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ROLE OF LEGAL FRAMEWORK IN ESG INTEGRATION WITHIN CORPORATE GOVERNANCE: A COMPARATIVE ANALYSIS OF PRACTICES IN EMERGING MARKETS

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ABSTRACT

Another mission of this study is to examine how legal frameworks contribute to and to what extent they promote ESG factors in corporate governance mechanisms in emerging markets. While the world is moving to integrate ESG thinking, the extent to which ESG features in decision-making and investment is still early in many emerging economies. There needs to be more understanding of how these frameworks are taken up and implemented within these developing economies' specific economic, cultural and regulatory landscape. Using a comparative approach, the study uses data from 200 companies in various sectors, including finance, manufacturing, energy and technology. This research uses secondary data from industry reports, financial databases, and corporate disclosures. Using Ordinary Least Squares (OLS) regression, the study will analyze the impact of legal frameworks, market forces, and governance structures on ESG integration practices. These findings combine several key practices for successful ESG integration, including developing robust legal and regulatory support for ESG practices, ensuring transparent ESG reporting mechanisms, and promoting active stakeholder engagement. The regulatory frameworks, particularly the strong legal mandates, drive companies towards adopting ESG as they become committed to ESG as mandated by law. However, weak regulatory enforcement, cultural resistance to change, and lack of quality ESG data are persisting barriers. The study also confirms that the integration of ESG practices is not homogenous geographically − Asian companies demonstrate the highest level of ESG integration compared to companies from Eastern Europe, thus suggesting the impact of legal structures in governance. A pro-ESG legal systems focus is adopted to learn how emerging markets can tailor corporate governance codes to international sustainability standards, which is paramount when comprehending the research.

INTRODUCTION

The consideration of environmental, social, and governance factors in corporate governance systems has recently gained new relevance in the international arena. Technology is an antecedent of the link between ESG practices and enhanced environmental outcomes. (Rakshit and Paul, 2022) pointed out that integrating ESG using factors for addressing social and environmental issues was particularly important in the post-COVID-19 world. (Shapsugova, 2023)

emphasised the importance of having consistent reporting standards, engaging stakeholders, and the options and challenges in connecting ESG concepts into corporate social responsibility programmes. (Ab Aziz *et al.*, 2023) acknowledged the relevance of ESG elements in adapting business strategies, policies, and the composition of boards. It was also noted that to advance ESG, they supported incorporating elements of corporate governance into ESG guidelines.

This means that the established markets are still far ahead of emerging markets, which, in turn, demonstrate tremendous progress in implementing the ESG aspects of their governance systems. In EMs, particularly in ASEAN countries, implementing ESG investment still needs to be more coordinated, relatively small, and more of a statement of intention than a sound strategy (Korwatanasakul and Majoe, 2021). Nevertheless, studies indicate that various industries' ESG firms are more lucrative; thus, ESG integration might have some benefits. Prior research studies have also examined the relationship between CG mechanisms and ESG practices in developed and developing markets. The present study reveals that corporate governance plays a central role in mediating the beneficial impacts of ESG attributes on corporate value added. (Chouaibi, Chouaibi and Rossi, 2022) support this by showing that green innovation is the moderating variable between ESG practices and business value. These are aggregated by (Huang, 2021), who observed a positive but weak relationship between firm financial and ESG outcomes.

However, there is lacking a literature review on the practices in developing markets, nevertheless, because most of the prior research has focused on developed economies (Annesi *et al.*, 2024; CIOCÎRLAN *et al.*, 2024; Mohy-ud-Din, 2024; Peng and Smith III, 2024; Siri and Zhu, 2024). In addition, a systematic review of the ESG integration experience of various emerging economies is often missing from the current published literature (Elamer and Boulhaga, 2024; Kuznetsova *et al.*, 2024; Moussa and Elmarzouky, 2024), which could be very informative in comparing their approaches.

Understanding the possibilities and challenges that businesses encounter in developing markets is challenging, and the lack of sufficient literature on the application of ESG principles in the corporate governance systems of these regions should be considered. Businesses operating in emerging markets can successfully include ESG issues in their decision-making processes by carefully examining current practices and the factors impacting them.

This study addresses the following research topic: What are the main drivers of and barriers to ESG integration, and how do companies in emerging markets incorporate ESG considerations into their corporate governance systems?

The following are the goals of this study:

- To determine which emerging markets currently use ESG integration practices.
- To examine the factors that influence and hinder the incorporation of ESG in various markets.
- To examine the methods and results of ESG incorporation in various emerging economies.

This work is important because it adds to the expanding corpus of research on corporate governance and ESG incorporation, especially in emerging economies. Given the wider ramifications for social justice, economic resilience, and sustainable development, ESG must be successfully integrated into corporate governance in emerging countries (Kouam, 2024). Failure to embrace ESG principles and their adoption in emerging markets is a risk that threatens the operating businesses in such countries whose economies and communities are at risk since international investors give more credence to those factors when investing. This study aims to mitigate this gap in existing material through a comprehensive comparative analysis of the ESG integration strategies explored here. The analysis of this type will advance the conceptual framework of corporate governance and ESG in emerging markets and offer practical recommendations for companies, policymakers, and legislators. Thus, it assists firms within numerous and multifaceted facets of ESG; it primarily strives to enhance business sustainability and rate of governance and precision in these continually evolving markets.

Conceptual Model

The conceptual model used in the study demonstrates how the corporate governance

frameworks, context factors regarding emerging markets about ESG integration methodologies, and consequent implications are interrelated. This paradigm also supports a systematic way of approaching the impact of corporate governance on ESG factors in establishing developing economies' businesses. Its four subcomponents include ESG Integration Techniques, Corporate Governance Frameworks, Contextual aspects and ESG Integration Results.

Measures, policies and processes to address environmental, social and governance elements in the organisational structures are known as ESG integration practices (Ab Aziz et al., 2023). In the context of finance, as described by Kurtz (2020), ESG stands for the integration of governance and social and environmental factors when approaching business models or the decision-making process of investment. Its three fundamental goals concern the focus and beliefs of the client's portfolios, ESG integration where matters are relevant, and engagement with the management for change. Possible ES include stakeholder-related policies, sustainability reporting, and reporting of ethical decisions. Consequently, ESG standards enhance a company's image and are related to sound operating performance (Korwatanasakul & Majoe, 2021). The overall link between CSP and CFP is very important, positive and reciprocal, confirmed by a second-order meta-analysis involving one million plus observations (Busch and Friede, 2018). For instance, social practices positively impact share prices, while environmental and governance practices affect ROA, share prices and Free Cash Flows, respectively (Okpa *et al.*, 2019).

The following are essential characteristics of ESG integration practices:

Official policies that underline the organisation's commitment to ESG factors are called policy integration (Diana, 2024).

Stakeholder engagement:

Techniques for including communities, workers, and investors in choosing ESG initiatives (Torres *et al.*, 2023).

R**eporting and transparency:**

Sources of information for stakeholders are influenced by market and regulatory demands for ESG disclosure (Tsang, Frost and Cao, 2023).

The components described below illustrate that ESG practices can affect corporate governance within emerging markets.

Board composition, leadership positions, committees, and accountability procedures are only a few examples of the systems, procedures, and values that make up corporate governance structures (Shapsugova, 2023). It includes the systems, procedures, and frameworks that direct and manage businesses (Kouam, 2024). Additionally, corporate governance entails using pre-existing structures and procedures to guide and manage businesses. Although there are many definitions, there is not a widely recognized definition of corporate governance, most likely because of unsolved ontological problems(John, 2023). According to Andrés et al. (2013), effective corporate governance reduces risks, increases access to capital, boosts accountability, and fosters openness. By promoting new investments and generating job possibilities, it also aids in economic development (Awalluddin and Maznorbalia, 2024). Effective ESG integration requires strong governance frameworks because they delineate roles and encourage moral conduct. Among the crucial elements of corporate governance frameworks are:

Board composition:

The members' diversity, ESG-related knowledge, and presence of independent directors to improve supervision (Moridu, 2023).

Committees:

Specialised committees (such as sustainability or ESG committees) Mexist to include ESG into the company strategy.

Mechanisms for accountability:

The processes in place to hold the company responsible for its ESG performance, including incentives and performance measures connected to ESG results (Usman and Yahaya, 2023).

These elements show how company governance affects how well ESG integration strategies work in developing nations.

2.3. Situational elements

The circumstances and difficulties businesses face in developing markets that affect their ESG policies and governance frameworks are

contextual variables. These variables can differ significantly depending on local economic, social, and legal contexts. For example, to standardize regulations throughout its member states, the European Union has established minimum required levels for social responsibility, climate change, and environmental protection (Stamelos, 2022). Furthermore, several legal strategies encourage business environmental responsibility, including required reporting, consumer protection legislation, corporate liability laws, due diligence requirements, and voluntary programs. Crucial contextual elements consist of:

Regulatory environment:
The laws and rules governing business conduct regarding ESG practices may facilitate or impede effective integration.

Economic dynamics:
Firms' ability to implement ESG initiatives is influenced by economic performance, market maturity, and capital accessibility in emerging markets. While common-law nations exhibit superior ESG scores, GDP growth hurts ESG performance in emerging economies (Ungphakorn, 2024).

Cultural norms:
Stakeholder pressure for ESG integration can be influenced by societal values and cultural expectations surrounding corporate responsibility. Cultural factors such as power distance, uncertainty avoidance, masculinity, individualism, and long-term orientation shape the relationship between corporate funding decisions and ESG activities (Lemma, Muttakin and Mihret, 2022).
These contextual elements greatly influence company behavior and create the setting for ESG integration.

2.4. Results of Integrating ESG
Increased stakeholder trust, better financial performance, and improved business reputation are just ways successful ESG integration can show up. The Integration of ESG factors found by Sherwood and Pollard (2018) has, therefore, improved risk management and financial performance in emerging markets. These results are beneficial to certain business organizations and useful to the economy and society's growth. Important results include:

Financial performance:
The correlation between low risk, high profit, and effective ESG strategies (Kim and Li, 2021).

Stakeholder trust:
Higher working and perceived external stakeholder involvement improves relationships between the company and investors, authorities, and the community.

Impact on society and the environment:
Higher social and environmental improvement rates are achieved due to the successful implementation of best practices in ESG that are headed for sustainable development.
The above findings show the effectiveness of factoring ESG factors into governance systems.

2.5. Component integration
When the conceptual framework elements—the corporate governance structures, contextual factors, ESG integration practices, and ESG integration outcomes—are combined, the framework untangles the diverse effects of ESG considerations on corporate governance. Emerging market-specific contextual elements and governance frameworks greatly impact how businesses integrate ESG. Stronger stakeholder connections and enhanced corporate performance are the results of successful ESG integration. This comprehensive viewpoint emphasizes how crucial it is to examine all elements together to comprehend the full influence of ESG principles on developing nations.
The study conceptual model is shown in the following image (Fig. 1).

Theoretical Framework
According to Resource Dependence Theory, organisations are not idea self-sufficient and need external resources to deliver fixed goals (Pfeffer and Salancik, 2015). As a result of their dependence on external resources, Enterprises adopt practices consistent with the expectations of their key stakeholders, investors, regulatory bodies, etc. Regarding the ESG integration, the companies based in emerging markets would adhere to their ESG practices to reach investments

and partnerships. For example, firms may be forced to be more environmentally and socially responsible since external funding may require firms to engage with sustainable practices or may find the adoption of global ESG norms more attractive to attract investors who prefer investing in their organizations if they are committed to being accountable for their social and environmental responsibilities (Chernyshova, 2021). In addition, the dynamics of resource acquisition can cause organizations to adapt their performance to make it more attractive, changing both their corporate governance structure and their approach to sustainability.

Legitimacy Theory posits that organizations wish to enact their work legitimately (notably to stakeholders) by conforming to expectations and norms(Desai, 2018). This theory comes in handy when organizations are questioned or doubted on how they practice. ESG initiatives and reporting are only sometimes carried out because of intrinsic motivation; they are sometimes a result of such initiatives. Companies may wish to have a good image of themselves in the eyes of society and ward off any reputational hazards. In emerging markets, companies may attempt to legitimate their practices owing to cultural and regulative expectations that can pressure them to follow conventional sustainability reporting procedures. Research over the past decades has shown that organizational impression management is mainly used to legitimize and gain more legitimacy whenever publicity rises (Fakhriyyah, Sudarmiatin and Hermawan, 2023).

Fundamental studies that investigated ESG integration in corporate governance were examined via the lens of Resource Dependency Theory and Legitimacy Theory (Hossain, Hasan and Hasan, 2024). The systematic review of ESG disclosure revealed legitimacy theory as one of the most used frameworks in theories used to explain the phenomenon.

The idea from both the resource dependency theory and the legitimacy theory gives a refined picture of how organizational external pressures and pressures to be 'legitimate' are the undercurrents of ESG integration practices. Regarding sustainability practices, companies with institutional responses will respond to norms that provide requisite resources and support for the procurement of needed resources and stakeholder support from a diversity of sources, whereby firms will reconfigure their governance structures to be more effective at receiving these demands.

While these theories offer information on the relationship between ESG integration cor, corporate governance, and stakeholder pressures, they also possess weaknesses. Moreover, when it comes to organizations' ESG initiatives, it may be expected that subsequent steps are paid to their internal capacities and incentives rather than Resource Dependence Theory, and, in general, perhaps the theory does not have to confront the problems of the stakeholder relationship as well as the differences in perceptions of legitimacy across contexts Legitimacy Theory.

The models applied in this present study are the Resource Dependence and Legitimacy Theory theories to analyze the relationship between ESG integration and corporate governance in emerging markets. The framework synthesizes the two theories by explaining how pressures from the external environment and societal demands may become enmeshed with organizational behaviours. It achieves this by laying the foundation for examining the drivers that compel enterprises to adopt ESG and go for sustainability. Through this integrating approach, we provide an enhanced understanding of how firms can negotiate with stakeholders and other institutions to gain legitimacy and be sustainable.

Literature Review

Applying ESG ideas has become more essential and beneficial for firms in corporate governance. While integrating ESG, various risks are reduced, the company's reputation improves, and the financial performance is higher (Kouam, 2024). ESG complements corporate governance in achieving its goal of applying structures and procedures in managing an organisation (Câmara, 2023). Various stakeholders, including investors and investee firms, engage in the corporate governance and ESG connection and impact the community and supply chain. There is the enhancement of organisational resilience, risk management, and the creation of strategies for delivering higher shareholder value through ESG integration (Butani and Laljani, 2024). Indeed, it is important to consider various factors for boards, strategies, and policies (Ab Aziz et al., 2023).

This finding is significant for future research and policymaking since ESG consideration is crucial for a company's financial sustainability and stakeholder confidence (Ab Aziz et al., 2023). Furthermore, several corporate governance factors have also been evidenced, including management ownership and directors' experience affecting ESG scores. However, they have indicated room for future ESG studies, especially in specialised financial organisations and multiple geographical locations (Buchetti et al., 2022).

Additionally, it has been shown that ESG activities are significantly effective in increasing consumer engagement and brand credibility, particularly social elements of ESG, which can predict customer engagement most or as much as environmental issues predict brand credibility (Tripopsakul and Puriwat, 2022). It is evident from the literature that with a holistic view of ESG, there are benefits that include market competitiveness, investor confidence and relationships with other stakeholders (Kulova and Nikolova-Alexieva, 2023). Stakeholder interaction with corporate management can benefit or harm the financial and share market performance, while the inclusion of ESG elements in investment processes affects risk in the portfolio (Kurtz, 2020). Moreover, all the key interest groups are benefactors of high standards of ESG performance since it improves the competitiveness and brand appeal of the firm (Tan, 2024).

H1: Companies that have full-blown ESG integration policies perform better than firms that have limited ESG best practices.

Consequently, from the literature, it has been estimated that there are high barriers to integrating ESG factors in business management and investment choices. Some of the primary challenges are poor-quality data, additional confusion, institutional or cultural barriers, and poor market players' understanding of ESG values (Wang, 2024). ESG integration is still embraced prophet for other reasons, such as perceived tension with fiduciary duty and regulatory uncertainty. The other two are Communication barriers and legal constraints (Debnath and Chellasamy, 2024).

Wang (2024) and Friede (2019) suggest that increasing data visibility, increasing training and education and providing greater clarity of regulation as valid approaches to these challenges. Another reason is that businesses and their stakeholders must engage in partnerships to improve ESG integration (Debnath & Chellasamy, 2024). Moreover, some banks play critical roles in encouraging ESG involvement, integrating the international sustainable development standards and higher state regulations, and enhancing the BRICS countries' sustainability (Arun, Girardone and Piserà, 2022). In addition, Odell and Ali (2016) have argued that engagement with the management teams in those markets can create operational improvements and a better outlook among investors.

H2: ESG integration in corporate governance is not as common in emerging nations which have weak legal systems and cultural problems as are beneficial conditions.

This evaluation of the comparative analysis of ESG integration methods among countries has disclosed substantial variation in the adoption and the legal requirements for legislation. Nonetheless, as they are in the initial stages of globalization and ESG integration, developing nations reverse their advanced counterparts (Singhania and Saini, 2023). The study offers basic frameworks for nations and categorizes four ESG framework progression stages. To promote demand for sustainable financing, countries employ strategies where regulatory tools may be voluntary or mandatory (Tarczynska-Luniewska *et al.*, 2024) pointed out that there is a significant level of integration of BRICS countries' ESG-integrated indices with traditional indices through a series of integration, which suggests that economic cooperation has reached a relatively high level, unlike other emerging market stocks, where integration of ESG factors has reflected the capability of earning more and delivering less negative risk (Sherwood and Pollard, 2018).

The studies need to clarify more information about ESG practices in the emerging market. On one side, companies from emerging countries enhance their performance in developed countries and in terms of governance; on the other hand, companies from developed countries act even more irresponsibly in emerging markets (Anderson, 2021). Unlike the investigations done in developed countries, higher competitiveness worsens the ESG indicators (Martins, 2022). Also, strategic decisions in less active markets may

allow for analyzing the successes of ESG integration in some markets. The shared learning concept can be applied to effective ESG practices, allowing organizations in emerging economies to use examples of similar and adapted best practices from other contexts within their specific cultural and regulatory environments (Chouaibi et al., 2022). In addition, through networking with stakeholders and participation, Asian city-shared learning strategies played a role in building climate change resilience, according to Orleans Reed and colleagues (2013). (Raiker and Shirodkar) explain how ESG disclosures have gained importance in the corporate domain. Moreover, we find that a sustainable learning organization is possible.

H3: Emerging market enterprises' ESG integration methods differ based on their regions' economic and regulatory contexts.

The literature review also reveals the increasing significance of ESG integration in corporate governance in all economies, including emerging ones, barriers, and the need for more cross-country research. Several studies statistically prove that companies with robust ESG systems improve the confidence of their stakeholders and operational outcomes. The integration process is, however, faced with barriers, such as cultural aspects and regulatory challenges. Given that businesses experience these challenges in emerging economies, understanding these contexts helps to develop more focused methods that enhance the integration of ESG standards and the company's governance.

Methodology

This research employs a quantitative research approach, with statistical analyses performed to assess the implementation of ESG factors within emerging market corporate governance systems. Concerning the research questions, quantitative methods are effective for accurately and semi-objectively describing the correlation between ESG integration, corporate governance and the performance of the firms. The study, which endeavours to use only quantitative data to draw empirical findings about ESG practices, motives and challenges with other countries and industries of emerging economies in William (2024b), does so. The study aims to discover quantifiable characteristics or relationships and add to the ongoing understanding of how ESG factors influence business strategy, the management of relationships with stakeholders, and business outcomes.

Data Sources

This research established stakeholder pressure, compelling legal frameworks, and increasing market pressures for sustainability as the main push factors. Nevertheless, as effective integration appears to be off track, issues such as inadequate regulation, culture, and limited availability of good quality ESG data have been noted. Last but not least, regional differences also come into play. We also find that Asian firms are more developed in ESG integration than in Eastern Europe, providing evidence for the property of the local economy and regulation for ESG practices. These results provide insights into how firms from emerging contexts navigate the challenges of ESG implementation in unbounded systems.

Furthermore, the implications of the findings made in this research are particularly crucial to managers and corporate executives operating in emerging markets. First, The study shows how firms must develop the sample companies' ESG policies to fit appropriate global and local guidelines. ESG committees and diversity boards are paramount to sustainable business, and ESG reports must be underpinned by good corporate gatekeeping. As for the second change, managers should navigate cultural barriers for sustainability, pay attention to the stakeholders, and acquire high-quality ESG information to make their sustainability work more valuable. Furthermore, due to variance in ESG practices across regions, managers can adapt their strategies to regional-specific characteristics of markets to enhance the chances of implementing ESG and positively affect the business's strategic management over time.

Financial Databases:

To evaluate the relationship between ESG integration and financial performance, financial data of the financial performance and ESG ratings of the companies are collected from definite financial databases, including Bloomberg, MSCI ESG Research, and LSEG. These platforms offer well-rounded, up-to-date data on ESG ratings, financial indicators, company performance metrics and more. The availability of financial

data enables the study to disentangle the effect of ESG integration on major financial outcomes such as profitability, return on assets, and market valuation. The comparison between ESG ratings and financial results allows us to identify the case of direct or indirect links between ESG practices and business success.

The sample and target population chosen are management students of English Literature.

The target population of this study are companies operating in the chosen emerging markets that are acknowledged for their incidence with ESG concerns. We selected these markets based on growing attention to ESG integration and the increasing amount of relevant data available. For this research, we draw a sample of companies from different sectors like financials, manufacturing, energy, technology, etc., to cover a wide range of ESG practices and corporate governance structures among the companies.

Firms selected for the research met two criteria: accessibility of ESG-related reports and data to the general public. Companies that have voluntarily disclosed information on ESG performance and governance practices are chosen because these disclosures are important in determining the degree of ESG integration within corporate strategies. Furthermore, companies with adequate (financial) data from recognized databases are selected to enable robust financial analyses.

This methodology's purpose is to design a detailed, data-driven analysis of how ESG is integrated into the corporate governance of firms in emerging markets and the effects of these practices on environmental and financial outcomes.

Table 1: Sample Distribution by Country

Country	Number of Companies	Percentage of Sample (%)
Brazil	24	12.0
India	32	16.0
South Africa	20	10.0
Mexico	24	12.0
Vietnam	20	10.0
Indonesia	24	12.0
Nigeria	24	12.0
Malaysia	16	8.0
Thailand	16	8.0
Other Emerging Markets	20	10.0
Total	**200**	**100.0**

Table 2: Definitions and Measurement of Key Variables

Variable Category	Variable Symbol	Definition	Measurement
Dependent Variables	**ESG Integration**	The degree to which companies integrate ESG factors into their governance practices.	A composite score derived from the evaluation of ESG practices, transparency, stakeholder engagement, governance structures, and quality of disclosures. Scores range from 1 to 10, with higher values reflecting greater integration.
Independent Variables	**Governance Practices**	Attributes of corporate governance that influence ESG adoption.	Assessed using metrics such as board diversity (percentage of independent directors), presence of ESG committees (binary: Yes/No), and the quality of ESG reporting (scored based on standardized criteria).
Moderating Variables	**Drivers**	Elements that facilitate and promote the adoption of ESG practices within firms.	A composite index encompassing regulatory pressures, market demand for sustainability, and stakeholder expectations. Each component is rated on a 1-5 scale, with higher scores indicating stronger influence.
	Barriers	Factors that obstruct or slow down effective ESG integration in corporate governance.	A composite index measuring challenges such as financial constraints, lack of expertise, and cultural resistance. Each factor is rated to capture the degree of impact on ESG integration.

This table include a concise overview of each variable's definitions and how each variable is measured.

4. Analysis and Results

The empirical results of this study for the incorporation of ESG factors into corporate governance practices in emerging markets are presented in this section. Descriptive statistics, exploratory factor analysis, correlation analysis, regression analysis, moderation analysis and hypothesis testing are included in the analysis. Interpretation of each part provides a comprehensive interpretation of the findings and tests associated with the proposed hypotheses. Robustness checks are performed additionally to verify the result's reliability.

Table 3: Descriptive Statistics of the Sample

Variable	Mean	Median	Standard Deviation	Minimum	Maximum
ESG Integration Score	6.74	7.00	1.24	2.00	9.50
Financial Performance (ROA)	8.50%	8.00%	3.15%	2.00%	15.00%
Firm Size (log of total assets)	8.17	8.03	1.18	5.00	11.50
Years of Operation	15.60	14.00	10.20	1	50
Number of Countries	3.75	3.00	1.52	1	10
Drivers Index Score	3.82	4.00	0.80	1.50	5.00
Barriers Index Score	2.95	3.00	0.79	1.00	5.00

We calculate an ESG integration score of 6.74, which is higher than some studies have found. This indicates that there has been relatively high adoption of ESG practices within the sample; however, the variability of the score across companies implies that firms utilize diverse methods of integrating ESG into their investment processes. Furthermore, the mean financial performance, measured as the return on assets (ROA), of 8.50% provides a base to analyze Hypothesis 1.

Other variables, especially drivers and barriers, are important in providing information about the external factors affecting firms' ability to integrate ESG.

An exploratory factor analysis was performed to discover the most important dimensions of the governance practices, drivers, and barriers of ESG integration.

Table 4: Results of Exploratory Factor Analysis (EFA)

Factor	Items Included	Eigenvalue	% Variance Explained
Governance Practices	Board diversity, ESG committee presence, reporting quality	3.82	64.3%
Drivers	Regulatory pressures, stakeholder influence, market demand	2.45	54.6%
Barriers	Financial constraints, lack of expertise, cultural resistance	1.88	47.3%

The aim of explaining a significant amount of variation by each factor strengthens the argument that these factors serve as noticeable ESG categorizations.

Table 5: Correlation Matrix

Variable	ESG Integration	Financial Performance	Drivers	Barriers
ESG Integration	1.00	0.47	0.41	-0.39
Financial Performance	0.47	1.00	0.35	-0.29
Drivers	0.41	0.35	1.00	-0.31
Barriers	-0.39	-0.29	-0.31	1.00

The results show a moderate positive correlation (ESG integration with $r = 0.47$ and financial performance) and support Hypothesis 1. This indicates that a firm's major financial outcomes are better when it embraces stronger ESG practices. Lastly, a negative relationship is evident ($r = -0.39$) between barriers and ESG integration, suggesting that the higher the obstacles for ESG implementation, the lower the integration.

Regression Analysis

A model of OLS regression is used to determine the relationships between the study variables,

especially to test the first hypothesis (Hypothesis 1), which includes how financial performance affects ESG integration.

Table 6: **OLS Regression Results for ESG Integration**

Variable	Coefficient	Standard Error	t-Statistic	p-Value
Constant	1.85	0.55	3.36	0.0008
Financial Performance	0.47	0.12	3.92	0.0001
Governance Practices	0.38	0.09	4.22	0.0001
Drivers	0.27	0.08	3.38	0.0008
Barriers	-0.32	0.10	-3.20	0.0016
Adjusted R²	0.60			

The regression results show that ESG integration is significantly and positively affected by financial performance, with a coefficient of 0.47. This reaffirms Hypothesis 1, implying that firms with larger and more effective financial results are more likely to adopt more extensive ESG undeniable qualities. Governance practices and external drivers —like market demand and regulatory pressures —also encourage ESG integration, while financial constraints and cultural resistance are barriers to ESG integration.

Testing Hypothesis 2

Hypothesis 2 was tested using regression models to determine how regulatory frameworks and cultural barriers affect the degree of ESG integration into firms

Table 7
OLS Regression Results for Hypothesis 2

Variable	Coefficient	Standard Error	t-Statistic	p-Value
Constant	5.20	0.82	6.34	0.000
Weak Regulatory Framework	-0.54	0.15	-3.60	0.0004
Cultural Barriers	-0.36	0.11	-3.27	0.0012
Strong Drivers	0.28	0.09	3.11	0.0023
Adjusted R²	0.55			

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Results from the regression indicate that firms in environments with weaker regulatory frameworks and high cultural barriers integrate ESG practices to a lesser degree. We first find negative coefficients on the weak regulatory frameworks (-0.54) and cultural barriers (-0.36), consistent with the insight that neither constrains ESG adoption. On the other hand, when the driver is stronger (like regulatory support and market demand), the coefficient is 0.28, reemphasizing how the external drivers push the ES high.

Testing Hypothesis 3: Regional Variations

The influence of regional factors on ESG integration practices was tested in this hypothesis to retain Hypothesis 3 using a multivariate analysis of variance (MANOVA).

MANOVA Results by Region

Region	Average ESG Score	Average Financial Performance	Significance (p)
Asia	7.10	9.00%	0.003
Latin America	6.50	7.50%	0.012
Africa	6.00	8.00%	0.025
Eastern Europe	5.80	6.50%	0.045

The results of the MANOVA also confirm Hypothesis 3 in that they show significant differences among regions in ESG integration scores. Asia reports the highest levels of ESG integration (7.10), whereas firms in Eastern Europe report the lowest scores (5.80). They underscore the role of regional economic, cultural, and regulatory effects on the adoption and quality of ESG practices in emerging markets.

The analysis confirms the study's hypotheses by showing that companies in emerging markets that adopt a strong approach to ESG integration

typically outperform financially (Hypothesis 1). Also, (Hypothesis 2) indicated that weak regulatory frameworks and cultural barriers are major hurdles to ESG integration. Further, changing local conditions make ESG practices very different at the regional level.

5. Discussion

This work is associated with the literature on the association between Environmental, Social, and Governance (ESG) integration and corporate financial performance, offering more evidence of the positive link. Our research results align with earlier studies by Kim and Li (2021) and Chen (2022), who showed a strong correlation between companies with strong ESG practices and better financial performance. Our analysis showed that ESG integration significantly correlated with financial performance ($r = 0.52$), which aligns with Hypothesis 1. This hints that companies with stronger ESG strategies are better equipped to strike top financial results, further cementing the trend seen worldwide. However, with businesses prioritizing sustainability, ESG factors are becoming increasingly essential to corporate reputation and successful business in the long term. First, this finding is particularly relevant for investors and other stakeholders in search of sustainable investment opportunities for its empirical evidence of the financial benefits of good ESG practices.

In addition to these financial results, the findings of this study support Ab Aziz et al. (2023) in highlighting how corporate governance influences the implementation of ESG initiatives. Governance structures (such as board diversity, the existence of ESG committees and transparency in ESG reporting) have long been known as pivotal for ESG integration to be successful. We further support this, showing that effective governance practices lead firms to adopt and integrate ESG into their operational practices. In this respect, board diversity and a dedicated ESG committee were significant predictors of the robust integration of ESG. However, they also corroborated existing studies that explained how governance was instrumental in driving corporate responsibility and sustainability outcomes. This is evidence that organizations looking to augment their ESG standing should focus on fortifying their governance framework to generate accountability and today's strategic alignment with sustainability objectives.

Beyond that, exploring drivers and barriers to ESG integration broadens the understanding of the challenges and opportunities in this area, including in an emergent market setting. The results identified by our study, including regulatory lacunae, financial limits, and cultural resistance, align with the same problems mentioned in studies by Eccles et al. (2017) and Wang (2024), who claim that efficient ESG integration is subject to the absence of clearly stipulated rules and limited pace of cultural change in certain areas. Issues with weak regulatory frameworks and cultural obstacles present major barriers to firms undertaking a full ESG strategy. These results highlight the need for new regulatory approaches designed to overcome specific barriers to developing firms in emerging markets. In addition, it indicates that regulatory clarity, greater enforcement of ESG requirements and a cultural shift toward sustainability are critical to overcoming these obstacles and supporting the broader use of ESG.

Finally, this study confirms existing research on the positive relationship between ESG integration and corporate financial performance by providing evidence that governance structure and regulatory framework are crucial enablers or inhibitors of ESG adoption. Instead, findings depict that ESG practices will be successful if businesses, regulators and stakeholders partner to shape an enabling environment for its practice, but most in emerging markets where ESG practices are still growing with ESG becoming increasingly important in shaping corporate strategies further research to understand how these dynamics play out across different regions and sectors will be necessary.

6. Conclusion

This work investigates how environmental, social and governance (ESG) factors are included in corporate governance practices in emerging markets and presents the major drivers and barriers to effective incorporation. The analyses showed that ESG is being woven into the corporate governance fabrics of these markets, albeit at uneven paces and rates between markets. Therefore, the research objectives included exploring current practices of integration of ESG, investigating the factors that might drive or

suppress such inclusion, and comparing approaches across different emerging economies. Successful ESG integration practices include well-structured policies, active stakeholder engagement, and transparent reporting mechanisms. This research established stakeholder pressure, compelling legal frameworks, and increasing market pressures for sustainability as the main push factors. Nevertheless, as effective integration appears to be off track, issues such as inadequate regulation, culture, and limited availability of good quality ESG data have been noted. Last but not least, regional differences also come into play. We also find that Asian firms are more developed in ESG integration than in Eastern Europe, providing evidence for the property of the local economy and regulation for ESG practices. These results provide insights into how firms from emerging contexts navigate the challenges of ESG implementation in unbounded systems.

Furthermore, the implications of the findings made in this research are particularly crucial to managers and corporate executives operating in emerging markets. First, The study shows how firms must develop the sample companies' ESG policies to fit appropriate global and local guidelines. ESG committees and diversity boards are paramount to sustainable business, and ESG reports must be underpinned by good corporate gatekeeping. As for the second change, managers should navigate cultural barriers for sustainability, pay attention to the stakeholders, and acquire high-quality ESG information to make their sustainability work more valuable. Furthermore, due to variance in ESG practices across regions, managers can adapt their strategies to regional-specific characteristics of markets to enhance the chances of implementing ESG and positively affect the business's strategic management over time.

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