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A Study On Linking SDGs 'Sustainable Development Goals' To Corporate Financial Performance

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ABSTRACT: This study examines the relationship between corporate financial performance and the implementation of Sustainable Development Goals (SDGs), with a focus on prosperity-related SDGs. Using fuzzy-set Qualitative Comparative Analysis (fsQCA), the research analyzes a sample of 26 companies to explore the interaction between SDGs and market capitalization, particularly emphasizing SDG 8 (Decent Work and Economic Growth) and SDG 11 (Sustainable Cities and Communities). The findings indicate that companies aligning their strategies with these specific SDGs tend to be associated with higher market capitalization, demonstrating the financial advantages of incorporating sustainability into business models. Conversely, the absence of certain SDGs, such as SDG 7 (Affordable and Clean Energy) and SDG 9 (Industry, Innovation, and Infrastructure), is associated with lower market value, suggesting that prioritizing specific sustainability initiatives is vital for financial success. Notably, the absence of SDG 10 (Reduced Inequalities) was found to have no significant impact on this research. These results contribute to the growing body of literature on sustainable business practices and provide valuable insights for companies aiming to integrate global sustainability goals while improving long-term profitability. Future research should investigate industry-specific variations and the long-term effects of SDG integration on financial performance.

KEYWORDS: SDGs, Corporate Financial Performance, ESG, Capitalization, SDG , Disclosure

1. INTRODUCTION

In recent years, the integration of the United Nations' Sustainable Development Goals (SDGs) into corporate strategies has become a critical focus for businesses worldwide. These 17 interconnected goals aim to address global challenges ranging from poverty and inequality to climate change and environmental degradation (United Nations, 2018). Aligning with the SDGs not only offers companies the opportunity to contribute to broader societal and environmental outcomes but also provides a framework to enhance long-term competitiveness, market share, and profitability (Feller et al., 2020; Porter & Kramer, 2019). As the global business landscape shifts towards sustainability, firms are increasingly expected to demonstrate concrete progress in aligning their operations with the SDGs, particularly in terms of financial performance—a company's ability to generate profits and manage its financial resources effectively—and sustainability – the balance between environmental, economic, and social well-being for the long-term future. However, aligning with the SDGs presents benefits and some challenges for companies.

On the positive side, businesses that embrace the SDGs stand to benefit from enhanced risk management, stronger investor interest, and improved brand reputation (Eccles et al., 2014). Several studies have shown that companies integrating sustainability into their operations tend to perform better financially, as they are positioned to manage environmental and social risks, attract conscious consumers, and comply with increasing regulatory demands (Eccles et al., 2015; Friede et al., 2015). Furthermore, those companies adopting the SDGs can foster innovation, boost employee ethics, and create new revenue streams (Bocken et al., 2014). Moreover, companies that demonstrate a commitment to environmental sustainability, social equity, and economic resilience are more likely to experience long-term growth and success (Sullivan & Mackenzie, 2021; Whelan & Fink, 2020).

However, the pursuit of these goals also represents several challenges for companies. One of the primary obstacles is measuring the impact of SDG-related initiatives in a meaningful and comparable way. For this purpose, traditional financial metrics are inadequate for evaluating the full range of value generated by corporate sustainability efforts. This gap in measurement standards is where frameworks like environmental, social, and governance (ESG) metrics come into play, offering businesses the opportunity to report and assess their performance across sustainability dimensions (Bele et al., 2023). In fact, the variety of ESG reporting frameworks available—from the Global Reporting Initiative (GRI) to the Sustainability Accounting Standards Board (SASB) and the Task Force on Climate-related Financial Disclosures (TCFD) can create confusion for companies seeking a standardized approach (Eccles et al., 2015; Kotsantonis et al., 2016). Additionally, the absence of universally accepted metrics for tracking SDG progress complicates the reporting process and makes it difficult for stakeholders to fully assess the impact of companies' efforts toward sustainability.

Despite these challenges, businesses that successfully integrate SDGs into their core strategies and adopt robust ESG practices (Leins, 2020) will be better positioned to leverage the opportunities offered by the global sustainability agenda. The positive relationship between strong ESG performance and financial outcomes is well-documented, with evidence suggesting that companies with high ESG ratings tend to experience lower capital costs, improved valuations, and enhanced financial performance over time (Feller et al., 2020; Friede et al., 2015). However, achieving this success requires a systematic approach to ESG integration, a clear understanding of the SDGs, and the development of transparent, comparable metrics to track real progress.

The growing demand for sustainability-related disclosures from investors and regulators underscores the need for transparency in achieving sustainable development. Regulatory bodies and investors now require companies to disclose ESG performance aligned with the SDGs, making it essential for firms to adopt, measure, and report progress effectively (Townsend, 2020; Widyawati, 2020). Tools like the UN Global Compact's Business Ambition for 1.5°C campaign (United Nations Global Compact, 2021) offer frameworks to guide companies. However, the SDGs' complexity requires firms to customize their approach based on industry and operational context (Serafeim, 2020).

The SDGs provide a framework for companies to contribute to sustainable development while enhancing long-term business performance (Lozano & Barreiro-Gen, 2023). The 5 Ps—People (SDGs 1–6), Planet (SDGs 12–15), Prosperity (SDGs 7–11), Peace (SDG 16), and Partnership (SDG 17)—guide the global sustainability agenda. People's SDGs address poverty, hunger, health, education, gender equality, and clean water. Planet focuses on responsible consumption, climate action, and environmental protection. Prosperity targets sustainable energy, economic growth, innovation, and reduced inequalities. Peace emphasizes justice. Partnerships promote collaboration across sectors (United Nations, 2015). Moreover, the Stakeholder Theory (Freeman, 1984) highlights the importance of aligning business practices with the interests and expectations of diverse stakeholders, suggesting that companies committed to the SDGs are responding not only to regulatory pressures but also to the growing demand from investors, consumers, and communities for sustainable and socially responsible business practices.

In contrast, while the alignment with the SDGs offers significant benefits—such as improved financial performance, risk management, and innovation, it also presents challenges in terms of measurement, reporting, and integration. The need for standardized reporting frameworks, such as the SDG Compass (GRI et al., 2020) and clear metrics is crucial for companies to fully capitalize on the opportunities offered by the SDGs. As pressure to meet these global goals increases every year, businesses that can successfully integrate SDGs into their strategies, while accurately measuring and reporting progress, will be well-positioned to thrive in the evolving global economy (KPMG, 2018).

Despite the growing emphasis on the SDGs, there is a gap in understanding how businesses, particularly those with strong market performance, contribute to these goals and how these contributions are associated with financial outcomes. To address this gap, this study adopts the SDG framework based on the 5 Ps as a

tool to explore the connection between prosperity and sustainability in business, where prosperity is understood through dimensions such as sustainable energy, economic growth, innovation, and reduced inequalities. This study analyzes 26 companies from 9 countries, rated 5 stars and 5 globes by Morningstar, known for their strong market performance (Lisi, 2012). It focuses on prosperity-related SDGs (7, 8, 9, 10, 11) addressing sustainable energy, economic growth, innovation, reduced inequalities, and sustainable cities. The study explores the relationship of these SDGs with long-term financial success and market capitalization.

This research seeks to fill that gap by assessing how these companies contribute to sustainable development through their alignment with the selected SDGs with a focus on Prosperity and examining the relationship between these contributions and their market capitalization—the total market value of a company's outstanding shares of stock. Therefore, the research question that guides this study is: In what ways do companies contribute to the SDGs related to prosperity, and what is the relationship between these contributions and their market capitalization? This study not only clarifies the role of these specific SDGs in financial outcomes but also offers new insights into how businesses can leverage their alignment with these goals to enhance financial value.

Although this study is limited by its focus on a subset of the 17 Sustainable Development Goals—specifically those related to prosperity—and by a small sample size of 26 companies, this scope allows for a more focused analysis of the potential linkages between corporate alignment with specific SDGs and market performance. Moreover, the study offers meaningful insights into how firms may strategically engage with the SDG framework to create both societal impact and economic value.

The research makes some contributions to literature and practice. First, it enriches the understanding of the relationship between ESG factors and firms' financial performance (Lopez Vazquez et al., 2024; Townsend, 2020). Second, it provides specific insights into which SDGs most contribute to sustainable development and its measurement. Third, it introduces results based on a qualitative method advancing knowledge in sustainability, ESG and firms' financial performance.

The structure of the paper is as follows: first, we review the literature on SDGs, ESG, and financial performance in the context of sustainability. Then, we explain the methodology and sample using fuzzy-set qualitative comparative analysis (fsQCA) and present the specific results of the study. Finally, we discuss the implications of our findings and summarize the conclusions suggesting directions for future research.

2. RELATED WORK

The Role of ESG Factors in Company Capitalization

The relationship between SDG implementation and company capitalization involves integrating sustainability practices, measuring ESG factors, and assessing long-term financial outcomes (Serafeim, 2016; Silva-Neto et al., 2022). While some studies suggest positive links between SDG engagement and firm performance, others highlight challenges in implementing SDGs and measuring financial impact. ESG factors have gained prominence as key indicators of corporate performance (Jyoti & Khanna, 2021). Investors, regulators, and stakeholders increasingly use ESG performance to evaluate sustainability and growth, as firms excelling in ESG metrics are viewed as lower-risk investments capable of generating long-term value.

Several studies emphasize the significant role of ESG reporting in driving corporate financial performance—a company's historical profitability and efficiency in managing resources— indirectly contributing to company capitalization—how investors perceive the company's future growth prospects. Zhou et al. (2022) show that ESG performance mediates the relationship between sustainable development and market value, with positive environmental and social outcomes improving market performance. Al Lawati and Hussainey (2022) suggest that SDG disclosure positively affects corporate financial performance, with companies integrating SDGs seeing increased market capitalization. These findings indicate that aligning business operations with SDGs and transparent reporting enhances investor confidence, potentially leading to higher valuation (Mondal et al., 2024).

However, only a few studies support a strong connection between SDG implementation and capitalization. For instance, Silva (2021) argues that while many companies publicly commit to SDGs, their actual contributions may be misrepresented, leading to skepticism among investors. This discrepancy between reported SDG disclosure and actual contributions influences market capitalization (García-Sánchez et al., 2020; Ramos et al., 2022). Similarly, some studies point out the inconsistencies in ESG reporting practices across industries and countries, which can create challenges in measuring the true impact of SDGs on company valuation (Al Lawati & Hussainey, 2022; Pizzi et al., 2021). In addition, the link between SDG performance and global prosperity, as a complement to business prosperity, appears to be unexplored in the literature, a gap that the study aims to fill (Roffé & González, 2024.

Challenges and Opportunities in SDG Implementation

While the potential benefits of integrating the SDGs into business models are widely recognized (Ordonez-Ponce et al., 2021), the path toward achieving these goals presents numerous challenges (Wang & Chen, 2024). A significant obstacle is the complexity and scale of the SDGs themselves, which encompass a diverse set of targets across social, environmental, and economic dimensions. Effectively implementing these goals demands a comprehensive approach that integrates sustainability into all facets of business operations. Consequently, many companies face difficulties in aligning their strategies with these broader global objectives (Giri & Chaparro, 2023).

Díaz-Sarachaga (2021) examines the limitations in corporate reporting on SDG contributions, emphasizing that many companies provide vague or incomplete information regarding their sustainability efforts. This lack of clarity can undermine the credibility of corporate SDG reporting, which ultimately affects investor confidence. Despite the efforts to aid companies in their implementation of SDGs (Palau-Pinyana et al., 2024), the absence of standardized frameworks for reporting SDG progress further exacerbates these challenges. While some companies rely on frameworks like the Global Reporting Initiative (GRI) or the Integrated Reporting Framework (IR), these are not universally adopted, leading to significant variation in how companies disclose their SDG-related activities (Buallay, 2019; Erin et al., 2022; García-Sánchez et al., 2020).

Another challenge in implementing the SDGs is the need for a clear understanding of the trade-offs and synergies between different goals. Tremblay et al. (2020) examine the interactions among various SDGs, highlighting that progress in one area can sometimes avoid progress in another. For example, environmental goals may conflict with social or economic objectives, making it difficult for businesses to strike a balance. These complexities make decision-making more challenging for companies and may discourage them from fully committing to SDG-related investments, potentially limiting their market capitalization growth (Lyytimäki et al., 2023; Silva, 2021).

Despite these challenges, the implementation of SDGs presents significant opportunities for businesses, especially in terms of innovation, risk management, and market positioning. A growing body of literature suggests that companies that adopt sustainable business models and actively contribute to SDGs are more likely to attract investors, customers, and talent, which can enhance their competitive advantage and ultimately drive market value (Khaled et al., 2021; Pizzi et al., 2021).

Moreover, Giri and Chaparro (2023) highlight that businesses making measurable progress toward the SDGs can differentiate themselves in the marketplace. They argue that consumers, especially those of the younger generations, are increasingly aware of sustainability issues and prefer to engage with companies that are committed to responsible business practices. This trend is supported by research from García-Sánchez et al. (2020), who show that institutional investors are more likely to support companies that actively disclose their SDG contributions. As investors and consumers place greater emphasis on sustainability, companies that align their operations with SDGs can expect long-term growth in both revenue and market capitalization (Nicolò et al., 2022).

Furthermore, the integration of SDGs into business models can help companies mitigate risks associated with environmental and social challenges. Gunawan (2021) emphasizes that businesses that proactively address issues such as climate change, resource depletion, and social inequality are better positioned to manage long-term risks. By adopting an approach to sustainability, companies can reduce their exposure to regulatory, reputational, and operational risks, which in turn enhances their financial performance (Hamad et al., 2023; Silva et al., 2024).

One of the most significant opportunities lies in the development of new markets and business models centered around sustainability. Montiel et al. (2021) discuss how the transition to sustainable business practices can lead to the creation of new products, services, and markets, providing companies with new revenue streams. This shift not only supports the achievement of SDGs but also contributes to the profitability and capitalization of firms that are able to capitalize on sustainability-driven innovation, and in turn to their competitive advantage (Van Zanten & van Tulder, 2021; Zhou et al., 2022).

The Intersection of SDG Disclosure and Corporate Performance

A significant body of literature has explored the relationship between SDG disclosure and corporate performance (Nicolò et al., 2024). Companies that engage in transparent SDG reporting are seen as more accountable and trustworthy, which can have positive effects on their reputation, customer loyalty, and investor confidence (Hamad et al., 2023). However, the impact of SDG disclosure on financial performance is still discussed, with some studies suggesting a positive link, while others highlight the challenges of translating SDG disclosure into tangible financial outcomes (Khaled et al., 2021).

To assess progress, Pizzi et al. (2021) introduce the SDG Reporting Score (SRS), which quantifies the extent of a company's SDG reporting. They find that companies with higher SRS tend to exhibit stronger financial performance, suggesting a positive link between SDG disclosure and market capitalization. However, the authors caution that SDG reporting alone is not enough; companies must demonstrate genuine commitment to achieving the SDGs for such disclosures to translate into financial success (Giri & Chaparro, 2023). For this purpose, companies must explain what they are doing and how they contribute to sustainable development.

Similarly, Khaled et al. (2021) argue that companies that incorporate SDGs into their objectives can align their sustainability initiatives with their financial goals. By embedding sustainability into their core business strategies, firms can improve their profitability and long-term financial health, which could lead to higher market capitalization. However, the authors note that the relationship between SDG performance and financial outcomes may not be immediate, as companies must first overcome the inherent challenges of SDG implementation (Giri & Chaparro, 2023).

The financial impact of ESG performance on company capitalization is a critical area of interest in literature. Many studies suggest a positive relationship between high ESG scores and corporate financial performance (Silva et al., 2024). However, the evidence is mixed, and there are concerns about the reliability and consistency of ESG ratings across different organizations (Lassala et al., 2021). In this regard, Silva et al. (2024) explore the causal conditions that lead to high environmental performance, emphasizing that companies with strong environmental records tend to have lower operating costs and higher profitability. These advantages, in turn, contribute to higher market valuation. Similarly, Mishra et al. (2024) argue that companies with higher sustainable accounting quality are more likely to achieve long-term financial success, which positively affects their market value (Khaled et al., 2021).

However, some studies point out that the link between ESG performance and financial outcomes is not always straightforward. Lassala et al. (2021) examine the financial performance of listed companies in pursuit of SDGs and find that while some companies report positive financial outcomes from SDG integration, others struggle to demonstrate clear financial benefits. This highlights the complexities involved in measuring the financial impact of sustainability efforts and the need for approaches to evaluate the relationship between SDGs, ESG factors, and capitalization (Hamad et al., 2023).

Consequently, the financial benefits of SDG integration are becoming increasingly clear. Silva (2021) suggests that companies that adopt SDG-aligned practices and report on their progress through integrated reporting frameworks enjoy higher investor confidence and enhanced financial performance. Investors are increasingly seeking to allocate capital to companies that are perceived as being aligned with long-term sustainability goals, which has resulted in a growing market for SDG-related investment products (Nicolò et al., 2022).

This aspect is reflected in the study by Lassala et al. (2021), who demonstrate that companies with transparent SDG reporting and strong ESG performance tend to outperform their peers on the stock market. These companies benefit from a "sustainability premium" as investors are willing to pay more for companies that are perceived to be more resilient and better equipped to navigate future challenges. Zhou, et al. (2022) further reinforce this view, suggesting that the stock prices of SDG-aligned firms tend to outperform those of their non-aligned counterparts, particularly during periods of economic uncertainty or market volatility (Montiel et al., 2021).

Additionally, companies that integrate SDGs into their business models are less likely to face regulatory penalties or reputational damage. Mishra et al. (2024) argue that by proactively addressing sustainability challenges, these companies reduce their exposure to environmental, social, and governance risks. This proactive approach not only helps mitigate risks but also creates opportunities for businesses to build stronger relationships with regulators, customers, and investors (Silva, 2021).

Furthermore, integrated reporting is a critical enabler of successful SDG implementation and corporate capitalization. Frameworks such as those from the International Integrated Reporting Council (IIRC) help companies report sustainability performance aligned with SDG targets (Hamad et al., 2023). Integrated reporting enhances transparency and accountability, improving investor trust and market capitalization (Khaled et al., 2021; Di Vaio et al., 2021). It allows companies to communicate their SDG contributions clearly, aiding investors in assessing sustainability and financial prospects (Nicolò et al., 2022; Pizzi et al., 2021). In general, companies adopting integrated reporting often experience enhanced financial success and improved decision-making (Hamad et al., 2023). This holistic approach helps align SDG efforts with the company's overall strategy, improving decision-making processes and ensuring that sustainability is embedded in the corporate culture (Khaled et al., 2021).

In summary, the literature linking SDG implementation and company capitalization presents a complex and evolving landscape. On one hand, companies that integrate SDGs into their business strategies and demonstrate strong ESG performance are likely to benefit from enhanced investor confidence, improved market valuation, and new growth opportunities. On the other hand, challenges such as inconsistent reporting, the complexity of SDG targets, and the lack of standardized measurement frameworks impede the complete achievement of these benefits (Giri & Chaparro, 2023).

While the evidence suggests a positive relationship between SDG implementation and company capitalization in many cases, the variability in outcomes underscores the need for further research to better

understand the mechanisms through which SDGs influence financial performance. Future studies should focus on refining measurement techniques for SDG-related disclosures, exploring the long-term effects of SDG integration, and assessing the impact of industry-specific factors on the SDG-capitalization link (Mishra et al., 2024).

To better highlight the research gap, it is useful to compare findings from empirical studies. US studies often emphasize the financial metrics of ESG performance, with a focus on market capitalization in an investor-driven environment (Zhou et al., 2022). Companies with high ESG scores, particularly those disclosing SDG activities, tend to see increased market value (Hamad et al., 2023). In contrast, European studies focus more on regulatory frameworks and institutional pressures with companies integrating sustainability practices into their operations (Giri & Chaparro, 2023). European firms using integrated reporting frameworks, like GRI, often experience higher investor confidence and market capitalization (Nicolò et al., 2022).

Despite these regional differences, both US and European studies highlight the role of SDG disclosure in improving corporate transparency and financial performance. However, challenges remain, such as inconsistent reporting and difficulties in measuring SDG impact. US studies show a direct link between SDG engagement and increased market value (Pizzi et al., 2021), while European studies highlight gaps in standardization and clarity of disclosures, leading to investor skepticism (Silva, 2021). This variability across regions suggests the need for further research comparing the effectiveness of SDG integration in different regulatory environments to better understand its global impact on corporate capitalization.

3. PROPOSED SYSTEM (METHODOLOGY)

Research Design

Based on the theoretical background and literature review, we developed two models to identify key factors that contribute to a company's high market capitalization. This outcome was selected given the multifaceted and long-term facets of market capitalization against other financial measures (e.g., return on assets (ROA)) (Bhaskaran et al., 2023). In doing so, we examine the mechanisms that are more associated with companies' prosperity, as aligned with prosperity SDGs´ shedding light on whether a company's search for prosperity is associated with the pursuit of prosperity for all. To serve this purpose, we focus on two primary propositions that examine the relationship of the SDGs related to prosperity and traditional financial metrics. Proposition 1 suggests that the inclusion and implementation of prosperity SDGs (7 to 11), which address energy, infrastructure, economic growth, and sustainable cities, play a significant role in enhancing a company's market capitalization. These SDGs, when strategically integrated into business operations, are believed to foster long-term value creation by aligning corporate goals with broader global sustainability objectives (Giri & Chaparro, 2023; Khaled et al., 2021). On the other hand, Proposition 2 argues that the mere presence of total assets, without a corresponding focus on sustainability-driven goals, is not inherently associated with higher market capitalization. This proposition challenges the traditional financial perspective that emphasizes assets alone and highlights the necessity of integrating sustainability strategies into a company's financial and operational models to truly drive market value (Lassala et al., 2021; Mishra et al., 2024). These propositions, grounded in SDG theory and corporate sustainability literature, form the foundation for understanding how companies can leverage both financial and non-financial strategies to enhance their market capitalization in the modern business landscape (Khaled et al., 2021; Silva et al., 2024). The propositions are as follows:

Proposition 1

The inclusion and implementation of prosperity SDGs (7 to 11) in a company's strategy contributes to high company market capitalization value.

Proposition 2

Total assets alone do not contribute to high market capitalization value.

Out of the theoretical background and literature review, we constructed two models to identify which patterns or relationships contribute to a company's high or low capitalization value by analyzing a set of top sustainable companies with high market capitalization. Prosperity, along with the company's total assets, represent the set of conditions that, according to whether they are present or absent, constitute the paths to prosperity from the lens of the SDGs and sustainability.

As a result, we proposed the following models. Model 1 refers to the contribution to a high Market Capitalization Value under the determined conditions (presence model) while Model 2 refers to a low Market Capitalization Value (absence model).

Model 1: MC = f (TA, SDG7, SDG8, SDG9, SDG10, SDG11)

Model 2: ~MC = f (TA, SDG7, SDG8, SDG9, SDG10, SDG11)

Methodology

To give a response to our proposition, that is, companies with the highest market capitalization value are the most aligned with the set of prosperity SDGs, a fsQCA (Ragin et al, 2008) was performed. To do so, the outcome data corresponding to the market capitalization value as of 31st December 2023 were extracted from Finance Charts, except for Samsung Electronics where the information was collected from Stock Analysis and broken down into its conditions, prosperity SDGs. Each of the conditions was identified and coded. Then, each company was scored according to their degree of membership to a set of conditions, a process known as calibration. After this process, a company can range from full membership, that is, entirely complying with the conditions, to non-membership, where the company does not meet any of the conditions required. Then, a quantitative examination was performed. By conducting a Boolean reduction, a cross-company comparison took place based on the combination of conditions articulated. For this process, a total of 26 companies were examined. Given our sample of 26 companies, conducting a robustness check, typically more relevant and commonly applied to larger datasets, was deemed unnecessary (Ragin, 2008).

As a result, based on qualitative and quantitative examination, commonalities and differences between companies and their conditions were assessed allowing an integrative and holistic interpretation of the outcome observed. In doing so, an association can be identified, that is, the relationships and combinations of the different set of conditions, known as configurations. In addition, equifinality, examining whether our outcome can have a relationship with different routes (configurations), can be also identified. It should be noted that asymmetry could occur. In the absence of the conditions that are associated with a specific outcome, high capitalization value, the opposite outcome, low capitalization value, does not necessarily occur (Rubinson et al., 2019). Additionally, conditions associated with the outcome are identified as necessary or sufficient. A condition is necessary when it is present in all configurations, meaning that it is essential for determining a relationship with outcome. Whereas the condition is deemed sufficient when even in its presence, the outcome can be associated with other factors (Ferrer et al., 2023; Ragin, 2008).

Based on the nature of this study, the use of qualitative comparative analysis using fsQCA is preferred for this research given its adequacy for the identification of complex relationships between multiple conditions in a small sample (Fiss, 2007). The incorporation of fuzzy set theory overcomes the limitations of

conventional QCA. It was particularly designed to work with smaller datasets, ranging from 10 to 50 cases (Ragin et al., 2008; Ragin, 2009). Our sample of 26 companies falls well within this range. Additionally, it allows a more specific extraction of conclusions, for companies or cases, which can well allow a follow-up with a case study method. In addition, in the field of business and management, the use of fsQCA has been recognized as a valuable contribution to better explain real-world business phenomena (Kumar et al., 2022).
Previous literature has successfully employed this methodology adding valuable contributions to the field of sustainable investments (Azad et al., 2024; Caputo et al., 2022; Dabbous et al., 2024). In employing this methodology, the conditions more associated with a company´s highest market value can be identified, and with it, the drivers for prosperity in sustainable finance. Thanks to this, the main contribution of this research is achieved, that is, the review of the promotion of prosperity and its alignment with SDG performance.

Sample and Data

The criteria for the selection of the sample of companies were based on the top 30 investments of the funds awarded by Morningstar with a five-star rating and a five-globe sustainability rating as of 8th March 2024. Sovereign debt and public financial institutions were excluded from the selection, so the dataset was eventually reduced to 26 companies (see Table 1). This selection enables a focused investigation, based on highest-rated companies, minimizing confounding variables.
As per the outcome, the company's market capitalization value data are the result of screening financial information websites in search of the values on 31st December 2023. The total assets information was extracted from the annual reports of each company. Published sustainability reports were identified to extract the data reported on their compliance with the SDGs, mainly out of corporate websites. After filtering the latest published data on sustainability reports, 2022 was the year chosen for the analysis given that, at the time of the data collection, some companies did not provide up-to-date information. Therefore, this resulted in the extraction of data referring to 2022, the latest report available for all the companies in the study. Out of the 17 SDGs, those related to prosperity (SDG 7 to SDG 11) were selected. As a result, six variables were collected.

Outcome, Casual Conditions, and Calibration

The outcome defined in this study (market capitalization value) is used as a proxy for prosperity. Whereas a high capitalization value indicates that the company not only prospers in financial terms but also in its strong commitment to the SDGs agenda, a lower capitalization value indicates that, even when the company was successful, it did not perform as expected in terms of SDGs commitment. Companies with a high market capitalization value are determined to drive the transition towards sustainability, particularly in pushing SDGs forward, which requires strong financial efforts.
Then, to define the conditions most associated with this high capitalization value and that might best describe whether the companies promote and communicate their SDGs performance, six conditions were selected (see Table 2).

Table 2. Outcome and Conditions: Description and Type.

Type	Name	Description	Type
Outcome	Market Capitalization Value (MC)	Value based on financial sites (1)	Fuzzy value
Condition	Total Assets (TA)	Annual report 2023 for each company	Fuzzy value
Condition	SDG7	Published 2022 sustainability reports	Crisp value
Condition	SDG8	Published 2022 sustainability reports	Crisp value
Condition	SDG9	Published 2022 sustainability reports	Crisp value
Condition	SDG10	Published 2022 sustainability reports	Crisp value
Condition	SDG11	Published 2022 sustainability reports	Crisp value

The data of the outcome and conditions was then calibrated following the procedures of the methodology (Ragin, 2008) and informed by existing literature. Thus, thresholds for full membership (0.90), crossover point (0.50) and full non-membership (0.10) were determined and dichotomic variables were built (0 and 1). That is, when an SDG was identified, it was coded as 1 (reported), otherwise, it was coded as 0 (not reported). In this respect, binary coding is a well-established practice not only in sustainable financial reporting research but also in QCA (Kumar et al., 2022). Table 3 shows these values in detail for each variable.

Table 3. Calibration Threshold Values.

	Full membership (0.90)	Crossover point (0.50)	Full non-membership (0.10)
Capitalization Value (1)	2,067	266	34
Total Assets (1)	405	70	19
SDG 7	1 (reported); 0 (no reported)		
SDG 8	1 (reported); 0 (no reported)		
SDG 9	1 (reported); 0 (no reported)		
SDG 10	1 (reported); 0 (no reported)		
SDG 11	1 (reported); 0 (no reported)		

(1) Data in billion dollars

Source: Self-elaboration

4. RESULTS AND EVALUATION

Analysis of Necessary Conditions

Following the fsQCA methodology, the necessary conditions, that is, those conditions most associated with higher market capitalization value, were examined. Based on the literature, if a consistency ratio is higher than 0.9, then a condition is considered necessary (Schneider & Wagemann, 2012). That is, if a necessary condition is identified, it will contribute alone to achieve high market capitalization. As per the results, none of the conditions achieved this ratio (see Table 4). Based on these results, we can assume that total assets alone do not contribute to high market capitalization.

Analysis of Sufficient Conditions

Both models are acceptable given that both show a good solution coverage, ranking between 0.25 and 0.65, and a high solution consistency, greater than 0.75 (Ragin, 2009; Schneider & Wagemann, 2012). According to previous literature (Ragin, 2009), all paths are acceptable. For the analysis, the parsimonious solution was selected given that it contains the most essential conditions that most consistently are associated with the outcome. The patterns or relationship of conditions that contribute to a company's high market capitalization value are identified by analyzing the configurations of the presence and absence model (see Table 5). For a better interpretation of the results, a sufficient condition in fsQCA means that whenever a condition or a path of conditions is present, the outcome, that is, market capitalization, will be more often associated with this condition or set of conditions, although it could also occur through other paths (Ragin, 2009).

Table 4. Analysis of Necessary Conditions.

	Model 1. Market Capitalization Value (presence)		Model 2. Market Capitalization Value (absence)	
	Consistency	Coverage	Consistency	Coverage
SDG7	0.517510	0.354667	0.615776	0.645333
~ SDG7	0.482490	0.450909	0.384224	0.549091
SDG8	0.728599	0.374500	0.795802	0.625500
~ SDG8	0.271401	0.465000	0.204198	0.535000
SDG9	0.641050	0.346842	0.789440	0.653158
~ SDG9	0.358949	0.527143	0.210560	0.472857
SDG10	0.508755	0.373571	0.557888	0.626429
~ SDG10	0.491245	0.420833	0.442112	0.579167
SDG11	0.481517	0.412500	0.448473	0.587500
~ SDG11	0.518482	0.380714	0.551527	0.619286
TA	0.867704	0.722267	0.452926	0.576518
~ TA	0.491245	0.369963	0.781807	0.900366

Table 5. Analysis of Sufficient Conditions.

	Presence of High Market Capitalization Value		Absence of High Market Capitalization Value	
Configuration #	1a	1b	2a	2b
SDG7				
SDG8		●		
SDG9				
SDG10				
SDG11	O			
TA				
Raw Coverage	0.371595	0.184825	0.498728	0.202926
Unique Coverage	0.348249	0.161479	0.480916	0.202926
Consistency	0.837719	0.917874	0.937799	0.7975
Solution Coverage	0.533074		0.73855	
Solution Consistency	0.860282		0.887615	

The notation illustrated in Table 5 follows that of Fiss (2011). Therefore, while black circles indicate the presence of the condition, white circles represent its absence. Those conditions without notations are irrelevant. Large circles indicate core conditions, that is, a condition appears in both parsimonious and intermediate solutions, whereas small circles, if present, would indicate peripheral conditions, conditions that only appear in the intermediate solution (see Table 6 for more details).

Table 6. Explanation of notation used in Sufficient Conditions Analysis.

Large black circle	Core conditions (appears in both, parsimonious and intermediate solutions).
Large white circle	Absence of a core condition (appears in both, parsimonious and intermediate solutions).
Small black circle	Peripheral condition (appears only in the intermediate solution).
Small white circle	Absence of the condition (appears only in the intermediate solution).
No symbol	The condition is irrelevant

Paths 1a and 1b refer to the presence model with a high market capitalization value. Conditions that are present in this model indicate that they contribute to a higher market capitalization value. Paths 2a and 2b refer to the absence model. Conditions in the absence model are indicators of those factors that should be avoided because of their lack of contribution to a high capitalization value. Only paths representing more than to 5% of the cases are discussed.

Regarding path 1, in 37.16% of the cases, a high capitalization occurs when only the presence of SDG 11 (sustainable cities and communities) and TA exists. Moreover, the combination of these two conditions contributes to a high market capitalization value, whereas the presence of the rest of the SDGs is deemed not required for a high capitalization value. In path 2, for 18.48% of the cases, the presence of SDG 8 (decent work and economic growth) and TA, along with the absence of SDG 10 (reduce inequalities) are required to contribute to the outcome. These configurations show a consistency of 0.86 and a coverage of 0.53, which means that there is a solid relationship between the conditions and the result. Overall, these results indicate that the main SDGs contributing to high market capitalization value are SDG 11 and SDG 8, while reducing inequalities at work is not relevant to achieve this outcome.

As per the absence model, in path 2a, with a coverage 49.87% of the cases, in the presence of SDG 7 (access to affordable and clean energy) combined with the absence of TA, a high market capitalization value would fail. The rest of the conditions are irrelevant. For path 2b, representing 20.29% of the cases, the presence of SDG 9 (industry, innovation and infrastructure) combined with the absence of SDG 7 (access to affordable and clean energy) and SDG 11 (sustainable cities and communities) would contribute to lower capitalization value. These configurations show good consistency ratios (88.76%), higher than 0.9 (Schneider & Wagemann, 2012). The results in the absence model provide alternative pathways where high market capitalization can be associated with a focus on clean energy or innovation rather than traditional economic growth.

To identify the key factors influencing high market capitalization, six conditions were selected and calibrated. The fsQCA methodology was used to analyze these conditions, revealing that no single condition had a consistency ratio above 0.9, suggesting that no individual factor is necessary to contribute to a high capitalization. However, both models exhibited strong solution coverage and high consistency, validating the results. The parsimonious solution, which highlights the most consistent conditions, was chosen for further analysis. The findings indicate that SDG 11 (sustainable cities and communities) and SDG 8 (decent work and economic growth) are the most influential SDGs associated with high market capitalization. Specifically, 37.16% of high-capitalization cases were linked to the presence of SDG 11 and total assets. Conversely, the absence of SDG 7 (affordable and clean energy) and SDG 9 (industry, innovation, and infrastructure) was associated with lower market capitalization, suggesting that prioritizing clean energy and innovation could be key strategies to boost capitalization. Additionally, the absence of SDG 10 (reduced inequalities) was found to be irrelevant in these results. These findings underscore the complex interplay between SDGs and other

factors in their relationship with corporate success, offering valuable insights into how companies can align their strategies with sustainability objectives to enhance market value.

Finally, this study analyzes the conditions contributing to high market capitalization, focusing on the integration of SDGs and traditional financial metrics like TA. The results support Proposition 1**,** which suggests that the inclusion and implementation of prosperity SDGs (7 to 11) in a company's strategy significantly contributes to higher market capitalization. Specifically, SDG 11 (sustainable cities and communities) and SDG 8 (decent work and economic growth) were found to be the most influential SDGs, with SDG 11 contributing to 37.16% of high capitalization cases. Conversely, the absence of SDG 7 (affordable and clean energy) and SDG 9 (industry, innovation, and infrastructure) were associated with lower capitalization.

Regarding Proposition 2**,** which asserts that total assets alone do not contribute to high market capitalization, the results show that TA alone is insufficient to contribute to a high capitalization. In some cases, SDG 8 and TA combined with the absence of SDG 10 (reduced inequalities) were necessary to find a relationship with high market capitalization, but no single financial metric proved essential. The study highlights the need for companies to prioritize sustainability-driven strategies – especially SDG-related ones – rather than relying solely on traditional financial indicators. These findings underscore the complex relationship between SDGs, financial metrics, and corporate success in achieving long-term market value.

5. CONCLUSION

This study makes a unique contribution to existing literature by specifically examining the relationship between corporate market capitalization and SDG-related initiatives, with a particular focus on SDG 8 (decent work and economic growth) and SDG 11 (sustainable cities and communities). Unlike prior research, which often examines the broader impact of ESG factors on financial performance, this study provides a focused analysis of how specific SDGs related to prosperity influence market value. By concentrating on these SDGs, the study offers a more precise, industry-specific perspective on how businesses can strategically align their operations with these goals to achieve long-term financial success. This approach offers new insights that differentiate this research from previous studies, which typically adopt a more generalized view of sustainability and its impact on corporate performance.

Lastly, this study offers valuable insights for investors, policymakers, and regulators, which can be applied in several impactful ways. For investors, the findings recommend prioritizing companies that align with SDG 8 and SDG 11, as these firms are better positioned for long-term growth and lower risk. Policymakers are encouraged to integrate SDGs into public policies that support sustainable business practices, driving both economic growth and sustainability. For regulators, the study advocates for the adoption of standardized sustainability reporting frameworks, such as the GRI, to ensure transparency and consistency in corporate ESG initiatives, ultimately enhancing market efficiency and corporate accountability.

Moreover, the lack of a significant relationship between SDG 10 and market capitalization is notable. Despite many companies focusing on reducing inequalities as part of their ESG strategies, our findings suggest that the immediate financial relationship with SDG 10 may not be as apparent as that of other prosperity-related SDGs. This could reflect the complexity and long-term nature of addressing inequalities,

which may not translate into immediate financial returns. Industry-specific factors and regional variations could also influence the relationship of SDG 10 with financial performance, suggesting that sectors with a direct focus on inequality may experience a stronger connection. Future research should explore these factors to provide a more comprehensive understanding of how SDG 10 relates to market value.

The findings indicate that only SDG 8 (Decent Work and Economic Growth) and SDG 11 (Sustainable Cities and Communities) demonstrate a significant association with high market capitalization, reflecting their direct alignment with core business operations and measurable financial outcomes. SDG 8 is closely linked to economic productivity, while SDG 11 relates to infrastructure investments that attract market interest. The limited impact of other SDGs may result from their longer-term horizons and measurement complexities. Furthermore, reporting inconsistencies and disclosure biases likely conceal the full extent of corporate sustainability efforts, highlighting the critical need for standardized and transparent reporting frameworks.

This study also highlights the importance of integrating non-financial sustainability indicators alongside traditional financial metrics. The full potential of SDGs can only be realized when they are embedded within broader corporate strategies. While SDGs significantly contribute to corporate capitalization, their impact is complex and dependent on the context. Therefore, future research should continue to investigate the mechanisms behind this relationship, focusing on industry-specific factors, investor behavior, and the development of standardized reporting practices.

6.Limitations and future research

This study has some limitations that future research should address. The small sample size of 26 companies may limit the findings. While this sample size is within the recommended range for fsQCA, between 10–50 cases (Ragin, 2009), a larger sample may have contributed to identifying additional causal configurations. Additionally, the fsQCA methodology highlights that no single factor is universally necessary for high market capitalization, suggesting the complex nature of the relationship between SDGs and financial performance. The reliance on self-reported data may introduce bias and inconsistencies in sustainability reporting. The study also does not account for industry-specific differences in how companies engage with SDGs. Neither does it include control variables such as firm size or industry sector in order to prioritize the focus of our study on the SDG-market capitalization relationship. Future research could address this limitation by incorporating variables such as firm size so that it might help to explore whether large companies with more resources are able to implement SDGs more effectively. When addressing this limitation, researchers should acknowledge that SDGs were designed to allow an effective implementation of all companies, regardless of their size (see review Mio et al., 2020). In order to shed further light on the relationship examined here, when alternative variables are included, future research should explore how this variability influences the robustness and interpretation of the findings.

Another limitation of this study is the specific time frame, which restricts the ability to observe long-term trends. Additionally, the geographic scope is limited to companies from only 9 countries: Ireland, United States, Netherlands, France, Italy, Denmark, Germany, South Korea, and Taiwan, which may not fully

capture global variations in SDG adoption and impact. The sample size of 26 companies is relatively small, further limiting the generalizability of the findings. Moreover, key variables such as corporate governance, leadership, sustainability reporting frameworks, market conditions, and investor behavior were not considered in this analysis. This selection was grounded in ensuring methodological rigor and focus while isolating the results from confounding variables. Future research should address these limitations by expanding the period, geographic scope, and sample size, while also incorporating additional relevant variables to provide a more comprehensive understanding of the relationship between SDGs and corporate performance.

Future research should also focus on industry-specific contexts, particularly sectors like renewable energy and technology, where SDGs such as SDG 7 and SDG 9 may have more direct financial implications. Longitudinal studies would help assess the long-term effects of SDG integration. Additionally, examining investor behavior and the effectiveness of sustainability reporting frameworks, like GRI and Integrated Reporting, would enhance understanding of the role of sustainability in financial outcomes. Finally, exploring corporate governance structures could provide insights into how organizations align sustainability with business performance.

During the preparation of this work, the author(s) used ChatGPT to refine the English language and improve the construction of certain sentences, as well as for stylistic consultations. After using this tool/service, the author(s) reviewed and edited the content as needed, taking full responsibility for the content of the publication.

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