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Article

Does Environmental, Social and Governance Disclosure Practices Promote Customer Brand Perception? The Moderating Effect of Customers' Sustainability Responsiveness

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Abstract: Environmental, social and governance (ESG) aspects have garnered considerable attention in corporate management on a global scale in recent times. As a result, researchers have paid notable attention to this subject. Though numerous studies have already explored various aspects of ESG in the context of emerging economies like Bangladesh, there is limited evidence on whether ESG practices promote customer brand perception (CBP). This study measures the impact of ESG on CBP deploying structural equation modeling in an emerging economy by analyzing the responses of 450 samples in accordance with the philosophies of triple bottom line theory and signaling theory. The results indicate that sustainability responsiveness, social and environmental disclosure practices, and CBP are positively impacted. Customers' enhanced level of sustainability responsiveness strengthens the influence of governance disclosures in choosing a brand, while weakens the impact of environmental and social disclosures. However, the study concludes there is no significant effect of governance disclosures on CBP. The findings also reveal that social issues have the strongest impact on CBP among the ESG parameters. As sustainability concerns increase, customers either demand more sustainability performance from brands or their impression of the brands declines correspondingly. The study outlines a customer's viewpoint on the requirements of ESG and sustainability concerns, which will contribute organizations to adopt appropriate ESG strategies and address sustainability challenges to win over customers and strengthen their brand image.

Keywords: Environmental, Social and Governance Disclosure; ESG; Customer Brand Perception; Brand Image; Sustainability Responsiveness; Sustainability Awareness; Customer Buying Behavior; Green Consumer Behavior; Corporate Governance

1. Introduction

Over the past years, Environmental, social and governance (ESG) factors are getting more focused as important phrases for global corporate management techniques and policies. ESG stands for non-monetary attributes that an organization should think about while making investment decisions from a sustainable social or environmental perspective [1]. Earlier, the primary benchmarks for investing in an organization were the organization's financial performance and earning capabilities. However, long-term sustainability and the value of the company are among the factors that ESG asks for to be evaluated at the present time. So, ESG is considered to be an indispensable tool for an organization seeking sustainability pertaining to the environmental, social and governance aspects.

ESG management strategies are recognized as non-financial aspects for evaluating a firm's investment opportunity and sustainability [2]. These can help an organization enhance goodwill [3] and build customer beliefs by influencing customer attitudes and buying intentions [4]. ESG puts more focus on a company's ability to perform sustainable business practices by maintaining social responsibility and corporate governance [5]. Business organizations should ensure that their operational functions and offerings satisfy social and environmental requirements. For this reason, ESG is considered to be a crucial element for an organization to enhance brand perception and brand loyalty [2]. Additionally, ESG elements can help an organization to strengthen earnings in many ways such as people who are cautious of environmental and social consequences remain attracted to products or services of that organization maintaining ESG practices [6].

Previous research focused on the advantages of an organization's ESG practices. An organization's environmental behavior and practices can increase its competitive advantage by fostering and preserving solid relationships with its stakeholders [7]. An organization can achieve a competitive edge and increase reputation and management efficiency which increases stakeholder value and sustainability [8]. Several investigations have also been carried out to understand the association between ESG practices and firm performance. Alareeni and Hamdan [9] found that financial performance is positively related to ESG practices and disclosures. Maintaining environmentally friendly practices also demonstrates a favorable correlation with the financial performance of companies both in developing as well as developed countries [10]. Companies involved in ESG practices and disclosures exhibit relatively stable stock returns in comparison to their other companies in the same marketplace [11]. However, though studies have explored ESG and investment decisions to some extent, there is limited research on whether ESG practices promote customer brand perception and whether customer sustainability responsiveness has a moderating influence in that relationship in the designated socio-economic context of Bangladesh.

2. Literature Review and Hypothesis Development

2.1. ESG Practices

ESG focuses on three different pillars or aspects that include different issues concerning environmental obligations, social responsibilities and corporate governance compliances [12]. The environmental pillar of ESG refers to the principles and practices by which the environmental impact caused by a specific business decision or commercial activity can be determined [13]. Some of the environmental practices include preventing environmental pollution, developing green products, reducing greenhouse gas or carbon emissions, managing waste, using renewed energy and so on [14—17]. The social pillar of ESG encompasses a wide range of topics like health, security, ethics, community support, and social responsibility which primarily concentrate on the relationships between the organizations and community [14—15]. The social pillar of ESG normally contains the aspects of maintaining the relationship of the business with the societies and communities. Some of the specific social practices include community relations, consumer protection, workplace human rights, privacy policy, workplace health and safety, and so on [16, 18]. The governance pillar of ESG comprises the board of directors' independence, ethical policies, transparency, shareholder rights, management compensation policy, strategies for maintaining control, fair business practices and adherence to the law [14—15]. Handa [19] found that economic performance is significantly affected by good and efficient governance. Additionally, good governance practices can significantly influence the financial performance of business firms compared to environmental and social factors of ESG [20]. Governance practices may include the experience and expertise of board members, gender diversity, board independence, and so on [17—18].

2.2. ESG Disclosure

ESG is the contemporary three pillars of corporate social responsibility (CSR) [21]. ESG disclosures are the exposures of activities or procedures related to how a firm engages with its natural environment, collaborates with human communities and other populations, and establishes internal controls and processes, including customs, policies, laws, rules, and regulations [22]. These elements collectively guide, oversee and manage all aspects of the organization's operations to benefit both shareholders and other stakeholders. Environmental disclosures describe corporate environmental actions and performances, which include pollution control, waste management, reduced carbon emission, energy preservation and so on [14—15]. The social component of ESG disclosure is primarily concerned with what goals an organization achieves in relation to improving community health, protecting human rights, reducing gender gap, improving livings of the underprivileged and others [14—15]. A company's positive and negative aspects regarding politics, labor and social issues constitute the social pillar of sustainable investing. The governance disclosures address issues including the board of directors' independence, auditing independence, managerial compensation, controlling strategies, legal compliance, financial transparency, tax fairness and so on [14, 15, 23].

2.3. Brand Perception

Levy and Rook [24] first evidently introduced "brand image" in the field of marketing that acknowledged conveying a brand's image to a targeted market as an essential marketing strategy. A company's brand perception is the impression that consumers hold of it, based on both its tangible and intangible elements. Brand perception affects consumers' subsequent buying decisions and assists in decision-making [25]. Sichtmann [26] concludes that brand loyalty plays a significant role in purchasing behavior of consumers and contributes to the establishment of a brand's reputation or image. To eliminate information asymmetry and enhance positive brand perception, companies promote unique and relevant brand asset accomplishments about brand positioning, targets and growth strategies [27]. Brand image, brand loyalty and brand perception are closely interconnected with each other [28]. A positive brand image helps to create brand loyalty among consumers which eventually leads to a better perception of the brand [29].

2.4. Sustainability Responsiveness

Sustainability responsiveness (SR) illustrates an organization's obligation to react to significant issues in a transparent and environmentally friendly manner in which an organization has to provide information to its stakeholders regarding organizational decisions, operations and performance as well as include them in identifying and addressing sustainability challenges [30]. An organization needs to be responsive by clarifying how it considers its interactions with stakeholders in sustainable means and how it expects to establish and maintain those relationships [31]. Therefore, SR can be described as the potential of a company to adjust and respond to sustainability concerns such as social protection, environmental preservation, economic stability and others. It includes implementing sustainable practices into an overall strategy, decision-making procedures and corporate operations to solve social, environmental and economic issues while maintaining long-term resilience and profitability.

2.5. Theories Underpinning

2.5.1. Triple Bottom Line Theory

Triple bottom line (TBL) theory, proposed by John Elkington, suggests that firms must be prepared with three distinct and diverse bottom lines [32]. Firstly, the profit-loss bottom line, which is the traditional indicator of a firm's profitability [33]. Secondly, the people account's bottom line, which assesses the degree of the firm's being responsible socially throughout the course of its operations [33]. Finally, the company's planet account's bottom line, which demonstrates how environmentally responsible the firm has been [33]. Alternatively, TBL theory suggests that the growth of the economy, the quality of the environment and the accessibility of the social wealth should be the primary components upon which a company's entire performance should be assessed [34]. TBL theory is also known as 3P, which stands for profit, people and planet [35]. As proposed in TBL, corporates should prioritize business performance while also keeping an eye on the environment and society. For this instance, TBL is denoted as the broader version of stakeholder theory in which all stakeholders' interests are taken into consideration.

2.5.2. Signaling Theory

Spence [36] was the one who first put forth the signaling theory. Signaling theory is considered as one of the fundamental theories of ESG which primarily focuses on mitigating knowledge gaps between two parties. This situation can be better understood when one party has information about something, but the others don't [37]. The party with the information decides how and whether to disclose the information. As per signaling theory, firms carry out ESG practices to reduce information asymmetry. ESG activity of an organization acts as an indicator of firm performance and prospects [37]. Although ESG factors are not taken into consideration when evaluating a firm’s value, ESG they can explain the firm value by disclosing some important non-financial information [38]. Signaling theory seeks to describe the way actors might decide in circumstances where one party has the informational advantage, with equilibrium being reached when the expectations of a signal are validated by the experience of the recipient [39].

2.6. ESG Disclosure and Brand Perception

Brand image or perception have a significantly favorable relationship with corporate social responsibility [40]. ESG significantly improves customers' desires to spread the word about a company and their level of brand trust [41]. Positive brand perception toward a product or organization may be viewed as an asset because it influences the consumers’ way of viewing the operations of the company [42]. According to Tripopsakul and Puriwat [43], ESG components significantly enhance consumers’ brand loyalty and engagement. Bae et al. [41] also suggested that the environmental and social components possess a significantly favorable impression on brand trust.

Bekar et al. [44] demonstrate that companies must employ sustainable practices to build consumer loyalty and emotional connections and raise consciousness of environmental preservation. In this sense, firms that adopt environmentally sustainable practices obtain an advantage over their competitors and enjoy an increase in the number of environmentally aware consumers [45]. Social and governance practices were shown to significantly impact brand perception and brand assertiveness [2]. When a company contaminates the environment or produces negative impacts to ecosystem, consumers mark the company as unethical and seek a proactive and preventive response [46]. A negative perception of the brand may also arise from neglecting to meet consumer demands of being proactive [47]. Another research demonstrated that consumer perceptions of environmentally friendly practices have a favorable control on consumer attitudes and a firm's green image [48].

Koh et al. [2] investigated how ESG practices affect consumers' brand perception. The study illustrates that the social and governance components of perceived ESG are significantly and strongly associated with brand image and brand credibility [2]. Researchers have classified brand perception into two unique categories: functional and symbolic [49]. A product's functional perception shows its tangible traits, while its symbolic perception emphasizes its intangible traits [49]. By enhancing favorable functional and symbolic brand perception, companies can lead to an enriched brand loyalty through the legal and ethical obligations of consumers. Furthermore, legally responsible behavior of corporates helps to enhance a more functional brand perception, while ethically responsible action impacts a symbolic brand perception [50]. Based on the mentioned literature and theory, we have proposed the following hypotheses:

H1: Environment disclosure practices promote positive brand perception among customers.

H2: Social disclosure practices promote positive brand perception among customers.

H3: Governance disclosure practices promote positive brand perception among customers.

2.7. Sustainability Responsiveness and Brand Perception

Zelezny and Schultz [51] define SR as certain psychological components associated with an individual's inclination to participate in environmentally responsible initiatives. A company's offerings and responsiveness to the environment and society have a prudent impact on the perception and actions of its consumers [52]. Recently, several firms have adopted sustainable measures and effectively constructed a positive brand image. Higher SR helps to increase consumers' perception of the brand [53]. Consumers are extremely conscious of the three pillars of sustainability: environmental, social and governance [54]. Therefore, the consumers perceive sustainable goods and services as environmentally and socially responsible, which positively impacts consumer satisfaction, purchasing intentions and brand reputation [55]. Besides, certain customers are willing to pay extra amount for goods, services and businesses that exhibit social responsibility and environmental consciousness, which refers to consumers’ sustainably responsive attitude [56]. Thus, Consumers who cherish sustainability are the sole group of individuals who will be attracted to a sustainable brand image [57]. Based on this overall discussion and from the findings of previous literature, the following hypothesis can be developed:

H4: Sustainability responsiveness is positively aligned to customer brand perception.

2.8. Sustainability Responsiveness as a Moderator

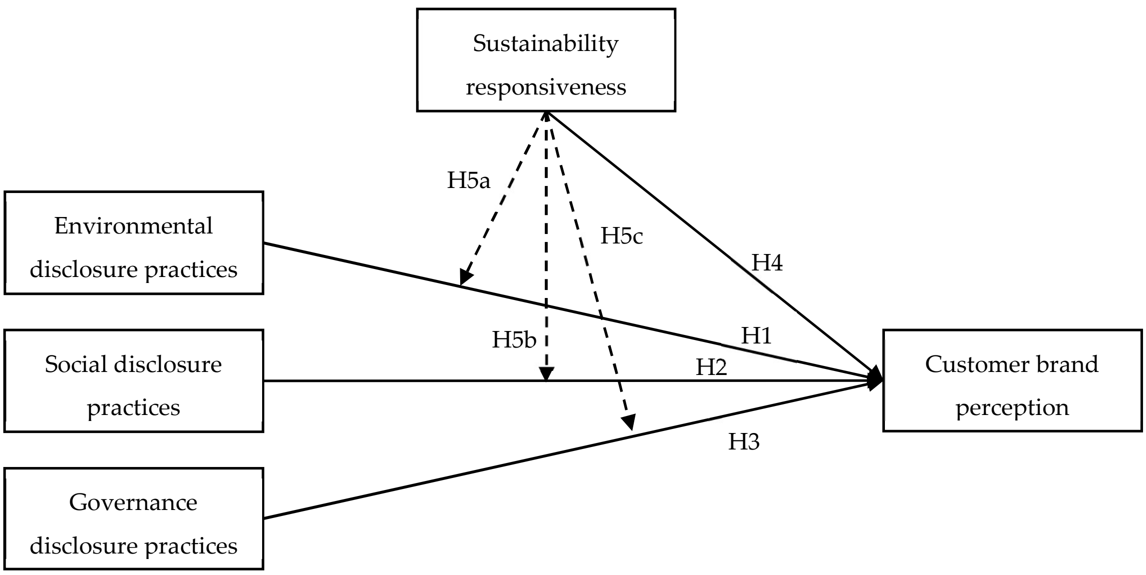
Sustainability or environmental responsiveness describes an individual's acknowledged desire to actively participate in the preservation of the planet [58]. Though the impact of SR on brand perception has been the center of multiple studies, less enquiry has been conducted on the moderating role that SR plays in brand perception. Organizations realize that an effort to reduce environmental problems leads the consumers to be more inclined to recommend the firm's goods or services [59]. Buyers who care about the environment are more inclined to buy goods that are sustainable, reusable and recyclable [60]. Furthermore, they try to reduce the consumption of those products which have negative effects on the environment, and they are more inclined to be aware of corporate greenwashing [60]. SR has been reported to act as a moderator in a variety of studies dealing with consumer preferences to make green purchases [61]. Strandvik et al. [62] suggest that establishing a connection with brand perception may depend significantly on its consumers' concern for the environment. Vietnamese customers who are extremely cautious about the environment are inclined to uphold their ecological beliefs in their buying habits in consideration of the severe pollution in the country [63]. Consequently, we suggest that SR exhibits a decisive role as a moderator for ESG and brand perception; thus, we propose the following:

H5a: Sustainability responsiveness moderates the effect of environmental disclosure practices on brand perception.

H5b: Sustainability responsiveness moderates the effect of social disclosure practices on brand perception.

H5c: Sustainability responsiveness moderates the effect of governance disclosure practices on brand perception.

2.9. Conceptual Model



Note: Direct effect (——), moderating effect (- - -).

Figure 1. Conceptual framework.

3. Methodology

3.1. Data, Tools and Sampling

To understand the customer's brand perception concerning ESG practices, we surveyed the final customers of first-moving consumer goods (FMCG). We deliberately targeted the knowledge customers who are familiar with sustainability issues; therefore, we spotted them at supermarkets, chain stores, universities and corporate offices wherever convenient. We either (a) supplied hard copies of the structured questionnaire to target respondents along with a request note to participate in the survey or (b) explained the questions to those who were willing to spare a few minutes on the spot. In the first case, the respondents were provided an access link to respond online or upload the filled questionnaire in WhatsApp, email or Google Drive. For the second case, we assigned respective Likert scale points based on their responses. Considering the knowledge of respondents, we designed and delivered questionnaires in the English language only. Our convenient sampling method satisfies the recommendation of Malhotra [64] concerning adopting a non-probability sampling method for unlisted populations.

Before initiating our final data collection process, we conducted a pilot study on 40 respondents to confirm the usefulness of the questionnaire. In the pilot survey, we encountered that respondents were having trouble in differentiating social, environmental and governance-related sustainability issues. Therefore, we have explained a few questions with examples and supplied notes explaining each component of ESG and corresponding sustainability matters in the final survey. We have also discussed with two university professors experienced in ESG research to design the final questionnaire according to the responses retrieved from the pilot survey.

We reached a total number of 850 potential respondents with a target sample size of 385, which was calculated following the suggestion of Malhotra [64] for a non-finite population at a 0.05 margin of error. However, we received more than expected feedback from the respondents and finally found 450 usable responses. The response rate was 52.94 percent, which is satisfactory [65]. Therefore, we have considered all the responses, which make a sample size of 450 for this study.

3.2. Measurement of Variables

3-item measurements of the selected variables were adopted from previous literature and propositions of the United Nations Development Programme (UNDP) backed project concerning ESG practices for businesses. We have adopted the items related to EDP, SDP and GDP Kostić and Hujdur [14] and Puriwat and Tripopsakul [15], SR from Panda et al. [66], and CBP from Mrad and Cui [67]. However, we adjusted the questions a little before presenting them to the respondents to ensure clarity and alignment with our study goals. We assessed the variables using a 5-point Likert scale ranging from "Never" to "Always" for EDP, SDP and GDP, and "Strongly disagree" to "Strongly agree" for SR and CBP.

3.3. Analysis Technique

First, we assessed the reliability and validity of data by developing a partial least squares structural equation model (PLS-SEM) using SmartPLS software (v. 4.0.9). We deployed confirmatory factor analysis (CFA) to test items' loading scores. Similarly, the other measurements— Cronbach's alpha, composite reliability (CR) and average variance extracted (AVE)—are calculated and compared with respective reference values to ensure the reliability of the observed data. Secondly, we tested for data validity and biases deploying heterotrait-monotrait (HTMT) ratios, Fornell-Larcker (F-L) matrix and variance inflation factors (VIFs). Thirdly, correlations among independent, dependent and moderating variables are examined to establish the linear connections among variables along with their level of significance. Finally, we tested for model strength and predictive relevance with reference to r-square (R^2), q-square (Q^2) and standardized root mean squared residual (SRMR). After having acceptable results of the aforementioned measures, we tested the proposed hypotheses based on the developed model and made our decisions. However, we opted for the PLS-SEM algorithm for examining reliability and validity criterion, while a bootstrapping approach was followed with a sub-sample of 1,000 for the rest of the analyses.

4. Results

4.1. Demographic Analysis

Most of the participants in this study were aged between 30 and 49 (57%). Though most of them were male (57.33%), female participants dominated fairly (42.67%). 46.22% of the respondents completed their graduation and 38.67% of them completed higher studies after graduation. 49.11% of the participants were in the income group between BDT 60,000 and BDT 150,000. Table 1 represents detailed demographic statistics.

Table 1. Demographic statistics.

Index	Demographics	Frequency	Percentage
Age	20's and below	80	17.78
	30's	143	31.78
	40's	109	24.22
	50's	78	17.33
	60's and above	40	8.89
Gender	Male	258	57.33
	Female	192	42.67
Education	Below bachelor's	68	15.11
	Bachelor	208	46.22
	Master's and above	174	38.67
Income [1]	Below 30,000	25	5.56
	30,000 — 60,000	55	12.22
	60,000 — 100,000	127	28.22
	100,000 — 150,000	94	20.89
	150,000 — 200,000	72	16.00
	200,000 — 300,000	47	10.44
	Above 300,000	30	6.67
	Total respondents (n)	450	-

[1] Income (approx.) in monthly Bangladeshi Taka (BDT), USD 1 ≈ BDT 115.

4.2. Data Measurements

We have followed the propositions of Hair et al. [68] concerning the standard cut-off values of the reliability and validity statistics where we considered the cut-off values of factor loadings as 0.70, Alpha as 0.70, CR as 0.70 and AVE as 0.50. In addition, the maximum value of HTMT ratios is considered as 0.85 [69] and VIF as 3.30 [70]. Moreover, the convergent validity test results (AVE) explain that our proposed factors are responsible for explaining more than half of the variance of the constructs. The resulting values of all the reliability and validity measurements are above the suggested cut-off values; therefore, it can be proposed that the data considered for this investigation is reliable and valid for conducting research. Furthermore, the discriminant validity as measured by the F-L matrix produces satisfactory results because the correlations of the same constructs are higher than the coefficients with other constructs [71]. Table 2 and Table 3 illustrate the detailed results of reliability and validity measures.

Table 2. Data reliability and validity measurements.

Constructs	Code	Loadings	Alpha	CR	AVE
Environmental disclosure practices	EDP1	0.922	0.875	0.903	0.798
	EDP2	0.896			
	EDP3	0.860			
Social disclosure practices	SDP1	0.923	0.878	0.884	0.803
	SDP2	0.891			
	SDP3	0.875			
Governance disclosure practices	GDP1	0.828	0.732	0.759	0.642
	GDP2	0.751			
	GDP3	0.823			
Sustainability responsiveness	SR1	0.914	0.874	0.873	0.799
	SR2	0.901			
	SR3	0.865			
Customer Brand Perception	CBP1	0.804	0.781	0.795	0.696
	CBP2	0.887			
	CBP3	0.809			

Note: Alpha = Cronbach's alpha, CR = Composite reliability, AVE = Average variance extracted.

Table 3. HTMT ratios and F-L matrix.

HTMT Ratios	EDP	SDP	GDP	SR	CBP	SR x EDP	SR x SDP
EDP							
SDP	0.145						
GDP	0.173	0.396					
SR	0.236	0.275	0.242				
CBP	0.349	0.406	0.270	0.440			
SR x EDP	0.130	0.065	0.065	0.051	0.156		
SR x SDP	0.074	0.052	0.042	0.131	0.116	0.210	
SR x GDP	0.067	0.038	0.031	0.059	0.097	0.086	0.367
F-L matrix							
EDP	0.893						
SDP	0.134	0.896					
GDP	0.141	0.318	0.801				
SR	0.207	0.242	0.211	0.894			
CBP	0.295	0.342	0.220	0.364	0.834		

4.3. Correlation Coefficients

The correlation coefficients along with their standard errors, presented in Table 4, explain positive relationships among dependent, independent and moderating variables. All the correlation matrices are strongly significant as most of the relationships are established either at $p < 0.001$ or at $p < 0.01$. Additionally, most of the moderating effects on dependent-independent relationships are negatively correlated with other variables. However, in this case, the correlations between SR x SDP and CBP ($p < 0.05$); SR x SDP and SR ($p < 0.05$); and SR x EDP and CBP ($p < 0.05$) are significantly negative, while the coefficients between SR x GDP and SR x SDP ($p < 0.001$); SR x EDP and EDP (p <

0.05); SR x EDP and SR x SDP ($p < 0.001$) are significantly positive. The other coefficients are insignificant ($p > 0.05$).

Table 4. Correlation coefficients.

Correlation	EDP	SDP	GDP	SR	CBP	SR x EDP	SR x SDP
EDP							
SDP	0.134** (0.049)						
GDP	0.141** (0.052)	0.318*** (0.047)					
SR	0.207*** (0.047)	0.242*** (0.041)	0.211*** (0.046)				
CBP	0.295*** (0.048)	0.342*** (0.048)	0.220*** (0.055)	0.364*** (0.043)			
SR x EDP	0.126* (0.058)	−0.062 (0.045)	−0.061 (0.052)	−0.048 (0.049)	−0.139* (0.055)		
SR x SDP	−0.069 (0.049)	−0.044 (0.055)	−0.041 (0.047)	−0.123* (0.055)	−0.105* (0.049)	0.210*** (0.058)	
SR x GDP	−0.059 (0.050)	−0.035 (0.042)	−0.002 (0.068)	−0.055 (0.060)	0.084 (0.054)	0.086 (0.077)	0.367*** (0.067)

Note: ***$p < 0.001$, **$p < 0.01$, *$p < 0.05$, Standard errors in parentheses.

4.4. Model and Hypothesis Testing

The model summary, shown in Table 5, demonstrates that the chosen constructs can explain 28.6% of the dependent variable ($R^2 = 0.286$); therefore, the model's effect size is moderate [68]. The SRMR value is 0.063, which indicates a reasonable model fit as SRMR < 0.08, which is recommended as the cut-off value of SRMR [72]. Additionally, Q^2 represents the moderate degree of predictive relevance ($Q^2 = 0.251$) of the hypothesized model as the resulting value of greater than zero [68]. Moreover, based on the conclusion of Kock and Lynn [70], it can be proposed that the VIFs, presented in hypothesis testing section, show no issues related to multicollinearity as the observed values are within the reasonable range (< 3.30).

Table 5. PLS-SEM model summary.

Dependent variable	R^2	Adjusted R^2	SRMR	Q^2 predict
CBP	0.286	0.275	0.063	0.251

Table 6 represents both the direct effects and moderating effects of ESG disclosures and sustainability responsiveness on customer brand perception. Firstly, the coefficients of EDP → CBP ($\beta = 0.228$, $p < 0.001$), SDP → CBP ($\beta = 0.230$, $p < 0.001$) and SR → CBP ($\beta = 0.243$, $p < 0.001$) are significantly positive. Therefore, we have strongly supported H1, H2 and H4. In response to GDP → CBP ($\beta = 0.052$, $p > 0.05$), the effect size is statistically insignificant; consequently, H3 is rejected. From the results, it can be interpreted that firms' environmental actions and social initiatives, and customers' sustainability awareness enhance positive brand image, while the effect of governance disclosure practices is negligible. Among the ESG constructs, the impact of social disclosure issues is the strongest.

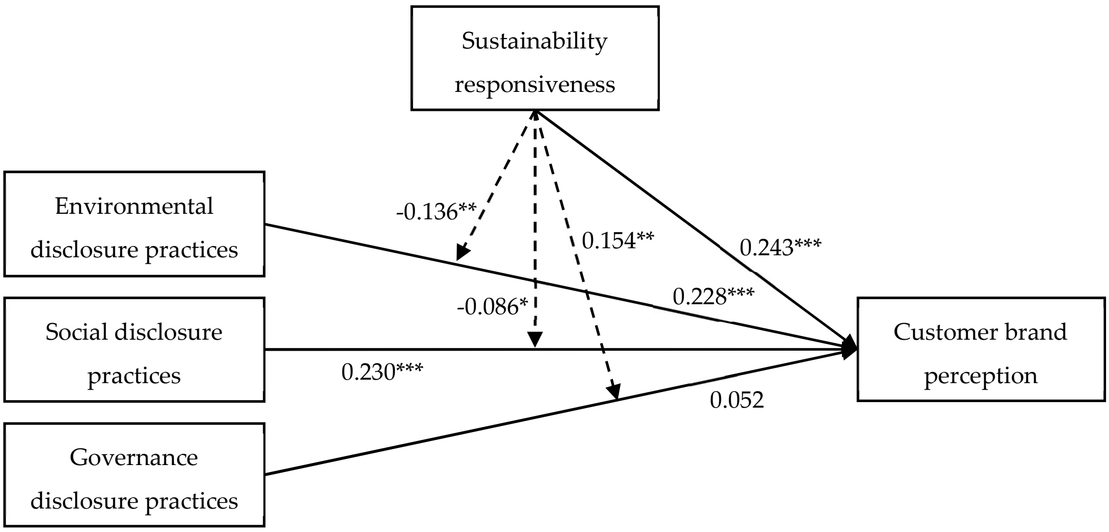
Moreover, all the moderated paths are significant where the effects are negative for SR x EDP → CBP ($\beta = -0.136$, $p < 0.01$) and SR x SDP → CBP ($\beta = -0.086$, $p < 0.05$), and positive for SR x GDP → CBP ($\beta = 0.154$, $p < 0.01$) relationships. Therefore, hypotheses H5a, H5b and H5c are strongly supported. The results imply that sustainability awareness among customers weakens the relationship between firms' environment disclosure practices and brand perception, and social disclosure practices and brand perception. Conversely, SR strengthens the relationship between governance disclosure practices and brand perception. In other words, as sustainability responsiveness increases, customers will be more careful when selecting a brand, resulting in less affection for a certain firm or brand if it fails to demonstrate prudent performance in its environmental and social actions. On the contrary, customers will place a higher value on governance concerns when selecting a brand or business as their understanding of sustainability grows.

Table 6. PLS-SEM results and hypothesis testing.

Hypotheses	Paths	β	Std. error	t-values	p-values	VIFs	Decision
H1	EDP → CBP	0.228	0.043	5.285	0.000	1.091	S
H2	SDP → CBP	0.230	0.049	4.736	0.000	1.161	S
H3	GDP → CBP	0.052	0.053	0.969	0.333	1.148	NS
H4	SR → CBP	0.243	0.048	5.075	0.000	1.131	S
H5a	SR x EDP → CBP	−0.136	0.045	3.061	0.002	1.079	S
H5b	SR x SDP → CBP	−0.086	0.042	2.048	0.041	1.217	S
H5c	SR x GDP → CBP	0.154	0.058	2.676	0.008	1.158	S

Note: β = Beta coefficient, S = Supported, NS = Not supported.

The results illustrated in the above tables are presented in the following measurement model for a comprehensive understanding.



Note: ***p < 0.001, **p < 0.01, *p < 0.05.

Figure 2. PLS-SEM measurement model.

5. Discussion

With increased alarming environmental and climate risks, the world is showing a growing interest in ESG disclosures. In response, businesses are behaving responsibly to attract their stakeholders by demonstrating prudent social, environmental and governance performance. More importantly, with increased appeals from pressure groups like the United Nations, customers are exhibiting more and more sustainability concerns in recent days and reconsidering their purchase behavior or brand loyalty [73]. They would like to think that their brands are functioning in ethical and pro-environmental manners [74]. In addition, signaling theory indicates that firms' ESG disclosures reduce information asymmetry, which enhances sustainability awareness among customers [27]. TBL theory also promotes firms' social, environmental and economic performance, which encourages stakeholders to behave responsively [75]. This study confirms the findings that customers' sustainability understandings significantly influence their brand attitude. Moreover, SR moderates the relationship between ESG and CBP. For this instance, businesses need to know how consumers feel about sustainability concerns in order to maintain sustainable brand performance and favorable customer perception.

The findings also reveal that social issues have the strongest impact on CBP among the ESG components. The conclusions also support the results inferred in existing studies including Koh et al. [2], Puriwat and Tripopsakul [15], and Lee and Rhee [76]. Though several previous studies could not find any significant impact of environmental issues on customers' brand choice [2, 76], the study provides evidence that EDP is strongly aligned with CBP. And, in both cases, SR strongly weakens the relationships. The results infer that organizations need to integrate social and environmental concerns in their dealings and communicate the performance to the stakeholders. Moreover, with increased interest in ESG issues, customers' sustainability awareness is also likely to increase [41]. For this instance, organizations must focus more and more on sustainability issues in the coming days to create a promising brand perception among customers. In addition, Bangladeshi FMCG customers show greater significance related to environmental concerns than that of the Korean customers as evident in the investigations of Koh et al. [2], and Lee and Rhee [76]. Hence, firms operating in Bangladesh require to set special attention to environmental performance along with social performance.

The study reports that governance issues do not significantly influence CBP. Though this conclusion is like the recommendations testified by Bae et al. [41], other studies reported that governance disclosures are substantial for a firm's yield and management tactic [77]. However, the moderation analysis produces significant results in the relationship between GDP and CBP. The outcome may be due to respondents' immediate focus on essential matters first. This result may also be because of customers' more attachments with environmental and social issues rather than internal governance issues of the organizations. The respondents may prioritize SDP and EDP issues over corporate governance given that Bangladesh is an emerging economy with underdeveloped systems in numerous environmental and social spheres, as well as because of the country's bitter experience with environmental challenges like pollution, waste management, climate risks, health and safety, and so forth [78]. Alternatively, organizations firmly publish their social and environmental initiatives to attract their stakeholders, especially customers. In this case, the customers are well informed about firms' social and environmental performances, which allow the customers to select their brands more vigilantly. On the contrary, the performing organizations or the consumers may not put much focus on governance concerns as compared to the social and environmental performance, where the customers do not desire to learn on their own in general. Therefore, there may be the possibility of substantial knowledge gap related to governance issues resulting in an insignificant impact in choosing a brand. Unlike investors, customers may be more interested in understanding what the firms are offering to society to encounter social and environmental discomforts instead of securing firms' own performance through standard corporate governance. Therefore, governance concerns are important when making investments [79] but not when choosing a brand for consumers, at least not right away, as advocated in this study and previous literature [41].

It may also be concluded that as SR increases, customers will be more enthusiastic in choosing a brand based on firms' corporate governance performance. However, given that there is no discernible effect of GDP when choosing a brand at the current state, consumers' degree of sustainability awareness might not correspond with required expectations, which might have an impact on CBP in relation to GDP.

The theoretical and managerial implication of this work are as follows:

The study addresses the literature gap identified in previous studies. Firstly, Koh et al. [2] conducted a study from a South Korean perspective and suggested extending the literature to other cultures. Moreover, the study couldn't establish the impact of environmental disclosure issues on customers' brand preferences [2]. Our study answered both issues by extending the literature in a South Asian developing country and establishing a meaningful connection between EDP and CBP. Moreover, we have addressed a moderating variable, which explains a better comprehension of the connection between ESG and brand choice. Secondly, Lee and Rhee [76] concluded that customers' level of sustainability understanding may affect their brand perception because they can effectively differentiate social, environmental and governance issues. We have conducted this study to understand how the FMCG customers of Bangladesh respond to sustainability issues in selecting a brand. In addition, Lee and Rhee [76] conducted their study based on responses related to photos and text materials and called for exploring other methods. We adopted a guided questionnaire to understand customers' brand preferences in relation to ESG and sustainability awareness. Thirdly, numerous studies explore ESG issues in the perspective of Bangladesh and emerging economies. However, most of the studies are concerned with investment decisions [79—81] and firm performances [82—84]. Finally, ESG and brand perception have rarely been addressed in previous literature. Our study has extended the knowledge of ESG and sustainability responsiveness in relation to brand choice from the socio-cultural perspective of Bangladesh, a South Asian emerging economy.

Existing literature hardly addresses customers' perceptions in relation to corporate ESG practices [76]. This study explored not only customers' perceptions of brands but also the moderating effect of their level of sustainability awareness when choosing a brand. Furthermore, the study revealed that the extent of the impact of ESG components is not the same. The social issues have the strongest impact followed by the environmental concerns. Additionally, SR is positively and significantly related to CBP, indicating that customers are more selective in choosing brands that address ESG concerns in their undertakings. For this instance, the study contributes to the literature by demonstrating that the dimensions of ESG practices are not equally effective and that customers are increasingly cautious as their understanding of sustainability grows.

Organizations need to introduce ESG mechanisms to ensure sustainable growth as ESG practices deliver non-financial information to stakeholders [85]. Therefore, organizations must formulate appropriate ESG strategies to positively sway customers' attention. In addition, to establish the organization's brand image, it has to institute and communicate its ESG strategies, especially sustainability concerns, to the ordinary customers [76]. In this regard, the study findings provide insights into which ESG efforts firms should prioritize and implement for sustained growth and a favorable brand image.

6. Conclusions

Sustainability concerns have emerged as powerful tools to encounter environmental challenges such as pollution, greenhouse gas emissions, energy crisis, destruction of natural resources and many more. People are becoming more enthusiastic in their pro-environmental actions and so are the customers in choosing their ethical brands. Corporations are participating in the revolution by demonstrating responsible actions concerning social, environmental and governance issues, popularly known as ESG. The study reveals that customers' sustainability concerns directly influence their brand perception. Therefore, customers are expected to welcome companies or brands that deploy ESG practices and perform better. This study reveals such claims that customers' brand perception is positively influenced by firms' or brands' social and environmental disclosure practices. However, the impact of governance issues remains inconclusive for now. The results may be due to respondents' immediate focus on essential matters for the moment. This result may be also because of customers' more attachments to environmental and social issues rather than internal governance issues of the organizations. The respondents may prioritize SDP and EDP issues over corporate governance given that Bangladesh is an emerging economy with underdeveloped systems, as well as because of the country's experience with environmental challenges like pollution, waste management, climate risks, health and safety, and so forth. Moreover, as customers' sustainability concerns increase, either their brand perception fades likewise, or their sustainability expectation increases correspondingly. In this regard, with the increase in customers' sustainability responsiveness, organizations need to be more viable and exhibit continuous improvement in ESG performance, especially in social and environmental aspects. Otherwise, customers can become less devoted to the relevant brand or perhaps reject it altogether at some point. For this instance, the study remains significant in enhancing the knowledge of concerned stakeholders and enlightening managers to initiate appropriate ESG strategies for ensuring sustainable brand performance.

The limitations and future research of this work are as follows:

Firstly, we opted for knowledgeable customers who understand the sustainability issues. Therefore, our study represents the brand perception of FMCG knowledge customers. Additionally, the income group of the respondents is fairly distributed to the above-average category which has greater purchasing power than many other groups. Secondly, brand perception of consumer goods and other products or services may not be similar. Customers may prefer other factors to choosing a brand for diverse goods and services (i.e. the range of facilities or flexibility to use may preside over ESG for credit card customers). Thirdly, the study was conducted within a specific socio-economic context, so the findings might be different in the cases of different socio-economic conditions and contexts. Therefore, the relationship between ESG and brand choice needs to be explored for diverse products, services, economies and customer groups. A meta-analysis is also advocated to generalize the findings. Fourthly, we have experienced that governance issues have negligible effect on brand perception though sustainability responsiveness significantly strengthens the relationship. Further studies may be conducted to deeply investigate the issue to understand the underlying reasons for such a result. Finally, this study is based on the triple bottom line theory and signaling theory; hence the discussion has been made accordingly. Other theories associated with ESG might be used for future research to obtain more comprehensive and conclusive insights.

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