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Research Article

Analysis of Strategic Marketing on Sustainable Business in the Finance Industry Performance

Anika Nashat Matin Mridula[1], Nandita Rani Saha Nitu[2*] and Lutfun Nahar Chowdhury[3]
[1,2]Assistant Professor, Department of Business Administration, Southeast University, Dhaka 1208, Bangladesh
[3]Lecturer, Department of Business Administration, Southeast University, Dhaka 1208, Bangladesh

***Corresponding Author**
Nandita Rani Saha Nitu
(nandita.nitu@seu.edu.bd)

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Abstract: The current study aims at inspecting the effects of strategic marketing in encouraging the adoption of sustainable practices and improving business performance in the finance industry, particularly in India. The study puts in the quantitative approach with the use of secondary data that is obtained from 99 Indian financial institutions for FY2023-24. Descriptive statistics, correlation analysis, Probit and OLS regressions are used to evaluate the effects of ESG performance and profitability on green finance. Results show a significant and positive relationship between ESG performance and probability of issuing green bonds. Governance is recorded as having the highest average ESG score and is the pillar that shows the strongest relationship with ESG performance. It is found that profitability is a moderator of the relationship between ESG performance and the issuance of green bonds. From the standpoint of strategic marketing, the results suggest that credible sustainability practices would help to foster trust, provide opportunities for green finance products and enhance the firm's strategic positioning. However, communication regarding sustainability should be supported by measurable ESG practices to avoid greenwashing.

Keywords: Strategic Marketing, Sustainable Business, ESG, Sustainable Finance, Green Bonds, Financial Industry, Customer Trust, India

INTRODUCTION

In recent times, the finance industry is becoming more inclined to embrace sustainable business practices owing to ESG which is being critical in terms of future growth as well as competitiveness. Strategic marketing plays an important part in this process by linking sustainability with customer needs, branding and business success [1]. Also, in a systematic review on sustainable marketing, published in 2024, the growing importance of sustainable marketing has been noted down.

Changing Finance Industry

The field of finance has evolved from traditional banking to encompass banking, insurance, NBFCs, asset management, mutual funds, fintech, investment banking and capital markets. Sustainability is now becoming important in all these fields since the financial organizations have a role to play in making decisions regarding investments, lending and capital allocation [2]. The contemporary literature explains sustainable finance as sustainability integration into financial organizations' strategy and decisions.

Growth of Sustainable Finance

The concept of sustainable finance centers on the use of financial means for purposes that are environmentally and socially responsible. Such examples include green loans, green bonds, ESG investment vehicles, sustainable insurance as well as responsible lending. This innovation has brought about sustainability as a crucial feature in the strategic planning of financial institutions [3]. The recent systematic studies reveal green bonds, ESG performance, sustainable banking and financial risk to be significant themes in sustainable finance.

Role of Strategic Marketing

Strategic marketing will allow financial institutions to be able to market their sustainability activities and sustainable financial services. This can be done through green marketing, ESG communications and responsible branding to increase awareness and to differentiate from the competition [4]. Sustainable marketing studies suggest that sustainability marketing will be able to affect brand performance and customer loyalty.

Sustainability and Stakeholder Perception

Messages of sustainability may have an impact on the perceptions of stakeholders such as customers and investors about financial organization. It is possible to improve the trust of the company and its reputation due to transparency and credibility in communication; however, if a company makes misleading claims about sustainability, it may become accused of greenwashing [5].

Sustainable Marketing and Business Performance

Relationship between sustainability and business performance has become increasingly significant in the modern world. Sustainable marketing could be helpful in fostering customer loyalty, brand value, competitive advantage and investor confidence, thereby promoting business success in the long run. Nevertheless, sustainability might entail extra costs as well as other difficulties.

Purpose of the Study

The present research paper discusses the significance of strategic marketing in the development of sustainable business practices within the finance industry. The impact of sustainable business practices on the performance of businesses and finance is discussed. The different segments of the finance industry are considered and the discussion is centered around sustainability, marketing, stakeholder trust and competitive advantage.

Literature Review

Much work has been done within the area of sustainable finance due to the involvement of ESG issues by financial organizations in their operations. Most literature in this regard has viewed the issue of sustainability from three interrelated angles: sustainable practices, strategic marketing and organizational performance. This review will combine all three angles of view to comprehend the relationship between sustainability marketing and performance.

Sustainable Business and Sustainable Finance

Sustainable finance is the concept where environmental, social and governance issues are incorporated in financial decisions. The research reveals that financial institutes can support the process of sustainable development through funding of eco-friendly projects, promoting financial inclusion and considering sustainability issues in their business decisions. Thus, sustainable finance has evolved from a specialized concept into one of the crucial elements of financial sector strategy [6].

Strategic Marketing and Sustainability

In current marketing literature, there is increasing awareness of the notion of sustainability as part of value creation and brand positioning. Sustainable marketing is all about communication and provision of goods and services that consider environment-related and social responsibilities. In the area of financial services, this could imply the promotion of sustainable finance and insurance, among others. Communication can assist organizations in developing differential and effective communication about their products and services. Several research have proven that sustainable marketing practices positively impact the brand image and customer loyalty.

ESG and Financial Performance

There have been many studies on the relation between ESG performance and financial performance. While the results change according to the industry and the way of measurement, some studies have shown that good sustainability performance could play a role in creating a good reputation and managing risks and stakeholders. But sustainability alone cannot assure more profitability as financial performance is also affected by many other factors.

Sustainability, Customer Trust and Brand Reputation

Customer perception is especially vital in the case of financial services since trust is an essential element in financial dealings. Communication about sustainability that is transparent and grounded in reality can increase the level of credibility of the company's brand among consumers. Otherwise, the company may encounter problems with greenwashing, which may damage its reputation. According to existing literature on environmental CSR communication, different communication styles have an impact on consumer behavior and greenwashing communication is less successful.

Table 1: Summary of Major Literature Themes

Literature Area	Main Focus	Relevance to Present Study
Sustainable Finance	Green and responsible financial activities	Establishes the sustainability foundation
Sustainable Marketing	Marketing products and initiatives responsibly	Explains the strategic marketing dimension
ESG	Environmental, social and governance performance	Connects sustainability with organizational strategy
Customer Trust	Stakeholder response to sustainability	Explains the marketing–customer relationship
Brand Reputation	Corporate image and credibility	Shows potential competitive benefits
Financial Performance	Profitability and long-term business value	Connects sustainability with performance
Greenwashing	Misleading sustainability communication	Highlights risks of sustainable marketing

Research Gap

The literature that already exists offers a lot of data on such issues as sustainable finance, ESG and the relationship between sustainable finance and financial performance. The problem is that usually these topics are not connected in literature research. The strategic marketing side of sustainability receives less attention than it deserves in the context of finance industry. The paper aims at filling the gap.

Considering the Table 1, it is clear that there is an increasing connection between sustainable business and strategic marketing. The following section will look at the application of these concepts in different parts of the finance sector such as banking, insurance, NBFCs, investments and capital markets.

MATERIALS AND METHODS

Research Design

This research will employ a quantitative, descriptive and analytical approach utilizing only secondary data. The aim of this study will be to look at the linkage between sustainable performance, sustainable strategies and business outcomes in the Indian finance sector. This study will consider ESG performance and green-finance participation as the metrics for sustainable business performance. As this study will use existing data, it will not employ any primary survey [7].

Data Source and Sample

Quantitative analysis will be done on the empirical data provided by Mahfooz & Singh for 99 Indian financial institutions for the fiscal year 2023–24 [8]. The sample consists of financial institutions of India with ESG data from CRISIL as well as financial and corporate data collected from their annual reports. The dataset consists of overall ESG performance, Environment, Social and Governance pillar score, profitability, firm size, gearing, revenue growth, ownership structure and green bonds issued [8].

Variables Used in the Study

The major independent variable is the total ESG score, while Environmental, Social and Governance scores are also analysed separately. Return on Assets (ROA) is the indicator of profitability. The other financial and institutional variables are firm size, gearing ratio, revenue growth and state ownership [8].

The major sustainable finance outcomes include green bond issuance and green bond issuance volume. The green bond issuance is considered as the binary variable that indicates whether the institution issued a green bond, while the green bond issuance volume shows how much green bonds were issued. These variables allow assessing whether the better performance of sustainability relates to the higher participation in sustainable finance [8].

Data Analysis Techniques

Various statistical tools will be applied in the research. Descriptive statistics will be used to describe the features of ESG and finance of the sample firms. Correlation analysis will be employed to assess the direction and magnitude of relationships between ESG performance, profitability and green-finance measures.

Probit regression is used to establish if there is any association between the performance of ESG and the probability of issuing green bonds. There are separate regression models which will look at the overall ESG performance and the three pillars individually. Regression will also employ an interaction variable of ESG and ROA to see if the relationship between the two variables is dependent on the profitability [8].

Finally, OLS regression is used for the sub-sample of firms which have issued green bonds in order to analyse the factors influencing the volume of green bond issuances [8].

Analytical Framework

The conceptual framework for the research includes ESG performance as an important aspect of the company's sustainable strategy, where green-finance participation is a tangible business outcome. The strategic marketing of the firm will be considered as a means of how the financial organization communicates its sustainability efforts to various stakeholders such as customers and investors. However, in terms of the current secondary dataset, there is no information about the marketing expenditure of the organizations. As a result, the connection between sustainability performance and business outcomes will be investigated instead of the direct causation of marketing spending on business outcomes.

Table 2: Variables and Measurements Used in the Study

Variable	Measurement	Role
ESG Score	Overall ESG score	Independent
Environmental Score	Environmental pillar score	Independent
Social Score	Social pillar score	Independent
Governance Score	Governance pillar score	Independent
ROA	Return on Assets (%)	Moderator/Control
Firm Size	Log of total assets	Control
Gearing	Gearing ratio	Control
Revenue Growth	Annual revenue growth (%)	Control
State Ownership	Dummy variable	Control
Green-Bond Issuance	0 = No, 1 = Yes	Dependent
Green-Bond Volume	Amount of green bonds issued	Dependent

The findings will be considered as associative and not causal since the data represents a cross-sectional time.

These variables provide the basis for examining the relationship between ESG performance, profitability and sustainable-finance outcomes among Indian financial institutions (Table 2).

RESULTS

This portion of the paper provides the statistical analysis of the performance of the ESG and sustainable finance. The analysis includes descriptive statistics, ESG pillars comparison, correlation analysis, Probit regression, role of profitability as a moderator and analysis of green bond issuance volume [8].

Descriptive Analysis

Descriptive statistics are used to analyse the general features and variability of the ESG and financial factors in the sample. The mean overall ESG rating is 58.94, while the mean ratings of Environmental, Social and Governance were 57.02, 55.89 and 60.53, respectively. Thus, Governance obtained the highest mean rating among all three pillars of ESG [8].

The mean ROA is 0.98%, which implies that institutions are quite profitable. Green bonds were issued only by 10 of the total number of 99 institutions in the sample, that is around 10%. The mean issuance amount of green bonds in the whole sample is ₹1,907 crore, yet this Figure is heavily affected by large issuances from firms that issued green bonds [8] (Table 3, Figure 1).

As observed from the descriptive results, there is high variability in sustainability performance among financial institutions. The higher governance score shows that sustainability governance practice is more advanced than other sustainability components [8].

ESG Pillar Analysis

The three pillars of ESG demonstrate different levels of performance. The best performing pillar is governance with an average performance level of 60.53, followed by environmental with a performance level of 57.02 and social with a performance level of 55.89. This demonstrates that governance practices are relatively better compared to the other two pillars amongst the sampled financial institutions [8] (Figure 2).

This better performance of governance is quite significant since governance plays an important role in ensuring transparency, accountability, risk management and stakeholder confidence.

Correlation Analysis

Correlation analysis was done to identify the relations between key variables. The correlation of overall ESG performance score with green bond issuance was found to be 0.177, implying that ESG performing institutions had more tendencies to engage in green finance activities [8].

Under the key components of ESG performance, the correlations with green bond issuance were 0.228 for Environment, 0.141 for Social and 0.033 for Governance performance, respectively [8]. Correlation can only provide an initial assessment of the relation as it does not prove causation (Figure 3).

Probit Regression Analysis

Probit Regression analysis was applied to investigate the impact of ESG on the probability of green bond issuance. It was found that there is a positive correlation between overall ESG and the probability of green-bond issuance [8].

The marginal effect of ESG was 0.0065 which means that a one-point rise in ESG would mean 0.65 percent higher probability of green-bond issuance, holding other factors constant [8].

All three ESG pillars (Environmental, Social and Governance) were positively correlated with green bond issuance. Governance pillar had the strongest effect out of three [8].

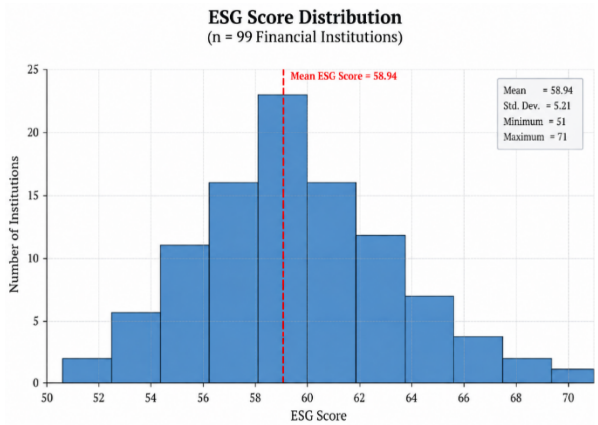

Figure 1: ESG Score Distribution

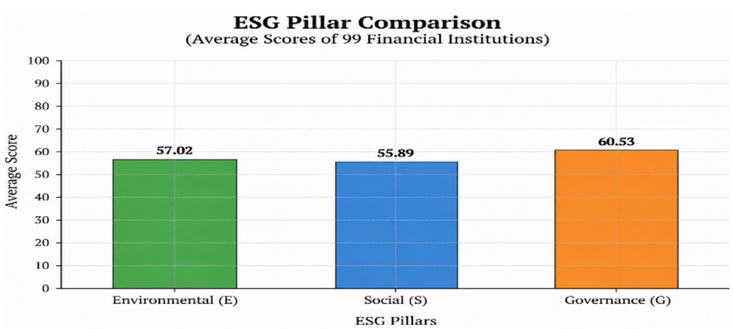

Figure 2: ESG Pillar Comparison

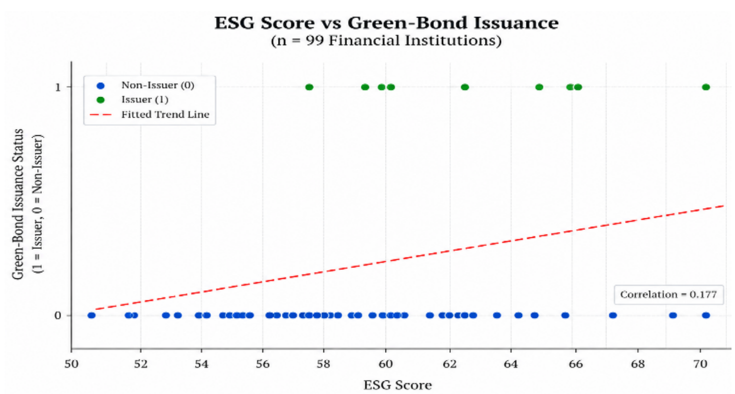

Figure 3: ESG Score vs Green-Bond Issuance

Table 3: Descriptive Statistics of Key Variables

Variable	Mean	Std. Dev.	Minimum	Maximum
ESG Score	58.94	5.21	51	71
Environmental Score	57.02	5.68	45	67
Social Score	55.89	6.24	42	65
Governance Score	60.53	7.18	43	79
ROA (%)	0.98	0.83	-1.20	2.55
Gearing Ratio	3.12	2.25	0.15	8.70
Revenue Growth (%)	27.10	12.40	5	55
Green-Bond Issuance	0.10	0.30	0	1

Moderating Role of Profitability

In addition, an interaction effect of profitability on the relationship between ESG performance and green bond issuance was tested in the analysis. The interaction effect between ESG and ROA was found to be negatively related and statistically significant [8].

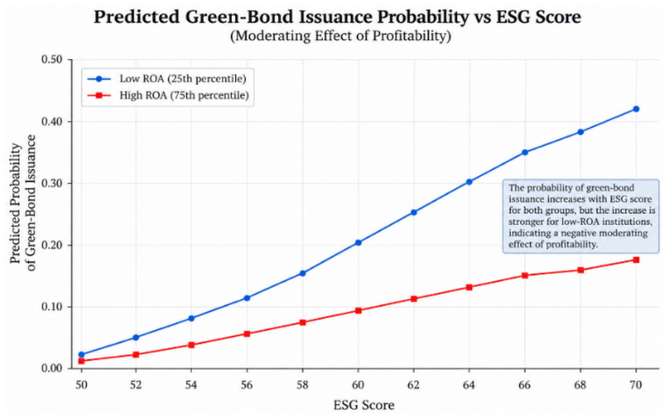

Figure 4: Predicted Green-Bond Issuance Probability vs ESG Score

It implies that the positive relationship between ESG performance and green bond issuance is more pronounced for organizations with lower profitability than higher profitability [8] (Figure 4).

Green-Bond Issuance Volume

The OLS regression method was applied to identify the factors related to the volume of green bond issuance among 10 institutions that issued green bonds. The ESG performance demonstrated a positive relationship with issuance volume. One-point increase in ESG score corresponds to 6.1% of the expected increase in the green-bond issuance volume. In addition, the governance factor demonstrated a positive significant relationship in the pillar-level model [8].

Size of the firm showed a positive relationship with issuance volume, meaning that the bigger the financial institution was, the bigger were the issued green bonds. Nevertheless, these conclusions need to be treated carefully because the study is based on 10 green-bond issuers including the extremely large one [8].

In general, the conclusions show that better ESG performance, especially governance performance, is related to more active involvement in green finance. This study gives a quantitative base for the discussion of the role of the sustainability in strategic positioning, stakeholder confidence and performance of firms in the finance industry [8].

DISCUSSION

These findings reveal that there is increasing linkage between sustainability and the strategic activities of businesses in the finance sector of India. There are certain implications of the results that can help financial institutions take advantage of sustainability to enhance their competitive position. Recent studies also reveal that ESG integration can be linked with financial and organizational performance [9].

ESG Performance and Sustainable Business

Results showed a significant and positive relationship between the performance of ESG and the probability of green bond issuance. One point improvement in ESG score resulted in a probability increase of about 0.65 percentage points for green bond issuance. This implies that organizations with better ESG practices tend to engage in sustainable finance operations. Studies that have been done in the past on Indian firms have also shown a positive relationship between ESG and financial performance [9].

Governance, Trust and Strategic Marketing

The ESG pillar of governance has got the highest average score on ESG and was most correlated with green bonds issuance in comparison to the other two ESG pillars. Good governance will improve transparency, accountability and credibility. These aspects are important in strategic marketing as customers and investors correspond to trust sustainability claims if there is proof. A study on sustainable banking in developing nations stated that the use of ESG practices has a positive correlation with trust in banking institutions [10].

So, Institutions should focus on communicating concrete achievements of ESGs and avoid using vague sustainability claims. Greenwashing research has also shown that consumers can tell the difference between legitimate green claims and greenwashing if the circumstances are right [11].

Green Financial Products and Marketing Opportunities

The positive relationship between ESG performance and green bond issuance provides potential for financial organizations to promote more financial products such as green bonds, green loans and sustainable investment products. According to studies conducted in the field of Indian banking, green corporate responsibility, green process and green product development may help in developing green brand trust and brand image [12].

These products can be promoted by utilizing digital media platforms, websites, mobile applications and sustainability reports for gaining more customers and investors seeking for responsible finance. It is important to note that the current dataset does not capture marketing costs or consumer response data; therefore, these results cannot be interpreted as marketing leading to better performance.

Long-Term Strategic Positioning

Since there is a negative correlation between ESG and ROA, profitability appears to affect the relation between sustainability performance and green finance investment. In general, financial organizations must consider sustainability as a strategic process as opposed to a mere marketing process. The addition of ESG practices, good communication, sound governance and acceptable green financial products will help to develop trust in stakeholders and get sustainable positioning.

Studies that took place on sustainable marketing and greenwashing show transparency and credibility of sustainability practices as important factors in building green brand trust [13].

CONCLUSION

In this research, the use of strategic marketing and sustainability has been studied in terms of its contribution to business performance in the finance industry, with specific weight on Indian financial institutions. The results show that the higher the ESG performance, the more positive the link between it and engagement in sustainable financing activities like green bond issuance. Governance is proved to be the strongest of all ESG pillars.

Profitability negatively effects the connection between ESG performance and green-financing engagement. Sustainability may help in developing a strategic position through credibility, trust of stakeholders as well as growth of sustainable financial products. Simultaneously, sustainability marketing is only effective when marketing claims about sustainability are supported by actual sustainable practices.

Generally, it is preferable for financial institutions to welcome sustainability in their marketing efforts by including sustainability in their business and marketing strategies as opposed to undertake sustainability marketing initiatives that are temporary promotional activities. By addition of ESG performance, communication, good governance, as well as sustainable financial products, financial institutions can improve their competitiveness while making an effort for sustainable development. Future research can go deep into the effects of sustainable marketing on behaviour of consumer as well as financial performance.

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