

# The Impact of ESG Practices on Corporate Profitability: A Panel Data Analysis

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## Abstract

ESG is an important criterion for companies and investors alike. This study aimed to determine whether Environmental Social Governance (ESG) practices have an impact on Financial Profitability for corporations in India and Korea. Panel data from 2018–2022 was analyzed using regression models with ROA as the dependent variable and ESG scores as key predictors for 400 companies were left for Korea and 553 companies in India. FGLS was the model used for India, and Fixed effects with robust standard errors was used for Korea. Governance scores show a significant negative association with ROA in India, suggesting potential costs relate to compliance costs, while their effect in Korea is insignificant. Environmental scores have a marginally positive effect in India but are not significant in Korea. Lastly, social scores are insignificant in both markets. Moreover, cash flow emerges as a consistent driver of profitability across market types, unlike ESG dimensions, which show context-specific effects since it has a central role in corporate financial performance across different settings. Therefore, Indian firms can enhance investor trust and performance through improved governance and long-term environmental strategies. Furthermore, investors should focus on cash flow and ESG transparency for better valuation in emerging markets.

**Keywords** - Profits, Environment, Social, Governance, ESG scores