# CSIBER INTERNATIONAL JOURNAL OF ENVIRONMENT(CIJE)

Vol. 2, Issue No. 1, March, 2025

CSIBER INTERNATIONAL JOURNAL OF ENVIRONMENT(CIJE)

A Bi-Annual Double-Blind Peer Reviewed (Refereed/Juried)
Open Access International e-Journal - Included in the International Serial Directories

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# CSIBER International Journal of Environment (CIJE)

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# Understanding ESG: A Conceptual Framework

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**Abstract**
This conceptual research looks at how Environmental, Social, and Governance (ESG) aspects are evolving in contemporary corporate operations. Using recognized theoretical frameworks like as institutional theory, legitimacy theory, and stakeholder theory, this research aims to combine and critically evaluate the many aspects of ESG. It examines the theoretical underpinnings that underpin companies' implementation of ESG principles, highlighting the interplay between public expectations, regulatory requirements, and organizational strategic imperatives. The conceptual challenges of defining and evaluating ESG performance are also examined in this study, with a focus on the challenges of integrating diverse sustainability standards into cohesive frameworks. This paper adds to a better understanding of ESG's role in promoting sustainable and ethical corporate practices by clarifying its theoretical underpinnings and conceptual nuances. It also suggests possible directions for further research and theoretical development.

**Keywords:** ESG Framework, theories of ESG, Sustainability reporting

## Introduction

In an era where sustainability and ethical accountability increasingly shape corporate landscapes, Environmental, Social, and Governance (ESG) principles have emerged as pivotal frameworks guiding modern business practices (Eccles & Serafeim, 2013). This conceptual paper explores the changing role of ESG in corporate operations, exploring into its theoretical fondations by using various the frameworks of well-known theories - institutional theory (DiMaggio & Powell, 1983), legitimacy theory (Suchman, 1995), and stakeholder theory (Freeman, 1984), Agency theory (Alchian and Demsetz (1972) and Jensen and Meckling (1976) and Signalling theory (Michael Spence). By studying these perspectives, the study aims to critically evaluate how public expectations (Lyon & Maxwell, 2011), regulatory mandates (Ioannou & Serafeim, 2012), and strategic organizational imperatives (Porter & Kramer, 2011) all come together to drive ESG adoption. Additionally, it addresses the conceptual complexities of defining and assessing ESG performance, particularly the challenge of unifying the diverse standards of sustainability into unified a framework (Dillard, Dillard, & Miller, 2010). Through this analysis, the paper seeks to enhance an understanding of ESG's contribution to in order to foster sustainable and ethical corporate behaviour while identifying methods for theoretical advancement.

ESG can be defined as the impact environmental, social, and governance related impacts an organisation can have on its stakeholders. This concept originated from the 2004 report from the United Nations – titled "Who Cares Wins" – which has focused on the concept of ESG. (Maria, 2023) states that ESG stands for Environmental, Social and Governance. The Environmental pillar includes measures like greenhouse gas emissions, pollution, and renewable energy, while the Social pillar looks at practices towards employees, human rights, and equal opportunities, whereas the Governance pillar focuses on the corporate governance structure of the company. (Konstanin, 2022) says that ESG refers to the environmental, social, and governance factors that are considered important for company performance and evaluation. They also include corporate practices and disclosure related to environmental impact, social responsibility, and corporate governance. (Ting-Ting Li et,al 2021) say that ESG is defined as a framework system that includes environmental (E), social (S), and governance (G) factors, which are used by investors to evaluate the sustainable development and social impact of enterprises.
Thus ESG can be understood as a comprehensive framework that integrates Environmental, Social, and Governance factors to assess and guide corporate behaviour, performance, and societal impact. The Environmental pillar encompasses a company's ecological footprint, including measures such as greenhouse gas emissions, pollution control, and the adoption of renewable energy. The Social pillar would evaluates a firm's responsibilities toward its stakeholders, including employee welfare, human rights, equal opportunities, and broader social responsibility initiatives. The Governance pillar would focus on the structures and practices that define corporate oversight, including transparency, accountability, and ethical management within the organization. Together, these dimensions serve as important indicators that help investors, stakeholders, and companies to evaluate sustainable development, ethical practices, and long-term value creation, focusing on both operational priorities and disclosure commitments.

The Growing Significance of ESG in Contemporary Corporate Operations
Environmental, Social, and Governance (ESG) principles have today become integral to modern corporate operations, driven by societal demands, economic benefits, and regulatory pressures. As climate change, social inequality, and governance failures gain attention, stakeholders—consumers, investors, and regulators—

increasingly expect transparency and accountability. ESG's environmental focus, addressing emissions, pollution, and renewable energy, helps firms reduce costs and risks while appealing to eco-conscious markets. The social pillar, covering employee welfare, diversity, and human rights, enhances reputation and stakeholder trust, while governance—emphasizing transparency and anti-corruption—bolsters investor confidence and long-term viability.

Frameworks like the European Union's Sustainable Finance Disclosure Regulation (SFDR) and the U.S. Securities and Exchange Commission's proposed climate disclosure rules exemplify this trend, compelling companies to formalize ESG strategies or face penalties. In India, ESG's significance is amplified by mandatory requirements. The Companies Act, 2013 (Section 135) mandates corporate social responsibility (CSR) spending for firms meeting specific financial thresholds, aligning with the social pillar. The Securities and Exchange Board of India (SEBI) further requires listed companies to submit Business Responsibility and Sustainability Reports (BRSR) as of 2022, enforcing ESG disclosures on environmental impact, social responsibility, and governance practices. These regulations, alongside global trends like the EU's Sustainable Finance Disclosure Regulation, push Indian firms to integrate ESG for compliance, competitiveness, and resilience. As a result, ESG is reshaping corporate success, blending profitability with purpose in India and beyond.

Research Aims and Objectives

This conceptual research seeks to deepen the understanding of how Environmental, Social, and Governance (ESG) principles are evolving within contemporary corporate operations by exploring their theoretical foundations and conceptual intricacies. The primary aim is to synthesize and critically evaluate the multifaceted dimensions of ESG using established frameworks—namely, institutional theory, legitimacy theory, and stakeholder theory—to elucidate the drivers and implications of its adoption.

Specifically, the study objectives include:

- Analysing the theoretical underpinnings that shape companies' integration of ESG practices.
- Examining the conceptual challenges in defining and measuring ESG performance, particularly the difficulties of unifying diverse sustainability standards.
- Contributing to the discourse on ESG's role in fostering sustainable and ethical corporate behaviour while identifying avenues for future theoretical development.

Theories Explaining ESG Adoption

In their study (Carla & Rab, 2024) reveal that five dominant theories stand out among the overall 32 they studied. These are stakeholder theory first, followed by legitimacy, institutional, agency and signalling theories.

**Stakeholder Theory**

The Stakeholder theory asserts that organizations must consider the interests of all groups affected by their actions—such as employees, customers, investors, communities, and regulators—not just shareholders. It views businesses as part of a broader network of relationships, where balancing stakeholder demands is key to long-term success.

ESG practices address diverse stakeholder needs: investors seek governance transparency, employees demand fair treatment, and communities expect environmental responsibility. For example, a company might adopt renewable energy to satisfy eco-conscious consumers or improve governance to attract ESG-focused investors. In India, stakeholder pressure is evident in firms responding to SEBI's BRSR requirements and public calls for social responsibility. Stakeholder theory frames ESG as a strategic tool to manage these relationships, enhancing trust and support.

This theory captures the multiplicity of influences on ESG but can be vague about prioritizing conflicting stakeholder interests.

**Legitimacy Theory**

Legitimacy theory argues that organizations seek to align their actions with societal values and expectations to maintain their "social license to operate." Legitimacy is achieved when a company's practices are perceived as desirable or appropriate by its stakeholders, reducing the risk of criticism or sanctions.

Firms implement ESG initiatives to enhance their legitimacy in the eyes of the public, regulators, and investors. For instance, reducing carbon emissions or ensuring fair labour practices aligns with societal demands for sustainability and equity, mitigating reputational risks. In India, mandatory CSR spending under the Companies Act, 2013, reflects a legitimacy-driven response to legal and social expectations. Companies use ESG disclosures to signal compliance and ethical commitment, reinforcing their standing in society.

This highlights the role of perception and external validation in ESG adoption but may underemphasize profit-driven motives or practical outcomes.

**Institutional Theory**

Institutional theory states that organizations conform to the norms, rules, and expectations of their institutional environment to gain legitimacy and ensure survival. It emphasizes three types of pressures: coercive (e.g., laws and regulations), mimetic (e.g., imitating successful peers), and normative (e.g., societal values or professional standards).

Companies therefore adopt ESG practices due to external pressures rather than solely internal motivations. For example, coercive pressures like India's SEBI Business Responsibility and Sustainability Reporting (BRSR) mandate compel firms to disclose ESG performance. Mimetic pressures arise when companies imitate industry leaders adopting sustainable practices, while normative pressures reflect growing societal expectations for environmental stewardship and ethical conduct. Institutional theory suggests ESG adoption is a response to these forces, leading to isomorphism—where firms in the same field increasingly resemble one another in their ESG approaches. This explains widespread ESG trends but may overlook internal strategic choices driving adoption.

**Agency Theory Perspective**

Perspective: Agency theory sees ESG adoption as influenced by the principal-agent relationship, where governance mechanisms align managers (agents) with shareholders' (principals) interests. ESG reflects efforts to reduce agency costs through accountability and incentives. Strong governance—e.g., tying executive pay to ESG goals or ensuring board oversight—encourages managers to pursue ESG, overcoming resistance to short-term costs for long-term gains. In India, BRSR mandates enhance governance, aligning managerial actions with shareholder sustainability goals. Weak governance, however, risks greenwashing.

Critical Evaluation: It provides a clear internal lens on ESG, emphasizing governance's role in execution. Yet, it focuses narrowly on shareholder-manager dynamics, potentially overlooking broader stakeholder or societal influences driving adoption.

**Signaling Theory Perspective**

Signaling theory views ESG adoption as a communication strategy to reduce information asymmetry, sending credible signals of a firm's quality, ethics, or sustainability to external parties like investors or consumers. Companies use ESG practices—e.g., renewable energy adoption or detailed BRSR disclosures in India—to signal responsibility and attract capital or customer loyalty. Transparent reporting differentiates them from less committed peers, enhancing market perception. This perspective excels at explaining ESG's role in reputation and trust-building, particularly in investor-driven contexts. However, it assumes stakeholders interpret signals accurately, which may not hold if disclosures lack substance or credibility.

**Synthesis and Relevance to ESG**

Together, these theories provide a comprehensive lens for understanding ESG adoption. Institutional theory explains the external structural pressures, legitimacy theory focuses on societal alignment, and stakeholder theory emphasizes relational dynamics. In practice, they overlap: regulatory mandates (institutional) reinforce legitimacy, while stakeholder demands shape both pressures and perceptions. For instance, a company in India might adopt ESG to comply with BRSR (institutional), gain public approval (legitimacy), and satisfy investors (stakeholder). Critically, these theories highlight that ESG is not merely a voluntary choice but a response to a complex interplay of forces, though they differ in their focus on structure, perception, or relationships.

**Theoretical Perspectives on ESG Adoption**

1. Institutional Theory Perspective

**Perspective:** Institutional theory views ESG adoption as a response to external pressures that shape organizational behavior. Companies conform to coercive (e.g., regulations), mimetic (e.g., industry norms), and normative (e.g., societal values) forces to fit within their institutional environment. Firms adopt ESG due to mandates like India's SEBI Business Responsibility and Sustainability Reporting (BRSR) (coercive), imitation of sustainability leaders like Tata or Reliance (mimetic), or societal expectations for climate action (normative). This leads to isomorphism, where ESG practices become standardized across industries.

**Critical Evaluation:** This perspective excels at explaining widespread ESG trends driven by structural forces, such as regulatory compliance or peer benchmarking. However, it may downplay internal motivations (e.g., strategic innovation) or variations in adoption depth, assuming uniformity over agency.

**Legitimacy Theory Perspective**

**Perspective:** Legitimacy theory posits that companies adopt ESG to align with societal expectations, securing their "social license to operate" and avoiding criticism or sanctions. ESG becomes a tool to maintain or enhance perceived appropriateness.

**Critical Evaluation:** Firms implement ESG to gain public approval—e.g., reducing emissions to meet climate expectations or fulfilling India's mandatory CSR requirements under the Companies Act, 2013, to demonstrate social responsibility. ESG reporting further reinforces legitimacy by showcasing ethical commitment.
It effectively captures the role of perception and societal pressure in driving ESG, especially in reputation-sensitive contexts. Yet, it may overemphasize external validation, neglecting cases where ESG is adopted for intrinsic benefits (e.g., cost savings) rather than legitimacy alone.

**Stakeholder Theory Perspective**

**Perspective:** Stakeholder theory frames ESG adoption as a strategy to balance the diverse interests of stakeholders—shareholders, employees, customers, communities, and regulators—beyond just profit maximization. ESG addresses their demands for sustainability and ethics. Companies adopt ESG to meet investor demands for governance transparency, employee calls for fair treatment, or consumer preferences for eco-friendly products. In India, stakeholder pressure is evident in firms responding to SEBI's BRSR and community expectations for CSR impact.

**Critical Evaluation**: This perspective highlights the relational dynamics of ESG, offering a broad view of its drivers. However, it struggles to resolve conflicts between stakeholder groups (e.g., investors vs. communities) and may lack precision in predicting specific ESG priorities.

**Agency Theory Perspective**

**Perspective:** Agency theory sees ESG adoption as influenced by the principal-agent relationship, where governance mechanisms align managers (agents) with shareholders' (principals) interests. ESG reflects efforts to reduce agency costs through accountability and incentives. Strong governance—e.g., tying executive pay to ESG goals or ensuring board oversight—encourages managers to pursue ESG, overcoming resistance to short-term costs for long-term gains. In India, BRSR mandates enhance governance, aligning managerial actions with shareholder sustainability goals. Weak governance, however, risks greenwashing.

**Critical Evaluation:** It provides a clear internal lens on ESG, emphasizing governance's role in execution. Yet, it focuses narrowly on shareholder-manager dynamics, potentially overlooking broader stakeholder or societal influences driving adoption.

**Signalling Theory Perspective**

**Perspective:** Signalling theory views ESG adoption as a communication strategy to reduce information asymmetry, sending credible signals of a firm's quality, ethics, or sustainability to external parties like investors or consumers. Companies use ESG practices—e.g., renewable energy adoption or detailed BRSR disclosures in India—to signal responsibility and attract capital or customer loyalty. Transparent reporting differentiates them from less committed peers, enhancing market perception.

**Critical Evaluation**: This perspective excels at explaining ESG's role in reputation and trust-building, particularly in investor-driven contexts. However, it assumes stakeholders interpret signals accurately, which may not hold if disclosures lack substance or credibility.

**Synthesis and Critical Comparison**

These five perspectives collectively illuminate ESG adoption from distinct angles: institutional theory emphasizes external structural pressures, legitimacy theory focuses on societal alignment, stakeholder theory highlights relational demands, agency theory underscores internal governance, and signaling theory stresses communication. In practice, they intersect—e.g., India's BRSR mandate (institutional) aligns managers with shareholder goals (agency), signals responsibility (signaling), meets public expectations (legitimacy), and satisfies investors (stakeholder). Critically, institutional and legitimacy theories excel at macro-level trends, while stakeholder, agency, and signaling theories offer micro-level insights into firm-specific dynamics. Their limitations—e.g., institutional theory's structural bias or agency theory's narrow focus—suggests a need for integration to fully capture ESG's complexity.

**Conceptual Challenges in ESG**

**Difficulties in Defining ESG Performance**

The absence of a universally accepted definition of ESG performance poses a significant conceptual challenge, complicating its adoption and evaluation across corporate contexts. ESG encompasses environmental (e.g., emissions reduction), social (e.g., labour practices), and governance (e.g., board transparency) dimensions, yet interpretations vary widely. The interpretation and operationalization of Environmental, Social, and Governance (ESG) principles vary significantly across stakeholders and jurisdictions. For instance, Maria (2023) prioritizes tangible metrics such as greenhouse gas emissions and equal opportunities, emphasizing a performance-based approach. Conversely, Ting-Ting Li et al. (2021) conceptualize ESG as an investor-centric framework for sustainable development, highlighting the divergence in scope and purpose. This definitional ambiguity creates a fundamental challenge: what constitutes 'good' ESG performance is subjective, differing significantly based on stakeholder priorities. An investor, for example, may prioritize strong governance structures (e.g., Gillan, Hartzell, & Starks, 2021), while a local community may emphasize social impact and environmental stewardship (e.g., Aguinis & Glavas, 2012). This fragmentation is evident within specific jurisdictions as well. In India, the mandatory Corporate Social Responsibility (CSR) under the Companies Act, 2013, initially focused narrowly on expenditure-based social performance (e.g., Arora & Puranik, 2004), while the Securities and Exchange Board of India's (SEBI) Business Responsibility and Sustainability Reporting (BRSR) framework broadens the scope to encompass comprehensive environmental, social, and governance disclosures (SEBI, 2021). The implications of this lack of standardization are profound. Without a unified definition, companies struggle to establish clear ESG objectives, stakeholder's encounter difficulties in accurately assessing performance, and cross-firm or cross-regional comparability diminishes, thereby jeopardizing ESG's credibility as a consistent and reliable framework.

**Challenges in Measuring and Evaluating ESG**

The measurement and evaluation of Environmental, Social, and Governance (ESG) performance are fraught with complexities due to the inherent subjectivity, inconsistency, and variability of ESG metrics. Unlike standardized financial indicators (e.g., revenue, profit), ESG indicators—such as carbon footprint, employee satisfaction, or board diversity—lack universally accepted standards, resulting in divergent assessments (e.g., Chatterji, Levine, & Toffel, 2009). This is exemplified by the frequent discrepancies among ESG rating agencies like MSCI, Sustainalytics, and Refinitiv, which often produce conflicting scores for the same company. These differences stem from variations in methodology, weighting (e.g., the relative importance of emissions versus governance), and underlying data sources ( Berg, Kölbel, & Rigobon, 2019). Consequently, a company may receive a high rating from MSCI for its robust environmental policies but a low rating from Sustainalytics due to perceived weaknesses in its governance structure, leading to confusion among investors and regulators (e.g., Christensen, Serafeim, & Sikochi, 2022). Furthermore, the subjectivity inherent in assessing "social impact," such as community welfare, introduces qualitative judgments that are susceptible to contextual variations and assessor biases (e.g., Margolis & Walsh, 2003). In India, despite the mandate for ESG reporting under the Business Responsibility and Sustainability Reporting (BRSR) framework, companies exhibit inconsistent reporting practices, with some emphasizing quantitative metrics (e.g., emissions) and others focusing on qualitative narratives (e.g., CSR stories), thereby impeding objective evaluation (SEBI, 2021). These challenges undermine trust in ESG as a reliable performance indicator, limit its effective integration into decision-making processes, and hinder accountability, as stakeholders struggle to differentiate genuine progress from mere compliance.

**Issues with Integrating Diverse Sustainability Standards**

Integrating diverse sustainability standards into a cohesive ESG framework is a formidable challenge, given the proliferation of global, regional, and industry-specific guidelines that often conflict or overlap. Globally, frameworks like the Global Reporting Initiative (GRI) emphasize detailed environmental and social disclosures, while the Task Force on Climate-related Financial Disclosures (TCFD) focuses narrowly on climate risks, creating tension in prioritization. Regionally, India's BRSR aligns with national priorities (e.g., CSR and governance transparency), yet differs from the European Union's Sustainable Finance Disclosure Regulation (SFDR), which mandates broader taxonomy-based reporting. Industry variations add complexity—energy firms prioritize emissions, while tech firms focus on data privacy under governance, making a one-size-fits-all ESG framework elusive. This fragmentation complicates implementation: a multinational operating in India and the EU must reconcile BRSR's qualitative social metrics with SFDR's quantitative environmental thresholds, increasing compliance costs and risking misalignment. The lack of harmonization also weakens ESG's global comparability, as stakeholders struggle to benchmark firms across jurisdictions. Ultimately, these integration issues hinder the development of a unified ESG standard, limiting its potential to drive consistent, scalable sustainability outcomes.

**Broader Implications**

These conceptual challenges—definitional ambiguity, measurement inconsistencies, and integration difficulties—interconnect to create a fragmented ESG landscape. The lack of a universal definition fuels measurement disparities, which in turn exacerbate integration struggles, collectively undermining ESG's effectiveness as a tool for sustainable corporate practice. For example, an Indian firm complying with BRSR might define ESG narrowly, use subjective metrics, and align only with local standards, missing broader global expectations. Addressing these issues requires theoretical and practical advancements, such as consensus-building on definitions, standardized metrics, and interoperable frameworks—areas your paper could explore as future research directions.

## Discussion

### Synthesis of Theoretical Insights and Conceptual Analyses

The confluence of institutional, legitimacy, stakeholder, agency, and signaling theories offers a comprehensive lens through which to examine ESG adoption and implementation. Institutional theory elucidates how external mandates, exemplified by India's SEBI's Business Responsibility and Sustainability Reporting (BRSR), compel firms to conform to ESG norms (DiMaggio & Powell, 1983). Legitimacy theory underscores the imperative for firms to align with societal expectations, evidenced by mandatory Corporate Social Responsibility (CSR) compliance under the Companies Act, 2013 (Suchman, 1995). Stakeholder theory expands this perspective by emphasizing the necessity of balancing diverse stakeholder interests, including investors and communities (Freeman, 1984). Agency theory focuses on aligning managerial actions with shareholder sustainability goals through robust internal governance mechanisms (Jensen & Meckling, 1976). Signaling theory posits ESG disclosures as credible signals to build trust with external stakeholders (Spence, 1973).

However, these theoretical insights are tempered by conceptual challenges. The lack of a universally accepted ESG definition, as highlighted by the divergent interpretations between Maria (2023) and Ting-Ting Li et al. (2021), complicates the application of these theories. Measurement inconsistencies, exemplified by the variability in ESG ratings across agencies (Berg, Kölbel, & Rigobon, 2019), and integration difficulties, such as the discrepancies between BRSR and the EU's Sustainable Finance Disclosure Regulation (SFDR), reveal practical limitations in operationalizing these frameworks. This synthesis underscores ESG as a dynamic interplay of external pressures, internal governance, stakeholder demands, and perception management, moderated by definitional ambiguity and operational fragmentation. ESG adoption, therefore, is neither purely strategic nor wholly coerced but a negotiated response to a complex ecosystem of forces.

### Contributions to Understanding ESG's Role

This analysis contributes to a deeper understanding of ESG's role in promoting sustainable and ethical corporate practices by illuminating its dual nature as both a reactive and proactive mechanism. Theoretically, it demonstrates how ESG bridges structural (institutional), perceptual (legitimacy, signaling), relational (stakeholder), and governance (agency) dimensions, positioning it as a pivotal tool for aligning corporate behavior with societal goals. In India, ESG's function extends beyond mere compliance with BRSR reporting to fostering ethical practices such as equitable labor conditions and transparent governance, driven by stakeholder and legitimacy pressures (Aguinis & Glavas, 2012).

Conceptually, the identification of challenges, such as the subjectivity in ESG metrics (Chatterji, Levine, & Toffel, 2009) and the difficulty of integrating global and regional standards, highlights barriers to ESG's effectiveness, necessitating a re-evaluation of how sustainability is operationalized. This dual perspective reveals ESG not merely as a compliance tool but as a transformative framework that, when robustly defined and measured, can embed sustainability into corporate DNA. By elucidating these dynamics, the study underscores ESG's potential to shift firms from short-term profit motives to long-term ethical and sustainable value creation, particularly in contexts like India where regulatory and societal expectations are escalating.

### Implications for Theory, Practice, and Policy

The findings carry significant implications across theoretical, practical, and policy domains. Theoretically, integrating the five perspectives suggests a need for a hybrid framework that synergizes institutional pressures, stakeholder dynamics, and governance mechanisms while addressing signaling's role in perception and agency's focus on internal alignment. Future research should empirically test this synthesis, refining theories to account for conceptual challenges such as measurement variability (Christensen, Serafeim, & Sikochi, 2022).

Practically, firms should transcend superficial ESG adoption (e.g., greenwashing) by developing standardized metrics and aligning strategies with both local (e.g., BRSR) and global standards (e.g., GRI). This necessitates training managers to prioritize ESG as a strategic asset, leveraging governance to align interests, and using credible signals to build stakeholder trust (Gillan, Hartzell, & Starks, 2021). In India, companies can leverage BRSR compliance as a competitive differentiator.

Policy-wise, policymakers, such as SEBI and global bodies like the IFRS Foundation (which oversees ISSB standards), should prioritize harmonizing ESG definitions and metrics to mitigate fragmentation. In India, aligning BRSR with international frameworks like the Task Force on Climate-related Financial Disclosures (TCFD) could enhance global comparability, while incentives (e.g., tax benefits for ESG leaders) could accelerate adoption. Collectively, these implications underscore that resolving ESG's conceptual challenges through theoretical refinement, strategic implementation, and policy coherence can amplify its role in driving sustainable and ethical corporate practices.

## Conclusion

This conceptual study has elucidated the evolving role of ESG in contemporary corporate operations through rigorous theoretical evaluation, an analysis of influencing factors, and an exploration of conceptual challenges.

The theoretical perspectives—institutional, legitimacy, stakeholder, agency, and signaling theories—reveal ESG adoption as a multifaceted phenomenon: driven by external pressures (e.g., India's BRSR mandates), societal alignment, stakeholder demands, internal governance, and strategic communication. The interplay of public expectations, regulatory requirements (e.g., Companies Act, 2013), and organizational imperatives underscores ESG's integration into corporate strategy, balancing compliance with competitive advantage.
However, conceptual challenges temper this progress: the lack of a universal ESG definition creates ambiguity, inconsistent metrics (e.g., divergent ratings across agencies) hinder evaluation (Berg, Kölbel, & Rigobon, 2019), and fragmented sustainability standards (e.g., BRSR vs. SFDR) complicate global coherence. Together, these insights portray ESG as a transformative yet imperfect framework, poised to promote sustainable and ethical practices if its theoretical and practical gaps are addressed.

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