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The Interplay of Corruption and ESG Performance: A Systematic Literature Review

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Abstract. This systematic literature review examines 69 studies published between 2012 and 2025, investigating how corruption affects corporate ESG performance and reporting. It analyzes the impact of corruption at both the national and firm levels, highlighting how it undermines sustainability, transparency, and stakeholder trust. Using bibliometric and thematic synthesis, the review identifies key intellectual trends and gaps in the literature. The findings suggest that while corruption poses a significant obstacle to ESG advancement, strong governance, ethical corporate cultures, and regulatory reforms can mitigate its effects. This study provides insights for firms, policymakers, and researchers seeking to enhance sustainable corporate practices in challenging institutional environments.
Keywords: ESG, corruption, sustainable development, review, analysis, anticorruption measures, institutions

1 Introduction

Corruption is generally associated with adverse outcomes for economic growth and corporate performance ("sand in the wheels"). However, a competing view suggests it can sometimes facilitate business ("grease the wheels") in rigid bureaucracies [1-2]. ESG performance, which encompasses a firm's environmental stewardship, social responsibility, and governance quality, can be seen as a product of and a response to the institutional environment. The theoretical consensus is that corruption typically hinders ESG performance by increasing inefficiencies, enabling malfeasance, and weakening institutional pressures for responsible conduct. High corruption at the country level can weaken legal enforcement and stakeholder pressures, potentially lowering a firm's incentives to invest in genuine ESG improvements [3-4]. On the other hand, firms committed to transparency and ethical practices may use robust ESG reporting as a signal to mitigate corruption's reputational risks [5-6]. This complex interplay has spurred extensive empirical research across regions and sectors.

From an institutional economics perspective, corruption reflects institutional failure, undermining the rule of law and property rights, which can deter the long-term investments needed for sustainability [7]. In management theory, as Tran (2020)

[8] investigated, agency problems are exacerbated by corruption: weak enforcement allows managers to pursue self-interested behaviors at the expense of shareholders and stakeholders. Agency theory suggests that transparent ESG disclosures reduce information asymmetry and agency costs [9], but in highly corrupt settings, those mechanisms may falter. Under the stakeholder and legitimacy theories, as Ucar and Staer (2020) [4] mentioned, stakeholder pressures for ESG may be muted if corruption prevails, or the legitimacy gained through ESG reporting might be mere window dressing. These frameworks provide a basis for understanding the empirical findings reviewed in this paper.

2. Method

The authors applied a systematic search method to identify relevant literature on corruption and ESG effectiveness in the Web of Science database (across all citation indexes) using keyword combinations such as "corruption and ESG". The period up to the beginning of 2025 was covered. An initial search revealed 85 articles rigorously reviewed for relevance in addressing the relationship between corruption (or anti-corruption efforts) and some aspects of corporate ESG effectiveness or reporting. As a result, 69 articles were considered relevant and included in the review. The authors limited themselves to peer-reviewed journal articles in English to ensure essential academic quality.

Key information on the 69 studies was collected: year of publication, journal issue, study design, data context, corruption indicators, ESG performance indicators, and findings. This information served as the basis for a descriptive analysis of publication trends and sample characteristics. In addition, an analysis of the distribution of publications over time and their geographical focus was carried out.

Bibliometric analysis is based on keyword coincidence and co-citation analysis. The authors visualized the results using the VOSviewer, which has made it possible to identify groups of topics that often occur together and different schools of foundational works on which the current literature is based.

3. Results

Corruption and ESG performance research are relatively nascent but growing rapidly. The selected studies show a clear upward trend in publications over the past decade. Early influential works appeared around the early 2010s [3], but most studies were published from about 2017 onwards (Figure 1).

Over half of the 69 articles have come out since 2020, reflecting the increasing importance of ESG issues and anti-corruption efforts in academic research and practice. This timing aligns with the rise of ESG investing and global sustainability frameworks, bringing corruption and governance concerns to the forefront of corporate sustainability discussions.

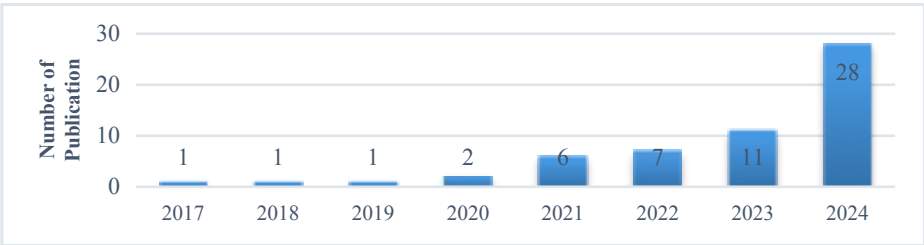

Figure 1: Publication Trend (2017-2024). *Note - Complete by the authors*

Table 1 presents the five most highly cited references within the reviewed literature on ESG disclosure, governance mechanisms, and the interplay between corruption and corporate sustainability.

Table 1. Highly Cited Articles in Corruption–ESG Literature (N=69)

Authors	Citation	Main findings
Yu, EPY; Van Luu, B and Chen, CH (2020)	433	The authors review the greening of ESG information disclosure and verify the validity of corporate sustainability statements.
Baldini, Mbaldini, et al (2018)	415	It examines the role of factors determining a country's and a firm's level in ESG information disclosure practices.
Lin, YJ, et al. (2021)	163	This study contributes to this discourse by examining the varieties of state capitalism and corporate innovation in emerging economies.
Yu, EPY and Van Luu, B (2021)	146	This study analyzes international differences in ESG disclosure.
Khalid, F. et al (2022)	63	It explores how firm characteristics and governance mechanisms shape ESG disclosure behavior.

Note: Compiled by the authors

These highly cited studies underscore the multidimensional nature of ESG and corruption research, spanning disclosure credibility, institutional determinants, innovation dynamics, and governance factors across diverse national contexts.

Many studies take an international or cross-country perspective, leveraging large datasets to compare how corruption levels relate to ESG metrics across countries [10-11]. Among single-country studies, China stands out as a frequent context, which is understandable given China's high-profile anti-corruption campaign and the growing ESG engagement of its firms [12-13]. Several papers have analyzed data on Chinese firms to see how corruption (and anti-corruption policies) affect ESG or innovation. Emerging markets in general receive strong attention: for example, studies focusing on India (Sharma & Mitra, 2015; Sinha et al., 2019), Latin America (Battaglia et al., 2021), Africa (Ojeka et al., 2019; Urbina, 2020), and multi-country emerging market samples (Wellalage & Thrikawala, 2021) are prevalent. Overall, literature captures a broad swath of the world, reinforcing the global relevance of the corruption-ESG nexus.

Analyzing the co-occurrence of authors-provided keywords reveals several dominant themes in the corruption-ESG literature (Figure 2). The node sizes reflect the frequency and sharing of keywords in the same publications (Fig.2a) and frequently cited references (Fig.2b). Colors indicate clusters of closely related topics.

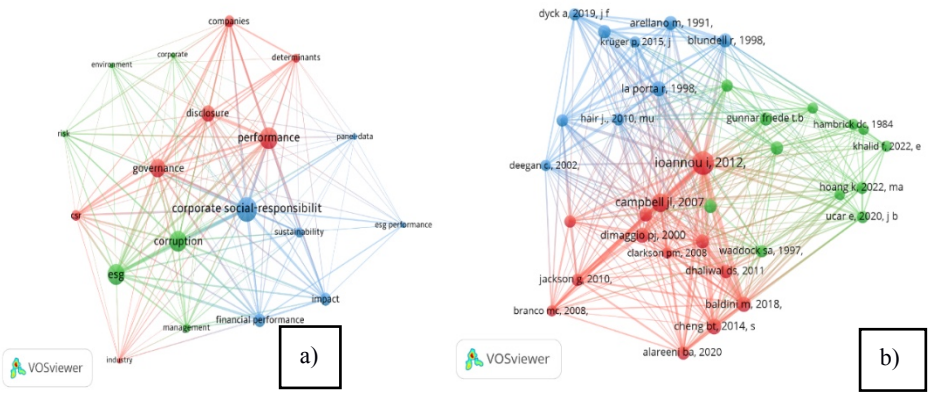

Figure 2. Results of bibliometric analysis with VOSviewer software
a) Co-occurrence network of keywords; b) Co-citation network of key references

As Figure 2a shows, most studies explicitly connect corruption to corporate sustainability performance or disclosure outcomes, often in the context of governance and risk management. The network is highly interconnected, reflecting the multidisciplinary nature of the discussion because researchers often examine multiple facets (for example, linking corruption to overall ESG performance and specific issues like disclosure transparency or financial risk). The red cluster centers around the corporate governance mechanisms and how corruption may impair or incentivize sustainability disclosures (Previtali & Cerchiello, 2023; Marzouki et al., 2023). The keywords "corruption" and "ESG " anchor a green cluster." Many studies in this cluster consider how corruption can disrupt firms' environmental and social performance (Liu, 2016; Orudzheva & Sluhan, 2023). The blue cluster examines corruption's impact on ESG, financial performance, and firm value. For instance, some authors (Qureshi et al., 2021) in this cluster look at whether firms with better sustainability despite corrupt environments achieve superior financial outcomes or lower risk.

Figure 2b displays a network of the most co-cited references from the bibliographies of the 69 studies. The red cluster (Ioannou & Serafeim, 2012; Campbell, 2007; Waddock & Graves, 1997; Clarkson et al., 2008; and Dhaliwal et al., 2011) underscores that in "clean" institutional environments, firms are pressured or incentivized to adopt more robust corporate social responsibility (CSR) practices and disclosure, whereas corruption undermines these pressures. Works anchor the green cluster examine that pursuing ESG does not harm financial results (Friede et al., 2015) – an important backdrop for arguments that corruption, by undermining ESG, may also indirectly hurt financial outcomes (Hambrick, 1984; Elsheikh et al., 2024). The third cluster (blue) centers on methodological and institutional foundations widely cited in empirical corruption and ESG performance analyses (Arellano & Bond, 1991; Blundell & Bond, 1998; Barman & Mahakud, 2024; and Pluskota, 2024). Such frameworks underpin hypotheses that weak institutions exacerbate corporate misconduct and impede ESG advancement. Treisman (2000) further complements this perspective, offering cross-country evidence on corruption's deep-rooted determinants.

It is worth noting that corporate governance is a common thread across literature as an aspect of ESG and a mechanism to counter corruption. The networks' connectivity in the figures above indicates an interdisciplinary convergence: authors frequently incorporate concepts of corruption, CSR/ESG, governance, risk, and performance. This aligns with the notion that tackling corruption is seen as part and parcel of achieving sustainable business practices.

4 Discussion

In this part, having mapped the literature, we summarize the results of 69 studies on key topics. The results can be categorized into global/country-level and firm-level effects and specific ESG dimensions affected by corruption. We combine the findings from the descriptive and bibliometric analyses and present them as evidence.

Corruption is a significant obstacle to corporate sustainability in different national contexts. Cross-country studies have consistently shown that higher levels of

corruption correlate with lower corporate ESG scores. [3] Moreover, Wu & Chen (2022) [14] demonstrated that companies from more corrupt regions engage less in CSR and ESG. This problem is most relevant to emerging markets, where weak regulatory frameworks and limited investor protection allow corruption to divert resources away from innovation and investment in sustainability. Qureshi et al. (2021) [11] and Freckleton et al. (2012) [15] found that bribery and rent-seeking in developing countries inhibit corporate growth and ESG promotion. Empirical evidence from Wei et al. (2023) [12] emphasizes that corruption undermines the ability of firms to invest in CSR, innovation, and community development. McArthur and Teale (2002) [16] assessed the impact of corruption as an "output tax" that constrains productivity and participation in CSR in Africa.

International experts fear corruption systematically weakens corporate incentives and capacity to invest in CSD in different contexts, as companies in highly corrupt environments often prioritize short-term survival over long-term sustainability. Pluskota (2024) [17], notes that corruption has an "unambiguous" negative impact on social welfare, contributing to lower life expectancy and increased inequality, while its impact on some environmental indicators may be non-linear. Varvarigos (2023) [18] argues that very high corruption can slow economic activity to such an extent that pollution levels off, but this would be a Pyrrhic victory. The evidence is overwhelming that any short-term or localized "benefits" from corruption (e.g., speeding up the permitting process) are far outweighed by the long-term negative impacts on sustainable development [19-21].

A separate theme in the literature is the study of how the national corruption climate affects corporate transparency and ESG reporting. Firms operating in cleaner environments (with stronger corruption control mechanisms) consistently exhibit higher levels of ESG disclosure. Yu and Wang Luu (2021) [10] find that firms in less corrupt countries are more transparent in reporting sustainability indicators. Moreover, the quality of national governance acts as an additional force: companies in countries with strong rule of law and control of corruption perform better on governance components in ESG ratings [22]. Conversely, in countries with high levels of corruption, companies often face weak external pressure to disclose information and sometimes avoid CSR obligations altogether [3].

While corruption at the country level shapes the broader environment for corporate behavior, corruption at the firm level, be it unethical management practices, internal fraud, or a culture of complicity, directly undermines sustainability initiatives from within. The literature analyzed consistently finds that firms exposed to corruption risks perform worse on all ESG dimensions. For example, Marzouki et al. (2023) [22] found that European companies with higher corruption risk indicators, such as fraud history or opaque financial practices, tend to exhibit lower sustainability transparency. Similarly, Wei et al. (2023) [12], studying Chinese listed companies, showed that companies with stronger internal anti-corruption measures, such as adequate internal controls and special compliance programs, achieved better ESG scores, even in regions with higher levels of public corruption.

It is well known that corruption in companies often manifests itself in the diversion of resources, bribery to obtain contracts, and inflated procurement costs, which reduce the funds available for sustainability initiatives. Fisman and Svensson (2007) [23] demonstrated that bribes suppress company growth, and as a result, ESG investments

in innovation, environmental protection, and community development are likely to be sacrificed. Moreover, Tran (2020) [8] and Haqq & Budiwitjaksono (2019) [24] note that managerial short-termism prevails in corrupt companies: managers prioritize projects that generate personal benefits over investments in long-term sustainability.

A critical debate in the literature concerns causality: is corruption the cause of poor ESG performance, or do unethical companies tend to resort more readily to corrupt practices? The prevailing evidence is in favor of the former. Barman & Mahakud (2024) [25] confirm that corruption is more likely to cause low ESG scores than a consequence. At the same time, some studies recognize the possibility of common causality where unethical corporate culture contributes to corruption and poor ESG performance. Corruption affects corporate sustainability in various ways along three dimensions of ESG: environmental, social, and governance. Cross-country analyses have consistently shown that high corruption levels correlate with higher levels of pollution and greenhouse gas emissions [7][26]. Corrupt firms often avoid investments in pollution control or green technologies by bribing regulators [17] .In contrast, a study by Zhang (2018) [13] uses the example of an anti-corruption campaign in China to show that better control of corruption led to greater environmental compliance and tangible improvements in air quality.

Corruption also erodes the social dimension of ESG by undermining labor protection, equity, and community development. Gupta et al. (2002) [27] and Pluskota (2024) [17] proved that corruption in public services is associated with poorer health, education, and social welfare outcomes at the national level. Haqq & Budiwitjaksono (2019) [14] and Ojeka et al (2019) [28] found that companies operating in highly corrupt environments exhibit poor labor practices. Importantly, diversity in corporate governance structures appears to mitigate these effects. Recent studies by Elsheikh et al. (2024) and Previtali & Cerchiello (2023) [29-30] demonstrated that higher female representation and board independence are associated with better social performance and better anti-corruption disclosure, especially in corrupt environments. At the firm level, effective governance practices such as independent oversight, robust audit mechanisms, and diverse boards are associated with greater anti-corruption disclosure and better overall ESG governance performance [30-31]. Although some companies try to incorporate anti-corruption commitments into sustainability programs (e.g., through GRI or SASB), scholars warn that effectiveness depends on actual enforcement rather than formal compliance [32]. Thus, corruption directly impairs corporate governance, while improving governance structures - internally and at the national level - is a critical factor in promoting ESG.

5 Conclusion

This review provides robust evidence that corruption significantly impedes the achievement of Sustainable Development Goals (SDGs) by undermining ESG principles. The findings support multiple theoretical perspectives, including the "sand in the wheels" hypothesis, institutional theory, and stakeholder theory, all of which highlight the negative impacts of corruption on corporate responsibility.

The systematic review of 69 studies confirms an inverse relationship between corruption and ESG performance: where corruption is prevalent, ESG practices deteriorate. By contrast, stronger national and corporate governance frameworks foster sustainable business practices and broader societal development. Importantly, none of the reviewed studies found that corruption contributes meaningfully to

sustainable outcomes; rather, it exacerbates pollution, weakens public services, and undermines macroeconomic stability.

However, corruption is not an insurmountable barrier. Evidence shows that internal governance mechanisms—such as board diversity, ethics training, whistleblowing systems, and strong codes of conduct—can mitigate corruption's adverse effects. External efforts like anti-corruption reforms, regulatory strengthening, and civil society engagement further enhance ESG outcomes.

Emerging technologies, including blockchain and AI, offer promising tools for promoting transparency and introducing new governance challenges. Future research should continue exploring how technological innovation and international anti-corruption frameworks influence corporate behavior. Ultimately, integrating anti-corruption measures into the core of corporate sustainability strategies is not just a legal or reputational necessity, but a foundational driver of long-term, responsible growth.

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