

ESG As Strategy: Redefining Business Value in India's Emerging Economy

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DOI: <https://doi.org/10.51583/IJLTEMAS.2025.140600033>

Received: 18 June 2025; Accepted: 23 June 2025; Published: 07 July 2025

Abstract: Environmental, Social, and Governance (ESG) frameworks are becoming the cornerstone of responsible decision-making in business and policy worldwide. In India, ESG is rapidly gaining momentum as both a regulatory expectation and a societal demand. This article evaluates India's evolving ESG landscape, challenges, policy direction, and the role of public and private sectors in driving sustainability and inclusive growth.

This article presents a systemic appraisal of India's ESG landscape—tracing regulatory milestones, market signals, institutional bottlenecks, and firm-level incentives. It concludes by proposing a calibrated roadmap that includes standardisation, enforcement, capacity-building, and financial innovation to ensure that ESG not only aligns with global norms—but also advances India's developmental and climate objectives.

Keywords: ESG, Sustainability, Governance, Regulatory Framework, Green Finance, Inclusive Growth, Climate Strategy, Corporate Disclosure, Viksit Bharat 2047

I. Introduction: The Rising Relevance of ESG

The concept of ESG — Environmental, Social, and Governance — has transformed from a voluntary corporate initiative into a vital benchmark for sustainability, risk management, and ethical governance. Globally, investors and governments are demanding accountability beyond profits. In India, ESG considerations are now deeply linked with economic resilience, social equity, and environmental responsibility — goals that align closely with the national vision for Amrit Kaal and Viksit Bharat @2047. The global paradigm shift towards sustainability has elevated Environmental, Social, and Governance (ESG) considerations from peripheral concerns to strategic imperatives. In India, this shift is visible across capital markets, regulatory frameworks, and corporate disclosures. The integration of ESG into mainstream business strategy not only ensures global competitiveness but also supports India's commitments under the Paris Agreement and the Sustainable Development Goals (SDGs).

Environmental: India's Imperative for Ecological Stewardship

Climate Commitments & Green Transition

India, the third-largest emitter globally, is also among the most climate-vulnerable nations. Its Nationally Determined Contributions (NDCs), net-zero goal by 2070, and participation in COP summits signify strong commitment to climate action. Initiatives like the National Solar Mission, FAME, and Hydrogen Mission are noteworthy.

Corporate Role in Environment

Industries are being nudged to reduce their carbon footprint. ESG mandates under SEBI require top 1,000 listed companies to file BRSR. There's a growing trend toward green bonds, circular economy, and supply chain sustainability.

Social: Inclusion, Equity, and Responsible Business

Social Inclusion in ESG

India's demographic diversity and disparities demand a strong focus on the 'S' of ESG, including fair labor practices, inclusive hiring, gender equity, and data privacy.

Role of Government & Law:

CSR rules, POSH Act, Labor Codes, and schemes like Jan Dhan Yojana and Ayushman Bharat form the social backbone of ESG.

Key Challenges:

Informal labor and social security gaps , Gender representation ,Digital divide ,Workplace discrimination

Governance: Building Accountability and Ethical Leadership

Importance of Governance in ESG:

Governance ensures transparency, ethical business, and compliance. Corporate failures have triggered stronger oversight.

Regulatory Progress:

SEBI's ESG norms, independent directors, and integrated reporting mark progress in governance.

Challenges and Reforms Needed:

Weak enforcement, Regulatory gaps, ESG rating opacity, Data infrastructure deficiencies.

Objectives of the Study

To critically examine the evolution and current status of ESG frameworks in India, including regulatory milestones, corporate disclosures, and public-private initiatives driving sustainable development.

To identify key challenges and sector-specific gaps in ESG implementation, especially in terms of standardisation, governance, and capacity across industries and enterprise sizes.

To propose a forward-looking roadmap that integrates policy reforms, financial innovation, and institutional strengthening to mainstream ESG into India's development and business strategy.

Evolution of ESG in India**Historical Context**

India's tryst with responsible business practices dates back to Gandhian ideals and corporate philanthropy. However, the modern ESG movement took shape with:

2011: Ministry of Corporate Affairs' National Voluntary Guidelines (NVGs) on Social, Environmental and Economic Responsibilities of Business.

2012: SEBI's mandate for Business Responsibility Reporting (BRR) for top 100 listed companies.

2021: Launch of the **Business Responsibility and Sustainability Reporting (BRSR)** format by SEBI, replacing BRR.

Regulatory Landscape

SEBI mandates BRSR for top 1000 listed companies by market capitalization (from FY 2023-24).

RBI has signaled green finance support and climate risk disclosures.

MCA introduced ESG-focused rules under Companies Act provisions (CSR spending, Board reporting, etc.).

Drivers of ESG Adoption**Regulatory Push**

Indian regulators are increasingly aligning corporate practices with global ESG standards. SEBI's progressive mandates and the Reserve Bank of India's green finance agenda are notable examples.

Market Pull

Investor preference for ESG-compliant companies is driving demand. Global investors (like BlackRock) now screen portfolios based on ESG scores. Domestic mutual funds are also launching ESG-themed schemes.

Societal and Stakeholder Expectations

Post-COVID priorities have recalibrated focus on health, social equity, employee well-being, and community welfare. Public scrutiny of environmental degradation and social injustices is increasing.

Cross-Country Comparison

China: Enforces ESG disclosures for listed firms; integrates ESG in five-year plans.

EU: Implements stringent SFDR, CSRD directives.

USA: SEC proposes climate disclosures; growing corporate activism.

India can draw from China's policy-led ESG enforcement and the EU's disclosure rigor.

Technology:

Enabler of ESG Transformation Artificial Intelligence (AI), data analytics, and blockchain are revolutionising ESG reporting:

AI-based ESG platforms (e.g., RepRisk, Sustainalytics) help track real-time compliance.

Indian start-ups like ESGTech and Climes offer digital ESG dashboards.

Blockchain enhances traceability in supply chains, especially in agriculture and apparel sectors.

AI-Based ESG Monitoring in Indian Firms

Climes & ReNew Power Partnership (2023); Climes ESG Tech Whitepaper (2024); ReNew Power Annual Report.

ReNew Power collaborated with Climes to integrate real-time carbon offset dashboards, leveraging blockchain and AI for ESG transparency.

Improves traceability and reduces manual ESG data manipulation.

Source: Climes ESG Tech Whitepaper (2024); ReNew Power Annual Report.

Challenges in ESG Implementation

Standardisation Issues: Absence of uniform ESG rating methodologies creates inconsistency.

Greenwashing Risks: Firms may exaggerate ESG efforts to attract investors.

Capacity Gaps: SMEs and public enterprises often lack skills, tools, and frameworks for ESG reporting.

Data Disclosure Limitations: Quality and granularity of data remain inconsistent across sectors.

Sectoral Analysis

Finance and Banking

Banks are beginning to integrate ESG risks into credit appraisal. However, regulatory mandates for ESG risk stress testing are still evolving.

Manufacturing and Energy

Large emitters face increasing pressure to decarbonize. ESG investment is also driving renewable energy growth.

IT and Services

ESG in this sector is led by social and governance dimensions: diversity, corporate ethics, and data privacy.

ESG in Public Sector and Government Policy

Public sector enterprises (PSEs), representing a large chunk of India's economy, lag in ESG disclosures. However, Govt's policy efforts such as:

National Green Hydrogen Mission,

Energy Efficiency Services Ltd. (EESL) programs,

Green Credit Programme,

indicate an evolving governance architecture around sustainability.

Empirical Backing and Case Studies for ESG in India

Positive ESG Implementation: ITC Limited : ITC Sustainability Report 2022 .

Highlights

- ITC is a zero-waste-to-landfill company across all its units.
- 41% of its energy needs in FY 2022 were met through renewable sources.
- The company runs large-scale social programs like *e-Choupal*, impacting over 4 million farmers.

Implication:

Demonstrates how integrated ESG strategy can contribute to brand value and investor confidence.

Quantitative Growth in ESG Investment (India): Morningstar India (2023) and SEBI BRSR Compliance Dashboard (2024) reported that

ESG Mutual Funds AUM:

- Grew from ₹3,300 crore in FY2020 to ₹12,300 crore by FY2023.
- Indicates rising investor interest in ESG-aligned firms.

ESG Disclosures:

By FY2024, 83% of the top 1,000 listed Indian companies submitted BRSR in compliance with SEBI mandates (as per SEBI 2024 report).

Recommendations and Roadmap**Standardisation**

- Create Indian ESG taxonomy aligned with global frameworks (TCFD, SASB, GRI).
- Introduce ESG-specific accounting and audit standards.

Enforcement and Incentives

- Use a “comply-or-explain” model followed by phased mandatory disclosures.
- Provide tax benefits for ESG compliance.

Capacity Building

- Training for ESG officers.
- Encourage ESG start-ups and third-party auditors for SMEs and rural enterprises.

Financial Innovation

- Promote green bonds, social impact funds, and ESG-linked loans.
- Create ESG indices across small-cap and mid-cap segments.

II. Conclusion

India stands at a crucial juncture in shaping a sustainable and inclusive economy. ESG adoption must go beyond compliance to become an enabler of resilience, competitiveness, and equity. A calibrated approach—anchored in standardisation, enforcement, capacity building, and innovation—can ensure that ESG contributes meaningfully to India’s global aspirations and domestic priorities. ESG is no longer a luxury but a necessity. For India to achieve Viksit Bharat @2047, it must integrate sustainability and equity into its development strategy.

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