The 2nd International Students Conference on Economics and Business Excellence (ISCEBE) 2025
e-ISSN: 3090-4811
Vol. 2 No.1/AC-ISCEBE (2025)

THE IMPACT OF ESG DISCLOSURE ON CORPORATE PERFORMANCE: A SYSTEMATIC LITERATUR REVIEW

Talitha Rahmi Ardiyanti[1)]
[1)]Accounting, Universitas Negeri Malang, Indonesia
Corresponding author: talithar.ardiyanti@gmail.com

Abstract

Environmental, Social, and Governance (ESG) disclosure has garnered increasing attention from companies amid growing global awareness of sustainability issues. This study aims to systematically review empirical literature examining the impact of ESG disclosure on corporate performance. Through a comprehensive literature analysis of relevant empirical studies, this research identifies prevailing trends, diverse findings, and moderating factors that influence the relationship between ESG disclosure and firm performance. The findings suggest that, despite certain inconsistencies, ESG disclosure is generally associated with improved corporate financial outcomes. However, the influence of each ESG dimension—environmental, social, and governance—can vary depending on industry sector, geographic context, and firm-specific characteristics. This study underscores the importance of standardizing ESG measurement and reporting practices to reduce ambiguity and enhance the clarity of its implications for business performance. A systematic and empirical review of the literature is presented, along with directions for future research aimed at addressing existing gaps and further exploring the complexity of this relationship.

Keywords: ESG Disclosure, Corporate Performance, Literature Review

Introduction

The growing global concern over pressing challenges—such as poverty alleviation, the development of healthcare and education systems, economic growth, climate change mitigation, and the preservation of oceans and forests—has made Environmental, Social, and Governance (ESG) disclosure an imperative for companies (Li et al., 2024; Ruan & Liu, 2021). Companies worldwide are increasingly aware that their operations have significant consequences on the environment and society, leading to heightened pressure from various stakeholders for transparency and accountability in ESG practices (Fujianti et al., 2024; Khandelwal et al., 2023). Investors are now incorporating ESG factors into their decision-making processes, consumers are opting for products and services from socially and environmentally responsible companies, and regulators across different countries are tightening ESG reporting standards and regulations (Jafar et al., 2024).

The urgency of ESG disclosure is not only driven by external pressures. Companies are also recognizing the internal benefits of implementing robust and transparent ESG practices. Effective risk management can be achieved by identifying and addressing environmental and social risks (Key ESG, 2025). Moreover, a focus on sustainability can foster innovation in environmentally friendly and efficient product and process development. Sound ESG practices may also enhance operational efficiency through waste reduction and more prudent resource use (H. Ahmad et al., 2023). Therefore, ESG disclosure is becoming increasingly important as a strategic tool for building stakeholder trust, ensuring long-term legitimacy, and ultimately improving overall corporate performance (Ellili, 2022; PwC, 2023).

Despite the growing interest in this topic, empirical research on the impact of ESG disclosure on firm performance has yielded mixed and sometimes contradictory results (Khandelwal et al., 2023; Rohendi et al., 2024). While some studies find a positive relationship between ESG disclosure and financial, market, or operational performance, others report negative or non-significant associations. This variation is partly attributable to the lack of standardization in ESG definitions, measurement, and reporting across studies (Khandelwal et al., 2023). Differences in research methodologies, performance metrics, and company contexts also contribute to these divergent findings.

In addition, there is a need to understand the role of contingency factors that may moderate the relationship between ESG disclosure and firm performance (Khunkaew et al., 2023). Factors such as industry sector, geographic region, firm size, corporate governance quality, and investor attention can influence how ESG disclosure affects performance outcomes (Bahadır & Akarsu, 2024; W. Hussain et al., 2024; Jafar et al., 2024; Moussa et al., 2024). The diversity of findings suggests that the relationship is unlikely to be universal and is highly dependent on these contextual variables. Identifying such research gaps is essential for directing future studies toward underexplored areas that may offer significant contributions to the body of knowledge on this topic.

The primary aim of this study is to review and synthesize the existing empirical literature on the impact of ESG disclosure on corporate performance. The research seeks to answer the main question: How does ESG disclosure affect corporate performance? To address this, the study also explores the following specific research questions:

1. What is the overall effect of ESG disclosure on financial, market, and operational performance?
2. How does the disclosure of each ESG dimension (environmental, social, and governance) individually influence corporate performance?
3. What factors moderate the relationship between ESG disclosure and corporate performance?
4. Why do previous studies report inconsistent results regarding this relationship?

This study is designed to provide a comprehensive literature review. The following section outlines the research methods used to identify and analyze the relevant literature. Subsequently, the results and discussion sections will present a synthesis of findings from the selected studies, discussing the overall and dimension-specific impacts of ESG disclosure on performance, identifying moderating factors, and addressing conflicting evidence and its implications. Finally, the report concludes with a summary and references.

Methods

Literature Search Strategy and Data Sources

This study employed a comprehensive literature search strategy to identify relevant empirical studies examining the impact of ESG disclosure on corporate performance. The search was conducted using relevant English and Indonesian keywords, including "ESG disclosure," "company performance," "corporate performance," "financial performance," "firm value," and "sustainability reporting." The primary academic databases used were Scopus and Web of Science. Additional searches were conducted using platforms such as Google Scholar and journal directories to ensure broader coverage of the literature.

The publication period was limited to the years 2021 to 2025, in order to focus on recent studies that reflect the latest developments in ESG practices and regulations. The search was also restricted to journals indexed in Scopus with rankings from Q1 to Q3 to ensure the quality of sources included in the analysis. Journals within these tiers typically follow rigorous editorial standards and peer-review processes, thus enhancing the credibility and reliability of the research published within them. This comprehensive and focused search strategy was intended to yield a high-quality and relevant literature sample for further analysis.

Study Selection Criteria (Inclusion and Exclusion)

Studies identified through the initial search strategy were screened based on predefined inclusion and exclusion criteria. The inclusion criteria were: (1) empirical studies that directly examine the relationship between ESG disclosure and corporate performance; (2) published in Scopus-indexed journals; and (3) availability of full-text access. The exclusion criteria were: (1) studies not focused on ESG disclosure or corporate performance; and (2) publications not meeting academic quality standards (e.g., lacking clear methodology or containing inadequate data).

Focusing on empirical studies ensures that the analysis is based on quantifiable or measurable qualitative evidence regarding the examined relationships. Empirical studies gather and analyze data to test hypotheses or answer research questions, offering stronger evidence than review articles or conceptual papers. These clear selection criteria ensure that only the most relevant and high-quality studies are included in this literature review.

Table 1 Distribution of Research Journals by Indexing, Frequency, and Percentage

Journal Name	Index	Frequency	Proportion
Sustainability	Q1	5	20%
Cogent Business & Management	Q2	4	16%
Risks	Q2	2	8%
Environment, Development and Sustainability	Q1	1	4%
International Journal of Management Science and Engineering Management	Q1	1	4%
Revista de Contabilidad-Spanish Accounting Review	Q3	1	4%
Journal of International Studies	Q2	1	4%
Business Strategy and Development	Q1	1	4%
Environmental Research Communications	Q1	1	4%
Quality Innovation Prosperity	Q3	1	4%
Heliyon	Q1	1	4%
Edelweiss Applied Science and Technology	Q3	1	4%
Cogent Economics and Finance	Q2	1	4%
International Journal of Innovative Research and Scientific Studies	Q3	1	4%
Journal of Economic and Administrative Sciences	Q2	1	4%
Chinese Management Studies	Q2	1	4%
Journal of Sustainable Finance and Investment	Q1	1	4%
Total		**25**	**100%**

Source:Data Processing, 2025

Data Synthesis and Analytical Approach

Data from the selected studies were extracted and analyzed using a narrative synthesis approach. This method allows for the summarization and comparison of findings across various studies, highlighting both differences and similarities. Additionally, the researcher identified emerging trends, patterns, and contradictions in the existing literature. Through this approach, the study aims to produce a comprehensive literature review and provide insightful answers to the posed research questions.

Results and Discussion

Overview of Existing Literature

The literature review reveals a significant increase in the number of studies published on the impact of ESG disclosure on corporate performance in recent years (Pathan & Mohanty, 2025). This reflects the growing interest and relevance of the topic among both academics and practitioners. These studies originate from various geographical regions, with a substantial body of research conducted in both developed and developing countries (Firmansyah et al., 2023; Jafar et al., 2024). The distribution of studies also spans multiple industrial sectors, though sectors such as finance and manufacturing frequently receive primary attention (El Khoury et al., 2023; Fujianti et al., 2024).

Leading journals consistently publishing research on this topic include those focusing on sustainability, accounting, finance, and strategic management (Habib et al., 2024; Khunkaew et al., 2023; Sabihaini et al., 2024). In terms of theoretical frameworks, stakeholder theory, agency theory, and signaling theory dominate the explanations of the ESG-performance relationship (Gao et al., 2025; Khunkaew et al., 2023). The most commonly employed research methodology is panel regression analysis (S. Ahmad et al., 2024; Bahadır & Akarsu, 2024; El Khoury et al., 2023; Jafar et al., 2024). The recent surge in publications indicates growing scholarly interest in ESG, likely driven by increased awareness of its importance and impact on firms in today's global context. This overview provides a crucial foundation for understanding the current research landscape and identifying areas where further investigation is needed.

Overall Impact of ESG Disclosure on Corporate Performance

Synthesizing the findings from multiple studies on the overall impact of ESG disclosure reveals mixed results. Several studies utilizing composite ESG scores have found significant positive correlations with various performance indicators, including financial performance (e.g., profitability, return on assets), market performance (e.g., firm value, stock price), and operational performance (Bermejo Climent et al., 2021; Carnini Pulino et al., 2022; Ruan & Liu, 2021). These studies suggest that comprehensive ESG disclosure enhances investor trust, attracts capital, improves corporate reputation, and mitigates risks.

Although earlier research tends to support a positive relationship between ESG disclosure and firm performance, the existence of studies reporting negative or insignificant results implies that the relationship is

e-ISSN: 3090-4811
Vol. 2 No.1/AC-ISCEBE (2025)

not always straightforward. It may be influenced by other factors such as disclosure quality, industry characteristics, and firm-specific attributes (Bahadır & Akarsu, 2024).

The Impact of Environmental Disclosure on Corporate Performance

Studies that specifically examine the effects of environmental disclosure on corporate performance also report mixed results. Some research indicates that greater environmental transparency is associated with improved financial performance, potentially due to increased green innovation, cost efficiency through reduced resource usage, and enhanced corporate reputation among stakeholders who are increasingly concerned with environmental issues (Malik et al., 2023). Companies that are transparent about their carbon emissions, energy consumption, and conservation efforts may be perceived as more responsible and attractive investments.

However, other studies report insignificant or even negative associations between environmental disclosure and corporate performance (Firmansyah et al., 2023). These outcomes may stem from the costs associated with implementing environmentally friendly practices and reporting them—particularly in the short term. Additionally, some companies may engage in environmental disclosure merely as a form of image management (greenwashing), without substantial changes to their operations, which may not lead to measurable performance improvements (Bahadır & Akarsu, 2024). Variability in how environmental disclosure and performance are measured across studies also contributes to the inconsistent findings.

The Impact of Social Disclosure on Corporate Performance

A review of studies focusing on the social dimension of ESG reveals similarly diverse outcomes. Some research demonstrates a positive relationship between social disclosure—such as fair labor practices, community engagement, and commitments to human rights—and corporate performance (Malik et al., 2023). Transparent social reporting can enhance employee engagement, build customer loyalty, and reduce social and reputational risks (Bell, 2021).

Conversely, other studies find negative or insignificant relationships between social disclosure and performance (Firmansyah et al., 2023). These findings may be attributed to the perception that social investments are non-productive costs, or that companies disclose social information to obscure underlying issues. Furthermore, the impact of social disclosure may not be immediately reflected in financial outcomes and could depend heavily on company culture and stakeholder expectations.

The Impact of Governance Disclosure on Corporate Performance

A synthesis of studies examining the corporate governance dimension generally finds a positive impact on performance. Disclosure of information such as board independence, ownership structures, ethical practices, and accountability mechanisms is often associated with enhanced market performance (Moussa et al., 2024). Effective corporate governance and its transparent disclosure can build investor trust by signaling competent and responsible management, thereby reducing agency risks and increasing firm value.

Several studies emphasize that governance disclosure has a particularly strong effect on market-based performance indicators. This suggests that investors place high value on transparency in governance practices, viewing it as a sign of integrity and professionalism (Eriandani & Winarno, 2024). However, some research argues that the governance dimension remains less significant in practice because firms may not yet view it as a strategic tool (S. Ahmad et al., 2024; Carnini Pulino et al., 2022).

Moderating Factors in the ESG–Performance Relationship

Numerous studies have identified contextual and organizational factors that may moderate the strength and direction of the ESG-performance relationship (Bahadır & Akarsu, 2024; Habib et al., 2025). Firm size is often a significant moderator—larger companies are typically subject to greater stakeholder scrutiny, which may amplify the effects of ESG disclosure on performance (M. A. Hussain et al., 2024; Jafar et al., 2024).

The industry in which a firm operates also plays a critical role. Firms in industries more exposed to environmental or social risks, such as energy or mining, may experience stronger reputational and financial impacts from ESG disclosures than those in less sensitive sectors. Governance quality—including board composition and audit practices—can also enhance the credibility of ESG reporting, thereby strengthening its effect on performance (Khunkaew et al., 2023; Moussa et al., 2024). In addition, investor attention and pressure can shape the way ESG disclosures translate into firm outcomes (Moussa et al., 2024).

Discussion of Conflicting Findings and Their Implications

The inconsistent findings in empirical research on ESG disclosure and corporate performance may be due to several factors. Differences in research methodologies—including sample size, study period, and statistical models—can lead to divergent results. Furthermore, the lack of standardization in how ESG disclosure and corporate performance are measured complicates comparisons and synthesis. Studies use varying definitions and metrics, such as composite ESG scores versus disaggregated disclosures, or accounting-based versus market-based performance indicators.

Geographic and regulatory contexts also affect observed relationships. Variations in ESG regulations, social norms, and stakeholder expectations across regions influence how ESG activities impact corporate outcomes. Additionally, publication bias—where studies with significant results are more likely to be published—may distort the broader picture of the ESG-performance relationship. Addressing these contradictions is essential for developing a clearer and more comprehensive understanding of the topic and for guiding future research in a more targeted and impactful manner.

Conclusion

This study provides a systematic and empirical literature review on the influence of ESG disclosure on corporate performance. The findings highlight the growing academic and practical interest in ESG as both a compliance requirement and a strategic tool for firms. While many studies support a positive link between ESG disclosure and various performance outcomes, the relationship is not universal and is subject to significant contextual and methodological variation. Future research should focus on standardizing ESG metrics, exploring under-researched regions and industries, and examining the role of moderating variables more deeply. By doing so, scholars and practitioners can better understand the conditions under which ESG disclosures truly enhance corporate performance and contribute to sustainable development.

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Authors' Bibliography

Talitha Rahmi Ardiyanti was born in Malang, Indonesia, on December 28, 2000. She earned her Bachelor's degree in Accounting from Malang State University, Indonesia. Her academic interests focus on Environmental, Social, and Governance (ESG) disclosure, corporate performance, and sustainable finance. As a student researcher, she is committed to contributing to the academic discourse on corporate sustainability and transparency through empirical studies.

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