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The Impact of Environmental, Social, and Governance (ESG) Factors on Corporate Governance Practices and Their Effects on Financial Performance and Financial Reporting Quality

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Abstract: More people around the world are focusing on sustainability and responsible business actions, which has led to a higher need for clear and trustworthy information from companies. In recent years, Environmental, Social, and Governance (ESG) practices have become important ways to measure how sustainable a company is, how ethical its actions are, and how well it will perform in the long run. Despite the increasing significance of ESG considerations, empirical evidence on how ESG practices interact with corporate governance mechanisms to affect financial performance and financial reporting quality remains limited, especially in emerging economies. This study examines the influence of ESG factors and corporate governance practices on financial performance and financial reporting quality among publicly listed firms. Specifically, the study investigates how ESG characteristics affect corporate governance structures and how governance mechanisms subsequently influence corporate outcomes. The study adopts a quantitative research design using panel data obtained from 50 selected listed companies over a specified study period. Secondary data were collected from annual reports, sustainability reports, ESG databases, and stock exchange publications. ESG indicators were analysed alongside corporate governance variables such as board independence, ownership structure, and audit committee effectiveness. Financial performance was measured using Return on Assets (ROA), Return on Equity (ROE), and Tobin's Q, while financial reporting quality was assessed using measures of earnings management and discretionary accruals. The data was analyzed using panel regression, descriptive statistics, and correlation analysis; further robustness checks were carried out to guarantee the accuracy of the findings. The results show a strong positive correlation between corporate governance quality and ESG activities. Strong governance practices have also been shown to boost financial performance and raise the caliber of financial reporting. These results emphasize how crucial it is to incorporate ESG factors into corporate governance frameworks in order to improve accountability, transparency, and long-term business performance.

Keywords: ESG, corporate governance, financial performance, financial reporting quality, sustainability reporting.

Citation: Dennis A. P., Ambrose D. A. The Impact of Environmental, Social, and Governance (ESG) Factors on Corporate Governance Practices and Their Effects on Financial Performance and Financial Reporting Quality. Central Asian Journal of Innovations on Tourism Management and Finance 2026, 7(2), 468-480.

Received: 10th Jan 2026
Revised: 11th Feb 2026
Accepted: 19th Mar 2026
Published: 11th Apr 2026



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Introduction

Stakeholders increasingly demand greater accountability, transparency, and responsible management of social and environmental issues from corporate organizations. Traditionally, financial metrics such as profitability, revenue growth, and shareholder returns have served as the primary measures of corporate performance. However, this approach has shifted significantly as it is now recognized that long-term business success relies on social and environmental responsibility in addition to financial outcomes [1][2].

Consequently, environmental, social, and governance (ESG) factors have become essential metrics for evaluating corporate sustainability and ethical conduct. ESG practices focus on how organizations manage environmental risks, engage with employees and communities, and establish governance frameworks that ensure transparency and accountability. These elements have become increasingly important in the current business landscape.

The growing role of corporate governance in encouraging openness and ethical business conduct is also connected to the growing significance of ESG practices. The set of regulations, guidelines, and procedures that govern how businesses are run is known as corporate governance. Good governance practices reduce agency conflicts and improve organizational performance by bringing managers' interests into line with those of shareholders and other stakeholders [3][4]. Additionally, corporate governance frameworks are essential for guaranteeing the veracity of corporate disclosures. Businesses with robust governance frameworks are more likely to avoid opportunistic reporting techniques like manipulating earnings and to produce trustworthy financial reports. As a result, corporate governance is now a crucial tool for raising investor confidence and enhancing the quality of financial reporting [5][6].

The integration of ESG variables into governance frameworks has a substantial impact on corporate performance. Increased stakeholder trust, improved risk management, and improved business reputation are often the outcomes of strong ESG policies. These benefits may lead to improved financial performance and more transparent financial reporting [7][8]. Despite the increased focus on ESG practices, there is still a dearth of empirical data about the impact of ESG factors on corporate governance structures and how these governance mechanisms affect financial performance and reporting quality. This gap in the literature is particularly apparent in emerging markets, where ESG adoption and governance standards are still evolving [9][10]. Therefore, the purpose of this study is to look into how corporate governance practices are affected by ESG factors and how governance mechanisms work.

Statement of the Problem

In order to demonstrate their commitment to sustainability and moral corporate conduct, companies have adopted ESG initiatives increasingly frequently in recent years. Investors and regulators now consider ESG performance to be a crucial factor when evaluating corporate transparency and long-term financial health. However, it's unclear to what extent ESG activities improve corporate governance practices. Some firms use ESG reporting frameworks primarily to meet regulatory requirements or enhance their reputation, without integrating ESG concepts into their governance structures or strategic decision-making processes.

Additionally, while a number of studies indicate that ESG practices enhance financial performance, other studies present conflicting or ambiguous findings. The relationship between ESG initiatives and corporate outcomes may be impacted by variations in institutional environments, governance structures, and regulatory frameworks. The calibre of financial reporting is another crucial issue. Although ESG practices place a strong emphasis on accountability and transparency, some companies still use opportunistic reporting techniques like manipulating earnings and withholding information. The efficacy of ESG initiatives in fostering trustworthy financial reporting may be restricted by inadequate governance mechanisms. These problems emphasize the need for empirical studies that look at how corporate governance practices are influenced by ESG factors and how governance mechanisms impact financial performance and the calibre of financial reporting.

This study looks at how corporate governance practices, business outcomes, and Environmental, Social, and Governance (ESG) issues are related. It specifically seeks to evaluate how ESG issues affect corporate governance practices and how much corporate

governance systems affect financial performance and financial reporting quality. The study looks into how ESG variables affect organizational governance structures and how these arrangements improve in order to accomplish these aims. In view of these objectives, the study raises two significant questions. Understanding how ESG elements impact corporate governance procedures within corporate organizations is essential to determining whether integrating sustainability-oriented practices into firms may strengthen governance systems and improve corporate outcomes. Secondly, what impact do corporate governance practices have on financial performance and financial reporting quality? Organizational performance and financial disclosure transparency.

This study tests two hypotheses in order to offer empirical answers to these questions. According to the first hypothesis, corporate governance practices are significantly impacted by Environmental, Social, and Governance (ESG) factors. According to the second hypothesis, financial performance and the quality of financial reporting are significantly impacted by corporate governance practices. When taken as a whole, these theories offer a framework for analysing how governance frameworks and ESG practices interact to affect corporate performance and reporting transparency.

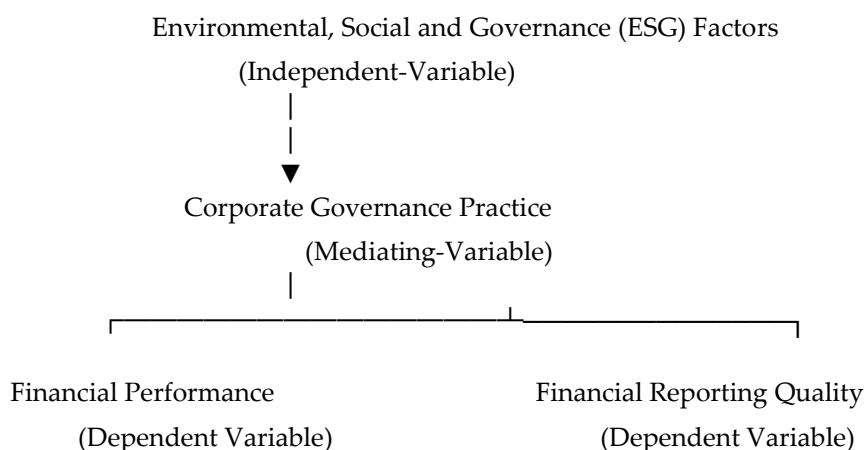
The relationship between corporate governance practices and environmental, social, and governance (ESG) factors, as well as the degree to which governance systems affect business organizations' financial performance and the calibre of their financial reporting, are the main topics of this study. This study's scope is restricted to examining how governance structures are impacted by ESG-related activities and how these structures enhance organizational performance and financial reporting transparency. By emphasizing the significance of incorporating ESG factors into governance frameworks to improve accountability, bolster the credibility of financial reporting, and encourage sustainable corporate performance, the study may offer policymakers, regulators, investors, and corporate managers helpful information.

Literature Review

Conceptual Framework

According to the conceptual framework, ESG practices have an impact on corporate governance structures, which in turn have an impact on reporting transparency and financial performance. Businesses that actively embrace ESG principles are more likely to put in place governance structures that offer moral judgment, accountability, and transparency. Both financial performance and the accuracy of financial reporting are improved by these governance mechanisms. The theoretical connection between the research variables is explained by the conceptual framework. According to this study, corporate governance standards are influenced by Environmental, Social, and Governance (ESG) factors, which in turn have an impact on financial performance and the calibre of financial reporting.

Conceptual Model



Study Survey, 2026

Explanation of the Framework

According to the model, companies with stronger ESG practices are more likely to adopt improved governance structures such as independent boards, audit committees, and open reporting policies. These governance methods reduce agency conflicts, increase organizational performance, and improve the trustworthiness of financial reports. Thus, improved governance mechanisms result in better financial performance and reporting.

Concept of Environmental, Social and Governance (ESG)

Environmental, Social, and Governance (ESG) elements are a set of sustainability-related metrics that are used to evaluate a company's social and ethical impact in addition to its financial success. ESG has garnered global attention as companies are required to perform responsibly and promote sustainable development. The environmental component focuses on how companies manage waste, energy use, pollution, and natural resources. Customer protection, human rights, community involvement, and employee welfare are all part of the social dimension. The governance dimension includes moral decision-making, board independence, transparency, and leadership structure.

ESG reporting is revolutionizing corporate financial reporting by incorporating sustainability data into financial accounts, according to Baharom [11]. This link enables stakeholders to assess financial performance and sustainability practices concurrently. Similarly, Fuadah et al. state that ESG reporting improves firm transparency and provides investors with critical information about corporate risk management and sustainability performance [12].

ESG and Corporate Governance

business governance is the collection of rules, policies, and procedures used to direct and oversee business entities. When governance structures are in place, managers are more likely to behave in the best interests of stakeholders, including shareholders. Several studies show how closely company governance structures and ESG practices are related. Lagasio and Cucari found a significant positive link between sustainability reporting and governance systems in a meta-analysis of corporate governance and ESG disclosure [3]. Similarly, Meng argues that strong governance frameworks encourage companies to disclose ESG data because transparency increases investor confidence and corporate legitimacy. Furthermore, Zhang highlights how corporate governance frameworks foster stakeholder collaboration and improve ESG performance [4]. Board independence, audit committees, and effective internal control systems are significant governance measures that influence ESG adoption.

ESG and Financial Performance

The relationship between ESG practices and financial performance has been well studied in corporate finance research. Companies with strong ESG performance generally have superior financial outcomes, according to a number of studies. ESG practices enhance a company's reputation and reduce operational risks, both of which have a beneficial effect on financial performance, claim Kim, Li, and Li [1]. Companies that adopt sustainable practices may attract socially conscious investors, which would increase the amount of capital available.

ESG and Financial Reporting Quality

Financial reporting quality refers to the precision, consistency, and openness of financial information that companies reveal. High-quality financial reporting reduces the information gap between investors and managers. Accountability and openness are highly valued in ESG practices, which may raise the standard of financial reporting. Businesses with good ESG performance typically have stronger internal control systems and governance procedures that promote open financial disclosures.

ESG and Investment Decisions

ESG performance has become increasingly important when making investing decisions. Investors are increasingly considering ESG indicators when evaluating corporate sustainability and risk exposure. Sangkasari and colleagues assert that ESG performance provides crucial information regarding long-term corporate sustainability and aids investors in identifying moral businesses. Similarly, Nurhayati notes that investor confidence and capital allocation decisions are significantly impacted by ESG disclosures and sustainability reporting.

Theoretical Framework

Two primary theories form the basis of this study: The conflict of interest between managers and shareholders is explained by agency theory. business governance procedures help to reduce agency conflicts by ensuring accountability and openness in business decision-making. Stakeholder idea: According to this idea, businesses should take into account the interests of a variety of stakeholders, such as workers, clients, communities, and the environment. By using ESG principles, businesses can address stakeholder concerns and enhance long-term sustainability.

Empirical Review

Numerous empirical studies have examined the relationship between corporate governance policies and the quality of financial reporting in different countries and institutional systems. Examples of corporate governance systems that have been thoroughly studied as factors influencing the reliability, transparency, and credibility of financial reporting include the efficacy of the audit committee, ownership concentration, board size, and board independence. By reducing managerial opportunism, information asymmetry, and earnings manipulation, stronger corporate governance measures are widely believed to improve the quality of financial reporting.

Environmental, Social and Governance

In their examination of the relationship between ESG performance and business performance, Rahman, Zahid, and Al-Faryan found that sustainability plans and top management commitment increase the positive benefits of ESG on financial outcomes [2]. Similarly, Wang and Zhu found that because of improved stakeholder interactions and operational performance, businesses with higher ESG scores generally had better financial results [13]. However, other evidence suggests that the institutional setting may have an impact on the relationship between ESG and performance. According to DasGupta and Roy, differences in legal frameworks and company governance may affect how ESG policies affect financial performance [14].

Özer, Aktaş, and Çam claim that ESG activities significantly improve financial reporting quality and reduce earnings manipulation [5]. Similarly, Liu and Lee found that ownership structure strengthens the relationship between ESG policies and the quality of financial reporting [6]. Furthermore, Moalla and Dammak found that audit quality has a major impact on improving ESG transparency and reporting credibility [15].

Board Independence and Financial Reporting Quality

Board independence is one of the governance measures that has been studied the most in relation to the quality of financial reporting. Independent directors are expected to supervise and objectively monitor management operations in order to ensure the accuracy of financial reporting. Beasley looked on the relationship between US board composition and financial statement fraud [16]. The S. companies. Using a sample of companies that had been investigated for financial fraud, the study found that organizations with a higher percentage of independent directors were less likely to experience financial reporting fraud. The results of the study indicate that independent boards enhance supervision and reduce the likelihood of financial fraud. Similarly, Klein investigated the connection between board independence and earnings management in publicly traded corporations [17]. According to the findings, businesses with more independent boards had better

financial reporting since they had lower levels of anomalous accruals. The study found that independent directors are more likely to protest to managerial decisions that potentially distort financial reports.

Adeyemi and Fagbemi looked at financial reporting quality and corporate governance in Nigerian listed companies [18]. According to their findings, financial reporting transparency was significantly improved by board independence. According to the study's findings, independent directors are essential to guaranteeing accurate financial disclosures. However, the findings of some studies have been conflicting. Agrawal and Chadha discovered that while board independence is crucial, it does not ensure the quality of financial reporting on its own unless it is supported by effective internal control mechanisms and strong regulatory oversight [18].

Audit Committee Effectiveness and Financial Reporting Quality

The audit committee is another essential corporate governance instrument designed to enhance the credibility of financial reporting. Audit committees oversee financial reporting processes, monitor internal controls, and interact with external auditors. Abbott, Parker, and Peters investigated the connection between financial misstatements and audit committee characteristics [19]. They found that businesses with active, independent audit committees were less likely to restate their financial accounts. The findings suggest that effective audit committees improve the reliability of financial reporting.

Similarly, Xie, Davidson, and DaDalt investigated the impact of audit committee composition on earnings management [20]. Their results showed that organizations with financially competent audit committee members had lower levels of earnings manipulation. Uwuigbe, Olusanmi, and Oyeniyi looked into how audit committee characteristics affected the quality of financial reporting in Nigerian listed companies [21]. The results showed that audit committee independence and financial knowledge significantly improved the trustworthiness of financial reporting. The study recommended strengthening audit committee structures to boost corporate transparency.

Board Size and Financial Reporting Quality

The relationship between board size and corporate governance effectiveness has also been thoroughly researched. Bigger boards may provide a greater variety of experience, but they may also be less capable of making decisions. Smaller boards are often better at monitoring management because they enable directors to collaborate and communicate more successfully, according to Jensen [22]. On the other hand, large boards may struggle with coordination and accountability. Yermack's empirical study found that smaller boards were associated with improved business performance and governance results. The study found that smaller boards are more adept at monitoring management functions including financial reporting practices. Board composition and company performance in Nigerian listed companies were examined by Sanda, Mikailu, and Garba. They found that moderate board sizes improved company monitoring and openness, which in turn improved financial reporting practices.

Ownership Structure and Financial Reporting Quality

Ownership structure has a big impact on corporate governance practices and financial reporting outcomes. Ownership concentration may improve monitoring or allow dominant shareholders to fabricate financial statements. According to Shleifer and Vishny, concentrated ownership enhances monitoring since large shareholders have strong incentives to keep an eye on managerial behaviour. However, they did note that minority shareholders could be expropriated by majority stockholders through financial trickery.

Fan and Wong's empirical research looked at ownership concentration and the quality of financial reporting in East Asian companies. Due to the dominance of controlling shareholders, the study discovered that companies with highly concentrated ownership structures typically had lower financial reporting transparency. Okoye, Evbuomwan,

Achugamonu, and Araghan examined the connection between ownership structure and earnings management in Nigerian businesses. According to their findings, institutional ownership enhanced the quality of financial reporting and decreased earnings manipulation.

CEO Duality and Financial Reporting Quality

CEO duality is the practice of one individual holding the positions of chief executive officer and chairman of the board. This governance arrangement has been covered in great detail in the corporate governance literature. Dividing the CEO and board chairman roles enhances corporate governance by reducing managerial control, claim Fama and Jensen. Combining the two roles could give the CEO disproportionate influence over board decisions, undermining oversight and monitoring.

Dechow, Sloan, and Sweeney's empirical study found that organizations with CEO duality were more likely to influence earnings due to a lack of board scrutiny. The study emphasized how important it is to assign leadership duties in order to enhance governance structures. However, according to Donaldson and Davis, CEO duality may occasionally enhance leadership clarity and decision-making efficiency, particularly in businesses with strong internal control mechanisms.

Corporate Governance and Financial Reporting Quality in Emerging Economies

The impact of corporate governance on the quality of financial reporting in emerging countries with potentially laxer standards has been the subject of numerous studies. The quality of financial reporting was significantly improved by corporate governance measures such board independence and audit committee efficacy, according to Klai and Omri's study on Tunisian businesses. Similarly, Uwuigbe, Peter, and Oyeniyi examined company governance and earnings management in Nigeria and discovered that sound governance practices reduced earnings manipulation and enhanced financial disclosure. In another Nigerian study, Egbunike and Odum looked at corporate governance and the calibre of financial reporting in manufacturing firms. According to their findings, strong governance mechanisms significantly reduced financial misstatements and improved reporting credibility.

Summary of Empirical Literature

Corporate governance structures are crucial for raising the caliber of financial reporting, according to the empirical literature that has been examined. Generally speaking, it has been found that board independence, audit committee effectiveness, and institutional ownership improve transparency and reduce earnings manipulation. The success of governance systems may be influenced by institutional contexts, ownership patterns, and legal frameworks, as seen by contradictory findings regarding CEO duality and board size. Because of problems with slack enforcement, management opportunism, and insufficient investor protection, the effectiveness of corporate governance institutions remains critical in developing countries such as Nigeria. In order to boost investor trust in financial markets and improve the calibre of financial reporting, corporate governance structures must be strengthened.

Research Gap

More empirical research is obviously required to understand how ESG practices affect corporate governance, which in turn affects both financial performance and reporting quality, especially in emerging nations, despite the fact that corporate governance and financial reporting quality have been extensively studied. The current study attempts to bridge this gap by: investigating the impact of ESG practices on corporate governance systems in Nigerian listed corporations. examining how corporate governance affects the relationship between ESG and both financial performance and the calibre of financial reporting. By addressing these gaps, the study will contribute to the

body of knowledge on sustainable corporate governance and provide legislators, business management, and investors with insightful information.

Methodology

The study uses a quantitative research technique supported by panel data analysis to evaluate the relationships between environmental, social, and governance (ESG) qualities, corporate governance practices, financial performance, and financial reporting quality. A sample of 50 publicly traded companies is selected from the research population based on the availability and consistency of ESG disclosures and relevant financial data during the study period. To allow for a complete empirical investigation of the interactions among the variables under consideration, the selection of these firms is influenced by the requirement to provide substantial data coverage on ESG practices, governance structures, and financial reporting indicators.

The data used in this study came from secondary sources, most of which were publicly accessible firm documents and databases. Data is collected primarily through stock market publications, sustainability reports, corporate annual reports, and ESG databases. These databases provide reliable and comprehensive data on corporate financial performance, governance frameworks, and sustainability practices, all of which are critical for analyzing the relationships between the variables in our study.

ESG performance, which measures the extent to which businesses engage in environmental, social, and governance practices, serves as the independent variable for measuring the variables. The Corporate Governance Index, which assesses the overall robustness of governance systems within organizations, including board membership, oversight procedures, and governance regulations, serves as the study's mediating variable. Dependent variables include financial performance and the quality of financial reporting. Financial performance is evaluated using common metrics that represent a company's profitability and market value, such as Return on Equity (ROE), Return on Assets (ROA), and Tobin's Q. Measures of discretionary accruals and earnings management are used to examine the quality of financial reporting, determining the dependability and openness of organizations' financial disclosures. When these measures are integrated, they enable for an in-depth evaluation of how ESG practices affect firm performance, reporting quality, and governance structures.

Several statistical methods will be utilized to analyse the data and identify how the research variables interact with one another. To provide an overview of the variable distribution and patterns, descriptive statistics will be used to summarize and characterize the data's core aspects. Correlation analysis will then be used to determine the extent of the relationship between ESG performance, corporate governance practices, financial performance, and financial reporting quality. Additionally, panel regression analysis will be used to analyse the impact of corporate governance and ESG variables on the selected company outcomes during the research period. Robustness tests will be performed to ensure the consistency and dependability of the analytical results.

Results and Discussion

This study results are presented using descriptive statistics, correlation analysis, and regression analysis. The findings are also discussed in relation to existing literature.

Descriptive Statistics

An overview of the features of the variables utilized in the study is given by descriptive statistics. These consist of the corporate governance index, financial performance metrics, financial reporting quality, mean, standard deviation, and minimum and maximum values of ESG performance.

Table 1. Descriptive statistics.

| Variable | Mean | Std. Dev | Min | Max |
|-----------------------------|-------|----------|-------|-------|
| ESG Score | 58.43 | 12.17 | 30.11 | 82.54 |
| Corporate Governance Index | 0.61 | 0.15 | 0.32 | 0.89 |
| ROA | 0.084 | 0.065 | -0.11 | 0.24 |
| ROE | 0.152 | 0.097 | -0.21 | 0.36 |
| Financial Reporting Quality | 0.73 | 0.11 | 0.44 | 0.91 |

Field Survey, 2026

According to the descriptive statistics, the sampled firms had an average ESG score of approximately 58.43, indicating moderate adoption of sustainable practices. With a mean score of 0.61, the corporate governance index demonstrates that many organizations have implemented governance structures such as audit committees and independent boards. With an average return on equity (ROE) of 15.2% and return on assets (ROA) of 8.4%, financial performance metrics indicate that the majority of the sample's businesses are profitable. The average value of the financial reporting quality index is 0.73, indicating that the sampled firms have rather good reporting transparency.

Correlation Analysis, Correlation analysis examines the relationships between the variables in the study.

Table 2. Correlation Analysis.

| Variable | ESG | CG | ROA | ROE | FRQ |
|----------------------|------|------|------|------|-----|
| ESG | 1 | | | | |
| Corporate Governance | 0.52 | 1 | | | |
| ROA | 0.41 | 0.46 | 1 | | |
| ROE | 0.38 | 0.44 | 0.63 | 1 | |
| FRQ | 0.47 | 0.51 | 0.39 | 0.42 | 1 |

Field survey, 2026

ESG performance and corporate governance procedures are positively correlated, according to the correlation data ($r = 0.52$). This implies that companies with more robust ESG initiatives typically have more robust governance frameworks. Additionally, there is a positive correlation between corporate governance and both financial performance and financial reporting quality, suggesting that better governance practices are linked to better organizational outcomes.

Regression Analysis, Regression analysis is conducted to test the research hypotheses.

Table 3. Regression Analysis.

Model 1. Effect of ESG on Corporate Governance.

| Variable | Coefficient | t-statistic | p-value |
|----------|-------------|-------------|---------|
| ESG | 0.48 | 5.72 | 0.000 |
| Constant | 0.21 | 3.41 | 0.002 |

$R^2 = 0.34$

The correlation data shows a favourable association between ESG performance and corporate governance practices ($r = 0.52$). This suggests that businesses with stronger ESG initiatives also tend to have stronger governance structures. Furthermore, financial performance and financial reporting quality are positively correlated with corporate governance, indicating that improved governance practices are associated with improved organizational outcomes.

Model 2. Effect of Corporate Governance on Financial Performance.

| Variable | Coefficient | t-statistic | p-value |
|----------------------|-------------|-------------|---------|
| Corporate Governance | 0.37 | 4.98 | 0.000 |
| Constant | 0.15 | 2.84 | 0.006 |

$R^2 = 0.29$

The findings show that financial performance is significantly improved by corporate governance practices ($\beta = 0.37$, $p < 0.01$). This implies that companies with more robust governance frameworks typically have better financial results.

Model 3. Effect of Corporate Governance on Financial Reporting Quality.

| Variable | Coefficient | t-statistic | p-value |
|----------------------|-------------|-------------|---------|
| Corporate Governance | 0.43 | 5.16 | 0.000 |
| Constant | 0.32 | 3.12 | 0.003 |

$R^2 = 0.31$

The findings show that financial reporting quality is greatly enhanced by corporate governance policies ($\beta = 0.43$, $p < 0.01$). Transparent and trustworthy financial reports are more likely to be produced by companies with more robust governance processes. Thus, Hypothesis 2 is validated.

Discussion of Findings

The study found that ESG variables have a considerable impact on corporate governance practices. Businesses that implement strong ESG policies are more likely to create governance systems that promote responsibility, transparency, and accountability. These findings are consistent with previous research, which demonstrates that ESG programs encourage organizations to strengthen their governance frameworks in order to effectively manage sustainability risks and stakeholder expectations.

Additionally, the study shows that corporate governance norms have a positive impact on financial success. This study supports the premise that good governance structures increase organizational effectiveness and reduce agency conflicts between managers and shareholders. This finding shows that corporate governance significantly improves the quality of financial reporting; robust internal controls and clear financial disclosures are more likely to be adopted by organizations with strong governance

systems. Overall, the findings demonstrate how important ESG principles are in promoting sustainable corporate governance and improving business performance.

Summary, Conclusion and Recommendations

This study examined the impact of Environmental, Social, and Governance (ESG) factors on corporate governance practices and how these governance mechanisms influence financial performance and financial reporting quality.

Summary of the Study

Corporations, investors, and regulators are becoming more interested in ESG policies as a result of the growing emphasis on sustainability and ethical business practices. These days, ESG variables are regarded as crucial markers of business responsibility, transparency, and long-term viability. This study's primary goal was to investigate how ESG elements affect corporate governance practices and assess

The study was guided by two main objectives:

1. To investigate how corporate governance practices are affected by ESG factors.
2. To assess how corporate governance procedures affect the quality of financial reporting and financial performance.

The study employed a quantitative research design, utilizing secondary data from listed companies' sustainability declarations and corporate reports. The relationships between the variables were studied using statistical techniques such as regression analysis, correlation analysis, and descriptive statistics. The results demonstrated that ESG practices have a significant impact on corporate governance frameworks. Businesses that actively pursue ESG initiatives often implement stronger governance systems that promote transparency and accountability.

This study also showed that corporate governance norms have a major impact on financial performance. Businesses with robust governance structures are more likely to experience improvements in operational effectiveness and profitability. Furthermore, the study revealed that effective company governance systems increase financial reporting quality by reducing information asymmetry and encouraging honest financial disclosures.

Conclusion

The study's findings support the premise that ESG practices are critical for strengthening corporate governance frameworks. Businesses that prioritize social responsibility, environmental sustainability, and ethical governance are more likely to build effective governance frameworks. These governance mechanisms result in improved financial performance and reporting quality. Thus, the analysis confirms that ESG initiatives improve business transparency and financial performance while also benefiting sustainability. The findings underscore the importance of incorporating ESG ideas into corporate governance frameworks to ensure long-term financial sustainability and stakeholder trust.

Recommendations

The following suggestions are offered in light of the study's findings and conclusions:

1. Businesses ought to include ESG concepts into their corporate governance structures. Businesses should make sure that board duties, business rules, and strategic decision-making procedures all incorporate sustainable practices.
2. Regulators ought to make ESG disclosure mandates more stringent. Standardized ESG reporting standards should be established by regulatory bodies to increase sustainability disclosures' comparability and transparency.
3. Corporate boards ought to improve their governance frameworks. To improve oversight of ESG programs and corporate reporting processes, boards of directors should encourage independence, accountability, and diversity.

4. When making investing selections, investors ought to take ESG indicators into account.
When assessing business sustainability and long-term financial health, investors should take ESG performance into account.

Contribution to Knowledge

This research adds to the body of literature by: • Offering factual data regarding the connection between corporate governance frameworks and ESG practices.

- Showing how corporate governance practices affect the quality of financial reporting and financial performance.
- Adding to the expanding corpus of research on sustainable corporate governance and ESG.
- Additionally, the study offers useful information to investors, corporate managers, and legislators who want to support sustainable business practices.

Limitations of the Study

The study has certain limitations even though it offers valuable insights:

1. The quality and completeness of the secondary data used in the study came from business reports.
2. The investigation concentrated on a small number of businesses and sectors, which could restrict how broadly the results can be applied.
3. Different databases and reporting methods may quantify ESG differently.

Suggestions for Future Research

This research can be expanded in a number of ways by future studies:

1. Researchers may look at the relationship between ESG and corporate performance in various sectors and nations.
2. Future research should examine the function of particular governance measures such ownership structure, audit committees, and board diversity.

Longitudinal research might examine how long-term company sustainability is impacted by the evolution of ESG adoption across time.

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