International Journal of Innovative Research and Scientific Studies, 8(3) 2025, pages: 519-528

IJIRSS International Journal of Innovative Research & Scientific Studies

ISSN: 2617-6548

URL: www.ijirss.com

The interplay between social responsibility and institutional investment in achieving sustainable business outcomes

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Abstract

This study examines how institutional investment and CSR interact to promote sustainable business practices in Canada, emphasizing ESG reporting and ethical accountability as key drivers. The study employed Partial Least Squares Structural Equation Modeling (PLS-SEM) to analyze survey data from 385 Canadian senior managers and sustainability officers. A Likert-scale questionnaire assessed ESG policy integration, portfolio engagement, ESG reporting, and CSR's moderating role. The study found ESG reporting and strong CSR commitment significantly drive sustainable practices in Canadian firms, while ESG policy integration and portfolio engagement showed limited direct impact. Social responsibility's moderating effect on institutional investment dimensions was weak, underscoring the need for transparency, ethical accountability, and deep strategic integration of ESG and CSR beyond compliance for long-term sustainability. The study concludes that ESG reporting and CSR commitment drive sustainability, while ESG policy integration and engagement have limited impact. Firms must deeply embed ESG/CSR beyond compliance, prioritizing transparency and ethical accountability for long-term sustainable outcomes. Institutional investors should assess ESG implementation depth, not just policies. Corporations must embed CSR/ESG into core strategies, prioritize transparent reporting, and avoid greenwashing through actionable practices to drive long-term sustainability beyond superficial compliance.

Keywords: Corporate social responsibility, Corporate sustainability, ESG policy, Institutional investment, Sustainability, Sustainable management.
JEL Classification: M14, G32.

DOI: 10.53894/ijirss.v8i3.6556
History: Received: 31 March 2025 / **Revised:** 15 April 2025 / **Accepted:** 18 April 2025 / **Published:** 28 April 2025

Competing Interests: The author declares that there are no conflicts of interests regarding the publication of this paper.
Transparency: The author confirms that the manuscript is an honest, accurate, and transparent account of the study; that no vital features of the study have been omitted; and that any discrepancies from the study as planned have been explained. This study followed all ethical practices during writing.
Publisher: Innovative Research Publishing

1. Introduction

There has been an increase in the amount of attention paid to the integration of social responsibility into sustainable business practices [1]. Social responsibility can be understood as the response of enterprises to the demands of society and acting in the interests of society, that is, having social utility, other than, for the purpose of achieving the maximum profit

[2]. CSR may be divided into legal, economic, ethical and philanthropic duties as defined in the four-tiered Carroll's model of CSR. The first layer is the economic responsibility, followed by legal obligations, non-legal moral responsibilities, and philanthropic responsibilities respectively [3].

Environmental, social, and governance (ESG) incorporates the approach of balancing environmental, social, and governance responsibility in business throughout the process of choosing strategies and managing operations for the sake of reaching a financial goal while producing positive societal impacts as well [4]. Within the framework of institutional investment, the UN Principles for Responsible Investment (PRI) Reporting Framework is used by investors to encourage more sustainable practices. The PRI aims at promoting ESG factors as part of the institutional investors' raw materials, which enables them to improve their investment analysis [5]. Over time, institutional investors awake to their corporate social responsibilities, where the portfolio held by each investor bears some measure of influence on the environment and the same society.

According to Velte [6] the shift towards responsible investment and sustainable business practices that is especially timely in Canada. Canadian authorities have developed strategies concerning the reduction of carbon emissions, development of clean technologies, and increasing the corporate sustainability reporting standards [7]. Moreover, awareness of responsible investing is also on the rise among Canadian investors, while more than a one-third of assets under management are already invested in sustainable investment management systems [8].

According to Fatima and Elbanna [7] when it comes to the application of social responsibility in the management of business in Canada then one cannot overlook these challenges. Several elements including geographical differences in the level of economic development, nature of industry and differences in stakeholder's perceptions of sustainability will dictate how organisations go about it Coelho, et al. [1]. That is why sections such as re renewable energy and technology could easily embrace sustainable practices while sections such as fossils, manufacturing industries, among others could be difficult to embrace sustainable practices due to the conflict between the bottom line and sustainability [7]. Moreover, Canadian businesses confront expectations of the Indigenous peoples, local governments and global investors all of whom may have different expectations for businesses about social and environmental responsibility.

It becomes crucial to uncover how social issues such as climate change, inequality, and economic challenges coincide with social responsibility, institutional investment and, sustainable practices as Canada further struggles to address these issues. The research's purpose is to identify how these dynamics operating in Canada, particularly, institutional investors' impact on corporate social responsibility and the adoption of sustainable practices in the Canadian context.

2. Hypothesis Development and Literature Review

2.1. Sustainable Business Practices

Sustainable business management involves the methods and measures which a business organisation consciously follows to cause least harm to the environment, society [9]. Sustainable business practices are based on three dimensions known as the three pillars- economic, social and environmental performance [10]. As applied to a company, sustainable strategies encompass a broad spectrum of processes, for example, decreasing the emissions of greenhouse gases, the consumption of resources, the violation of labor rights, and the lack of transparency in managing executive offices [11]. Sustainability management is thus currently deemed indispensable in addressing the current world issues such as climate change, resource depletion and social inequities [12].

The recent global economy has forced global organisation and firms to come to the realisation that fold sustainability into their strategic framework is a process that cannot be neglected. Many firms around the globe are using Environmental, Social, and Governance (ESG) standards to evaluate and disclose their sustainability initiatives that encourage companies to operate responsibly [13]. In Canada the principles of the sustainable business development have found rather strong support and official authorities are actively working with businesses encouraging them to adopt environmentally friendly practices, protect social rights and be economically stable. Some of the largest sustainability projects are driven by Canadian firms because of the government's governing policies and consumers' high expectations of firms' ethical conduct. To support this development, the Canadian government has put in place the Canadian Environmental Protection Act and Canada's Net-Zero Emissions Accountability Act, which compel businesses to cut their emissions, and embrace sustainable resource consumption [14]. According to Bini and Bellucci [13] geographic and climatic conditions found in different regions of Canada and abundance of natural resources used for economic benefits of the country such as energy, mining, and forestry for instance make the industries realise the importance of sustainable management to support future generation.

2.2. Institutional Investment and Sustainable Business Practices

Institutional investment is defined as the allocation of substantial capital by large entities directly by institutions, which may include pension funds, insurance companies, mutual funds, sovereign wealth funds among others, in various classes of securities such as equities, fixed income securities, property and proprietary funds or shares, among others [15]. According to UN PRI framework three main dimensions of the Institutional Investment affect Sustainable Business Practices are Environmental, Social, and Governance (ESG) policies integration, Engagement with portfolio companies and ESG reporting and disclosure.

2.3. Environmental, Social, and Governance (ESG) policies integration

One of the acknowledged trends has been the adoption of ESG policies into investment management as a way to improve sustainability [15]. Research by Khan, et al. [12] shows that institutional investors can make companies take or recommend sustainable actions by applying ESG factors to their investors' decision. This has the consequence of turning enterprises not mere moneymaking machines but compelled to take into account environmental and social concerns that shape sustainable entrepreneurship. On the other hand, the study of Indriastuti and Chariri [16] posited that the effectiveness with which sustainability initiatives affect institutional investment is proportional to ESG depth. For instance, Cunha, et al. [17] noted that when it comes to integration of ESG considerations on investment portfolios, the Investors may say that they are committed, however the level of implementation can be low, meaning that outcomes for businesses will reflect such levels of engagement with sustainable development.

H_1: Institutional Investment dimension (ESG Policy and Integration) positively impacts sustainable business practices.

2.4. Engagement with Portfolio Companies

Engagement with portfolio companies has been deemed the key way through which institutional investors can directly affect the actions of the organizations invested in. As Schiehll and Kolahgar [9]. Indriastuti and Chariri [16] has pointed out, investors, along with engaging, can also influence companies to change their behaviours and enhance corporate sustainability as well as to manage sustainability risks. Research by Bini and Bellucci [13] has shown that when institutional investors discuss sustainable issues with their invested companies, the latter is forced to internalise sustainability policies into its business operation. In the same way, engagement also promotes the improvement of responsibility and makes the companies to adopt sustainability as a part of their strategic management [15]. On the other hand, findings of Adu, et al. [18] imply that the role of engagement hinges on the ability of institutional investors to shape the behaviour of such firms.

H_2: Institutional Investment dimension (Engagement with Portfolio Companies) positively impacts sustainable business practices.

2.5. ESG Reporting and Disclosure

Reporting and disclosure occupy a central position within institutional investment management strategies for sustainability. Firms are motivated to enhance their standards of sustainability when reporting on their ESG performance [17]. Reporting gives stakeholders information of a company's impacts on environment and societies and puts pressure on firms to change to better practices. This way, ESG disclosure becomes a tool on the one hand, as well as an element of the companies' reporting which proves their adherence to ethical business practices on the other hand [19]. However, Kölbel, et al. [20] call attention to the possible misleading nature of ESG disclosure, claiming that companies can (potentially) provide misleading information through greenwashing. The study by Giner and Luque-Vílchez [21] suggest that when ESG reporting and disclosure activities are done in as transparent and ethical manner, their potential to enhance sustainability in business ventures is sustainable.

H_3: Institutional Investment dimension (ESG Reporting and Disclosure) positively impacts sustainable business practices.

2.6. Social Responsibility and Sustainable Business Practices

The study of Fatima and Elbanna [7] describes social responsibility, in context of business, as the practice that advances the best interest of a firm and at the same time supports the society's or nation's welfare. According to Carroll [3] in a corporate environment, it refers to the duty by a business organisation to operate with a view to generating value for its shareholders and other stakeholders, as well as in optimising its practices to generate benefits that are socially and environmentally responsible. Of the four dimensions of social responsibility, namely economic, legal, ethical, and philanthropic responsibilities, social responsibility provides a clear model of how businesses can approach the practice of sustainability. Using Carroll's CSR Pyramid, these dimensions are the different layers of responsibility that organizations have to meet in order for business to run responsibly, not to mention sustainability [22].

2.7. Economic Responsibility

Economic responsibility Carroll's CSR Pyramid re-emphasizes the cardinality of the financial reality that businesses have to accrue adequate business income to sustain and develop their operations [7]. Lack of profitability would means that companies would not be in a position to afford to embark on socially and environmentally friendly policies [7]. Hence, economic responsibility is considered to be a crucial driver in a sustainable strategy. The study of Bini and Bellucci [13] agree with the view that the economic responsibility-focus typically leads to increased investment in sustainability business practices among companies. For instance, Kölbel, et al. [20] established that firms with enhanced returns are in a more appropriate position to commit resources for energy efficiency, waste control, and other green schemes. Similarly, firms that perform well financially are in a better place to finance energy efficiency and waste control and other green activities. In these organisations sustainability is viewed by many a as core organisational capability that can add value by improving the ROI in the long run. On the other hand, critics like Rai, et al. [23] has pointed the doctrine of achieving maximum profits as giving negative impact on sustainability, unless where, it is accompanied by the social and environmental accountability of a firm. Hence, economic responsibility is the grounded structure of sustainable management however it requires other CSR dimensions that will make economic responsibility efficient.

2.8. Legal Responsibility

Legal liability is the legal requirement that a company needs to abide by the laws and regulation of states and countries where they do their business [16]. It ensures that the corporations are in compliance with the laws on Labor relation; environment among other areas [24]. Legal requirements represent the standard or minimum expectations of acceptable business behaviours and influence sustainability immensely. Cunha, et al. [17] has shown a positive correlation between legal liability and corporate sustainability. Kölbel, et al. [20] suggest that compliance with environmental regulations can be seen as a direct factor for corporate sustainability projects such as decreasing carbon footprint or waste management. [25] also pointed out that legal mandates create positive incentives towards higher sustainability reporting by businesses, thus enhancing business transparency on their environmental-social impact, and increasing sustainability.

2.9. Ethical Responsibility

Ethical responsibility means that business entities need to be moral and ethical much as law does not force them. This dimension goes slightly above the law calling on organisations to think past their operations and their effects on the society and the environment [3]. Therefore, ethical responsibility concerns equity, rationality and appropriateness or reporting in managing commerce exercises and keen is therefore a fundamental part of managing interminable trade operations. Research evidence tends to suggest that firm age, globalisation pressure, strategic orientation, and ethical values are positively related to sustainability [16]. According to García-Sánchez, et al. [19] organisations that take ethical considerations affirmatively are likely to address sustainability in their day to day operations as far as procurement of raw materials, and employees. Also, the origin of ethical responsibility enhances the level of trust with stakeholders, which will in a long-run improve the company reputation and sustainability [14]. On the other hand, unethical action like polluting the environment or using exploitation measures on workers are detrimental to the company's sustainability and thus a source of reputational loss [19]. Hence, ethical responsibility is crucial for organisational sustainability into a firm's strategic plan.

2.10. Philanthropic Responsibility

Philanthropic Responsibility means the action of making a contribution to enhance the wellbeing of the society by organizations. These activities include giving of cash or products to charities, involvement in community needs and activities and provision of support in social causes among others; are voluntary activities that show a company's desire to be responsible towards society [3]. CSR as a concept has been broken down into different segments with philanthropic responsibility being on top and recognised as a robust role in encouraging sustainability within businesses [13]. The study by Khan, et al. [12] have revealed that the organisations that are involved in the giving of their resources to the needy do gain the public image which helps them to achieve the sustainable objectives. Schiehll and Kolahgar [9]. The study of Boiral and Heras-Saizarbitoria [26] stated that there are positive public relations associated with corporate philanthropy these include creating goodwill and portraying the company as a responsible bureaucracy. Nevertheless, following [3] other studies like Ranjbari, et al. [10] by opposing the concept argue that philanthropic responsibility cannot be used as a way of avoiding more profound environmental and social challenges.

H_4: Social responsibility moderate the relationship between Institutional Investment dimensions and sustainable business practices

3. Data and Methodology

3.1. Research Context and Participants

The Canadian business environment is chosen for this study as Canada has emerged as a global pioneer in sustainability strategy in various industries due to the integration of environmental laws and rules, organisational commitments to climate change, and responsible work treatment [27]. Across Canada, many businesses especially energy, mining, and manufacturing industries are integrating sustainability to their business strategies as other countries and the Canadian government adopt ESG principles and laws including the Canadian Environmental Protection Act. The participants in this study consisted of representatives from organisations operating in Canada's economy across different sectors such as financial, energy, manufacturing, and technology sectors among others. The firms were chosen from firms involved in institutional investment activities and firms that included sustainability initiatives in their sustainability or ESG reports. The target respondents were selected based on their position as senior managers, sustainability officers and directors who directly make the decisions on investment in sustainability. Selection of these individuals was done based on their expertise and power in the formulation and implementation of macro and micro investment and CS decisions in their organisations. The sample size was 385 Canadian organisations of various industries that contribute to the economy of Canada. Such participants were selected because of their knowledge of sustainability and institutional investment and if their company also engaged in implementing ESG factors in the organisation.

3.2. Data Collection Tool

The data collection method used in this study was a survey questionnaire. The used questionnaire was initially developed with regard to the given constructs of the study, and the most important aspects in the questionnaire were developed with regard to the existing theories and previous research [28]. The sections of the questionnaire that followed dealt with institutional investment and sustainable business practices as the two main constructs. Participants assessed statements about their organisation's ESG policies, strategies with invested companies, and how often and effectively these organisations produced ESG reports and disclosures by adopting the Likert scale of 1=strongly disagree to 5=strongly agree. The design was intended to encourage more complex reactions regarding the factors expected in order to facilitate analysis of correlation.

3.3. Constructs and Variables

This research encompasses three main constructs: On this context, the independent variable is institutional investment that affects sustainable business practices and is moderated by social responsibility. The independent variable, institutional investment was anchored on the PRI (Principles for Responsible Investment). These included ESG Policy and Integration which measures the degree to which firms institutionalize ESG factors into their investment processes; Engagement with Portfolio Companies, which addresses the ways firms discuss ESG issues with investments; and ESG Reporting and Disclosure, regarding how firms report on ESG matters to various stakeholders.

To measure the Dependent variable, sustainable business practices, statements of questionnaire were adapted from [27]. This construct included factors concerned with environmental sustainability, social sustainability, and economic sustainability which captured levels of harm reduction while at the same time advancing benefits to the society and economy respectively. The moderating variable, that is, Social Responsibility was measured in line with the Pyramid of CSR formulated by Carroll [3] which categorises different levels of responsibility: Economic, Legal, Ethical and Philanthropic. This construct was utilised in examining the nature of how a firm's commitment to social responsibility affects the institutional investment with sustainable business practices. To achieve this, the study sought to define these constructs in a careful manner to present a general understanding of the forces in operation in the environment of the Canadian business.

4. Data Analysis

Questionnaire data was analysed using Smart PLS (Partial Least Squares Structural Equation Modeling) which being a statistical tool, is most suitable for exploratory research and theory development [29]. PLS-SEM was used for the research owing to its applicability on numerous variables and constructs for the purpose of prediction and the explanation of variance when compared to covariance based-SEM [30]. Due to the escalating interconnectivity between institutional investment, social responsibility and sustainable business practices, PLS-SEM was useful to run the hypothesised model. To measure the reliability of the measures, Cronbach's alpha and composite reliability analysis methods were adopted. To determine convergent validity, the average variance extracted (AVE) was also employed, whereby each construct must explain reasonably variable variation of the overall questionnaire items. Last, the path analysis was employed to analyse the hypothesis of the relationship between the independent, the dependent, and the moderator variables.

5. Empirical Results and Analysis

5.1. Factor Loadings

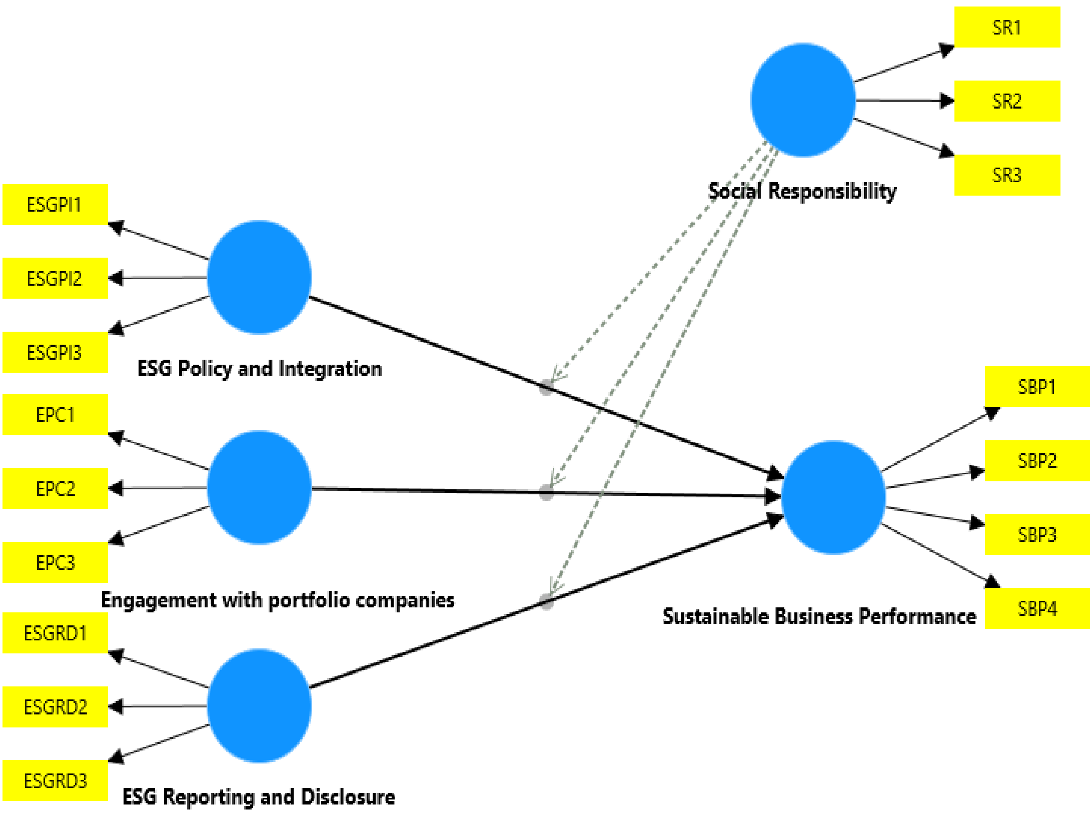

Figure 1.
Model of variables.

Table 1.
Factor loadings.

	Outer weights
EPC1 <- Engagement with portfolio companies	0.383
EPC2 <- Engagement with portfolio companies	0.410
EPC3 <- Engagement with portfolio companies	0.378
ESGPI1 <- ESG Policy and Integration	0.395
ESGPI2 <- ESG Policy and Integration	0.384
ESGPI3 <- ESG Policy and Integration	0.360
ESGRD1 <- ESG Reporting and Disclosure	0.377
ESGRD2 <- ESG Reporting and Disclosure	0.364
ESGRD3 <- ESG Reporting and Disclosure	0.370
SBP1 <- Sustainable Business Performance	0.288
SBP2 <- Sustainable Business Performance	0.290
SBP3 <- Sustainable Business Performance	0.274
SBP4 <- Sustainable Business Performance	0.286
SR1 <- Social Responsibility	0.281
SR2 <- Social Responsibility	0.419
SR3 <- Social Responsibility	0.454
Social Responsibility x ESG Policy and Integration -> Social Responsibility x ESG Policy and Integration	1.000
Social Responsibility x Engagement with portfolio companies -> Social Responsibility x Engagement with portfolio companies	1.000
Social Responsibility x ESG Reporting and Disclosure -> Social Responsibility x ESG Reporting and Disclosure	1.000

The outer weights predict the extent of relation between the individual indicators and the respective latent constructs. For Engagement with Portfolio Companies (EPC), the outer weights are fairly strong and nearly constant where EPC2 has the highest outer weight of 0.410, EPC1 outer weight of 0.383 and EPC3 outer weight of 0.378. This is an indication that all three measures are instrumental in capturing the level of interaction with the portfolio companies with EPC2 contributing slightly more to the construct. Regarding the outer weights for ESG Policy and Integration (ESGPI), the importance shows slightly lower contribution than EPC, where ESGPI1 with contribution of 0.395, ESGPI2 with a contribution of 0.384 and ESGPI3 with 0.360. These values show that; ESG policy and its incorporation into the firm's strategic management and decision-making are fairly represented by the indicators although there is a slight difference in the relative significance of each one of them.

However, for outer weights, the values are nearly equal for ESGRD1 with 0.377, ESGRD2 with 0.364 and ESGRD3 with 0.370, which show an equal emphasis on the reporting and disclosure of ESG. Sustainable Business Performance (SBP) revealed the lowest outer weight among its indices, which are SBP1 (0.288) and SBP2 (0.290) having the highest contribution while SBM3 (0.274) and SBM4 (0.286) contributes a tad lesser. This infers that even though all the indices are important their combined impact is less compared to the other constructs. It can also be seen that Social Responsibility (SR) has comparatively higher variability; SR3 = 0.454, SR2 = 0.419, and SR1 = 0.281. The correlations between social responsibility and the ESG-related items (ESG Policy, Engagement, and Reporting) are all exactly 1.000 in the outer weights, suggesting complete moderation of these associations. This implies that the role of social responsibility is important in modeling the effect that institutional investment practices have on sustainable business performance.

5.2. Quality Criteria

Table 2.
Quality Criteria.

	R-square	**R-square adjusted**
Sustainable Business Performance	0.685	0.679

The R-square value of 0.685 for Sustainable Business Performance indicates that 68.5% of the variance in sustainable business performance can be explained by the independent variables in the model, which include institutional investment (through its dimensions: All sub themes include ESG policy and integration, engagement of portfolio companies, and ESG reporting and disclosure, and the effect of social responsibility as a moderator. This, in fact, proves to be a strong explanatory power, which an analyst can derive meaning from, and as such posit that, the above chosen factors are rather a good predictor of sustainable business performance. The adjusted of R-square of 0.679 obtained takes into consideration the number of predictors in the model and is just a little lower than the R-square and this suggest that the model is not over specified and the variables used in the model has a meaningful impact on the outcome. Cumulatively, these values evidence efficiency of the model in the account of value creation for business sustainable performance implication to institutional investment and social responsibility.

5.3. Path Analysis

Table 3.
Path analysis.

	Path coefficients	Standard deviation (STDEV)	T statistics (|O/STDEV|)	P values
ESG Policy and Integration -> Sustainable Business Performance	-0.013	0.046	0.287	0.774
ESG Reporting and Disclosure -> Sustainable Business Performance	0.086	0.045	1.917	0.055
Engagement with portfolio companies -> Sustainable Business Performance	0.038	0.037	1.029	0.303
Social Responsibility -> Sustainable Business Performance	0.725	0.037	19.391	0.000
Social Responsibility x ESG Policy and Integration -> Sustainable Business Performance	0.030	0.056	0.549	0.583
Social Responsibility x Engagement with portfolio companies -> Sustainable Business Performance	-0.006	0.033	0.174	0.862
Social Responsibility x ESG Reporting and Disclosure -> Sustainable Business Performance	-0.076	0.041	1.868	0.062

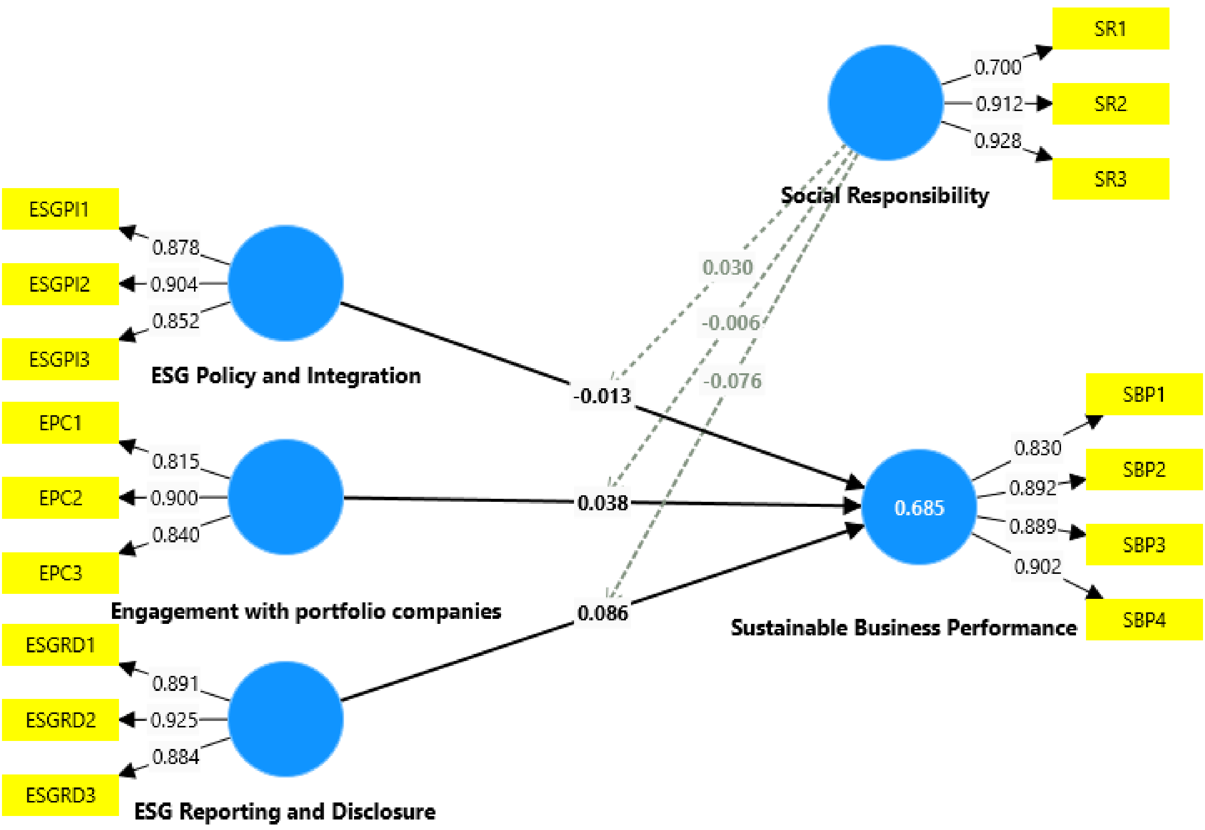

Figure 2.
Path coefficients.

The path coefficients, standard deviations, T-statistics and P-values in the squared brackets tell about the relationships between the independent variables and the Sustainable Business Performance. Starting with the second concept ESG Policy and Integration is rather negative, with the path coefficient equal (-0.013), however the P-value is rather high at 0.774 and T-statistics is very low at 0.287, meaning that can't claim there is a negative association between them as the result is not statistically significant. As a result, in this model, the direct effects of ESG policy and integration on sustainable business performance are limited or minimal.

ESG Reporting and Disclosure has a positive path coefficient (0.086), it is marginally significant in this study with T-stat=1.917 and P-value=0.055, therefore, it can be posited that while advancing disclosing ESG report the organisation may likely make some positive though minimal impact in its sustainable business performance. Engagement with Portfolio

Companies, however, depicts a weaker positive association, with path coefficient of 0.038, and non-significant P-value 0.303 and a T-statistic of 1.029 suggesting indirect impact, but negligible.

Social Responsibility only has a path coefficient of 0.725 and it is ranked in the first and this variable has the most significant influence on the sustainable business performance of the company and a very high t-statistic of 19.391 and P-value of 0.000. This highly significant result clearly indicates that social responsibility is an important influence on sustainable business practice in support of the role of social responsibility on performance outcomes.

The correlation of Social Responsibility and the ESG-related variables are at best inconclusive. Among the subcategories of Social Responsibility x ESG Policy and Integration, the tests for moderating effect shows an insignificant path coefficient of 0.030 and a higher P-value of 0.583. The same applies to the following path: Social Responsibility x Engagement with Portfolio Companies, which has path coefficient of -.006 and P closer to 0 at.862. Last, Social Responsibility x ESG Reporting and Disclosure for path coefficient is -0.076 with P-value 0.062; which signify low negative effect showing that social responsibility may slightly mitigate the influence of ESG reporting on sustainable business performance. In conclusion, the study found social responsibility to be imperative to effective performance with little influence from the institutional investment variables.

$H_{1:}$ Institutional Investment dimension (ESG Policy and Integration) positively impacts sustainable business practices.

The first hypothesis is lacking empirical base as for the ESG Policy and Integration path coefficient, its absolute value is equal to - 0.013, whereas the P-value, which equals 0.774, is above the general accepted level of significance of 0.05. Thus, from the calculated T-statistic value of 0.287, it could only be infrequently asserted that the established hypothesis of the relationship between the stated factors and the development and integration of ESG policies and sustainable business practices is valid. Thus, H1 is rejected as it emerged that the adoption of ESG policies may not directly enhance sustainability performance of the businesses.

$H_{2:}$ Institutional Investment dimension (Engagement with Portfolio Companies) positively impacts sustainable business practices.

As for the Engagement with Portfolio Companies dimension, the path coefficient is calculated to be positive, though rather small, equalling 0.038, whilst the P-value is 0.303 and the T-statistic equals 1.029. Values presented below impose that there is no correlation between engagement with portfolio companies regarding ESG issues and sustainable business practice. Therefore, the current analysis of institutional investment dimension yields a P-value higher than the conventional 0.05 level of significance and fails to strongly connect it to sustainable business outcomes in the current context. Consequently, H2 is also rejected it states that probably just talking with the portfolio companies about ESG issues could not be sufficient to affect positive changes in their sustainability profiles.

$H_{3:}$ Institutional Investment dimension (ESG Reporting and Disclosure) positively impacts sustainable business practices.

Consequently, there is a partial support of the tested hypothesis stating that ESG Reporting and Disclosure is positively related to sustainable business actions. It is 0.086 and yes, it is positive, P = 0.055 is slightly less than 0.05 and T = 1.917. Although the effect is not statistically significant at the $p < 0.05$ level, the evidence suggests that there is a borderline effect, meaning that ESG reporting that is transparent, and with verified metrics incorporated, can have a small positive effect on sustainable business practices. Due to this marginal significance, H3 is accepted with caution to mean that improved ESG reporting can improve sustainability results although the relationship is likely to be weak.

$H_{4:}$ Social responsibility moderate the relationship between Institutional Investment dimensions and sustainable business practices

With regard to the moderating role of Social Responsibility, there is partial evidence that it moderates the relationship between institutional investment dimensions and sustainable business practices. The moderating effects are insignificant for ESG Policy and Integration (Coefficients = 0.030, P-value = 0.583) and Engagement with Portfolio Companies (Coefficients = -0.006, P-value = 0. 862). However, the relationship between Social Responsibility and ESG Reporting and Disclosure is slightly negative with a path coefficient estimate of -0.076, and the P-value of 0.062, which implies a marginal moderating effect in a converse direction. In the same line of analysis, the failure to find strong evidence in support of Social Responsibility as a moderator means that H4 can be rejected in most of the cases: SR may, however, have a weak buffering effect on the relationship between ESG Reporting and Sustainability- although this is only an implication that has to be taken with caution, given the overall absence of significant results.

6. Discussion

The findings of the study correlate with certain prior studies and in other way they contradict some studies regarding the part of institutional investment toward introducing sustainable business practice. Study conducted by Awa, et al. [22] stated that the inclusion of ESG factors in investment management strategies leads to a positive change in corporate sustainability outcomes. Nikolaou, et al. [24] also strengthened the argument about how institutional investors who consider the integration of ESG factors can lead firms to engage in more sustainable and responsible policies. However, the insignificance reported in this study for ESG Policy and Integration is contradictory to their findings; the fact that demonstrates though ESG integration is vital, it is not always necessarily requisite for better sustainability results excluding some essential regional or sectoral consideration. This could be attributed to variations across corporations in terms of the manner in which ESG policies are adopted or viewed, as pointed out by Felício, et al. [31] that efficiency of ESG integration is highly probable to be influenced by the degree of penetration and the extent and genuineness of implementation.

On the other hand, the insights related to ESG Reporting and Disclosure are consistent with the emerging trend of literature promoting visibility to achieve sustainable results. The research by Heubeck and Ahrens [25] respectively indicate that the sustainability performance of firms' ESG metrics is stronger where the information disclosed has been verified by third parties. Transparent reporting also assists investors and stakeholders in making the right decisions that would lead to better sustainability practices by organisations. Nevertheless, the study by Moon and Shen [32] also identifies social responsibility as a possible moderator which aligns with Carroll [3] conceptualisation of CSR.

7. Implications

This research has important implications to both institutional investors and corporate managers. The results bear implications for investors by indicating that whereas ESG policies and engagement with portfolio firms are critical measures, they do not necessarily result in improvements of sustainable business practices. This emphasises the importance of going beyond the policy integration standard and investigate the level and efficiency of the implementation of these strategies in companies. Additionally, the insignificant coefficient regarding the change in ESG reporting also indicates that accountability is critical in determining sustainability outcomes [22]. The fact that social responsibility exerts a strong influence on strategic business outcomes provides valuable information to corporate managers: managing for CSR compliance and promoting an organisational culture that respects ethical legal economic and philanthropic responsibilities in business – are essential in meeting sustainable business reforms [7]. This points to the fact that the organisations need to level up and enhance the integration of social responsibility in their functions deeply. This should be implemented to make sure that all constituencies take their responsibility and perform to make absolutely certain that the provisions for ESG are not mere 'greenwashing,' but the company's strategic initiative which leads to actual enhancement of sustainability [25].

8. Conclusion

In Conclusion, the presented analysis draws attention to the multifaceted connections between institutional investment, social responsibility as well as managers' sustainable business practices. However, compared to disclosure and robust social initiatives expertise, policy integration in ESG and constant engagements with portfolio companies will not necessarily contribute to advanced sustainability performance. The conclusions indicate that institutional investors and companies have to move beyond mere compliance and disclosure of ESG policies and practices, embracing substantive approaches to embedding such principles into the firm's DNA. In any case, it is critical to further drive engagement to the ESG factors and CSR to effectively advance and foster sustainable change in the commercial world.

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