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INSTITUTIONAL INVESTMENT AND SUSTAINABLE BUSINESS PRACTICES: A CANADIAN PERSPECTIVE ON SOCIAL RESPONSIBILITY

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ABSTRACT

This research focuses on the connection of institutional investment, its social responsibility in sustainable business, ESG policy implementation, companies' engagement, and ESG reports on sustainability results. This study employs survey data from 385 Canadian participants. The study used SEM analysis with SmartPLS and identified ESG reporting and social responsibility as core aspects that substantially impact sustainable business practices. However, the impact of integration of ESG policy and portfolio engagement is comparatively less significant. It, therefore, gives social responsibility its rightful place as the central factor that explains sustainability reporting, focusing on the level of transparency. Overall, the present study has important implications for institutional investors and corporate managers, inviting them to enhance ESG integration and develop a strong sense of social responsibility to address sustainable development objectives better. For future purposes, corporate social responsibility has moved beyond mere ESG scores, and sustainability has to be embedded into the organisation's DNA for survival in the long run.

Keywords: *Sustainability, institutional investment, ESG policy, corporate social responsibility, sustainable management, Canadian firms, corporate sustainability*

INTRODUCTION

Increasing attention has been paid to integrating social responsibility into sustainable business practices (Coelho, Jayantilal, and Ferreira, 2023). 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 achieving the maximum profit (Wirba, 2024). CSR may be divided into legal, economic, ethical, and philanthropic duties as defined in Carroll's four-tiered model of CSR. The first layer is economic responsibility, followed by legal obligations, non-legal moral responsibilities, and philanthropic responsibilities (Carroll, 2016).

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 (Bańka et al., 2023). 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 to promote ESG factors as part of the institutional investors' raw materials, enabling them to improve their investment analysis (Eyo-Udo, Odimarha, and Kolade, 2024). 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 (2022), the shift towards responsible investment and sustainable business practices is especially timely in Canada. Canadian authorities have developed strategies concerning reducing carbon emissions, developing clean technologies, and increasing corporate sustainability reporting standards (Fatima and Elbanna, 2023). Moreover, awareness of responsible investing is also rising among Canadian investors. At the same time, more than one-third of the assets under management are already invested in sustainable investment management systems (Journeault, Levant, and Picard, 2021).

According to Fatima and Elbanna (2023), one cannot overlook these challenges when it comes to applying social responsibility in the management of business in Canada. Several elements, including geographical differences in the level of economic development, the nature of the industry, and differences in stakeholder's perceptions of sustainability, will dictate how organisations go about it (Coelho, Jayantilal, and Ferreira, 2023). That is why sections such as renewable energy and technology could easily embrace sustainable practices while sections such as fossil manufacturing industries, among others, could be challenging to embrace sustainable practices due to the conflict between the bottom line and sustainability (Fatima and Elbanna, 2023). Moreover, Canadian businesses confront the expectations of the Indigenous peoples, local governments, and global investors, all of whom may have different social and environmental responsibility expectations for businesses.

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 them. The research aims to identify how these dynamics were operating in Canada, particularly institutional investors' impact on corporate social responsibility and the adoption of sustainable practices in the Canadian context.

Hypothesis Development and Literature review

Sustainable Business Practices

Sustainable business management involves the methods and measures a business organisation consciously follows to cause the least harm to the environment and society (Schiehll and Kolahgar, 2021). Sustainable business practices are based on three dimensions known as the three pillars-economic, social, and environmental performance (Ranjbari et al., 2021). 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 (Boiral and Heras-Saizarbitoria, 2020). Thus, Sustainability management is deemed indispensable in addressing current world issues such as climate change, resource depletion and social inequities (Khan et al., 2021).

Resource management is one of the significant components of sustainability management strategies, and it is aimed at minimising the usage of resources. Firms that used to expend high amounts of natural capital must now look for strategies to reduce their negative environmental influence (Koval and Mikhno, 2021). This has involved embracing circular economy strategies that allow the reduction of fresh stocks by embracing recycling. Oláh et al. (2020) argued that industries can protect the environment by implementing sustainable management practises that reduce resource use. For instance, product manufacturers are using environmentally friendly practises in production, such as using fewer raw materials and reducing wastage, hence, in the long run, cutting costs (Moshood et al., 2021). Also, the firms are extending their capital expenditure on renewable energy technologies like solar and wind energy, thus decreasing the use of exhaustible natural resources. Sustainable resource management can be used to highlight the fact that companies can cut their expenditure while at the same time promoting world sustainability.

Other areas of sustainable business practises include the emission of greenhouse gases that are known to be the cause of climate change. Amidst increased emissions production by industries, governments, consumers, and investors are now demanding that industries transition to cleaner sources of power and minimise their carbon footprint. Qian and Li (2020)

have pointed out that organisations have been implementing emission-reducing technologies in response to climate agreements such as the Paris Agreement. For instance, transportation industry firms use electric cars and biofuels to decrease their dependence on oil and lower emissions (Nogueira et al., 2020). Similarly, the construction industry is incorporating green approaches to the building by using environmentally friendly materials and practises in energy consumption (Lima et al., 2021). These efforts are also useful for the companies to address the legal demands and enhance their social image to address the global climate change issue.

Besides the environmental aspect, businesses face social responsibilities, including protecting workers' rights and corporate accountability (Burchell, 2020). Companies with good ethical labour policies and corporate governance practises will likely attract investors, buyers, and employees. Failure to respect labour rights and disclose appropriate governance structures for a company will lead to a negative image and loss of stakeholder confidence. An example is the apparel industry, where cases of unethical labour practises within the supply chain have earned consumer backlash and appeals for disclosure (Wu, 2023). Additionally, firms with diversity and inclusion practises also experience higher satisfaction levels among the workforce, thus high performance and creativity (Chaudhry et al., 2021). Hence, social responsibility is crucial for compliance with the existing legislation and increasing the competitiveness of organisations on the market since such actions are in demand among consumers.

The recent global economy has forced global organizations and firms to realize that folding 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 (Bini and Bellucci, 2020). In Canada, the principles of sustainable business development have found relatively strong support, and official authorities are actively working with businesses, encouraging them to adopt environmentally friendly practices, protect social rights, and be economically stable. Canadian firms drive some of the most significant sustainability projects because of the government's governing policies and consumers' high expectations of firms' ethical conduct. To support this development, the Canadian government has implemented the Canadian Environmental Protection Act and Canada's Net-Zero Emissions Accountability Act, which compels businesses to cut emissions and embrace sustainable resource consumption (Eckert et al., 2020). According to Bini and Bellucci (2020), geographic and climatic conditions found in different regions of Canada and the abundance of natural resources used for economic benefits of the country, such as energy, mining, and forestry, make the industries realise the importance of sustainable management to support future generations.

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, and sovereign wealth funds, among others, in various classes of securities such as equities, fixed income securities, property, and proprietary funds or shares, among others (Agu et al., 2020). According to the UN PRI framework, three main dimensions of Institutional Investment affect Sustainable Business Practices: Environmental, Social, and Governance (ESG) policy integration, Engagement with portfolio companies, and ESG reporting and disclosure.

Environmental, Social, and Governance (ESG) Policies Integration

One of the acknowledged trends has been adopting ESG policies into investment management to improve sustainability (Agu et al., 2024). Research by Khan et al. (2021) shows that institutional investors can make companies take or recommend sustainable actions by applying ESG factors to their investors' decisions. This has the consequence of turning enterprises into mere moneymaking machines but compelled them to consider environmental and social concerns that shape sustainable entrepreneurship. On the other hand, the study by Indriastuti and Chariri (2021) posited that the effectiveness of sustainability initiatives on institutional investment is proportional to ESG depth. For instance, Cunha et al. (2021) noted that when it comes to integrating ESG considerations into investment portfolios, 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.

- H1: Institutional Investment dimension (ESG Policy and Integration) positively impacts sustainable business practices.

Engagement with Portfolio Companies

Interactions with portfolio firms are the most effective way institutional investors can affect corporate behaviour, especially on sustainability matters (Dyck et al., 2019). Institutional investors can communicate with the companies and influence them to improve corporate sustainability and deal with sustainability risks, as Indriastuti and Chariri pointed out (2021). Such interaction helps investors influence firms to adopt sustainable environmental, social, and governance management. According to Bini and Bellucci (2020), dialogues between investors and firms regarding sustainable matters allow companies to incorporate sustainable policies within them. This results in integrating sustainability into the company's strategic management and business operations. The paper argues that as sustainability is adopted, organisations make their operations more transparent and accountable, improving risk management and the corporate image to the advantage of long-term profitability. It also incentivizes firms to incorporate sustainability in their strategic operations. , supported by Agu et al. (2024), stated that constant pressure from investors guarantees that organisations integrate sustainability into top management agendas and regularly report on sustainability initiatives. This brings value to the companies and the investors by ensuring sustainable business continuity. However, the effectiveness of engagement is highly conditioned by the ability of institutional investors to apply pressure. According to Adu et al. (2022), large investors with big stakes can pressure corporations, while small investors can experience difficulty initiating change. Thus, the influence of engagement depends on the ability of the investor to monitor the companies' activities.

- H2: Institutional Investment dimension (Engagement with Portfolio Companies) positively impacts sustainable business practices.

ESG Reporting and Disclosure

Reporting and disclosure occupy a central position within institutional investment management strategies for sustainability. Firms are motivated to enhance their sustainability standards when reporting on their ESG performance (Cunha, Meira, and Orsato, 2021). Reporting informs stakeholders about a company's impacts on the environment and society and pressures firms to improve 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 (García-Sánchez et al., 2020). However, Kölbel et al. (2020) 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 (2022) suggests that when ESG reporting and disclosure activities are transparent and ethical, their potential to enhance sustainability in business ventures is sustainable.

- H3: Institutional Investment dimension (ESG Reporting and Disclosure) positively impacts sustainable business practices.

Social Responsibility and Sustainable Business Practices

Fatima and Elbanna (2023) describe social responsibility, in a business context, as the practice that advances a firm's best interest and simultaneously supports the society's or nation's welfare. According to Carroll (2021), a corporate environment refers to a business organization's duty to generate value for its shareholders and other stakeholders and optimize its practices to develop socially and environmentally responsible benefits. Of the four dimensions of social responsibility, namely economic, legal, ethical, and philanthropic responsibilities, social responsibility provides a transparent 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 must meet for businesses to run responsibly, not to mention sustainability (Awa, Etim, and Ogbonda, 2024).

Economic Responsibility

Economic responsibility Carroll's CSR Pyramid re-emphasizes the cardinality of the financial reality that

businesses must accrue adequate business income to sustain and develop their operations (Fatima and Elbanna, 2023). Lack of profitability would mean that companies would not be able to afford to embark on socially and environmentally friendly policies (Fatima and Elbanna, 2023). Hence, economic responsibility is a crucial driver in a sustainable strategy. Bini and Bellucci (2020) agree that focusing on financial responsibility typically leads to increased investment in sustainable business practices among companies. For instance, Kölbel et al. (2020) 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, waste control, and other green activities. In these organisations, many view sustainability as a core organisational capability that can add value by improving the ROI in the long run. On the other hand, critics like (Rai, Rai, and Singh, 2021) have pointed out that achieving maximum profits has a negative impact on sustainability, unless where a firm's social and environmental accountability accompanies it. Hence, economic responsibility is the grounded structure of sustainable management; however, it requires other CSR dimensions to make economic responsibility efficient.

CSR has devoted significant attention to the economic dimension of responsibility, especially sustainability. CSR Pyramid, one of the most widely cited frameworks, places economic responsibility at the base, signifying its fundamental importance to the other three dimensions: legal, ethical, and philanthropic responsibility (Sharma and Singh, 2021). The rationale is that legal, ethical, or philanthropic responsibilities cannot be funded from losses, so a company must be profitable first. Carroll's model highlights the premise that if a firm is not profitable, it cannot be operationally viable and support relevant social and environmental activities. Farias et al. (2020) highlighted that continue from this view by affirming that businesses need to create enough revenues to fund socially and environmentally sustainable activities, thereby placing economic responsibility as the foundation of sustainable management of business organisations. Abdi et al. (2020) showed that firms prioritizing economic performance are more likely to spend on sustainability. It is said that economic efficiency supplies the resources that firms need to do activities that positively affect the sustainable development of the economy in the long run, including increasing energy efficiency and decreasing the waste level. This viewpoint concurs with Baah et al. (2020) that firms with high financial performance are better positioned to invest in green projects. These companies understand sustainability as a strategic activity that allows them to optimise the costs of production and, at the same time, enhance their image and competitive advantage. However, some scholars have noted that this economic responsibility may be taken to the extreme, ignoring other aspects of CSR (Ahluwalia, 2022). Shareholder-orientated business management theories provide an impetus for the organisation to execute unsustainable business practises. They argue that although economic responsibility is important, so is social and environmental responsibility. For example, organisations that focus on immediate returns may adopt bad practises like the destruction of timber or emitting harm to the environment, which is not sustainable. This perspective underlines that CSR must integrate economic, social, and environmental objectives.

Legal Responsibility

Legal liability is the legal requirement that a company needs to abide by the laws and regulations of states and countries where they do their business (Indriastuti and Chariri, 2021). It ensures that the corporations comply with the rules on Labor relations and the environment, among other areas (Nikolaou et al., 2023). Legal requirements represent the standard or minimum expectations of acceptable business behaviours and influence sustainability immensely. Cunha, Meira, and Orsato (2021) have shown a positive correlation between legal liability and corporate sustainability. Kölbel et al. (2021) 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. Heubeck and Ahrens (2024) 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.

Ethical Responsibility

Ethical responsibility means business entities must be moral and ethical, as the law does not force them. This dimension goes slightly above the law calling organisations to think past their operations and their effects on society and the environment (Carroll, 2016). Therefore, ethical responsibility concerns equity, rationality, and appropriateness or reporting in managing commerce exercises and is a fundamental part of managing interminable trade operations. Research evidence suggests that firm age, globalisation pressure, strategic orientation, and ethical values positively relate to sustainability (Indriastuti and Chariri, 2021). According to García-Sánchez et al. (2020), organisations that take ethical considerations affirmatively are likely to address sustainability in their day-to-day operations regarding the procurement of raw materials and employees. Also, the origin of ethical responsibility enhances the level of trust with stakeholders, which will, in the long run, improve the company's reputation and sustainability (Eckert et al., 2020). On the other hand, unethical actions like polluting the environment or using exploitation measures on workers are detrimental to the company's sustainability and, thus, a source of reputational loss (García-Sánchez et al., 2020). Hence, ethical responsibility is crucial for organisational sustainability in a firm's strategic plan.

Philanthropic Responsibility

Philanthropic Responsibility refers to the actions of organizations that enhance society's well-being. These activities include giving cash or products to charities, involvement in community needs and activities, and providing support for social causes. These voluntary activities show a company's desire to be responsible towards society (Carroll, 2016). CSR has been broken down into different segments, with philanthropic responsibility being on top and recognised as a robust role in encouraging sustainability within businesses (Bini and Bellucci, 2020). The study by Khan et al. (2021) revealed that the organisations giving resources to the needy gain a public image that helps them achieve sustainable objectives. Boiral and Heras-Saizarbitoria (2020) stated that positive public relations are associated with corporate philanthropy; these include creating goodwill and portraying the company as a responsible bureaucracy. Nevertheless, following Carroll (2016), other studies like Ranjbari et al. (2021), by opposing the concept, argue that philanthropic responsibility cannot be used to avoid more profound environmental and social challenges.

- H4: Social responsibility moderates the relationship between Institutional Investment dimensions and sustainable business practices

DATA AND METHODOLOGY

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 (Yacob et al., 2022). Across Canada, many businesses, especially energy, mining, and manufacturing industries, are integrating sustainability into 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. 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 positions as senior managers, sustainability officers, and directors who directly make decisions on investment in sustainability. These individuals were selected based on their expertise and power in formulating and implementing macro and micro-investment and CS decisions in their organisations. The sample size was 385 Canadian organisations in various industries contributing to Canada's economy. Such participants were selected because of their knowledge of sustainability and institutional investment and if their company also implemented ESG factors in the organisation.

Data Collection Tool

The data collection method used in this study was a survey questionnaire. The questionnaire was initially

developed concerning the given constructs of the study, and the most important aspects of the questionnaire were created concerning the existing theories and previous research (Grassini and Laumann, 2020). The sections of the questionnaire that followed dealt with institutional investment and sustainable business practices as the two primary 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 agree 5=strongly. The design was intended to encourage more complex reactions regarding the factors expected to facilitate correlation analysis.

Constructs and Variables

This research encompasses three primary constructs: In this context, the independent variable is an 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 the questionnaire were adapted from Yacob et al. (2022). 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, Social Responsibility, was measured in line with the Pyramid of CSR formulated by Carroll (2016), which categorises different levels of responsibility: Economic, Legal, Ethical, and Philanthropic. This construct examined how a firm's commitment to social responsibility affects institutional investment with sustainable business practices. To achieve this, the study sought to define these constructs carefully to present a general understanding of the forces in operation in the Canadian business environment.

Data Analysis

Questionnaire data was analysed using Smart PLS (Partial Least Squares Structural Equation Modeling), a statistical tool most suitable for exploratory research and theory development (Fife-Schaw, 2020). PLS-SEM was used for the research owing to its applicability on numerous variables and constructs for prediction and the explanation of variance compared to covariance-based-SEM (Aithal and Aithal, 2020). Due to the escalating interconnectivity between institutional investment, social responsibility, and sustainable business practices, PLS-SEM was useful for running the hypothesised model. Cronbach's alpha and composite reliability analysis methods were adopted to measure the reliability of the measures. The average variance extracted (AVE) was also employed to determine convergent validity, whereby each construct must explain the reasonably variable variation of the overall questionnaire items. Last, path analysis was employed to analyse the relationship hypothesis between the independent, the dependent, and the moderator variables.

EMPIRICAL RESULTS AND ANALYSIS

Factor Loadings

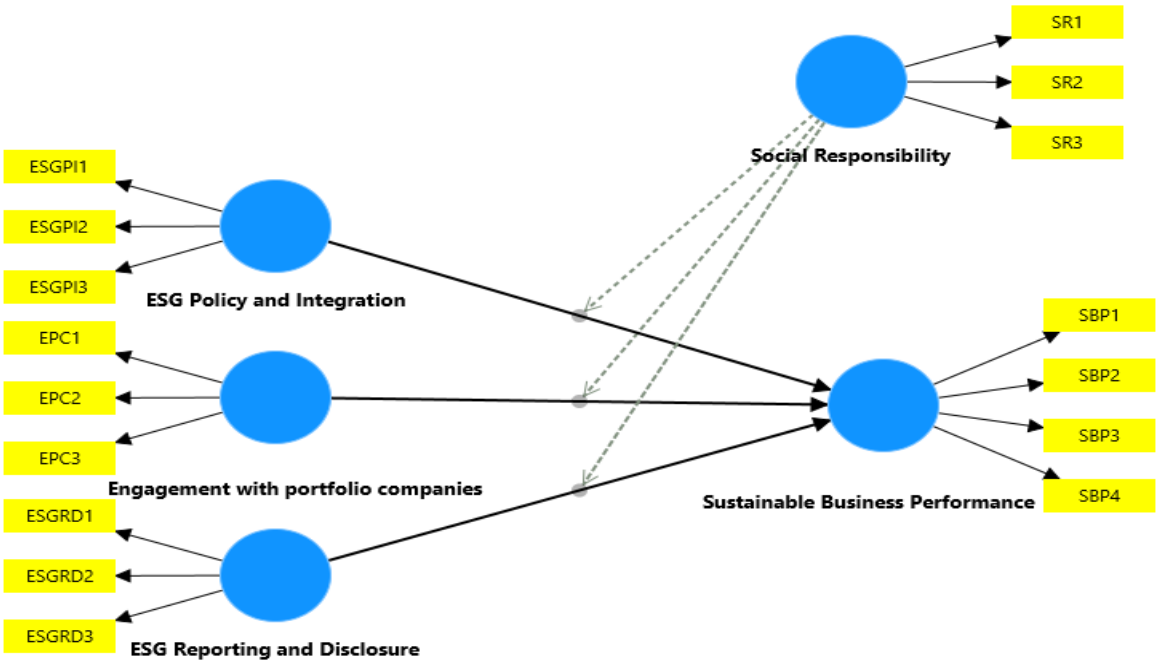

Figure 1: *Structural Model*

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

As shown in Table 1, the outer weights predict the extent of the relation between the individual indicators and the respective latent constructs. **Figure 1** also represents the structural model for the study derived through partial least square-structural equation modelling. For Engagement with Portfolio Companies (EPC), the outer weights are fairly robust 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 indicates 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 a slightly lower contribution than EPC, where ESGPI1 has a contribution of 0.395, ESGPI2 has a contribution of 0.384 and ESGPI3 with 0.360. These values show that the indicators fairly represent ESG policy and its incorporation into the firm's strategic management and decision-making. However, there is a slight difference in the relative significance of each.

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) contribute a tad lesser. This infers that even though all the indices are important, their combined impact is less than that of 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 precisely 1.000 in the outer weights, suggesting complete moderation of these associations. This implies that social responsibility is important in modeling institutional investment practices' effect on sustainable business performance.

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, as evident in **Table 2**. All sub-themes include ESG policy and integration, engagement of portfolio companies, ESG reporting and disclosure, and the effect of social responsibility as a moderator. This proves to be a strong explanatory power from which an analyst can derive meaning and, as such, posit that the above-chosen factors are a good predictor of sustainable business performance. The adjusted R-square of 0.679 obtained considers the number of predictors in the model and is just a little lower than the R-square, and this suggests that the model is not over-specified. The variables used in the model have a meaningful impact on the outcome. Cumulatively, these values evidence the model's efficiency in value creation for sustainable business performance, which implies institutional investment and social responsibility.

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

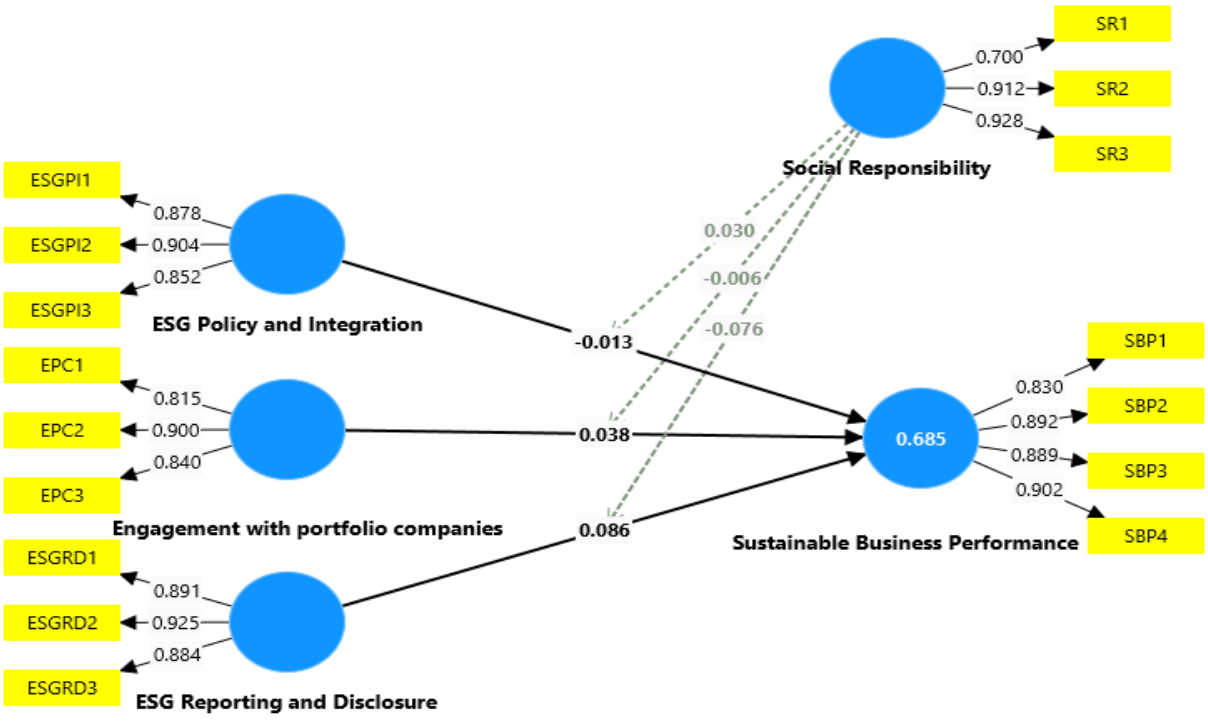

Figure 2: *Path Analysis*

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 as reflected in **Table 3,** showing path analysis and evident through the structural model in **Figure 2**. ESG Policy and Integration is negative, starting with the second concept, with the path coefficient equal (-0.013). However, the P-value is relatively high at 0.774, and T-statistics is very low at 0.287, meaning that we can't claim 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), which 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 the ESG report, the organisation may likely make some positive though minimal impact on its sustainable business performance. Engagement with Portfolio Companies, however, depicts a weaker positive association, with a path coefficient of 0.038, a non-significant P-value of 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 first. 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 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 between Social Responsibility and the ESG-related variables is inconclusive. Among the subcategories of Social Responsibility x ESG Policy and Integration, the tests for moderating effect show 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 a 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 a P-value 0.062, which signifies a low adverse effect, showing that social responsibility may slightly mitigate the influence of ESG reporting on sustainable business performance. In conclusion, the study found social responsibility imperative to effective performance with little influence from the institutional investment variables.

H1: Institutional Investment Dimension (ESG Policy and Integration) Positively Impacts Sustainable Business Practices

The first hypothesis lacks an empirical base for the ESG Policy and Integration path coefficient; its absolute value equals - 0.013. In contrast, the P-value, which equals 0.774, is above the generally accepted significance level 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. Therefore, hypothesis H1 is rejected since the analysis results do not support the view that implementing ESG policies positively affects a business's sustainability performance. This indicates that although ESG policies may still be relevant for sustainability, other factors or a different configuration might be needed for such policies to influence sustainability results.

H2: 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 relatively small, equalling 0.038, while the P-value is 0.303 and the T-statistic equals 1.029. Values presented below imply no correlation between engagement with portfolio companies regarding ESG issues and sustainable business practice. Therefore, the current analysis of the 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 talking with the portfolio companies about ESG issues could not be sufficient to effect positive changes in their sustainability profiles.

H3: Institutional Investment Dimension (ESG Reporting and Disclosure) Positively Impacts Sustainable Business Practices

Consequently, there is partial support for the tested hypothesis stating that ESG Reporting and Disclosure positively relate 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. The results indicate that an enhanced ESG Reporting and Disclosure level can positively impact sustainability performance, albeit moderately. This implies that although transparency and verified ESG metrics in reporting are valuable, they are not enough to improve sustainability substantially practises.

H4: Social Responsibility Moderates the Relationship Between Institutional Investment Dimensions and Sustainable Business Practices

There is partial evidence that the moderating role of Social Responsibility 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 a 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 supporting Social Responsibility as a moderator means that H4 can be rejected in most cases. However, SR may have a weak buffering effect on the relationship between ESG Reporting and Sustainability- although this is only an implication that must be taken with caution, given the overall absence of significant results.

DISCUSSION

The study's findings correlate with certain prior studies, and in other ways, they contradict some studies regarding institutional investment toward introducing sustainable business practices. A survey conducted by Awa, Etim, and Ogbonda (2024) stated that including ESG factors in investment management strategies positively changes corporate sustainability outcomes. Nikolaou et al. (2023) also strengthened the argument that institutional investors considering integrating 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 contradicts their findings; the fact demonstrates that though ESG integration is vital, it is not always necessarily requisite for better sustainability results, excluding some essential regional or sectoral considerations. This could be attributed to variations across corporations in terms of how ESG policies are adopted or viewed, as pointed out by Felício et al. (2023) that the 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 (2024) respectively indicates that the sustainability performance of firms' ESG metrics is more robust when third parties verify the information disclosed. 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 (2010) also identifies social responsibility as a possible moderator, aligning with Carroll's (2016) conceptualisation of CSR.

Regional factors also play a crucial role in the success of ESG integration. The extent of regulation, expectations of investors, and perception of sustainability vary from country to country and region to region. For instance, where both the political environment and the consumers embrace sustainable practises, integrating ESG might result in better sustainability enhancement. On the other hand, if the sustainability culture is not well developed in the region, the effect of ESG policies may not be potent in corporate or societal terms. These findings indicate that failure to consider such contextual differences is a critical limitation of this study when assessing the effects of ESG integration on sustainability. The study implies that even though

ESG policies are undoubtedly essential, the approach is not universally applicable to enhance the sustainability of corporations. Sometimes, the impact of other factors, including regional legislation, the state of the market, and specific company initiatives, may be more significant for sustainability results than the discussed factors.

The findings of this study regarding ESG Reporting and Disclosure align with increasing literature on the role of transparency as a motivating factor for sustainable business. Heubeck and Ahrens (2024) noted that ESG metrics with third-party verification of reported and disclosed data demonstrate higher levels of sustainability performance among firms. This means that when reporting on ESG is transparent, accountability is created as a basis, and stakeholders, particularly investors, have better information to make good decisions that lead to better sustainability practises.

IMPLICATIONS

This research has important implications for both institutional investors and corporate managers. The results bear implications for investors by indicating that. In contrast, ESG policies and engagement with portfolio firms are critical measures; they do not necessarily result in improvements in sustainable business practices. This emphasises the importance of going beyond the policy integration standard and investigating the level and efficiency of implementing these strategies in companies. Additionally, the insignificant coefficient regarding the change in ESG reporting indicates that accountability is critical in determining sustainability outcomes (Awa, Etim, and Ogbonda, 2024). 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 (Fatima and Elbanna, 2023). This indicates that organisations must level up and profoundly enhance social responsibility integration in their functions. This should be implemented to ensure that all constituencies take responsibility and perform to ensure that the provisions for ESG are not mere 'greenwashing' but the company's strategic initiative, which leads to the actual enhancement of sustainability (Heubeck and Ahrens, 2024).

CONCLUSION

In conclusion, the presented analysis draws attention to the multifaceted connections between institutional investment, social responsibility, and managers' sustainable business practices. However, compared to disclosure and robust expertise in social initiatives, 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 must move beyond mere compliance and disclosure of ESG policies and practices, embracing substantive approaches to embedding such principles into the firm's DNA. Further driving engagement to the ESG factors and CSR is critical to effectively advancing and fostering sustainable change in the commercial world.

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