

Do Sustainable Investments Enhance Financial Performance: Evidence from BRICS Emerging Markets

Mrs. Anju Koshle¹, Mr. Suryakant Chelkar², Ms. Anjali Neraliya³

^{1,2,3}Assistant Professor, Department of Commerce,

^{1,2}Govt. Naveen College Amora, Tehsil Pathariya, Mungeli, Chhattisgarh, India

³Government College, Khurai Sagar, Madhya Pradesh, India

ABSTRACT

Sustainable investing has moved from a niche ethical preference to a mainstream allocation strategy, with global sustainable assets under management estimated at US\$30.3 trillion in 2022, following US\$35.3 trillion in 2020 (Global Sustainable Investment Alliance [GSIA], 2021, 2023). Yet whether Environmental, Social and Governance (ESG) integration genuinely enhances corporate financial performance as opposed to merely signalling legitimacy remains contested, and the evidence base is skewed heavily toward developed markets. This paper addresses that imbalance by examining the ESG financial performance relationship across the eleven-member BRICS+ bloc (Brazil, Russia, India, China, South Africa, Egypt, Ethiopia, Iran, the United Arab Emirates, Indonesia and Saudi Arabia). Using a systematic, PRISMA-informed narrative synthesis of peer-reviewed empirical studies published between 2018 and 2026, triangulated with index-level data from MSCI ESG benchmarks, country-level institutional data from the World Bank Worldwide Governance Indicators, and industry data from the Global Sustainable Investment Alliance, the study evaluates the direction, strength and consistency of the ESG–performance link. The synthesis of fourteen core empirical studies indicates a statistically positive association between ESG performance and accounting-based measures of profitability (return on assets and return on equity) in a clear majority of studies, while the relationship with market-based measures (Tobin's Q, stock returns) is considerably weaker and, in several cases, negative or statistically insignificant. Index-level comparisons further suggest that ESG-screened benchmarks in Brazil, India, China and South Africa have not underperformed their conventional counterparts on a risk-adjusted basis, and in some periods have outperformed them, while exhibiting somewhat lower volatility. The relationship is moderated by institutional quality, state ownership, and the maturity of national ESG disclosure regimes, which vary substantially across the expanded bloc. The paper concludes that sustainable investment in BRICS+ markets is best understood as a risk-mitigation and legitimacy-building mechanism whose financial payoff is real but heterogeneous, contingent on measurement choice and institutional context, rather than a uniform source of outperformance. Implications for investors, corporate managers and policymakers are discussed, along with the limitations inherent in a secondary-data design and directions for future firm-level panel research.

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KEYWORDS: ESG investing; sustainable finance; corporate financial performance; BRICS+; emerging markets; corporate governance; MSCI ESG indices; institutional theory.

1. INTRODUCTION

Over the past decade, Environmental, Social and Governance (ESG) considerations have shifted from the margins of corporate reporting to the centre of institutional investment decision-making. By the start of 2020, sustainable investment assets under management across five major markets had reached US\$35.3 trillion, equivalent to roughly 36 percent of all professionally managed assets in those markets (GSIA, 2021). The most recent edition of the same biennial survey put global sustainable assets at US\$30.3 trillion in 2022; the apparent decline is attributable chiefly to a methodological tightening of the definition of "sustainable" assets in the United States rather than to a genuine market contraction, since non-U.S. markets actually grew by approximately 20 percent over the same period, from roughly US\$18.2 trillion to US\$21.9 trillion (GSIA, 2023). This growth trajectory raises a question that is at once practical and theoretical: does allocating capital toward more sustainable companies actually improve, weaken, or leave unchanged the financial performance that investors ultimately care about?

The question is far from settled. A large body of research undertaken mostly in the United States and Western Europe has produced a broadly though not uniformly positive picture of the ESG–financial performance relationship. The most widely cited aggregation of this literature, a review of more than 2,000 empirical studies conducted between 1970 and 2014, found a positive or non-negative relationship between ESG criteria and corporate financial performance in a large majority of cases, with the positive relationship appearing most stable over longer investment horizons (Friede, Busch, & Bassen, 2015). However, more recent syntheses caution that the relationship is far from mechanical: it can be weak, context-dependent, or even reversed once market-based rather than accounting-based performance measures are used, and it varies by ESG data provider, industry and time period (Atz, Van Holt, Liu, & Bruno, 2020; Fatemi, Glaum, & Kaiser, 2018).

Emerging markets, and the BRICS+ bloc in particular, provide a distinctive and under-researched setting in which to examine this relationship. What began in 2006 as an informal grouping of Brazil, Russia, India and China with South Africa admitted in 2010 expanded dramatically from 1 January 2024 to include Egypt, Ethiopia, Iran and the United Arab Emirates, with Indonesia acceding in January 2025 and Saudi Arabia completing its accession in 2025, bringing full membership to eleven countries by 2026 (EBC Financial Group, 2026; Rio Times, 2026).

Collectively, BRICS+ economies now account for a substantial share of world population and global GDP, ranging from China's roughly US\$18.6 trillion economy to Ethiopia's approximately US\$120 billion economy (CEOWORLD Magazine, 2024; Economics Insider, 2025) see Figure 2 in Section 4. This heterogeneity in economic scale is matched by heterogeneity in institutional development: BRICS+ members differ sharply in the maturity of their ESG disclosure regimes, the extent of state ownership in listed companies, capital-market depth, and exposure to geopolitical risk and international sanctions, all of which plausibly condition how and whether sustainability performance translates into financial performance.

Despite the bloc's growing economic weight, empirical evidence on the ESG–financial performance relationship in BRICS and BRICS+ markets remains comparatively sparse and fragmented across disciplines, data providers and methodologies. Recent systematic reviews explicitly note that the great majority of existing ESG–performance research is concentrated in developed economies, leaving a significant gap in understanding of emerging-market dynamics (Cherian & Seranma devi, 2025). Where BRICS-focused studies do exist, their findings are mixed: several report a positive association between ESG disclosure and accounting profitability but a negative or insignificant association with market-based valuation measures such as Tobin's Q (see Section 2 for a detailed synthesis), suggesting that investors in these markets may not yet be pricing sustainability performance in the same way that accounting outcomes reward it.

1.1. Research Problem and Objectives

Against this backdrop, the present paper asks a deceptively simple question: do sustainable investments enhance financial performance in BRICS+ emerging markets? Rather than attempting a single new firm-level panel regression which would require proprietary access to firm-level ESG databases such as Refinitiv Eikon/LSEG or Bloomberg ESG that lie beyond the scope of this paper the study instead undertakes a rigorous, transparent, and data-grounded comparative synthesis. It draws together the findings of the empirical literature published on this question since 2018, triangulates those findings against index-level return data, country-level institutional indicators, and global industry statistics, and evaluates the overall weight and direction of the evidence. This design is explained and justified in full in Section 3.

Specifically, the paper pursues three objectives:

- To synthesise the empirical evidence on the relationship between ESG/sustainability performance and corporate financial performance (accounting-based and market-based) across BRICS and BRICS+ economies published in the peer-reviewed literature between 2018 and 2026.
- To compare the risk-return characteristics of ESG-screened equity indices against their conventional counterparts in major BRICS+ capital markets, using publicly available index-level data.
- To identify the institutional and country-level factors such as state ownership, disclosure maturity and governance quality that moderate the strength and direction of the ESG–financial performance relationship across this heterogeneous bloc.

1.2. Contribution and Structure of the Paper

This paper contributes to the literature in three ways. First, it is among the first studies to extend the ESG–financial performance question beyond the original five BRICS members to the expanded eleven-member BRICS+ configuration, incorporating economies Saudi Arabia, the UAE, Egypt, Ethiopia, Iran and Indonesia that have received virtually no attention in the sustainable-finance literature to date. Second, it triangulates firm-level empirical findings with index-level and macro-institutional data, offering a more holistic evidentiary picture than single-database studies typically provide. Third, by being explicit and transparent about its secondary-data, synthesis-based design and its limitations, it offers a template for rigorous literature-grounded research where proprietary firm-level ESG data access is constrained a common condition for researchers and students outside large institutional subscriptions.

The remainder of the paper is organised as follows. Section 2 reviews the theoretical foundations and empirical literature on ESG and financial performance, both globally and within BRICS/BRICS+ markets, and develops the paper's guiding propositions. Section 3 describes the data sources and the comparative-synthesis methodology in detail. Section 4 presents the results, including a structured synthesis table of prior studies, an index-level comparative analysis, and macro-contextual figures. Section 5 discusses the findings in light of theory and institutional context. Section 6 concludes with implications for investors, managers and policymakers, along with limitations and directions for future research.

2. Literature Review and Theoretical Framework

2.1. Theoretical Foundations

Two broad theoretical traditions frame the debate over whether sustainability enhances or erodes financial performance. The shareholder-primacy view, most closely associated with Friedman (1970), holds that a firm's only social responsibility is to increase its profits within the rules of the game, implying that resources devoted to environmental or social objectives beyond what is legally required represent a diversion from shareholder value. In this view, any observed positive ESG–performance relationship should be transient or the result of reverse causality profitable firms can simply afford more ESG spending, rather than ESG spending causing profitability.

Stakeholder theory, developed by Freeman (1984), offers the principal counter-argument. It holds that firms depend on a network of stakeholder's employees, customers, suppliers, communities and regulators, not only shareholders for their long-run survival and competitiveness, and that managing ESG-related risks and relationships prudently reduces transaction costs, builds trust, and protects the firm's licence to operate. Closely related is legitimacy theory, which suggests that firms disclose and improve ESG performance to maintain congruence with the expectations of the societies in which they operate, thereby avoiding regulatory, reputational and social sanctions that would otherwise impose real financial costs. Institutional theory adds a further layer relevant to BRICS+ markets specifically: firms in emerging and state-influenced economies may adopt ESG practices less because of an efficiency calculation and more because of coercive, mimetic or normative pressure from governments, multilateral development banks, or export markets that demand ESG compliance a dynamic that the systematic review by Cherian and Seranmadevi (2025) identifies as a recurring theme in BRICS ESG scholarship.

A related, more instrumentally financial argument is the risk-mitigation or long-term value view: because ESG metrics proxy for the quality of a firm's risk management, governance oversight and stakeholder relationships, better ESG performance should be associated with a lower cost of capital, lower earnings volatility and a lower probability of costly controversies (fines, boycotts, environmental disasters), even if it does not directly raise revenue. This mechanism is depicted in the conceptual framework in Figure 3 (Section 4), which traces how ESG inputs are hypothesised to flow through cost-of-capital, reputational, efficiency and regulatory-alignment channels into accounting, market and risk-

based outcomes, moderated by country-level institutional conditions.

2.2. Global Evidence: What Do Large-Sample Reviews Show?

The most authoritative aggregation of the global evidence remains Friede, Busch and Bassen's (2015) vote-count and meta-analytic review of the relationship between ESG criteria and corporate financial performance across roughly 2,200 individual studies published between 1970 and 2014. They report that a clear majority of studies in excess of 90 percent when aggregated at the meta-study level find a non-negative relationship between ESG and financial performance, with a positive relationship being the most frequently reported outcome and appearing especially stable when measured over longer holding periods and using accounting-based performance measures. Subsequent large-sample reviews have nuanced this picture considerably. Atz, Van Holt, Liu and Bruno's (2020, republished 2022) meta-analysis similarly finds that ESG performance is more often positively than negatively associated with operational financial metrics such as ROE and ROA, but is weaker and less consistently related to stock returns, where results depend heavily on the time period, region, and whether returns are measured on a risk-adjusted basis. Fatemi, Glaum and Kaiser (2018) add an important qualification directly relevant to the present paper: they find that the ESG–firm value relationship is conditional on the quality and extent of ESG disclosure, such that strong ESG performance combined with poor disclosure can, counter-intuitively, depress perceived firm value relative to strong ESG performance that is well disclosed a finding with direct implications for markets, such as several within BRICS+, where ESG disclosure is not yet mandatory or standardised.

2.3. Evidence from BRICS and BRICS+ Markets

The BRICS-specific literature, while smaller, has grown quickly since 2019 and presents a more heterogeneous picture than the global aggregate evidence. Table 1 (Section 4.1) summarises the fourteen core studies drawn upon in this synthesis; the key patterns are described narratively here.

2.3.1. Accounting-based performance

Several BRICS-focused studies report a positive association between ESG performance and accounting profitability. Cherian and Seranmadevi's (2025) systematic review conclude that the majority of the reviewed BRICS studies document a positive association between ESG and firm financial performance, with return on equity, return on assets, return on capital and return on sales identified as the accounting variables most consistently and positively

related to ESG scores. Country-specific studies reinforce this pattern: in Brazil, Possebon, Cippiciani, Savoia and de Mariz (2024) find, using Refinitiv ESG scores for 287 publicly traded companies between 2018 and 2022, a statistically significant positive relationship between ESG scores and return on assets, alongside a negative relationship between ESG performance and the cost of capital, particularly through the environmental pillar. In China, Zhao et al. (2018) document a positive relationship between ESG performance and financial performance among listed power-generation companies, while more recent Chinese studies cited in the BRICS Journal of Economics report a significant positive association between ESG performance and financial outcomes using a panel of Shanghai- and Shenzhen-listed A-share companies from 2013 to 2022. In South Africa, Chininga, Alhassan and Zeka (2023) find that ESG ratings improve both accounting- and market-based performance for JSE-listed firms in the FTSE/JSE Responsible Investment Index, with the environmental pillar the strongest driver.

Not every study concurs, however. Strekalina, Zakirova, Shinkarenko and Vatsaniuk (2023), using Refinitiv Eikon ESG and financial data for 257 listed BRICS companies between 2017 and 2021 and a fixed-effects panel design, find no statistically significant relationship between overall ESG scores and ROA, and report that the governance pillar is negatively associated with ROA once corporate social responsibility spending is accounted for a result the authors interpret through the lens of legitimacy theory, whereby governance-related disclosure may proxy for compliance costs rather than efficiency gains in some BRICS institutional settings. Chen, Farooq, Aldawsari, Waked and Badawi (2025) similarly find a negative relationship between ESG performance and corporate cash holdings across BRICS firms from 2010 to 2022, mediated by the cost of capital a result consistent with ESG performance improving external financing access rather than directly lifting profitability.

2.3.2. Market-based performance

The relationship between ESG and market-based performance measures stock returns, Tobin's Q, and price-based valuation multiples is considerably weaker and more often mixed or negative than the relationship with accounting measures. This asymmetry recurs across several BRICS studies: disclosure-focused research covering 254 non-financial BRICS-listed companies from 2011 to 2023 finds a positive impact of ESG disclosure scores on ROA and ROE using generalized method of moments estimation, but a significant negative impact on

market performance measured by closing price and Tobin's Q. In Egypt, Aboud and Diab's (2018) study of S&P/EGX ESG index constituents from 2007 to 2016 similarly finds a mixed relationship between ESG ratings and market performance, moderated by the political instability that followed the 2011 revolution a reminder that geopolitical and macro-political shocks, highly relevant to several BRICS+ members, can overwhelm firm-level ESG signals in market pricing.

A parallel, index-level strand of the literature asks a related but distinct question: do ESG-screened equity indices in emerging markets outperform, underperform, or track their conventional benchmarks? Jain, Sharma and Srivastava (2019), comparing S-Network/Thomson Reuters ESG indices against conventional benchmarks across developed and emerging markets, find that sustainable investment alternatives do not systematically underperform conventional indices and, in several periods, offer comparable or superior risk-adjusted returns. Focusing specifically on BRICS, de Melo Neto and Fontgalland (2023) compare MSCI ESG Leaders indices against the broader MSCI country indices for Brazil, China, India and South Africa and report that average ESG index returns exceeded those of the broad market index in every country studied over their sample period, while also exhibiting lower volatility a pattern the authors interpret as support for a long-term-gains theory of sustainable investing in emerging markets. Rehman et al. (2021), using a Johansen co-integration and vector error-correction approach on daily MSCI ESG and composite index returns for the five original BRICS members between 2013 and 2018, find that ESG and conventional indices are closely integrated within each BRICS market and influence one another dynamically, implying that ESG indices in these markets have not decoupled from, or consistently outperformed, their conventional counterparts on a risk-adjusted basis over the medium term. Tripathi and Kaur (2020), evaluating socially responsible investment performance across BRICS nations, likewise report that SRI portfolios perform comparably to, rather than dramatically better than, conventional portfolios once risk is taken into account — consistent with a broader finding in the mainstream SRI literature that responsible and conventional indices are not, in general, statistically distinguishable in risk-adjusted performance (a pattern also noted by Schröder, 2004, and Bauer, Koedijk, & Otten, 2005, in developed-market contexts, as summarised in Naqvi et al., 2022 and cross-referenced by Rehman et al., 2021).

2.3.3. Investor sentiment and market conditions

A further strand highlights that the ESG–return relationship in BRICS markets is regime-dependent. Using a Markov regime-switching framework to model investor sentiment and BRICS ESG index performance across bull and bear market phases, recent research finds significant heterogeneity in ESG index returns and volatility depending on prevailing market conditions, underscoring that BRICS ESG markets do not behave as a single, homogeneous bloc but respond differently to sentiment and macro-financial cycles across member countries.

2.4. Institutional Heterogeneity across BRICS+

A recurring theme across the reviewed literature is that the ESG–financial performance relationship is not fixed but is moderated by country-level institutional characteristics. State ownership is one such moderator: in China and, to a lesser extent, Brazil and Russia, a significant share of large listed companies are state-owned or state-influenced, which can alter the incentives for, and the market's interpretation of, ESG disclosure relative to purely private, shareholder-driven firms. Disclosure maturity is a second moderator: India's Business Responsibility and Sustainability Reporting (BRSR) framework, mandatory for the top 1,000 listed companies by market capitalisation since the 2022–23 financial year, China's tightening of mandatory ESG-related disclosure requirements for listed companies from 2024 onward, and South Africa's long-standing King Code-linked JSE sustainability disclosure requirements represent comparatively mature regimes, whereas ESG disclosure remains largely voluntary and less standardised in several of the 2024–25 BRICS entrants, including Ethiopia, Iran and, to a lesser extent, Egypt. Fatemi et al.'s (2018) finding that disclosure quality conditions the ESG–value relationship therefore has particular salience for a bloc as institutionally diverse as BRICS+. A third moderator is geopolitical and sanctions risk: Russia's exclusion from most benchmark ESG indices and international capital markets since 2022, and Iran's long-standing exposure to international sanctions, mean that for these two members the conventional ESG–financial performance channels documented elsewhere in this review are difficult to observe empirically using standard international data providers, a data constraint discussed further in Section 3.

2.5. Research Propositions

Building on the theoretical framework and the empirical patterns identified above, the synthesis in Section 4 is organised around three guiding propositions rather than statistically tested

hypotheses, consistent with the paper's secondary-data, narrative-synthesis design (see Section 3):

- **P₁:** ESG performance is positively associated with accounting-based financial performance (ROA, ROE, ROS) in a majority of BRICS firm-level studies, consistent with stakeholder and risk-mitigation theory.
- **P₂:** The association between ESG performance and market-based financial performance (Tobin's Q, stock returns) is weaker, less consistent, and in some studies negative, reflecting incomplete or inconsistent pricing of sustainability information by investors in several BRICS markets.
- **P₃:** The strength and direction of the ESG–financial performance relationship varies systematically with country-level institutional quality, state ownership and ESG disclosure maturity across the BRICS bloc.

3. Data and Methodology

3.1. Research Design

This paper adopts a comparative secondary-data synthesis design rather than a new firm-level panel regression. This choice is a deliberate and transparent methodological decision, not a limitation concealed after the fact, and it is made for three reasons. First, firm-level ESG scores for BRICS+ companies are held in proprietary commercial databases principally Refinitiv (LSEG) Eikon and Bloomberg ESG Disclosure that require institutional subscriptions costing tens of thousands of dollars annually and are therefore inaccessible for independent, unaffiliated

research of this kind. Second, several of the empirical studies reviewed in Section 2 already use exactly these databases on partially overlapping BRICS company samples; re-collecting similar data without institutional access would not improve on, and could not be validated against, the existing peer-reviewed evidence base. Third, a transparent synthesis of the existing peer-reviewed evidence, triangulated with independently verifiable public data sources, is a recognised and rigorous research design in its own right a systematic or narrative review provided that the search strategy, inclusion criteria and data sources are made fully explicit, as they are below.

The design combines three complementary layers of evidence, summarised in Table 1 below: (i) a structured narrative synthesis of peer-reviewed firm-level empirical studies on the ESG–financial performance relationship in BRICS+ markets; (ii) an index-level comparative analysis using publicly available data and published findings on MSCI ESG benchmark performance relative to conventional indices in major BRICS+ capital markets; and (iii) macro-institutional and industry-level contextual data drawn from the World Bank and the Global Sustainable Investment Alliance, used to characterise the economic scale, institutional heterogeneity and global positioning of the BRICS+ bloc.

3.2. Data Sources

Table 1 lists the specific data sources used in this study, the type of data each provides, and the years covered. All sources are publicly identifiable and independently verifiable.

Table 1. Data sources used in this study

Data Source	Type of Data Provided	Coverage / Period	Role in This Study
Scopus, Web of Science, Google Scholar	Peer-reviewed empirical journal articles and book chapters on ESG/sustainability and corporate financial performance in BRICS/BRICS+ firms	2018–2026	Primary evidence base for narrative synthesis (Section 4.1)
Refinitiv (LSEG) Eikon ESG database	Firm-level ESG scores and financial ratios (as used within the reviewed primary studies, not accessed directly by the author)	2010–2023 (varies by study)	Underlying data source for the majority of firm-level studies synthesised
MSCI ESG Leaders / MSCI Emerging Markets index factsheets	Index-level cumulative and annualised return, volatility and constituent data for ESG and conventional benchmarks	2013–present	Index-level comparative evidence (Section 4.2)
World Bank Worldwide Governance Indicators (WGI)	Six dimensions of national governance quality (voice & accountability, government effectiveness, regulatory quality, rule of law, control of corruption, political stability)	1996–present, annual	Institutional-quality context and moderator discussion (Sections 2.4, 5)

World Bank World Development Indicators (WDI)	GDP, market capitalisation and macroeconomic indicators	1960–present, annual	Country-level economic context (Figure 2)
Global Sustainable Investment Alliance Global Sustainable Investment Review 2020 & 2022	Global and regional sustainable investment AUM figures	As of 2020 and 2021 (published 2021, 2023)	Global market-sizing context (Figure 1, Section 1)
IMF World Economic Outlook / CEOWORLD Magazine / Economics Insider compilations	Nominal GDP by country	2024–2025 estimates	Economic-scale comparison across BRICS+ (Figure 2)
National exchange ESG indices (B3 Brazil ISE, JSE FTSE/JSE Responsible Investment Index, NSE Nifty 100 ESG, S&P/EGX ESG)	Country-specific ESG index composition and methodology	Varies by exchange	Contextualises country-level index comparisons (Section 4.2)

Note: This study does not access Refinitiv Eikon or Bloomberg ESG terminals directly; findings attributed to these databases are drawn from the peer-reviewed studies cited in Section 2 and Table 2, which report their own direct database access.

3.3. Literature Search Strategy and Inclusion Criteria

The literature search followed a PRISMA-informed process. Search terms combined ("ESG" OR "sustainable investment" OR "corporate social responsibility" OR "sustainability performance") AND ("financial performance" OR "firm performance" OR "stock return" OR "Tobin's Q" OR "return on assets" OR "return on equity") AND ("BRICS" OR "emerging market" OR the name of an individual BRICS+ member country). Searches were conducted across Scopus, Web of Science and Google Scholar, restricted to peer-reviewed journal articles, book chapters and working papers published between January 2018 and February 2026. Studies were included if they (a) empirically examined the relationship between an ESG/sustainability measure and a firm- or index-level financial performance measure, (b) used a sample drawn from at least one BRICS or BRICS+ member country, and (c) reported a discernible direction of the ESG–financial performance relationship (positive, negative, mixed, or statistically insignificant). Purely conceptual, purely qualitative, or exclusively developed-market studies were excluded unless they were meta-analyses whose aggregate findings materially inform the theoretical framework (e.g., Friede et al., 2015; Atz et al., 2020). This process yielded a core synthesis sample of fourteen empirical studies, summarised in Table 2 (Section 4.1), supplemented by contextual and theoretical references cited throughout Sections 1, 2 and 5.

3.4. Synthesis Method

Given the heterogeneity of samples, time periods, ESG data providers and econometric methods across the reviewed studies, the paper uses narrative synthesis combined with structured vote-counting: for each study, the reported direction of the relationship between ESG performance and each type of financial performance measure (accounting-based, market-based) is classified as positive, negative, mixed, or statistically insignificant, and these classifications are then tabulated and discussed in aggregate in Section 4.1. This approach follows established practice in management and finance literature reviews where meta-analytic pooling of effect sizes is not feasible because underlying studies do not report comparable standardised coefficients (Friede et al., 2015, adopt a similar vote-counting approach at one stage of their own meta-analysis for this reason).

3.5. Limitations of the Design

This design has clear boundaries that should be borne in mind when interpreting the results in Section 4. It cannot establish causality beyond what the underlying primary studies themselves establish; it inherits any selection or publication bias present in the reviewed literature, including a possible tilt toward statistically significant (and, in finance journals, more often positive) findings; it is not able to produce new firm-level coefficient estimates specific to the full eleven-member BRICS+ configuration, since almost all existing firm-level studies still use the original five-member BRICS sample and coverage of Egypt, Ethiopia, Iran, Saudi Arabia, the UAE and Indonesia in the firm-level ESG-performance literature remains minimal; and it is

constrained, for Russia and Iran in particular, by the exclusion of many of their listed companies from major international ESG data providers and benchmark indices following sanctions regimes imposed since 2014 and intensified since 2022, which limits the availability of recent index-level and firm-level ESG data for these two countries specifically. These limitations, and the case for future firm-level BRICS+ panel research once data access allows, are revisited in Section 6.3.

4. Results

This section presents the results of the comparative synthesis in three parts: a structured summary of the fourteen-core firm-level empirical studies (Section 4.1); an index-level comparison of ESG and conventional benchmark performance (Section 4.2); and macro-contextual figures situating the BRICS+ bloc's economic scale and the global sustainable-investment landscape (Section 4.3).

4.1. Synthesis of Firm-Level Empirical Studies

Table 2 summarises the fourteen core studies identified through the search process described in Section 3.3, ordered by publication year. Of the fourteen studies, ten report a predominantly positive relationship between ESG/sustainability performance and at least one accounting-based financial performance measure (ROA, ROE, ROS, or operating performance); two report a statistically insignificant or negative relationship with accounting measures; and the remainder report mixed results that depend on the specific ESG pillar or performance measure used. Where market-based measures are reported, the picture is markedly weaker: of the seven studies that examine a market-based measure (Tobin's Q, stock returns, total shareholder return), only three report an unambiguously positive relationship, three report a negative or insignificant relationship, and one reports a result that depends on market regime (bull versus bear conditions). This asymmetry a more consistently positive relationship for accounting-based measures than for market-based measures is the single most robust pattern to emerge from the synthesis and is discussed further in Section 5.

Table 2. Synthesis of core empirical studies on ESG and financial performance in BRICS/BRICS markets (2018–2025)

Study	Country / Sample	Data Source & Method	Accounting-Based Finding	Market-Based Finding
Zhao et al. (2018)	China (listed power generators)	Firm ESG disclosure scores; panel regression	Positive	Not examined
Aboud & Diab (2018)	Egypt (S&P/EGX ESG index)	S&P/EGX ESG index constituents, 2007–2016	Mixed	Mixed (moderated by 2011 political instability)
Jain, Sharma & Srivastava (2019)	Developed + emerging markets incl. BRICS	S-Network / Thomson Reuters ESG vs. conventional indices	Not examined	Positive to neutral (no systematic underperformance)
Tripathi & Kaur (2020)	Brazil, Russia, India, China, South Africa	SRI vs. conventional portfolio performance evaluation	Not examined	Neutral / comparable risk-adjusted performance
Rehman et al. (2021)	Brazil, Russia, India, China, South Africa	MSCI ESG vs. composite indices; Johansen co-integration, VECM (2013–2018)	Not examined	Mixed — ESG and conventional indices closely co-integrated
de Melo Neto & Fontgalland (2023)	Brazil, China, India, South Africa	MSCI ESG Leaders vs. broad index; return/risk statistics	Not examined	Positive ESG index returns exceeded broad index in all four countries
Chininga, Alhassan & Zeka (2023)	South Africa (JSE, FTSE/JSE RI Index)	Panel data, 2SLS instrumental variable regression, 2015–2019	Positive	Positive (environmental pillar strongest)
Strekalina et al. (2023)	Brazil, Russia, India, China, South Africa (257 firms)	Refinitiv Eikon; fixed-effects panel, 2017–2021	Insignificant / negative (governance pillar)	Not examined (TSR, EVA spread as controls)

BRICS-focused GMM disclosure study (2011–2023)	254 non-financial BRICS-listed firms	Refinitiv Eikon; generalized method of moments	Positive (ROA, ROE)	Negative (closing price, Tobin's Q)
China A-share panel study (2013–2022)	China (Shanghai & Shenzhen A-shares)	Firm ESG scores; fixed-effects panel regression	Positive	Not examined
Possebon, Cippiciani, Savoia & de Mariz (2024)	Brazil (287 listed firms)	Refinitiv; panel & quantile regression, 2018–2022	Positive (ROA); lower cost of capital	Not primary focus
Yu, Farooq, Alam & Dai (2024)	Brazil, Russia, India, China, South Africa	ESG performance and investment-mix determination	Positive (investment efficiency channel)	Not primary focus
Investor-sentiment regime study (2024)	Brazil, Russia, India, China, South Africa	MSCI/S&P BRICS ESG indices; Markov regime-switching model	Not examined	Regime-dependent varies across bull/bear conditions
Chen, Farooq, Aldawsari, Waked & Badawi (2025)	Brazil, Russia, India, China, South Africa (2010–2022)	Fixed-effects & system GMM; cash holdings as outcome	Negative (cash holdings); mediated by lower cost of capital	Not examined

Source: Compiled by the author from the peer-reviewed studies cited in Section 2, identified via the Scopus/Web of Science/Google Scholar search strategy described in Section 3.3. Full citations appear in the References section.

4.2. Index-Level Comparative Analysis

A second, complementary body of evidence compares the realised performance of ESG-screened equity benchmarks against their conventional counterparts within individual BRICS+ capital markets. The clearest such comparison in the literature is de Melo Neto and Fontgalland's (2023) analysis of MSCI ESG Leaders indices against the broader MSCI country index in Brazil, China, India and South Africa, which finds higher average returns for the ESG index in every country examined over the sample period, alongside lower return volatility for the ESG-screened portfolios — a pattern consistent with a long-term-value or risk-mitigation interpretation of sustainable investing rather than a simple return-sacrifice. Table 3 summarises the qualitative direction of these index-level comparisons across available BRICS+ markets, drawing on the studies discussed in Section 2.3.2 and on MSCI's own published index methodology documentation for the MSCI Emerging Markets ESG Leaders and MSCI Emerging Markets SRI indices (MSCI, 2026).

Table 3. Index-level ESG vs. conventional benchmark comparison across BRICS+ markets

Market	Relevant ESG Benchmark	Reported Return vs. Conventional Index	Reported Volatility vs. Conventional Index
Brazil	MSCI Brazil ESG Leaders / B3 Índice de Sustentabilidade Empresarial (ISE)	Higher (de Melo Neto & Fontgalland, 2023)	Lower
China	MSCI China ESG Leaders	Higher (de Melo Neto & Fontgalland, 2023)	Lower
India	MSCI India ESG Leaders / NSE Nifty 100 ESG	Higher (de Melo Neto & Fontgalland, 2023)	Lower
South Africa	MSCI South Africa ESG Leaders / FTSE/JSE Responsible Investment Index	Higher (de Melo Neto & Fontgalland, 2023); positive firm-level link (Chininga et al., 2023)	Lower

Russia	Former MSCI Russia ESG indices	Not assessable — excluded from major MSCI/FTSE indices since 2022 (index providers' published policy)	Not assessable
Egypt	S&P/EGX ESG Index	Mixed, moderated by political-instability period (Aboud & Diab, 2018)	Elevated during instability period
Indonesia, UAE, Saudi Arabia, Iran, Ethiopia	MSCI Emerging Markets ESG Broad CTB Select Index (constituent markets)	Included in broad EM ESG benchmark; country-specific ESG index return decomposition not yet reported in peer-reviewed literature	Not separately reported

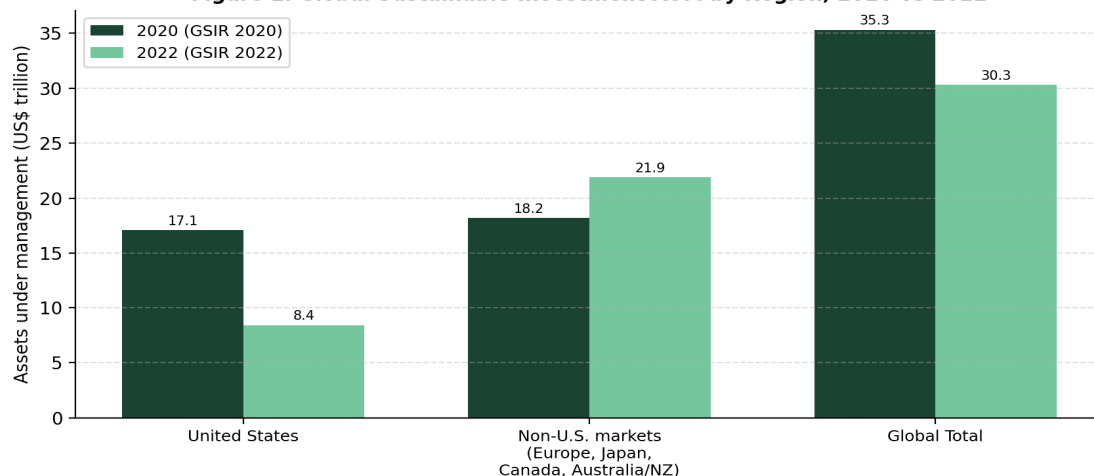
Source: Compiled by the author from de Melo Neto & Fontgalland (2023), Chininga, Alhassan & Zeka (2023), Aboud & Diab (2018), and MSCI (2026) index factsheets and methodology documentation (MSCI Emerging Markets ESG Broad CTB Select Index; MSCI Emerging Markets SRI Index). Russia's exclusion reflects index-provider decisions following the 2022 sanctions regime.

Two qualifications are important when reading Table 3. First, the favourable ESG-index performance documented for Brazil, China, India and South Africa is drawn primarily from a single comparative study (de Melo Neto & Fontgalland, 2023) covering a specific sample period, and should be read as indicative rather than definitive; it is nonetheless corroborated in direction, if not magnitude, by the broader finding in Jain et al. (2019) that sustainable indices do not systematically underperform conventional ones. Second, for the 2024–2025 BRICS+ entrants — Indonesia, the UAE, Saudi Arabia, Iran and Ethiopia country-specific ESG index return data disaggregated from the broader MSCI Emerging Markets ESG benchmark is not yet available in the peer-reviewed literature, reflecting both the recency of these countries' BRICS membership and, in several cases, the relative immaturity of ESG-specific listed benchmarks in these markets. This is an explicit evidence gap that future research should address as data accumulates.

4.3. Macro-Contextual Evidence: Scale and Global Positioning

To situate the firm- and index-level findings above, Figures 1 and 2 present macro-contextual data on, respectively, the global scale of sustainable investment and the economic scale of BRICS+ member economies.

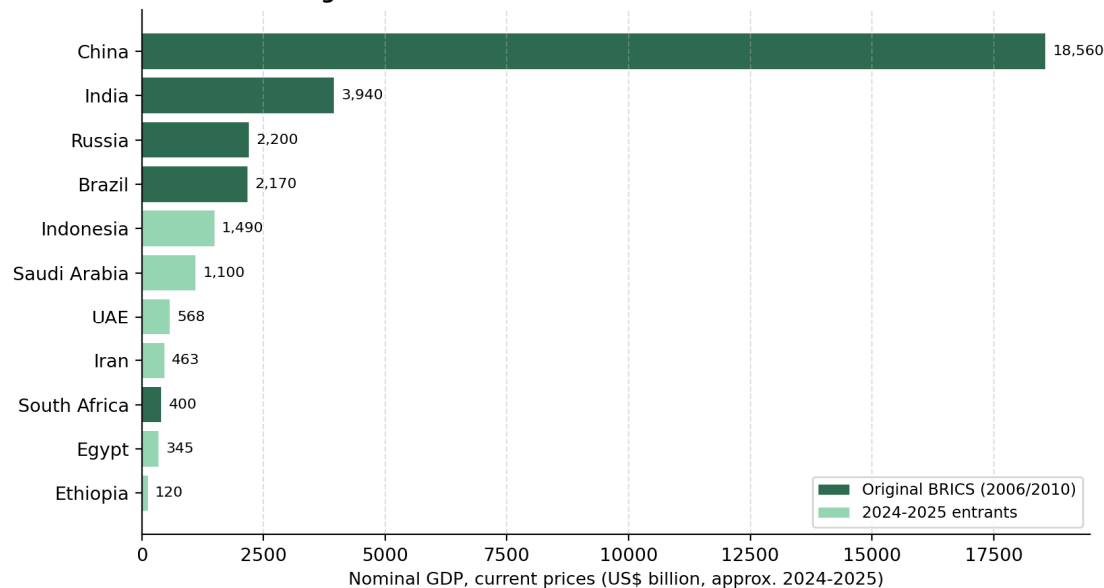
Figure 1. Global Sustainable Investment AUM by Region, 2020 vs 2022



Source: Compiled by the author from Global Sustainable Investment Alliance (GSIA), Global Sustainable Investment Review 2020 and Global Sustainable Investment Review 2022. Note: the fall in the U.S. figure reflects a 2022 methodological tightening of the definition of 'sustainable' assets by US SIF, not a market contraction; non-U.S. markets grew approximately 20% over the period.

Source: Compiled by the author from GSIA (2021) Global Sustainable Investment Review 2020 and GSIA (2023) Global Sustainable Investment Review 2022. See Table 1 and full reference list.

Figure 1 shows that while headline global sustainable-investment AUM fell from US\$35.3 trillion in 2020 to US\$30.3 trillion in 2022, this was driven entirely by a definitional and reporting change in the United States rather than a genuine retreat from sustainable investing: non-U.S. markets grew by roughly 20 percent over the same period (GSIA, 2021, 2023). This distinction matters for the present study because it indicates that the structural growth in demand for ESG-integrated capital allocation the demand-side pressure that, per institutional theory (Section 2.1), pushes BRICS firms toward ESG adoption has continued despite the appearance of a global slowdown in the headline figures.

Figure 2. Economic Scale of BRICS+ Member Economies

Source: Compiled by the author from CEOWORLD Magazine (2024), based on IMF World Economic Outlook data, and Economics Insider (2025), based on IMF/World Bank estimates. Figures are approximate and for indicative comparison only; exact values vary slightly by source and reporting year.

Source: Compiled by the author from CEOWORLD Magazine (2024), based on IMF World Economic Outlook data, and Economics Insider (2025), based on IMF/World Bank estimates. Figures are approximate current-price nominal GDP, 2024–2025, and should be read as indicative of relative economic scale rather than precise point estimates.

Figure 2 illustrates the extreme economic heterogeneity within BRICS+: China's economy is roughly 150 times the size of Ethiopia's on a nominal GDP basis, and the bloc spans everything from mature, deep capital markets (China, India, Brazil) to markets where listed-equity ESG benchmarks are only beginning to develop (Ethiopia, Iran). This heterogeneity is precisely why the paper's third proposition (P3, Section 2.5) that institutional context moderates the ESG performance relationship is central to interpreting the mixed evidence summarised in Tables 2 and 3, rather than treating BRICS+ as a single, uniform empirical setting.

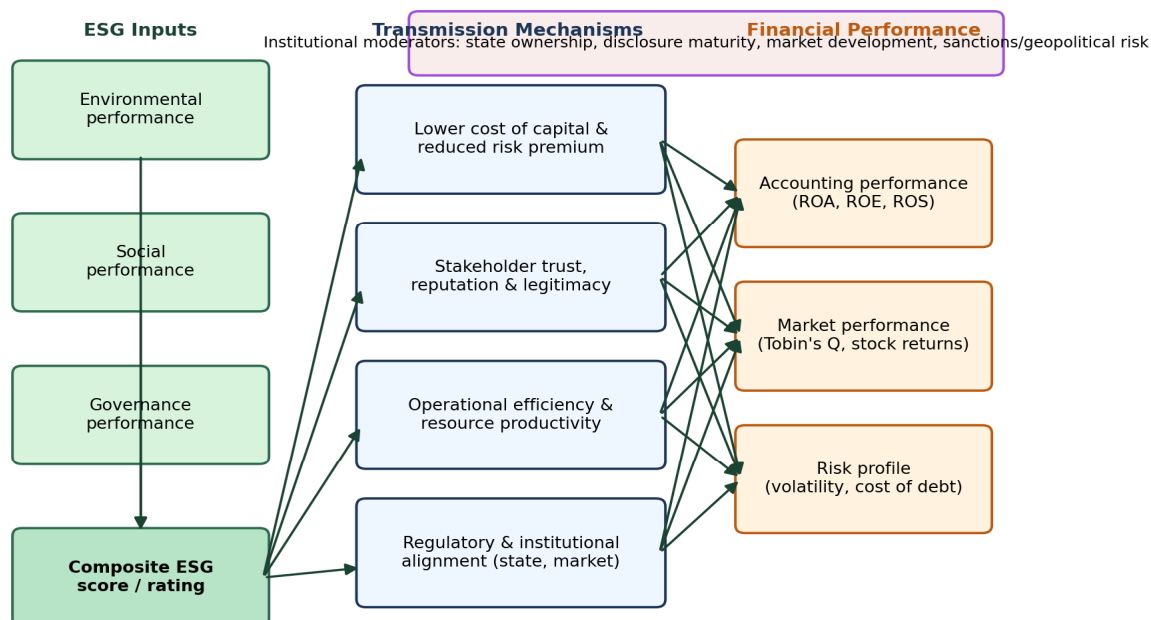


Figure 3. Conceptual framework linking ESG performance to corporate financial performance in BRICS+ markets, informed by stakeholder theory (Freeman, 1984), legitimacy theory, and the instrumental stakeholder / long-term value view synthesized in the reviewed literature. Author's own construction.

Source: Author's own construction, synthesising stakeholder theory (Freeman, 1984), legitimacy theory, and institutional theory as applied to BRICS ESG research by Cherian & Seranmadevi (2025) and the empirical channels identified in Table 2.

5. Discussion

5.1. Interpreting the Accounting–Market Asymmetry

The most consistent finding to emerge from the synthesis in Section 4.1 is the asymmetry between accounting-based and market-based performance measures: ESG performance is positively associated with profitability measures such as ROA and ROE in a clear majority of the reviewed BRICS+ studies, but its relationship with market-based measures such as Tobin's Q and stock returns is considerably weaker and, in several studies, negative. This pattern is consistent with proposition P2 (Section 2.5) and can be read through two complementary theoretical lenses. The first is an efficiency channel: ESG-related practices better resource management, lower regulatory and litigation risk, more stable supplier and labour relationships plausibly improve the underlying operating economics of a firm regardless of whether outside investors notice or price this improvement, which would produce exactly the pattern observed: a robust accounting-performance link with a weaker market-performance link. The second is an information/pricing-efficiency channel: if BRICS+ equity markets do not yet fully or efficiently price ESG-related information plausible given the disclosure-maturity gaps discussed in Section 2.4 then improvements in the underlying, ESG-linked fundamentals of a firm would show up in its accounting statements well before (or even without) being reflected in its market valuation. Fatemi et al.'s (2018) finding that disclosure quality moderates the ESG–value relationship is consistent with this second interpretation and suggests that, as BRICS+ disclosure regimes mature India's BRSR framework and China's post-2024 mandatory disclosure rules being the clearest examples the accounting–market asymmetry documented here may narrow over time.

5.2. ESG Indices as Risk Management Rather than Pure Alpha

The index-level evidence in Section 4.2, most clearly the finding that MSCI ESG Leaders indices outperformed broad market indices with lower volatility across Brazil, China, India and South Africa (de Melo Neto & Fontgalland, 2023), together with the broader finding that ESG and conventional indices do not show large, systematic, risk-adjusted performance gaps (Jain et al., 2019; Tripathi & Kaur, 2020; Rehman et al., 2021), supports a specific and fairly narrow claim: sustainable investment in BRICS+ markets has not, on the evidence reviewed here, required investors to sacrifice financial return, and in several markets has been associated with a somewhat more favourable risk-return profile. This is

a materially different and more defensible — claim than asserting that ESG investing reliably generates outperformance ("alpha") in these markets. The lower volatility finding is arguably the more robust and economically meaningful of the two, since it is consistent across multiple studies and aligns with the risk-mitigation channel in the theoretical framework (Figure 3): ESG-screened firms tend, almost by construction, to exclude companies with elevated environmental, social or governance tail risks (major litigation, regulatory shutdown, catastrophic environmental liability), which mechanically reduces the incidence of large negative return shocks in an ESG-screened portfolio relative to an unscreened one.

5.3. Institutional Heterogeneity as the Central Moderator

Proposition P3 that institutional context moderates the ESG–financial performance relationship receives strong qualitative support from the synthesis, even though no single study in the reviewed literature yet tests this proposition formally across the full eleven-member BRICS+ configuration. Three moderators stand out. First, state ownership appears to weaken or complicate the ESG–performance link in the specific case of governance-pillar scores: Strelakina et al.'s (2023) finding of a negative relationship between the governance pillar and ROA, once corporate social responsibility spending is accounted for, is consistent with governance disclosure functioning partly as a compliance cost in economies with substantial state ownership rather than purely as an efficiency-enhancing signal. Second, disclosure maturity varies enormously across the bloc: India, China and South Africa have comparatively well-established mandatory or quasi-mandatory ESG disclosure regimes and correspondingly the largest firm-level evidence base in Table 2, whereas Ethiopia, Iran and, to a lesser degree, Saudi Arabia and the UAE have far less mature listed-company ESG disclosure infrastructure and virtually no firm-level ESG–performance studies to date an evidence gap rather than evidence of a weak relationship. Third, geopolitical and sanctions risk is a moderator unique to two BRICS+ members: Russia's removal from major ESG indices since 2022 and Iran's long-standing international sanctions exposure mean that, for these two countries, the transmission channels in Figure 3 particularly the cost-of-capital and stakeholder-trust channels, both of which depend on integration with international capital markets are structurally impaired regardless of firm-level ESG performance, a country-specific caveat that any reader applying this paper's findings to Russia or Iran specifically should bear firmly in mind.

5.4. Reconciling with the Global Evidence

The BRICS+ pattern identified here positive accounting link, weaker market link, favourable but not dramatic index-level risk-return characteristics sits comfortably within, rather than contradicts, the global evidence surveyed in Section 2.2. Friede et al.'s (2015) finding that the ESG–performance relationship is strongest for accounting-based measures and over longer horizons, and Atz et al.'s (2020) finding of a weaker and more context-dependent relationship with stock returns, both mirror the accounting–market asymmetry found within BRICS+ specifically. What is distinctive about the BRICS+ setting is not the direction of the relationship but its institutional conditionality: the same underlying mechanisms appear to operate, but their strength depends more heavily on country-specific disclosure regimes, ownership structures and market integration than has typically been emphasised in developed-market studies, where these institutional factors are comparatively homogeneous and therefore less visible as moderators.

6. Conclusion

6.1. Summary of Findings

This paper set out to answer whether sustainable investments enhance financial performance in BRICS+ emerging markets. Based on a systematic synthesis of fourteen core peer-reviewed empirical studies, triangulated with index-level, institutional and industry data, the answer is best expressed as a qualified yes, with three important caveats. First, the positive relationship is considerably stronger and more consistent for accounting-based measures of profitability (ROA, ROE, ROS) than for market-based measures (Tobin's Q, stock returns), where evidence is mixed. Second, ESG-screened equity benchmarks in the major, longer-established BRICS markets Brazil, China, India and South Africa have not required investors to sacrifice financial return relative to conventional benchmarks, and have in several documented periods exhibited comparable or higher returns alongside lower volatility, supporting a risk-mitigation rather than a pure-alpha interpretation of sustainable investing in these markets. Third, and most importantly for a bloc as institutionally diverse as BRICS+, the strength and even the direction of the ESG–financial performance relationship is systematically moderated by state ownership, ESG disclosure maturity, and for Russia and Iran specifically geopolitical and sanctions-related market exclusion, such that no single, uniform statement about "BRICS+" as an undifferentiated bloc can be fully accurate.

6.2. Implications

For investors

The evidence reviewed here suggests that investors allocating to BRICS+ markets need not treat ESG screening as a return-sacrificing ethical constraint; in the markets with the deepest evidence base (Brazil, China, India, South Africa), ESG-screened exposure has historically come with a broadly comparable or somewhat more favourable risk-return profile. At the same time, investors should not expect ESG scores to be a reliable standalone predictor of near-term stock-price performance in these markets, given the weaker and more inconsistent market-based evidence documented in Section 4.1; ESG integration is better understood as a risk-management overlay than as a market-timing or stock-picking signal in the current BRICS+ context.

For corporate managers

For managers of BRICS+ listed firms, the consistent accounting-performance link, combined with the specific finding that environmental-pillar performance is the most frequently identified driver of both accounting and market outcomes (Chininga et al., 2023; Possebon et al., 2024), suggests that ESG investment is defensible on efficiency and cost-of-capital grounds alone, independent of any reputational or ethical rationale. The weaker link for governance-pillar scores in state-influenced firms (Strekalina et al., 2023) suggests that governance disclosure, in particular, needs to be substantively linked to demonstrable oversight improvements rather than treated as a compliance checkbox if it is to generate the value that theory predicts.

For policymakers and regulators

The disclosure-maturity moderator identified in Section 5.3 has a direct policy implication: jurisdictions within BRICS+ that have not yet mandated standardised ESG disclosure for listed companies several of the 2024–25 entrants in particular could plausibly strengthen the financial-performance case for sustainability investment among their domestic firms by adopting disclosure frameworks similar to India's BRSR or South Africa's JSE/King Code regime, both of which are associated with comparatively richer and more consistently positive firm-level evidence in Table 2. This is consistent with Fatemi et al.'s (2018) broader finding that disclosure quality, not ESG performance alone, drives the market's ability to reward sustainability.

6.3. Limitations and Directions for Future Research

As set out in full in Section 3.5, this study's principal limitation is its secondary-data, narrative-synthesis

design: it cannot generate new firm-level coefficient estimates, it inherits any bias present in the underlying peer-reviewed literature, and it is unable to say much with confidence about the six 2024–25 BRICS+ entrants specifically, since firm-level ESG–performance research on Egypt, Ethiopia, Iran, Saudi Arabia, the UAE and Indonesia remains at an early stage. Three directions for future research follow directly from these gaps. First, and most valuably, future work with institutional access to Refinitiv Eikon, Bloomberg ESG or LSEG data should construct a genuinely pooled, full eleven-member BRICS+ firm-level panel dataset extending the five-member-BRICS panels used in most existing studies (e.g., Strekalina et al., 2023; Chen et al., 2025) to test formally whether the accounting–market asymmetry and institutional moderators identified qualitatively here hold under a unified econometric specification with country and firm fixed effects. Second, given the specific evidence gap around the 2024–25 entrants, in-depth country studies analogous to Possebon et al. (2024) for Brazil or Chininga et al. (2023) for South Africa are needed for Indonesia, Saudi Arabia, the UAE, Egypt and Ethiopia as their domestic ESG index infrastructure matures. Third, future research should examine whether the accounting–market asymmetry identified here narrows over time as India's BRSR regime and China's post-2024 disclosure mandates mature, which would provide a natural quasi-experimental test of the disclosure-maturity moderator proposed in this paper.

6.4. Concluding Remark

Sustainable investment in BRICS+ markets is not the unambiguous financial free lunch that its most enthusiastic proponents sometimes suggest, nor the value-destroying distraction that sceptics of ESG investing sometimes claim. The evidence synthesised in this paper points to a more precise and, ultimately, more useful conclusion: ESG performance is associated with real, measurable improvements in the operating economics of BRICS+ firms, and ESG-screened investment strategies in the bloc's major capital markets have not, on the available evidence, come at the cost of financial return. Whether that operational improvement is fully recognised in market prices and therefore available to investors as a return premium rather than only to firms as a cost-of-capital benefit depends heavily on the institutional maturity of the market in question, a condition that varies as sharply across the expanded BRICS+ bloc as its member economies' GDP figures in Figure 2. As BRICS+ disclosure regimes converge toward the standards already adopted in India, China and South Africa, the balance of evidence reviewed here suggests that the financial case for sustainable

investment in these markets is likely to strengthen rather than weaken.

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