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# Environmental, Social, and Governance Practices and Corporate Financial Performance: Investigating the Mediating Role of Green Innovation and Corporate Reputation in Emerging Markets

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***Abstract***

*Research concerning environmental, social, and governance (ESG) practices and corporate financial performance frequently examines green innovation and corporate reputation through separate models, while adjacent constructs such as corporate social responsibility and corporate image complicate evidence integration. This study synthesizes evidence on innovation-based and reputation-based pathways associated with ESG-related corporate outcomes, with particular attention to emerging-market settings. A structured, non-empirical qualitative review examined 20 purposively selected scholarly publications from 2022 to 2026. Studies were assessed for conceptual relevance, methodological interpretability, and reported relationships and compared using thematic coding of research settings, focal constructs, mechanisms, and performance measures. Evidence was differentiated into directly examined relationships, indirect support from related constructs, and conceptual inferences. The synthesis identifies recurring associations between ESG-related practices and green innovation, including the relevance of financing conditions, organizational capabilities, and environmental performance. Reputation-oriented findings link credible sustainability conduct with stakeholder perceptions and selected corporate outcomes, although corporate image and financial performance measures differ across studies. These two pathways offer a complementary conceptual interpretation of ESG-related value creation; their simultaneous mediation has not been established by this review. Variation in institutional conditions, research designs, and outcome definitions limits generalization. The proposed framework clarifies the evidentiary status of each pathway and provides a basis for empirical testing of direct effects, mediation, interaction, and contextual moderation.*

***Keywords:*** *Corporate Financial Performance, Corporate Reputation, Emerging Markets, ESG Practices, Green Innovation.*

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## INTRODUCTION

Environmental, social, and governance (ESG) practices have become increasingly relevant to corporate financial performance as firms face demands for environmental accountability, responsible stakeholder relations, and effective governance. These practices encompass organizational commitments and activities concerning environmental management, social responsibility, and governance quality, although their financial consequences may differ across firms and institutional settings. In emerging markets, variations in financing conditions, regulatory enforcement, technological capabilities, and stakeholder expectations may influence how sustainability-related activities are incorporated into business operations. Existing research indicates that corporate social responsibility (CSR), green finance, and green innovation are associated with environmental performance, suggesting that the organizational consequences of sustainability initiatives extend beyond formal compliance and disclosure (Dai et al., 2022). Corporate reputation represents another potentially relevant mechanism because stakeholder assessments of responsible business conduct may be associated with financial outcomes. Jing et al. (2023) identified corporate reputation as a mediating variable in the relationship between CSR and financial performance among manufacturing companies. These findings indicate that the financial relevance of sustainability practices requires examination of both organizational capabilities and stakeholder evaluations rather than an exclusive focus on direct ESG–performance associations.

Previous research has examined several distinct relationships connecting sustainability practices, organizational innovation, and corporate outcomes. One research strand addresses ESG practices and corporate performance, including the relationship between ESG disclosure, green innovation, and firm performance (Khanchel et al., 2023). A second strand investigates the association between ESG and innovation capabilities. Zhai et al. (2022) examined the relationship between ESG performance and corporate green innovation, identifying financing constraints as an explanatory mechanism. Related studies have investigated CSR and high-quality corporate development through green innovation, environmental investment, and governance arrangements (Xue et al., 2022), while Ngo and Le (2023) examined access to finance and business model innovation in the CSR–firm performance relationship within an emerging economy. Other investigations have addressed CSR and ambidextrous green innovation in relation to green performance (Kamran et al., 2025), environmental taxation and green innovation as mechanisms associated with corporate environmental responsibility (Amoh et al., 2025), and corporate governance and firm outcomes through green innovation (Ullah & Ihsan, 2025). Mishra et al. (2025) further reviewed the relationship between corporate governance and green innovation, while Srouji et al. (2025) examined green intellectual capital and CSR in relation to environmental sustainability performance in emerging markets. Although these studies establish relevant connections among sustainability-related practices and organizational capabilities, their explanatory variables, intermediate mechanisms, and outcome measures are not identical. Evidence concerning environmental performance or broader corporate development consequently cannot be interpreted automatically as evidence of improved corporate financial performance.

A third research strand concerns the relationship between sustainability activities, stakeholder perceptions, and corporate outcomes. Jing et al. (2023) examined corporate reputation as an intermediary between CSR and financial performance, whereas Fosu et al. (2024) investigated green innovation and corporate image in the relationship between environmental CSR practices and corporate social performance. Tran and Le (2026) similarly examined green innovation and corporate image as mediating variables associated with sustainable corporate performance in an emerging economy. Herzallah et al. (2025) investigated sustainable innovation in the relationship between green supply chain practices and corporate reputation, providing evidence relevant to the relationship between organizational innovation and reputational outcomes. Abdullah et al. (2024) examined green innovation, ESG performance, and corporate reputation in relation to stock market performance. Additional studies have addressed the relationship between corporate green innovation and financial performance through environmental performance (Zaid et al., 2025), while Ali et al. (2026) investigated greenwashing as a moderating factor in the relationship between environmental innovation and corporate financial performance. These investigations provide complementary evidence concerning innovation-based and stakeholder-based mechanisms. However, their findings concern different sustainability constructs, intermediate variables, and performance indicators, limiting the extent to which the reported relationships can be treated as direct evidence of a common ESG–financial performance mediation model.

Conceptual distinctions are necessary when integrating these findings. ESG practices refer to corporate activities associated with environmental, social, and governance responsibilities, whereas ESG performance and ESG disclosure concern the assessment and communication of those activities. CSR overlaps with the social and environmental dimensions of ESG but does not necessarily incorporate the same governance measures or assessment criteria. Green innovation refers to the development or implementation of environmentally oriented products, processes, technologies, or organizational practices, while environmental innovation may encompass a broader range of environmental improvements depending on its operational definition. Corporate reputation reflects accumulated stakeholder evaluations of an organization, whereas corporate image concerns perceptions or impressions that may differ across stakeholder groups and over time. Corporate financial performance must also be distinguished from environmental performance, sustainable corporate performance, corporate social performance, and stock market performance because these outcomes capture different organizational consequences. Studies using adjacent constructs can inform an integrated analytical framework when the underlying mechanisms are conceptually comparable, but they cannot be regarded as direct tests of relationships involving identical variables. This distinction is particularly important for interpreting evidence derived from heterogeneous empirical designs and institutional settings.

The principal research gap concerns the limited integration of these distinct bodies of evidence into an explicitly differentiated framework linking ESG practices, green innovation, corporate reputation, and corporate financial performance. Existing investigations provide evidence for particular segments of this relationship, including ESG–green innovation associations, CSR–reputation relationships, innovation-related performance outcomes, and reputation-related financial outcomes. Some studies examine multiple intermediate variables, but their models frequently employ CSR rather than ESG practices, corporate image rather than corporate reputation, or sustainability-related outcomes rather than corporate financial performance. Consequently, evidence supporting individual relationships does not necessarily establish that green innovation and corporate reputation jointly mediate the relationship between ESG practices and financial performance. A further limitation concerns the possible relationship between innovation and reputation. Although sustainable innovation has been examined in relation to corporate reputation (Herzallah et al., 2025), the available findings do not independently establish reciprocal effects between these mechanisms. Their potential complementarity therefore requires assessment as a conceptual proposition derived from the literature rather than as an empirically verified relationship. A structured comparison of the reviewed studies is needed to distinguish directly examined relationships from indirect supporting evidence and theoretical inferences.

The emerging-market dimension introduces an additional analytical consideration. Institutional arrangements, access to external finance, environmental regulation, technological resources, and stakeholder monitoring may condition the relationships among ESG practices, innovation, reputation, and financial performance. These conditions should not be presumed to operate uniformly across emerging economies. Studies conducted in different national or organizational settings may exhibit variation in the definitions of sustainability practices, the mechanisms investigated, and the financial indicators applied. The relevance of emerging markets must therefore be established through the geographical and institutional characteristics of the reviewed evidence, rather than through generalized assumptions about developing economies. Comparing the reported findings according to their research settings and measured constructs can clarify which relationships are supported within particular institutional conditions and which remain conceptual extensions across different empirical contexts. Such differentiation is necessary to assess the transferability of findings and to identify conditions under which innovation-based and reputation-based mechanisms may be associated with corporate financial outcomes.

This study aims to synthesize existing scholarly evidence concerning the relationship between ESG practices and corporate financial performance, with particular attention to green innovation and corporate reputation as potential explanatory mechanisms in emerging markets. Three research questions guide the analysis: First, what relationships between ESG-related practices and corporate financial performance have been reported in the selected literature? Second, what evidence supports green innovation and corporate reputation as distinct pathways associated with sustainability-related financial outcomes? Third, to what extent can these pathways be integrated into a conceptual framework, and what limitations arise from differences in constructs, empirical settings, and research designs? The study employs a structured qualitative literature review of 20 scholarly publications issued between 2022 and 2026, using thematic synthesis to compare the relationships, mechanisms, outcomes, and contextual conditions reported in previous research. Its contribution lies in systematically organizing otherwise heterogeneous evidence and developing an integrated analytical framework that distinguishes innovation-based organizational mechanisms from reputation-based stakeholder mechanisms. The framework is intended to identify relationships supported by prior studies, clarify conceptual connections requiring further examination, and establish propositions for subsequent empirical investigation. It does not constitute an independent statistical test of mediation or causal effects.

## RESEARCH METHODS

This study employed a structured qualitative literature review to synthesize scholarly evidence concerning the relationships among environmental, social, and governance (ESG) practices, corporate financial performance, green innovation, and corporate reputation. The research adopted a non-empirical documentary design, with published scholarly studies serving as the units of analysis. A purposive literature selection strategy was applied to identify publications that provided relevant

empirical findings or theoretical explanations concerning sustainability-related corporate practices and their organizational and financial consequences. The analytical corpus comprised 20 scholarly publications issued between 2022 and 2026. The review focused on emerging-market settings while incorporating relevant studies from other institutional environments where their findings contributed to the interpretation of innovation-based or reputation-based mechanisms. The selection was designed to establish an analytically relevant body of evidence rather than an exhaustive or statistically representative sample of the available literature. Accordingly, the research was conducted as a structured thematic review rather than a systematic review or quantitative meta-analysis.

Literature eligibility was determined through substantive relevance, methodological interpretability, and conceptual correspondence with the research objectives. The selection framework covered publications addressing ESG practices, ESG performance, ESG disclosure, corporate social responsibility, green innovation, corporate reputation, corporate image, environmental performance, and corporate financial performance. Publications were considered relevant when they examined at least one identifiable relationship connecting sustainability-oriented practices with organizational innovation, stakeholder perceptions, or corporate outcomes. Priority was assigned to studies reporting clearly defined constructs, identifiable research settings, explicit analytical approaches, and interpretable findings. Research examining green innovation in relation to ESG disclosure and financial performance was relevant to the innovation-based pathway (Khanchel et al., 2023), while studies addressing reputation and corporate image contributed evidence concerning stakeholder-based mechanisms. Publications addressing only environmental or social outcomes were retained for their relevance to intermediate relationships, without treating those outcomes as equivalent to corporate financial performance. Material outside the publication period, non-scholarly commentary, duplicated evidence, and studies without an identifiable relationship to the analytical dimensions were excluded from the eligible literature framework. The resulting 20-study corpus was treated as a purposively selected evidence base, without attributing systematic-search coverage or unreported screening totals to the selection process.

The analytical procedure employed qualitative thematic synthesis organized around four principal dimensions: ESG-related practices as the antecedent construct, corporate financial performance as the principal outcome, green innovation as an organizational capability mechanism, and corporate reputation as a stakeholder-based mechanism. Each publication was examined according to its research focus, geographical or institutional setting, methodological approach, operationalized constructs, reported relationships, and contribution to the proposed framework. Particular attention was given to differences between ESG practices and adjacent constructs, including CSR, environmental initiatives, and governance arrangements. Corporate reputation was distinguished from corporate image, while financial performance was differentiated from environmental performance, sustainable corporate performance, and stock market outcomes. These distinctions provided the basis for comparing heterogeneous research findings without assuming equivalence between studies using different independent variables, intermediate constructs, or outcome indicators.

The thematic coding process classified reported relationships according to the mechanisms examined and the evidentiary relevance of the findings. Innovation-related evidence was organized around financing constraints, technological development, environmental process improvement, organizational capabilities, and performance outcomes. Evidence concerning ESG performance and green innovation through financing constraints was interpreted as support for an innovation-related organizational pathway (Zhai et al., 2022). Reputation-related evidence was organized around stakeholder evaluations, organizational credibility, legitimacy, corporate image, and financial outcomes. Three evidentiary categories guided the synthesis. Direct evidence referred to relationships explicitly examined within an individual study using the relevant constructs. Indirect supporting evidence referred to findings involving theoretically related but non-identical constructs or intermediate outcomes. Conceptual inference referred to relationships proposed through the integration of findings from separate publications rather than directly tested within a single empirical model. This classification distinguished observed associations from theoretical extensions and prevented the interpretation of adjacent constructs as interchangeable measures.

Methodological appraisal focused on the clarity of construct definitions, transparency of research settings and analytical procedures, correspondence between reported evidence and conclusions, and limitations affecting the interpretation of each study. The appraisal was qualitative rather than based on

a numerical quality-scoring system. Studies were compared according to the direction and conditionality of reported relationships, with attention to positive, inconsistent, indirect, and context-dependent findings. Contradictory evidence was retained as an analytical consideration rather than being reconciled through an assumption of uniform ESG effects. Particular attention was given to institutional conditions, organizational resources, financing constraints, and sustainability credibility. Evidence concerning greenwashing and environmental innovation was examined as an example of how the credibility of sustainability claims may condition financial consequences (Ali et al., 2026). Studies were not assigned statistical weights, and differences in research design, measurement, and institutional setting were treated as limitations on direct comparison.

The final stage integrated the thematic findings into a conceptual framework distinguishing two potentially complementary pathways between ESG practices and corporate financial performance. The innovation-based pathway concerns the association between sustainability-related practices and the development of technological, operational, and organizational capabilities. The reputation-based pathway concerns the relationship between credible sustainability activities, stakeholder evaluations, and financial outcomes. Their potential complementarity was examined through the convergence of findings across studies while distinguishing directly supported relationships from indirect evidence and conceptual propositions. The term *mediation* was therefore used to describe explanatory pathways identified or proposed through the literature, not mediation effects independently estimated by the present study. No primary firm-level observations, statistical mediation tests, pooled effect estimates, or causal identification procedures were undertaken. The resulting framework represents an interpretive synthesis of the selected literature and does not establish statistically generalizable or causally verified relationships.

## RESULTS AND DISCUSSION

### ESG Practices and Corporate Financial Performance

The literature synthesis identifies environmental, social, and governance (ESG) practices as strategic organizational resources rather than merely compliance-oriented activities, particularly in emerging markets where firms face simultaneous pressure to improve competitiveness and respond to sustainability expectations. The results reported in this section represent recurrent patterns identified across the 20-study analytical corpus rather than hypothetical or illustrative relationships. Across the selected literature, the relationship between ESG-oriented practices and corporate performance is generally positive, although the pathway appears to depend on how effectively environmental and social commitments are incorporated into organizational capabilities and decision-making. Evidence on corporate social responsibility (CSR) and high-quality corporate development identifies green innovation, environmental investment, and corporate governance as mechanisms associated with broader corporate outcomes (Xue et al., 2022). The financial implications are also visible in studies that distinguish between sustainability dimensions, as environmental, social, and governance disclosure combined with green innovation has been associated with stronger firm performance (Khanchel et al., 2023). This pattern shows that ESG activities are associated with heterogeneous economic outcomes across firms because their value depends on the extent to which sustainability resources are converted into productive capabilities. The evidence provides a basis for viewing ESG as an input into corporate value creation rather than as an isolated reporting practice.

The distribution of evidence across the literature further shows that the ESG–performance relationship encompasses several dimensions of corporate value, ranging from financial outcomes to broader measures of corporate development. Table 1 summarizes the principal synthesis findings identified from the selected studies, distinguishing direct performance associations from relationships operating through organizational mechanisms.

**Table 1. Analytical Patterns of ESG Practices and Corporate Performance**

| Analytical dimension | Evidence identified in the literature | Synthesis finding |
|---|---|---|
| ESG/CSR → Firm performance | Positive relationships reported across several studies | ESG is associated with corporate value |
| ESG/CSR → High-quality development | Green innovation, environmental investment, and governance identified as relevant mechanisms | Sustainability extends beyond short-term financial outcomes |
| ESG disclosure → Financial performance | Positive association reported with firm performance | Disclosure has documented economic relevance |
| ESG → Green innovation | Positive relationship identified | ESG is associated with capability development |
| Green innovation → Financial performance | Positive association identified | Innovation links sustainability with economic value |

The pattern in Table 1 indicates that ESG should not be conceptualized as a homogeneous determinant whose financial effect operates independently of corporate capabilities. Research examining sustainability disclosure and firm performance demonstrates that green innovation plays an important role in connecting ESG-oriented practices with economic outcomes (Khanchel et al., 2023). Across the reviewed evidence, stronger economic consequences are concentrated where firms possess sufficient capacity to translate ESG commitments into innovation and operational improvements. The synthesis further shows that the economic value of sustainability is not explained solely by the volume of ESG activities; the organizational transformation associated with those activities is a more substantive explanatory dimension. From an emerging-market perspective, this distinction becomes important because firms often operate under resource constraints that make the conversion of sustainability commitments into productive capabilities particularly challenging. ESG implementation therefore needs to be assessed according to the organizational processes it activates rather than simply according to the intensity of ESG disclosure.

A second pattern concerns the distinction between ESG practices that directly affect financial outcomes and those that operate by improving organizational conditions for future performance. The reviewed evidence associates CSR with internal and external support for corporate development through environmental investment, green innovation, and stronger governance structures, positioning sustainability as a mechanism for improving the quality of corporate resources (Xue et al., 2022). This pattern is consistent with the resource-based logic that valuable organizational capabilities emerge when firms combine external expectations with internal processes that competitors cannot easily replicate. The literature also links CSR with firm performance through access to finance and business model innovation, indicating improvements in the financial resources and strategic flexibility available to firms (Ngo & Le, 2023). Such evidence challenges a narrow treatment of ESG as a cost center because responsible practices are associated with lower resource constraints and additional channels of value creation. This mechanism is particularly relevant in emerging markets, where access to external financing and institutional support substantially affects firms' capacity to invest in long-term innovation. ESG practices therefore form part of a broader strategic configuration in which responsible behavior influences both the resource base and the productive use of those resources.

The reviewed evidence also shows that the financial consequences of ESG are not adequately represented by aggregate sustainability scores because individual ESG dimensions and outcome indicators produce differentiated patterns. Evidence from a developing-economy setting indicates that ESG dimensions can have differentiated effects on financial performance indicators, demonstrating that sustainability engagement does not necessarily generate uniform consequences across measures of corporate profitability (Bashir et al., 2025). This divergence is important because different financial indicators capture distinct dimensions of corporate performance, including asset utilization, capital efficiency, and shareholder returns. It also indicates that a positive ESG orientation does not automatically translate into uniformly improved financial indicators. Such variation reinforces the need to examine the mechanisms that connect ESG activities with financial outcomes rather than assuming

a universal direct relationship. The literature increasingly points toward green innovation as one such mechanism, while other studies identify access to finance, business model innovation, environmental investment, and governance as complementary pathways. The resulting synthesis therefore identifies conditional value creation rather than a simple linear ESG-to-performance relationship.

A broader synthesis of the evidence positions ESG practices as a strategic antecedent whose financial consequences become more intelligible when sustainability is connected to innovation, organizational development, and stakeholder value. CSR has been associated with environmental and financial performance through green innovation and sustainable development processes, indicating that environmental responsibility can contribute to economic outcomes when it is embedded within broader organizational transformation (Sarfraz et al., 2023). The literature synthesis shows that ESG disclosure and sustainability practices are most consequential when they correspond with substantive changes in corporate behavior rather than symbolic communication. This distinction is particularly important for emerging markets because institutional enforcement, information asymmetry, financing limitations, and uneven stakeholder awareness shape the credibility and economic relevance of ESG commitments. The evidence reviewed in this section consequently supports an integrated perspective in which ESG constitutes the initial strategic condition, while subsequent organizational and stakeholder mechanisms determine the extent to which that condition is translated into financial performance. Green innovation represents a recurrent mechanism because it converts sustainability objectives into products, processes, technologies, and capabilities associated with economic value. Corporate reputation represents a second recurrent mechanism because stakeholder evaluations link credible and consistently implemented sustainability practices with intangible and financial value.

The final synthesis finding is that ESG practices should not be evaluated exclusively according to their direct association with corporate financial performance. The literature demonstrates a sufficiently consistent connection between sustainability-oriented corporate behavior and broader firm outcomes to justify treating ESG as a strategic antecedent, but it also reveals substantial variation in the strength and form of its financial consequences. Green innovation, access to finance, environmental investment, business model innovation, and governance emerge as mechanisms associated with heterogeneous performance outcomes among firms exposed to similar sustainability pressures. The evidence therefore shifts the analytical emphasis from whether ESG is associated with financial performance to the mechanisms through which that association is generated. The present literature synthesis therefore identifies the direct ESG–financial performance relationship as an incomplete explanation of corporate value creation in emerging markets. Green innovation constitutes one particularly important mechanism because sustainability practices acquire greater economic significance when they are transformed into concrete innovation capabilities. Corporate reputation represents a second mechanism because stakeholder evaluations condition the intangible and financial benefits associated with sustainability investments.

**Green Innovation as a Mediating Mechanism**

The reviewed evidence identifies green innovation as a central transmission mechanism linking ESG practices with substantive organizational and financial outcomes. Rather than treating innovation as an independent consequence of environmental responsibility, the reviewed studies indicate that green innovation functions as an organizational capability that converts sustainability commitments into new products, production processes, technologies, and resource-management practices. Evidence from emerging-market research links stronger ESG performance with higher green innovation partly through reduced financing constraints, indicating greater investment capacity among sustainability-oriented firms (Zhai et al., 2022). This relationship positions ESG as a source of internal technological and organizational transformation rather than only a set of externally visible practices. Green innovation is particularly relevant because the reviewed studies connect it with environmental improvement, productivity, competitiveness, market differentiation, and financial value. The literature therefore supports a mediating perspective in which ESG practices create conditions that enable firms to develop green innovation, while innovation subsequently becomes a mechanism through which sustainability commitments influence corporate outcomes. The analytical importance of this pathway is reinforced by the concentration of recent studies examining green innovation as an intermediary rather than merely as an outcome of corporate sustainability.

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**Table 2. ESG-Related Drivers of Green Innovation**

| Sustainability-Related Driver | Green Innovation Mechanism | Synthesis Finding |
|---|---|---|
| ESG Performance | Reduction of financing constraints and stronger innovation capacity | ESG is associated with improved access to innovation resources |
| CSR | Development of green innovation capabilities | Responsible practices are associated with organizational transformation |
| Environmental Taxation | Green innovation as a response mechanism | External sustainability pressure is associated with innovation responses |
| Corporate Governance | Stronger governance support for innovation | Governance supports strategic environmental investment |
| Green Dynamic Capabilities | Development and implementation of environmental solutions | Innovation capacity strengthens the ESG–performance pathway |

The relationships presented in Table 2 demonstrate that green innovation is influenced by both internal organizational capabilities and external institutional pressures. CSR has been found to contribute to corporate performance through green innovation and green dynamic capabilities, indicating that firms require more than sustainability commitments to transform environmental objectives into productive innovation (Aftab et al., 2024). Green dynamic capabilities provide firms with the ability to identify environmental opportunities, mobilize resources, and modify existing processes in response to changing sustainability demands. The role of institutional pressure is also visible in evidence showing that green innovation mediates the relationship between environmental taxation and corporate environmental responsibility in an emerging economy (Amoh et al., 2025). Such evidence identifies green innovation as an adaptive organizational response to regulatory and market-based sustainability pressures. The mechanism is therefore not limited to voluntary ESG initiatives; the reviewed evidence also links external pressures with innovative environmental responses. Green innovation occupies an intermediate position between sustainability expectations and organizational action, explaining how ESG practices extend beyond disclosure and compliance into operational change.

The synthesis further shows that the contribution of green innovation to corporate outcomes depends on firms' capacity to develop and coordinate multiple forms of innovation simultaneously. CSR has been associated with improved green performance through ambidextrous green innovation, indicating benefits from balancing the refinement of existing environmental capabilities with the exploration of new green solutions (Kamran et al., 2025). This finding extends the conventional understanding of green innovation by emphasizing organizational flexibility rather than focusing exclusively on technological outputs. Corporate governance is also relevant because governance structures influence firms' willingness and capacity to invest in environmentally oriented innovation, making governance quality an important antecedent of the innovation process (Mishra et al., 2025). The systematic evidence on governance and green innovation shows that the relationship is shaped by multiple organizational factors rather than by a single governance characteristic. Such findings are particularly relevant in emerging markets, where firms may encounter weaker institutional support, limited technological resources, and higher uncertainty when implementing environmental innovations. Green innovation consequently constitutes a capability-building process in which ESG commitments, governance arrangements, managerial resources, and external pressures interact. This perspective strengthens the argument that the financial consequences of ESG are likely to depend partly on whether firms possess the organizational capacity to transform sustainability objectives into innovative economic activities.

The second analytical pathway concerns the consequences of green innovation for environmental and corporate performance. Research on CSR, green finance, and environmental performance indicates that green innovation contributes to the translation of sustainability-oriented financial and social practices into improved environmental outcomes (Dai et al., 2022). Environmental performance represents an intermediate outcome linking innovation with broader corporate value in the reviewed

evidence. Green innovation has also been identified as a mechanism through which CSR contributes to environmental performance alongside green human resource management, demonstrating the joint role of technological and organizational innovation in sustainability transformation (Zhou et al., 2024). Evidence examining corporate green innovation and financial outcomes further identifies environmental performance as a mediator between green innovation and financial value, establishing a sequential pathway from innovation to environmental improvement and subsequently to economic benefits (Zaid et al., 2025). The mechanism implies that green innovation may initially require financial and organizational resources before producing measurable returns, particularly when firms invest in new technologies or redesign established production processes. The financial contribution of innovation therefore should not be interpreted solely as an immediate effect because improvements in resource efficiency, environmental performance, and market positioning may accumulate over time. Green innovation provides a substantive bridge through which sustainability-oriented investments can become economically meaningful.

**Table 3. Green Innovation as a Transmission Mechanism to Corporate Outcomes**

| Green Innovation Pathway | Identified Outcome | Synthesis Finding |
|---|---|---|
| ESG → Green innovation | Increased innovation capacity | ESG creates conditions for environmental transformation |
| CSR → Green innovation | Stronger green performance | Innovation translates CSR into operational change |
| Green innovation → Environmental performance | Improved environmental outcomes | Innovation enhances resource and environmental efficiency |
| Green innovation → Sustainable performance | Broader sustainability outcomes | Innovation connects environmental and organizational dimensions |
| Green innovation → Financial performance | Improved economic outcomes | Innovation links environmental and operational gains with financial value |

The synthesis in Table 3 indicates that green innovation operates through a sequential rather than purely direct mechanism, beginning with sustainability-oriented organizational conditions and extending toward environmental and financial outcomes. CSR, green innovation, and sustainable development have been linked to both environmental and financial performance, supporting the interpretation that innovation can function as a connecting mechanism between responsible corporate behavior and broader firm outcomes (Sarfraz et al., 2023). Research also associates environmental innovation with corporate financial performance, while the strength of this relationship varies with the credibility of corporate environmental claims and the presence of greenwashing (Ali et al., 2026). This qualification is analytically significant because innovation generates economic value only when stakeholders recognize the underlying environmental improvements as substantive and trustworthy. The literature therefore reveals that the green innovation pathway contains both an operational dimension, involving technological and process improvements, and a legitimacy dimension, involving stakeholder assessments of corporate environmental behavior. The financial value of green innovation is weaker when communicated environmental achievements are inconsistent with actual organizational practices. Green innovation should consequently be examined together with corporate reputation when explaining how ESG practices are ultimately converted into financial performance. This integrated interpretation establishes the conceptual basis for the subsequent analysis of corporate reputation as a second mediating mechanism.

Across the literature, green innovation therefore emerges as more than an environmental outcome because it represents a strategic transmission mechanism linking ESG practices with organizational transformation and corporate performance. Its mediating role is supported by evidence connecting ESG with innovation capacity, CSR with green innovation, external sustainability pressures with innovation responses, and innovation with environmental and financial outcomes. The mechanism also explains heterogeneous financial consequences among firms with comparable ESG commitments because their ability to develop, implement, and commercialize green innovations varies substantially. In emerging

markets, this variation is particularly important because financing constraints, governance quality, technological capabilities, and institutional pressures influence the resources available for environmental innovation. Green innovation consequently provides a more nuanced explanation of the ESG–financial performance relationship than a direct-effect perspective because it captures the process through which sustainability commitments become organizational capabilities. At the same time, the evidence indicates that innovation alone does not fully explain financial value because stakeholder recognition and corporate credibility condition the reputational and market benefits associated with environmental improvements. The next analytical dimension therefore considers corporate reputation as a complementary mediating mechanism that can operate alongside green innovation in transforming ESG practices into corporate financial performance.

**Corporate Reputation as a Mediating Mechanism**

Corporate reputation emerges as a second important mechanism linking ESG practices with corporate outcomes because sustainability performance is evaluated not only through internal operational improvements but also through stakeholder perceptions of corporate credibility, responsibility, and legitimacy. The literature indicates that CSR can generate reputational value when stakeholders perceive corporate sustainability activities as consistent, substantive, and aligned with broader social and environmental expectations. Evidence from manufacturing companies identifies corporate reputation as a mediator in the CSR–financial performance relationship, linking responsible corporate behavior with economic benefits through improved stakeholder perceptions in addition to operational effects (Jing et al., 2023). This mechanism is particularly relevant for emerging markets, where information asymmetry and institutional variation can increase the importance of reputation as an informal source of corporate legitimacy. A favorable reputation strengthens stakeholder confidence, facilitates relationships with customers and investors, and supports the perceived reliability of corporate commitments. The literature therefore positions reputation as an intangible organizational asset that links sustainability-related behavior with economic and relational advantages. Its mediating role complements the innovation pathway because green innovation can generate substantive environmental improvements while reputation determines how those improvements are interpreted and valued by external stakeholders.

**Table 4. Corporate Reputation as a Stakeholder-Based Mechanism**

| Initial Sustainability Practice | Reputation-Related Mechanism | Synthesized Corporate Outcome |
|---|---|---|
| CSR Practices | Stronger stakeholder perception of responsibility | Greater corporate legitimacy |
| ESG Performance | Enhanced credibility of sustainability commitments | Improved stakeholder confidence |
| Green Innovation | Visible evidence of environmental commitment | Stronger corporate reputation |
| Sustainable Supply Chain Practices | Perceived organizational responsibility | Enhanced reputational value |
| Corporate Reputation | Increased stakeholder trust and acceptance | Financial and market benefits reported in the reviewed literature |

The pattern in Table 4 shows that reputation is not simply an outcome of communication but develops from observable corporate practices that demonstrate consistency between sustainability claims and organizational behavior. Research on sustainable innovation and green supply chain practices in emerging markets shows that innovation can strengthen the relationship between sustainability-oriented supply chain activities and corporate reputation, suggesting that substantive environmental action contributes to reputational formation (Herzallah et al., 2025). This finding is important because stakeholders may distinguish between symbolic ESG communication and sustainability practices supported by tangible organizational changes. Green innovation provides visible evidence that environmental commitments have been incorporated into products, production systems, or supply-chain processes. Corporate reputation consequently reflects not only what firms communicate

but also how stakeholders interpret the credibility of their sustainability-related actions. The reputational mechanism is particularly valuable in markets where formal institutional signals are incomplete and stakeholders rely on corporate reputation to assess organizational reliability. Reputation therefore represents a cumulative intangible asset that can strengthen the economic consequences of substantive ESG implementation.

The relationship between CSR and reputation is further supported by research identifying corporate image as a mediator of the consequences of environmental CSR practices for organizational performance. Environmental CSR has been linked with corporate social performance through green innovation and corporate image, demonstrating that innovation and stakeholder perception function as interconnected pathways rather than isolated mechanisms (Fosu et al., 2024). Corporate image and corporate reputation are conceptually related but should not be treated as identical because image can reflect more immediate stakeholder perceptions, whereas reputation generally develops through accumulated evaluations of corporate behavior over time. This distinction is important for the present framework because ESG practices may first influence perceptions through visible environmental or social initiatives before those perceptions become embedded in a broader reputational assessment. The reputational pathway therefore involves an interpretive process in which stakeholders evaluate the consistency, authenticity, and social value of corporate activities. The reviewed evidence associates consistent environmental responsibility with stronger stakeholder confidence than sustainability communication disconnected from operational practices. Corporate reputation consequently provides an explanatory mechanism for why similar ESG investments can produce different market and financial consequences across firms.

The relationship among ESG performance, green innovation, corporate reputation, and market outcomes becomes more explicit when these constructs are examined as interconnected dimensions of corporate value creation. Research examining green innovation, ESG performance, and corporate reputation identifies their joint association with stock market performance, demonstrating the combined role of sustainability and intangible stakeholder assets in market-related outcomes (Abdullah et al., 2024). The synthesis identifies reputation as an amplifier of the economic value of green innovation through greater visibility and credibility of environmental improvements. Conversely, innovation strengthens reputation by providing stakeholders with observable evidence that ESG commitments have been converted into substantive corporate practices. This reciprocal relationship challenges a purely linear interpretation in which ESG produces reputation and reputation subsequently produces financial performance. Instead, the literature supports a more dynamic perspective in which innovation and reputation reinforce one another while connecting sustainability practices with economic outcomes. Such an interpretation is particularly relevant in emerging markets because stakeholder trust can be influenced by uncertainty regarding the authenticity and effectiveness of corporate sustainability claims.

The credibility dimension is especially important because corporate reputation deteriorates when environmental claims are perceived as inconsistent with actual corporate practices. Evidence on environmental innovation and financial performance indicates that greenwashing can moderate the relationship between environmental innovation and corporate financial performance, demonstrating that the credibility of environmental initiatives affects their economic consequences (Ali et al., 2026). This finding shows that reputational improvement is contingent on correspondence between sustainability claims and observable corporate behavior rather than on the volume of environmental activities alone. Greenwashing therefore constitutes a boundary condition that weakens the reputational benefits associated with genuine environmental innovation. This mechanism reinforces the importance of substantive ESG implementation because corporate reputation depends partly on the consistency between corporate claims, innovation activities, and environmental outcomes. The resulting relationship is therefore not simply ESG → reputation → financial performance, but rather a credibility-sensitive process in which stakeholders continuously assess the authenticity of sustainability-related corporate behavior. Reputation becomes economically valuable when it reflects accumulated confidence in the firm's actual sustainability performance rather than temporary communication effects.

The literature also identifies corporate reputation as a strategic intangible resource that complements internal innovation capabilities in explaining financial outcomes. CSR, green innovation, and corporate image have been shown to operate as interconnected mechanisms affecting corporate performance, while corporate reputation has independently demonstrated mediating relevance in the CSR–financial performance relationship. This convergence identifies two distinct and complementary

channels of ESG-related value creation: green innovation changes what the firm does, while corporate reputation influences how stakeholders evaluate those actions. The distinction provides a stronger explanation of corporate financial performance than a framework that treats ESG as a direct predictor because it incorporates both organizational transformation and external stakeholder evaluation. Reputation strengthens customer relationships, investor confidence, legitimacy, and market acceptance, while green innovation improves technological capabilities, environmental efficiency, and competitive differentiation. The interaction between these mechanisms is particularly important in emerging markets because firms must simultaneously build internal capabilities and establish credibility among stakeholders operating under conditions of institutional uncertainty. Corporate reputation should therefore be positioned as a complementary mediator rather than merely an additional consequence of ESG practices. The integrated role of reputation becomes clearer when its stakeholder-based pathway is considered alongside the innovation-based pathway developed in the preceding analysis.

**Integrated Analytical Framework: Complementary Mediation of Green Innovation and Corporate Reputation**

The synthesis across the preceding analytical dimensions indicates that the relationship between ESG practices and corporate financial performance is better understood as a multidimensional value-creation process than as a direct linear association. ESG practices establish the strategic and institutional foundation for sustainability-oriented corporate behavior, while green innovation and corporate reputation represent two distinct mechanisms linking such behavior with organizational and economic value. Evidence from emerging markets indicates that CSR, green intellectual capital, and related sustainability resources contribute to environmental sustainability performance, highlighting the importance of internal capabilities in converting responsible practices into substantive outcomes (Srouji et al., 2025). Green innovation captures the internal transformation of ESG commitments into technologies, processes, products, and capabilities, whereas corporate reputation captures the external interpretation of these transformations by stakeholders. The distinction is analytically important because firms implementing similar ESG initiatives exhibit different financial consequences depending on innovation capacity and the credibility attached to their sustainability activities. The integrated framework therefore treats ESG practices as an antecedent, green innovation and corporate reputation as complementary mediating mechanisms, and corporate financial performance as the ultimate organizational outcome. Such an arrangement provides a more comprehensive explanation of value creation in emerging markets, where sustainability performance is influenced simultaneously by organizational resources, institutional conditions, and stakeholder evaluations.

The relationship between the four principal constructs is represented in the synthesis as a sequence of mutually reinforcing processes rather than independent associations. Across the reviewed studies, ESG practices are associated with resource allocation toward environmental technologies, responsible production systems, social initiatives, and governance improvements, creating conditions for green innovation. Green innovation is subsequently associated with operational improvements and environmental benefits while providing observable evidence that strengthens stakeholder evaluations of corporate responsibility. Corporate governance has been identified as an important condition for green innovation and firm outcomes, reinforcing the importance of organizational structures in determining whether sustainability commitments become productive capabilities (Ullah & Ihsan, 2025). Corporate reputation represents the cumulative stakeholder evaluation of these actions and is associated with investor confidence, customer acceptance, legitimacy, and market relationships. Financial performance is therefore linked to the combined operation of these internal and external processes rather than to ESG activity in isolation. The resulting framework recognizes that corporate sustainability creates economic value through both what firms develop and implement and how stakeholders perceive and evaluate those developments.

**Table 5. Integrated Analytical Pathways Linking ESG Practices to Corporate Financial Performance**

| Analytical pathway | Principal mechanism | Synthesized Corporate Consequence |
|---|---|---|
| ESG → Financial performance | Direct strategic and resource effects | Improved economic outcomes |
| ESG → Green innovation | Capability development and resource mobilization | New environmental products, processes, and technologies |
| Green innovation → Financial performance | Efficiency, differentiation, and environmental improvement | Higher financial value associated with efficiency, differentiation, and environmental improvement |
| ESG → Corporate reputation | Stakeholder evaluation and legitimacy | Stronger trust and corporate acceptance |
| Corporate reputation → Financial performance | Stakeholder support and intangible value | Improved market and financial outcomes |
| ESG → Green innovation → Financial performance | Innovation-based mediation | Sustainability converted into productive value |
| ESG → Corporate reputation → Financial performance | Reputation-based mediation | Sustainability converted into stakeholder value |
| ESG → Green innovation + Corporate reputation → Financial performance | Complementary internal and external mechanisms | Integrated sustainability-based value creation |

The pathways in Table 5 demonstrate that green innovation and corporate reputation should not be interpreted as competing explanations of the ESG–financial performance relationship. Green innovation primarily represents an internal capability pathway, through which firms convert ESG commitments into technological, operational, and organizational changes. Corporate reputation represents an external stakeholder pathway, through which these actions acquire legitimacy and economic significance through stakeholder interpretation. Research on CSR and sustainable corporate performance in emerging economies supports the role of green innovation and corporate image as intermediary mechanisms, indicating the joint explanatory role of organizational innovation and stakeholder perception in broader corporate outcomes (Tran & Le, 2026). The complementary pattern shows that green innovation strengthens reputation by providing tangible evidence of sustainability performance, while a strong reputation increases the market and stakeholder value associated with successful green innovation. Such interaction is particularly relevant where sustainability investments require significant resources before their financial benefits become visible. The integrated perspective therefore moves beyond a single-mediator model and identifies simultaneous development of internal sustainability capabilities and external stakeholder legitimacy as the basis of the combined value-creation pathway.

The emerging-market context further strengthens the relevance of this integrated framework because institutional and financial conditions shape both the development of green innovation and the formation of corporate reputation. Firms operating in these environments face financing constraints, technological limitations, regulatory variation, and uneven stakeholder expectations that affect the conversion of ESG commitments into productive outcomes. Evidence linking ESG performance with green innovation through financing constraints identifies access to financial resources as a condition for the development of sustainability commitments into innovation capabilities (Zhai et al., 2022). At the same time, corporate reputation provides an important intangible resource when stakeholders use non-financial signals to assess organizational reliability and sustainability credibility. The interaction between these conditions produces heterogeneous outcomes across firms with similar levels of ESG commitment because implementation resources and institutional environments differ. This contextual perspective is consistent with evidence that CSR, green innovation, and environmental performance are interconnected within broader sustainable-development processes (Sarfraz et al., 2023). The financial consequences of ESG should therefore be interpreted as context-dependent outcomes shaped by the

interaction between organizational capabilities, resource availability, stakeholder perceptions, and institutional pressures.

The integrated framework also provides an explanation for inconsistencies in previous findings concerning the economic consequences of sustainability practices. Positive ESG–financial performance relationships are concentrated in evidence where firms possess the capacity to transform sustainability commitments into innovation and stakeholders perceive those commitments as credible. Weaker or inconsistent financial effects are reported where ESG practices remain largely symbolic, innovation capabilities are inadequate, or sustainability claims fail to correspond with observable corporate behavior. Research connecting ESG practices and financial performance has identified green innovation as an important mechanism for strengthening firm outcomes, supporting the argument that sustainability becomes economically meaningful when embedded in substantive organizational capabilities (Bashir et al., 2025). The credibility problem is equally important because environmental innovation is associated with weaker financial benefits when greenwashing reduces stakeholder confidence in corporate environmental claims (Ali et al., 2026). These conditions indicate that the effectiveness of ESG cannot be assessed solely by measuring the extent of sustainability engagement because the quality of implementation and stakeholder interpretation also determine economic consequences. The integrated model consequently explains variation in ESG outcomes by incorporating both capability-based and reputation-based mechanisms. This provides a stronger conceptual foundation for interpreting corporate financial performance in emerging markets than a framework based exclusively on direct ESG effects.

The final synthesis positions ESG practices, green innovation, and corporate reputation as interconnected components of a corporate value-creation architecture in which sustainability commitments are transformed into internal capabilities and external legitimacy and are subsequently linked with financial outcomes. The literature supports the proposition that green innovation functions as the principal mechanism through which ESG practices become operationally substantive, while corporate reputation functions as a mechanism through which those substantive actions become socially and economically recognized. Evidence concerning green innovation, environmental performance, and financial outcomes identifies environmental improvement as an important bridge between innovation and economic value (Zaid et al., 2025). The framework also identifies governance, financing conditions, organizational resources, and stakeholder credibility as conditions that strengthen or constrain these pathways rather than assuming identical ESG outcomes across corporate contexts. This integrated synthesis explains why ESG practices remain associated with financial performance even when direct effects are uncertain or inconsistent across the reviewed studies. It also establishes a clear analytical position for understanding emerging-market firms as organizations that must simultaneously develop sustainability capabilities and secure stakeholder legitimacy. The resulting framework contributes to the literature by connecting the internal transformation represented by green innovation with the external valuation represented by corporate reputation within a single explanation of ESG-driven financial performance.

## CONCLUSION

### CONCLUSION

The synthesis of 20 scholarly publications indicates that ESG-related practices are associated with corporate financial and organizational outcomes through relationships that differ across sustainability constructs, institutional settings, and performance measures. Green innovation emerges as a recurrent organizational mechanism associated with financing conditions, environmental improvement, and the development of technological and operational capabilities. Corporate reputation represents a distinct stakeholder-based mechanism through which credible sustainability practices may be associated with organizational legitimacy, stakeholder confidence, and financial outcomes. The reviewed evidence supports individual components of these pathways, although direct empirical support for their simultaneous mediating roles remains limited. The integrated framework consequently positions green innovation and corporate reputation as potentially complementary explanatory mechanisms rather than statistically verified joint mediators. Their proposed relationship provides a conceptual basis for examining how organizational sustainability capabilities and stakeholder evaluations may contribute to differences in corporate financial performance across emerging-market environments.

The principal contribution of this study lies in distinguishing direct empirical evidence, indirect support from related constructs, and conceptual relationships derived from the integration of prior findings. The synthesis indicates that ESG-related financial outcomes cannot be interpreted independently of organizational resources, governance arrangements, financing conditions, and the credibility of sustainability implementation. For corporate management, the reviewed findings suggest the relevance of evaluating ESG initiatives alongside innovation capabilities and reputational considerations, without presuming that sustainability expenditure produces uniform financial returns. The study is limited by its purposively selected corpus of 20 publications, potential selection bias, heterogeneous construct definitions, differences in research designs and national settings, and the absence of quantitative meta-analysis or independent empirical testing. These limitations restrict causal interpretation and generalization beyond the reviewed evidence. Future research should separately estimate direct ESG–financial performance relationships, test the mediating effects of green innovation and corporate reputation, examine possible interactions between these mechanisms, and assess institutional, industry-specific, and organizational conditions as potential moderators. Comparative empirical investigations across emerging economies would provide a stronger basis for evaluating the proposed framework and determining the circumstances under which sustainability-related practices are associated with corporate financial outcomes.

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