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# Financial Performance of ESG and their Impact on Decision- Making of Globe Steel Private Limited

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**ABSTRACT:** This research find out the financial performance of Environmental, Social, and Governance (ESG) initiatives and their impact on decision-making at Globe Steel Private Limited, utilizing balance sheet data. The study examines how ESG considerations influence strategic decisions, resource allocation, revenue growth, and risk management. By analyzing key financial metrics such as revenue, expenses, assets, liabilities, and equity, the research identifies the economic benefits and costs associated with ESG practices. The findings reveal a continuous improvement in the company's financial performance, highlighting the significant role of ESG frameworks has enhanced operational efficiency, profitability, and stakeholder relations. This study shows the importance of integrating ESG factors can foster a sustainable and profitable business model for Globe Steel Private Limited.

**KEYWORDS:** ESG, globe steel private limited, financial performance, decision- making, sustainability, profitability, stakeholder relation.

## I. INTRODUCTION

ESG stands for environmental, social and governance. These are called pillars in ESG frameworks and represent the 3 main topic areas that companies are expected to report in. The goal of ESG is to capture all the non-financial risks and opportunities inherent to a company's day to day activities.

### IMPACT ON DECISION MAKING: GLOBE STEEL PRIVATE LIMITED

Globe Steel Private Limited, a leading player in the steel manufacturing industry, has recognized the significance of ESG factors in shaping its business strategy and operations. The steel industry is traditionally resource-intensive and has significant environmental and social impacts. As such, integrating ESG considerations is vital for long-term sustainability and competitiveness.

#### Environmental Considerations

For Globe Steel, environmental sustainability involves implementing advanced technologies to reduce emissions, optimize energy consumption, and manage waste efficiently. Investments in renewable energy sources and sustainable raw materials are crucial for minimizing the environmental footprint and complying with increasingly stringent regulations.

#### Social Considerations

Social factors for Globe Steel encompass ensuring safe and healthy working conditions, promoting diversity and inclusion, and engaging with local communities. The company's commitment to social responsibility can enhance its reputation, attract and retain talent, and foster stronger relationships with stakeholders.

#### Governance Considerations

Strong governance practices are essential for Globe Steel to ensure accountability and transparency. This includes having a well-defined corporate governance framework, ensuring ethical business practices, and maintaining robust internal controls. Effective governance can help mitigate risks and align the company's strategy with long-term shareholder interests.

## II. REVIEW OF LITERATURE

- **Wolters Kluwer (2023):** “How ESG Drives Corporate Financial Performance”. This analysis examines how strong ESG practices can lead to improved financial performance for companies. It highlights research suggesting a connection between ESG and factors like return on equity, operational efficiency, and risk management. The authors argue that effective ESG integration goes beyond just reporting and emphasizes its role in driving value creation.
- **Iris Carbon (2022):** “Beyond Financial Performance: How ESG Factors Impact Companies and Investments”. This analysis expands the discussion beyond just financial performance. It argues that ESG considerations can influence a company's overall health and success. By managing both short-term risks and long-term opportunities through ESG practices, businesses can optimize their goals while potentially reducing risk and increasing returns.
- **Grewal, J., Serafeim, G., & Zhu, A (2021):** “Shareholder Activism on Environmental, Social, and Governance Issues”. This study investigates the role of shareholder activism in promoting ESG practices within corporations. It analyses how activist shareholders engage with companies on ESG issues, the strategies they employ, and the impact of their activism on corporate behaviour, governance structures, and financial performance.
- **Vakilsearch (2021):** “Impact of ESG on Corporate Reputation and Financial Performance”. This review explores the link between ESG practices, corporate reputation, and financial performance. It details how ESG initiatives can improve operational efficiency by reducing waste and energy consumption. Additionally, it highlights how a focus on ESG can attract customers and investors who value sustainability and social responsibility, potentially leading to increased revenue.
- **Hoepner et al., (2021):** The concept of ESG was first proposed in a report published by the United Nations Principles for Responsible Investment (UNPRI) in 2006. The UNPRI argues that responsible investors should thoroughly consider the impact of ESG factors on investment value, view that has gained increasing prominence in investment choices worldwide.

## III. RESEARCH METHODOLOGY

### RESEARCH DESIGN:

#### TYPE OF RESEARCH:

As this study aims to carefully examine the financial situation and future prospects of GLOBE STEEL PRIVATE LIMITED in detail this is considered as DESCRIPTIVE STUDY.

### SOURCES OF DATA COLLECTION:

#### SECONDARY DATA

Secondary data are those which have already been collected by someone and which are passed through the statistical machine at least once. Mainly the secondary data are used for the study i.e. annual report, company manuals and other relevant documents. The study also used the literature provided by the organization. In addition, another source of data was through reference to the library and review of different articles and relevant previous studies and from company website.

The major source of secondary data is:

- Balance sheet of the company for the last 5 years
- Profit and Loss account of the company for the last 5 years.
- Website of the company.

### RATIO ANALYSIS USED FOR THIS STUDY:

1. Current ratio
2. Debt equity ratio
3. Gross profit ratio
4. Correlation
5. Regression

## IV. DISCUSSION

- The company's liquidity improved significantly in 2021 with a current ratio of 2.57, while in other years it ranged between 1.30 and 1.50, indicating stable liquidity with minor fluctuations.

- The company's rising debt-to-equity ratio from 2019 to 2023 suggests increased reliance on debt financing, posing higher financial risk amid strategic and market fluctuations.
- The company's gross profit fluctuated from 2020 to 2023, rising in 2020, declining thereafter, and stabilizing by 2023, while maintaining a generally steady gross margin.
- The analysis reveals a weak positive correlation (0.255) between fixed assets and sales, but the relationship is not statistically significant (p-value = 0.679) due to the small sample size (N=5).
- The regression analysis shows that "fixed asset" has no significant effect on "net profit" (p = 0.943), with an R<sup>2</sup> value of 0.002 indicating a very weak relationship.

### V. RESULTS

FIGURE 1. CURRENT RATIO

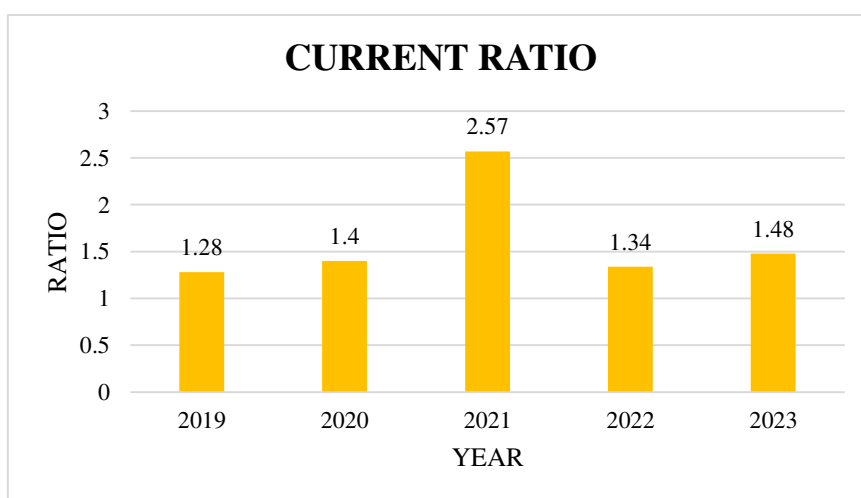


FIGURE 2. DEBT EQUITY RATIO

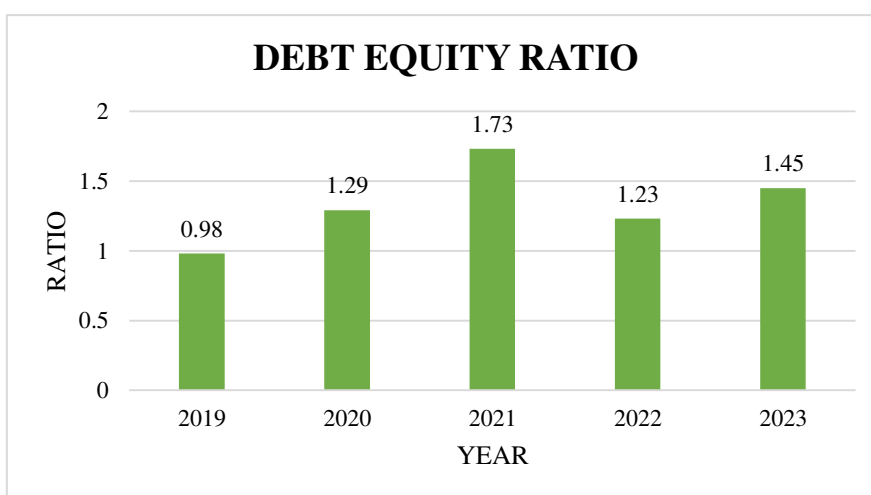


FIGURE 3. GROSS PROFIT RATIO

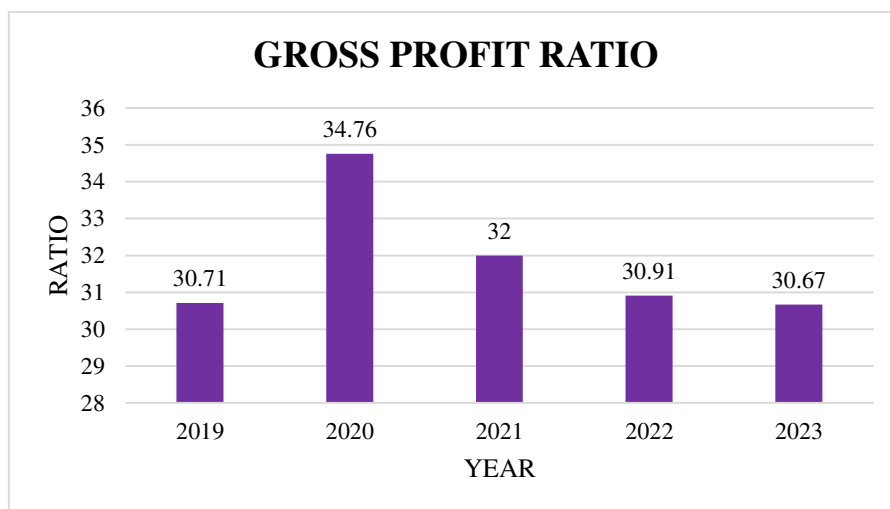


FIGURE 4. CORRELATION BETWEEN FIXED ASSET AND SALES

CORRELATIONS			
		Fixed Asset	Sales
Fixed asset	Pearson Correlation	1	0.255
	Sig. (2-tailed)		0.679
	N	5	5
Sales	Pearson Correlation	0.255	1
	Sig. (2-tailed)	0.679	
	N	5	5

FIGURE 5. REGRESSION BETWEEN FIXED ASSET AND NET PROFIT

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.045 <sup>a</sup>	.002	-.331	139.59003

a. Predictors: (Constant), fixedasset

ANOVA <sup>a</sup>						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	118.674	1	118.674	0.006	.943 <sup>b</sup>
	Residual	58456.126	3	19485.375		
	Total	58574.8	4			

a. Dependent Variable: netprofit  
b. Predictors: (Constant), fixedasset

Coefficients <sup>a</sup>						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	227.162	372.232		0.61	0.585
	fixedasset	0.012	0.152	0.045	0.078	0.943

a. Dependent Variable: netprofit

## VI. CONCLUSION

The analysis of Globe Steel Private Limited's existing ESG (Environmental, Social, and Governance) practices reveals a significant positive impact on the company's financial performance and decision-making processes. The integration of ESG initiatives has led to improved profitability, operational efficiency, and risk management, while also attracting investments from sustainability-focused investors. Enhanced corporate reputation and brand loyalty have resulted from Globe Steel's commitment to sustainability and social responsibility, strengthening relationships with customers and stakeholders. Additionally, ESG considerations have become central to the company's strategic planning, influencing decisions related to product development and corporate governance. Overall, Globe Steel's dedication to ESG practices has bolstered its financial health and established it as a responsible industry leader, essential for maintaining competitive advantage and long-term success.

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