

ESG Implementation in Business: Managing the Sustainability Goals in Micro, Small, and Medium Enterprises (MSMEs)

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Abstract

Sustainability is no longer a choice but a necessity for businesses, including Micro, Small, and Medium Enterprises (MSMEs), as environmental, social, and governance (ESG) principles take centre stage in shaping the future of commerce. This paper explores the integration of ESG frameworks within MSMEs, analysing their potential to drive sustainable development while enhancing business resilience and stakeholder trust. The study delves into how MSMEs, often constrained by limited resources, can adopt ESG practices to align with global sustainability goals without compromising operational efficiency. It evaluates strategies such as eco-friendly operations, community engagement, and transparent governance, offering insights into balancing sustainability with profitability. Using a qualitative methodology, the research synthesises case studies and literature review analysis to discuss the challenges and opportunities MSMEs face in ESG implementation. Findings highlight the transformative potential of ESG adoption in reducing costs, fostering innovation, and improving market competitiveness. However, barriers such as inadequate financing, lack of expertise, and fragmented regulatory frameworks pose significant challenges. Recommendations underscore the need for tailored support systems, including financial incentives, capacity-building initiatives, and simplified compliance mechanisms, to empower MSMEs in their sustainability journeys. By emphasising the unique role of MSMEs in achieving global sustainability objectives, this paper contributes actionable insights for policymakers, business leaders, and stakeholders. It advocates for collaborative approaches to embed ESG into MSME operations, ensuring that even the smallest players in the economy can make meaningful contributions to a more sustainable future.

Keywords

ESG, Sustainability, Governance, Innovation, MSMEs

Introduction

The global business landscape has witnessed a growing emphasis on sustainability and Environmental, Social, and Governance (ESG) principles in recent years. This shift has become increasingly critical, not only for large corporations but also for Micro, Small, and Medium Enterprises (MSMEs), which form the backbone of many economies worldwide (Putri and Bangun, 2019). MSMEs play a vital role in driving economic growth, job creation, and innovation, making their integration of ESG principles crucial for achieving global sustainability goals.

The urgency of addressing ESG in MSMEs stems from various factors, including resource limitations, regulatory pressures, and the need to align with the broader sustainability agenda (Salin *et al.*, 2023). Many MSMEs face challenges in terms of financial and human capital, making the implementation of comprehensive ESG strategies a daunting task. However, the integration of ESG principles can provide MSMEs with significant benefits, such as improved access to financing, enhanced brand reputation, and better risk management (Mazhorina, 2022).

Furthermore, the global sustainability goals, as outlined in the United Nations Sustainable Development Goals (SDGs), have placed increasing emphasis on the role of businesses, including MSMEs, in addressing environmental and social challenges (Shapsugova, 2023). Governments and regulatory bodies have also introduced various initiatives and policies to encourage ESG adoption, further underscoring the need for MSMEs to prioritize sustainability in their operations (Rumyantseva and Tarutko, 2022).

The integration of ESG principles into the operations of MSMEs is crucial for several reasons. Firstly, it helps these enterprises to address environmental challenges, such as reducing their carbon footprint, improving waste management, and promoting the use of renewable energy sources. By adopting environmentally-friendly practices, MSMEs can not only contribute to global sustainability efforts but also enhance their operational efficiency and cost-effectiveness (Putri and Bangun, 2019).

Also, ESG integration enables MSMEs to address social issues within their communities, such as promoting diversity and inclusion, ensuring fair labor practices, and supporting local community development. These initiatives can enhance employee morale, improve customer loyalty, and strengthen the enterprise's social license to operate (Mazhorina, 2022).

Moreover, the governance aspect of ESG is particularly important for MSMEs, as it helps to establish robust decision-making processes, ensure transparency, and mitigate risks. By implementing strong governance practices, MSMEs can build trust with stakeholders, attract investment, and enhance their overall resilience (Rumyantseva and Tarutko, 2022).

Micro, Small, and Medium Enterprises (MSMEs) play a crucial role in the global economy, accounting for over 90% of businesses and contributing significantly to employment and economic growth (Harvie, 2019). However, these enterprises often face unique challenges in implementing Environmental, Social, and Governance (ESG) frameworks due to limited access to resources, knowledge gaps, and fragmented policies (Prasuna and Kumar, 2023).

This raises pertinent research questions: How can MSMEs overcome these barriers and effectively integrate ESG practices into their operations? What strategies and tools can be leveraged to support the adoption of sustainability goals within these enterprises?

This paper aims to explore how MSMEs can implement ESG frameworks effectively while balancing operational efficiency and profitability. The integration of ESG practices within MSMEs holds immense promise for driving sustainable growth, fostering innovation, and enhancing market competitiveness. By examining the unique challenges faced by MSMEs and highlighting successful case studies, the study seeks to provide practical insights and recommendations for these enterprises to navigate the path towards sustainable growth and resilience.

Overall, the policy and regulatory landscape is an essential driver of ESG adoption in MSMEs. By providing clear guidelines, financial incentives, and educational support, governments can facilitate the transition towards more sustainable business practices, ultimately contributing to broader environmental and social goals.

Literature review

The integration of Environmental, Social, and Governance (ESG) principles into business operations has emerged as a pivotal strategy for enhancing efficiency and reducing costs within Micro, Small, and Medium Enterprises (MSMEs). By adopting ESG frameworks, MSMEs can streamline their operations through sustainable practices, thereby reducing waste and improving resource management. According to Finger and Rosenboim (2022), companies that implement ESG strategies often experience a reduction in operational costs by up to 20% due to improved energy efficiency and waste management practices. This not only contributes to environmental sustainability but also enhances the financial performance of these enterprises.

Furthermore, ESG adoption fosters innovation within MSMEs by encouraging the development of new products and services that meet the evolving demands of environmentally and socially conscious consumers. Castro and Gradillas Garcia (2022) highlight that businesses embracing ESG principles are more likely to develop innovative solutions that address sustainability challenges, thus gaining a competitive edge in the market. For instance, a case study of a small manufacturing company in Germany demonstrated how the introduction of eco-friendly packaging solutions, driven by ESG considerations, led to a 15% increase in market share within two years (van Wyk *et al.*, 2022).

Despite the recognised benefits of ESG integration, MSMEs often face significant challenges in implementing sustainable practices. One of the primary barriers is the limited financial and human resources available to these enterprises, which can make the investment in ESG initiatives appear daunting (Salin *et al.*, 2023). Many MSMEs operate with tight budgets and may prioritize short-term profitability over long-term sustainability goals.

Additionally, MSMEs may lack the necessary expertise and knowledge to effectively integrate ESG principles into their operations. The complexity of ESG reporting, compliance, and monitoring can

be overwhelming for smaller enterprises, which often have fewer dedicated sustainability professionals (Putri and Bangun, 2019).

MSMEs often face unique challenges in implementing ESG frameworks, including limited access to financial resources, knowledge gaps, and fragmented policy environments (Harvie, 2019). These enterprises may lack the expertise and capacity to navigate the complexities of ESG reporting and compliance, hindering their ability to demonstrate their sustainability efforts to stakeholders (Prasuna and Kumar, 2023). Additionally, the absence of tailored ESG support and guidance specific to the MSME context can further exacerbate the implementation barriers.

Another challenge is the lack of clear regulatory frameworks and incentives for MSMEs to adopt ESG practices. While larger corporations may be subject to stricter sustainability requirements, the regulatory landscape for MSMEs can be fragmented and inconsistent, making it difficult for these enterprises to navigate the ESG landscape (Mazhorina, 2022).

To overcome the challenges and barriers faced by MSMEs in implementing ESG practices, a multi-faceted approach is required. Firstly, it is crucial for MSMEs to develop a clear understanding of the ESG principles and their relevance to their specific business operations (Rumyantseva and Tarutko, 2022). This can involve conducting a comprehensive assessment of the enterprise's environmental, social, and governance impacts, as well as identifying opportunities for improvement.

Globally, numerous case studies illustrate the positive impact of ESG on MSMEs' competitiveness. In Japan, a small electronics firm that integrated ESG principles into its business model saw a 25% reduction in energy consumption and a corresponding increase in profitability (Finger & Rosenboim, 2022). Similarly, in Brazil, an agricultural MSME achieved a 40% reduction in water usage by adopting sustainable irrigation techniques, enhancing its reputation and market position (Castro and Gradillas-Garcia, 2022).

To support the effective implementation of ESG practices in MSMEs, a multifaceted approach is required. This may involve the development of tailored ESG assessment tools, the provision of targeted training and capacity-building programs, and the establishment of collaborative networks and knowledge-sharing platforms (Prasuna and Kumar, 2023). Policymakers and industry associations can also play a crucial role in creating an enabling environment, such as by providing financial incentives, streamlining regulatory frameworks, and facilitating access to ESG-related resources and expertise.

In conclusion, while the adoption of ESG principles offers significant benefits for MSMEs, including improved financial performance and enhanced reputation, the journey towards full implementation is not without its hurdles. Addressing these challenges requires a concerted effort from policymakers, financial institutions, and the MSMEs themselves, to create an ecosystem that supports sustainable business practices. By understanding and mitigating these barriers, MSMEs can better align with global sustainability goals and contribute to a more sustainable future.

Methods

The study employs a qualitative methodology to examine the integration of ESG principles within Micro, Small, and Medium Enterprises (MSMEs) and their impact on fostering sustainable development. By synthesising case studies and comprehensive literature reviews, the research captures diverse perspectives on how MSMEs navigate the challenges and opportunities associated with ESG adoption. The approach focuses on understanding the unique operational constraints faced by these enterprises, such as limited resources and expertise, while evaluating practical strategies to align their operations with global sustainability objectives.

Primary data sources include existing case studies from MSMEs across different sectors and geographies, alongside secondary data from policy analyses and academic literature. These sources provide a rich basis for assessing the impact of eco-friendly operations, community engagement, and transparent governance on business resilience and stakeholder trust. The multidimensional framework applied in the study allows for a detailed exploration of economic, environmental, and social dimensions, ensuring a holistic analysis of ESG implementation. Additionally, the methodology includes a comparative analysis of MSMEs adopting ESG practices with those yet to embrace such frameworks, offering insights into the benefits and challenges of sustainable transformations.

This methodical approach ensures that the study captures both the macro-level implications of ESG on MSME performance and the micro-level realities of implementation. By focusing on real-world applications and outcomes, the research delivers actionable insights into the transformative potential of ESG adoption. Moreover, the study identifies critical barriers, such as fragmented regulatory frameworks and inadequate financial support, and highlights strategies for overcoming these obstacles through tailored initiatives and collaborative partnerships.

Result and Discussion

ESG Integration to Micro, Small, and Medium Enterprises (MSMEs): Innovative Approach

The adoption of ESG practices holds immense potential for MSMEs, as it can drive innovation, enhance market competitiveness, and contribute to the fulfilment of broader sustainability objectives (Tombolesi, 2023). Integrating ESG considerations into business models can help MSMEs identify and mitigate risks, improve resource efficiency, and strengthen stakeholder relationships (Fenwick *et al.*, 2023). Moreover, the successful implementation of ESG frameworks within MSMEs can have a ripple effect, inspiring larger enterprises and fostering a more sustainable business ecosystem (Armas *et al.*, 2022).

MSMEs can leverage ESG frameworks to enhance their operational efficiency and profitability. By integrating environmental considerations into their processes, MSMEs can reduce resource consumption, minimize waste, and optimize energy usage, leading to cost savings and improved competitiveness (Tombolesi, 2023). Similarly, addressing social factors, such as employee well-being and community engagement, can foster a positive work culture, enhance talent attraction

and retention, and strengthen stakeholder relationships (Fenwick *et al.*, 2023). Robust governance practices can also help MSMEs mitigate risks, ensure compliance, and build trust with investors and customers.

Examining successful case studies of ESG implementation in MSMEs can provide valuable insights and inspiration for other enterprises. For instance, a small manufacturing company in Latin America implemented an ESG self-assessment tool, which enabled them to identify and address sustainability gaps, leading to improved resource efficiency and cost savings (Armas *et al.*, 2022). Another example is a family-owned SME in South Africa that integrated ESG considerations into its business model, resulting in enhanced brand reputation, increased customer loyalty, and improved access to financing (Fenwick *et al.*, 2023).

Building stakeholder trust is another significant benefit of ESG adoption. Consumers, investors, and employees increasingly favour companies that demonstrate a commitment to sustainability and ethical governance. Barangă and Țanea (2022) emphasize that MSMEs with robust ESG practices are more likely to attract and retain customers, as well as secure investment opportunities. A notable example is a UK-based MSME in the fashion industry that reported a 30% increase in customer loyalty after implementing transparent supply chain practices aligned with ESG standards (Fenwick *et al.*, 2023).

Several ESG frameworks exist, such as the Global Reporting Initiative (GRI), the Sustainability Accounting Standards Board (SASB), and the Task Force on Climate-related Financial Disclosures (TCFD). These frameworks provide guidelines for businesses to report on ESG metrics and integrate sustainability into their strategic planning. However, the applicability of these frameworks to MSMEs can be challenging. MSMEs often lack the resources and expertise to implement complex reporting standards. Mardini (2022) highlights that while large corporations have dedicated teams to manage ESG initiatives, MSMEs must often rely on limited staff who may not have specialised knowledge in sustainability. Despite these challenges, simplified versions of these frameworks are being developed to cater to the needs of smaller enterprises, allowing them to gradually integrate ESG principles into their operations.

Environmental, Social, and Governance (ESG) principles have become a cornerstone of sustainable business practices in the 21st century. These principles guide companies in considering the environmental impact of their operations, the social implications of their business practices, and the governance structures that ensure accountability and transparency. ESG is not merely a set of guidelines but a comprehensive framework that aligns business objectives with societal expectations. According to Serafeim and Yoon (2022), ESG issues are increasingly relevant to financial performance, as they can influence a company's risk profile and access to capital. This relevance is particularly significant for MSMEs, which often operate with limited resources and face heightened scrutiny from stakeholders demanding sustainable practices.

Overall, the potential benefits of ESG adoption for MSMEs are substantial, encompassing enhanced efficiency, cost savings, innovation, and strengthened stakeholder relationships. As

these enterprises navigate the complexities of modern business environments, ESG frameworks offer a viable pathway to sustainable growth and competitive advantage.

ESG Adaptation: Challenges, Strategies and Innovations

Implementing ESG principles in MSMEs is fraught with challenges, primarily due to financial constraints, lack of expertise, and regulatory complexities. Financially, many MSMEs operate on tight budgets and struggle to allocate funds for sustainability initiatives. The cost of adopting new technologies or processes that reduce environmental impact can be prohibitive. Adenan *et al.* (2024) note that MSMEs in Malaysia face significant financial barriers when attempting to implement ESG strategies, as they often lack access to affordable financing options tailored for sustainability projects.

Industries such as manufacturing and agriculture, particularly in developing regions, exemplify the struggles faced by MSMEs in adopting ESG principles. In these sectors, the initial investment required for sustainable practices, such as waste reduction or energy-efficient technologies, can be substantial. de Hoyos Guevara and Dib (2022) discuss how MSMEs in Latin America encounter regulatory complexities that further complicate ESG implementation. These businesses often operate in environments with evolving regulations, requiring them to constantly adapt their practices, which can be both costly and time-consuming.

The adoption of Environmental, Social, and Governance (ESG) practices by organisations faces several key obstacles. One of the primary challenges is financial limitations, particularly for Micro, Small, and Medium Enterprises (MSMEs). Liou *et al.* (2023) found that the high costs associated with implementing ESG initiatives, such as upgrading infrastructure, adopting new technologies, and complying with regulations, can be prohibitive for smaller businesses with limited resources. This is further exacerbated by the lack of access to funding and investment opportunities tailored to support ESG integration (Sheehan *et al.*, 2023).

Another significant barrier is the shortage of technical expertise and knowledge within organisations. Esposito De Falco *et al.* (2021) highlight that many businesses, especially MSMEs, lack the in-house capabilities to identify, measure, and report on ESG-related metrics, hampering their ability to effectively implement and communicate their sustainability efforts. This skills gap is further compounded by the fragmented and evolving nature of ESG regulations and standards, which can make it challenging for organisations to navigate the complex landscape (Uhlener *et al.*, 2012).

Geographical and industry-specific differences also play a role in the challenges faced by organisations. Putri and Bangun (2019) found that the level of ESG implementation can vary significantly across regions and sectors, with some industries facing more stringent requirements or facing unique operational constraints. For example, the manufacturing sector may encounter greater obstacles in reducing their environmental footprint compared to the service industry.

To overcome the barriers to ESG adoption, organisations can employ a range of practical strategies. One key approach is to focus on eco-friendly operations, such as implementing energy-

efficient technologies, optimising resource utilisation, and minimising waste (Esposito De Falco *et al.*, 2021). By aligning their operational practices with environmental sustainability, businesses can not only reduce their environmental impact but also realise cost savings and enhance their competitiveness.

Engaging with local communities and stakeholders is another important strategy for ESG adoption. Putri and Bangun (2019) emphasise the importance of building strong relationships with the surrounding community, understanding their needs and concerns, and incorporating their feedback into the organisation's sustainability initiatives. This can help foster a sense of shared responsibility and create a positive social impact, which is a crucial aspect of ESG.

For MSMEs, aligning sustainability efforts with profitability is crucial. Esposito De Falco *et al.* (2021) suggest that by adopting low-cost, high-impact ESG practices, such as implementing energy-efficient lighting or optimising supply chain logistics, these businesses can achieve both environmental and financial benefits. This approach can help MSMEs overcome the financial limitations often associated with ESG implementation and demonstrate the business case for sustainability.

The integration of digital tools and technologies can play a significant role in facilitating ESG implementation. Wang and Esperança (2023) highlight how technologies such as energy management systems, supply chain tracking, and data analytics can help organisations measure, monitor, and optimise their environmental and social performance. By leveraging these digital solutions, businesses can gain better visibility into their ESG-related metrics, identify areas for improvement, and make more informed decisions to enhance their sustainability efforts.

Furthermore, the adoption of digital technologies can also support the transparency and reporting of ESG performance. Sheehan *et al.* (2023) emphasise the importance of making the "invisible, visible" by utilising digital platforms to collect, analyse, and communicate ESG data. This can help organisations enhance their accountability and credibility, which is crucial in building trust with stakeholders and meeting regulatory requirements.

Hence, the adaptation of ESG practices by organisations faces a range of challenges, including financial limitations, lack of technical expertise, and fragmented regulatory environments. However, by employing practical strategies such as eco-friendly operations, community engagement, and the strategic use of technology, businesses can overcome these barriers and unlock the benefits of sustainable practices. The successful integration of ESG principles can not only contribute to environmental and social well-being but also enhance the long-term competitiveness and resilience of organisations.

Role of Policy Framework in Boosting ESG Implementation.

The role of government policies, incentives, and regulatory frameworks is crucial in supporting the adoption of ESG practices within MSMEs. Government initiatives can provide the necessary impetus for these enterprises to integrate ESG principles into their operations. For instance, the European Union has introduced several policies aimed at promoting sustainability among MSMEs,

including financial incentives and grants for businesses that implement energy-efficient technologies (Fenwick *et al.*, 2023).

In many countries, regulatory frameworks are being established to encourage ESG adoption. These regulations often include mandatory reporting requirements for environmental and social impacts, which can drive MSMEs to adopt more sustainable practices. According to Barangă and Țanea (2022), such regulations not only ensure compliance but also create a level playing field for businesses, promoting fair competition and transparency.

Incentives play a significant role in motivating MSMEs to embrace ESG principles. Tax breaks, subsidies, and low-interest loans are some of the common incentives provided by governments to support sustainable business practices. In the United States, for example, the government offers tax credits to small businesses that invest in renewable energy solutions, making it financially viable for MSMEs to transition to more sustainable operations (van-Wyk *et al.*, 2022).

The effectiveness of these policies and incentives, however, depends on the level of awareness and understanding among MSMEs regarding ESG principles. Educational programs and workshops can play a vital role in increasing awareness and providing the necessary skills for successful ESG implementation. Castro and Gradillas Garcia (2022) note that in countries like Sweden, government-supported training programs have significantly increased the adoption of ESG practices among MSMEs, leading to improved sustainability outcomes.

Collaboration among governments, financial institutions, and non-profits is crucial in providing MSMEs with the necessary resources and support for ESG adaptation. Governments can offer incentives, subsidies, and regulatory frameworks to encourage ESG adoption, while financial institutions can provide access to green financing and ESG-linked loans (Das *et al.*, 2020). Non-profit organisations can offer training, capacity-building programmes, and knowledge-sharing platforms to help MSMEs navigate the complexities of ESG integration (Puzzonia, 2018).

For example, in Singapore, the government has introduced various initiatives, such as the Sustainable Singapore Bond Grant Scheme and the Enterprise Sustainability Programme, to support SMEs in their ESG efforts (Tan, 2022). Similarly, in India, the Small Industries Development Bank of India (SIDBI) has launched the MSME Sustainable (MSE) Scheme, which offers concessional financing to MSMEs for adopting sustainable practices (Das *et al.*, 2020).

By fostering collaborative efforts, MSMEs can access the necessary resources, expertise, and support to overcome the challenges associated with ESG adaptation, such as lack of knowledge, limited financial resources, and technological barriers (Morais *et al.*, 2020).

The adoption of ESG practices can have a transformative impact on the operational efficiency, market competitiveness, and stakeholder trust of MSMEs. Improved resource efficiency, waste reduction, and energy conservation can lead to cost savings and enhanced profitability (Gangi *et al.*, 2020). Additionally, ESG-focused companies often enjoy better access to capital, as investors and lenders increasingly prioritise sustainable investments (Puzzonia, 2018).

A case study from India highlights the benefits of ESG adaptation for a small manufacturing company. After implementing energy-efficient technologies and waste management practices, the company experienced a 25% reduction in energy costs and a 30% decrease in waste disposal expenses (Das *et al.*, 2020). This, in turn, improved the company's bottom line and enhanced its reputation among customers and suppliers.

Similarly, a study of SMEs in Italy found that those with strong ESG performance were more likely to survive during the COVID-19 pandemic, demonstrating the resilience and market competitiveness of sustainable businesses (Gangi *et al.*, 2020). By addressing environmental and social concerns, MSMEs can also strengthen stakeholder trust and loyalty, leading to improved customer retention, employee engagement, and supplier relationships (Sommer, 2017).

Despite the potential benefits, MSMEs often face significant challenges in adapting to ESG requirements. Limited financial resources, lack of in-house expertise, and uncertainty around the return on investment can hinder ESG implementation (Morais *et al.*, 2020). Additionally, the complexity of ESG reporting and the lack of standardised frameworks can create barriers for smaller businesses.

To overcome these challenges, MSMEs can adopt various strategies. Firstly, they can leverage collaborative platforms and industry associations to access knowledge, best practices, and shared resources (Puzzonia, 2018). Secondly, they can explore alternative financing options, such as green loans, crowdfunding, or government-backed schemes, to fund their ESG initiatives (Das *et al.*, 2020).

Thirdly, MSMEs can prioritise quick-win projects that deliver tangible benefits, such as energy efficiency or waste reduction, to demonstrate the value of ESG adaptation and build internal buy-in (Sommer, 2017). Finally, they can collaborate with larger companies, universities, or research institutions to tap into expertise, technology, and innovative solutions that can support their ESG journey (Puzzonia, 2018).

The integration of ESG principles into the operations of MSMEs is driving the emergence of innovative solutions and trends. For instance, the development of user-friendly ESG reporting tools and digital platforms can help smaller businesses streamline their data collection and disclosure processes (Morais *et al.*, 2020). Additionally, the rise of ESG-focused accelerators and incubators provides MSMEs with access to tailored support, mentorship, and funding to scale their sustainable initiatives (Puzzonia, 2018).

Conclusion

The conclusion of this study highlights the transformative potential of ESG (Environmental, Social, and Governance) principles in enhancing the operational and financial performance of Micro, Small, and Medium Enterprises (MSMEs). By adopting ESG practices, MSMEs can achieve improved efficiency, cost savings, and innovation, all while fostering stronger relationships with stakeholders. This alignment with global sustainability goals not only benefits individual enterprises but also contributes to broader economic and environmental resilience. However, despite the

clear advantages, ESG implementation among MSMEs faces significant challenges, such as inadequate financial resources, limited expertise, and fragmented regulatory support. Addressing these barriers is essential to unlock the full potential of ESG integration.

The study underscores the critical role of policymakers and financial institutions in creating an enabling environment for ESG adoption. Tailored financial incentives, such as tax breaks or grants, can lower the initial cost barriers for MSMEs looking to implement sustainable practices. Moreover, regulatory frameworks should be streamlined to offer clear and practical guidance, ensuring that compliance requirements are manageable for smaller enterprises. Capacity-building programs, including training on ESG standards and best practices, are equally important in equipping MSMEs with the knowledge and tools needed to navigate the complexities of sustainability. Collaboration among public, private, and nonprofit sectors can foster a supportive ecosystem that amplifies the impact of ESG-driven initiatives.

Looking ahead, the journey toward comprehensive ESG adoption requires a shift in mindset and a commitment to long-term goals. MSMEs must embrace innovation, leveraging digital technologies and eco-friendly solutions to optimise their operations and minimise environmental impacts. Building partnerships with larger corporations and industry networks can provide MSMEs with the necessary resources, mentorship, and market access to scale their sustainability efforts. Furthermore, embedding social and governance principles into business models, such as equitable employee practices and ethical supply chain management, enhances resilience and reputation in increasingly conscious markets.

The potential of MSMEs to drive sustainable development is significant, given their sheer number and contribution to global economic activity. By overcoming barriers to ESG adoption, these enterprises can become catalysts for change, demonstrating that sustainability and profitability are not mutually exclusive. Governments and international organisations have a unique opportunity to harness this potential by aligning their initiatives with the specific needs and realities of MSMEs. Empowering smaller enterprises to adopt ESG principles will have a ripple effect, accelerating progress toward sustainable development goals and fostering inclusive growth.

In conclusion, the integration of ESG principles into MSME operations is both a necessity and an opportunity. While challenges persist, the benefits far outweigh the hurdles, making the case for sustained efforts to support MSMEs in their sustainability journey. By addressing financial, regulatory, and knowledge gaps, stakeholders can pave the way for a more inclusive and sustainable future, where even the smallest businesses play a pivotal role in shaping a resilient and environmentally conscious global economy. The findings of this study serve as a call to action for all involved parties to collaborate and innovate, ensuring that MSMEs are equipped to meet the challenges and opportunities of sustainability head-on.

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