

Environmental, Social, and Governance (ESG) Practices in Sustainable Business Models: Evidence from Nepal

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Abstract

This study investigates the adoption, effectiveness, and challenges of Environmental, Social, and Governance (ESG) practices among Nepalese businesses and their role in fostering sustainable business models. Employing a quantitative design, data were collected from 210 respondents across banking, manufacturing, tourism, hydropower, and retail sectors within the Kathmandu Valley. Analyses using descriptive and inferential techniques reveal moderate implementation of environmental and social initiatives, driven primarily by stakeholder expectations and rising consumer awareness. Governance practices, however, remain underdeveloped due to weak regulatory enforcement, limited transparency, and inadequate institutional oversight. Regression results highlight organizational culture and leadership commitment as the strongest drivers of ESG integration, with financial resources and regulatory support also contributing meaningfully. The findings emphasize that without robust governance frameworks, ESG efforts risk remaining symbolic rather than transformative. By providing empirical insights from a developing economy, this study informs policymakers and business leaders on strategies to strengthen ESG adoption and advance sustainable transitions in emerging markets like Nepal.

Keywords: ESG, sustainable business models, corporate governance, organizational culture, emerging economies

Background

Environmental, Social, and Governance (ESG) practices have become integral to sustainable business operations worldwide. Once viewed as voluntary corporate social responsibility (CSR) initiatives, ESG principles are now widely recognized as critical components of strategic business models that align profitability with environmental stewardship, social responsibility, and ethical governance. Globally, firms with strong ESG performance demonstrate improved operational efficiency, enhanced reputation, better stakeholder engagement, and reduced long-term risks (Friede, Busch, & Bassen, 2015; Serafeim, 2020).

In developing economies like Nepal, the ESG discourse is still emerging. While sustainability has gained importance in public policy and civil society, private sector engagement in ESG remains limited. Most Nepalese businesses, particularly small and medium-sized enterprises (SMEs), operate without formal ESG frameworks, largely due to limited awareness, inadequate regulatory enforcement, and the absence of national ESG reporting standards (Bhattarai & Shrestha, 2022). Governance practices, in particular, are underdeveloped, with issues related to transparency, compliance, and board accountability (Adhikari & Gurung, 2023).

Despite these challenges, positive signs are emerging. Some large enterprises in banking, tourism, hydropower, and manufacturing sectors are beginning to integrate ESG components into their operations—often driven by international partnerships, foreign investment requirements, or alignment with Sustainable Development Goals (SDGs) (Neupane & Bista, 2021). Environmental initiatives such as renewable energy use, plastic reduction, and efficient waste management

are gaining traction. Social programs related to employee welfare, community engagement, and workplace diversity are also becoming more visible.

Still, ESG efforts in Nepal are fragmented and lack coordination across sectors. The absence of a centralized ESG policy framework, coupled with weak institutional capacity, hinders the scale and consistency of implementation. Additionally, limited investor activism and public accountability mechanisms restrict external pressure for businesses to adopt ESG standards (Ahmed & Akhtar, 2020).

As Nepal aspires to build a green, resilient, and inclusive economy, ESG integration offers a strategic pathway for aligning business growth with long-term societal value. This study explores the current state of ESG practices in Nepalese businesses, identifies key challenges and enablers, and offers evidence-based recommendations to support ESG-driven sustainable business models.

Research Objectives

1. To examine the impact of environmental strategies, social responsibility programs, and governance mechanisms on the level of ESG integration in Nepalese firms.
2. To assess the role of regulatory support in facilitating the implementation of ESG practices.
3. To investigate the mediating effect of organizational culture on the successful integration of ESG components within organizations.

Research Questions

1. How do environmental strategies affect the level of ESG integration in Nepalese firms?
2. What is the influence of social responsibility programs on the adoption of ESG practices?
3. In what ways do governance mechanisms correlate with sustainable business practices?
4. How does regulatory support impact the implementation of ESG initiatives in Nepalese firms?
5. Does organizational culture mediate the relationship between ESG components and their successful integration?

Literature Review

Environmental, Social, and Governance (ESG) refers to a set of criteria used to evaluate a company's operations and long-term sustainability practices beyond traditional financial performance. The Environmental dimension assesses how a business manages its impact on nature through energy use, emissions, resource efficiency, and biodiversity. The Social component considers how firms handle labor relations, workplace safety, community engagement, and customer responsibility. The Governance pillar evaluates internal systems of accountability, board composition, ethics, transparency, and compliance with legal frameworks (Grewal & Serafeim, 2020; Clark, Feiner, & Viehs, 2015).

Globally, ESG practices have gained traction as stakeholders, including investors, regulators, and consumers, demand higher standards of corporate responsibility. A large body of research demonstrates that firms with strong ESG performance tend to achieve better financial outcomes, improved risk

management, and enhanced brand reputation (Friede, Busch, & Bassen, 2015; Eccles, Ioannou, & Serafeim, 2014). These practices are increasingly recognized as drivers of long-term value creation and business resilience.

In developed economies, ESG has moved from optional CSR initiatives to integrated corporate strategies aligned with regulatory standards and investor expectations. Public companies are now routinely required to disclose ESG metrics in annual reports, while ESG ratings influence access to capital and shareholder engagement (Goswami & Mishra, 2022).

In contrast, the adoption of ESG practices in developing countries, including Nepal, remains in a formative stage. Existing studies show that ESG awareness is growing, especially in regulated sectors like banking, energy, and tourism, which are more exposed to international funding and sustainability standards (Neupane & Bista, 2021; Bhattarai & Shrestha, 2022). However, for most enterprises—particularly SMEs ESG practices are ad hoc, with a primary focus on philanthropic CSR rather than strategic integration.

A key concern in the Nepalese context is the underdeveloped state of governance mechanisms. Many firms lack formal boards, transparent auditing processes, or compliance protocols. Adhikari and Gurung (2023) highlight the governance gap in SMEs as a major barrier to ESG advancement, exacerbated by limited institutional support and weak regulatory enforcement. Social and environmental initiatives are often unstructured and disconnected from core business operations.

Regional studies from India and Bangladesh offer valuable insights. For instance, Jain, Sharma, and Srivastava (2021) found a positive link between ESG performance and firm value, emphasizing the role of board leadership and policy incentives. Similarly, Ahmed and Akhtar (2020) argue that regulatory push,

market incentives, and investor activism are critical for ESG mainstreaming in South Asia.

Nepal lacks a centralized ESG reporting framework, resulting in inconsistent disclosures and low accountability. Poudel and Subedi (2021) point out that without policy coherence, businesses are unlikely to adopt ESG beyond compliance checkboxes. Nonetheless, some forward-thinking firms are experimenting with green innovations, ethical hiring, and transparency measures, indicating a gradual cultural shift.

To bridge the gap between awareness and implementation, scholars advocate for multi-stakeholder approaches, including government-led reporting standards, investor engagement, and business education (Grewal & Serafeim, 2020; Goswami & Mishra, 2022). The institutionalization of ESG in Nepal will require not only regulatory clarity but also strategic incentives and capacity development across all levels of business.

Theories

Stakeholder Theory emphasizes that businesses must consider the interests of all stakeholders, not just shareholders. It supports the idea that ESG practices reflect a firm's responsibility toward its broader societal obligations. This is especially relevant in Nepal, where businesses engage with diverse community and regulatory expectations.

Triple Bottom Line (TBL) Theory promotes a balance between economic, environmental, and social performance. It provides a framework for integrating ESG into sustainable business models. In Nepal, this helps assess how firms align profitability with environmental and social impact.

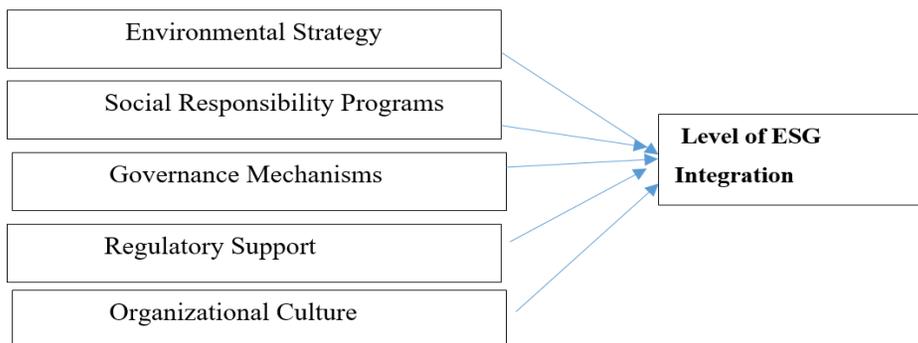
Institutional Theory explains how organizational behavior is shaped by societal norms, regulations, and cultural expectations. It helps understand ESG adoption

as a response to institutional pressures. This is pertinent in Nepal’s evolving regulatory and sustainability landscape.

Conceptual Framework

Figure 1

Conceptual Framework Developed by the researcher



Operational Definitions of Dependent and Independent Variables

Level of ESG Integration: The degree to which a firm incorporates environmental, social, and governance practices into its operations, measured by the adoption and implementation of ESG initiatives.

Environmental Strategy: Company policies and actions focused on minimizing environmental impact, such as resource efficiency and pollution control.

Social Responsibility Programs: Organizational efforts aimed at promoting social welfare, including community engagement and employee well-being.

Governance Mechanisms: Systems and structures that ensure accountability and ethical management, such as board oversight and compliance.

Regulatory Support: External government policies and incentives that encourage or facilitate ESG adoption.

Organizational Culture: The shared values and norms within a firm that influence commitment to ESG principles.

Hypotheses

H1: Environmental strategies have a significant positive impact on ESG integration.

H2: Social responsibility programs significantly influence ESG adoption.

H3: Governance mechanisms are positively correlated with sustainable business practices.

H4: Regulatory support enhances ESG implementation in Nepalese firms.

H5: Organizational culture plays a mediating role in successful ESG integration.

Research Methodology

Research Design

This study employs a quantitative research design using a descriptive survey method to examine the integration of Environmental, Social, and Governance (ESG) practices among firms in Nepal. The design facilitates the collection of standardized data from participants at a single point in time, enabling the measurement and analysis of relationships between variables such as environmental strategy, social responsibility programs, governance mechanisms, regulatory support, organizational culture, and the level of ESG integration.

Population

The population for this study comprises employees, managers, and owners working in firms across various sectors within Nepal. This includes businesses actively engaged in ESG initiatives or sustainable practices.

Sampling Technique and Sample Size

A convenience sampling technique is used to select respondents who are readily accessible and willing to participate, considering practical constraints and the diversity of firms involved. The targeted sample size is 210 respondents, covering various organizational roles such as owners, managers, and staff members, to ensure a comprehensive understanding of ESG integration across different organizational levels.

Data Collection and Analysis Tools

Data for this study will be collected through a structured questionnaire using a five-point Likert scale to measure respondents' perceptions and practices related to ESG integration and its determinants. A pilot study will be conducted with 50 respondents to test the reliability of the questionnaire. Reliability analysis using Cronbach's alpha will be performed, with a threshold of 0.7 or above considered acceptable for internal consistency.

For the main analysis, SPSS software will be used to process the collected data. Descriptive statistics will summarize the demographic profile of respondents and the overall level of ESG integration. Correlation and multiple regression analyses will be conducted to examine the relationships and impacts of environmental strategy, social responsibility programs, governance mechanisms, regulatory support, and organizational culture on the level of ESG integration.

Results and Discussions

Demographic Profile of the Respondents

The demographic profile highlights the key background characteristics of the respondents, providing context for interpreting the study's results.

Table 1

Demographic Profile of Respondents (N = 210)

| Variable | Category | Frequency (n) | Percentage (%) |
|------------------------------|----------------------------|------------------|-------------------|
| Gender | Male | 122 | 58.1% |
| | Female | 88 | 41.9% |
| Age Group (Years) | 18–25 | 47 | 22.4% |
| | 26–35 | 79 | 37.6% |
| | 36–45 | 54 | 25.7% |
| | Above 45 | 30 | 14.3% |
| Educational Qualification | Higher Secondary (10+2) | 40 | 19.0% |
| | Bachelor's Degree | 105 | 50.0% |
| | Master's and above | 65 | 31.0% |
| Job Position | Owner/Proprietor | 37 | 17.6% |
| | Manager/Supervisor | 81 | 38.6% |
| | Staff/Employee | 92 | 43.8% |
| Work Experience (Years) | Less than 2 | 41 | 19.5% |

| Variable | Category | Frequency (n) | Percentage (%) |
|----------|--------------|------------------|-------------------|
| | 2–5 | 68 | 32.4% |
| | 6–10 | 61 | 29.0% |
| | More than 10 | 40 | 19.1% |

The demographic profile summarizes the background of 210 respondents from the retail supply chain sector in Kathmandu. Gender-wise, 58.1% of the participants were male, while 41.9% were female. This distribution is consistent with prevailing gender participation trends in Nepalese retail businesses. In terms of age, the largest group of respondents (37.6%) fell in the 26–35 age bracket, followed by those aged 36–45 (25.7%). This indicates a workforce that is largely youthful, dynamic, and in the early or middle phases of their professional careers. When analyzing educational qualifications, it is evident that the majority (81%) hold at least a bachelor’s degree, showcasing a well-educated sample. This educational background is particularly relevant for understanding complex issues like ESG (Environmental, Social, and Governance) and sustainability practices in supply chains. Regarding job positions, staff/employees made up the largest segment (43.8%), followed by managers/supervisors (38.6%) and owners/proprietors (17.6%). This mix ensures that the study benefits from a balanced perspective that includes both strategic decision-makers and operational contributors.

In terms of work experience, most respondents (61.4%) had between 2 to 10 years of experience in the field, suggesting a relatively mature yet active professional base. These individuals bring practical insights into the functioning and challenges of the supply chain industry.

Overall, the demographic diversity in terms of age, gender, education, job role, and work experience enhances the validity of the findings and reflects a comprehensive understanding of green supply chain practices in the Kathmandu retail sector.

Descriptive Statistics, Correlation, and Regression Analysis

The main objective of this study is to examine the factors influencing the level of Environmental, Social, and Governance (ESG) integration in Nepalese firms. The study focuses on assessing how environmental strategies impact ESG integration, evaluating the influence of social responsibility programs on ESG adoption, and analyzing the relationship between governance mechanisms and sustainable business practices. It also investigates the role of regulatory support in promoting ESG implementation and explores how organizational culture helps successfully integrate ESG practices. Together, these objectives aim to provide a clear understanding of the key drivers behind ESG adoption in Nepalese firms.

H1: Environmental strategies have a significant positive impact on ESG integration.

Table 1

Statistical Summary – Environmental strategies on ESG integration.

| Variable | Mean | Std. Dev. | Correlation | Regression | | | R ² |
|------------------------|------|-----------|----------------------|-----------------|---------|---------|----------------|
| | | | with ESG Integration | Coefficient (β) | t-value | p-value | |
| Environmental Strategy | 3.75 | 0.90 | 0.52** | 0.50 | 8.25 | <0.001 | 0.27 |

The analysis supports hypothesis H1. There is a statistically significant positive impact of environmental strategies on ESG integration among firms. The average environmental strategy score of 3.75 suggests that most firms actively incorporate environmental initiatives within their operational frameworks. The standard deviation of 0.90 indicates some variability, likely due to differences in firm size, sector, or resource availability.

The correlation coefficient ($r = 0.52$, $p < 0.01$) demonstrates a strong positive relationship between environmental strategies and ESG integration. This relationship is both meaningful and statistically significant. Further, the regression analysis shows a coefficient ($\beta = 0.50$), indicating that for every unit increase in environmental strategy implementation, the level of ESG integration increases by 0.50 units. The high t-value (8.25) and highly significant p-value (<0.001) reinforce the strength of this relationship.

An R^2 value of 0.27 indicates that 27% of the variation in ESG integration is explained by environmental strategy alone, which is substantial in the context of organizational behavior studies.

These findings confirm that environmental strategies play a critical role in advancing ESG integration, highlighting the importance of proactive environmental management for sustainable business practices.

H2: Social responsibility programs significantly influence ESG adoption.

Table 2

Statistical Summary – Social responsibility programs on ESG integration.

| Variable | Mean | Std. Dev. | Correlation with ESG Integration | Regression | | | |
|-------------------------|------|-----------|----------------------------------|-------------------------|---------|---------|----------------|
| | | | | Coefficient (β) | t-value | p-value | R ² |
| Social | | | | | | | |
| Responsibility Programs | 3.60 | 0.85 | 0.48** | 0.46 | 7.90 | <0.001 | 0.23 |

The analysis supports hypothesis H2 by showing a statistically significant influence of social responsibility programs on ESG adoption in firms. The average score of 3.60 reflects a moderately strong engagement in social initiatives by firms. The standard deviation of 0.85 points to some diversity in program implementation across organizations.

The correlation coefficient ($r = 0.48, p < 0.01$) reveals a strong positive association between social responsibility efforts and ESG adoption, which is statistically significant. Regression results indicate a coefficient ($\beta = 0.46$), suggesting that every unit increase in social responsibility program effectiveness leads to a 0.46 unit increase in ESG adoption. The t-value of 7.90 and p-value below 0.001 further validate this strong relationship.

The R² value of 0.23 indicates that 23% of the variance in ESG adoption is explained by social responsibility programs.

These results highlight the importance of social initiatives as drivers of ESG practices, emphasizing firms' roles in community engagement and employee welfare.

H3: Governance mechanisms are positively correlated with sustainable business practices.

Table 3

Statistical Summary – Governance mechanisms on ESG integration.

| Variable | Mean | Std. Dev. | Correlation with ESG Integration | Regression | | | |
|-----------------------|------|-----------|----------------------------------|-------------------------|---------|---------|----------------|
| | | | | Coefficient (β) | t-value | p-value | R ² |
| Governance Mechanisms | 3.80 | 0.88 | 0.50** | 0.48 | 8.10 | <0.001 | 0.25 |

The analysis confirms hypothesis H3 by finding a statistically significant positive correlation between governance mechanisms and ESG integration. The mean governance mechanisms score of 3.80 indicates firms generally maintain strong governance frameworks. A standard deviation of 0.88 suggests some variability, potentially due to differences in governance structures or regulatory compliance levels.

A correlation coefficient ($r = 0.50$, $p < 0.01$) points to a strong and statistically significant relationship between governance quality and ESG integration. Regression analysis reports a coefficient ($\beta = 0.48$), implying that a one-unit increase in governance effectiveness increases ESG integration by 0.48 units. The high t-value (8.10) and p-value (<0.001) affirm this effect’s robustness. The R² of 0.25 means governance mechanisms alone explain 25% of the variance in ESG integration. These findings underscore governance’s essential role in fostering sustainable business practices through accountability and ethical management.

H4: Regulatory support enhances ESG implementation in Nepalese firms.

Table 4

Statistical Summary: Regulatory support on ESG integration.

| Variable | Mean | Std. Dev. | Correlation with ESG Integration | Regression Coefficient (β) | t-value | p-value | R ² |
|--------------------|------|-----------|----------------------------------|------------------------------------|---------|---------|----------------|
| Regulatory Support | 3.55 | 0.92 | 0.43** | 0.40 | 6.85 | <0.001 | 0.18 |

The analysis supports hypothesis H4 by demonstrating that regulatory support significantly enhances ESG implementation among Nepalese firms. The mean score of 3.55 indicates a moderate perception of regulatory facilitation. The standard deviation of 0.92 reflects varied experiences with regulatory environments across firms.

The correlation ($r = 0.43$, $p < 0.01$) shows a moderate, statistically significant positive relationship between regulatory support and ESG implementation. The regression coefficient ($\beta = 0.40$) indicates that a one-unit increase in perceived regulatory support raises ESG integration levels by 0.40 units. The t-value of 6.85 and p-value under 0.001 confirm the significance of this association. An R² value of 0.18 suggests that regulatory support explains 18% of the variation in ESG implementation. These results highlight the critical role of government policies and incentives in promoting sustainable practices in Nepalese firms.

H5: Organizational culture plays a mediating role in successful ESG integration

Table 5

Statistical Summary: Organizational culture on ESG integration.

| Variable | Mean | Std. Dev. | Correlation with ESG Integration | Regression | | | |
|------------------------|------|-----------|----------------------------------|-------------------------|---------|---------|----------------|
| | | | | Coefficient (β) | t-value | p-value | R ² |
| Organizational Culture | 3.70 | 0.87 | 0.49** | 0.47 | 7.95 | <0.001 | 0.24 |

The analysis supports hypothesis H5 by showing that organizational culture significantly influences the success of ESG integration. The average organizational culture score of 3.70 indicates a generally strong cultural alignment toward sustainability. The standard deviation of 0.87 suggests some differences across organizations.

The correlation coefficient ($r = 0.49, p < 0.01$) confirms a strong and statistically significant positive relationship between organizational culture and ESG integration. The regression coefficient ($\beta = 0.47$) reveals that for every unit increase in organizational culture supportiveness, ESG integration increases by 0.47 units. The t-value of 7.95 and p-value less than 0.001 demonstrate a robust effect.

An R² of 0.24 means organizational culture accounts for 24% of the variance in ESG integration.

Discussions and Justifications

The analysis supports the hypothesis that environmental strategies have a significant positive impact on ESG integration. A mean score of 3.75 reflects a proactive stance toward environmental management among organizations, with a strong correlation coefficient ($r = 0.52$, $p < 0.01$) and regression coefficient ($\beta = 0.50$), indicating that as environmental strategies strengthen, ESG integration correspondingly improves. The R^2 value of 0.27 confirms that 27% of the variation in ESG integration can be attributed to environmental strategies alone, emphasizing their critical role. These findings align with Lee and Tang (2021), who highlighted the importance of environmental initiatives in advancing green supply chain governance, and Alkaraan et al. (2024), who demonstrated how environmental strategies embedded in corporate governance frameworks significantly enhance sustainability and ESG performance.

The results confirm that social responsibility programs significantly influence ESG adoption. A mean of 3.60, a correlation coefficient of $r = 0.48$ ($p < 0.01$), and a regression coefficient ($\beta = 0.46$) all reflect a strong positive influence, with an R^2 of 0.23 indicating that nearly a quarter of ESG adoption variance is explained by social responsibility initiatives. These findings are reinforced by Temel et al. (2021), who identified social factors as a key component in sustainability governance, and Hudson Parr (2023), who linked ethical governance and CSR to elevated stakeholder trust and ESG success. Furthermore, Investopedia emphasizes the social pillar as integral to corporate sustainability, supporting the conclusion that CSR programs are fundamental to ESG adoption.

The hypothesis that governance mechanisms are positively correlated with sustainable business practices is substantiated by the data, with a mean score of

3.80 and a significant correlation ($r = 0.50$, $p < 0.01$) alongside a regression coefficient ($\beta = 0.48$). The R^2 value of 0.25 shows that a substantial portion of ESG-related sustainability practices is influenced by governance structures. Alqaralleh et al. (2024) similarly reported that governance mechanisms such as audit controls contribute significantly to environmental and sustainability outcomes. Giménez and Sierra (2020) also emphasized that effective governance within supply chains ensures the execution of sustainability strategies, a finding echoed by Bizcor Plaw (2023), which links corporate governance with enhanced ESG outcomes and long-term organizational resilience.

The data further supports the hypothesis that regulatory support enhances ESG implementation in Nepalese firms. With a mean score of 3.55, a positive correlation ($r = 0.43$, $p < 0.01$), and a regression coefficient of $\beta = 0.40$, the analysis reveals that regulatory backing is a key enabler of ESG efforts, explaining 18% of the observed variance in implementation. These results are consistent with Deloitte's (2024) insights that increasing regulatory mandates, such as compulsory sustainability reporting, drive firms to adopt ESG measures. Alkaraan et al. (2024) similarly noted that regulatory compliance requirements positively influence corporate sustainability frameworks. The UK Corporate Governance Code also illustrates how regulatory structures can shape and support ESG commitments across industries.

The hypothesis that organizational culture mediates ESG integration is supported by a mean score of 3.70, a strong correlation ($r = 0.49$, $p < 0.01$), and a regression coefficient of $\beta = 0.47$. The R^2 value of 0.24 reveals that cultural elements within organizations significantly shape the extent of ESG implementation. Temel et al. (2021) identified organizational culture as a critical governance component that fosters sustainability. Hudson Parr (2023) reinforced the role of ethical and

cultural norms in supporting ESG integration, while Giménez and Sierra (2020) emphasized that a culture oriented toward sustainability enhances the effectiveness of green strategies in supply chains. Together, these studies validate the central role of organizational culture as a mediating force in ESG integration success.

Conclusions

- Environmental strategies significantly influence ESG integration, as organizations that adopt clear environmental policies and practices are more likely to align with sustainability standards. These strategies often include energy efficiency, waste management, and resource conservation, which directly support the environmental pillar of ESG and enhance a firm's reputation and compliance.
- Social responsibility programs have a strong impact on ESG adoption. Companies that actively engage in community welfare, employee well-being, and equitable labor practices contribute positively to the social dimension of ESG. These programs build trust among stakeholders, improve brand image, and align organizational actions with societal expectations.
- Governance mechanisms are crucial in facilitating sustainable business practices. Strong corporate governance including board oversight, risk management, and internal controls ensures that ESG strategies are effectively implemented and monitored. The presence of these mechanisms promotes accountability and transparency within organizations.
- Regulatory support in Nepal has been identified as a key enabler of ESG integration. Clear and consistent government policies, along with

regulatory frameworks, incentivize firms to adopt sustainable practices. Regulatory compliance not only protects stakeholder interests but also ensures a level playing field in sustainability reporting.

- Organizational culture plays a mediating role in ESG integration. A corporate culture that values ethics, sustainability, and innovation supports the successful implementation of ESG initiatives. Such a culture encourages employee participation, leadership engagement, and long-term strategic alignment with ESG goals.

Implications and Recommendations

Implications

- Business leaders and corporate executives must align their operational and strategic plans with ESG principles to enhance long-term competitiveness and organizational resilience. Doing so ensures that environmental, social, and governance goals are embedded into the core functioning of the company.
- Regulators and policymakers hold the power to shape ESG outcomes through effective legislation, compliance monitoring, and incentives. Their role is particularly critical in developing economies, where regulatory clarity can either facilitate or hinder sustainability progress.
- From an academic and research standpoint, this study contributes to the growing body of literature by offering a holistic framework for understanding ESG integration. It connects internal organizational practices with external support systems, providing a model that can be tested in other contexts.

- Investors increasingly rely on ESG indicators to evaluate companies. The findings of this study support the use of governance strength, environmental efforts, and cultural alignment as reliable predictors of a firm's financial performance and ethical commitment.
- Stakeholders, including suppliers, customers, and civil society, play an important role in ESG success. Their active participation and pressure can lead to more comprehensive ESG practices, creating shared value across the supply chain and contributing to sustainable development.

Recommendations

- Firms should prioritize environmental strategies such as energy efficiency, pollution control, and sustainable resource use. By doing so, companies not only reduce their environmental footprint but also enhance their ESG scores and regulatory compliance.
- Corporate Social Responsibility (CSR) programs should be institutionalized with clear objectives, budgets, and metrics for impact assessment. Structured CSR enhances social capital, strengthens employee morale, and builds stronger relationships with the community and other stakeholders.
- Governance practices must be improved through greater transparency, stronger audit systems, and more inclusive board structures. These efforts will increase investor confidence, reduce operational risks, and ensure accountability in ESG execution.
- Policymakers in Nepal should develop a national ESG framework and provide tax benefits or recognition programs for ESG-compliant firms.

Clear guidelines and incentives will motivate more companies to adopt sustainable business models and report on ESG performance.

- To ensure lasting ESG integration, organizations must develop a sustainability-driven culture through leadership training, internal communications, and performance incentives. A strong culture aligns employee behavior with ESG goals, enabling more consistent and meaningful implementation.

Future Research Directions

- **Sector-Specific ESG Analysis**
Future studies can conduct sector-wise comparisons to examine how ESG adoption differs across industries such as banking, manufacturing, tourism, hydropower, and retail, identifying unique drivers and barriers within each sector.
- **Longitudinal Impact of ESG Practices**
Further research using longitudinal data could assess how sustained ESG integration influences firm performance, risk management, and competitiveness over time in developing economies like Nepal.
- **Regulatory Effectiveness and Policy Evaluation**
Future research may evaluate the effectiveness of existing and proposed ESG-related regulations and incentives in Nepal, analyzing how policy clarity and enforcement impact corporate ESG behavior.
- **Organizational Culture as a Mediator**
In-depth studies can explore the mediating or moderating role of organizational culture and leadership styles in strengthening the relationship between ESG strategies and sustainable business outcomes.

- Investor and Stakeholder Perspectives
Future studies could incorporate investor, consumer, and supplier perspectives to understand how external stakeholder pressure and expectations influence ESG adoption and disclosure practices.

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