



Examining the Impact of Environmental, Social, and Corporate Governance (ESG) Sustainability on Corporate Stressors

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In today's competitive and dynamic business environment, companies are increasingly exposed to various forms of organizational, financial, operational, and environmental pressures. These pressures, often referred to as corporate stressors, can negatively influence firm performance, managerial decision-making, stakeholder relationships, and long-term sustainability. At the same time, growing global attention toward sustainable development has encouraged firms to adopt broader responsibilities that extend beyond profit maximization. As a result, the concept of Environmental, Social, and Governance (ESG) sustainability has become an important framework for evaluating corporate behavior and organizational performance. ESG practices are widely recognized as mechanisms that can improve transparency, strengthen stakeholder confidence, enhance corporate reputation, and reduce risks and uncertainties faced by firms.

In recent years, sustainability reporting and ESG performance have attracted significant attention from investors, regulators, policymakers, and academic researchers. Companies are increasingly expected to disclose

information regarding environmental protection activities, social responsibility initiatives, and governance structures. Such disclosures are considered essential for promoting accountability and improving corporate resilience in uncertain economic conditions. In emerging markets, including Iran, the importance of sustainability practices has become more evident due to economic fluctuations, financial constraints, and increasing stakeholder expectations. Therefore, examining the relationship between ESG sustainability and corporate stressors can provide valuable insights for managers and market participants seeking to improve organizational stability and long-term competitiveness.

The present study aims to investigate the effect of environmental, social, and corporate governance sustainability on corporate stressors among firms listed on the Tehran Stock Exchange. The study specifically seeks to determine whether the three dimensions of ESG sustainability can significantly reduce stress-creating factors within firms. In addition, the research evaluates the individual effect of each ESG dimension in order to identify which aspects of sustainability play a more influential role in mitigating organizational pressures.

The statistical population of the study consists of companies listed on the Tehran Stock Exchange, from which a sample of 196 firms was selected based on screening criteria and data availability. The study covers a ten-year period from 2014 to 2023 (1393–1402 in the Iranian calendar). The required financial and non-financial data were collected from firms' financial statements, annual reports, and related corporate disclosures. Because panel data often involve heteroscedasticity and autocorrelation problems, the Generalized Least Squares (GLS) method was employed to estimate the research models and improve the reliability of the results.

In this study, corporate stressors are considered the dependent variable, while environmental sustainability, social sustainability, and corporate governance sustainability represent the main independent variables. To increase the accuracy and explanatory power of the models, several control variables commonly used in accounting and financial research were also included. These variables consist of growth opportunities, financial leverage, firm size, liquidity, sales growth, and firm age. The inclusion of these variables allows the study to isolate the specific impact of ESG dimensions on corporate stressors while controlling for firm-specific characteristics.

The findings of the empirical analysis indicate that environmental sustainability has a negative and statistically significant effect on corporate stressors. This result demonstrates that firms with stronger environmental performance tend to experience lower levels of organizational tension and operational pressure. Environmental sustainability practices, such as efficient resource utilization, pollution control, compliance with environmental regulations, and environmentally responsible policies, may contribute to reducing uncertainty and improving relationships with stakeholders. Consequently, environmentally responsible firms may be better positioned to manage risks and maintain stability in challenging economic conditions.

The results also reveal that social sustainability has a negative and significant relationship with corporate stressors. This finding suggests that firms that invest more in social responsibility activities, employee welfare, customer satisfaction, and community engagement are less likely to experience severe organizational pressures. Strong social relationships can enhance trust among stakeholders, improve employee motivation, and strengthen customer loyalty, all of which may contribute to reducing internal and external stress factors. Moreover, socially responsible firms may enjoy stronger reputations and greater public support, which can improve their resilience during periods of uncertainty.

Furthermore, the analysis demonstrates that corporate governance sustainability has a negative and statistically significant impact on corporate stressors. Effective governance structures and transparent managerial practices appear to reduce organizational tensions by improving oversight, accountability, and decision-making quality. Firms with stronger governance mechanisms are generally better able to manage risks, reduce agency problems, and maintain investor confidence. As a result, governance sustainability can play an important role in enhancing corporate stability and reducing pressure arising from managerial inefficiencies and financial uncertainties.

Among the control variables, growth opportunities show a positive and statistically significant relationship with corporate stressors in several estimated models. This finding indicates that firms with higher growth potential may face greater operational and financial pressures due to expansion activities, investment requirements, and competitive market expectations. Rapid growth often requires substantial financial resources and

strategic adjustments, which may increase managerial challenges and organizational complexity. In contrast, other control variables—including firm size, liquidity, sales growth, and firm age—generally do not exhibit statistically significant relationships with corporate stressors in most model estimations. These results imply that ESG dimensions may play a more influential role than many traditional firm characteristics in explaining variations in corporate stressors.

The explanatory power of the research models is relatively high, as reflected by an R^2 value of approximately 72.6 percent. This indicates that the independent and control variables included in the study explain a substantial proportion of changes in corporate stressors among the sampled firms. Therefore, the findings provide strong empirical evidence regarding the importance of ESG sustainability in reducing organizational pressures and enhancing corporate resilience.

The results of this study contribute to the existing literature on sustainability and corporate performance by providing evidence from an emerging capital market. Unlike many previous studies that primarily focused on financial performance or firm value, this research emphasizes the relationship between ESG sustainability and corporate stressors. The findings suggest that sustainability practices should not merely be viewed as ethical or symbolic activities; rather, they can serve as strategic instruments for risk management, organizational stability, and long-term value creation.

From a practical perspective, the findings of this study have important implications for corporate managers, investors, regulators, and policymakers. Corporate managers are encouraged to strengthen ESG strategies and integrate sustainability considerations into organizational decision-making processes. Investors may also consider ESG performance as an important criterion for evaluating firms' long-term stability and risk exposure. In addition, policymakers and regulatory institutions can promote sustainability reporting and ESG disclosure standards to improve market transparency and encourage responsible corporate behavior.

Overall, the findings indicate that environmental, social, and governance sustainability significantly contribute to reducing corporate stressors among firms listed on the Tehran Stock Exchange. Firms that demonstrate stronger ESG performance appear to be more capable of managing organizational pressures, improving stakeholder relationships, and maintaining stability in uncertain economic environments. Therefore,

adopting comprehensive sustainability strategies can provide firms with both social legitimacy and strategic advantages, ultimately supporting sustainable growth and long-term competitiveness in capital markets.

Keywords: Environmental Sustainability, Social Sustainability, Corporate Governance, ESG, Corporate Stressors, Sustainability Reporting, Growth Opportunities, Tehran Stock Exchange, Generalized Least Squares (GLS).