The Role of ESG in Driving Sustainable Economic Development: The Indian Perspective

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Abstract. In the past 24 months, the ESG perspective has firmly established itself in what sustainable economic growth means for emerging economies such as India. Prior to this, ESG was an element of voluntary corporate social responsibility, but it quickly evolved into a real-world applied strategic tool used within the process of economy planning at the national level, regulatory adherence, and a long-term value creation mechanism. This paper provides a qualitative evaluation of the role of ESG as a facilitator of resilient and inclusive economic growth in the case of India. It explains how the embedding of ESG considerations into public policy, and by association corporate governance, can improve productivity, diminish systemic risk, and create sustainable investment streams. India has made resolute policy efforts to institutionalize ESG frameworks through, for example, regulations, specifically SEBI's Business Responsibility and Sustainability Report (BRSR), and statutory corporate social responsibility (CSR) mandates under the Companies Act 2013. These policies have forced Indian business to differentiate itself for sustainability, how it relates to its stakeholders, and how it reports back to the stakeholders through what it reports in its financial statements. The article also conducts case studies of Indian business champions like Infosys, Wipro, TCS, Tech Mahindra and Reliance Industries to illustrate how adopting ESG lead to realised economic benefits. The four benefits are heightened investor confidence, access to green money, enhanced brand perception, and competitive advantage through innovation. While linking ESG targets to national growth target, these firms demonstrate the monetary value of sustainable business. Furthermore, the paper posits that the emergence of the ESG may allow India the opportunity to reconcile economic growth and climate resilience, social justice and organizational capacity. The increasing emphasis being placed on ESG by global markets will hinge on India's ability to ensconce ESG at a corporate and policy level in positioning India for sustainable development.

Keywords: ESG, Sustainable Development, Corporate Governance, CSR, BRSR

1. Introduction

In the early twenty-first century, expansion of traditional economic models of growth: GDP expansion, and output growth from manufacturing are being radically redesigned. It is all-too clear now, with a risen imbalance in social welfare, disturbances in climate, and persistent failures in governance, that the growth models focused primarily on production as a means to distribute statically constrained resources, was clearly limited. In this context, Environmental, Social, and Governance approaches have emerged as a way of delivering integrated approaches that ideally link social justice, stable institutions, care for the environment, and benefits for the economy.[1] ESG originated as a socially responsible investment approach, emerged as an organisational strategy and is now an investment strategy that is transforming financial markets, regulatory regimes, and development approaches.

All of the foreign trade, capital flows, and domestic productivity are directly impacted by the environmental externalities such as carbon emissions, biodiversity loss, and resource depletion. Human capital development and medium-term competitiveness are also undermined by social issues that vary from gender disparities to health insecurity and undocumented labor. The third is governance that constitutes the institutional underpinning of investor trust, regulatory observance, and transparency. Environmental and social interventions are generally made useless

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without good governance.[2] Focusing on India, this paper examines ESG as a driving force of sustainable economic growth in emerging economies instead of a compliance model. The research critically analyzes ESG policies, corporate behaviors, and their macroeconomic implications using a doctrinal research approach.

The paper discusses ways ESG adoption raises productivity, minimizes system risks, and enhances inclusive growth with the assistance of policy instruments like the Business Responsibility and Sustainability Report (BRSR) and Corporate Social Responsibility (CSR) mandates, along with business case studies of Indian industry giants. The structure of the paper includes: Chapter 2 discusses the environmental aspect of ESG and the implications thereof on economic resilience; Chapter 3 examines the contribution of social responsibility towards inclusive growth; Chapter 4 discusses governance as the underpinning principle of market efficiency and institutional credibility; and Chapter 5 provides conclusions and policy suggestions for the future;

2. Environmental sustainability and economic resilience:The role of green policy and climate finance

2.1 Climate Change and the Macroeconomic Imperative for Environmental Sustainability

Environmental sustainability is now a key component of long-term macroeconomic stability and resilience rather than an off-center theme in economic planning. This relationship between environmental deterioration and economic performance is particularly evident in the case of a nation like India, which is characterized by ecological diversity, climatic vulnerability, and industrialization[3]. National income, food security, and human capital productivity are all impacted by environmental problems like air pollution, excessive groundwater extraction, soil erosion, forest cover loss, and biological diversity.

World Bank and Indian Council for Research on International Economic Relations (ICRIER) studies show that climate-related losses already account for more than 1.5% of India's annual GDP, with rural economies being particularly hard hit from climate shocks such as unseasonal rain, droughts, and heat waves[4]. Such shocks not only lower farm productivity but also interfere with labor markets, raise the cost of healthcare, and lead to internal migration pressures.

Further, India's reliance on natural resources to live and earn a living, especially agriculture, fisheries, and forests, makes environmental sustainability a crucial element of inclusive growth. Unsound environmental management and unsustainable utilization of resources aggravate socioeconomic disparities by negatively impacting low-income groups disproportionately[5]. Thus, integrating environmental considerations into national economic policies is not only an ethical need but also a developmental imperative.

Countries that fail to internalize environmental costs are becoming a bigger obstacle to international trade, capital flows, and supply chain integration in the twenty-first century economy, where internalizing environmental costs is a prerequisite for both resource efficiency and climate resilience[6]. ESG frameworks, when used optimally, reduce these risks by harmonizing growth targets with environmental stewardship.

2.2 Green Policy Interventions in India: Regulatory Frameworks and State-led Interventions

India has taken a multifaceted approach to integrating environmental sustainability into national and state policy frameworks. The foundation of India's climate policy framework is still the National Action Plan on Climate Change (NAPCC), which was introduced in 2008. It lists eight missions that cover topics like energy efficiency, water conservation, sustainable agriculture, solar power, and ecosystem preservation.[7] To expand these initiatives to local exposure levels, subnational organizations have also created State Action Plans on Climate Change (SAPCCs).

This policy intention has been consolidated by significant regulatory tools. The Energy Conservation Act of 2001 and the Bureau of Energy Efficiency's (BEE) Perform, Achieve, and Trade (PAT) scheme called on industries to take steps to enhance energy efficiency on the market side[8]. Although the Environmental Impact Assessment (EIA) process has been institutionalized for industry and infrastructure projects, it remains criticized for insufficient public participation and transparency.[9]
The Business Responsibility and Sustainability Report (BRSR) introduced by SEBI in 2021 mandating the first 1000 listed companies to disclose their green footprint; their greenhouse gas footprint, the use of water, disposal of waste, and saving of resources is another foundational step[10]. Disclosures that not only make it easier for investors to make decisions, but also institutionalize incentives to companies to think out of the box and become green, is a critical step. Decentralized environmental governance comes in the form of state level measures like Kerala's Green Protocol for green events, Gujarat's rooftop solar subsidy program, and Maharashtra's electric vehicle policy[11]. Shifting focus to sustainability-centered city planning and transport systems, schemes such as the Smart Cities Mission and AMRUT have also motivated urban local governments to build climate-resilient infrastructure.
Notwithstanding these initiatives, there remain implementation gaps, which are attributed to fiscal limits, regulatory duplications, and institutional capacity constraints[12]. These policies will only have an economic effect if they enhance inter-agency coordination, ensure the environmental rule of law, and achieve participatory governance.

2.3 Green investment and climate finance as engines of sustainable growth

Funding India's shift to a green economy is one of the country's most difficult but necessary challenges. Climate finance is the term used to describe domestic, national, or international funding for adaptation and mitigation projects from public, private, and international sources. According to the Climate Policy Initiative, India will need more than USD 170 billion annually through 2030 to meet its Nationally Determined Contributions (NDCs).[13]

India has embraced a range of fiscal and financial instruments to close this gap. The launch of sovereign green bonds in 2023 was a big leap towards raising low-cost capital for renewable energy and clean transport initiatives in the public sector[14]. Climate risk has been added as an important consideration by the Reserve Bank of India (RBI) in its analysis of financial stability and has asked banks to create green lending portfolios.[15]

On the corporate side, businesses are using ESG funds, green bonds, and sustainability-linked loans more and more to fund clean energy shifts, resource efficiency initiatives, and environmental innovations[16]. Indian banks such as

SBI and HDFC have introduced exclusive green finance verticals, and key conglomerates have set net-zero timelines along with associated capital investments.

At the global level, India has been a beneficiary of climate finance through mechanisms such as the Green Climate Fund (GCF), Adaptation Fund, and bilateral agreements with Japan, Germany, and France.[17] Multilateral development banks (e.g., World Bank, ADB) have also been significant contributors in terms of financing climate-resilient infrastructure and capacity building for renewable energy.

Market-based instruments such as carbon trading, Renewable Energy Certificates (RECs), and new proposals for a national Emissions Trading Scheme (ETS) also indicate India's willingness to mainstream climate finance into its larger fiscal architecture[18]. It is still necessary to overcome the hurdles regarding pricing carbon properly, preventing greenwashing, and satisfying equitable fund distribution.

Green finance is not only a climate imperative but also a macroeconomic opportunity—it promotes job creation, increases energy security, lowers long-term climate adaptation costs, and improves India's position on global ESG indexes[19].

3. Social equity and inclusive growth: ESG’s role in building human capital and social infrastructure

3.1 The Economic Importance of Social Equity in Emerging Economies

Social equity, a key pillar of the ESG paradigm, is the determining factor in the inclusiveness, productivity, and sustainability of economic growth—particularly in nations such as India, with its structural disparities and demographic heterogeneity[20]. Social inequities in the Indian example manifest themselves along multiple axes: caste, gender, class, urban-rural, and access to health and education. These systemic inequities not only create moral and ethical issues, but they also specifically inhibit economic potential.

When unequal access to quality education, health, and jobs leads to poor productivity, it can lower innovation potential.[21] The India Human Development Survey (IHDS) reveals the asset building and mobility of household income are significantly lower among marginalized communities in India[22]. Gender-based gaps in labor participation are also an ongoing issue; despite increasing higher education, the participation of women in the labor market is still very significantly below parity with men in India compared to other countries.[23]

Social exclusion is costly. Gender-based discrimination costs the Indian economy around 4% of its GDP each year, says the World Bank. Furthermore, social instability in the form of unemployment or exclusion only worsens public expenditures managed by the government (welfare, health, and law and order)[24]. In contrast, equitable and inclusive societies foster greater stability in finance, lower sociopolitical volatility, and more robust domestic demand.

Social policies and practices aligned with ESG principles (Environmental, Social, and Governance), seek to address inequities to provide empowerment, treatment, and access to all segments of the labor market.[25] Placing social equity at the heart of economic planning is critical since it is the foundation to achieving rapid but just development, expanding the base of participation in the economy and increasing long-term resilience.

3.2 Socially Responsible Corporate Practices and Labour Welfare

Through diversity and inclusion initiatives, social outreach, employee well-being programs, and company policies, the business community is able to ensure the social aspect of ESG.[26] Indian top businesses have adopted socially responsible practices in a rising degree during the past few years, both as a matter of conscience and sound business investments in human capital and stakeholder relations.

Tata Consultancy Services (TCS) has conducted full-fledged digital literacy and skill-building programs for employees and youth in society[27]. Infosys has integrated employee health, learning platforms, and gender-diversity policies in all its functions[28]. Wipro's 'Wipro Cares' is focused on healthcare, education, and relief from disasters for underprivileged communities[29]. Tech Mahindra has adopted flexible work cultures, mental wellness counseling services, and tribal outreach programs.[30] Reliance Industries, in its Foundation, has massive rural education, public health, and women empowerment programs aligned with its CSR objectives.[31]

The positive spillovers of such initiatives are many. Organisations which put their employees' well-being and fair labour practices on top of their agenda enjoy greater employee commitment, reduced staff turnovers, and superior reputational capital[32]. In the post-Covid era, people-centred policies also assume key functions in business resilience and turnaround. According to a Deloitte report (2022), companies with high social ESG scores fared better than others during the Covid-19 pandemic, both business and investor sentiment-wise[33].

In addition to internal policies, socially responsible firms expand their ESG perspective out to value chains—providing ethical sourcing, labor conduct, and sustainable procurement.[34] This more integrated strategy not only protects firms from legal and reputational risk but also creates long-term value in the form of stakeholder trust and institutional goodwill.

Around the same time, social ESG data are also getting standardized and reported globally by platforms such as the Global Reporting Initiative (GRI), SASB, and India's BRSR requirements.[35] These allow regulators and investors to compare a firm's social performance on an objective scale and make sure social promises deliver quantifiable outcomes.

3.3 Public Policy, Social Infrastructure, and ESG-Driven Inclusive Growth

Government intervention serves as the principal vehicle for improving social equity and inclusive growth particularly in poverty-prone states with workers in the various informal employment sectors and with developmental deficits.[36] India is implementing a large array of social initiatives that target enhanced access to financial services, work, education, health care, and sanitation.

Among the more unusual programs offered is the Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA), providing 100-day guaranteed paid employment per year for rural families[37]. While offering a source of income safety net in the case of an economic process, overall has enabled women and communities to provide productive assets such as water conservation systems and rural roads. Research indicates that MGNREGA has not only enhanced family income but also slowed down rural to urban migration and promotes local resilience when hit by droughts and lockdowns.[38]

Ayushman Bharat - Pradhan Mantri Jan Arogya Yojana (AB-PMJAY) has responded to health insurance coverage for more than 50 crores of individuals, lowering out-of-pocket spending and decreasing the likelihood of catastrophic health shocks to the poor specifically[39]; Pradhan Mantri Jan Dhan Yojana (PMJDY) has covered more than 450 M Indians under a formal banking cover, facilitating direct benefit transfers, mobilization of savings, and credit access.[40]

Such initiatives are in line with the social goals of ESG through the consolidation of the base of human development, the decline of intergenerational poverty, and the establishment of inclusive delivery infrastructure of services[41]. These efforts also provide a framework for enabling private ESG interventions through improving baseline welfare indicators and formulating cooperative public-private models in healthcare, education, and skills.

International investors increasingly consider such macro-social metrics as proxies for long-term market stability[42]. Effective social governance, as evidenced by labor legislation, protection of human rights, and public service provision, enhances a country's capacity to attract ESG-oriented investment, gain preferential trade status, and mitigate investment risk premia[43].

Through this, corporate social responsibility, regulatory reporting, and India's social policy framework all combine to create a critical element of ESG that fosters inclusive economic growth[44]. For India's pursuit of sustainable prosperity, the social pillar of ESG is both a strategy for growth and a moral guide.

4. Governance, regulations, and institutional efficiency - establishing trust and competitiveness through ESG

4.1 ESG Governance and Its Contribution to Economic Performance

The fundamentally underlying concept of governance, aptly termed the foundation of the ESG model, includes establishing effective institutions, upholding market discipline, and ensuring sustainable development in the economy. It also encompasses the foundation of a leadership framework, legal and regulatory requirements, independent board members, transparent disclosures, a system of risk management, and moral accountability[45].

Governance characteristics are important to establish a business's validity but also play a role in investor confidence, firm value, and macroeconomic stability.[46] Linking governance with ESG expectations is a political and commercial necessity in the context of corporate malfeasance and loose regulatory frameworks that have repeatedly undermined financial ecosystems across India.[47]

Institutional investors are more frequently exploring institutional factors that inform potential investments. Evidence that increasingly relates to good governance structures or good governance frameworks[48]. Not only does this mean long-term visibility, it contributes to less moral breakdown and steers positive fiduciary responsibility. Indian companies that enjoyed better governance scores, achieved superior market capitalization growth, better foreign direct investment (FDI) inflow and less volatility in returns. The MSCI ESG Ratings and the S&P Global ESG Scores illustrate this point.[49]

The middle two layers of governance, if not key, serve to construct governance that better supports democratic institutions and healthy financial ecosystems. Good governance and governance frameworks provide frameworks for accountability through disclosure and therefore trust from the public and its stakeholders. Companies are doing this not only for shareholders, but also for stakeholders, (workers, consumers, supply chain partners, and regulators) through either independent ESG boards or committees representing sustainability. These are approaches that show a transition that are consistent with values of the stakeholder capitalism movement, and would allow for a greater context of resilience to system failures from shocks like pandemics, climate threats, and geopolitical disputes.[50]

4.2 Indian ESG Policy Tools: BRSR, CSR, and Governance Mandates

India's regulatory environment has matured significantly in the last several years with respect to governance and corporate sustainability - the country has created several path breaking frameworks and made governance a legal compliance issue instead of simply an aspirational concept[51]. As shown in table 1, the three most significant ESG (governance-based) elements in India are the Companies Act's Corporate Social Responsibility (CSR) provisions, the SEBI-led Business Responsibility and Sustainability Report (BRSR) process and the board gender diversity and independent directorship reforms.

Corporate Social Responsibility (CSR) under the Companies Act, 2013

The country was the first to make CSR commitment a legally binding requirement under a legal framework.[52] Companies whose net worth is ₹500 crore or more and/or annual turnover ₹1000 crore or more, must contribute (must commit to spend) 2% of their net profits over the previous three years on authorized types of social causes. Not only does this increase social inclusion, it creates board level accountability for measuring social outcomes.

SEBI's Business Responsibility and Sustainability Report (BRSR):

BRSR facilitates mandatory disclosures for the working of the top 1000 listed companies in India since 2021. BRSR includes nine principles: environmental sustainability (resource efficiency, emissions and waste, circularity), employee well-being (human rights to privacy, safety, and, wellbeing), responsible supply chains (partnerships with suppliers to create better standards), ethical governance (assurance, accountability, and fairness)[53]. BRSR is linked to global frameworks (e.g.: GRI standards, SASB standards) in a way that ensures comparability for the sake of investment.

Board Diversity and Independent Governance Norms

Amendments to Companies Act and Listing Obligations of SEBI outlines the listing obligations for companies to have a woman director as well as appropriate representation of independent directors.[54] These are designed to limit the concentration of risks, limit insiders controlling majority of the board, and enhance gender diversity in the decision making among directors in the corporate boardroom.

Table 1. Key Indian ESG Policy Instruments

Policy/Framework	Implementing Authority	Key Features	Impact on ESG Governance
CSR Mandate	Ministry of Corporate Affairs	2% profit for social initiatives by qualifying companies	Institutionalizes board oversight on social spending
BRSR	SEBI	ESG disclosures across nine principles	Enhances non-financial transparency and accountability
Board Diversity Norms	Companies Act, 2013	Mandatory inclusion of at least one woman director	Strengthens inclusivity and board independence
Green Finance Guidelines	Reserve Bank of India (RBI)	Incentives for ESG-linked loans and green bonds	Enables capital access for sustainable ventures

These instruments together improve ESG governance by integrating environmental and social accountability into laws, financial markets, and institutional investors.[55]

4.3 Case Studies: ESG Governance and Economic Growth in Indian Corporates

Several of India's largest corporations are committing to ESG governance as a critical part of doing business, showing compliance with regulation and ethical stewardship is directly correlated with economic sustainability[56]. The following case studies with reference to table 2 illustrates how an active governance framework can affect investor perceptions, capital efficiency, operational reliability, and ultimately the ability to compete globally.[57]

Table 2. ESG Governance Practices and Economic Impact in Indian Companies

Company	Governance Practices	ESG Reporting/Compliance	Economic Impact
Infosys	Independent board, audit and risk committees, anti-bribery code	BRSR, GRI Standards	Improved investor ratings; inclusion in global ESG indices
Wipro	Whistleblower policy, board diversity, ethics hotline	BRSR, UNGC, Integrated Reporting	Enhanced brand value; employee retention
TCS	ESG oversight at board level; supply chain accountability	BRSR, SASB aligned	Operational cost savings; increased client retention

Tech Mahindra	AI-powered ESG performance tracking; board disclosures	BRSR, CDP	Recognition for innovation; FDI inflows in ESG services
Reliance	Sustainability-linked loans; board ESG sub-committee	BRSR, Annual ESG Reports	Lower capital costs; expansion into green energy markets

These companies reported not only improvements in stakeholder sentiment but also real financial impacts, such as access to capital, better credit ratings, and lower compliance expenses. Institutionalizing governance presents a competitive advantage that is consistent with globally best-practice frameworks.

4.4 ESG Governance Flow and Economic Impact

ESG governance is a continuing, perpetual, and inter-connected chain of influence combining policy, business activities, and macroeconomic outcomes in a process - not a stationary checklist.[58] Understanding this chain of influence is valuable, as we become aware of how effective governance generates economic benefits in a developing country like India.

The flow of ESG governance from legal requirements to sustainable economic development can be depicted in the following conceptual model:

1. Regulatory Mandates (CSR, BRSR, Board Diversity)

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2. Corporate Governance Frameworks (Independent Boards, ESG Policies, Ethics Committees)

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3. Implementation Mechanisms (Transparent Reporting, Risk Oversight, Stakeholder Engagement, Audit Mechanisms)

↓

4. Economic Outcomes (Investor Confidence, FDI Inflows, Lower Capital Costs, Higher Market Valuation)

↓

5. Sustainable Economic Growth (Inclusive, Resilient, Green, and Transparent)

This framework identifies five crucial phases:

Mandatory legislation, including Companies Act (CSR expenditure), SEBI BRSR (disclosure norms), and gender diverse board regulations, are some of the regulatory frameworks that Bermuda has established, and these laws provide a basis for ethical and mode of behavior. [59]

Corporate Governance Structures: Firms create from a statutory initiating internal structures such as ESG governance committees, codes of conduct, separate audit boards, and diversity policies gates of action. These incorporate ESG into business operations.

Implementation Mechanisms: Open reporting (e.g., BRSR, Integrated Reports), ethical audits, stakeholder discussions, and risk management of compliance are some of the ways that internal governance practices are put into practice.

Economic Impacts: Better credit ratings, access to ESG funds, increased stakeholder trust, and investor flows are all direct results of effective governance systems. These result in a competitive edge in the capital market.

Economic Sustainability: Businesses and economies benefit over time from increased resilience, decreased volatility, and social legitimacy. Sustainable development, job creation, and innovation are all fueled by ESG-consistent governance.

Therefore, ESG governance directly contributes to national economic transformation in addition to fostering corporate integrity. Replicating this model across industries will be crucial for India to achieve its financial inclusion goals, climate ambitions, and $5 trillion economy vision.

5. Conclusion and policy recommendations

5.1 Concluding Reflections: ESG as an Economic Catalyst in India

India's economic growth is at a turning point, one that is marked not just by an increase in GDP figures or trade volume but also by the integration of social justice, environmental preservation, and open governance into the core of national and corporate planning. Previously limited to corporate social responsibility departments or investing on the periphery, environmental, social, and governance (ESG) values have emerged as important forces behind sustained economic growth.[60]

The development and implementation of ESG across India's many sectors and levels of government has been charted in this paper. The research showed how institutional and legal frameworks are changing to support ESG standards through a doctrinal analysis of policy tools like the RBI guidelines on climate finance, the Business Responsibility and Sustainability Report (BRSR), and the Corporate Social Responsibility (CSR) requirements under the Companies Act, 2013. These reforms are not superficial—they indicate a shift in economic growth's epistemology, from profit- and extractive models to ones that internalize risk, social value, and ethical leadership.

It is clear from the Infosys, Wipro, TCS, Tech Mahindra, and Reliance Industries case studies that ESG is not only an ethical necessity but also a strategic value. By integrating ESG into their mainstream activities, these organizations have gained tangible financial advantages in the form of enhanced foreign capital inflow, higher employee retention, improved investor sentiment, and diversified access to green finance. Their experiences also lend support to the general theory that ESG integration produces new markets and sources of innovation, less systemically risky conduct, and economic resilience.

India's proactive efforts to embrace ESG are also placing the country in line with international frameworks such as the Global Reporting Initiative (GRI), the Paris Agreement on Climate Change, and the UN Sustainable Development Goals (SDGs). Particularly in small and medium-sized businesses (SMEs), public sector organizations (PSUs), and unlisted companies, adoption is still uneven in terms of both pace and depth. Thus, the way forward has to be not just institutional growth but also inclusivity, standardization, and building capacity.

5.2 Sectoral Analysis: ESG Impacts Across Indian Industry

5.2.1 Energy and Infrastructure. The solar and wind energy renewable energy sector has emerged as a flag-bearer for India's environmental ESG performance. Reliance Industries and Adani Green have drawn down billions worth of green bonds and ESG-linked credit. These trends indicate that sustainability does not inhibit economic competitiveness but enhances it—particularly when combined with supporting policies like the Production-Linked Incentive (PLI) schemes and sovereign green bonds.

5.2.2 IT and Services. The information technology industry has demonstrated excellent ESG compliance, spearheaded by companies such as Infosys, TCS, and Wipro. These firms have taken up net-zero carbon goals, invested in social outreach (digital literacy, gender equality, access to health), and practiced strict board-level governance. Their ESG-oriented policies have resulted in a consistent flow of foreign clients and global institutional investors who opt for ESG-compliant supply chains.

5.2.3 Manufacturing and Industrial. The production industry holds a mixed picture. While behemoths like Tata Steel and JSW have embraced sustainability disclosures and green manufacturing practices, smaller players fall behind because of compliance expenses, ignorance, and lack of technical talent. Fiscal incentives, ESG-oriented skill development initiatives, and ESG literacy drives are urgently needed to include these players.

5.3 Key Challenges in ESG Implementation in India

Although there have been remarkable advancements, the structural and systemic issues that need to be overcome in the full implementation of ESG across sectors in India still remain.

No unified national ESG taxonomy exists for India that is better aligned with international frameworks like GRI or SASB. Hence, ESG scoring creates inconsistency, non-comparability, and subjective investor assessment.

ESG Data Gaps and Quality Issues

Most businesses are grappling with ESG data gathering, reporting credibility, and third-party assurance. The lack of strong digital infrastructure for ESG analytics inhibits both corporate disclosure and regulatory monitoring.

Capacity Constraints

Implementation of ESG requires board-level knowledge, specialized sustainability officers, and compliance teams. But most Indian businesses, particularly MSMEs and non-listed businesses, cannot afford to make such structures.

Greenwashing and Superficial Compliance

With ESG now a buzzword, there is increased fear of "greenwashing," where firms pretend to be sustainable with no change in operations. This erodes stakeholder trust and lowers the credibility of ESG as a relevant measure.

Limited Penetration in Informal Sector

Much of India's economy is informal or semi-formal, in which there are no ESG metrics. The sector comprises contract labor, rural supply chains, and unregulated industries that fall outside the scope of ESG disclosures.

5.4 Policy Suggestions For Enhancing ESG In India

In consideration of these issues, the following policy-level and institutional suggestions are made:

5.4.1 Create a Consolidated ESG Regulatory Framework. India needs to implement a coherent, legally binding ESG regime that aligns BRSR with international standards such as GRI, SASB, TCFD, and the EU Green Taxonomy. This will make disclosures more credible and comparable across sectors.

5.4.2 Enhance ESG Capacity-Building Initiatives. The government, in collaboration with SEBI, MCA, and industry associations such as CII and NASSCOM, must initiate ESG-specific training courses for corporate boards, compliance officers, and MSMEs. An online platform for ESG compliance and certification can make education and monitoring more efficient.

5.4.3 Foster ESG Financing Through Public-Private Partnerships. The Ministry of Finance and Reserve Bank of India need to promote the use of sovereign green bonds, ESG credit ratings, and blended finance instruments to finance ESG-compliant projects. Banks and NBFCs can be incentivized to lend at lower rates for ESG-positive companies.

5.4.4 Mandate ESG Disclosures Beyond Top 1000 Companies. BRSR needs to be phased out to mid-sized and high-impact industries such as public sector undertakings (PSUs) that have large ecological and social footprints. A tiered disclosure system on the basis of turnover or environmental impact can facilitate transition for small companies.

5.4.5 Create a Separate ESG Authority. To prevent regulatory fragmentation and promote enforcement, India may think about establishing a National ESG Council or ESG Authority. This institution can monitor standard-setting, data auditing, disclosure enforcement, and grievance redressal.

5.4.6 Encourage Innovation in ESG Technology. Startups and technology ventures developing ESG tools (e.g., emissions monitoring, ESG scoring, green blockchain audit) need to be encouraged through incubators, tax relief, and innovation grants. Technology plays a critical role in enhancing the accuracy of ESG data and lowering compliance costs.

5.5 Vision for the Future: ESG and India's Developmental Trajectory

ESG is not just a checklist of compliance; it is a prescription for India's emerging developmental state. With the country aiming for a $5 trillion economy, the trajectory has to be green, equitable, and clean. Barring ESG from mainstream economic policy—digitizing India missions, Smart Cities, Make in India, and Skill India—can help ensure that growth is not at the expense of equity or ecology.

India is particularly well-positioned to be the global South's leader in developing an ESG model that is scalable and contextually relevant. With its demographic dividend, tech ambition, and robust civil society, India can turn ESG into a corporate mandate from a societal compact.

In summary, ESG is not the destination, but the vehicle—a dynamic process that reconciles economic aspirations with ethical obligations, investor trust with people's well-being, and short-term gains with long-term robustness. Its successful inculcation into India's economic, legal, and corporate infrastructure will not merely spur sustainable growth but also redefine the very concept of national prosperity.

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