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BRSR Disclosure and Firm Performance in India: A Narrative Review of the Literature and Research Agenda

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Abstract

In India, the ESG disclosure became mandatory for India's top 1000 listed companies, as per the Business Responsibility and Sustainability Reporting (BRSR) framework implemented from FY 2022-23. This paper is a narrative review of the growing link between sustainability reporting and firm performance as they evolved from BRR to BRSR Core and in stages moved on to assurance requirements in India. Based on the theories of stakeholders, legitimacy, institutions, and information asymmetry it brings together both international and Indian evidence related to financial performance, materiality, assurance, alongside greenwashing. Generally, the relationship appears to be positive, but subject to some qualifications, such as the effect of competition on capital markets. But BRSR evidence in India is still not robust as there are certain voluntary disclosure, data quality and causal evidence of phased assurance issues. The study suggests further areas of future research and implications for managers, investors and regulators.

Keywords: BRSR, ESG Disclosure, Sustainability Reporting, Firm Performance, Literature Review, Viksit Bharat 2047.

Introduction

There have been efforts to push sustainability reporting away from being marginal to being mainstreamed. More and more, investors, regulators, and customers want firms to disclose in a standardized manner regarding their emissions, work practices, and governance. In India, sustainability disclosure is mandated through the Business Responsibility and Sustainability Report (BRSR) of the Securities and Exchange Board of India (SEBI). This requires the top 1,000 firms in terms of market capitalization in India to prepare BRSR from the FY 2022-23 period

(SEBI, 2021). Policymakers relate reporting to national objectives, including a developed nation by 2047 and net-zero emissions by 2070 (Dan, 2024; Singh & Chhering, 2024).

The key issue that managers and policymakers are concerned with is whether reporting enhances the performance of firms or whether it only entails a compliance cost. This paper reviews literature on this matter. It deals with regulatory development of reporting in India, theories of reporting, empirical evidence from India and internationally, and research gaps. This paper is a narrative review. It draws on peer-reviewed literature from accounting, finance, and management; SEBI and Ministry of Corporate Affairs; and relevant reports on BRSR.

The reporting framework in India can be categorized into three different phases. The first phase was voluntary. In 2011, the Ministry of Corporate Affairs (MCA) formulated guidelines on the corporate social, environmental and economic responsibility of business organizations and the guidelines were later updated as the National Guidelines on Responsible Business Conduct (NGRBC) in 2019 (MCA, 2019). The second phase was mandatory but qualitative. The Securities and Exchange Board of India (SEBI) introduced the Business Responsibility Report (BRR) in 2012 for the 100 largest listed companies and later increased the list to include the top 500 and then the top 1,000 (Garg et al., 2025).

The third one is the BRSR. Launched in May 2021, voluntarily applicable for FY 2021-22 and mandatorily applicable from FY 2022-23, it has 140 indicators in total – 24 general indicators, 12 management indicators, and 104 performance indicators according to principles; out of which 62 are obligatory and 42 voluntary leadership indicators (Garg et al., 2025). In July 2023 SEBI launched BRSR Core, which is a sub-set of verifiable indicators according to nine ESG characteristics, reasonable assurance of which has been phased in from FY 2023-24 from the top 150 companies to the top 1,000 companies by FY 2026-27 (SEBI, 2023). The requirement of value chain disclosures has since been deferred and relaxed (Uniquis, 2025). Thus, the BRSR indicates the evolution from responsibility narrative reporting to structured and increasingly assured sustainability reporting data, as part of the worldwide trend of social and environmental reporting.

The following four theories help in explaining how disclosure influences performance. The stakeholder theory asserts that organizations rely on their shareholders, employees, communities and regulatory agencies, and therefore responding to their demands will lead to trust development and minimize costs associated with conflict (Freeman, 1984). According to legitimacy theory, firms aim at aligning themselves with societal expectations, and disclosure may be a result of both accountability and impression management (Suchman, 1995). Institutional theory states that institutionalized requirements will facilitate convergence towards compliance, which leads to the adoption of standardized reports that comply only

because of acceptability (DiMaggio & Powell, 1983). Information asymmetry theory posits that the act of disclosing information eliminates uncertainty from investors, thus lowering the required rate of return (Verrecchia, 1983).

The study addresses the following objectives:

- To examine the evolution of sustainability reporting in India, with particular reference to the BRSR framework and BRSR Core requirements.
- To review theoretical perspectives and empirical evidence on the relationship between ESG disclosure and firm performance.
- To identify research gaps and develop a future research agenda for assessing the implications of BRSR disclosure for the financial performance of Indian listed companies.

Review Methodology

In this study, the researchers use literature review as a method to look into the BRSR disclosure and its linkages with firm performance in the context of Business Responsibility and Sustainability Reporting (BRSR) in India. Using Scopus, Web of Science, Google Scholar, and other officials like SEBI, MCA publications, relevant literature is identified. The search terms cover concepts such as “BRSR”, “ESG disclosure”, “sustainability disclosure”, “sustainability reporting”, “sustainability assurance” and “firm performance” or “financial performance” and “materiality”.

The articles in the review encompass peer-reviewed journal papers, academic books, regulatory publications and institutional reports pertaining to sustainability disclosure and corporate performance. Unrepeatable and/or weak support of sources or sources that do not adequately provide support are not included. Titles & abstracts are examined followed by full-text screening of the literature. All PRISMA 2020 flow diagrams should include the actual screening and selection numbers.

Selected literature is thematised to analyse the development of sustainability reporting in India, the theoretical background, the link between the disclosure of sustainability and the performance of the company and India-specific evidence and research gaps. The interpretation is based on stakeholder theory, legitimacy theory, institutional theory and information asymmetry theory. Synthesis is the process of identifying difference between association and causation along with gaps relating to disclosure quality, sectoral disclosure differences, financial outcomes and the implementation of the assurance process to provide a future scope of research on BRSR in Indian listed companies.

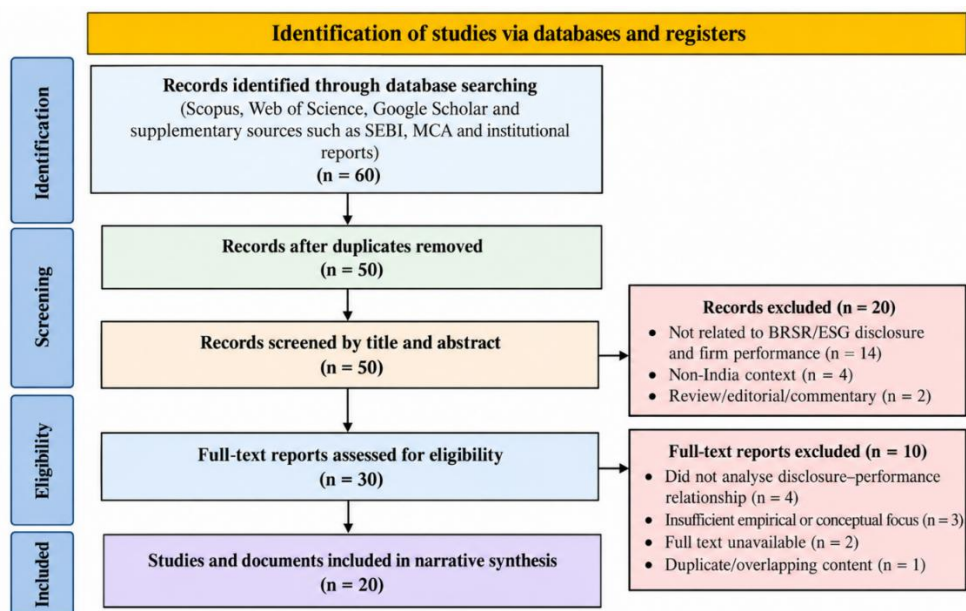


Figure 1. Literature screening and selection process for the BRSR review (PRISMA 2020).

Empirical Review of ESG Disclosure and Firm Performance

Generally, there is a positive link between corporate social performance and corporate financial performance (Orlitzky et al., 2003). In their review of more than 2,000 empirical studies, Friede et al. (2015) showed that about 90 percent of the studies revealed a non-negative correlation. However, there is heterogeneity in terms of measures, time frame and identification. An ESG performance-returns link does not imply causation either.

However, the empirical evidence for disclosure is direct. Companies that start the process of voluntary sustainability reporting face a decrease in the cost of equity capital (Dhaliwal et al., 2011). Mandatory reporting was found by Christensen et al. (2021) to have capital market benefits in most cases, although the actual effect on business practices depends on enforcement. Mandatory disclosure had an adverse impact on the profitability of firms in China and contributed to better societal outcomes (Chen et al., 2018).

Companies that do well in sustainability issues that are financially significant earn more profits compared to those that do well in financially insignificant issues (Khan et al., 2016). The second requirement is credibility. Companies require assurance to make their report credible (Simnett et al., 2009). Selective disclosure may increase the performance of the company as long as verification makes it more expensive (Lyon & Maxwell, 2011). Inconsistency across ESG rating providers adds another challenge in measuring performance.

Initial research conducted in India involved content analysis of the reporting from the biggest firms (Aggarwal & Singh, 2019; Mahajan, 2022). The results of the analysis of 1,012 reporting documents in the first BRSR cycle revealed that the firms on average disclosed 101 out of 140 indicators (71.8%), where 45 out of 62 were essential, 21 out of 42 leadership indicators, and 179 companies (17.7%) were committed to achieving net-zero (Garg et al., 2025). In parallel with that, 1,059 XBRL reporting documents were analyzed for the existence of any quality issues including zero values of essential indicators, free text units, and scaling (At Quest Sustainable Solutions & XBRL International, 2024). Later, in an analysis of 300 companies for three years, it was found that there was some improvement in both coverage and quality, but still sustainability reporting prevailed, and the investors wanted to see the integration of reporting with financial analysis (CFA Institute, 2026).

Table 1: Summary of Review Themes

Theme	Key finding	Sources
ESG and financial performance	ESG and corporate social performance are generally positively associated with financial performance, although the relationship varies by measurement, context, and research design.	Orlitzky et al. (2003); Friede et al. (2015); Khan (2022); Chen and Xie (2022)
Disclosure, mandates and capital markets	Sustainability disclosure can improve the information environment and reduce information asymmetry, but mandatory reporting may also impose compliance costs and produce heterogeneous financial outcomes.	Dhaliwal et al. (2011, 2012); Christensen et al. (2021); Chen et al. (2018); Zhang et al. (2023); Bhaskar et al. (2026)
Materiality, assurance and greenwashing	Financial materiality influences the usefulness of ESG information. Independent assurance can strengthen reporting credibility, while selective disclosure and inconsistent ESG ratings complicate evaluation.	Khan et al. (2016); Simnett et al. (2009); Lyon and Maxwell (2011); Berg et al. (2022); Hazaea et al. (2022); Zhou et al. (2022)
Indian BRSR evidence	Indian research documents the evolution of sustainability reporting and substantial disclosure coverage, but data quality, assurance effectiveness, and the relationship between disclosure and firm performance require further investigation.	Aggarwal and Singh (2019); Mahajan (2022); At Quest Sustainable Solutions and XBRL International (2024); Garg et al. (2025); CFA Institute (2026)

Research Gaps

There are few firm-level empirical studies that examine the impact of BRSR disclosures on firm valuations, profitability and cost of capital. The phased implementation of assurance presents a natural experiment whose implications have not yet been explored. Very few studies distinguish between material and immaterial BRSR indicators and sector effects. Almost all studies involve counting BRSR indicators and not the quality thereof, hence the need for BRSR scoring techniques which take into account quantification and validation. There is scant evidence on smaller listed firms, cost of debt and value chain disclosures.

Implications

- **From the perspective of managers:** the findings indicate that investing in data governance and assurance readiness may be of greater importance than increasing the level of narrative disclosure, which should be targeted towards indicators relevant to the sector.
- **From the perspective of investors:** the most reliable inputs will be the assured and quantified indicators, and comparison will make sense only within sectors.

Conclusion

As suggested by existing literature, ESG disclosures are often associated with favourable results; however, such an association is conditional on materiality, credibility and enforcement. It is worth mentioning that the BRSR of India is known for its solid disclosure practice, but the performance studies in India have been scarce and descriptive. However, further research based on firm-level panel data and the process of certification may prove or disprove the expected positive performance impact of the BRSR framework.

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