

The Role of ESG in Shaping Economic Growth

A Systematic Literature Review

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Abstract

Environmental, Social, and Governance (ESG) factors have emerged as critical drivers of sustainable economic growth in recent decades. This systematic literature review examines the interplay between ESG practices and economic growth, focusing on regional and sectoral differences, methodological approaches, and key findings from empirical studies. Using PRISMA guidelines, this review analyzes 23 peer-reviewed articles published between 2014 and 2024. The findings indicate that ESG significantly contributes to economic growth by attracting foreign direct investment (FDI), enhancing corporate financial performance, and fostering sustainability. However, the impact varies across regions, with notable differences between developed and developing countries. This study highlights the importance of integrating ESG principles into national and corporate strategies to achieve long-term economic resilience.

Keywords : *Economics; Sustainability; Governance; Economic Growth*

INTRODUCTION

Economic growth is a fundamental goal for nations and corporations alike. However, traditional growth strategies often neglect the environmental, social, and governance dimensions, which are critical for long-term sustainability. The integration of ESG factors has become a global priority due to mounting challenges such as climate change, social inequality, and corporate accountability. For instance, the Paris Agreement has heightened commitments to reducing carbon emissions, while growing public scrutiny emphasizes the importance of ethical corporate practices (Brooks & Oikonomou, 2018; Duque-Grisales & Aguilera-Caracuel, 2021; Eccles et al., 2014; Friede et al., 2015; Xie et al., 2019).

Companies adopting robust ESG frameworks are increasingly recognized as leaders in attracting investments and fostering financial stability (Khalil et al., 2024; Radhi et al., 2024). The significance of ESG integration is further underscored by its role in shaping competitive advantages for organizations. Empirical evidence highlights that ESG-aligned strategies not only enhance corporate reputation but also drive innovation and operational efficiency. For example, Chen & Lin, 2023 demonstrated that ESG performance significantly improves financial stability, while Mohd Daud et al., 2024 linked ESG initiatives to innovation-led economic growth.

Moreover, the emphasis on ESG aligns closely with the United Nations Sustainable Development Goals (SDGs), providing a global framework for coordinated efforts toward economic and environmental resilience (Ahmad et al., 2024; Gidage & Bhide, 2024). This systematic literature review seeks to explore the multifaceted relationship between ESG and economic growth. It synthesizes

findings from diverse contexts, focusing on regional and sectoral differences, key mechanisms of impact, and existing gaps in the literature. By consolidating insights from studies such as Zhou et al., 2024 on ESG's role in high-emission industries and Işık et al., 2024 on ESG-driven growth in Asia, this review aims to provide actionable recommendations for policymakers, practitioners, and academics alike.

RESEARCH METHODOLOGY

This study adopts the PRISMA (Preferred Reporting Items for Systematic Reviews and Meta-Analyses) framework to ensure a transparent and structured review process (Page et al., 2021).

Data Sources

Peer-reviewed articles were collected from only Scopus databases focusing on studies published between 2014 and 2024.

Inclusion and Exclusion Criteria

- **Inclusion:** Articles that analyze the relationship between ESG and economic growth, use empirical data, or focus on regional/sectoral case studies.
- **Exclusion:** Non-academic sources, theoretical papers without empirical analysis, and studies not available in English.

Data Analysis

In addition to the systematic methods described above, this study integrates visual network analysis to illustrate the connections between key ESG and economic growth themes. Figure 1, Figure 2 and Figure 3 below provides a network visualization created using VOSviewer, highlighting clusters of related terms such as ESG ratings, financial performance, and economic growth. This network map offers insights into the relationships between these key concepts and helps identify regional and sectoral trends in ESG research. The selected articles were categorized based on their focus on ESG dimensions (Environmental, Social, Governance), regional context (developed vs. developing countries), and sectoral applications (energy, finance, manufacturing)

Keyword queries: ("environmental" OR "social" OR "governance" OR "ESG") AND ("economic growth" OR "economic development" OR "GDP" OR "financial performance") AND ("sustainability" OR "corporate responsibility" OR "ethical investing" OR "social impact") AND ("investment" OR "capital" OR "funding" OR "finance") AND ("policy" OR "regulation" OR "framework" OR "guideline")

RESULT AND DISCUSSION

Studies consistently show that ESG practices positively impact economic growth by improving corporate performance, attracting FDI, and enhancing market competitiveness (Chipalkatti et al., 2021; Friede et al., 2015; Wu et al., 2024). For example, companies with strong ESG commitments have

reported increased investor interest, as evidenced in studies analyzing global financial markets. Additionally, empirical research from Asian countries highlights how ESG initiatives in the energy sector drive innovation and efficiency, leading to higher economic productivity (Kengkathran, 2019; Wang et al., 2023).

ESG initiatives foster economic growth through environmental sustainability, social welfare, and robust governance practices. Environmental initiatives, for instance, help reduce resource inefficiencies and promote innovation, contributing directly to economic productivity. Similarly, social practices improve workforce productivity and community engagement, while governance frameworks enhance corporate accountability and investor confidence (Fometescu et al., 2024; Işık, Ongan, Islam, Pinzon, et al., 2024; Skvarciany & Jurevičienė, 2024).

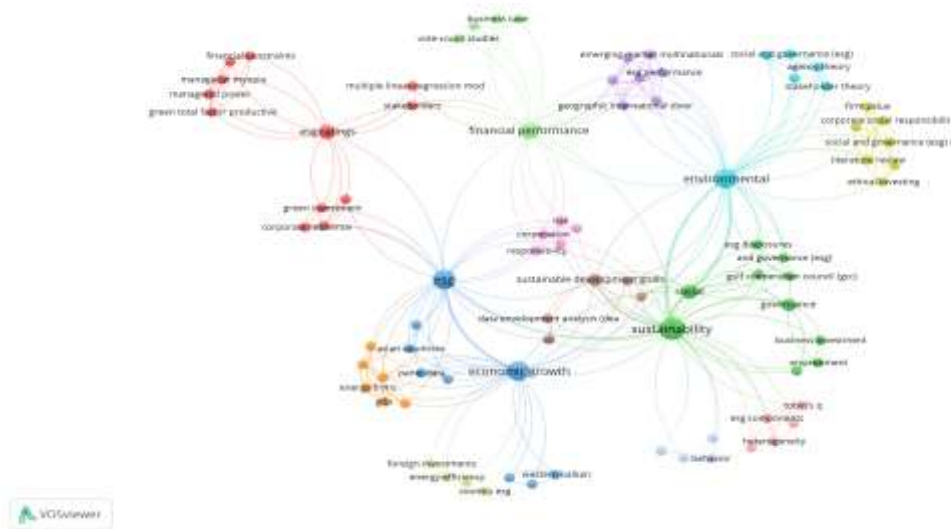


Figure 1. Co-occurrence of keyword network visualization

ESG improvements at the country level significantly enhance economic growth by improving energy efficiency, promoting human capital accumulation, and attracting foreign investments (Ahmad et al., 2024; Gidage & Bhide, 2024). For example, ESG ratings positively influence green total factor productivity (GTFP) by alleviating financial constraints, mitigating managerial myopia, and enhancing supply chain efficiency, particularly in non-state-owned firms and non-polluting industries. In emerging economies, ESG performance indicators show a positive relationship with GDP per capita, with significant impacts observed in both energy and non-energy sectors. However, the governance component of ESG has a varied impact, sometimes negatively influencing economic performance in non-energy firms, while environmental and social components show no significant influence in these sectors.

and sustainable business models. Collaboration between these stakeholders is essential to address global challenges and ensure long-term economic sustainability.

Looking forward, the interplay between ESG and emerging technologies presents an exciting area for future research. Understanding how digital transformation can enhance ESG implementation will provide valuable insights for academics and practitioners. By addressing these areas, stakeholders can unlock the full potential of ESG to foster inclusive and sustainable economic growth.

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