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Causal Impact of ESG On the Predictability of Stock Market Returns in The Context of Global Sustainability Goals

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Abstract

This paper investigates the causal impact of ESG criteria on the predictability of stock market returns, framed within the context of global sustainability goals. It thoroughly examines the integration of ESG factors into financial performance assessments and decision-making in the investment sector. Utilizing advanced quantitative methods, including multiple regression and time series analyses on a comprehensive secondary dataset, the study elucidates the complex relationship between ESG performance and stock market volatility. The empirical findings reveal that high ESG scores correlate strongly with improved corporate financial performance and reduced market volatility, significantly enhancing the accuracy of stock return predictions.

These results support the hypothesis that sustainable investment strategies, which place ESG criteria at the forefront of decision-making, are not only ethically and socially advantageous but also provide a solid foundation for risk-adjusted returns in the financial markets. This dissertation contributes substantially to the scholarly dialogue concerning the financial impact of ESG criteria and underlines the importance of sustainable corporate governance in realizing global sustainability goals. By engaging critically with existing literature and generating new empirical evidence, this research enriches the academic community and serves as a practical guide for investors, corporate executives, and policymakers who are dedicated to integrating financial strategies with sustainable development principles.

Keywords: ESG integration, financial performance, global sustainability, risk management, stock market predictability, sustainable investment