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Environment, Social and Governance Integration with Investment Decision in Asian Region: A Systematic Literature Review

Mohan Bhandari[1]

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Abstract

Purpose: *This systematic literature review aims to explore the integration of Environmental, Social, and Governance (ESG) factors into investment decision-making in the Asia-Pacific region. The specific objective of the study is to analyze the historical development, adoption drivers, challenges, approaches, and impacts of ESG integration on risk management and investment performance in Asia.*

Methods: *Utilizing the PICo approach guided by PRISMA criteria, 20 relevant publications were systematically reviewed from databases such as JSTOR and Google Scholar to identify trends, frameworks, and regional differences in ESG adoption.*

Results: *The findings indicate that ESG integration in Asia has transitioned from ethical and socially responsible investing to a more sophisticated framework that balances financial performance with environmental sustainability and social equity. Governance factors, particularly board independence and transparency, were found to have the most significant influence on investment decisions. Regional dynamics, such as the impact of climate change, social inequality, and population density, play a crucial role in shaping ESG priorities across different Asian countries.*

Conclusion: *The study concludes that ESG integration offers long-term benefits, including enhanced risk management, better financial performance, and more sustainable business practices. However, challenges such as regional disparities, lack of standardization, and information asymmetry persist.*

Keywords: ESG integration, investing decision, sustainability, risk management

I. Introduction

Environmental, social, and governance (ESG) aspects have been increasingly important in influencing investment decisions in the global financial markets in recent times(Kulal et al., 2023). A growing number of stakeholders, investors, and businesses understand that

[1] *Mohan Bhandari is a Research Scholar, Pokhara University, Faculty of Management Studies Assistant Professor, Gupteshwor Mahadev Multiple Campus, Pokhara, Nepal. Email: mohanbhandari@pusob.edu.np ORCID: https://orcid.org/0009-0004-6429-448X*

sustainable practices are essential to long-term financial performance in addition to being morally required (Onuselogu & Shahzad, 2023). Redefining conventional investment paradigms and bringing about a major change in the financial landscape, the incorporation of ESG criteria into investment choices has gained substantial support (Alda, 2021).The term "ESG" refers to a wide range of standards used to assess how a business operates and how it affects society, the environment, and governance frameworks(Financial Sector Initiative, 2004). Environmental factors include things like resource use, carbon emissions, and mitigating climate change. Social criteria cover things like diversity, community involvement, and labor standards. Examining executive pay, board structures, and compliance with moral business conduct are all part of the governance process.

The integration of ESG factors into investment decisions signifies a departure from the conventional approach of assessing investments purely based on financial metrics(Inderst & Stewart, 2018). This shift reflects a growing acknowledgment among investors that non-financial factors play a critical role in determining a company's long-term viability and resilience. Consequently, investing in companies that not only offer financial gains but also fit with their ideals and improve the environment and society is becoming more and more popular (Lingnau et al., 2022). Interest in studying how environmental, social, and governance aspects affect investment decisions has increased among academics and industry participants as the relationship between corporate sustainability and financial success becomes more widely acknowledged. The recognition of ESG issues by investors and financial institutions is growing, as they are now recognized as crucial factors that not only determine long-term financial success but also serve as ethical imperatives (Boffo & Patalano, 2020). The recognition that companies functioning sustainably are better positioned to manage risks, seize opportunities, and cultivate resilience in the face of a fast-changing global context highlights this mindset shift (Martínez-Peláez et al., 2023). Investors are finding it difficult to properly incorporate ESG factors into their decision-making processes in this dynamic environment. The incorporation of environmental, social, and governance (ESG) aspects into financial analysis imbues it with a subtlety that demands investors to negotiate intricate trade-offs and evaluate the enduring consequences of sustainable practices on business performance(Boffo & Patalano, 2020). In light of this, a thorough analysis of the body of research is necessary in order to extract important lessons, pinpoint knowledge gaps, and lay the groundwork for next studies and real-world applications in the field of sustainable finance.

Traditional financial models, which mostly focused on quantitative measures and past financial success, are being replaced by models that take environmental factors into account when making investment decisions (Park & Jang, 2021). Researchers and industry professionals have charted the development of ESG integration, emphasizing its antecedents in ethical and socially responsible investing (SRI). The idea has developed into a more complex framework throughout time, covering a wider range of elements like as social responsibility, environmental impact, and efficient governance. According to Marzuki et al., (2023) early research in the area stressed the moral requirements of ethical investing and claimed that investment portfolios should be shaped by ethical considerations. But as the conversation developed, scholars started looking at the possible financial effects of ESG integration.

The theoretical underpinnings of ESG integration in investment decision-making are diverse, drawing on various disciplines such as finance, economics, and sustainability studies(Sultana et al., 2018). Stakeholder theory is a significant theoretical framework that directs research in the field of ESG integration with investment decision (Park & Jang, 2021). It asserts that organizations have an obligation to take into account the interests of all stakeholders, not just shareholders, when making decisions. Agency theory also sheds light on the interaction between investors and company management, highlighting the function of governance frameworks in bringing both parties' interests into alignment (Alduais et al., 2023). This hypothesis is crucial to comprehending how governance practices affect investment decisions and, in turn, financial outcomes because ESG factors frequently have an impact on corporate governance.

Asia is a region that straddles the divide between traditional values and the demands of modern development. It is distinguished by its quick economic growth, rich cultural legacy, and numerous social and environmental problems(Johnson & Johnson, 2015). Investors, corporations, and governments in the region are becoming more conscious of the importance of environmental, social, and governance factors when making investment decisions(Parikh et al., 2023). Population density, climate change susceptibility, and social inequality are some of the factors that highlight how important it is to integrate ESG considerations into financial decision-making in Asia(Semet, 2021). ESG integration is emerging as a strategic approach for integrating economic growth with social equality, environmental conservation, and strong governance frameworks as Asian economies attempt to meet sustainable development targets(Aldowaish et al., 2022).To understand the complexities, opportunities, and constraints related to ESG integration in Asian investment decisions, a focused examination of the literature is necessary due to the region's unique dynamics. Providing an extensive synthesis of the body of information on ESG integration in investment decision-making is the main goal of this systematic literature study.

There are several reasons why this systematic review was carried out. First and foremost, it aims to examine how ESG integration has changed over time in investment strategies and investigate the factors that have fueled its uptake in the market. The review endeavors to explicate the approaches and structures employed by financiers and investors to integrate environmental, social, and governance considerations into their decision-making procedures. Thirdly, it aims to assess how ESG integration affects risk management and investment performance, providing insight into the relationship between sustainable practices and financial results.

II. Methods and Materials

This study focuses on the integration of Environmental, Social, and Governance (ESG) factors in investment decisions across Asian markets. A systematic literature review (SLR) was conducted following PRISMA guidelines to ensure a transparent and replicable process. The review protocol was designed to define search strategies, inclusion criteria, and assessment methods. Relevant studies were identified through keyword-based searches. Studies not meeting quality and relevance criteria were excluded. Data were systematically extracted, categorized, and analyzed to identify key themes and trends in ESG integration within investment decisions in Asia.

Formulation of Research Questions

The researchers formulate a research question based on the PICo method. PICo is one of the research question tools to assist the researchers in developing appropriate questions for this review. PICo has three main components that must be included in formulating a question, which is population (P), the interest of the study (I), and context (Co) (Mustaffa et al., 2021). Hence, the researchers have included three main components in formulating a research question, which are ESG integration (Population), investment decision (Interest), and Asia (Context). By combining those three main elements, the research question formulated is - How has ESG integration evolved in investment strategies over time, and what factors have driven its increasing adoption in the market? What approaches and structures do financiers and investors use to integrate environmental, social, and governance considerations, as the existing literature reveals? How does the literature assess the influence of ESG integration on risk management and investment performance, providing insights into the relationship between sustainable practices and financial outcomes?

Review Protocol

A systematic literature review (SLR) was used in this investigation. Creating and confirming the review methodology is the first step. The protocol's goal is to guarantee that the review is transparent, repeatable, methodical, and compliant with the protocols. With varying degrees of certainty, consistency, and confidence, the Systematic Literature Review (SLR) seeks to enable researchers to make judgments and draw conclusions about what is known and unknown regarding the answers to the review questions(Briner & Denyer, 2012). The Preferred Reporting Items for Systematic Reviews and Meta-Analysis (PRISMA) procedure, created by(Liberati et al., 2009), serve as a guide for the researchers' SLR. The "identification," "screening," and "included" phases of the PRISMA article selection process were followed. Figure 1 depicts the procedures that were followed in this investigation.

Identification

The search terms, search parameters, databases, and data extraction method are selected at the identification stage. Research questions must be formulated and the SLR process must follow them. "ESG integration," "investment decision," and "Asia" are the primary keywords that the researchers determined in the first identification step based on the study question. The "empirical studies" that were published in "Journals" in "English" between "2012–2023" served as the inclusion criteria for the article screening. November of 2023 saw the selection of journal papers.

Screening

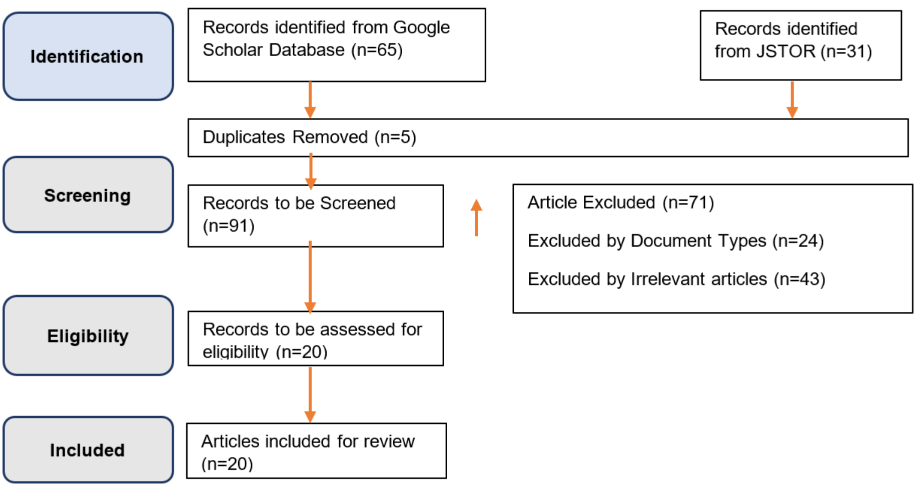
This screening was done mechanically as well as by hand. Articles that met the inclusion requirements that were published in "English" and "journals Article" from "2012–2023" were included through the use of automatic article screening features by study kind, language, report type, and publication date in "JSTOR, and Google Scholar." Consequently, Google Scholar found 65 articles while JSTOR found 31 papers. The following publication genres were not included: non-English articles and articles published within the year range under consideration; conference papers, book chapters, research notes, editorial comments, and unpublished data, such as institutional reports and theses. The second step of the screening process involved retrieving the whole versions of the screened articles for the eligibility assessment.

Procedures in SLR

The PRISMA article selection process's "identification," "screening," and "included" stages were adhered to. The procedures used in this investigation are shown in Figure 1.

Figure 1

Identification of Studies Via Databases and Registers



The Preferred Reporting Items for Systematic Reviews and Meta-Analyses (PRISMA) framework was employed to ensure transparency and rigor in the systematic literature review. Initially, records were identified from two major academic databases: Google Scholar (n=65) and JSTOR (n=31), resulting in 96 records. After the removal of 5 duplicate entries, 91 unique records were screened. During the screening process, 71 articles were excluded for various reasons: 24 were excluded based on document types such as conference proceedings or opinion pieces, 43 were irrelevant to the research scope, and 4 were excluded due to language barriers. This left 20 records for full eligibility assessment. All 20 articles were deemed relevant and met the inclusion criteria, covering aspects such as the evolution of ESG integration in investment strategies, approaches for integrating ESG considerations, and the impact of ESG integration on risk management and investment performance. The final 20 articles were included in the review, providing a comprehensive basis for understanding the progression and influence of ESG integration in the investment decision-making process within the Asian region. This structured PRISMA approach ensured that only high-quality and relevant studies were included, maintaining the integrity of the systematic review.

Eligibility and Inclusion for Data Extraction

After screening the relevant articles as per the research questions were included as eligible articles for review and extraction of data.

Table 1

Inclusion and Exclusion Criteria of the Works Used for the Analysis.

Inclusion criteria of the works	Exclusion criteria
As part of the literature, ESG integration with investment decisions in Asia, where “ESG” refers to the environmental, social, and governance.	ESG integration in different models
Published from 2012 to 2023	Out from the chosen time frame
Peer-reviewed articles	Reports, master’s or doctoral theses, book chapters, notes
Published in the Google Scholar and JSTOR databases	Duplicates
Countries of the Asia	Extra-Asia

III. Results and Discussion

The systematic literature review identified key trends and insights into ESG integration in investment decision-making across the Asian region. The selected studies highlight a progressive shift in investment strategies toward incorporating environmental, social, and governance (ESG) factors, driven by increasing market awareness, regulatory frameworks, and investor demand for sustainable practices. Various approaches and methodologies for ESG integration were observed, ranging from qualitative assessments to quantitative scoring systems. The analysis also discovered significant implications of ESG integration for risk management and financial performance, emphasizing its role in enhancing portfolio resilience and generating sustainable returns. The findings are summarized in the subsequent meta-analysis table. Table 2provides an overview ofthe objectives, methodology, and major findings of the included papers.

Table 2

Overview of the Author, Study Objectives, Methodology, and Findings

Author	Study objectives	Methodology	Findings
Elder and Olsen (2012)	Enhance international cooperation on the Asia-Pacific environment and development through a capacity and information exchange platform.	Review drivers, treaties, institutional strengths/ weaknesses, and global examples of environmental cooperation.	Asia-Pacific, diverse and constrained, requires regional cooperation for capacity building and information sharing in low-carbon road-maps, climate change mitigation, & adaptation plans.
Madhur (2012)	Assess Asia's potential in shaping global economic governance in the 21st century and identify associated challenges.	Historical analysis, examination of evolving institutional architecture, and discussion of Asia's potential roles and challenges.	Asia's growing economic weight enhances its potential role in global economic governance, contingent on addressing key challenges.
Paswan (2013)	Examine investment cooperation prospects and challenges in Central Asia, assess reasons for cooperation, and outline new FDI waves.	Qualitative research involving literature review, economic data analysis, and potential comparative analysis.	Central Asia is increasingly attractive for FDI. Intra-regional trade is low, economies over-dependent on resources, and regional cooperation in investment needs enhancement.
Takahashi and Kato (2013)	Compare environmental cooperation mechanisms in Northeast Asia, ASEAN, and South Asia.	Analyze existing multilateral initiatives, discuss actors, and suggest ways to promote environmental cooperation.	Presence of parallel institutions with little coordination, weak structures, and the need for improved funding and coordination highlighted.
Albrecht and Greenwald (2014)	Examine financial materiality of sustainability in Japanese companies, quantify benefits, and analyze environmental reporting in automotive and technology.	Used online questionnaire and public disclosures for qualitative identification of reported information and best practices.	Japanese companies excel in reporting business benefits of environmental initiatives but underperform in linking sustainability to social aspects and broader corporate strategy.
Sultana et al. (2018)	Evaluate individual stock market investors' ESG considerations in Bangladesh.	A positivist paradigm, and SEM with a closed-ended Likert scale questionnaire.	Governance issues had the most significant influence on investment decisions, promoting market stability and sustainable national growth.

Volz (2018)	Analyze green lending in Asia, analyze financial governance initiatives, identify innovations, and promote green finance adaptation.	Systematic examination of data, case studies, and investigation of governance initiatives.	Green finance in Asia has grown but remains a small percentage of total funds. China and Bangladesh are pioneers. Weaknesses in the financial system constrain its response to risks and opportunities.
Mumtaz andMith (2019)	Evaluate Green Banking Policy, analyze environmental risks, explore economic growth opportunities, understand Green Finance's role in improving manufacturing, compare initiatives in developing countries.	Employ qualitative and quantitative methods to assess environmental risks and their consequences.	China and India show progress in developing and implementing green finance procedures. However, reviewed countries lag due to concerns like capacity, employee training, accountability, and borrower awareness, hindering green finance practices' application.
Kedia et al. (2020)	Identify critical elements for post-pandemic development. Examine India's COVID-19 economic package for greening recovery gaps.	Mixed methods with quantitative analysis of 162 measures and qualitative inputs from industry experts.	Greening economic packages, drawing from past recoveries, can drive sustainability. Policymakers must prioritize targeted investments and long-term reforms.
Ng et al. (2020)	To fill the knowledge gap by examining the connection between financial development and ESG performance in Asia.	Pooled ordinary least squares technique, the fixed effects regression model.	Financial development is positively related to ESG success
Cherkasova and Irina (2021)	Analyze the relationship between ESG activities and corporate financial performance in seven regions.	Used econometric models (panel data and ordered response logit), descriptive statistics, and the maximum likelihood method.	Investors should consider firms in Developed Asia or for positive ESG influences on financial performance and credit rating.
Liyanage et al. (2021)	Investigate policy gaps in Botswana and Sri Lanka compared to the EU.	Qualitative approach using grounded theory, constant comparison, and data triangulation from interviews and document analysis.	The EU's sustainable development policies encompass climate, energy, environment, investment, and sustainable finance, emphasizing disclosure and regulatory strategies.

Park and Jsang (2021)	Present a South Korea-specific ESG model, identify ESG elements' importance, seek institutional investor consensus, and inform corporate, investor, and regulatory decisions.	Employ Analytical Hierarchy Process, assess institutional investors' perceptions, and validate the model through feedback.	Environmental and governance factors heavily influence investors' decisions. South Korea-specific variables are significant. Consensus levels among institutional investors are high.
Sarangi (2021)	Assess ESG status, evolution, and development trajectory by mapping governing ESG investments.	Mixed-method approach using qualitative and quantitative techniques, relying on secondary data sources.	Companies excel in policy disclosure and governance, outperforming in ESG integrated investments, with consistent performance observed even during the COVID-19 pandemic.
Hasib and Basher (2022)	Analyze Bangladesh Bank's green financing and understand the evolving green financing landscape. Review studies for insights on combating climate change.	Systematic review of green banking initiatives, summary of studies, and discussion of policy issues.	Bangladesh Bank's green policies must enhance climate readiness. "Climate stress tests" can assess banks' vulnerability. Mobilizing funds for retail investors is crucial for green economy success.
Lee et al. (2022)	Investigate ESG impact on stock price crashes in Korea, examine social factor correlation, and analyze heterogeneity between MNCs and non-MNCs.	Agency-cost perspective, firm-specific crash risk measure, expanded market model regression, three hypotheses, regression analysis, and robustness checks.	Environment and social factors significantly impact MNCs. Overall, ESG negatively impacts stock price crashes.
Aki (2023)	Examine drivers and barriers for ESG performance in BSE top 100 companies.	Mixed methods with secondary data collection and a structured questionnaire for primary data.	Companies excel in governance policy disclosure; ICT, Finance & Insurance, and Oil & Gas sectors lead in ESG disclosure.
Kim and Koo (2023)	Examine the impact of split ESG ratings on information asymmetry, corporate value, and trading behavior. Test risk-based and optimism-bias hypotheses on opinions' relationship with future stock prices.	Use ESG data from two agencies, convert ratings to numeric scores, and categorize into three groups. Match ESG ratings with financial data, excluding firms without prior-year financial data.	Split ESG ratings increase information asymmetry, reduce corporate value, and have varying effects on trading volume. Positive correlation found between split ESG ratings and idiosyncratic volatility.

Neoh et al. (2023)	Investigate the correlation between board composition, diversity, independence, and ESG disclosure in Malaysian publicly listed boards, contributing to ESG reporting literature and enhancing investor transparency.	Comprehensive literature review and examination, referencing empirical studies on corporate governance variables and ESG disclosure.	Positive relationships found between board independence, size, women directorship, and voluntary ESG disclosure. Significant positive relationships noted between board independence, diversity, and ESG disclosure practices across sectors.
Yoon et al. (2023)	Evaluate Korean companies' ESG practices against UN SDGs. Provide insights for effective sustainability policies and pathways for ESG management.	Text mining techniques, TF-IDF analysis, semantic network analysis, and CONCOR analysis applied to Korean companies' sustainability reports.	Korean companies focus on consumer protection and excel in ESG evaluations. Emphasis on global partnerships is lacking, but they prioritize social contributions and climate change responses, aligning with international SDGs.

From the systematic analysis of the research articles governance issues have the most significant influence, followed by social and environmental issues.Integrated ESG aspects contribute to stable stock markets and overall sustainable growth(Sultana et al., 2018). Liyanage et al., (2021) recommended factors to be considered in formulating a national framework for sustainable financial systems.According to Neoh et.al, (2023), there is a positive relationship between board independence, size, women directorship, and voluntary ESG disclosure. Sarangi (2021) states that ESG-integrated assets outperform their counterparts and better performance in policy disclosure and governance compared to environmental and social factors. Cherkasova and Irina, (2021) identified successful regions in engaging in ESG activities by emphasizing the impact of a company's headquarters region on the relationship between financial performance and investing in ESG projects.Mumtaz and Smith, (2019) analyzed green finance mechanisms for sustainable development in Pakistan. The researcher emphasizes the need for support from banks and regulators to implement Green Finance. Aki(2023) found that the companies show better governance policy disclosure and reporting than environmental and social factors.ICT companies lead in ESG disclosure, driven by customers and government regulations. According to Kim and Koo, (2023) split ESG ratings lead to greater information asymmetry and lower corporate value.Hasib and Basher, (2022) suggested strengthening green policies and conducting climate stress tests. The researcher also found the significance of mobilizing funds for retail investors for a successful green economy.

According to Volz (2018), there is rapid growth of green lending in Asia, with notable pioneers being China and Bangladesh, there is weaknesses and failures within the financial system that constrain responses to viable, resilient investments.Greater influence of environmental and governance factors on investors' decisions in South Korea. There are differences in weights given by Refinitiv and MSCI, highlighting country-specific variables (Park & Jang, 2021).Korean companies prioritize consumer protection and climate change but lack focus on global partnerships (Yoon et al., 2023).The study of international cooperation on environment and development in Asia-Pacific Elder & Olsen (2012)mentions that the Asia-Pacific region needs enhanced regional cooperation for sustainable development. Paswan, (2013) found that central Asia is becoming an attractive destination for FDI, and deepening regional cooperation on investment among the CARs economies is recommended.According to Lee et al., (2022), there is a negative correlation between social (S) factors and stock price crashes for all companies and MNCs and a significant impact of environment (E) and social (S) factors on MNCs. Madhur, (2012) found that Asia's potential to play a bigger role in global economic governance depends on addressing key challenges. Japanese companies out-perform in reporting the business benefits of their environmental initiatives but under-perform in social aspects (Albrecht & Greenwald, 2014)

Historical Development of ESG Integration in Asia

The evolution of ESG integration in the Asia-Pacific region represents a significant departure from traditional investment paradigms that prioritize financial indicators. Originally rooted in ethical and socially responsible investing (SRI), ESG integration has developed into a sophisticated framework that evaluates governance effectiveness, environmental impact, and social responsibility (Marzuki et al., 2023). The transition signifies a broader recognition of non-financial factors as critical determinants of long-term corporate success. Early research predominantly centered on the ethical dimensions of SRI; however, recent studies have expanded to explore the financial implications of ESG integration. Theoretical foundations, including agency theory and stakeholder theory, have played a vital role in shaping this transition. Agency theory emphasizes aligning the interests of investors and corporate management through robust governance structures, while stakeholder theory advocates for a broader consideration of all stakeholders in the decision-making process (Park & Jang, 2021; Alduais et al., 2023).

Drivers and Approaches to ESG Adoption

In Asia, the adoption of ESG practices has been driven by several factors, including regulatory pressures, investor awareness, and the increasing relevance of sustainability in mitigating risks and seizing opportunities. The shift towards ESG integration reflects a growing consensus among investors, corporations, and policymakers that sustainable businesses are more resilient and better equipped to thrive in dynamic global markets (Martínez-Peláez et al., 2023). Governance emerges as the most critical component of ESG integration, as evidenced by the positive associations between board independence, gender diversity, and voluntary ESG disclosures (Neoh et al., 2023). Social and environmental factors, while important, are often secondary in priority. For instance, the inclusion of women in directorial roles and board size has been linked to improved ESG performance and enhanced risk management outcomes. Several frameworks have been proposed to guide the inclusion of ESG factors in investment decision-making. Sultana et al. (2018) argue that integrating ESG components fosters overall sustainable growth and contributes to the stability of stock markets. This integration leads to superior performance in areas such as governance transparency and policy adherence compared to traditional investments. Additionally, the preference for ESG-integrated assets highlights their ability to deliver long-term financial and sustainability benefits, underscoring the strategic importance of ESG adoption in investment portfolios.

Impact of Regional Dynamics on ESG Performance

Regional contexts significantly influence the prioritization and execution of ESG initiatives in Asia. Differences in cultural, economic, and regulatory landscapes result in varied approaches to ESG integration. For instance, Korean companies place substantial emphasis on consumer protection and climate change initiatives, yet they show limited engagement in global partnerships, reflecting a localized focus on domestic challenges (Yoon et al., 2023). Similarly, Japanese firms exhibit strong environmental reporting capabilities but lag in addressing social issues, such as workforce diversity and community engagement (Albrecht & Greenwald, 2014). These regional nuances underscore the need for tailored ESG strategies that address specific local priorities while contributing to broader sustainability objectives. The role of geographic location also influences the relationship between financial performance and ESG initiatives. Companies based in regions with robust regulatory environments and active civil societies tend to achieve better ESG outcomes, as these factors create an ecosystem conducive to sustainable practices (Cherkasova & Irina, 2021). In Asia, the interplay of high population density, social inequality, and vulnerability to climate change presents unique challenges and opportunities for ESG integration (Semet, 2021).

Challenges in ESG Integration

Despite its potential, ESG integration faces several challenges that hinder its widespread adoption. One significant issue is the lack of consistency in ESG ratings, which creates information asymmetry and reduces corporate value. Kim and Koo (2023) highlight how discrepancies in ESG ratings by agencies such as Refinitiv and MSCI lead to investor confusion, complicating decision-making processes. Moreover, fragmented frameworks and methodologies impede the establishment of universally accepted ESG standards, further complicating the integration process. The need for enhanced environmental regulations, climate stress assessments, and targeted financial instruments for individual investors is also critical (Hasib & Basher, 2022). Addressing these gaps requires coordinated efforts among policymakers, corporations, and financial institutions to develop robust ESG evaluation systems and implement transparent reporting mechanisms.

Strengthening Collaboration among Stakeholders

To address the challenges in ESG integration, fostering stronger collaboration among key stakeholders including governments, regulatory bodies, corporations, investors, and civil society is crucial. Such partnerships can enhance the consistency and transparency of ESG practices, bridge gaps in regional priorities, and mitigate discrepancies in ESG ratings. Collaborative efforts can help standardize ESG frameworks and ensure their adaptability to regional dynamics, as highlighted by the variations in ESG priorities and performance across Asian economies (Yoon et al., 2023; Park & Jang, 2021). By creating unified frameworks and sharing best practices, stakeholders can collectively establish universally accepted ESG standards. Public-private partnerships can also play a pivotal role in driving innovation in sustainable finance by funding research, developing tools for climate stress assessments, and designing investment products to support individual and institutional investors (Hasib & Basher, 2022). Such initiatives align with the global shift towards sustainable practices and bolster the resilience of both markets and economies in the face of evolving challenges (Aldowaish et al., 2022).

Global and Local Perspectives on ESG Integration

The Asia-Pacific region's emphasis on ESG integration aligns with global trends in sustainable finance. Studies such as Inderst and Stewart (2018) emphasize the limitations of traditional financial metrics in addressing long-term corporate success, advocating for the inclusion of non-financial factors in investment strategies. The integration of ESG components into corporate frameworks is increasingly recognized as a means to enhance risk management, improve operational resilience, and promote sustainable growth (Lingnau et al., 2022). Alduais et al. (2023) further reinforce the importance of aligning stakeholder and investor interests through effective governance frameworks. This alignment not only improves ESG performance but also enhances overall corporate value. Additionally, ESG integration serves as a strategic tool for addressing regional challenges, such as environmental degradation, social inequality, and governance inefficiencies, while promoting economic growth (Aldowaish et al., 2022).

IV. Conclusion and Implication

This systematic literature review discloses that ESG integration in investment decisions across the Asian region is gaining prominence, with governance emerging as the most influential factor in shaping investment outcomes. Strong corporate governance structures, transparency, and regulatory frameworks play a crucial role in driving investor confidence and financial stability. The review highlights those regional variations such as climate risks, demographic trends, and socio-economic disparities significantly impact ESG priorities, necessitating localized approaches rather than a one-size-fits-all model.Despite progress, challenges persist, including fragmented ESG disclosure standards, inconsistent rating methodologies, and data asymmetry, which hinder effective ESG implementation. Addressing these issues requires standardized reporting frameworks, region-specific evaluation metrics, and stronger public-private collaborations to enhance ESG integration. Additionally, policy harmonization across Asian markets is essential to create a more structured and transparent ESG investment landscape.The findings emphasize that ESG integration in Asia is not just a response to global sustainability trends but a strategic necessity for mitigating risks, improving investment resilience, and achieving long-term financial and environmental sustainability. Future research should focus on refining ESG assessment models tailored to Asia's unique socio-economic and regulatory environments, ensuring that sustainable investment practices align with both regional priorities and global standards.

The study has several key implications at the policy, academic, and personal levels. From a policy standpoint, the study highlights the need for the standardization of ESG metrics to improve transparency and reduce information asymmetry, which would facilitate more informed decision-making. Policymakers should also focus on promoting green finance initiatives and encouraging public-private partnerships to foster sustainable investments, especially in developing markets. Academically, the study lays a strong foundation for future research, advocating for the development of theoretical frameworks that integrate ESG factors with traditional financial decision-making

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