Evaluating Sustainable Investment Deal Flows in Emerging Markets through an ESG and BRSR (Business Responsibility and Sustainability Reporting) Conformance Framework and its Influence on Government Policy

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Abstract

Background: A long-term-term shortage of sustainable investment is observed in emerging economies and is estimated to be between 2.5 and 4 trillion per year (UNCTAD, 2023), which dramatically curtails the capabilities of countries to meet Sustainable Development Goals.

Markets like India are faced by three obstacles, which are inter-related, and have hindered efforts to boost sustainability reporting and disclosure: uneven distribution of ESG capital to developed market, institutional capacity to generate credible sustainability disclosures and information asymmetry that exaggerates the importance of risks and increases capital costs in otherwise viable sustainable businesses.

Purpose: The paper examines the ways in which ESG and BRSR compliance frameworks could help reduce the information asymmetry, maximize the efficiency of the sustainable investment deal flow and shape government policy in emerging economies. India would be used as the major empirically based setting, with China and various other countries in the South Asia area taken as the comparable economies in the analysis.

Methodology: The study uses a triangulated sequential mixed method design which involves three stages of analysis. The semi-structured interviews, structured survey, and focus group discussions make up data collection, which are later incorporated in a detailed analysis.

Results: Pilot results refer to the fact that many organizations undertaking an ESG-related activity do not have the documentation capacity required to indicate compliance to international capital providers. These findings support the fact that information asymmetry is the major structural impediment to SIFs.

Conclusion: The authors present a study suggestion of an ESG Deal Flow Filtration Matrix, along with a conformance model designed to be specific to the developing economies. This framework provides a viable channel to make capital allocation ineffective and educate the formulation of more sensitive government policy.

Index Terms

ESG, BRSR, Government Policy Reform, Risk Mitigation