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Corporate Sustainability as a Driver of Perceived Financial Performance: Employee Evidence from ITC Limited

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Abstract: Corporate sustainability is increasingly evaluated as an operating capability that can reduce cost, strengthen reputation, stimulate innovation, and protect long-term value. This study examines employee perceptions of how environmental, social, governance, and sustainability-innovation practices influence corporate financial performance at ITC Limited in Bengaluru. A structured survey captured employee views across finance, operations, human resources, marketing, research and development, and multiple job levels. The descriptive tables report 107 respondents and show favorable perceptions of environmental transparency, community engagement, sustainability training, strategic integration, and financial benefits. Governance was uneven: leadership, reputation, and communication were positively rated, but employee participation ($M = 1.69$) and management-wide prioritization ($M = 1.45$) were weak. The source regression output reports a strong model, $R = .711$, $R^2 = .506$, adjusted $R^2 = .501$, $F(4, 395) = 100.971$, $p < .001$. Sustainability innovation was the strongest predictor of perceived financial performance ($\beta = .260$), followed by social ($\beta = .224$), environmental ($\beta = .207$), and governance practices ($\beta = .155$); all paths were significant. However, the regression degrees of freedom imply 400 cases, whereas descriptive tables report 107 and one narrative passage reports 60. Inferential results are therefore provisional until reconciled with the original dataset. Subject to this verification, the findings support a portfolio view in which environmental efficiency, social legitimacy, governance quality, and innovation jointly contribute to perceived financial value.

Keywords: Corporate sustainability, financial performance, ESG, sustainability innovation, governance, FMC, ITC Limited

1. Introduction

Corporate sustainability has moved from philanthropic positioning toward strategic management. Firms are expected to reduce environmental impact, protect stakeholders, maintain ethical governance, and develop innovations that improve resource productivity and resilience. These practices can affect financial outcomes through lower energy and material costs, stronger brand equity, customer loyalty, employee commitment, risk reduction, and access to capital.

The corporate sustainability-performance relationship remains contested because benefits depend on materiality, implementation quality, time horizon, industry conditions, and measurement. Some initiatives create near-term efficiency, whereas others build intangible assets or reduce long-term downside risk. Employee perceptions offer a useful internal view because employees observe whether sustainability is em-

bedded in processes, communication, incentives, and decision making. However, perceptual financial performance is not a substitute for audited accounting or market evidence.

ITC Limited provides a relevant Indian FMCG setting because its sustainability strategy spans packaging, manufacturing, rural livelihoods, social investment, reporting, and circularity. This study examines four capability domains - environmental practices, social performance, governance, and sustainability innovation - and their reported association with perceived financial performance among Bengaluru employees.

2. Literature Review and Hypothesis Development

2.1. Stakeholder and resource-based explanations

Stakeholder theory proposes that firms create durable value by responding to employees, customers, communities, suppliers, investors, and regulators (Freeman, 1984). Sustainability can strengthen trust and reduce conflict with these groups. A resource-based perspective adds that distinctive routines, reputation, employee competence, data, supplier relationships, and innovation capabilities can become difficult-to-imitate sources of advantage.

Large-scale reviews generally find a nonnegative relationship between ESG and financial performance, while emphasizing variation by measure and context (Friede et al., 2015). High-sustainability firms may develop stronger governance processes, stakeholder orientation, and long-term performance (Eccles et al., 2014). Indian evidence also indicates that the individual environmental, social, and governance dimensions can have different financial consequences (Jha & Rangarajan, 2020).

2.2. Environmental and social practices

Environmental practices can reduce energy, material, waste, and compliance costs while supporting product and process innovation. Eco-friendly packaging and manufacturing may also differentiate brands. H1 therefore proposes a positive effect of environmental practices on perceived financial performance.

Social performance includes employee wellbeing, inclusion, skills, community development, and stakeholder relationships. These practices can strengthen human capital, legitimacy, and market access. Knowledge-sharing research shows that collective intelligence and information exchange can improve team innovation capability (N. et al., 2025), reinforcing the view that social systems can generate economic value. H2 proposes a positive social-performance effect.

2.3. Governance and sustainability innovation

Governance determines whether commitments are translated into responsibilities, incentives, controls, transparency, and participation. Strong governance can reduce agency and reputational risks, but top-down communication without employee involvement may weaken execution. H3 proposes that governance practices positively affect perceived financial performance.

Sustainability innovation converts environmental and social priorities into new products, processes, technologies, and business models. AI and digital solutions can improve supply-chain coordination and resource efficiency when aligned with operating processes (Nagaraju et al., 2024). H4 proposes that sustainability innovation positively affects perceived financial performance.

Table 1: Hypotheses

Hypothesis	Predictor	Expected relationship with financial performance
H1	Environmental practices	Positive
H2	Social performance practices	Positive
H3	Governance practices	Positive
H4	Sustainability innovation practices	Positive

Note. The dependent variable is employee-perceived corporate financial performance.

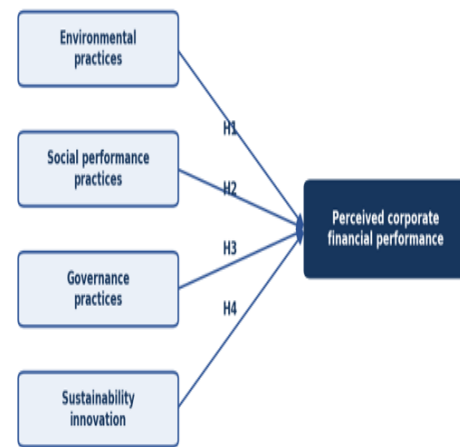


Figure 1: Conceptual model of corporate sustainability and perceived financial performance

3. Materials and Methods

3.1. Design, setting, and respondents

The study used a quantitative, cross-sectional, exploratory-explanatory survey of ITC employees in Bengaluru. The stated sampling design was stratified by department and job level. The descriptive tables report 107 respondents: finance was the largest department (52.3%), mid-level managers the largest role group (46.7%), and more than four-fifths of respondents had three or fewer years of tenure.

3.2. Measures

A structured questionnaire measured environmental practices, social performance, governance, sustainability innovation, and perceived financial performance. Items used four-point agreement scales, except one reported financial-impact item with values up to five. Environmental items addressed packaging, manufacturing, reporting, and transparency. Social items covered community activity, employee wellbeing, diversity, and training. Governance items assessed reputation, leadership, communication, employee participation, and management prioritization. Innovation items assessed awareness and strategic integration.

3.3. Analysis and data-integrity constraint

Descriptive statistics summarized employee perceptions. Multiple regression estimated the unique contributions of the four sustainability domains to perceived financial performance. A data-integrity review identified incompatible sample statements: the analysis introduction mentions 60 employees, descriptive tables total 107, and regression total $df = 399$ implies 400 cases. The article reports descriptive findings for $N = 107$ and reproduces inferential values as provisional. The regression must be rerun on the verified dataset before submission.

4. Results

4.1. Respondent profile

Table 2: Condensed demographic profile

Characteristic	Largest category	n	%
Age	20-25 years	Reported 23	Reported 57.9
Gender	Male	61	57.0
Department	Finance	56	52.3
Tenure	Less than 1 year	46	43.0
Job level	Mid-level manager	50	46.7

4.2. Sustainability-practice profile

Environmental practices were rated positively. Transparency and measurability received the highest environmental mean ($M = 3.43$), followed by ESG reporting ($M = 3.29$) and eco-friendly packaging and manufacturing ($M = 3.23$). Social practices were also favorable: sustainability training ($M = 3.51$), community engagement ($M = 3.48$), diversity and inclusion ($M = 3.44$), and employee wellbeing ($M = 3.41$) exceeded the scale midpoint; CSR and welfare programs were lower ($M = 3.23$).

Governance produced the most important implementation gap. Leadership commitment ($M = 3.45$), internal communication ($M = 3.37$), and reputation effects ($M = 3.24$) were positive, but employee involvement in projects ($M = 1.69$) and sustainability being prioritized at all management levels ($M = 1.45$) were weak. Sustainability innovation was positively perceived: strategic integration averaged 3.49 and awareness 3.25.

4.3. Perceived financial outcomes

Employees associated sustainability with profitability, cost efficiency, and brand value. The general impact item was reported at $M = 4.60$ on a scale allowing a maximum of five. Belief that sustainability positively affected financial performance and improved brand value each averaged 3.42, while operational cost reduction averaged 3.38. These values reflect favorable employee perceptions, not verified corporate financial returns.

4.4. Provisional regression results

The source regression reports $R = .711$, $R\text{-squared} = .506$, adjusted $R\text{-squared} = .501$, and standard error = .89882. The omnibus model was significant, $F(4, 395) = 100.971$, $p < .001$. Collectively, the four domains explained 50.6% of variance in perceived financial performance. Because the degrees of freedom imply 400 cases, this evidence requires verification.

Sustainability innovation was the strongest reported predictor, followed closely by social and environmental practices. Governance remained significant but had the smallest effect. This pattern suggests that governance may create value mainly by enabling implementation, while innovation, social capability, and environmental efficiency are more directly visible to employees.

Table 3: Perceived financial-performance indicators

Indicator	Mean	SD
Overall impact of sustainability on financial performance	4.60	.627
Positive impact on financial performance	3.42	.630
Operational-cost reduction	3.38	.682
Improved brand value	3.42	.727

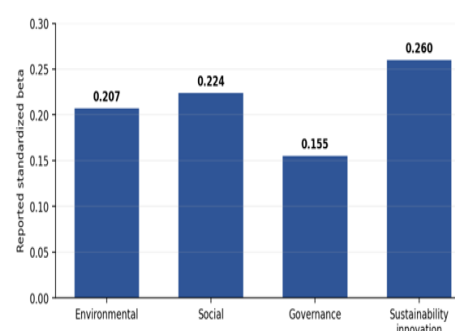


Figure 2: Provisional standardized effects on perceived financial performance

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5. Discussion

5.1. Sustainability as a portfolio of capabilities

The reported model supports a portfolio view: financial value is associated with multiple complementary sustainability domains rather than one isolated initiative. Environmental practices can reduce resource costs and exposure; social practices strengthen human and stakeholder capital; governance supplies accountability; and innovation converts commitments into operating and market opportunities.

Table 4: Reported regression coefficients

Predictor	B	SE	Beta	t	p	Decision
Environmental practices	.223	.055	.207	4.031	< .001	H1 supported
Social performance practices	.215	.044	.224	4.852	< .001	H2 supported
Governance practices	.147	.048	.155	3.029	.003	H3 supported
Sustainability innovation	.258	.053	.260	4.848	< .001	H4 supported

5.2. The governance-participation gap

The most consequential descriptive result is the contrast between positive leadership communication and low employee involvement. Employees may recognize corporate commitments without experiencing ownership in implementation. This gap can weaken local problem solving and create ceremonial rather than embedded sustainability. Knowledge sharing and collective intelligence are relevant because innovation depends on employee participation, not only strategic statements (*N. et al., 2025*).

5.3. Innovation and financial value

Sustainability innovation had the largest reported standardized effect. This is consistent with the argument that sustainability creates stronger financial value when it changes products, processes, packaging, supply chains, and resource use. AI-driven supply-chain research similarly highlights that technology produces operational benefits when integrated with decision processes and resource coordination (*Nagaraju et al., 2024*).

5.4. Contribution and evidentiary limits

The study contributes an internal stakeholder perspective from an Indian FMCG company. However, employee perceptions of financial performance can reflect corporate communication, halo effects, and incomplete access to accounting information. The results should be interpreted as perceived value mechanisms, not causal evidence that sustainability improved audited profitability.

6. Managerial Implications

ITC managers should translate broad sustainability commitments into role-specific decisions. Finance can establish sustainability capital-allocation criteria; operations can own resource-intensity targets; marketing can substantiate environmental claims; HR can recognize employee contribution; and research teams can maintain an innovation pipeline. Project-level ROI should include energy and material savings, revenue effects, avoided regulatory or supply risk, and relevant intangible benefits.

Table 5: Sustainability-to-value implementation agenda

Priority	Recommended action	Evidence to monitor
Employee participation	Cross-functional green teams, idea channels, site-level ownership	Participation, implemented ideas, savings
Governance alignment	Role-specific KPIs, incentives, accountable owners, board oversight	Completion, audit findings, target consistency
Environmental efficiency	Packaging, energy, water, waste, logistics, circularity projects	Unit cost, energy/material intensity, waste recovery
Social value	Wellbeing, inclusion, skills, supplier and community capability	Retention, safety, inclusion, livelihood outcomes
Innovation portfolio	Stage-gated sustainable products and process experimentation	Revenue, margin, adoption, lifecycle impact
Financial transparency	Project-level ROI and externally assured impact reporting	Payback, avoided cost, risk reduction, assurance

7. Limitations and Future Research

The study is cross-sectional, single-company, single-location, and perception-based. The sample is concentrated in finance and among relatively new employees. Reliability coefficients, construct validity, correlations, multicollinearity, residual diagnostics, confidence intervals, and common-method tests are not reported. Most importantly, the stated sample sizes of 60, 107, and 400 are incompatible.

Future research should reconcile and archive the raw data, use validated multi-item scales, report construct-specific reliability, and combine employee perceptions with audited financial and sustainability metrics. Longitudinal and panel designs can test lagged effects. Multi-company FMCG comparisons and

multi-group analyses can assess whether relationships vary by function, tenure, hierarchy, or sustainability maturity.

8. Conclusion

Employees perceive ITC's sustainability practices as contributors to financial value through efficiency, social legitimacy, governance, brand strength, and innovation. The strongest reported regression effect belongs to sustainability innovation, while the descriptive results reveal a governance challenge: sustainability is communicated from the top but not consistently experienced as participatory. The manuscript offers useful exploratory evidence, but inferential conclusions remain provisional until the analytical sample and original regression

output are verified.

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