

# Social Entrepreneurship and ESG: Challenges and Opportunities

Dr Seema Devi, Dr Menka

Assistant Professor, Dept of Commerce C. D. R. J. M., Butana, Sonipat, Haryana, India

DOI: <https://doi.org/10.47772/IJRISS.2026.10190015>

Received: 20 January 2025; Accepted: 26 January 2026; Published: 14 February 2026

## ABSTRACT

The present study examines the application of Environmental, Social, and Governance (ESG) practices by social companies to achieve sustainable growth through transparency, attract blended finance, and support mission-driven governance. It demonstrates how three primary elements influence the adoption of ESG: the enterprise's resources (Resources), the trust and expectations of stakeholders (Stakeholders), and laws and regulations (Institutions). These elements present potential for increasing credibility, attracting new investments, loyalty and attaining global goals. Still, they can also pose obstacles, such as ambiguous policies, a lack of funding, challenges in quantifying impact, resources constraints. To demonstrate how ESG can support social companies in meeting compliance requirements while also enhancing their mission and longterm performance, the study integrates concepts from various theories, including Institutional Theory, Stakeholder Theory, and the Resource-Based View Theory (RBV). The paper concludes that ESG adoption is more than a reporting requirement. It is a strategic tool for social enterprises to stand out, build trust, and contribute to inclusive development. Recommendations are provided for entrepreneurs, investors, and policymakers to facilitate the adoption of ESG and enhance its effectiveness. Some suggestions are also provided for future research, which should test this framework with real-world data and compare results across countries to deepen the understanding.

**Keywords:** ESG adoption, Social entrepreneurship, Resilience, Institutional theory, Stakeholder theory, Resource-Based View (RBV)

## INTRODUCTION

It has long been acknowledged that entrepreneurship catalyzes social change, economic growth, and innovation. In this vast field, social entrepreneurship has emerged as a distinctive strategy that combines business acumen with a commitment to addressing pressing environmental and societal issues. According to India ESG Outlook Report (2025), Social enterprises aim to strike a balance between financial sustainability and quantifiable social impact, in contrast to standard businesses that prioritise profit maximisation. This positions them as essential players in the pursuit of inclusive and sustainable development (Pérez-Barea, 2025). Millions of people are involved in mission-driven businesses within the social entrepreneurship sector, which is expected to contribute over \$2 trillion to the global economy annually (OECD, 2024). Nearly 30% of the more than 2 million social companies and NGOs that operate in India alone report engaging in ESG-related activities (EY, 2025).

At the same time, expectations for how businesses operate and are evaluated have shifted due to the global adoption of Environmental, Social, and Governance (ESG) principles. ESG frameworks provide a systematic lens through which stakeholders, including communities, investors, and legislators, can assess an organisation's ethical, environmental, and governance practices (Khan et al., 2021; Li, 2025). The market for ESG investments has expanded quickly; by 2025, worldwide assets under management are expected to exceed \$53 trillion, or more than one-third of all assets (Bloomberg Intelligence, 2021). According to the India ESG Outlook Report 2025, 229 of the top 250 listed firms (92%) now publish ESG practices, indicating a notable shift toward sustainability reporting. This suggests that ESG adoption in India is increasing.

The incorporation of ESG principles presents social entrepreneurs with both opportunities and obstacles. Adoption of ESG practices can, on the one hand, boost stakeholder trust, draw impact-driven investors, and improve credibility (Chan, 2025; Bani-Khaled et al., 2025). However, resource limitations, challenges in quantifying intangible social impacts, and conflicts between purpose and commercial needs are common challenges for social companies (Scartozzi et al., 2024; Kapoor, 2023).

Therefore, it is crucial to investigate the relationship between social entrepreneurship and ESG. The incorporation of ESG into social enterprises, especially in emerging countries, has not received as much attention as its adoption in large organizations (Khare, 2025; Impact Hub, 2025). Entrepreneurs seeking to optimise both social and financial outcomes can significantly benefit from understanding how ESG frameworks impact the strategy, performance, and long-term viability of social enterprises. Furthermore, this investigation is especially pertinent in settings like India, where regulatory gaps exacerbate the demand for creative, sustainable solutions, limited access to financing, and resource constraints (ProIndia, 2024; CRIF, 2023).

To investigate the potential and challenges that arise when social companies implement ESG principles, this study employs a conceptual design that is informed by a review of the literature and case studies. The study aims to identify obstacles, highlight exemplary practices, and suggest strategies to enhance the resilience and impact of social entrepreneurship in the era of ESG by examining case studies, previous research, and stakeholder perspectives. Ultimately, the research enhances our understanding of how socially conscious businesses can thrive in a rapidly changing world, with implications for investors, legislators, and entrepreneurs.

## REVIEW OF LITERATURE

### (a) The Development of Social Entrepreneurship

Social entrepreneurship has developed into a vibrant movement that combines social impact with corporate innovation. Academics highlight its function in tackling environmental and societal issues while striking a balance between social value creation and financial sustainability (Singathurai et al., 2025; De Almeida Barbosa Franco et al., 2024; Ghosh et al., 2024). Social enterprises require creative governance and accountability systems due to their dual mission, which distinguishes them from conventional companies and charities (Bellandi, 2023). According to Kah & Akenroye (2020), social companies make a substantial contribution to sustainability objectives, but they frequently struggle to measure and effectively communicate their impact. According to the OECD (2024), social firms generate nearly \$2 trillion annually worldwide, underscoring their significance both economically and socially.

### (b) Advantages of ESG Adoption

As a framework for ethical business, the incorporation of Environmental, Social, and Governance (ESG) concepts into social enterprises has grown in popularity. The adoption of ESG enhances stakeholder trust, credibility, and alignment with global sustainability objectives (Ayyoob & Sajeev, 2023; De Jong & Wagensveld (2023). Research demonstrates that ESG-compliant businesses draw socially conscious capital and impact investors, enhancing funding availability and long-term resilience (Epstein et al., 2015; Ray, 2024). According to the UNDP (2023), ESG-aligned companies are more likely to secure international partnerships and blended financing, which enhances their resilience. Standardized ESG disclosures enhance transparency and comparability, which are essential for investor trust, according to the Global Reporting Initiative (GRI, 2023) and SASB (2024).

### (c) ESG Integration Difficulties

Despite these advantages, problems still exist. Due to the limitations of traditional financial measurements in capturing multifaceted outcomes, measuring social impact remains a challenge. Innovative frameworks that integrate qualitative and quantitative metrics are demanded by academics (Palinkas et al., 2019; Jiménez et al., 2018; Greene et al., 1989). ESG adoption is further hindered by regulatory loopholes and resource constraints,

particularly for MSMEs and startups (Salin, 2023; Friede, 2019). Contradictions may arise, whereas ESG frameworks offer legitimacy, they may also impose onerous reporting requirements that are difficult for tiny social companies to fulfill (Quttainah & Paczkowski, 2025). This conflict highlights how ESG can both pose a compliance burden and serve as an enabler of legitimacy.

#### **(d) Prospects and International Views**

Adoption of ESG, on the other hand, presents substantial opportunities. It promotes responsibility, openness, and a competitive edge. According to case studies (Rosario et al., 2024; Travassos Ros Rodríguez & Cruz, 2025), businesses that implement ESG practices not only increase resilience but also help achieve the UN Sustainable Development Goals (SDGs). ESG adoption among MSMEs is becoming increasingly important in

India for both global competitiveness and sustainable growth (Singathurai et al., 2025). According to MDPI Sustainability (Alhazemi, 2025), incorporating ESG with social sustainability measures improves stakeholder trust and organizational legitimacy on a global scale. ESG adoption in social enterprises, according to OECD (2024) and UNDP (2023), is a route to inclusive growth, especially in emerging economies where regulatory gaps still exist.

The research demonstrates a paradox: adopting ESG practices presents both opportunities and challenges. On the one hand, it improves financing availability, credibility, and alignment with international sustainability priorities. However, many social entrepreneurs struggle to meet the reporting requirements and resource needs. The necessity for context-sensitive ESG frameworks that are adapted to the realities of MSMEs and social enterprises in emerging economies is highlighted by this conflict.

## **THEORETICAL FRAMING**

Through well-established theoretical frameworks, the incorporation of Environmental, Social, and Governance (ESG) concepts into social entrepreneurship can be better understood. To understand the prospects and challenges of ESG adoption in social enterprises, this research establishes its framework on Institutional Theory, Stakeholder Theory, and the Resource-Based View (RBV). In contrast, previous studies have implicitly drawn on these viewpoints.

#### **(a) Institutional Theory**

Organizational behavior is shaped by formal and informal rules, norms, and regulatory structures, according to institutional theory (DiMaggio & Powell, 1983; Scott, 2014). Institutional factors, such as disjointed ESG legislation, reporting obligations, and compliance demands, present both opportunities and obstacles in the context of social entrepreneurship. Regulatory gaps frequently hinder ESG adoption in emerging nations, but institutional legitimacy remains essential for attracting stakeholders and investors (Ortas et al., 2018; Črnigoj et al., 2025). Therefore, Institutional Theory clarifies why social companies need to navigate challenging regulatory frameworks to establish credibility and sustain growth.

#### **(b) Stakeholders Theory**

According to Stakeholder Theory, for an organisation to succeed in the long run, it must balance the interests of various stakeholders, including investors, consumers, workers, and communities (Freeman, 1984; Donaldson & Preston, 1995). The adoption of ESG enhances accountability and transparency for social companies, thereby boosting stakeholder trust. Social entrepreneurs demonstrate their attentiveness to stakeholder issues by incorporating ESG principles, which in turn promotes legitimacy, loyalty, and access to resources (Costa & Pesci, 2016). This perspective highlights how ESG integration is driven by stakeholder expectations as both a strategic and moral necessity.

**(c) Resource-Based View Theory (RBV)**

The Resource-Based View (Barney, 1991; Wernerfelt, 1984) describes how businesses utilise specialised resources and skills to gain a competitive advantage. ESG implementation is made more challenging for social enterprises due to resource limitations, including a lack of capital (Diaz-Gonzalez & Dentchev, 2022), technological expertise (Agarwal et al., 2024), and human resources (Bhandari et al., 2022). ESG integration, however, has the potential to be a valuable tool in its own right, enhancing access to impact investment, resilience, and reputation. Therefore, RBV provides a framework for understanding how social companies incorporate ESG into their operations and governance, transforming limitations into strategic assets.

**(d) Integrated Theoretical Perspective**

When combined, these theories offer a thorough framework. The external pressures and regulatory gaps are explained by institutional theory. Stakeholder theory emphasizes the significance of legitimacy, responsibility, and trust. RBV emphasizes how internal resources and limitations shape resilience and sustainability. By analysing ESG adoption in social enterprises as a multifaceted process influenced by institutions, stakeholders, and resources, rather than just as a compliance exercise, this integrated lens strengthens the study's conceptual underpinnings.



Figure 1. Conceptual Framework Linking Institutions, Stakeholders, Resources, and Resilience in Social Entrepreneurship and ESG Source: Researchers' own

The integrated theoretical framework for ESG adoption in social companies is illustrated in diagram 1. Stakeholder expectations (trust and accountability) are shaped by institutional forces (such as regulatory gaps and pressures), which combine with internal resources constraints and financial, human, and technical capabilities to create organizational resilience. In turn, resilience enhances the long-term sustainability of social entrepreneurship (Accenture, 2023, Quilloy-Custodio et al., 2024). The framework explains how ESG integration becomes a strategic enabler of sustainability and inclusive growth by referencing Institutional Theory, Stakeholder Theory, and the Resource-Based View.

### Research Design

The conceptual research design employed in this work is grounded in case studies and secondary data. The goal is to examine the potential and challenges that social companies face when incorporating Environmental, Social, and Governance (ESG) principles into their operations. The study examines how regulatory contexts, stakeholder expectations, and resource constraints influence ESG adoption and resilience in social enterprises, employing a multi-theoretical framework grounded in Institutional Theory, Stakeholder Theory, and the Resource-Based View (RBV).

## RESEARCH METHODOLOGY

The research is exploratory and qualitative in nature. It fosters a conceptual understanding of ESG integration in social entrepreneurship by synthesising insights from practitioner sources, policy reports, and peer-reviewed literature. This is enhanced by embedded case studies, which provide contextual depth and useful significance.

### Information Sources

The secondary data used in the analysis are- scholarly works from publications that Scopus index, such as the Journal of Business Ethics, Sustainability, and Review of Managerial Science, ESG reports and policy briefs from international organizations (such as SASB, GRI, OECD, and UNDP), Practitioner insights and industry publications (such as CRIF, Sattva Consulting, and Impact Hub), Publicly accessible case files, news stories, and corporate websites.

### Case Studies

The study provides three mini-case vignettes to put the conceptual framework in context:

#### Case 1: India's Rang De (<https://rangde.in/>)

Rang De is a peer-to-peer lending platform that helps social enterprises and rural business owners. Rang De has drawn impact investors and fostered confidence among underserved borrowers by incorporating ESG concepts, including as transparent governance and community impact measurements. Its ESG-aligned approach demonstrates how social entrepreneurship and financial inclusion can grow sustainably.

#### Case 2: India's SELCO Foundation (<https://selcofoundation.org/>)

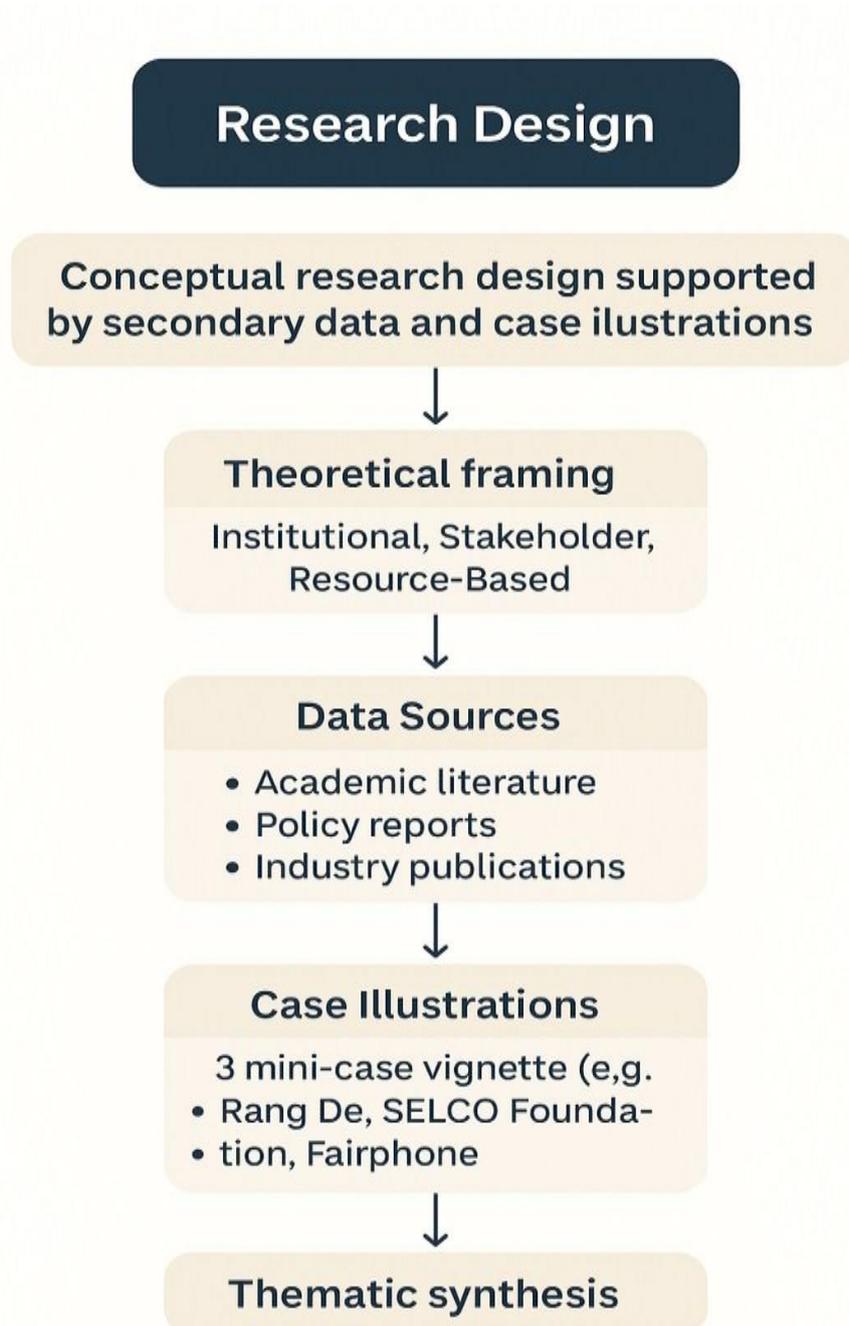
SELCO offers solar energy options to underprivileged populations. Through stakeholder involvement, inclusive governance, and environmental stewardship, it incorporates ESG. Despite working in environments with limited resources, SELCO's mission-aligned governance and effect evaluation techniques have garnered international acclaim, including collaborations with Ashden (<https://ashden.org/>) and UNDP.

## Case 3: The Netherlands' Fairphone (<https://unfccc.int/climate-action/momentum-for-change/ictsolutions/fairphone>)

Fairphone is a European social enterprise that manufactures smartphones using ethically sourced materials. Stakeholder accountability, circular economy principles, and supply chain transparency exemplify the integration of ESG. Fairphone's approach demonstrates how the implementation of ESG practices can spur innovation and customer confidence in international markets.

### Method of Analysis

The study uses topic synthesis to find trends in cases and literature. Essential themes are mapped against the theoretical framework, including impact measurement, regulatory gaps, resource limitations, and trust-building. The methodology produce valuable insights for investors, entrepreneurs, and policymakers.



### Figure 2. Research Design Flowchart for Social Entrepreneurship and ESG Study

Source: Researchers' own

The study's methodological framework is depicted in this flowchart. With the help of secondary data sources, including scholarly journals, policy reports, and business publications, the research starts with a conceptual and literature-based approach. Contextual depth is provided by case studies (Fairphone, SELCO Foundation, and Rang De). To combine ideas from cases and research, thematic synthesis is employed. The results reveal potential, obstacles, and pathways to resilience and sustainability in social companies that implement ESG principles.

#### Rigorous Methodology

This study is carefully designed to be strong and trustworthy. It uses clear theories, short real-world case examples, and compares information from several secondary sources to cross-check findings. It brings together Institutional Theory, Stakeholder Theory, and the Resource-Based View to build a strong conceptual base, and backs this up with evidence from peer-reviewed articles, policy documents, and practitioner experiences. Detailed case examples (Rang De, SELCO Foundation, Fairphone) provide rich context, making it easier to apply the insights in different sectors and countries. A consistent analytical approach and thematic synthesis help patterns emerge naturally across all the material. Even though the work is mainly conceptual, its structured design and use of multiple evidence sources make it relevant and useful for both academic and policy audiences.

#### Research Questions

The following three research questions are derived from the review of literature:

Q.1 What difficulties do social companies encounter when implementing ESG principles, specifically about managing scarce resources or regulatory gaps, assessing social impact, and striking a balance between profit and purpose?

Q.2 In terms of credibility, finance availability, stakeholder trust, and alignment with global sustainability goals, what prospects does ESG integration present for social enterprises?

Q.3 How can governments, investors, and business owners use ESG adoption to improve social enterprises' long-term viability and resilience?

### FINDINGS AND DISCUSSION

To answer the three main research questions, this part summarizes the results of the conceptual analysis and case studies: (1) What obstacles must social companies overcome to implement ESG principles? (2) What prospects are brought about by ESG integration? (3) How can government, investors, and business owners use ESG to increase long-term viability and resilience?

#### Social Enterprises' Obstacles to ESG Adoption

According to the survey, implementing ESG principles presents social companies with several problems like:

- i) **Managing Profit and Purpose:** Strategic conflicts arise from the dual goals of social impact and financial sustainability. The adoption of ESG often necessitates trade-offs between immediate financial gain and longterm mission integrity (Adebayo & Ackers, 2024; Lutz et al., 2024).
- ii) **Measurement of Impact Complexity:** Multifaceted social outcomes are not captured by traditional measurements. Inconsistent reporting and poor comparability result from the lack of standardized tools (Chopra et al., 2024, Eskantar et al., 2024).

- iii) **Resource Constraints:** ESG compliance is expensive and time-consuming for MSMEs and startups due to their limited financial, technical, and human resources (Nurlanovich, 2025; Sattva Consulting, 2023; Tong, 2025).
- iv) **Regulatory Fragmentation:** ESG reporting regimes are still dispersed among different countries, which leads to compliance fatigue and uncertainty, particularly in developing nations like India (Vigolo et al., 2025; ProIndia, 2024; Fauziah et al., 2025).
- v) **Stakeholder Expectations:** Growing investor and regulatory demands for accountability and transparency increase pressure, frequently in the absence of matching support systems (Ayyoob & Sajeev, 2023).

These results are consistent with the Resource-Based View, which emphasises how internal limitations affect strategic capacity, and Institutional Theory, which describes how regulatory gaps and normative pressures influence organisational behaviour.

### Opportunities Through ESG Integration

Adoption of ESG offers substantial strategic and operational advantages despite these obstacles, such as:

- i) **Enhanced Credibility and Legitimacy:** ESG-aligned businesses improve their standing in cutthroat marketplaces by gaining stakeholder trust and reputational capital (Kulova & Nikolova-Alexieva, 2023; Alsayegh et al., 2020; Wong et al., 2020; Pimpa, 2025; Frontiers in Sustainability, 2026).
- ii) **Access to Impact Investment:** ESG integration serves as a moral signal that draws investors who value sustainable and ethical businesses (Impact Hub, 2025; Zumente & Bistrova, 2021; Makhija et al., 2023; González & González, 2025).
- iii) **Stakeholder Engagement and Loyalty:** Stronger community ties and client retention are fostered by transparent ESG practices (Yoo, 2025; Bonetti et al., 2023; Viriyasitavat et al., 2025; KPMG, 2023).
- iv) **Alignment with Global Goals:** Social companies can contribute to the UN Sustainable Development Goals (SDGs) by adopting ESG, which opens doors to international finance and partnerships (Provensi et al., 2025; UNDP, 2023; OECD, 2024).

These opportunities align with the logic of Stakeholder Theory, which posits that long-term viability and legitimacy are driven by responsiveness to stakeholder concerns (Alsayegh et al., 2020; Yoo, 2025; Shalhoob, 2025; Pimpa, 2025).

### Strategic Resilience Levers

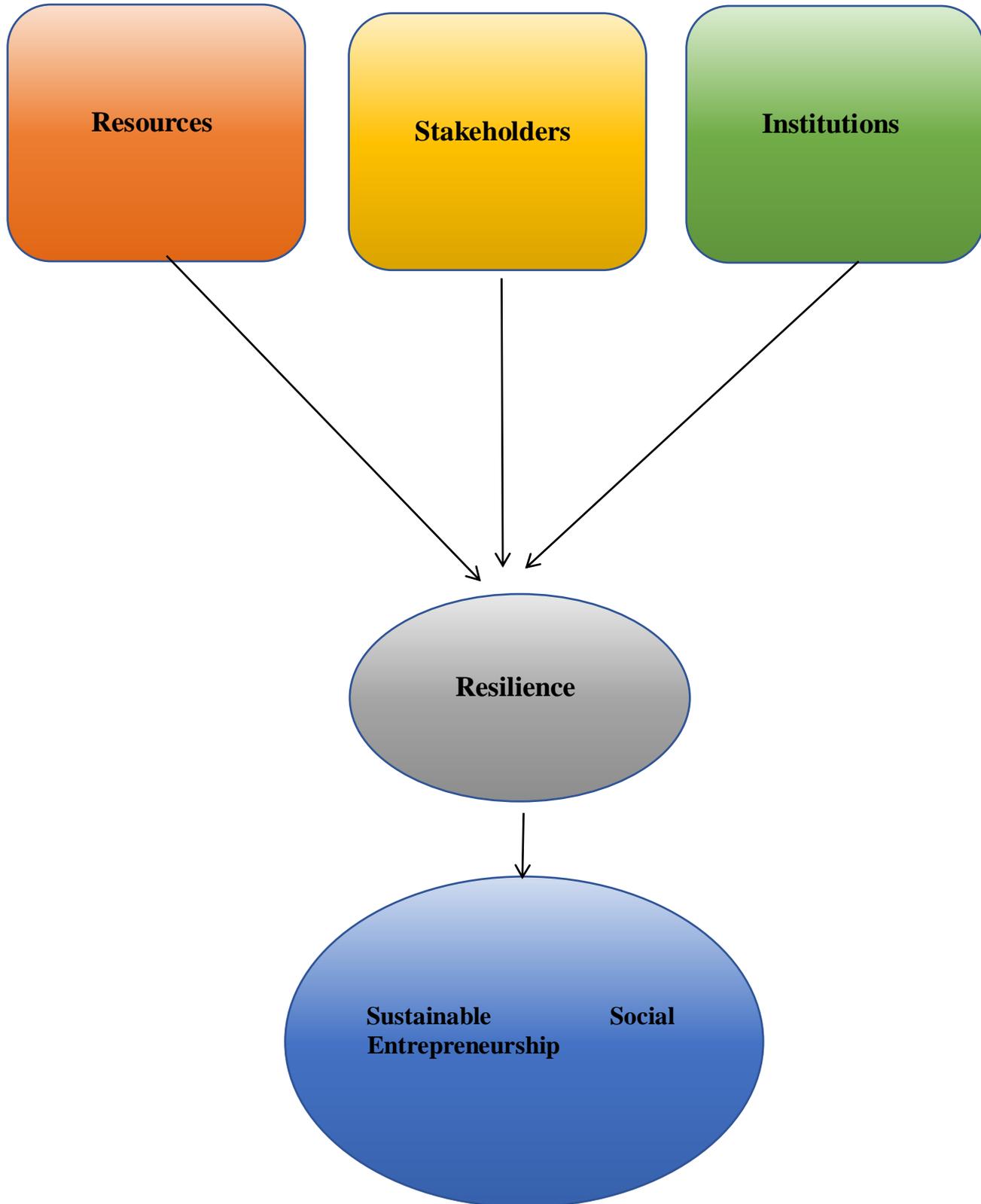
The following case studies, such as Fairphone, Rang De, and SELCO Foundation, demonstrate how ESG can be strategically integrated. This can be summarized as

- i) **Materiality Mapping:** Efficiency and effect are increased by concentrating on ESG concerns that are most pertinent to the purpose and stakeholders.
- ii) **Outcome-Linked Metrics:** Relevance and accountability are ensured by combining social impact metrics with ESG indicators.
- iii) **Mission-Aligned Governance:** Ethical leadership and risk management are strengthened by diverse boards and open policies.
- iv) **Ecosystem Partnerships:** Working together with regional networks and international platforms speeds up reputation and capabilities.

By strengthening organizational resilience, these levers validate the integrated framework:

Resources + Stakeholders + Institutions → Resilience → Sustainable Social Entrepreneurship.

Figure 3: Integrated Framework



Source: Researchers' own

### Implications for the World and Policy

The results have wider ramifications:

- I) ESG should be seen by business owners as a strategic pillar rather than a burdensome compliance requirement.
- II) ESG-related funding and stewardship can lower risk and increase impact for investors.
- III) Incentives, mission-aware procurement, and streamlined ESG reporting can help governments achieve scale and consistency.
- IV) Adoption of ESG in social businesses may promote sustainability, digital transformation, and inclusive growth in emerging economies—aligning with national agendas like the SDGs and Viksit Bharat@2047.

Table 1. Summary of Challenges and Opportunities of ESG Adoption in Social Enterprises

Dimension	Challenges	Opportunities
Profit–Purpose Balance	Tension between financial sustainability and social mission, with a risk of mission drift.	Hybrid models that integrate ESG strengthen legitimacy and long-term viability.
Impact Measurement	Lack of standardized tools; difficulty capturing multidimensional social outcomes.	ESG-linked metrics improve transparency, comparability, and stakeholder confidence.
Resources & Capabilities	Limited financial, technical, and human resources; high compliance costs for MSMEs.	ESG adoption attracts impact investors, blended finance, and capacity-building support.
Regulatory Environment	Fragmented ESG frameworks; inconsistent reporting requirements across regions.	Policy innovation and simplified ESG reporting enhance feasibility for SMEs/startups.
Stakeholder Expectations	Rising demand for accountability without adequate support mechanisms.	Stronger trust, loyalty, and partnerships with communities, investors, and policymakers.
Global Alignment	Difficulty aligning local practices with international ESG standards.	ESG integration enables contribution to UN SDGs and access to global networks.

Source: Researchers' own

Table 2: Theoretical Lenses, Key Insights, and Practical Implications for ESG Adoption in Social Enterprises

<b>Theoretical Lens</b>	<b>Key Insights</b>	<b>Practical Implications for Social Enterprises</b>
Institutional Theory	Regulatory gaps and fragmented ESG frameworks create uncertainty and compliance burdens.	Simplified, tiered ESG reporting; advocacy for policy innovation; alignment with national sustainability agendas.
Stakeholder Theory	Trust, accountability, and legitimacy are essential to effective stakeholder engagement and access to funding.	Embed transparency in governance; adopt ESGlinked reporting; strengthen community relationships and investor confidence.
Resource Based View (RBV)	Resource constraints limit ESG adoption, but ESG integration can become a strategic asset.	Leverage ESG as a differentiator; attract blended finance and impact investment; build resilience through mission-aligned governance.

Source: Author’s own elaboration based on Institutional Theory, Stakeholder Theory, and Resource-Based View.

The comprehensive conceptual framework of this study is supported by the insights compiled in Table 2. Institutional theory emphasises the importance of streamlined reporting and encourages policy innovation by explaining how fragmented legislation and compliance demands impact ESG adoption. According to Stakeholder Theory, building resilience requires trust, accountability, and legitimacy, with ESG serving as a tool to enhance stakeholder relations and attract investment. Although social enterprises often have limited resources, the Resource-Based View (RBV) emphasises that ESG integration itself can become a strategic asset, enhancing sustainability and competitiveness. These lenses come together to demonstrate how institutions, stakeholders, and resources collaborate to create resilience, enabling social businesses to utilise ESG principles as a means of achieving inclusive growth and long-term viability, rather than merely complying.

Ultimately, the results highlight the opportunities and challenges of ESG adoption in social enterprises, underscoring the need for practical guidance that can direct investors, business owners, and legislators toward sustainable and resilient practices.

## CONCLUSION AND SUGGESTION

The examination of ESG adoption and social entrepreneurship reveals a complex interplay between stakeholder expectations, institutional pressures, and resource limitations, presenting both challenges and opportunities for resilience. This study demonstrates that ESG integration is a strategic approach to achieving legitimacy, innovation, and sustained impact, rather than merely a compliance exercise, by combining conceptual insights with case studies. The results underscore the importance of ecosystem relationships, transparent reporting, and mission-aligned governance as key resilience levers.

Based on these observations, the following suggestions are made to help investors, business owners, and legislators promote inclusive, sustainable development and increase ESG adoption in social businesses.

### Suggestions for Business Owners

- D) Make mission-aligned governance a top priority. Ensure that ESG practices support, rather than weaken, social and environmental objectives.

- II) Adopt outcome-linked metrics: To improve accountability, try to combine social impact metrics with ESG indicators.
- III) Leverage partnerships: To get beyond resource limitations, collaborate with local communities, international networks, and non-governmental organizations.
- IV) Make use of ESG as a differentiator: Promote ESG integration as a way to draw in clients and investors.

### **Suggestions for Investors**

- I) Encourage the use of blended finance models. Combine debt, equity, and grants to help resource-constrained businesses implement ESG practices.
- II) Reward openness: Give financing preference to businesses with transparent ESG-related reporting and governance frameworks.
- III) Promote long-term resilience: By putting mission integrity and sustained effect ahead of immediate profits.
- IV) Encourage capacity building: By offering financial resources together with mentorship and technical support.

### **Suggestions for Lawmakers**

- I) Simplify ESG reporting by creating tiered frameworks that ease MSMEs' and startups' regulatory burdens.
- II) Provide rewards: Give ESG-compliant social companies preferential treatment in procurement, tax benefits, or subsidies.
- III) Comply with national priorities: Include ESG adoption in more general development agendas like the UN SDGs and Viksit Bharat@2047.
- IV) Boost ecosystems by providing venues for businesses, investors, and civil society to collaborate.

In conclusion, by providing a conceptual framework enhanced with case studies and theory-to-practice mapping, this study adds to the conversation on social entrepreneurship and ESG. It shows that ESG adoption can be a strategic lever for resilience, legitimacy, and sustainable growth even though it is riddled with resource, regulatory, and measurement issues. The suggestions made for business owners, investors, and legislators provide practical solutions to enhance ESG integration in various settings, particularly in developing nations such as India. To evaluate and improve the framework, future research should expand this conceptual base through cross-country comparisons, longitudinal analysis, and empirical studies. This study emphasises that ESG adoption in social businesses is not only a compliance obligation but also a transformative approach to inclusive and sustainable development, connecting theory and practice.

### **Policy Implications and Limitations**

By streamlining reporting procedures, reducing regulatory constraints, and integrating ESG priorities into national development plans such as Viksit Bharat@2047 and the UN SDGs, policymakers can significantly contribute to the adoption of ESG. While investing in digital technologies for transparent reporting can increase accountability and confidence, incentives such as tax breaks, subsidies, and preferential procurement can promote compliance.

### **Implications for Management**

Company executives and social entrepreneurs should view the adoption of ESG as a strategic facilitator rather than a compliance exercise. Managers can utilise partnerships to overcome resource limitations, integrate transparency into governance, and align ESG practices with mission-driven objectives. Businesses can attract

clients, investors, and partners while fostering long-term resilience by promoting ESG integration as a key differentiator.

### Implications for Investors

By encouraging mixed finance structures that incorporate grants, equity, and debt, investors can hasten the adoption of ESG. Accountability and effect are increased when businesses with transparent ESG-linked reporting and governance frameworks are given priority. Investors could help social enterprises scale ESG practices sustainably by providing mentorship and capacity building in addition to financial financing.

### Limitations

The limitations of this study stem from its reliance on conceptual synthesis and secondary data, which may not accurately reflect sector-specific facts. Generalizability is limited by the lack of empirical validation, and distinctions within sectors such as fintech, healthcare, and agriculture remain poorly understood.

### Prospects for Further Research

Future research should use impact assessments, econometric models, or surveys for quantitative validation. The researchers can examine industry-specific ESG adoption to find particular motivators and obstacles. Moreover, digital tools such as AI, blockchain, and platforms for compliance and ESG reporting can also be discussed. Cross-national comparisons can be conducted to enhance the framework in various institutional contexts.

Overall, study shows that adopting ESG practices is a strategic enabler of inclusive growth and resilience rather than just compliance. This study examines the adoption of Environmental, Social, and Governance (ESG) practices by social companies, emphasizing the potential and difficulties they encounter. The study establishes a paradigm that illustrates how regulatory gaps, stakeholder expectations, and resource limitations influence ESG integration, drawing on concepts from Institutional Theory, Stakeholder Theory, and the Resource-Based View. Adoption of ESG practices can lead to resilience, legitimacy, and sustainable growth, but it also creates obstacles due to fragmented policies and little resources.

The data highlights that ESG is a strategic tool for social companies to differentiate themselves, foster trust, and attract investment, rather than just a compliance necessity. Simplified reporting, blended financing models, and mission-aligned governance are among the helpful suggestions offered to entrepreneurs, investors, and legislators. The study contributes to the broader conversation on inclusive development and sustainable trade, particularly in developing nations like India, by linking theory with practical strategies. Ultimately, it is concluded that adopting ESG practices is a strategic enabler of inclusive growth and resilience.

## REFERENCES

1. Accenture (2023). Measuring up: Achieving resilience through ESG. <https://www.accenture.com/us/en/blogs/consulting/achieving-resilience-through-esg>
2. Adebayo, A., & Ackers, B. (2024). Managing Trade-Offs Between Environmental, Social, Governance and Financial Sustainability in State-Owned Enterprises: Insights from an Emerging Market. *Australian Accounting Review*, 34(1), 55-73. <https://doi.org/10.1111/auar.12415>
3. Agrawal, R., Samadhiya, A., Banaitis, A., & Kumar, A. (2024). Entrepreneurial barriers in achieving sustainable business and cultivation of innovation: a resource-based view theory perspective. *Management Decision*, 64(3), 1207-1028. <https://doi.org/10.1108/md-11-2023-2032>
4. Alhazemi, A. (2025). Integrating ESG framework with social sustainability metrics: A dual SEM-PLS formative–reflective model perspective. *Sustainability*, 17(6), 2566. <https://www.mdpi.com/20711050/17/6/2566>
5. Alsayegh, M., Rahman, R., & Homayoun, S. (2020). Corporate Economic, Environmental, and Social Sustainability Performance Transformation through ESG Disclosure. *Sustainability*, 12, 3910. <https://doi.org/10.3390/su12093910>

6. Ayyoob, A., & Sajeev, A. (2023). Sustainable entrepreneurship: The role of ESG and strategic CSR in shaping generational perspectives. Atlantis Press. <https://www.atlantis-press.com/article/126017643.pdf>
7. Bani-Khaled, S., Azevedo, G. & Oliveira, J. (2025). Environmental, social, and governance (ESG) factors and firm value: A systematic literature review of theories and empirical evidence, *AMS Review*, Springer; *Academy of Marketing Science*, 15(1), 228-260. <https://link.springer.com/article/10.1007/s13162-02500303-2>
8. Barney, J. (1991). Firm resources and sustained competitive advantage. *Journal of Management*, 17(1), 99–120. <https://doi.org/10.1177/014920639101700108>
9. Bellandi, F. (2023). Equilibrating financially sustainable growth and environmental, social, and governance sustainable growth. *European Management Review*, 20(4) . <https://doi.org/10.1111/emre.12554> .
10. Bhandari, K., Ranta, M., & Salo, J. (2022). The resource-based view, stakeholder capitalism, ESG, and sustainable competitive advantage: The firm's embeddedness into ecology, society, and governance. *Business Strategy and the Environment*, 31(4), 1525-1537. <https://doi.org/10.1002/bse.2967> .
11. Bloomberg Intelligence. (2021). ESG assets may hit \$53 trillion by 2025, A third of global AUM. Bloomberg Professional Services. <https://www.bloomberg.com/professional/insights/trading/esp-assetsmay-hit-53-trillion-by-2025-a-third-of-global-aum/>
12. Bonetti, L., Lai, A., & Stacchezzini, R. (2023). Stakeholder engagement in the public utility sector: Evidence from Italian ESG reports. *Utilities Policy*,84. <https://doi.org/10.1016/j.jup.2023.101649> .
13. Chan, E. Y. (2025). Moral signaling in startups: How ESG claims shape stakeholder judgments and ethical legitimacy. *Journal of Business Ethics*. <https://doi.org/10.1007/s10551-025-06039-0>
14. Chopra, S., Senadheera, S., Dissanayake, P., Withana, P., Chib, R., Rhee, J., & Ok, Y. (2024). Navigating the Challenges of Environmental, Social, and Governance (ESG) Reporting: The Path to Broader Sustainable Development. *Sustainability*, 16(2), 606. <https://doi.org/10.3390/su16020606> .
15. Costa, E., & Pesci, C. (2016). Social impact measurement: why do stakeholders matter?. *Sustainability Accounting, Management and Policy Journal*, 7, 99-124. <https://doi.org/10.1108/sampj-12-2014-0092> .
16. CRIF. (2023, December 10). Why ESG compliance matters for SMEs and MSMEs in India. CRIF Blog. <https://www.crif.in/blog/esg/why-esg-matters-for-smes-and-msmes/>
17. Črnigoj, M., Primc, K., & Slabe Erker, R. (2025). A Social Impact Measurement Tool Developed for Social Enterprises, *Palgrave Studies in Impact Finance*, in: Mario La Torre & Sabrina Leo (ed.), *Contemporary Issues in Sustainable Finance*, 37-60, Palgrave Macmillan. [https://ideas.repec.org/h/pal/psifcp/978-3-031-81178-4\\_3.html](https://ideas.repec.org/h/pal/psifcp/978-3-031-81178-4_3.html)
18. De Almeida Barbosa Franco, J., Franco, A., Battistelle, R., & Bezerra, B. (2024). Dynamic Capabilities: Unveiling Key Resources for Environmental Sustainability and Economic Sustainability, and Corporate Social Responsibility towards Sustainable Development Goals. *Resources*, 13(2), 22. <https://doi.org/10.3390/resources13020022> .
19. De Jong, F., & Wagenveld, K. (2023). Sustainable Financial Advice for SMEs. *Circular Economy and Sustainability*, 4, 777-789. <https://doi.org/10.1007/s43615-023-00309-7> .
20. Diaz-Gonzalez, A., & Dentchev, N. (2022). A resource-based view on the role of universities in supportive ecosystems for social entrepreneurs. *Business and Society Review*, 127(3), 537590. <https://doi.org/10.1111/basr.12281> .
21. DiMaggio, P. J., & Powell, W. W. (1983). The iron cage revisited: Institutional isomorphism and collective rationality in organizational fields. *American Sociological Review*, 48(2), 147–160. <https://doi.org/10.2307/2095101>
22. Donaldson, T., & Preston, L. E. (1995). The stakeholder theory of the corporation: Concepts, evidence, and implications. *Academy of Management Review*, 20(1), 65–91. <https://doi.org/10.5465/amr.1995.9503271992>
23. Epstein, M., Buhovac, A., & Yuthas, K. (2015). Managing Social, Environmental and Financial Performance Simultaneously. *Long Range Planning*, 48, 35-45. <https://doi.org/10.1016/j.lrp.2012.11.001> .
24. Eskantar, M., Zopounidis, C., Doumpos, M., Galariotis, E., & Guesmi, K. (2024). Navigating ESG complexity: An in-depth analysis of sustainability criteria, frameworks, and impact assessment. *International Review of Financial Analysis*, 95(A). <https://doi.org/10.1016/j.irfa.2024.103380> .

25. EY India. (2025). Driving social impact through CSR and ESG: India's path to sustainability. [https://www.ey.com/en\\_in/insights/climate-change-sustainability-services/driving-social-impactthrough-csr-and-esg-india-s-path-to-sustainability](https://www.ey.com/en_in/insights/climate-change-sustainability-services/driving-social-impactthrough-csr-and-esg-india-s-path-to-sustainability)
26. Fauziah, A., Yulianita, D., Nurhasanah, P., & Prawira, I. (2025). Mengidentifikasi Tantangan yang Dihadapi Perusahaan dalam Pengimplementasian Aspek Sosial pada Prinsip ESG (Environmental, Social, and Governance). *Jurnal Ekonomi Dan Pembangunan Indonesia*, 3(3). <https://doi.org/10.61132/jepi.v3i3.1631> .
27. Freeman, R. E. (1984). *Strategic management: A stakeholder approach*. Boston, Pitman.
28. Friede, G. (2019). Why don't we see more action? A metasyntesis of the investor impediments to integrate environmental, social, and governance factors. *Business Strategy and the Environment*, 28(6). <https://doi.org/10.1002/bse.2346> .
29. *Frontiers in Sustainability*. (2026). ESG as a driver of organizational and social development: Opportunities, investments, performance, and challenges. *Frontiers Research Topics*. <https://www.frontiersin.org/research-topics/75134/esg-as-a-driver-of-organizational-and-socialdevelopment-opportunities-investments-performance-and-challenges>
30. Ghosh, S., Ray, S., Nair, R., Nath, S., & Bishu, R. (2024). Exploring the sustainability of social enterprises: A scoping review. *Journal of Sustainability Research*. [https://sustainability.hapres.com/Upload/PdfFile/JSR\\_1623.pdf](https://sustainability.hapres.com/Upload/PdfFile/JSR_1623.pdf)
31. Ghosh, S., Ray, S., Nair, R., Nath, S., & Bishu, R. (2024). Exploring the sustainability of social enterprises: A scoping review. *Journal of Sustainability Research*.
32. Global Reporting Initiative (GRI). (2023). *Consolidated standards for ESG reporting*. GRI Publications. <https://www.globalreporting.org/standards/>
33. González, A., Olmo, B., & De La Cuesta González, M. (2025). A Multistakeholder Approach to Impact Investing: Focus on Institutional Investors and Key Dimensions. *Research in International Business and Finance*, 75. <https://doi.org/10.1016/j.ribaf.2025.102766> .
34. Greene, J., Caracelli, V., & Graham, W. (1989). Toward a Conceptual Framework for Mixed-Method Evaluation Designs. *Educational Evaluation and Policy Analysis*, 11, 255-274. <https://doi.org/10.3102/01623737011003255> .
35. Impact Hub Network. (2025). Policy recommendations to encourage the adoption of ESG measurement tools among SMEs & startups. <https://impacthub.net/policy-recommendations-to-encourage-theadoption-of-esg-measurement-tools-among-startups/>
36. India ESG Outlook Report. (2025). *Shaping sustainability through environmental stewardship, social impact & inclusive governance*. CSRBox Impact.
37. Jiménez, E., Waddington, H., Goel, N., Prost, A., Pullin, A., White, H., Lahiri, S., & Narain, A. (2018). Mixing and matching: using qualitative methods to improve quantitative impact evaluations (IEs) and systematic reviews (SRs) of development outcomes. *Journal of Development Effectiveness*, 10, 400 - 421. <https://doi.org/10.1080/19439342.2018.1534875> .
38. Kah, S., & Akenroye, T. (2020). Evaluation of social impact measurement tools and techniques: a systematic review of the literature. *Social Enterprise Journal*, 16, 381-402. <https://doi.org/10.1108/sej05-2020-0027> .
39. Kapoor, A. (2023). *Embracing ESG integration: Sustainability for MSMEs in India*. Sattva Consulting. [https://www.sattva.co.in/wp-content/uploads/2023/07/Embracing-ESG-Integration\\_-Sustainability-forMSMEs-in-India.pdf](https://www.sattva.co.in/wp-content/uploads/2023/07/Embracing-ESG-Integration_-Sustainability-forMSMEs-in-India.pdf)
40. Khan, M., Serafeim, G., & Yoon, A. (2021). Corporate sustainability: First evidence on materiality. *The Accounting Review*, 91(6), 1697–1724. <https://doi.org/10.2308/accr-51383>
41. Khare, K. (2025). Integrating ESG in business strategy: A pathway to long-term sustainability. *International Journal of Global Research Innovations & Technology*, 3(2), 19–22. <https://www.inspirajournals.com/uploads/Issues/2026267710.pdf>
42. KPMG. (2023). *Building ESG trust with stakeholders*. Boardroom Leadership Center Report. <https://assets.kpmg.com/content/dam/kpmgsites/in/pdf/2023/07/building-esg-trust-with-stakeholders.pdf>
43. Kulova, I., & Nikolova-Alexieva, V. (2023). ESG strategy: pivotal in cultivating stakeholder trust and ensuring customer loyalty. *E3S Web of Conferences*, 462,

- <https://doi.org/10.1051/e3sconf/202346203035>
44. Li, Y. (2025). Challenges and opportunities in integrating environmental, social and governance practices with sustainable development goals. *Sustainability*, 17(5), 1123. [https://www.mdpi.com/journal/sustainability/special\\_issues/J465KB2VF3](https://www.mdpi.com/journal/sustainability/special_issues/J465KB2VF3)
45. Lutz, F., Delgado, N., & Petrini, M. (2024). The dark side of impact measurement: complexities and drawbacks. *Social Enterprise Journal*, 21(2), 318-335. <https://doi.org/10.1108/sej-03-2024-0049>.
46. Makhija, P., Chacko, E., Kukreja, M., & Agarwal, S. (2023). Sustainable Investing with ESG - Variables Impacting Individual Investor Decisions. *SDMIMD Journal of Management*, 14(2). <https://doi.org/10.18311/sdmimd/2023/32699>.
47. Nurlanovich, B. (2025). Social responsibility and ESG in SMEs for entrepreneurship growth: A systematic mapping study. *BIO Web of Conference*, 175. <https://doi.org/10.1051/bioconf/202517506003>.
48. OECD. (2024). Global trends in Government innovation: Fostering Human-Centered Public Services. OECD Publishing. [https://www.oecd.org/en/publications/global-trends-in-government-innovation2024\\_c1bc19c3-en.html](https://www.oecd.org/en/publications/global-trends-in-government-innovation2024_c1bc19c3-en.html)
49. Ortas, E., Gallego-Álvarez, I., & Álvarez, I. (2018). National institutions, stakeholder engagement, and firms' environmental, social, and governance performance. *Corporate Social Responsibility and Environmental Management*, 26(3), 598-611. <https://doi.org/10.1002/csr.1706>.
50. Palinkas, L., Mendon, S., & Hamilton, A. (2019). Innovations in Mixed Methods Evaluations. *Annual review of public health*, 40, 423-442. <https://doi.org/10.1146/annurev-publhealth-040218-044215>.
51. Pérez-Barea, J. J. (2025). The evolution of social entrepreneurship: Broadening the framework for the digital and sustainable era. *Administrative Sciences*, 15(2), 55. <https://doi.org/10.3390/admsci15020055>
- Pimpa, N. (2025). Environmental, social, and governance communication and actions in Thailand: opportunities and challenges. *Frontiers in Communication*, <https://doi.org/10.3389/fcomm.2025.1543893>
52. ProIndia. (2024). Navigating the storm: Overcoming challenges for Indian SMEs in adopting ESG practices. ProIndia. <https://proindia.net/navigating-the-storm-overcoming-challenges-for-indian-smesin-adopting-esg-practices/>
53. Provensi, T., Marcon, M., Sehnem, S., Campos, L., & Queiroz, A. (2025). Exploring ESG and circular economy in Brazilian companies: the role of stakeholder engagement. *Benchmarking: An International Journal*. <https://doi.org/10.1108/bij-01-2023-0030>.
54. Quilloy-Custodio, K., Newman, A., & Pyman, A. (2024). Measuring the social impact of social enterprises: Scale development and validation. *Business & Society*. <https://doi.org/10.1177/00076503241273275>
55. Quttainah, M., & Paczkowski, W. (2025). Bibliometric Review of Global Environmental, Social, and Governance (ESG) and Sustainability Challenges. *Arab Journal of Administrative Sciences* 31(3). <https://doi.org/10.34120/ajas.v31i3.1327>.
56. Ray, A. (2024). ESG integration in SMEs and startups: Navigating challenges and seizing opportunities. LinkedIn Pulse. <https://www.linkedin.com/pulse/esg-integration-smes-startups-navigating-challengesseizing-ray-ifodc/>
57. Ray, A. (2024). ESG integration in SMEs and startups: Navigating challenges and seizing opportunities. LinkedIn Pulse.
58. Rosário, A. T., Raimundo, R. J., & Cruz, S. P. (2022). Sustainable entrepreneurship: A literature review. *Sustainability*, 14(9), 5556. <https://doi.org/10.3390/su14095556>
59. Rosário, A. T., Raimundo, R. J., & Cruz, S. P. (2022). Sustainable entrepreneurship: A literature review. *Sustainability*, 14(9), 5556. <https://doi.org/10.3390/su14095556>
60. Salin, A., Shamsudin, S., Omar, N., & Raman, S. (2023). ESG compliance – challenges for MSMEs in Malaysia. *I-iECONS e-proceedings..* <https://doi.org/10.33102/iecons.v10i1.129>.
61. SASB (2024). SASB Standard Taxonomy-update 2024. <https://www.ifrs.org/projects/completedprojects/2024/sasb-standards-taxonomy-2024-updates/>
62. Sattva Consulting. (2023). Embracing ESG integration: Sustainability for MSMEs in India. Sattva. [https://www.sattva.co.in/wp-content/uploads/2023/07/Embracing-ESG-Integration\\_-Sustainability-forMSMEs-in-India.pdf](https://www.sattva.co.in/wp-content/uploads/2023/07/Embracing-ESG-Integration_-Sustainability-forMSMEs-in-India.pdf)

63. Scartozzi, G., Delladio, S., Rosati, F., Nikiforou, A. I., & Caputo, A. (2024). The social and environmental impact of entrepreneurship: A review and future research agenda. *Review of Managerial Science*, 19, 1041–1072. <https://doi.org/10.1007/s11846-024-00783-9>
64. Scott, W. R. (2014). *Institutions and organizations: Ideas, interests, and identities* (4th ed.). Sage Publications.
65. Singathurai, S., Selladurai, M., Madhuri, A., Pal, S., Sharma, A., & , D. (2025). Sustainable Social Entrepreneurship: Balancing Profitability with Environmental and Social Impact. *Journal of Information System Engineering and Management*, 10(22). <https://doi.org/10.52783/jisem.v10i22s.3662> .
66. Singathurai, S., Selladurai, M., Madhuri, A., Pal, S., Sharma, A., & , D. (2025). Sustainable Social Entrepreneurship: Balancing Profitability with Environmental and Social Impact. *Journal of Information Systems Engineering and Management*, 10(22). <https://doi.org/10.52783/jisem.v10i22s.3662>.
67. Tong, J. (2025). The Role of ESG in Global Economic Development: Current Status, Challenges, and Future Trends. *Advances in Economics, Management and Political Sciences*, 167. <https://doi.org/10.54254/2754-1169/2025.21173> .
68. Travassos Rosário, A., & Cruz, R. N. (2025). Environment, social, and governance business: Challenges and opportunities. In *Environmental, Social, Governance and Digital Transformation in Organizations* 73–102. Springer. [https://link.springer.com/chapter/10.1007/978-3-031-86079-9\\_4](https://link.springer.com/chapter/10.1007/978-3-031-86079-9_4)
69. Travassos Rosário, A., & Cruz, R. N. (2025). Environment, social, and governance business: Challenges and opportunities. In *Environmental, Social, Governance and Digital Transformation in Organizations* (pp. 73–102). Springer.
70. Treelife. (2024). *ESG in India handbook*. <https://treelife.in/wp-content/uploads/2024/12/ESG-in-IndiaHandbook-by-Treelife.pdf>
71. UNDP. (2023). *Financing sustainable development through ESG integration*. UNDP Policy Brief. <https://desapublications.un.org/publications/financing-sustainable-development-report-2023>
72. Vigolo, M., Baldasso, C., Silvestre, W., Bortolin, T., & Schneider, V. (2025). Evolution of the Environmental, Social, and Governance (ESG) model: a review of its ascending trajectory. *Caderno Pedagogico*, 22(7). <https://doi.org/10.54033/cadpedv22n7-137> .
73. Viriyasitavat, W., Tangwaragorn, P., Boonlertuthai, K., Charoenruk, N., Rhuwadhana, P., Dhiman, G., Shankar, A., & Hoonsopon, D. (2025). Key Factors and Strategies for Stakeholder Engagement in Corporate Sustainability: A Systematic Review. *Journal of Posthumanism*, 5(8), 892-949. <https://doi.org/10.63332/joph.v5i8.3292> .
74. Wernerfelt, B. (1984). A resource-based view of the firm. *Strategic Management Journal*, 5(2), 171–180. <https://doi.org/10.1002/smj.4250050207>
75. Wong, W., Batten, J., Ahmad, A., Mohamed-Arshad, S., Nordin, S., & Adzis, A. (2020). Does ESG certification add firm value?. *Finance Research Letters*, 39, 101593. <https://doi.org/10.1016/j.frl.2020.101593> .
76. Yoo, B. (2025). Exploring Stakeholder and Organizational Influences on ESG Management in the Logistics Sector. *Sustainability*, 17(9), 4243. <https://doi.org/10.3390/su17094243> .
77. Zumente, I., & Bistrova, J. (2021). ESG Importance for Long-Term Shareholder Value Creation: Literature vs. Practice. *Journal of Open Innovation: Technology, Market, and Complexity*, 7(2), 127. <https://doi.org/10.3390/joitmc7020127> .