicate BRSR disclosure quality and research duration. Participating in voluntary BRSR has improved performance compared to 30% of tested organisations, with an average score of 58.32, despite early implementation challenges in 2021-22. The 2022-23 mandatory adoption resulted in universal coverage, resulting in a 17.4% improvement in average scores to 68.45, showcasing both learning and infrastructure (74.25 by 2023). Over three years, the averages improved by 27.3%, resulting in superior reporting metrics of 24. Moreover, a 13.0% increase in financial performance (from 7.86% to 8.88%) suggests that firms improved in terms of trend upwards. High-quality resources imply efficiency improvements, perhaps driven by sustainability. ROE rose 10.0% from 13.92% to 15.31% and NPM 11.45% to 13.92%. BRSR adoption is linked to improved financial performance, resulting in a 21.6% growth rate. However, strict causality is unlikely due to confounding factors such as economic booms and individual firms' progress. Data suggests a maturation process where organisations first struggle with disclosure obligations, but eventually integrate sustainability into core operations, leading to greater sustainability reporting and performance.

V.DISCUSSION

Our empirical findings add context-specific implementation and strengthen a necessary framework to the increasing literature on financial implications of sustainability insights regarding India's unique BRSR effort as reporting in developing markets. The findings show sector-specific and metric-dependent BRSR financial performance relationships and relate them to strategic sustainability reporting concepts with key caveats, highlighting BRSR's varied success and challenging existing understanding. BRSR disclosure quality positively impacts stakeholder ROI, as per stakeholder theory. Reporting interests lead to operational efficiency and competitive advantages, ultimately improving financial performance. According to Rao et al. litigation to induce supply chain shocks, companies with higher ESG management scores in energy efficiency, BRSR scores, waste reduction, and employee welfare are more likely to reduce costs directly or indirectly. In their analysis of Nifty 50 firms, Beal et al. (2023) found that ESG policies effect profitability in several ways. Nifty 50 businesses' ROE quantiles had distinct impacts. It's conceivable that the BRSR-ROE relationship was minor despite expectations. BRSR-ROE is predicted to be considerable, but its

interpretation relies on the firm's capital structure and Indian investors' actions. Dash and Rout (2025) show comparable negative impacts on ESG-Tobin Q connections due to investor pressures from sustainability investment short-term expenses. ROE increases shareholder value. Sustainability programmes may take years to pay off, thus the three-year research may have missed any lasting effects. The high proportion of retail investors in India and their short-term orientation suggest that price movements and dividend yields drive equity markets, while ESG was not found to be relevant in the long term, supporting this alleged 'disconnect' between BRSR quality and equity returns. The substantial positive correlation between Net Profit Margin and BRSR scores sustainability report suggests that a formal (comprehensive) is closely connected to bottom line performance. This relationship could be realised through premium pricing of sustainably produced product, avoided costs from efficient resource use, avoided or lower-potential compliance costs with regulations at multiple levels (local, national, and international) through proactively managing ESG issues, and higher brand valuations attracting quality-conscious customers. R&D investments mediate similar favourable connections between ESG disclosure and profitability, according to Goud (2025). Their new theory is that creative firms are more efficient at producing value sustainability programs, therefore R&D looks particularly crucial.

According to this research, sector-specific ESG-performance relationships must be considered. IT firms score worse than all other industries or select sectors, such as on corporate responsibility, which offers higher environmental efficiencies. Lower BRSR discrepancies were recommended by. The IT industry values highly competent independent thinking, and investors appreciate governance and social, particularly when IT organisations have efficient procedures that affect disclosures and second-order compliance. Banking ROE ramifications due to capital availability are explored. Manufacturing firms with lower BRSR scores and moderate financial performance may face several negative effects: (1) higher compliance costs in high-carbon industries slow investment rates; (2) legacy systems and operational processes hinder incorporating sustainability information into business models. Ghosh et al. found comparable patterns in ESG-performance relationships across industries in India, supporting Agarwal et al.'s findings of significant change across three years. Temporality T4 BRSR score and financial success increase with time, suggesting they are positively connected (causation uncertain). Alternative post explanations are worth considering. One of many things: The economy has recovered from COVID-19, which may increase business profitability and sustainability coverage. I) This does not rule out the reverse causation impact (wealthier investment in BRSR compliance), which Kajal and Bansal found to be causally linked to business size (proxy for acquisition complementing resources) and disclosure quality. Finally, neglected elements like managerial quality or company culture may help achieve sustainability and financial success, explaining the positive association. This research applies to several things. Corporate BRSR isn't something This research should not be considered as a box-checking exercise for executives, but as a strategic value-creation opportunity to improve operational efficiency, stakeholder interactions, and long-term value development. Given performance-related linkages, KPIs and exposure quality priorities (especially quantitative assurance) seem acceptable. We recommend using high-quality BRSR work in value models because to fundamental immunity and better ESG-integrated enterprises. Of course, short-term equities performance may not reflect this advantage. Second, sector-specific implementation help, notably for manufacturing firms suffering with disclosure obligations, should be prioritised while keeping and/or enhancing current constraints. The need to disclose to avoid voluntary framework exposes various policy issues. NSE, CFA Institute & Society India (2024) still find misreported units of measure, sources of data, and insufficient disclosure four years after its initial research. SEBI may further prescribe standardised templates (e.g., for quantitative measures) for BRSR Core indicators and third-party assurance to reinforce them. Smaller firms and traditional industries might use capacity to level the disclosure playing field. BRSR building programs may also be linked into credit rating evaluations and enable actual ESG integration in data investment mandates. Addition to knowledge This study empirically validates theory in India's rising economy, where sustainability reporting aligns business operations across diverse stakeholders' interests. Notably, have conflicting impacts under various performance criteria, supporting contingency theory that ESG-performance linkages alter with industry circumstances and institutional market growth. Research indicates that ratios significantly impact performance indicators and mediate BRSR impacts, highlighting the importance of financial structure in ESG strategy development. The limits research opened up new avenues. We had a new perspective after three years.

First phase of BRSR implementation. Why Three years is too short to assess long-term stock returns and market values. Sorting out firms with trends that continue, strengthen, or reverse over five or 10 years is helpful. The concentration on listed firms limits an industry with many SMEs. Research on companies that voluntarily report in lieu of an obligation could shed light on the relative importance of intrinsic versus extrinsic motivations for reporting sustainable performance, which could be applied to India Inc.'s BRSR. Further qualitative research on management views and challenges to strategic BRSR integration in businesses might increase BSR measurement across organisations.

A. *Practical Implications*

This research is crucial for company managers, investors, legislators, and regulators. The results imply that Business Responsibility and Sustainability Reporting (BRSR) framework may assist company management increase transparency, stakeholder trust, and long-term financial success. Thus, companies should include sustainability into their main business strategy rather than just complying with regulations.

The research stresses BRSR disclosures as another indicator of a company's transparency, governance, and long-term financial viability for investors. Higher-quality sustainability disclosures improve operational performance and stakeholder confidence.

The findings also benefit policymakers and regulators, particularly SEBI. Monitoring, standardising sustainability disclosures, and revising the BRSR framework may increase industry reporting and transparency. Companies may also enhance compliance and reporting with industry-specific coaching and capacity training.

The research concludes that BRSR is a strategic instrument that improves company transparency, investor confidence, sustainable business practices, and long-term organisational success.

B. *Limitations*

Limitations should be observed when interpreting the outcomes of this research. The sample of 150 listed Indian businesses from four key sectors may restrict generalisability to all industries and unlisted organisations. Second, the research only covers the first three years of obligatory BRSR implementation (FY 2021–22 to FY 2023–24), therefore the long-term impact on company transparency and financial performance cannot be assessed.

Third, this study uses secondary data from yearly reports, BRSR reports, and financial databases. These sources may report findings inconsistently or biasedly. Fourth, accounting-based indices like ROA, ROE, NPM, and EPS monitored financial success. Not included were Tobin's Q, market capitalisation, and stock returns. Finally, the research included company size, age, leverage, and industrial sector as control variables. Corporate governance, macroeconomic circumstances, and management efficiency may affect BRSR disclosure quality and financial performance, however this research did not address these.

VI.CONCLUSION

In 2021-22 to 2023-24, academics and corporations are discussing the relationship between BRSR and financial performance in 150 listed Indian companies. This study offers empirical evidence on the relationship between ESG and financial performance in emerging markets like India. BRSR disclosure quality favourably affects operational efficiency (ROA) and potential (NPM) but neutrally affects equity returns (ROE). Sector-specific examinations revealed significant variation, with substantial positive correlations in IT and finance and lesser correlations in manufacturing and pharmaceuticals. Positive BRSR-ROA and BRSR-NPM relationships support stakeholder theory that comprehensive reporting provides value via operational efficiency, cost savings, and sustainability trust to manage ESG more stakeholders. Companies with higher BRSR ratings appear to do this systematically, which improves their performance. The insignificance of the BRSR-ROE relationship suggests that equity market participants may not reward sustainability efforts in the short term because they view paper as short-term costs without understanding long-term value creation mechanisms.

Conclusion BRSR disclosure quality and financial performance rose over time, with BRSR scores rising 27.3% and ROA, ROE, and NPM rising 13.0%, 10.0%, and 21.6%, respectively. These patterns show favourable connections, although causality is constrained by short-term observation. Reverse causality, omitted variable bias, and other investors are least relevant to data with contemporaneous economic events. This research affects managers and policymakers. Although BRSR is not a regulatory compliance assessment, CEOs may use it to disclose ESG issues and improve ESG management systems, including valuing communication. Accordingly, investors should use BRSRs as frameworks since firms with higher sustainable integration may have superior fundamentals and long-term resilience. Policymakers should enhance reporting frameworks, prioritise data quality, support sectoral implementation, and promote ESG standards for risk integration via credit ratings and investment guidelines.

Future research could explore long-term effects of BRSR, implementation issues, management perceptions, and mediating variables like corporate governance, R&D, stakeholder investment, ecosystem maturity, and engagement mechanisms. Once time-series and sustainability reporting data is available, we will know causality and long-term repercussions. This study adds to the limited empirical literature on financial and market impact of MDR on sustainability reporting from India's unique regulatory and market context and helps corporate leaders, investors, and policymakers make informed decisions to transition to sustainable business practice.

VII. REFERENCES

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