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From Commitment to Compliance: Legal Reforms Driving an Eco-Conscious Economy

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ABSTRACT

ESG is the new norm, and it is not new to be vouching for its integration, but the gap between commitment to do so and compliance to abide by it needs to be restructured. This research discusses the vital importance of legal change in converting green commitments into corporate obligations in order to construct an environment-friendly economy. Its quest for reaching the status of a global economic superpower is directly related to its capability to embrace Environmental, Social, and Governance (ESG) principles. This paper specifically examines the lacunae in the current laws, like the Environment (Protection) Act, 1986, Companies Act, 2013, and Energy Conservation Act, 2001, to address the problems with ESG guidelines. It identifies their obsolete prescriptions, feeble mechanisms for enforcement, weak penalties, and lack of public input as barriers to fulfilling environmental aims. It claims that rule of law-based procedures, as opposed to self-regulation, result in a more sound and consistent strategy of sustainable development. Citing examples of global best practices — including those espoused by the EU Green Deal, UN PRI and ASX ESG mandate- it makes the case for the country to conform to international norms for its regulatory environment. According to this perspective, the study shows that a profit-first approach to corporate governance, low incentives, and transparency problems all contribute to ineffective ESG compliance. It emphasizes how tax advantages, governance integration, and required reporting can all be addressed by legal reforms to encourage sustainable business practices. As a step towards accountability and transparency, the paper's conclusion examines recent regulatory developments, specifically SEBI's framework for ESG rating providers. In order for India to achieve the goal of "Viksit Bharat," it urges the swift adoption of a legal ecosystem that connects commitment and compliance. The nation can become a globally competitive, ecologically conscious economy by incorporating ESG into legally binding requirements, turning it from a performative pledge into a quantifiable, legally binding route to sustainable development.

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I. INTRODUCTION

India is an aspiring economy and the most efficient tactic to achieve its goal is to have an eco-conscious economy. It is not surprising that India's business houses will always play the role of game changers in the global forum and it is through shaping these, that we can achieve the target. The idea of going sustainable has been evolving in these businesses ever since and it is high time that it should be integrated into an economic lifestyle for multiple reasons. However, the one main reason to do so is surely a legal amalgamation of business and environment to target strengthened efficiency on the globe.

These legal frameworks are not only essential to generate global interest in India's economy but on the other side, it also serves a larger purpose that benefits India beyond profits, especially in terms of risk management and innovation attracting higher foreign investments that act crucial for the growth of business in India³. This is effective for the 'Atmanirbharta of BHARAT' and to target this, currently, the most sought-after task is a need to shift from such voluntary initiatives penned down on paper to strict implementation and adjudication by authorities in ground reality. Briefly speaking- 'a shift from such commitments to actual compliances' and ESG seems like the most ideal answer to this achievement in the near future.

But, have we ever pondered upon important aspects like why 'law' particularly is the remedy to even problems like environment and commerce? Well, it is so because to continue having a progressive economy the real-time aim of India should be to tackle problems even before they occur. With already existing sustainable economies like Scandinavians, Mexico, Brazil, Germany etc. any further delay in actions on this issue would mean already losing the race to being the 3rd. largest economy. Thus, if the Indian economy identifies its lacunas pre-examining every corporate environmental detail, the law would work as the best-suited mechanism to control any casualties resulting thereafter, taking into consideration that the law is of utmost importance to India and its commercial industry.

So, effective legislation seems the most accurate option now, which can play a pivotal role in aligning all corporations with their ideal goal to create an Environmental and Social Governance (ESG) and ultimately bridge the gap that has been created between India as a developing nation and an already developed nation.

³ S.H.M. Radzi, N.A. Hamid & R.F. Ismail, *An Overview of Environmental, Social and Governance (ESG) and Company Performance*, 131 **Eur. Proc. Soc. & Behav. Sci.** 1111 (2023), <https://doi.org/10.15405/epsbs.2023.11.90>.

Problem Statement

India stands at a confluence point of its economic progress, looking for global superpower status and fulfilling the mandates of sustainable development. Despite increasing awareness and voluntary adherence of Environmental, Social, and Governance (ESG) principles grow, a wide disparity exists between corporate rhetoric and regulatory adherence. A lack of a stringent legal regime for the enforcement of ESG practices undermines India's environmental and economic ambitions. Existing legislations like the Environment (Protection) Act, 1986, Companies Act, 2013, and Energy Conservation Act, 2001 are antiquated, off-target from international standards, and lack stringent penalties, imprecise terms, weak application, and limited stakeholder engagement.

Indian companies' reluctance to voluntarily comply with their ESG standards is due to a variety of systemic failures — lack of economic rationale, absence of statutory disclosure of ESG, prohibitively expensive sustainability transition expenditures, and ineffective regulatory grip. Even where CSR is in place, these are transformed into box-ticking exercises rather than strategic undertakings towards sustainable development. Furthermore, India's poor showing in environmental rankings on the world stage renders the critical importance of integrating ESG in legally binding corporate governance imperative.

Global models like the EU Green Deal, UN PRI, and ASX ESG standards give a road map of economic and reputational benefits of legally putting in place ESG, which can be followed by India. India, however, does not yet have a comprehensive, integrated ESG legal framework that can firmly write sustainability into its economic DNA. This piece seeks to fill the lacuna by critically exploring India's regulatory deficit and calling for legal reforms to impose ESG compliance. In its efforts, the research tries to prove that it is only through legally binding mechanisms that ESG can be transformed from a performative statement of commitment to a transformative force for engendering a resilient, environmentally conscious Indian economy worthy of its “Viksit Bharat” vision.

Problem Hypothesis

If India assumes an integrated, enforceable legal regime that aligns its ESG mandates with corporate governance and economic incentives, then India can make the shift from performative ESG promises to substantive compliance, which can bring about a globally competitive, eco-aware economy.

The hypothesis owes its origin to the observed disconnect between the rising discussion on India's ESG and the grassroots experience of weak compliance. Voluntary standards and self-

regulatory policies represent the prevailing framework at present, but the same are not efficient for ensuring sustainability on the longer run. Companies avoid ESG accountability due to poor laws, minor penalties, lack of financial triggers, and outdated statutory mechanisms.

This note theorises that legal change is not only desirable but required for ESG normalisation in India's economic and corporate sectors. An enforced regime of ESG will introduce standard definitions, targets, disclosures, and penalties, countering inertia and lack of transparency commonly seen in corporate ESG practice. International case studies, including the EU's Taxonomy Regulation and the UN PRI, suggest that legal requirements not only bring about greater ESG performance but also strengthen company reputation, investor trust, and foreign investment inflows. In short, by importing these global best practices through domestic law, ESG compliance can be switched from being an ethical aspiration to a statutory business necessity.

Furthermore, it hypothesises that ESG-driven legislation can be coupled with incentivization through tax credits, access to ESG-related finance, and stock exchange certification to make sustainable activities profitable, thus inducing voluntary adherence. Institutionalising ESG concerns on a legal and financial level for India will also usher in wider rewards through better climate resilience, innovation, risk management, and inclusive development.

Regulatory-wise, the discussion holds that facilitating institutions like SEBI and implementing mandatory ESG scoring by regulated rating providers shall bridge transparency gaps. In addition, the integration of governance and social factors, which are often overlooked in Indian discourse on ESG, in company law can allow for comprehensive accountability. Thus, the central hypothesis stresses that binding ESG legal changes fomented by economic rationale and administrative momentum can be the catalyst India needs to transform sustainable development from a dream to a competitive advantage. Such transformative potential embodies the national vision of “Viksit Bharat,” which suggests that environmental protection and economic development are not mutually exclusive but mutually reinforcing.

II. THE EXIGENCY OF LEGAL REFORMS

The basic notion of corporate pollution is restricted to thinking of it as an air, water, and noise pollutant, and so much of it goes unaddressed. The unrequited resource depletion, competition and power abuse, lack of alternatives of disposal and direct implications of economic globalization are in some manner equally a reason to hold companies accountable towards their duty to the environmental, social, and governance plan.

The tough job is to only identify where to hold businesses responsible and whether they even play a role in mitigating these issues at the front. The answer stems from another major question that is: *why do ESG and Law used in common parlance become more efficacious than companies' already existing self-regulatory policies?* To identify this, the understanding of legal reforms is important. It is because not all countries are shaped by imposing regulations and neither are they maintained by subtle requests. Legal reforms work on the idea of locating a balanced view. It subsidizes the idea of presumption of facts and sets standards of contemporary issues such as the ESG. It is through these reforms that we evolve and identify parameters to strengthen the economy by integration.

However, are legal reforms a result of a continuous monetary and labor-oriented approach? This is a critical question that India still needs to answer. The important integration of ESG has not been aptly highlighted especially in the context of India's economy⁴. Though the scope of ESG policies has widened, it does not find suitable importance in an economic forum and it is so because we have not been able to locate yet, how conforming to ESG practices simply by adjusting our economy to the environment would be a crucial role in achieving the goal of an eco-conscious economy. But the fact that we do not need larger steps to achieve great things rather just small steps leading to a greater cause. With active ESG integration⁵, India can transparently adapt newer laws by analyzing the process of OLS (ordinary least square)⁶. These processes would help India analyses its current position in terms of economics and finance and in turn, prove to be a beneficial step for BHARAT.

However, the voluntary business commitments have hefty gaps that hinder us from reaching our goal faster, some of which are:

1. Companies do not evaluate the financial risks attached to violating the environmental laws and thus are not prepared for their mitigation. Deviating from taking environmental responsibilities would simply mean diverting half of the investment capital into correcting mistakes. This only hampers the growing profitability and in turn, generates a lack of trust in the working capital and ESG norms of the company.
2. ESG sets the benchmark for other economies however, many companies aim for

⁴ G.K. Sarangi, *Resurgence of ESG Investments in India: Toward a Sustainable Economy* (2021), <https://hdl.handle.net/10419/249463>.

⁵ Guido Giese, Linda-Eling Lee, Dimitris Melas, Zoltán Nagy & Laura Nishikawa, *Foundations of ESG Investing: How ESG Affects Equity Valuation, Risk, and Performance*, 45(5) **J. Portfolio Mgmt.** 69 (2019), <https://doi.org/10.3905/jpm.2019.45.5.069>.

⁶ P. Sharma, P. Panday & R.C. Dangwal, *Determinants of Environmental, Social and Corporate Governance (ESG) Disclosure: A Study of Indian Companies*, 17(4) **Int'l J. Disclosure & Governance** 208 (2020), <https://doi.org/10.1057/s41310-020-00085-y>.

profitability and not expansion in ESG. This leaves only 4% of India aiming for global competition, clearly leaving a mighty gap in the Indian economy and its growth.

3. Due to slack in transparency by companies in providing accurate ESG data, a lot of discrepancies arise when ESG analysts look for corporate performances⁷. This leads to conflicts and disagreements between analysts and corporates which can result in eviction from the public interest in the company.
4. Companies fear self-regulation when it comes to ESG and solely rely on legal obligations to fulfil their environmental aspirations. This reduces the company's reliability in re-generating ESG practices, and laws need to be continuously flown in the companies so that they are not misused.
5. Companies do not take an interest in ESG incentives⁸. Thus, they are not encouraged to become active members of its promotion. This cuts down half the economic effort and leaves us back with the same short-term goal, which is profit.

The OECD lists down an RBC (responsible business conduct) that evades such laxity effectively contributing to achieving the ESG through SDG⁹.

III. THE OBSTACLES IN REACHING THE ESG SUCCESS

Legal mandates have the potential to shape anything and everything. It is the very same mandate that also creates an obstacle in reaching economic goals that strengthen the nation. Thus, the following legal gaps need to be addressed:

Environment Protection Act, 1986¹⁰

1. **Outdated Provisions:** The enactment of the Act was back in 1996 and there has not been any significant update to address contemporary environmental challenges such as climate change, biodiversity loss, and plastic pollution.
2. **Non-alignment with global standards:** The Act is also not in line with our international commitments of the Paris Agreement¹¹ which bestows upon us the obligation of reaching

⁷ S. Kotsantonis & G. Serafeim, *Four Things No One Will Tell You About ESG Data*, 31(2) **J. Applied Corp. Fin.** 50 (2019), <https://doi.org/10.1111/jacf.12346>.

⁸ Witold Henisz, Tim Koller & Robin Nuttall, *Five Ways That ESG Creates Value* (2019), https://www.hbsab.org/s/1738/images/gid8/editor_documents/2020-2021_pdf-lib_ttg/20200823b_mckinsey_five-ways-that-esg-creates-value.pdf.

⁹ Org. for Econ. Co-operation & Dev. (OECD), *Responsible Business Conduct and the Sustainable Development Goals* (2018), <https://mneguidelines.oecd.org/RBC-and-the-sustainable-development-goals.pdf>.

¹⁰ Parliament of India, *The Environment (Protection) Act, 1986*, at 267–270 (1986), https://www.indiacode.nic.in/bitstream/123456789/4316/1/ep_act_1986.pdf.

¹¹ United Nations, *The Paris Agreement*, <https://www.un.org/en/climatechange/paris-agreement> (last visited June 22, 2025).

our targets of reducing carbon content by 2030¹².

3. **Ambiguity in Definitions:** It is high time that we incorporate a holistic definition of some most prominent terms like "sustainable development" and "environmental impact" which remain untouched and silent even in present times when the entire world has opened the gates of vulnerability in terms of environmental imbalance. Their unclear definition leads to inconsistent interpretation and implementation.
4. **Limited Scope:** The Act's area of concern is pollution control but fails to administer and adequately address wider issues like ecosystem restoration, circular economy, and incorporation of green hydrogen or carbon emissions.
5. **Insufficient Penalties:** Penalties for non-compliance are often minimal and not deterrent enough for large corporations. The language of the Legislation focuses more on weak penalties rather than the imposition of strict guidelines in terms of environmental protection which portrays a regressive outlook.
6. **Lack of Public Participation:** The Act again leaves out meaningful public participation in environmental decision-making, which is critical for accountability and this would lead to non-attainment of even basic environmental goals let alone the concept of eco-conscious economy.

Companies Act, 2013¹³

1. **The infamous CSR (Corporate Social Responsibility) Limitations:** While Section 135 mandates CSR spending for certain companies¹⁴, it does not specifically require environmental sustainability initiatives. Many companies treat CSR as a compliance checkbox rather than a strategic commitment to sustainability. A provision that must have been integrated as a strict reporting framework has lacked in ESG incorporation and companies have failed drastically to incorporate such measures into their core business practices.
2. **Weak Reporting Standards:** The Act mandates financial reporting but lacks stringent requirements for environmental or sustainability reporting, leading to inconsistent and non-comparable disclosures.

¹² B. Li & N. Hane Klaus, *The Potential of India's Net-Zero Carbon Emissions: Analyzing the Effect of Clean Energy, Coal, Urbanization, and Trade Openness*, 8 **Energy Rep.** 724 (2022), <https://doi.org/10.1016/j.egy.2022.01.241>.

¹³ Government of India, *The Companies Act, 2013*, <https://www.mca.gov.in/Ministry/pdf/CompaniesAct2013.pdf> (last visited June 22, 2025).

¹⁴ G.S. Dhanesh, *Why Corporate Social Responsibility? An Analysis of Drivers of CSR in India*, 29(1) **Mgmt. Comm. Q.** 114 (2014), <https://doi.org/10.1177/0893318914545496>.

3. **Missing stringent Penalties for Non-Compliance with CSR:** Companies that fail to meet CSR spending requirements face no significant penalties¹⁵, reducing the questioning of the effectiveness of the provision.

Energy Conservation Act, 2001¹⁶

1. **Limited Scope:** Primarily, it focuses on energy efficiency and conservation but does not address renewable energy adoption or decarbonization comprehensively.
2. **Inadequate Incentives:** The Act lacks robust incentives for businesses to adopt energy-efficient technologies or transition to renewable energy sources.
3. **Weak Enforcement:** The problem becomes more adhesive since there is no strong mechanism to monitor and enforce compliance, especially for small and medium enterprises (SMEs).

Challenges in Enforcement Mechanisms

1. **Lack of Monitoring and Oversight:** Presently, there is no Regulatory Authority with abundant resources, expertise, and manpower to effectively monitor compliance with environmental and energy conservation laws.
2. **Delayed Justice:** We now have a practice of delayed Justice, and "Justice delayed is justice denied." Judicial processes for environmental violations are often slow, leading to delayed justice and reduced deterrence.
3. **Inconsistent Implementation:** Different states and regions may interpret and enforce laws differently, leading to uneven compliance.
4. **Lack of Incentives for Businesses to Go Beyond Compliance:** The adoption of the ESG phase will be swifter when businesses have larger incentives to adopt it since business relies on the concept of profit-making. Lack of incentives would thus mean creating a grey area of no opportunities to expand, and non-compliance will follow.
5. **Extreme Costs of Sustainability transition:** Transitioning to eco-friendly practices often requires significant upfront investment, which many businesses are unwilling to make without financial incentives, as it could dilute their capitalist pathways.
6. **Limited Market Rewards and Appreciation:** Consumers and investors do not always reward sustainable practices or reinforce the steps taken by businesses towards ensuring

¹⁵ Nayan Mitra & René Schmidpeter, *The Why, What, and How of the CSR Mandate: The India Story*, in **CSR, Sustainability, Ethics & Governance** 1 (2016), https://doi.org/10.1007/978-3-319-41781-3_1.

¹⁶ Parliament of India, *The Energy Conservation Act, 2001* (2001), <https://www.indiacode.nic.in/bitstream/123456789/2003/1/A2001-52.pdf>.

it, reducing overall compliance.

7. **Absence of Tax Benefits:** There are limited tax incentives or subsidies for businesses that adopt sustainable practices or invest in green technologies, while tax incentives have often proved to be beneficial in generating a compliant attitude.
8. **Strict compliance with other laws over environmental laws:** Robust laws such as the IBC impose an obligation to rectify the NPA account within 90 days. This encourages companies for short-term term, as many businesses prioritize short-term profits over long-term sustainability due to market pressures and shareholder expectations.
9. **No mandatory framework** leading to inconsistent practices failing the purpose of an all-round global ESG integration and heavier non-compliances within domestic boundaries.
10. **Absence of a relationship between policies** creates a void between the implementation on the actual reality, and the idea of it in ESG integration, ultimately leading to unfulfilled goals and aspirations.
11. **Absence or inadequate focus on governance and social aspects** leading to a diverted view from real problems and a parasocial approach to the actual implementation of integration of ESG methods.
12. **Inclusivity issues:** An extremely reduced and limited role of financial institutions, even after being the most efficient systems to be able to solve compliance barriers, leads to an indirect approach and a disguised form of unsuccessful integration.
13. **No link with our SDGs**, which are guaranteed for the environmental protection of the nation, making the plan rather far-fetched and counterintuitive.

IV. THE IDEALISTIC VIEW: THE ERA OF SURPASSING BIGGER ECONOMIES

A. Global Practices of Change

ESG was looked at as the most emerging issue. The United Nations saw its relevance very early and came out with a signed Principles of Responsibilities¹⁷ by countries about making ESG the most valued and appropriate global action. It lays down the importance of ESG integration, promoting acceptance, reporting activities, and incorporating ownership policies.

EU Taxonomy¹⁸ sets the European market in line with its Green Deal¹⁹, which aims to make a

¹⁷ Principles for Responsible Investment (PRI), *What Are the Principles for Responsible Investment?* (Aug. 6, 2024), <https://www.unpri.org/about-us/what-are-the-principles-for-responsible-investment> .

¹⁸ European Commission, *EU Taxonomy for Sustainable Activities*, <https://finance.ec.europa.eu/sustainable->

green, carbon-free environment for Europe in a net-zero trajectory by 2050. It accommodates the goals for 2030 to efficiently transform the EU into a climate and energy generation center and actively motivate financial and non-financial countries to achieve a common sustainable goal to engage larger foreign investment and get rid of greenwashing by adopting true practices.

The Global Reporting Initiative²⁰ lays down frameworks and standards²¹ for guiding ESG to success. Frameworks only lead to voluntary disclosure, whereas standards set agendas, particularly when aimed at a targeted goal for ESG. What we need are the requisite standards for reformation and growth.

Even the US links the ESG to its positive firm performance (FP)²². They have realized the debate of firms and their impact on the environment. It progressively supports the form to take effective actions in this regard and directs its actions towards CSR.

B. Effects of green practices via law on the global world

The US and European countries create enough mandates for organizations to come forward and guide their reports to disclose what status they hold in terms of their ESG practises²³.

1. Financial terminology is discretely used to disclose what parameters will be set to establish ESG practices.
2. The companies are encouraged to establish ESG as a threshold to the prosperity of the country's economic growth.
3. The US and Europe also give special attention to finding legislative and regulatory lacunae to address these questions in narrower phases rather than trying to eradicate issues.

The ESG finds its way into the ASX (Australian Securities Exchange)²⁴ where more than 300 companies actively respond by including it in their framework²⁵. These countries achieve

finance/tools-and-standards/EU-taxonomy-sustainable-activities (last visited June 22, 2025).

¹⁹ European Commission, *The European Green Deal* (July 14, 2021), https://commission.europa.eu/strategy-and-policy/priorities-2019-2024/european-green-deal_en.

²⁰ GRI, *ESG Standards, Frameworks, and Everything in Between* (2022), <https://www.globalreporting.org/media/jxkgrggd/gri-perspective-esg-standards-frameworks.pdf>.

²¹ I. Frecautan & A. Nita, *Who Is Going to Win: The EU ESG Regulation or the Rest of the World? – A Critical Review*, 31 *Annals U. Oradea Econ. Sci.* 109 (2022), [https://doi.org/10.47535/1991auoes31\(2\)011](https://doi.org/10.47535/1991auoes31(2)011).

²² B.A. Alareeni & A. Hamdan, *ESG Impact on Performance of U.S. S&P 500-Listed Firms*, 20(7) *Corp. Governance* 1409 (2020), <https://doi.org/10.1108/cg-06-2020-0258>.

²³ E.E.A. Daschbach & C. Hanawalt, *ESG Legislation, Regulation, and Legal Implications*, in *World Scientific eBooks* 29 (2024), https://doi.org/10.1142/9789811297786_0002.

²⁴ J. Chen, *Australian Securities Exchange (ASX): What It Is, How It Works* (Aug. 19, 2021), <https://www.investopedia.com/terms/a/asx.asp>.

²⁵ *supra* note 21

goals even above their expected target, which makes their economy exceedingly resourceful.

The most important competitions and inspiring economic countries already find themselves ahead of the world by indulging in the blue ocean of the undiscovered economic advantages of ESG.

Note that this is given importance in the global standards for reasons of building international trust, showing commitment to the environment, uniquely planning for economic growth, and building trust in the agents of ESG contributors. Global economies could not give their time to a topic that reduces itself to nothingness.

C. Lessons for India

It would be an understatement to say that India has a long way to go.

The Indian economy creates a mirage of the illusion of being just an aspiring economy. However, the actual economic growth of India speaks for itself and it would not be false to claim that it finds itself capable of achieving too much and can do so only if it builds itself at the modern pace.

India has a wider scope and since the ESG remains unresearched in the Indian context a panel regression model analysis²⁶(An equation of testing the relationship between dependent and independent variables²⁷) has better implications for the economy that wants to excel in its economy strengthening its futuristic vision.

V. ESG LEGAL REFORMS TO THE RESCUE

A forward-looking law requires a study of the status of India's ESG standards. The 2024 rankings of India stand as:

1. TRADE INDEX SUSTAINABILITY²⁸- India has been ranked 23rd in terms of its economic and societal functions of environmental protection.
2. ENVIRONMENTAL PERFORMANCE INDEX²⁹- India is placed at 176 out of 180 countries in the EPI.
3. CRISIL ESG RATING³⁰- Lists down all Indian companies that adopt essential ESG

²⁶ Hemlata Chelawat & Indra Vardhan Trivedi, *The Business Value of ESG Performance: The Indian Context*, 5 *Asian J. Bus. Ethics* 195 (2016), <https://link.springer.com/article/10.1007/s13520-016-0064-4>.

²⁷ Rezart Demiraj, Suzan Dsouza & Enida Demiraj, *ESG Scores Relationship with Firm Performance: Panel Data Evidence from the European Tourism Industry*, 16 *PressAcademia Procedia* 116 (2022) (11th Istanbul Fin. Cong.), <https://doi.org/10.17261/Pressacademia.2023.1674>.

²⁸ IMD Business School, *Sustainable Trade Index 2024* (Jan. 16, 2025), <https://www.imd.org/centers/wcc/world-competitiveness-center/rankings/sustainable-trade-index/>.

²⁹ *2024 Environmental Performance Index*, <https://epi.yale.edu/measure/2024/EPI> (last visited June 22, 2025).

³⁰ Crisil ESG Ratings & Analytics Ltd., *CRISIL ESG*, <https://www.crisilesg.com/> (last visited June 22, 2025).

practices and gives them a global rating. Some of them include Adani, Apollo, Ajanta and Aditya Birla have a standard rating and the potential to expand.

This narrates the scenario that an all-around legal framework can impact a global change to the Indian economy given the authorities' interference in the existing conditions.

One such recent development is the Securities Exchange Board of India which has already released a framework of regulation for the ESG Rating providers or the ERPs³¹ to enhance transparency in the disclosure of ratings. SEBI has mandated this registration to issue the ERP license. SEBI now conditions the ERPS to withdraw from any of these subscriber pays and the issuer pays models³².

How do these two models' function is a bigger catch- SEBI licenses the ratings to be withdrawn in case the policy attracts no subscribers under the subscriber pays model as of the date of the withdrawal. The withdrawal will only not be possible when the rating entity is a subscriber to a package, such as a Nifty 50 Index.

On the other hand, in the issuer pays model, the provider can withdraw the rating after providing securities on completion of the period of observation amounting to 3 years or 50% of value- whichever is higher after 75% bondholder's consent.

A category II model of ERP shall also come into effect in 2 years after issuance of new rules including auditing and composition of nomination and remuneration committee³³.

Thus, the vision of VIKSIT BHARAT is not far and the day we shall achieve an ESG is the day we shall see an eco-conscious economy strengthened to its fullest potential.

VI. CONCLUSION

"We cannot choose between [economic] growth and sustainability, we must have both" ~Paul Polman.

So far, integrating ESG into India's economy seems to be a brilliant and progressive idea. However, without adequate or even enough legal frameworks, the idea will collapse into a worthless investment.

³¹ Securities & Exchange Board of India (SEBI), *Registered ESG Rating Providers*, <https://www.sebi.gov.in/sebiweb/other/OtherAction.do?doRecognisedFpi=yes&intmId=47> (last visited June 22, 2025).

³² Securities & Exchange Board of India (SEBI), *Master Circular for ESG Rating Providers (ERPs)* (July 2023), <https://www.sebi.gov.in/legal/master-circulars/jul-2023/master-circular-for-esg-rating-providers-erps-73856.html>.

³³ B.A. Gorde, *SEBI Moves to Tighten Rules for ESG Rating Withdrawals*, Business Line (Feb. 13, 2025), <https://www.thehindubusinessline.com/markets/sebi-proposes-measures-for-esg-rating-providers-to-withdraw-ratings-and-disclose-rationale-with-conditions-for-different-revenue-models/article69215668.ece>.

ESG is not just a ‘method,’ it is also a ‘means’ and we cannot be competing against economies without strengthening our own. Sufficiently, this is a guarantee as to why our ESG policies should no longer be devoid of strategised innovations, effective policies, and proper legal guidance.

When India reaches a step closer to the amalgamation of these elements, and commitments are portrayed to compliance, that shall be the rise of the eco-conscious economy and only then shall we see the strengthened BHARAT of our dream.
