

# MINDFUL INVESTING: THE ROLE OF ESG SCORES IN DRIVING SUSTAINABLE FINANCIAL PERFORMANCE AND CORPORATE WELL-BEING IN BSE LISTED COMPANIES

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## Abstract

Mindful investing, driven by **Environmental, Social, and Governance (ESG) factors**, plays a vital role in corporate sustainability and financial decision-making. This study analyzes the impact of **ESG scores on financial performance (ROA, ROE) in BSE-listed IT, Energy, Financial Services, and FMCG companies**. Findings indicate that while higher ESG scores enhance long-term shareholder value (ROE), short-term profitability (ROA) may be affected by compliance costs. The **FMCG and IT** sectors show the strongest financial benefits from ESG integration, whereas **Energy and Financial Services** face regulatory challenges. The study also **highlights the role of mindful consumption and investor sentiment in shaping corporate ESG strategies**, demonstrating that companies embracing **ESG principles attract sustainable investors, enhance brand loyalty, and achieve financial stability**. These insights offer valuable guidance for investors, policymakers, and business leaders navigating the shift toward **sustainable finance**.

**Keywords:** Mindful Investing, ESG Scores, Financial Performance, Corporate Well-being, Sustainable Finance

## INTRODUCTION

In the modern financial ecosystem, investment strategies are undergoing a profound transformation, driven by a growing emphasis on sustainability, ethical responsibility, and long-term value creation. At the heart of this movement is the ESG (Environmental, Social, and Governance) framework, which has emerged as a critical metric for assessing corporate sustainability and ethical responsibility. ESG scores are now widely used to evaluate a company's long-term resilience, operational efficiency, and risk management capabilities. Companies with higher ESG scores are often perceived as more forward-thinking, sustainable, and well-governed, attracting investors who prioritize both financial returns and corporate well-being.

This research examines the impact of ESG scores on the financial performance of selected BSE-listed companies across four major sectors: IT, Energy, Financial Services, and FMCG. The study aims to address key questions such as:

- What is the relationship between ESG scores and financial performance metrics (ROA, ROE)?
- How do the individual Environmental (E), Social (S), and Governance (G) components influence corporate profitability and resilience?
- Can ESG-driven business models enhance corporate well-being and attract mindful investors? Furthermore, this study aligns **with mindful consumption, sustainability, and corporate well-being** by exploring how companies that integrate ESG principles contribute to stakeholder well-being, ethical business practices, and long-term financial success. By bridging the gap between sustainable finance and corporate wellness, this research provides valuable insights into how businesses can create shared value for both investors and society.

## LITERATURE REVIEW

- **Gedar and Lodha (2023)** analyzed NSE-100 companies and found that higher ESG disclosure scores positively influence financial, operational, and market-based performance indicators.
- Similarly, **Devi and Singh (2023)** conducted a cross-sectional study revealing a positive relationship between ESG scores and firm performance, suggesting that companies with robust ESG practices tend to

achieve better financial outcomes.

- In the context of the Indian energy sector, **Behl et al. (2023)** utilized cross-lagged panel analyses to explore the dynamic relationship between ESG scores and firm value, highlighting the significance of ESG considerations in enhancing firm valuation over time. Additionally, The impact of ESG practices varies across sectors.
- **Gupta et al. (2023)** examined sectoral differences in ESG practices among select Indian companies, highlighting that certain sectors exhibit more robust ESG implementations than others. This variation underscores the need for sector-specific strategies when integrating ESG factors into corporate policies. The integration of ESG factors into investment strategies has also been a subject of research.

## OBJECTIVE OF THE STUDY

1. To evaluate the impact of individual ESG components (Environmental, Social, and Governance) on financial performance.
2. To assess sector-wise differences in ESG-financial performance linkage.
3. To investigate the role of mindful investing in influencing corporate ESG strategies.
4. To examine whether ESG adoption leads to long-term financial sustainability and corporate well-being.
5. To explore the impact of ESG on revenue growth and profitability.

## RESEARCH METHODOLOGY

This section is combination of statistical models and sector-wise comparisons is used to evaluate the relationship between ESG factors and key financial metrics, aligning with the objectives of mindful investing and corporate sustainability.

### Sample:

The research focuses on **16 major BSE-listed companies** across four key sectors.

Sector	Companies
IT	Infosys, TCS, Wipro, Birla soft
Energy	NTPC, IOCL, JSW Energy, TPREL
Financial Services	HDFC Bank, SBI, Bajaj Fin serv, ICICI Bank
FMCG	Dabur, Godrej Consumer, Marico, HUL

### Data Collection

This study collects **Secondary data** from reliable financial and sustainability sources:

#### • Data Analysis

To assess the relationship between ESG factors and financial performance, the following statistical methods are applied:

- ❖ **Correlation Analysis:** Determines whether ESG scores are positively or negatively correlated with ROA, ROE, and Revenue Growth.

	E - Score	S - Score	G - Score	ESG Score	ROA	ROE
E - Score	1					
S - Score	0.785192	1				
G - Score	0.777293	0.744464	1			
ESG Score	0.928275	0.916926	0.909352	1		
ROA	0.568377	0.377283	0.380913	0.480133	1	
ROE	0.296196	-0.01437	0.112486	0.148629	0.477921	1

The high correlation between E-Score, S-Score, and G-Score indicates that companies excelling in one ESG factor tend to perform well in others.

This suggests that firms with strong environmental practices are also likely to focus on social responsibility and governance.

#### ➤ **ESG Score vs. ROA (-0.02):**

The near-zero correlation suggests that higher ESG scores do not have a significant direct impact on short-term profitability (ROA).

Companies investing in ESG initiatives may experience higher costs initially, which could lower their short-term asset efficiency.

#### ➤ **ESG Score vs. ROE (0.49):**

A moderate positive correlation indicates that companies with higher ESG scores tend to achieve better

shareholder returns over time.

This suggests that ESG investments may improve long-term financial sustainability and investor confidence.

**To assess sector-wise differences in ESG-financial performance linkage.**

- **FMCG:** Companies like HUL and Marico, with high ESG scores, show strong financial performance, driven by consumer demand for sustainable products.
- **IT:** Infosys and Wipro benefit from strong governance and social responsibility, leading to stable ROE, though other factors also influence profitability.
- **Energy:** JSW Energy and TPREL have high ESG scores but face compliance challenges and high sustainability costs, impacting short-term ROA despite long-term benefits.
- **Financial Services:** HDFC and ICICI maintain strong ROE despite low-to-moderate ESG scores, relying more on governance than environmental initiatives, highlighting the sector's need for greater ESG integration.

**To investigate the role of mindful investing in influencing corporate ESG strategies.**

Mindful investing has emerged as a powerful force driving corporate sustainability. Investors are increasingly integrating ESG considerations into their decision-making processes, compelling companies to adopt sustainable strategies. This section examines the key ways in which mindful investing influences corporate ESG strategies:

- **Investor Preferences & ESG Integration** – Mindful investors actively seek companies with strong ESG credentials, pushing firms to adopt sustainable strategies to attract investment.
- **Impact on Corporate Decision-Making** – Companies respond to investor demand by enhancing governance, social responsibility, and environmental initiatives, ensuring they align with sustainability expectations.
- **Sectoral Influence** – The impact of mindful investing varies by sector; for example, **FMCG firms leverage ESG for brand positioning and consumer trust, while IT firms focus on governance, ethical AI, and digital sustainability.**

**To explore the impact of ESG on revenue growth and profitability.**

Analyze if companies with strong ESG compliance experience higher revenue growth and market competitiveness. Additionally, **revenue growth data** is derived from **company financial statements (2015–2023)**.

**1. Compound Annual Growth Rate (CAGR)**

- **HUL Revenue: 7.48%**
- **Dabur Revenue: 5.13%**
- **Marico Revenue: 6.70%**
- **Godrej Revenue: 5.98%**

HUL has the highest CAGR, indicating the **strongest long-term growth**, while Dabur has the lowest growth rate.

**2. Linear Regression Trend Analysis**

Company	Slope (Growth per Year)	R-squared (Trend Strength)	P-value (Significance)
HUL	₹3061.15 Cr	<b>0.93</b> (Very Strong)	<b>0.0001</b> (Significant)
Dabur	₹522.93 Cr	<b>0.79</b> (Strong)	<b>0.0029</b> (Significant)
Marico	₹567.30 Cr	<b>0.92</b> (Very Strong)	<b>0.0002</b> (Significant)
Godrej	₹524.29 Cr	<b>0.74</b> (Moderate)	<b>0.0064</b> (Significant)

- **HUL shows the strongest revenue growth trend** with high R<sup>2</sup> and a steep slope.
- **Dabur and Godrej have lower growth trends compared to HUL and Marico.**
- **All trends are statistically significant (p-value < 0.05).**
- **HUL and Marico show the most consistent and strong revenue growth in the FMCG sector.**
- **Dabur and Godrej have moderate growth but still show positive trends.**
- **HUL's CAGR of 7.48% and strong R<sup>2</sup> (0.93) indicate it is the best-performing company in terms of revenue growth.**

**CONCLUSION**

This study provides empirical evidence on the relationship between ESG scores and financial performance across key sectors. The findings suggest that:

- ESG initiatives, while beneficial for long-term shareholder value (ROE), may temporarily impact short-term profitability (ROA) due to compliance costs.
- The FMCG sector, particularly HUL and Marico, has shown consistent revenue growth and a strong correlation between ESG and financial stability.
- ESG-conscious firms demonstrate reduced financial risk, as seen through stable revenue trends and lower volatility in financial metrics.
- Investor trends confirm that companies with strong ESG compliance attract higher investor confidence, leading to sustainable market expansion.

- Mindful investing and mindful consumption work together to drive corporate well-being, encouraging companies to adopt long-term ESG strategies.
- Future research can explore the impact of ESG maturity levels on financial resilience and examine investor sentiment towards high-ESG firms across different market.

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