

Do Sustainability Initiatives Pay Off? Firm-Level Evidence from Indian Consumer Markets

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Abstract

The integration of sustainability initiatives into corporate strategy has become a strategic priority for firms seeking to achieve long-term competitiveness and value creation. However, the financial returns derived from sustainability initiatives remain inconsistent across different institutional and market contexts, particularly within emerging economies. Addressing this gap, the present study investigates how sustainability initiatives influence the strategic financial outcomes of consumer-facing firms operating in India. Specifically, the study examines the direct effects of environmental, social, and governance (ESG) practices on firms' financial outcomes while assessing the mediating roles of perceived market advantage and perceived operational advantage. Primary data were collected from 250 managerial respondents representing consumer-facing firms across the Delhi National Capital Region (NCR), India. The proposed research framework was empirically tested using Partial Least Squares Structural Equation Modeling (PLS-SEM). The findings reveal that sustainability initiatives significantly enhance firms' strategic financial outcomes; however, these effects are largely transmitted through perceived market and operational advantages. The results indicate that sustainability practices create financial value by strengthening corporate reputation, improving customer preference, enhancing supply chain resilience, increasing regulatory preparedness, and promoting operational efficiency rather than through direct financial gains alone. The study contributes to the corporate sustainability literature by providing empirical evidence from an emerging economy and by explaining the organizational mechanisms through which sustainability initiatives translate into superior financial performance. The findings also offer important managerial implications by demonstrating that firms should view sustainability as a strategic capability that generates competitive advantage and long-term financial value through enhanced market positioning and operational excellence.

Keywords: Sustainability initiatives; Strategic financial outcomes; Environmental, social and governance (ESG); Perceived market advantage; Perceived operational advantage; PLS-SEM; Consumer-facing firms; India.

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1. Introduction

The integration of sustainability into corporate strategy has become one of the most significant transformations in contemporary business management[1]. Once regarded primarily as a philanthropic or regulatory obligation, sustainability has increasingly evolved into a strategic imperative that shapes organizational decision-making, competitive positioning, and long-term value creation (Dyllick & Hockerts, 2002; Montiel, 2008)[2]. Accelerating environmental degradation, climate change concerns, resource scarcity, evolving stakeholder expectations, and strengthening regulatory frameworks have compelled organizations to reconsider the traditional profit-maximization paradigm and adopt more sustainable business practices. Consequently, sustainability is no longer viewed merely as a mechanism for ensuring legal compliance or enhancing corporate reputation but rather as a strategic capability that enables firms to create economic, environmental, and social value simultaneously[3]. This paradigm shift has stimulated extensive scholarly interest in understanding whether sustainability-oriented strategies contribute to superior organizational performance and sustainable competitive advantage[4].

Despite the growing institutional emphasis on sustainability, a fundamental question continues to dominate both academic discourse and managerial practice: Do sustainability initiatives create measurable financial value for firms? Addressing this question has become increasingly important as organizations allocate substantial financial and managerial resources towards environmental protection, social responsibility, ethical governance, and stakeholder engagement[5]. While managers frequently justify sustainability investments on strategic grounds, investors and shareholders continue to demand empirical evidence demonstrating that such initiatives generate tangible economic returns. Consequently, examining the financial implications of corporate sustainability has emerged as one of the most extensively investigated yet inconclusively resolved issues within strategic management, corporate finance, and sustainability research[6].

The existing body of literature presents substantial evidence supporting the business case for sustainability[7]. Numerous empirical studies report that firms adopting sustainability-oriented practices achieve superior financial performance through enhanced operational efficiency, optimized resource utilization, improved innovation capability, and effective risk management (Ahsan, 2024; Liu et al.,

2022; Rahi et al., 2022). Sustainability initiatives have also been associated with increased profitability, higher market valuation, lower cost of capital, and improved investor confidence (Gidage & Bhide, 2024; López-Cabarcos et al., 2023; Suhartini et al., 2024). These findings are theoretically supported by the Resource-Based View (RBV), which argues that organizational capabilities developed through sustainability practices constitute valuable, rare, inimitable, and non-substitutable resources capable of generating sustained competitive advantage[8]. Similarly, Stakeholder Theory suggests that organizations responding effectively to the expectations of customers, employees, investors, regulators, and society develop stronger stakeholder relationships that ultimately enhance organizational legitimacy, corporate reputation, and long-term financial performance. Collectively, these theoretical perspectives suggest that sustainability initiatives function not merely as ethical commitments but as strategic investments capable of creating durable economic value[9].

Nevertheless, the empirical evidence remains far from conclusive. An equally important stream of research argues that sustainability initiatives impose considerable financial burdens on organizations, particularly during the initial stages of implementation[10]. Investments in environmentally responsible technologies, sustainable supply chain management, ESG reporting systems, regulatory compliance, employee training, and governance reforms often require substantial capital expenditures and increased administrative costs (Escoto et al., 2022; Ning & Shen, 2024). Such expenditures may reduce short-term profitability, constrain financial flexibility, and delay the realization of expected economic benefits. Furthermore, the financial returns associated with sustainability initiatives frequently materialize over extended time horizons, making it difficult for organizations to justify these investments from a purely short-term financial perspective[11]. Consequently, previous studies have reported inconsistent findings regarding the magnitude, direction, and significance of the sustainability–financial performance relationship, indicating that this relationship is considerably more complex than a simple direct association.

The inconsistencies within the existing literature become even more pronounced when viewed from the perspective of emerging economies. Most empirical investigations have been conducted within developed countries characterized by mature capital markets, sophisticated institutional environments, stringent sustainability regulations, and relatively high stakeholder awareness[12]. The generalizability of these findings to emerging markets therefore remains uncertain due to significant institutional, economic, and regulatory

differences. Emerging economies frequently exhibit weaker governance mechanisms, evolving sustainability policies, resource constraints, and heterogeneous stakeholder expectations, all of which may influence the manner in which sustainability initiatives affect organizational performance[13]. Consequently, there remains a pressing need for context-specific empirical evidence capable of explaining the financial consequences of sustainability within rapidly developing economies.

India represents an especially relevant empirical setting for addressing this research gap. During the past decade, the Indian corporate sector has experienced substantial regulatory and institutional transformation in relation to sustainability practices[14]. The introduction of mandatory Corporate Social Responsibility (CSR) provisions under the Companies Act, the implementation of Business Responsibility and Sustainability Reporting (BRSR) requirements, increasing Environmental, Social and Governance (ESG) disclosure expectations, and growing awareness among investors and consumers have collectively accelerated the integration of sustainability into corporate strategy[15]. Simultaneously, firms operating within India's consumer-facing industries encounter intense competitive pressures, rapidly changing consumer preferences, and increasing demand for responsible business conduct[16]. These developments create an important opportunity to examine whether sustainability initiatives generate meaningful strategic financial outcomes within one of the world's fastest-growing emerging economies[17].

Beyond the contextual limitations, the existing literature also exhibits an important theoretical shortcoming. The majority of prior studies conceptualize the relationship between sustainability initiatives and financial performance as a direct causal association, thereby providing limited insight into the organizational mechanisms through which sustainability generates economic value. Such an approach overlooks the possibility that sustainability influences financial outcomes indirectly through the development of intermediate strategic capabilities[18]. Market-related advantages, including enhanced corporate reputation, stronger brand equity, increased customer loyalty, improved stakeholder trust, and greater investor confidence, may strengthen firms' competitive positions and ultimately improve financial performance. Likewise, operational advantages such as enhanced process efficiency, cost optimization, innovation capability, resource productivity, and effective risk management may represent critical pathways through which sustainability investments create long-term economic value. Investigating these mediating mechanisms is therefore essential for developing a

more comprehensive theoretical understanding of the sustainability–performance relationship and for explaining the contradictory findings reported across previous empirical studies[19].

In response to these research gaps, the present study develops and empirically tests a framework that examines both the direct and indirect financial implications of sustainability initiatives among Indian consumer-facing firms. Specifically, the study investigates the direct influence of sustainability initiatives on strategic financial outcomes while simultaneously evaluating the mediating roles of perceived market advantages and perceived operational advantages. By integrating strategic management and sustainability perspectives within the context of an emerging economy, the study contributes to the existing literature in three important ways. First, it extends empirical evidence on the financial consequences of sustainability beyond the predominantly developed-country context. Second, it advances theoretical understanding by identifying the organizational mechanisms through which sustainability initiatives influence financial performance. Third, it provides practical insights for managers and policymakers seeking to maximize the economic returns associated with sustainability investments while simultaneously achieving broader environmental and social objectives.

2. Research Methodology

The purpose of the study here is to understand if sustainability initiatives pay-off in an emerging consumer market like India. In order to answer the question, empirical evidences are generated using both primary and secondary sources of data. While the secondary sources involving books, journal articles, reports and online information were used for establishing the existing research areas, the primary sources of data were collected to analyse the impact of each essential factor considered.

Population

The population of the study are consumer-facing firms operating in India. These firms can be operational across any domain such as fast-moving consumer goods (FMCG), consumer durables, retail, hospitality etc. But the main requirement is to be businesses directly facing consumer interactions.

Sampling Technique

The sampling technique deployed is non-probabilistic in nature. Purposive sampling is used to select the sampling units from the population

Sample Size

The study considers the minimum sample size requirement of 200 for conducting advanced statistical analyses like multiple linear regression (Kline, 2016) as its base and considers 250 as the final sample size.

The study uses Delhi National Capital Region (NCR) as the principal sampling location for this study due to its strategic economic significance and

dense concentration of consumer-facing firms across multiple sectors such as FMCG, organised retail, apparel, hospitality, and consumer durables. As one of India's largest commercial ecosystems, Delhi NCR hosts corporate headquarters, regional offices, and large-scale distribution hubs, making it an appropriate setting for surveying senior managers responsible for sustainability initiatives, pricing decisions, cost management, and investment planning.

For collecting the primary sets of data, a structured questionnaire is designed in a 5 Point Likert scale. The factors considered in the study are as follows-

Table 1 – List of Factors

Dependent Variable	Independent Variables	Mediating Variable
Financial Impact of Sustainability	Environmental Practices	Perceived Market & Operational Advantage
	Social Responsibility Practices	
	Governance & Compliance Orientation	

The above set of factors represent various aspects of understanding the impact of sustainability initiatives. The three independent variables estimate how the firms incorporate environmental practices into their operations, promote a socially responsible role that fulfils a broader sustainable strategy and aligns their initiatives with the decision making process in the firm. The mediating variable of Perceived Market & Operational Advantage captures the firm's assessments of the competitive benefits arising from sustainability initiatives, including enhanced brand reputation, increased customer preference, supply-chain resilience, operational efficiency, and preparedness for regulatory changes.

Lastly, the dependent variable of financial impact of sustainability measures the perceived influence of sustainability initiatives on firm-level financial outcomes and strategic decisions, including cost structures, pricing power, capital allocation priorities, long-term profitability, and competitive positioning.

A total of 22 items are used in the questionnaire to estimate the factors included in the study. The next section showcases the detailed statistical analyses undertaken to arrive at the results of the study.

3. Results & Discussion

The 250 datasets collected from firm managers are analysed in this section of the study. The analyses are conducted in three different stages. In the first stage, a factor extraction method is conducted to

extract the underlying factors in the 22 item scale. It is followed by a detailed descriptive analyses and lastly, the relationship between the extracted factors is estimated.

3.1 Factor Analysis

For the purpose of the study, a 22-item scale has been constructed. However, to establish its fit with the collected dataset, sampling adequacy test followed by a Principal Component Analysis (PCA) is conducted. This process helps to modify the items and increase the credibility of each measure.

Firstly, using Bartlett's test and Kaiser-Meyer-Olkin (KMO), the sampling adequacy of the datasets is estimated below.

Table 2 – Bartlett's Test of Sphericity

χ^2	df	p
4851	231	< .001

Table 3 – KMO Measure of Sampling Adequacy

	MSA
Overall	0.937
Our firm actively invests in energy-efficient technologies	0.922
Sustainability considerations influence our sourcing of raw materials	0.931
Waste reduction and recycling are integral to our operations	0.940
Environmental initiatives are evaluated as part of cost-management strategies	0.943
Ethical labour standards are enforced across our supply chain	0.942
Community development initiatives are part of our business strategy	0.960
Social responsibility affects how we select suppliers and partners	0.938
Customer trust is influenced by our social initiatives	0.955
Our board or top management actively oversees sustainability initiatives	0.925
ESG goals are integrated into corporate governance structures	0.932

Table 2 – Bartlett's Test of Sphericity

χ^2	df	p
We maintain transparent reporting of sustainability performance	0.919	
Regulatory compliance influences sustainability investments.	0.954	
Sustainability initiatives have improved our reputation	0.935	
Customers show stronger preference for our products due to sustainability efforts	0.942	
Sustainability has strengthened supply-chain resilience	0.935	
Environmental and social initiatives have improved operational efficiency	0.946	
Sustainability helps us prepare for future regulatory changes	0.956	
Sustainability initiatives have increased our operating costs in the short term	0.313	
Our firm is able to pass sustainability-related costs on to customers through pricing	0.480	
Sustainability considerations influence our capital investment decisions	0.945	
Sustainability initiatives improve our long-term profitability prospects	0.966	
ESG activities provide our firm with a competitive financial advantage	0.942	

The Bartlett's test shows a p-value of less than 0.05 and an overall KMO of 0.937 fulfils the acceptable threshold of 0.7, as suggested by (Hair et al., 2006). This means that the samples collected are adequate and can be used for further statistical analysis.

The PCA conducted here uses varimax rotation to maximise the factor loadings and considers 0.4 or more as the limit for accepting under the corresponding factor.

Table 4 – Component Loadings

	Component					Uni que ness
	1	2	3	4	5	
Our firm actively invests in energy-efficient technologies	0.642					0.1620
Sustainability considerations influence our sourcing of raw materials	0.717					0.2369
Waste reduction and recycling are integral to our operations	0.649					0.3277

Table 4 – Component Loadings

	Component					Uni que ness
	1	2	3	4	5	
Environmental initiatives are evaluated as part of cost-management strategies	0.467					0.2753
Ethical labor standards are enforced across our supply chain		0.851				0.2207
Community development initiatives are part of our business strategy		0.647				0.4391

Table 4 – Component Loadings

	Component					Uni que ness
	1	2	3	4	5	
Soci al resp onsi bilit y affec ts how we selec t supp liers and partn ers		0. 83 0				0.2 30 4
Cust omer trust is influ ence d by our socia l initia tives		0. 68 1				0.2 55 0
Our boar d or top man age ment activ ely over sees susta inabi lity initia tives			0. 69 8			0.2 96 1

Table 4 – Component Loadings

	Component					Uni que ness
	1	2	3	4	5	
ESG goal s are integ rated into corp orate gove rnance struc tures			0. 47 0			0.3 46 7
We main tain trans pare nt repo rting of susta inabi lity perf orma nce			0. 58 7			0.2 49 1
Reg ulato ry com plian ce influ ence s susta inabi lity inve stme nts.			0. 63 3			0.2 76 7

Table 4 – Component Loadings

	Component					Unique ness
	1	2	3	4	5	
Sustainability initiatives have improved our reputation				0.469		0.232
Customers show stronger preference for our products due to sustainability efforts				0.715		0.267
Sustainability has strengthened supply-chain resilience				0.402		0.276

Table 4 – Component Loadings

	Component					Unique ness
	1	2	3	4	5	
Environmental and social initiatives have improved operational efficiency				0.815		0.227
Sustainability helps us prepare for future regulatory changes				0.544		0.246
Sustainability initiatives have increased our operating costs in the short term					0.984	0.029

Table 4 – Component Loadings

	Component					Uniqueness
	1	2	3	4	5	
Our firm is able to pass sustainability-related costs on to customers through pricing					0.962	0.0601
Sustainability considerations influence our capital investment decisions					0.599	0.2576

Table 4 – Component Loadings

	Component					Uniqueness
	1	2	3	4	5	
Sustainability initiatives improve our long-term profitability prospects					0.610	0.2129
ESG activities provide our firm with a competitive financial advantage					0.484	0.2342

Note. 'varimax' rotation was used

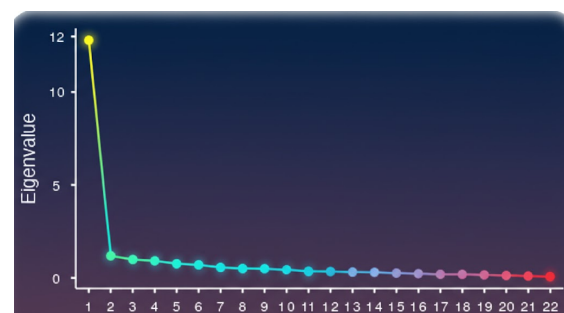


Figure 1 – Scree Plot

The above table shows that there are 5 factors extracted from the 22-items which have an eigen value of more than 1. The factor loadings when inspected for individual items shows a value of more than 0.4. This indicates that each of the items shall be included in estimating the five factors in the study.

3.2 Mean Score Analysis

As the factors are extracted and validated based on the PCA conducted, each of the factors is now investigated in detail to examine the perception of the firms towards sustainability practices.

Table 5 – Descriptives of Independent Variables

	N	Mean	Median	SD	Minimum	Maximum
Environmental Practices						
Our firm actively invests in energy-efficient technologies	250	3.30	3.00	0.75	1	4

Table 5 – Descriptives of Independent Variables

	N	Mean	Median	SD	Minimum	Maximum
Sustainability considerations influencing our sourcing of raw materials	250	3.60	4.00	0.65	2	5
Waste reduction and recycling are integral to our operations	250	3.59	4.00	0.647	2	5

Table 5 – Descriptives of Independent Variables

	N	Mean	Median	SD	Minimum	Maximum
Environmental initiatives are evaluated as part of cost-management strategies	250	3.56	4.00	0.693	2	5
Social Responsibility Practices						
Ethical labor standards are enforced across our supply chain	250	3.41	4.00	0.793	1	5

Table 5 – Descriptives of Independent Variables

	N	Mean	Median	SD	Minimum	Maximum
Community development initiatives are part of our business strategy	250	3.55	4.00	0.705	2	5
Social responsibility affects how we select suppliers and partners	250	3.45	4.00	0.744	1	4
Customer trust is influenced by our social initiatives	250	3.56	4.00	0.669	2	5

Table 5 – Descriptives of Independent Variables

	N	Mean	Median	SD	Minimum	Maximum
Governmental & Compliance Orientation						
Our board or top management actively oversees sustainability initiatives	250	3.5	4.0	0.58	2	4
ESG goals are integrated into corporate governance structures	250	3.8	4.0	0.59	2	4

Table 5 – Descriptives of Independent Variables

	N	Mean	Median	SD	Minimum	Maximum
We maintain transparent reporting of sustainability performance	250	3.5	4.0	0.72	1	5
Regulatory compliance influences sustainability investments.	250	3.8	4.0	0.57	2	4

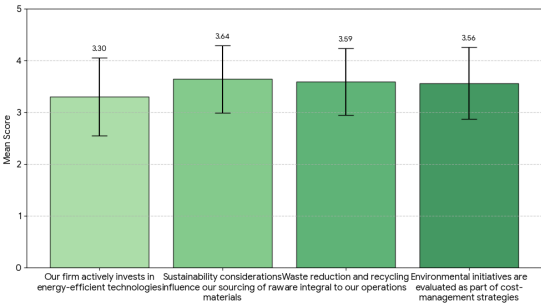


Figure 2 – Mean Scores for Environmental Practices

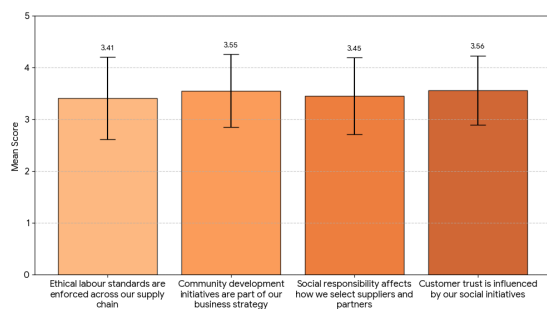


Figure 3 – Mean Scores for Social Responsibility Practices

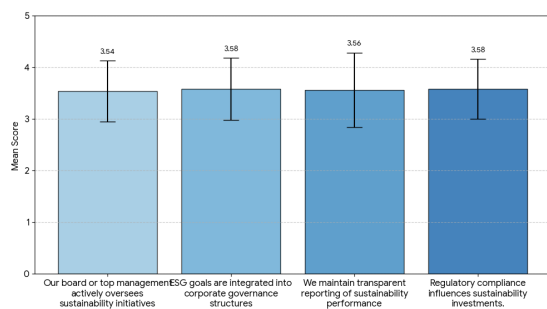


Figure 4 – Mean Scores for Governance & Compliance Orientation

The mean score analyses conducted across the items of the three factors showcases a moderate level of practices implemented across the firms. The highest mean score in the environmental practices stand at 3.64 which shows a high level of agreement across the firms about sourcing of raw materials based on sustainability requirements. In terms of social responsibility, the highest score of 3.56 represents how the firms agree about customer trust being influenced by the social initiatives they undertake. Two items score 3.58 in governance and compliance orientation representing how ESG goals are integrated into their governance structures and regulatory compliance is also influenced by the investments made in sustainability measures. The high level of mean scores across the three factors indicates the alignment of the consumer facing forms in India towards different forms of sustainability practices.

Table 6 – Descriptives of Mediating Variable

	N	Mean	Median	SD	Minimum	Maximum
Sustainability initiative have improved our reputation	250	3.40	4.00	0.63	2	5
Customers show stronger preference for our products due to sustainability efforts	250	3.40	4.00	0.60	2	5

Table 6 – Descriptives of Mediating Variable

	N	Mean	Median	SD	Minimum	Maximum
Sustainability has strengthened supply-chain resilience and environmental and social initiatives have improved operational efficiency	250	3.61	4.00	0.617	2	5

Table 6 – Descriptives of Mediating Variable

	N	Mean	Median	SD	Minimum	Maximum
Sustainability helps us prepare for future regulatory changes	250	3.60	4.00	0.608	2	5

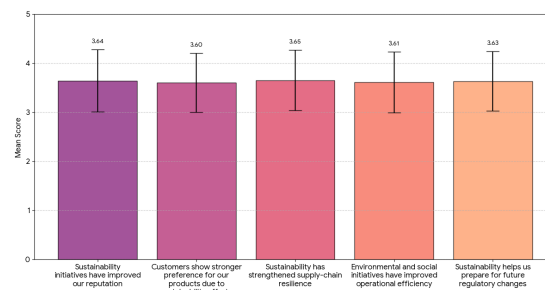


Figure 5 – Mean Scores for Perceived Market and Operational Advantage

Estimating the main scores for the five items measuring perceived market and operational advantage, it is observed that majority of the firms believe sustainability initiatives have helped to build both market and operational efficiencies. For example, the highest mean score standing at 3.65 indicates how sustainability has strengthened the resilience in supply chain. Further, a score of 3.64 indicates sustainability measures influencing their reputation in a better light. Overall, the use of such initiatives are perceived by the firms as effective for both market and operational betterment.

Table 7 – Descriptives of Dependent Variable

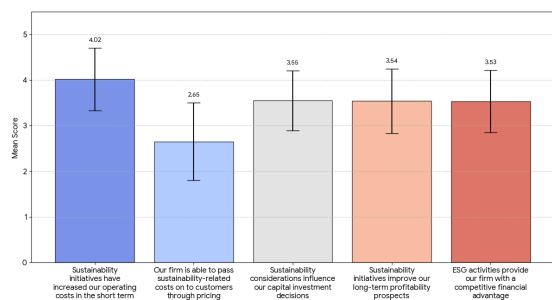
	N	Mean	Median	SD	Minimum	Maximum
Sustainability initiatives have increased our operating costs in the short term	250	4.0	4.0	0.68	3	5
Our firm is able to pass sustainability-related costs on to customers through pricing	250	2.65	3.0	0.85	1	4

Table 7 – Descriptives of Dependent Variable

	N	Mean	Median	SD	Minimum	Maximum
Sustainability considerations influence our capital investment decisions	250	3.5	4.0	0.65	2	5
Sustainability initiatives improve our long-term profitability prospects	250	3.5	4.0	0.70	2	5

Table 7 – Descriptives of Dependent Variable

	N	Mean	Median	SD	Minimum	Maximum
ESG activities provide our firm with a competitive financial advantage	250	3.55	4.00	0.68	2	5

**Figure 6 – Mean Scores for Financial Impact of Sustainability**

Lastly, the mean score analyses conducted for the five items estimating the financial impact of sustainability practices show the highest recorded mean score item across all. At 4.02, the majority of firms agree to have an increased level of operating costs in the short term due to such initiatives. A low score of 2.65 indicates that the firms are unable to pass such costs through customer pricing. However, an overview of the items shows that sustainability initiatives do have an impact on the various financial aspects of the firms.

3.3 Mediation Model

In the final step of the analysis, a mediation model is generated by considering all the variables in the study. This method would help to estimate the relationship between the factors and the amount of impact caused by each.

Table 8. Indirect, Direct, and Total Effects

Type	Effect	Estimate	SE	95% CI Lower	95% CI Upper	β	z	p
Indirect	Environmental Practices → Perceived Market & Operational Advantage → Financial Impact of Sustainability	0.1803	0.0467	0.0871	0.2738	0.22	3.68	< 0.001

	bility							
Indirect	Social Responsibility Practices → Perceived Market & Operational Advantage → Financial Impact of Sustainability	0.0580	0.2004	0.0179	0.0088	0.0067	2.40	0.005
Indirect	Governance & Compliance Orientation	0.1184	0.0036	0.0043	0.0019	0.0018	3.29	0.001

	ntation → Perceived Market & Operational Advantage → Financial Impact of Sustainability							
Component	Environmental Practices → Perceived Market & Operational	0.4588	0.0054	0.0366	0.0055	0.0018	8.44	< 0.001

	Adv anta ge							
Co mp one nt	Perc eive d Mar ket & Oper ation al Adv anta ge → Fina ncial Impa ct of Sust aina bilit y	0.3 92 9	0. 0 9	0. 21 54	0. 5 7	0. 4 5	4. 3 4	< 0. 0 1
Co mp one nt	Soci al Resp onsi bilit y Pract ices → Perc eive d Mar ket & Oper	0.1 47 6	0. 0 3	0. 07 06	0. 2 4	0. 1 4	3. 7 5	< 0. 0 0 1

	ation al Adv anta ge							
Co mp one nt	Gov erna nce & Com plian ce Orie ntati on → Perc eive d Mar ket & Oper ation al Adv anta ge	0.3 01 4	0. 0 6	0. 17 91	0. 4 2	0. 3 6	0. 3 1	< 0. 0 0 1
Dir ect	Envi ron ment al Pract ices → Fina ncial Impa ct of Sust	0.4 33 4	0. 0 8	0. 26 07	0. 6 6	0. 5 2	4. 9 1	< 0. 0 0 1

	ainability							
Direct	Social Responsibility Practices → Financial Impact of Sustainability	0.0596	0.0578	-0.0058	0.0172	0.0069	1.031	0.032
Direct	Governance & Compliance Orientation → Financial Impact of Sustainability	-0.0049	0.0034	-0.0373	-0.0021	-0.0039	-0.0215	0.008

Total	Environmental Practices → Financial Impact of Sustainability	0.6137	0.087	0.0458	0.0718	0.0796	7.64	<0.001
Total	Social Responsibility Practices → Financial Impact of Sustainability	0.176	0.0584	0.0038	0.0232	0.0137	2.034	0.044
Total	Governance & Compliance Orientation	-0.00865	0.0028	-0.0267	0.0053	-0.0011	-0.0321	0.351

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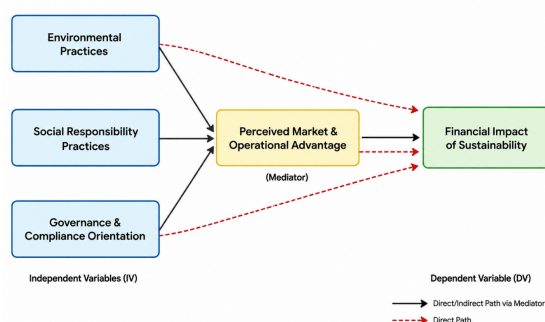


Figure 7 – Mediation Model

The mediation analysis conducted here examined the role of perceived market and operational advantage as a mediator between the different dimensions of sustainability on the financial impact caused across the firms. The results of the analyses revealed how all the three parameters of sustainability environmental, social and governance have statistically significant indirect effects on the financial outcomes when considered through the mediator. This indicates how the considered consumer facing firms do not benefit financially from the sustainability initiative themselves but experienced them in the form of actions such as consumer preferences, enhanced level of reputation in the market, supply chain resilience, operational efficiency and building regulatory preparedness. When understanding each of the dimensions individually, it is established that environmental practices have the strongest effect. It underscores how strategic understanding builds through the environmental initiative in such firms in India. The partial mediation of perceived market and operational advantage suggest how the environmental investments can influence the financial strategy through operational gains along with cost savings and better pricing power.

The impact of social responsibility practices is weaker but still significant when considered through the mediator. A full mediation is generated in this relationship indicating how employee welfare,

community engagement or ethical sourcing do not directly translate into financial betterment but operate under other mechanisms such as building brand trust and achieving stakeholder good will.

The last factor of governance and compliance orientation showcases a positive and significant indirect effect via the mediator showcasing how a strong oversight and risk management system can build towards organisational credibility and lead to a better financial strategy making. The role of the mediator perceived market an operational advantage is quite significant in the conceptual model developed suggesting how the different sustainability initiatives at the farm level can convert into tangible market positioning and operational efficiencies.

The purpose of the study was to examine how sustainability initiatives influence the financial decision-making of consumer facing firms located in an emerging economy like India. By including statistical methods of investigation like factor analyses, medication modelling and descriptive analyses, the survey data collected from 250 managers of such forms, the findings are able to create a comprehensive understanding of the impact made by such factors. The consideration of sustainability initiatives in three aspects of environmental, social responsibility and governance, allowed to investigate its impact in a broader perspective. The results indicate how the sustainability initiatives do not uniformly lead to financial benefits for the farms. Rather the impact meet is in the form of practices related to reputational capital, supply chain resilience, regulatory preparedness, customer preference and operational efficiency. This matches with the few suggested by researchers like (Pérez Estébanez & Sevillano Martín, 2025; Singal, 2014; Singh et al., 2025) who mentioned how the direct financial impact of sustainability initiatives is not commonly encountered by firms.

The methodological process confirmed the presence of sampling adequacy across the five factors extracted from the factor analyses. The descriptive methods of investigation indicate how the forms exhibit a moderate level of engagement across the sustainability practices with stronger emphasis laid down on sourcing sustainable materials, driving customer oriented social initiatives and maintaining regulatory compliance. This aligns with the past results showcased by (Busch et al., 2024; Knoppen & Knight, 2022) who mentions how firms often start in their sustainability journey one step at a time. The most significant contribution to the study is made by the detailed mediation analyses conducted where the individual impact of all the three dimensions of sustainability through the indirect effects of the mediator where observed. The

financial outcomes being significantly mediated by perceived market an operational advantage shows supporting arguments rooted in the widely used theories such as resource-based view and stakeholder theory. The initiatives appear to function as strategic resources which are valuable but difficult to imitate and derive economic benefits by aligning with stakeholder expectations (Ruiz-Carrillo & Fernández-Ortiz, 2005; Seriki, 2023). The environmental practices show the most influential outcomes predicting strong direct and indirect effects. Prior studies in the field have showcased such positive associations between environmental initiatives on the financial outcomes of the firms. Considered altogether, the role of perceived market an operational advantage can be specified as the central mechanism that associates sustainable initiatives to the firm level financial strategy. This further contributes to the debate on sustainability by showcasing how the ESG initiatives can create value for the firms when they are able to translate them into tangible competitive benefits rather than considering them as isolated exercises for maintaining compliance.

The study makes a number of theoretical and practical implications. It integrates the ESG dimensions with the financial decision-making process through a mediation framework and moves beyond the direct effect models that are mostly found in literature. It considers the emerging market evidence and compliments to the studies which focus on the developed nations enhancing the generalisability of the topic.

Drawing the results of the study here, a number of managerial and policy implications can be generated. For example, the results suggest how such initiative should be strategically integrated into the operations if they have to eat direct financial returns. In such case, it is important that environmental investments and social initiatives are considered for long-term reputation building rather than considering them as immediate profit drivers. The governance systems can be costly in the short run but it can enhance the resilience and regulatory preparedness especially when considering an evolving Indian ESG landscape. The findings indicate encouraging results for the farms to adopt a sustainability practices and convert them into users of ESG investments for competitive advantage such as tax incentives for energy-efficiency and green-financing schemes.

4. Conclusion

The descriptive research undertaken here has been able to provide a comprehensive understanding about how sustainable initiatives undertaken by consumer facing firms in India influence their financial strategy making. The findings clearly showcases how sustainability initiatives undertaking do not have uniform effects on the financial outcomes of the firms. Rather, a more mediated

impact caused through market and operational advantage impacts on drawing the financial outcomes. The impact of environmental practices are more as compared to social responsibilities and governance practices. Collectively, the results position perceived market and operational advantage as the pivotal mechanism linking ESG initiatives to financial decision-making. The study here indicates a number of scope for future research directions based on the limitations encountered here. Firstly, the consideration of a cross-sectional design restricts the causal inferences and future studies must involve longitudinal methods of understanding to understand the economic cycle is better. The research in the future can also explore several moderators that shape the sustainability and performance relationship such as the size of the firm, the structure of ownership, the intensity of market competition or the level of consumer environmental awareness. There is a requirement for conducting competitive studies across emerging economies and the developed markets to showcase how institutional environment can influence the economic be out in the future.

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