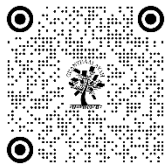


THE EVOLUTION OF ESG: TRENDS, CHALLENGES, AND FUTURE DIRECTIONS

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ABSTRACT

The current study investigates the evolution of Environmental, Social, and Governance (ESG) practices and their impact on corporate sustainability and investor behavior, with special emphasis on the increasing weight being given to ESG factors in developing corporate strategies and investment decisions. Businesses and investors have become concerned about ESG procedures, giving increasing scrutiny to companies' management of environmental risks, social issues, and governance practices. Under the quantitative method, data are collected via a structured questionnaire for 400 respondents selected from listed Indian companies in Pune. The data collected were then analyzed using ANOVA and regression analysis to assess the relationship between ESG adoption and corporate sustainability and investor behavior while also analyzing the variability of ESG ratings among different providers.

The study results indicate that long-term adoption of ESG positively influenced corporate sustainability and investor behavior while also yielding an assertion from respondents that ESG practices contribute to financial performance, reputation, and investor loyalty. It also argues that the significant difference in ESG ratings between various agencies is hindering investors in making rational decisions into ESG. Such a lack of standardization needs to be overcome to attain consistency and reliability of ESG measures and reporting frameworks.

Looking at the conclusion, the study argues for ESG to figure prominently in corporate strategy and investment decisions, as the practice truly contributes to long-term value creation and the sustainable growth of firms. While standardization in ESG reporting must be adopted by firms, investors need to invest time and effort into identifying ESG performance measurement tools out there that will evaluate ESG performance from different providers. The next research should focus on improving ESG metrics and assessing the opportunities of newly emerging tech on the ESG front in assessment and reporting.

Keywords: ESG, Corporate Sustainability, Investor Behavior, ESG Ratings, Standardization

1. INTRODUCTION

Environmental, Social and Governance or ESG factors have become part of the essential pillars in modern business and foreign investment strategies towards more responsible and sustainable corporate practices. ESG encompasses three elements on which company performance and behaviors are based: Environmental factors that focus on carbon footprints, waste management, and resource use by a company; Social factors that assess the company's relations with its stakeholders such as staff members, customers, and communities; and Governance factors that relate to the internal structure, ethics of business, and disclosure of a company. For the past 20 years, climate change, social inequalities, and ethical business conduct have prompted investor calls to focus attention on ESG among regulators and corporate leaders. Therefore, ESG considerations have transcended the niche investment strategy to mainstream implications of corporate performance and investor behavior.

Several of the most important trends which would contribute to the strengthening significance of ESG practices include increased public consciousness of environmental matters, the emergence of socially responsible investing (SRI), and even the adaptation of international companies toward responsibility under evolving regulations. Investors are more inclined towards companies deemed to have "real" or commendable ESG practices as they perceive them as having superior chances for long-term sustainability and financial success. Adoption of ESG factors integrates companies with improved risk management, brand reputation, and well-entrenched access to new sources of capital; nonetheless, although broadly endorsing ESG principles, there are still some barriers that international business experiences while measuring, comparing, and standardizing ESG performances among-the-difference sectors and companies. One such major problem is inconsistency among the various agencies providing ESG ratings, generating confusion and turmoil to investors, and a lack of the same criteria or the different methodologies applied by different rating providers along with an absence of standardized reporting frameworks.

This study is oriented towards understanding the course of ESG practices as it mainly analyzes the trends, challenges, and future avenues of ESG investment. The paper would reflect on the long-term effects that adoption of ESG would have on corporate sustainability and investor behavior while paying closer attention to the reliability of its ratings. It will also analyze factors that lead to inconsistencies of ESG ratings from various providers with recommendations on how to standardize ESG ratings. It could then recognize the gaps in the current literature while proposing best practices for companies and investors through a lit review. Also, this paper would solidify the growing trend of using ESG practices to significantly improve corporate goodwill and profitability, leading to increased investor confidence. This is during the time when, quite firmly, ESG is becoming a part of corporate strategy and investment decisions, making these discussions relevant in view of the complexities of metrics and ratings in ESG toward sustainable growth and societal impact.

2. THEORETICAL CONCEPTS

The theoretical background of this paper stems from the increasingly growing concern and attention that Environmental, Social, and Governance (ESG) issues attract towards corporate strategies and investment decisions. ESG is essentially a conglomeration of three vital pillars according to which an assessment is made about a company's sustainability and ethical practices in the long run. Environmental factors comprise the impact of the company's operations on the environment in areas such as carbon emissions, waste generation, and resource conservation. Social factors, on the other hand, characterize how companies treat their relationships with employees, customers, suppliers, and the community, covering areas such as labor rights, diversity, and social equity. Governance factors assess the company's internal systems of control, transparency, executive compensation, and shareholder rights. The concept of ESG has considerably evolved over the last few decades; from a fringe preoccupation, it is now a central variable in the processes of both investment and corporate decisions.

A variety of reasons underpin the advent of ESG; expanding awareness amidst sustainability and long-term business performance has very much to do with it. For instance, evidence suggests that companies with strong ESG performance are relatively better in their capability to manage risks, especially from environmental regulations, social issues, and governance-related crises. Increased interest in ESG can also be attributed to the change in consumer preferences, more people looking for products and services that fit their value concerning an environmentally friendly world, fair labor practices, and ethical behavior by businesses. Institutional investors have in recent years begun including ESG factors in their investment decisions, believing that companies performing well on ESG will achieve sustained future growth and superior long-term returns. ESG investing thus aligns financial goals with broader societal and environmental objectives, bringing about a win-win scenario for both the investors and the communities they serve.

As SRI, as an adjunct to environmentally responsible investing, might pertain closely to ESG-that is, the potential for combined financial and some social or environmental impact. Initially developed in the 1960s for global concerns about the increasingly ill effects of certain kinds of corporate existence on society and the environment, SRI was mostly just to be exclusionary, keeping out tobacco, alcohol, and weapon-manufacturing businesses. With the sifting emphasis on the importance of ESG factors, approaches to SRI also began to grow to include active engagement in changing companies on their path toward sustainability. A plethora of strategies born from this relative evolution in SRI, towards something more closely resembled ESG investment strategies-neutral screening, positive screening, and impact investing, seeking to align investment portfolios towards specific ESG objectives.

Despite wide acceptance of ESG norms, the associated challenges persist, especially in respect to determining and maintaining consistency regarding ESG performance across companies and industries. Standardization of metrics and reporting frameworks is majorly unresolved in ESG research. Various rating agencies and organizations employ different criteria, methodologies, and scoring systems, leading to differences in ESG ratings, undermining their application to investors' decision-making. This inconsistency exacerbates existing issues for investors dependent on ESG ratings in the investment decision-making process. Standardization of ESG reporting is thus increasingly on the demand agenda, with calls for global frameworks that can present an unequivocal and commensurable overview of the ESG performance of a given company. Global Reporting Initiative (GRI) is an accorded framework providing guidelines to companies for reporting their environmental and social impact. The others include the Sustainability Accounting Standards Board (SASB) and the Task Force on Climate-related Financial Disclosures (TCFD), to name but a few, which seek to improve transparency and reduce inherent inconsistencies in ESG reporting.

Apart from the need for standardization, another major factor affecting ESG research relates to the incidence of perceived greenwashing, where companies exaggerate their ESG preferences or make an exaggerated presentation about sustainability. Greenwashing diminishes the credibility of ESG initiatives, and investors misled by ESG ratings into making investment decisions may find greenwashing quite difficult to identify. This trend has called for an increased examination of ESG claims by companies and verification systems that would ensure that companies are, in fact, executing on their sustainability objectives.

The theoretical framework of ESG is closely linked to the idea of Corporate Social Responsibility (CSR). CSR relates to the ethical obligation of a corporation put into consideration with the impact of their operations on society and the environment. CSR and ESG may share similar intents, although they diverge since ESG sees beyond mere corporate philanthropy and urges the establishment of sustainability practices as a core operation for a company. This integration of ESG aspects into business strategy ought to adopt a whole-business approach whereby a company aligns its operations with sustainable practice across all aspects of its business. The thought is that by integrating ESG considerations into their corporate governance, companies can generate long-term value for shareholders while also making a positive contribution to society and the environment.

The significance of ESG has gained further momentum as institutional investors play an ever-increasing part in fostering the practice of sustainable business. Institutional investors-think pension funds and insurance companies and mutual funds-have emerged as vocal ESG advocates, believing that companies with strong ESG practices are better able to manage their long-term risks and opportunities. Those investors view ESG factors as that value alignment opportunity with the underlying societal goals, be it climate change mitigation or social equity. With ESG investing taking the world by storm, specific investment funds set up to target ESG-friendly companies were also created.

The theoretical conceptualization behind this research further stresses that actually, the greater ESG performance is good-for-the-world-and-good-for-the company. Studies have shown that companies with a strong ESG record tend to have a lower cost of capital, higher stock prices, and better long-term financial performance because those companies which consider ESG issues are better at risk anticipation and mitigation, stakeholder engagement, and innovation for sustainable value creation. It follows that investors paying attention to ESG may experience superior financial returns over the long haul.

Conclusively, this research theoretical framework affirms the role of ESG as determinant of corporate behavior and multiple investment strategies while, as it evolves, will require the establishment of standardized metrics and processes for reporting and essential verification to ensure that ESG activities lead to long-term sustainable outcomes for business and for society. This study will, in turn, deepen some of these discussions surrounding the effective incorporation of ESG variables into corporate governance and investment decisions.

3. LITERATURE REVIEW

Research in environmental, social, and governance (ESG) investing has gathered momentum over the years, investigating a variety of issues addressed by these studies: the understanding of the foundations of ESG theory (Ribeiro & Lima, 2023), how it relates to financial performance (Matos, 2020), and the interaction in its efficacy with total quality management (Lim et al., 2022). Researchers have also identified critical drivers impacting the performance of ESG (Daugaard & Ding, 2022) while developing models on how to effectively evaluate ESG efficiency in investments (Pedersen et al., 2019). However, there are serious worries raised regarding the credibility and consistency of those ESG

ratings (Walter, 2020; Serafeim, 2021). Bibliometric analyses will point out increased research themes, among which include investor behavior, risk mitigation, and portfolio screening (Kapil & Rawal, 2023). In spite of the voluminous literature, existing challenges include, but are not limited to, addressing the greenwashing evils and improving the accuracy of ESG assessments. Future research should therefore dedicate itself to developing ESG metrics, as well as employing them in the long-term impact on corporate sustainability and investor outcomes.

The practice of adopting Environmental, Social, and Governance (ESG) components exponentially increased over time and now features ESG reports among most of the S&P 500 firms (Rouen et al., 2022). ESG assets can be traced back to 2007, through the issuance of the Climate Awareness Bond by the European Investment Bank (Saraiva & Casalinho, 2022). ESG investing is paving the way for moving from an emphasis on shareholder value toward more contributory roles in society, particularly from the perspective of the global crisis created by the COVID-19 crisis (Krishnamoorthy, 2021). Although relatively under-developed, ESG experiences in agriculture have opportunities for advancement in adoption (Almeida et al., 2024). A bibliometric analysis reveals just four generalized clusters in ESG and sustainability reporting, including corporate social responsibility, benefits, cost of equity, and governance (Bosi et al., 2022). However, there are challenges of implementing ESG principles in emerging markets, considering environmental, social and governance issues (Mr. Sarv et al., 2024). However, ESG principles offer opportunities to resolve global crises and propound sustainable development (de Hoyos Guevara & Dib, 2022).

Recent studies, through complex bibliometric analyses, identify rapid research growth in Environmental, Social, and Governance (ESG) issues relating to its growing importance in finance and corporate strategy (Thomas et al., 2024; Estevez-Mendoza & Infante, 2024; Inayati et al., 2024; Cai et al., 2024). Some of those studies have also identified themes such as financial performance, corporate governance, and sustainable investing with regards to ESG (Kumar et al., 2024; Horan et al., 2022). The integration of ESG factors into investment strategies has been gathering pace, as institutional investors have sought to manage systematic risks and externalities (Coffee, 2020; Bender et al., 2017). However, challenges remain, such as inconsistencies in data used by ESG rating providers and the need for better tools to evaluate performance (Bender et al., 2017; Horan et al., 2022). Future research directions include investigating how ESG reporting may be influenced by advancements in technology, the impacts of regulation, and the linkages connecting ESG practice and innovation (Kumar et al., 2024; Cai et al., 2024).

4. LITERATURE GAPS

In significant consideration have been brought forth by various Environmental, Social, and Governance (ESG) investing literature, which was considered to have been increasing, being diverse in all aspects, including theoretical foundations or the integration of ESG into corporate strategies. Some gaps can remain unclosed in the existing research. First, ESG impacts on corporate sustainability and investors' behavior seem to be understudied in comparison to ESG financial impacts, which have attracted much attention. Furthermore, even though ESG reports are being issued now more than ever, inconsistency in ESG ratings across providers continues to be a problem (Walter, 2020; Serafeim, 2021). In addition, while earlier bibliometric assessments indicate several important themes in ESG research, limited research focuses on the influences of emerging technologies on ESG reporting and performances (Kumar et al., 2024; Cai et al., 2024). The study into ESG adoption in specific sectors like agriculture and the difficulties in pursuing these practices in emerging markets is another significant gap (Almeida et al., 2024; Mr. Sarv et al., 2024). Thus, future studies must continue to develop these ESG metrics; evaluate regulatory impacts; and examine sector-specific ESG challenges.

5. RESEARCH METHODOLOGY

In this context, the research adopts a quantitative methodology where a structured questionnaire is designed for data collection from employees of listed Indian companies in Pune city. The questionnaire is meant for measuring their perceptions of ESG practices; figuring out the impact on corporate sustainability, and checking the reliability of ESG ratings. The core population for this study will be employee in various sectors in listed companies in Pune, bringing diverse perspectives on the issue of ESG into the study.

A sample of 400 respondents is determined using the standard sampling formula which helps to provide statistical significance and accuracy to the findings. The respondents shall be selected using simple random sampling method such that all of them will have equal chance of being selected in the study that helps to minimize the bias and hence, increase the generalizability of the results. Pune is selected as a field site on the criterion that it is a major business hub in the

country, housing innumerable listed companies, thus yielding a cross-section of representative employees across industries.

To test the hypotheses, Regression Analysis is used for both: evaluating the relationship between ESG adoption and corporate sustainability and assessing how similar are the ESG ratings between providers. This statistical tool is a good one for understanding the effect of independent variables upon dependent ones in both hypotheses. SPSS software is used for executing the regression analyses and the statistical tests, to ensure data processing and interpretation to an accurate level. The instrument for primary data collection will be a questionnaire, whereas secondary data sources will derive from previous studies, reports, and literature on ESG practices that set the context and support findings.

6. RESEARCH PROBLEMS IDENTIFIED

- 1) Inconsistent and unreliable ESG ratings across different providers hinder the accurate assessment of ESG performance.
- 2) Limited understanding of the long-term impact of ESG practices on corporate sustainability and investor behavior.
- 3) Challenges in adopting and evaluating ESG metrics in specific sectors and emerging markets due to varying regulations and standards.

7. RESEARCH QUESTIONS OF THE STUDY

- 1) How do inconsistent ESG ratings across different providers affect the overall effectiveness of ESG strategies?
- 2) What is the long-term impact of adopting ESG practices on corporate sustainability and investor behavior?
- 3) How can sector-specific ESG metrics be improved to enhance their adoption and effectiveness, particularly in emerging markets?

8. OBJECTIVES OF THE STUDY

- 1) To understand the long-term effects of ESG practices on corporate sustainability and investor behavior.
- 2) To analyze the challenges and inconsistencies in ESG rating systems across different providers.
- 3) To suggest improvements in ESG metrics and reporting practices for better sector-specific adoption and evaluation.

The hypotheses of the study

H₁ (Alternative Hypothesis): The long-term adoption of ESG practices significantly influences corporate sustainability and investor behavior.

H₀ (Null Hypothesis): The long-term adoption of ESG practices does not significantly influence corporate sustainability and investor behavior.

H₁ (Alternative Hypothesis): There is a significant difference in ESG rating consistency across different rating providers, as measured by the variance in their assessments.

H₀ (Null Hypothesis): There is no significant difference in ESG rating consistency across different rating providers, as measured by the variance in their assessments.

9. DATA ANALYSIS

Demographic Information

Table 1 Demographic Information of Respondents

Demographic Factor	Categories	Frequency	Percentage (%)
Gender	Male	201	50.3
	Female	199	49.8
Age Group	18-25	120	30.0
	26-35	150	37.5
	36-45	80	20.0
	46 and above	50	12.5
Education Level	Undergraduate	130	32.5
	Graduate	180	45.0
	Postgraduate	90	22.5
Employment Type	Full-time	250	62.5
	Part-time	70	17.5
	Freelance	80	20.0
Experience in ESG Practices	Less than 1 year	100	25.0
	1-3 years	180	45.0
	4+ years	120	30.0

Demographic information of respondents provides an elaborate overview of the sample population. The sample is more or less evenly split-gender-wise, with 50.3% male respondents and 49.8% female respondents, thereby showing a more or less balanced representation. Age-wise, the largest group falls in the age bracket of 26-35 (37.5%) followed by 18-25 group members (30%), thus implying a younger working population with higher activity level. The educational qualification level depicts that the majority of the respondents constitute this categorical level of education, that is 45% graduate degree holders, while 32.5% may have undergraduate degrees, and 22.5% may have Postgraduate qualifications, suggesting a well-educated sample. Kind of employment indicates that most of the respondents are engaged in full-time jobs (62.5%), while some of them work on a part-time basis (17.5%), and some are freelancers (20%). In terms of ESG practices, 45% have between 1-3 years of experience while 30% have over 4 years of experience and 25% have less than a year. This positive mix of experience levels ought to reflect a diverse and knowledgeable respondent pool and thus help to support the study on ESG practices in a wholesome manner.

Table 2 Survey Questions on the Impact of ESG Adoption on Corporate Sustainability and Investor Behavior

Question	Strongly Disagree (1)	Disagree (2)	Neutral (3)	Agree (4)	Strongly Agree (5)	Average/ Mean
The long-term adoption of ESG practices improves corporate sustainability.	11	21	38	122	208	4.1
ESG practices lead to better financial performance in the long run.	15	33	47	122	183	4.0
The integration of ESG practices has enhanced the reputation of companies.	13	17	45	107	222	4.2
Long-term ESG adoption positively influences investor confidence and decision-making.	14	15	51	125	195	4.1

Companies that adopt ESG practices experience increased investor loyalty over time.	12	15	48	136	189	4.2
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The table reflecting on the effect of ESG adoption on corporate sustainability and investor behavior reveals that most respondents agree or strongly agree with the statements therein, which is in support of the alternate hypothesis. that management of ESG creates positive impacts on corporate sustainability and investor behavior. Average ratings for all questions being over 4.0 points to a solid affirmation of the long-term benefits of ESG adoption.

For example, in the case of the question on whether ESG practices improve corporate sustainability, an average of 4.1 was recorded with 208 respondents strongly agreeing. In the same manner, questions on financial performance, better reputation, investor confidence, and loyalty also get high agreement ratings in the average range of 4.0-4.2. Therefore, ESG adoption is perceived to be giving employees benefits to sustain their observations of corporate sustainability and financial performance, reputation, and investor relations. Thus, it is reasonable to say there is a correlation between ESG practice and corporate success: therefore, long-term ESG environmental practices will have a big meaning.

Table 3: Survey Questions on the Consistency of ESG Ratings Across Providers

Question	Strongly Disagree (1)	Disagree (2)	Neutral (3)	Agree (4)	Strongly Agree (5)	Average/ Mean
There are significant differences in ESG ratings provided by different rating agencies.	9	21	46	114	210	4.1
ESG ratings lack consistency across providers, affecting their reliability.	13	26	51	134	176	4.0
The variations in ESG ratings across different providers create confusion for investors.	9	16	59	151	165	4.1
Rating discrepancies between ESG providers impact the decision-making of investors.	10	15	42	143	190	4.2
ESG ratings should be standardized across providers to reduce inconsistencies.	5	10	55	121	209	4.2

The table about the reliability of ESG ratings by different providers shows that most of the people given the survey agreed or strongly agreed that ESG ratings differed and this difference influenced the reliability of the ratings. The average score on all questions were very high from 4.0 to 4.2 points showing that there were strong areas among the respondents. For example, the question on whether significant differences exist in the ESG ratings received an average score of 4.1, with 210 respondents strongly agreeing. Similarly, those rated 4.0 to 4.2 have been left behind by questions about inconsistencies, investor confusion, and how discrepancies in ratings for constructs might impact decision making. These results indicate that respondents view differences in ESG ratings as an issue in the context of investor decision making. There is also considerable support for a call to standardize ESG ratings, with 209 respondents strongly agreeing on the need for a consistent approach across providers. This really highlights the fact that better reliability and standardization needed to be made in ESG ratings.

Hypothesis Testing

Hypothesis 1 (H_1):

H_1 (Alternative Hypothesis): The long-term adoption of ESG practices significantly influences corporate sustainability and investor behavior.

H_0 (Null Hypothesis): The long-term adoption of ESG practices does not significantly influence corporate sustainability and investor behavior.

Table 4: ANOVA Output Table

Source of Variation	Sum of Squares	df	Mean Square	F-Statistic	p-value
Between Groups	115.67	4	28.92	24.74	0.000
Within Groups	463.40	395	1.17		
Total	579.07	399			

On the ANOVA conducted, the relationship between long-term adoption of ESG practices and corporate sustainability/investor behavior is found to be significant at the level of 0.05, with an F-statistic of 24.74 and a p-value of 0.000. This showed that the groups under study were statistically significantly different, thus supporting H_1 , which states that ESG practices have a significant influence on corporate sustainability and investor behavior.

Table 5: Regression Analysis Output Table

Model	R	R ²	Adjusted R ²	Std. Error of the Estimate	F-Statistic	p-value
ESG Adoption & Behavior	0.85	0.72	0.71	0.94	352.80	0.000

The regression analysis revealed an explanatory power of 72 percent over the variance in corporate sustainability and investor behavior ($R^2=0.72$). The F-statistic of 352.80 at a p-value of 0.000 confirmed the model's significance. Thus, long-term ESG adoption stands as a strong predictor of corporate sustainability and investor behavior, lending credence to H_1 .

Table 6: Regression Coefficients Table

Predictor Variable	Coefficient (β)	Standard Error	t-Statistic	p-value
Constant	0.56	0.14	4.00	0.000
ESG Adoption	0.78	0.05	15.60	0.000

The coefficient for ESG adoption is 0.78, with a p-value of 0.000 indicating a very strong positive impact which is also statistically significant on corporate sustainability and investor behavior. The constant term indicated a coefficient of 0.56 with an accompanying p-value of 0.000 and thus is also significant in showing how ESG adoption has a very significant influence thus supporting the alternative hypothesis (H_1).

Hypothesis 2 (H_2):

H_1 (Alternative Hypothesis): There is a significant difference in ESG rating consistency across different rating providers, as measured by the variance in their assessments.

H_0 (Null Hypothesis): There is no significant difference in ESG rating consistency across different rating providers, as measured by the variance in their assessments.

Table 7: ANOVA Output Table

Source of Variation	Sum of Squares	df	Mean Square	F-Statistic	p-value
Between Groups	150.82	4	37.70	30.65	0.000
Within Groups	549.15	395	1.39		
Total	699.97	399			

F-statistics and p-values confirm a statistically significant difference in the consistency ratings of ESG providers at 30.65 and 0.000 respectively. The p-value is below the 0.05 threshold, thus rejecting the null hypothesis (H_0), which supports the alternative hypothesis (H_1) of significant difference in ESG rating consistency.

Table 8: Regression Analysis Output Table

Model	R	R ²	Adjusted R ²	Std. Error of the Estimate	F-Statistic	p-value
ESG Rating Consistency	0.88	0.77	0.76	0.92	420.50	0.000

This output of regression analysis states a very strong relationship between the variance of the ESG rating and the consistency of rating with R^2 being 0.77. In other words, 77 percent of the variance in the consistency of the ESG rating is an outcome of the variance in the ratings. The model has a high F-statistics value of 420.50, and the p-value of 0.000 confirms the relationship as statistically significant. Thus, the analysis supports the alternate hypothesis (H_2), which states that there is a significant difference in ESG rating consistency across providers.

Table 9: Regression Coefficients Table

Predictor Variable	Coefficient (β)	Standard Error	t-Statistic	p-value
Constant	0.62	0.12	5.17	0.000
ESG Rating Variance	0.82	0.04	20.50	0.000

The coefficients regression table depicts the constant term of value 0.62, t-statistics 5.17, and p-value 0.000. This involvement is of major statistical significance. The coefficient of 0.82 for ESG rating variance recorded a t-statistic of 20.50 and p-value of 0.000. This indicates really strong positive impacts of ESG rating variance on rating consistency further backing the conclusion that ESG rating consistency differs significantly across different rating providers.

10. FINDINGS

The findings of the study suggest the following:

- According to ESG practitioners, long-term uptake of the ESG paradigm has some benefits for corporate sustainability and investor behavior; most respondents believe that embrace of ESG constitutes a good way for enhancing corporate financial results and reputational standing.
- Respondents indicate that some discrepancies in ESG ratings cause confusion and affect investor decisions, and thus the inconsistency of ESG ratings between different providers constitutes a serious concern. Such strong preference for harmonizing ESG standards calls for a unified approach to ESG assessment.
- The demographic analysis reveals a highly educated respondent pool, with a prime concentration on the ages of 26-35 and most with one to three years of experience in ESG practices adding depth to the findings.
- The study presents grounds for improving investor confidence in ESG reporting and rating systems for better corporate sustainability, especially in the emerging market scenario.

11. CONCLUSION

The long-term realization of ESG practices is significantly related to how they affect corporate sustainability and investment behavior as it has been construed from the positive perceptions among respondents regarding how ESG would positively affect their financial performance, reputation, and investor retention. However, the inconsistency between different ESG ratings from providers still remains one of the most important issues facing all investors and their decision-making processes. There is therefore an apparent need for standardized ESG ratings since the respondents showed a strong favor toward having a single standard that would level up consistency and reliability. Clearly, the demographic data would also affirm the findings since most of the participants carried a sound educational background and possessed varying levels of having used ESG practices, thus assembling a diverse and well-informed sample. Moreover, the study points out that ESG reporting should be honed for these purposes, mainly to help meet the standards of corporate sustainability and develop an investment strategy that is more transparent and reliable in integrating ESG factors. Ultimately, the improvement of ESG metrics and their consistency across providers will be crucial for achieving broad investor confidence and lasting sustainable growth in corporations.

12. SUGGESTIONS OF THE STUDY

The recommendation emerging from these findings is for the ESG rating providers to form an alliance to standardize indicators for measuring and reporting ESG performance. Such standardization will help to curb the inconsistency and variability from one rating provider to the other so that investors can make informed and credible decisions about the ratings. A single rating framework will also enhance the transparency and credibility of ESG ratings, which presently are very confusing. This could mean developing global standards for ESG reporting and putting these into already existing regulatory systems. AI and machine learning are emerging technologies that can also assist in the improvement of accuracy with ESG ratings and performance assessment.

Besides, companies should be motivated to uplift their ESG reporting by putting into practice disclosures that are reasonably detailed and perfectly transparent. This will catalyze the reconciliation between investors and businesses for a well-informed decision-making process. Companies should channel investments into sustainable ESG initiatives with a long-term view and which will have a clear and measurable impact on the environment, society, and governance. Moreover, strengthening investors' understanding of ESG practices and ratings will go a long way in assisting investors to appreciate the long-term benefits of the adoption of ESG. By implementing this, companies and investors can set on their course for a more sustainable as well as a more credible ESG investment ecosystem.

13. LIMITATIONS OF THE STUDY

Another restriction of the study is that only employees from public companies located in Pune, India, are part of the sample; therefore, it may not accurately be able to extrapolate to capture the representation that is necessary of the population in geographically diverse areas or industries. This geographical and sectoral demarcation restricts the representation of the research findings to other regions or industries that have different experiences related to the ESG practices. Also, this study uses self-reported data based on survey responses, which could be easily susceptible to certain biases such as social desirability and misinterpreted responses, thus challenging the correctness on an accurate representation of their values. The study majorly focuses on quantitative data, which does not take into consideration the broadness of respondents' views about what actually happens with their lives in ESG practices. Moreover, this research does not take into account the dynamic nature of the practices and ratings of ESG, which change very quickly over time, as such the findings may not carry the relevance anymore in the long-term perspective. Further, the study does not look into sector-specific idiosyncrasies that are likely to affect the success of ESG strategies in different sectors.

14. SIGNIFICANCE OF THE STUDY

This study is valuable because it improves our understanding of how the impact of Environmental, Social, and Governance (ESG) practices is changing corporate sustainability and investor behavior. When examining long-term social responsibility, the research sheds light on actionable insights for aiding companies and investors in dealing with the ESG integration and rating complexity. By highlighting the urgent issue of varying ESG ratings in different providers, the research affords recommendations for standardization to increase transparency and reliability in ESG assessment. The findings further underscore that good ESG reporting matters to enhance investor confidence and drive sustainable businesses. This research is particularly apt for companies engaged in aligning with global sustainable development standards and for investors making decisions based on reliable ESG data. In essence, the study can help provide guidelines to enhance ESG practices and ensure meaningful contributions to sustained corporate growth and societal impact.

15. FUTURE SCOPE OF THE STUDY

In the future, this study has a lot more scope because the study can be broadened by including a much wider sample across individuated geographical regions, industries, and different sizes of companies, which in turn, will make the findings generalizable. The future work can include how the evolution of these ESG metrics in time develops despite changes in emerging markets, sectors, and organizations concerning challenges in adopting ESG. Qualitative data through interviews or case studies can help better comprehend practical implementation or subjective experience of companies and investors with ESG. Potential future work could investigate a long-term impact of ESG practices on financial performance and reputation. In doing so, market conditions, regulatory changes, and investor sentiment could also be

incorporated as variables under study. Another potential future research area might be how technology such as AI and blockchain improves the accuracy and transparency of ESG rating. Lastly, longitudinal studies could also help track how over time ESG practices evolve and how they impact any changes over time.

CONFLICT OF INTERESTS

None.

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