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Mandatory Reporting of Business Responsibility and Sustainability and Stock Market Response: Evidence from an Emerging Economy

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Abstract: The objective of the current study is to evaluate the impact of the mandatory business responsibility and sustainability reporting (BRSR) framework on stock market performance in India. The study uses event study technique to evaluate the impact of this announcement while taking into account a sample of 940 listed Indian companies and daily stock return data from 276 trading days. According to the study's examination of cumulative average abnormal returns (CAAR) and daily average abnormal returns (AAR) for various event windows, stock market participants have positively and strongly reacted to the BRSR announcement. Further, the impact of carbon sensitivity has been evaluated through independent industry-level analyses. Present research assists managers to understand investor perception towards non-financial disclosures which further helps to enhance the firm value and reduce information asymmetry by providing relevant information. Further, policymakers can use findings of present research to disseminate the advantages of adopting ESG disclosure practices. Current study provides pioneering evidence on the market response to compulsory ESG disclosure framework in emerging context. Further, it makes a substantial contribution to the expanding field of sustainability research and has significant policy, managerial, and academic ramifications.

Keywords: business responsibility, carbon sensitivity, ESG disclosure, sustainability reporting.

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INTRODUCTION

Globally, corporates have witnessed collective pressure from stakeholders to provide performance data about the non-financial measures along with conventional financial indicators. Among various measures, environment, social, and governance (ESG) related information has grabbed the attention of investors and industry practitioners (Pulino et al., 2022). Further, sustainable business ventures are also getting attention from investors (Wang et al., 2023) which essentially require consistent disclosure of ESG performance information and higher transparency (Qian & Schaltegger, 2017). In response to this, business firms have integrated sustainable practices in their routine operations and decision making (Alsaifi et al., 2020; Radu et al., 2020) due to increasing concern about the environmental damage caused by economic entities (Clarkson et al., 2008; Saka & Oshika, 2014) and its potential effect on financial performance (Matsumura et al., 2014; Kumar & Firoz, 2019). However, managers are sceptical about the response of investors towards the disclosure of such sustainable practices

as research studies have provided mix results in this area (Wong et al., 2021; Aydoğmuş et al., 2022). Disclosure of non-financial information (such as ESG) has been viewed from two opposing perspectives i.e., 'win-win' (Porter & Van der Linde, 1995) and 'win-lose' (Friedman, 1970). The first approach recognizes the positive effects of disclosures such as reduced information asymmetry, lower agency conflicts (Easley & O'hara, 2004), and increased reputation (Wong & Zhang, 2022) whereas the later considers ESG disclosures as an additional burden on the firm due to preparation and dissemination cost (Wang et al., 2023), leakage of vital information to competitors (Grewal et al., 2019), and legitimacy risk (Rogers et al., 2011). Apart from pros and cons associated with ESG disclosure, companies also face a challenge of non-standardised and voluntary reporting framework, especially in emerging countries (Manrique & Martí-Ballester, 2017; Kumar & Firoz, 2018) which posit a challenge for stakeholders to holistically examine the nexus between disclosure and firms' performance.

Provided the growing demand of ESG related information, regulators are gradually making mandatory to reveal ESG data along with annual report. In 2021, the United States (US) House of Representatives have passed the ESG Disclosure Simplification Act according to which US public firms must provide detailed disclosure on ESG metrics. Similarly, the Securities and Exchange Board of India (SEBI) made an announcement to integrate Business Responsibility and Sustainability Report (BRSR) on mandatory basis (Vide no-SEBI/LAD-NRO/GN/2021/22) on May 05, 2021 for the top 1000 listed companies as per market capitalization. BRSR framework mainly included qualitative as well as quantitative indicators and steered the disclosures around nine major principles focusing on ethical, transparent and accountable, and sustainable practices along with employee well-being, promotion of human rights, and protecting and restoring environment. Parameters listed in BRSR framework will serve for ESG reporting (SEBI, 2021). Such mandatory regulations provide an ideal situation to investigate the investor reaction as it is applied to many companies having high influence on the stock market.

Non-financial disclosures are largely governed by several theoretical propositions named as legitimacy (Gray et al., 1995), voluntary disclosure (Luo & Tang, 2014), and stake-holder theory (Alsaifi et al., 2020). Legitimacy theory is based on the concept of 'corporate citizenship', wherein companies disclose non-financial information to legitimize their activities (Brammer & Pavelin, 2006). According to this approach, poor environment performers are expected to disclose more information to provoke the increased risk of legality (Clarkson et al., 2008) and eventually change the opinion of stakeholders by educating and informing them about the changes in their performance (Wilmshurst & Frost, 2000). On the contrary, voluntary disclosure theory signifies that in absence of any regulatory pressure, firms will disclose non-financial data if the associated benefits of the same surpass the cost of making such disclosure (Giannarakis et al., 2017). Lastly, stakeholder theory states that companies should disclose non-financial information to meet the expectation of stakeholders. Business firms must ensure that interests of various stakeholders should be obliged (Allam & Diyanty, 2019). In this regard, ESG disclosures ensure the sustainability of business (Akbaş & Canikli, 2019) by acting as a communication between stakeholders and organisations (Nasih et al., 2019).

Empirical literature focusing on the relation between market value of the firm and its ESG performance has increased substantially in the recent time. Extant literature can be classified into two groups wherein first group of studies have examined the effect of ESG score on firm value (Yoon et al., 2018; Fatemi et al., 2018; Xie et al., 2019; Al-Jalahma et al., 2020; Zhou et al., 2022; Abdi et al., 2021) whereas later have analysed the effect of ESG related news and disclosures on stock market (Lee et al., 2015; Kumar & Firoz, 2019; Wong & Zhang, 2022; Alsaifi et al., 2022). Wong et al. (2021) have studied the effect of ESG certification on the firm value and cost of capital using sample of Malaysian companies. Their findings suggest that ESG certified firms have lower cost of capital and high market value which confirm the results of Plumlee et al. (2015) and Galema et al. (2008). Zhou et al. (2022) in their work on Chinese listed firms have found that ESG disclosure do not affect the

market value of the firm in isolation however this relation is significantly mediated by financial performance (measured by ROE) and operating efficiency (measured by Asset Turnover) of the firm. Another research from Abdi et al. (2021) has supported the positive effect of ESG disclosure on firm value as well as financial performance. Considering a sample of global airline companies for a period 2009–2019, they have concluded that governance related initiatives improve the market value and partaking in environmental and social issues contributes towards the financial improvement of the firm. As against this Al-Jalahma et al. (2020) have also concluded negative relation between ESG disclosure and financial performance for the listed companies of Bursa Malaysia. These results are congruent with findings of Duque-Grisales & Aguilera-Caracuel (2019). ESG disclosure may affect the firm's performance adversely due to large amount of financial and time resources (Lee et al., 2009) and opportunity cost of forgoing other plausible investment options to meet the requirements of ESG initiatives (Qiu et al. 2016; Al-Jalahma et al., 2020). Hence, the discussion signifies that existing empirical evidence does not provide consistent results and create a scope for further probing.

Another strand of empirical literature has studied how capital market have responded to ESG related news and disclosures using event study approach (Lee et al., 2015; Wong & Zhang, 2022). Against regression analysis, event study approach has been suggested appropriate for capturing effect of any announcement on stock returns (Freedman, 2009) and it also avoids other econometric issues such as endogeneity (Endrikat, 2016). Provided the suitability of event study method, past research studies still struggle to obtain conclusive evidence on the nexus between ESG disclosure and market reactions. On the other hand, past studies from Shane & Spicer (1983) and Klassen & McLaughlin (1996) have concluded positive reaction of stock market towards the ESG related data. Subsequently, Griffin & Sun (2013) found that equity markets respond positively when companies disclose environment performance data on voluntary basis. Kumar & Firoz (2019) have studied the reaction of Indian stock market towards the certified emission reductions and concluded that such announcements fail to yield abnormal returns. Similarly, Galema et al. (2008) and Horváthová (2010) have also concluded no relation between ESG and firm value that can be explained by inefficient market and weak form of ESG regulations and enforcement, especially in emerging markets (Kumar & Firoz, 2019). In a recent study, Wang et al. (2023) have premeditated the reaction of US stock market on the passage of ESG Disclosure Simplification Act which mandates the disclosure of ESG data. Their findings suggest that US equity investors have adversely responded to such enforcement and reported negative abnormal returns. Findings of Wang et al. (2023) are congruent with past research of Lee et al. (2015) and Grewal et al. (2019).

Though above discussion signifies contradictory results, majority of studies confirm the significant relation between ESG disclosure and firm value. Hence, following hypothesis can be formed.

H1: Announcement of mandatory BRSR framework will provide abnormal returns different from zero.

Though extant literature provides some insights about the ESG disclosure and market response, findings are contradictory in nature. Several reasons can be attributed for such scenario. First, there is a lack of standard measurement of ESG performance and/or disclosure (Wang et al., 2023) hence the results are dependent upon the measure used to indicate ESG performance (Saka & Oshika, 2014). Further, ESG disclosures are highly linked with the regulatory framework of a nation (Manrique & Martí-Ballester, 2017) which remains diverse in different contexts hence, the findings of developed economy may not be applicable to an emerging country. Present study attempts to fill these gaps by examining the investors' reaction to compulsory BRSR announcement of SEBI in the context of Indian stock market.

Budding significance of ESG practices has grasped the attention of academicians and scholarly researchers. However, past research in ESG has predominantly focused on developed economies (Matsumura et al., 2014; Buallay, 2019; Wong et al., 2021; Zhou et al., 2022; Pulino et al., 2022) and there exist little evidence from

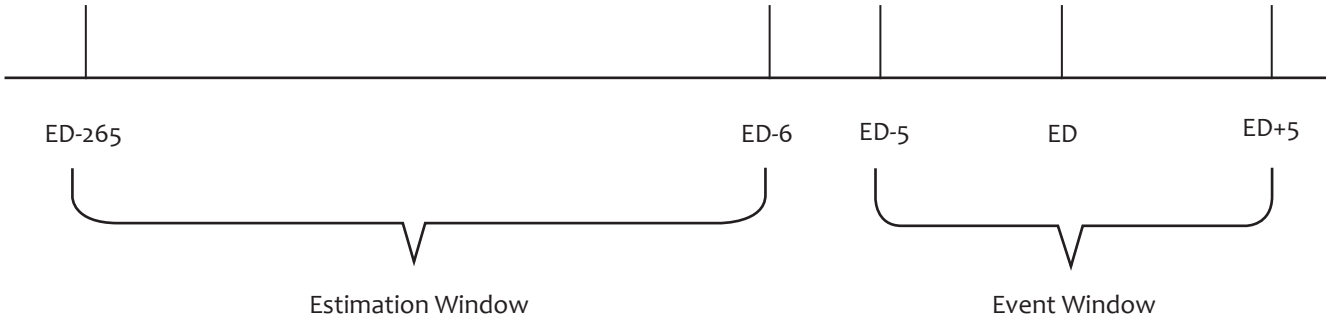
emerging context (Islam & Hossain, 2022). Present study aims to fill this gap by examining the response of equity market to the mandatory disclosure of BRSR by SEBI. Based on the widely used event study approach (Armstrong et al., 2010; Kumar & Firoz, 2019; Wang et al., 2023) present study examines the reaction of Indian capital market from stock price movements adjacent to the announcement made by SEBI on 5th May 2021. Besides the overall impact, the study also analyses the role of carbon sensitivity (Clarkson et al., 2008; Kumar & Firoz, 2018; Raval et al., 2021) in determining the reaction of equity investors to the BRSR framework. Considering the research opaqueness, current research contributes to the existing literature in several ways. Firstly, the study adds value to the ongoing debate of ESG disclosure and firm performance by considering the sample of one of the largest and fastest growing economies. As against developed countries, investors of emerging countries struggle to obtain reliable information about ESG due to poor regulatory framework (Ganda & Milondzo, 2018) and hence they are unable to integrate this factor in firm valuation (Kumar & Firoz, 2019). Indeed, to the best of our knowledge, this is the first study to investigate the market responses to mandatory disclosure of BRSR by applying event study approach. Secondly, the outcomes of past empirical as well as theoretical research posit a bidirectional relation between ESG and firm value (Christensen et al, 2021; Grewal et al., 2019) which necessitates further exploration in this area. Present study provides new evidence from Indian market wherein the investors have responded positively to mandatory BRSR disclosure which further provides fresh insights for regulators and practitioners. Third, as mentioned earlier, present study examines the role of carbon sensitivity which provides additional insights to managers to draft their disclosure strategy considering the industry in which they operate.

METHODS

The BRSR framework will be applicable to top 1000 listed companies based on their market capitalization (SEBI, 2021) with effect from 2022–2023. Present study considers these 1000 firms as the initial sample however the final inclusion of the firm depends on the availability of stock price data and other financial information. Using multi-level sampling, firms listed after 1st April 2020 (54) and with incomplete data (6) are removed and final sample of 940 firms has been considered for further analysis. Financial data about the daily stock prices and market capitalization has been collected from PROWESS database of Center for Monitoring Indian Economy (CMIE) which is one of the highly used sources of data in the past studies focusing on Indian companies (Kumar & Firoz, 2019; Pandey et al., 2022; Choudhury et al., 2022; Krishnan & Sengupta, 2024). Further, the study period has been considered from 1st April 2020 to 12th May, 2021 comprising of 276 trading days making a complete dataset of 2,59,440 daily stock returns of all companies.

To examine the effect of mandatory BRSR framework, present study adopts the event study methodology (Fama et al., 1969) following the past research of (Law et al., 2020; He et al., 2023). According to the efficient market hypothesis, the stock prices immediately respond to an event (Lee et al., 2015) and derive the value relevance of any new information obtained and processed by the constituents of capital market (Malkiel, 2003). Event study methodology consists of determination of three key aspects namely event date, event window, and estimation window (refer to Figure 1). SEBI has issued mandate for applicability of BRSR framework on 5th May 2021 which is considered as event date (D = 0). Event window indicates the duration in which the market responses to an event are measured and analysed. However, use of longer event window can distort the market reaction of an event (Kumar & Firoz, 2019) whereas shorter window may not be able to capture the real effect of due to delayed reactions. Present study uses event window of 11 days divided into three sub-groups mainly

(–1, +1), (–3, +3), and (–5, +5) to measure short-term as well as long-term reaction of BRSR framework. Lastly, estimation window is the period over which it is estimated as how a stock normally relates to the market, which has been taken as 265 trading days.



Note: ED = Event Day, i.e. 5th May 2021

Source: Author

Figure 1 Event and Estimation window

After finalizing the timeline, the next step is to compute stock return for the respective periods. Abnormal return (AR) for different event windows is computed as a difference between actual return and estimated return (Eq. 1). Abnormal return represents the return generated by a stock or portfolio considerably different (higher or lower) than that of expected return.

$$AR_{it} = R_{it} - E(R)_{it} \quad \text{Equation 1}$$

Where AR stands for abnormal return of security i on day t whereas R_{it} and $E(R)_{it}$ indicates the actual return and expected return respectively. Further, the study has adopted market-base model (Eq. 2) to estimate the expected return.

$$E(R)_{it} = \alpha_i + \beta_i \times R_{mt} + \varepsilon_{it} \quad \text{Equation 2}$$

To calculate the values of α_i, β_i, and R_{mt}, the study adopts NSE NIFTY as the proxy of market measure. Lastly, Average Abnormal Return (AAR) has been computed which further added up over the event window period to compute cumulative average abnormal return (CAAR) using equation 3.

$$CAAR = \sum_{t}^{-t} AAR_t \quad \text{Equation 3}$$

where *t* and *–t* indicates the period of event window.

RESULTS AND DISCUSSION

Table 1 summarizes the descriptive results of daily abnormal stock returns for the event window [-5 to +5]. Median values of daily abnormal returns have increased post event day, and their statistical significance has been discussed in the subsequent section. Values of standard deviation indicate volatility in daily abnormal returns which is found to be high in pre-event periods. The highest values of minimum and maximum abnormal returns are also found in the pre-event phase of the event window which further confirms the volatile nature of

stock market. Further, stock market data needs to be examined for stationarity due to high degree of volatility. According to Gujarati (2003), a stationary series will have constant mean, variance and autocovariance and unit root test can be applied to check the same. For individual series Augment Dickey Fuller (ADF) test has been adopted (Aydoğmuş et al., 2022) and the results are summarized in Table 1. ADF test has been performed at level data with maximum lag selection using Schwarz Info criteria and the results are significant at 1% level indicating that each abnormal return series is stationary and is appropriate for further analysis.

Table 1 Descriptive Results - AAR

	Median	Std. Devi.	Maximum	Minimum	ADF Test
ED – 5	0.0140	0.0354	0.2132	-0.0863	-30.2443**
ED – 4	-0.0072	0.0305	0.1839	-0.1294	-30.2633**
ED – 3	-0.0024	0.0262	0.1924	-0.1160	-29.1241**
ED – 2	-0.0042	0.0277	0.1873	-0.0653	-30.0547**
ED – 1	-0.0049	0.0277	0.1571	-0.0940	-30.3418**
ED	0.0009	0.0341	0.1885	-0.0769	-29.7881**
ED + 1	0.0149	0.0323	0.2175	-0.0601	-31.0846**
ED + 2	0.0040	0.0282	0.1682	-0.0977	-31.2586**
ED + 3	0.0141	0.0257	0.1270	-0.1202	-31.1421**
ED + 4	-0.0002	0.0292	0.1876	-0.0836	-30.8600**
ED + 5	-0.0037	0.0280	0.1871	-0.1129	-29.3941**
N	940				

**p-value < 0.01

Source: Compiled by Authors

Table 2 summarizes the univariate analysis of event study method and depicts the response of equity market to the SEBI guidelines on mandatory BRSR framework. AARs of 11 days period comprising of five days pre, and post event day (ED) has been portrayed in Table 2. Further, results of t-test for examining the alternative hypothesis that AAR differs significantly from zero have been reported. Results indicate that one day post-announcement the market return has increased by 2.71% which is significantly different from zero (p-value < 0.01). This positive reaction has continued till fourth day post-announcement wherein the market has shown positive AAR of 0.19%, 1.39%, and 0.34% consecutively from ED+2 to ED+4. Further, each day AAR is significantly different from zero as p-value < 0.01. Analysing the pre-event data, results indicate significant and positive movement in the stock returns prior the event day i.e., on ED-5 and ED-4 signalling the possibility of information leakage. AAR on ED-5 and ED-4 are 2.22% and 0.75% and significant at 1% level of confidence. However, this effect does not continue after the day 4 prior to event day, i.e. ED-3. Overall, the outcome of t-test signifies that equity market has reacted positively and significantly to the mandatory disclosure on business responsibility and sustainability.

Table 2 Daily Average Abnormal Returns with t-test statistics

	AAR	t-stat
ED – 5	0.0222	19.196**
ED – 4	0.0075	7.504**
ED – 3	0.0013	1.517
ED – 2	0.0000	-0.022
ED – 1	-0.0014	-1.543
ED	0.0071	6.352**
ED + 1	0.0217	20.599**
ED + 2	0.0019	2.105*
ED + 3	0.0139	16.530**
ED + 4	0.0034	3.533**
ED + 5	-0.0011	-1.165
N	940	

* p-value < 0.05; ** p-value < 0.01
Source: Compiled by Authors

After studying the daily abnormal returns, the next step is to analyse the effect of BRSR announcement in aggregation using cumulative returns. Table 3 presents the CAARs for various event windows along with their respective t-statistics. The event windows are classified into three broad categories i.e., pre-event (ED-5 to ED-1; ED-3 to ED-1), during the event (ED-5 to ED+5; ED-3 to ED+3, ED-1 to ED+1), and post-event (ED+1 to ED+3; ED+1 to ED+5) periods referring to past study of Pandey et al. (2022). Results indicate that pre-event CAAR is significant (p-value < 0.01) for the window [-5, -1] indicating some information leakage that may explain the substantial abnormal returns. Further, the CAARs of post-event windows [+1, +3] and [+1, +5] are 3.75% and 3.98% respectively and both are significantly different from zero (p-value < 0.01). Overall, the results support the notion that equity investors positively respond to the BRSR framework and confirms the argument of information asymmetry theory.

Table 3 Cumulative Average Abnormal Returns with t-test statistics

Event Window	CAAR	t-stat
ED-5 to ED-1	0.0295	15.2353**
ED-3 to ED-1	-0.0001	-0.0624
ED-5 to ED+5	0.0769	15.4165**
ED-3 to ED+3	0.0445	6.6489**
ED-1 to ED+1	0.0274	14.1455**
ED+1 to ED+3	0.0375	19.3726**
ED+1 to ED+5	0.0398	20.5620**

** p-value < 0.01
Source: Compiled by Authors

Carbon sensitivity can be defined as the intensity of an industry to pollute the environment (Luo et al., 2012; de Klerk & De Villiers, 2012) and mainly operationalized as a dummy variable (Li et al., 2018; Kumar & Firoz, 2018). Following the past research of Hrasky (2011) and Ilhan et al. (2021), firms operating in industries such as automobile and transport, basic materials and metals, power and energy, and chemical are considered as carbon sensitive and others as carbon non-sensitive. To analyse the effect of carbon sensitivity, the whole sample is divided into two parts and the analysis has been performed separately for each group. Table 4 and Table 5 highlights the industry-wise AAR and CAAR for different event windows respectively. Similar to full sample analysis, industry-wise outcomes also indicate that equity investors have reacted positively and significantly to the announcement of BRSR framework as the results are analogues. However, carbon non-sensitive industries have witnessed more intense effect as compared to sensitive industry. AAR value after one day of event for carbon non-sensitive sector is 2.21% which falls to 2.14% for carbon sensitive sector. Similarly, CAAR values for post-event period are 4.25% and 3.26% for non-sensitive and sensitive industry respectively. These results can be explained as carbon sensitive firms have higher exposure to environmental risk because of potential legislations and future environmental burdens (De Villiers et al., 2011, Alsaifi et al., 2020).

Present study draws theoretical discernments from theories like information asymmetry, value relevance, and cost-benefit argument. Past empirical studies on ESG related disclosure have concluded negative reaction of stock market (Alsaifi et al., 2020; Wong & Zhang, 2022; Wang et al., 2023) whereas present study contradicts the same and concludes positive response of equity investors. Such results can be explained from the premise of 'win-win' argument of Porter & Van der Linde (1995) which suggests that investors outperform the benefits arising from BRSR framework than the associated costs. Further, disclosure of non-financial data, especially ESG related, can reduce agency cost and allow the investors to value a firm in a better way. Stakeholders and investors are gradually influencing business firms to disclose non-financial information pertaining to environmental performance as well as governance practices. Considering the investors' interest, regulators and policy makers are enforcing mandatory requirement to disclose such information. Provided the infancy stage of ESG research in emerging context, present research article will provide critical acumens to academicians, industry practitioners, and policymakers.

According to the Kyoto protocol, emerging economies are not bound to reduce carbon emission however among the top three carbon emitters of the globe; two are emerging nations (Kumar & Firoz, 2018). Further, considering the state of growing economy, the emission levels are expected to increase (Parikh & Ghosh, 2009). On the other hand, investors in emerging economies are considering environmental information as value relevant (Lee et al., 2015; Grewal et al. 2019) but suffer from voluntary disclosure practices and lack of regulatory framework to steer ESG related disclosures (Wang et al., 2023). Present study aims to bridge this gap and provides implications for Asian business society as well as other non-Asian firms which are considering Asian countries as their potential market. The study contributes to the growing literature of CSR, non-financial disclosure, and firm value wherein there is a dearth of conclusive research due to multidimensional measures (Lee et al., 2015; Raval et al., 2021), varying legislations (Ramiah et al., 2013; Chouaibi et al., 2021), and different state of economies (Ganda & Milondzo, 2018). First, present research supports the theoretical doctrine of 'win-win' argument (Porter & Van der Linde, 1995) whereas past studies from (Alsaifi et al., 2020; Wong et al., 2021; Wang et al., 2023) have concluded the opposite. Hence, present study provides novel insights on the investors' behaviour to ESG announcement and that too in the context of an emerging economy. Second, based on findings of current research, managers can strategies their disclosure policy in an optimum manner. As equity investors react positively to ESG related information, corporate managers can use the same to enhance the firm value and reduce information asymmetry by providing relevant information. As a result,

managers must disclose non-financial data as investor perceive it positively and it may also lower cost of capital due to reduced information asymmetry. Present research also provides implications for policymakers. Unlike developed economies, emerging nations lack institutional framework to regulate and disclose ESG performance (Kumar & Firoz, 2018) and if such regulations exist, they are "riddled with gaps and inconsistencies" (Blackman, 2010). However, based on present findings, it can be suggested that investors welcome the progressive steps of regulators to standardize ESG related disclosures. Investors consider BRSR as an important factor to determine firm value and therefore regulators should promote such legislation to improve transparency and governance. Further, as carbon sensitivity affects the stock market response, policymakers must consider it while forming disclosure regulations. Indeed, an industry-wise policy framework can be a welcome step in this context.

Table 4 Industry-wise Average Abnormal Returns with t-test statistics

	Carbon Non-Sensitive		Carbon Sensitive	
	Mean	**t-stat**	**Mean**	**t-stat**
ED – 5	0.0233	14.733**	0.0210	12.502**
ED – 4	0.0082	5.981**	0.0067	4.666**
ED – 3	0.0014	1.247	0.0040	3.180**
ED – 2	0.0012	1.057	0.0012	0.867
ED – 1	0.0000	0.009	-0.0028	-2.449*
ED	0.0092	5.755**	0.0049	3.196**
ED + 1	0.0221	14.996**	0.0214	14.137**
ED + 2	0.0035	2.724**	0.0004	0.28
ED + 3	0.0169	13.907**	0.0108	9.504**
ED + 4	0.0042	3.077**	0.0025	1.903***
ED + 5	-0.0006	0.481	-0.0028	-2.201*
N	471		469	

* p-value < 0.05; ** p-value < 0.01
Source: Compiled by Authors

Table 5 Industry-wise Cumulative Average Abnormal Returns with t-test statistics

	Carbon Non-Sensitive		Carbon Sensitive	
Event Window	**CAAR**	**t-stat**	**CAAR**	**t-stat**
ED-5 to ED-1	0.0341	30.0556**	0.0301	34.7771**
ED-3 to ED-1	0.0026	13.2438**	0.0024	17.4974**
ED-5 to ED+5	0.0894	3.8921**	0.0673	9.6866**
ED-3 to ED+3	0.0543	14.7262**	0.0399	13.0271**
ED-1 to ED+1	0.0313	14.7204**	0.0235	14.5798**
ED+1 to ED+3	0.0425	7.4133**	0.0326	8.2307**
ED+1 to ED+5	0.0461	11.8504**	0.0323	17.9145**

** p-value < 0.01
Source: Compiled by Authors

CONCLUSION

Stakeholders and investors are gradually influencing business firms to disclose non-financial information pertaining to environmental performance as well as governance practices. Considering the investors' interest, regulators and policy makers are enforcing mandatory requirement to disclose such information. Present study examines the effect of one such announce made by SEBI in May 2021 regarding the business responsibility and sustainable reporting. Using daily stock price data of 940 listed Indian firms for 250 days, current research adopts a well-developed event study approach to examine the effect of BRSR framework on Indian stock market. Results indicate that equity investors have reacted positively to the announcement of SEBI implying that higher disclosure can reduce information asymmetry and agency conflict which is considered as positive signal by investors. Current research also studies the role of carbon sensitivity and found that firms operating in carbon sensitive (non-sensitive) industry have low (high) positive reaction of equity investors. Current article attempts to provide comprehensive evidence on stock market reaction of BRSR framework. However, a few limitations are encountered which may provide a base for extending this research. First, the BRSR framework will be implemented from fiscal year 2022–2023 so further research can be done to study the effects of first-time adoption of BRSR. Second, besides event study, the effect of BRSR can be examined using cross-sectional regression by integrating firm-specific factors. Lastly, apart from carbon-sensitivity, governance factors such as ownership, board diversity, and CEO duality can be used as moderators.

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