

**ESG AWARENESS AND IMPLEMENTATION PRACTICES: EVIDENCE FROM
STARTUP COMPANIES IN COIMBATORE DISTRICT**

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Abstract

Environmental, Social and Governance (ESG) practices have emerged as critical determinants of sustainable business performance and long-term organisational resilience. ESG adoption has been widely examined in large corporations, limited empirical attention has been given to startup companies, particularly in emerging entrepreneurial ecosystems. The study investigates the level of ESG awareness and the extent of its implementation among startup companies in Coimbatore district. The research adopts an analytical research design using primary data collected from startup company entrepreneurs through a structured questionnaire. The study measures ESG awareness across environmental, social, and governance dimensions and evaluates the extent to which these principles are integrated into organisational practices. Statistical tools are employed to examine variations in ESG awareness and implementation across different startup characteristics.

Keywords: Startup Companies, Environmental Social and Governance (ESG), ESG Awareness and Implementation, Coimbatore District

Introduction

Environmental, Social and Governance (ESG) is a comprehensive framework used to assess an organisation's commitment to sustainable, ethical, and responsible business practices. The ESG evaluates how a company manages its impact on the natural environment, including energy consumption, carbon emissions, waste management, water usage, pollution control and sustainable sourcing of raw materials. ESG includes labour welfare, diversity and inclusion, human rights protection, community development, consumer safety and stakeholder engagement. The concept of ESG has gained significant global importance in the last decade as sustainability has become central to economic growth and corporate performance. Investors and financial institutions increasingly use ESG criteria to evaluate long-term risk and value creation potential. Companies that effectively integrate ESG principles are often perceived as more resilient, transparent, and capable of managing emerging environmental and social risks.

In India, the regulatory framework for sustainability reporting has strengthened under the guidance of the Securities and Exchange Board of India (SEBI), which introduced the Business Responsibility and Sustainability Reporting (BRSR) requirements for top listed companies. Although such regulations directly apply to large corporations, their influence extends indirectly to small and medium enterprises and startups through supply chain expectations, investor requirements, and market competitiveness. Subsequently, ESG is no longer viewed as a voluntary or peripheral initiative but as a strategic necessity for long-term business sustainability.

Environmental Social Governance (ESG) in Startup Companies

In the context of startup companies, ESG assumes particular significance. Startup companies are newly established, innovation-driven companies characterised by scalability, technology adoption and high growth potential. Unlike large corporations with established structures and resources, startup companies operate in dynamic environments where adaptability and innovation are essential. In their early stages, startup companies often prioritise survival, market penetration and financial stability. However, integrating ESG principles during the foundational stages of business development can yield substantial long-term benefits. Early adoption of sustainable practices can shape organisational culture, enhance credibility, attract responsible investors and create competitive differentiation in increasingly sustainability conscious markets.

The growing emphasis on responsible investment has further amplified the importance of ESG for startup companies. Venture capital firms, angel investors and institutional investors are progressively incorporating ESG screening criteria into funding decisions. Startup companies demonstrating environmental responsibility, ethical governance and positive social impact may gain improved access to funding opportunities and strategic partnerships. Moreover, customers, especially younger and environmentally conscious consumers prefer businesses that align with sustainability values. Therefore, ESG awareness among startup founders and managerial teams plays a vital role in influencing implementation levels.

Startup Ecosystem in Coimbatore District

The startup ecosystem in Coimbatore has experienced notable growth over the past decade, transforming the district into a vibrant entrepreneurial hub in Tamil Nadu. Traditionally recognised for its strong industrial base in textiles, manufacturing, foundry and engineering sectors, Coimbatore has expanded into emerging domains such as information technology, renewable energy, healthcare innovation, agritech and fintech. The city's robust educational infrastructure, presence of technical institutions and skilled workforce contribute significantly to entrepreneurial development. Incubation centers, industrial associations and collaborative networks further strengthen the startup environment. In recent years, the growing emphasis on sustainable business practices has begun to influence the startup ecosystem in Coimbatore. Although ESG adoption among startup companies in the district is still at a developing stage, there is a gradual shift toward integrating environmental, social and governance principles into business operations.

Startup companies operating in sectors such as renewable energy, agritech and technology driven services demonstrate relatively higher engagement with environmental sustainability through energy efficient processes, waste reduction practices and eco-friendly product innovation. The implementation of ESG practices is often influenced by factors such

as investor expectations, market competitiveness, regulatory awareness and access to professional guidance. As sustainability becomes a strategic priority at national and global levels, strengthening ESG awareness and structured implementation among startup companies in Coimbatore District is essential for fostering responsible and resilient entrepreneurial growth.

Review of Literature

Friede et al. (2015) conducted a comprehensive meta-analysis examining the relationship between ESG criteria and corporate financial performance. The study reviewed over 2,000 empirical studies and found that the majority reported a positive correlation between ESG practices and financial performance. The findings suggest that sustainability integration contributes to long-term value creation and risk mitigation. Although the study focused primarily on large corporations, it provides a theoretical foundation supporting ESG adoption across all business sizes, including startups.

Fatemi et al. (2018) analysed the impact of ESG performance on firm value. The study found that both strengths and weaknesses in ESG performance significantly influence market valuation. Importantly, governance quality was identified as a critical moderating factor. The finding suggests that startups with structured governance practices may enhance investor confidence and long-term viability.

Souza et al. (2024) undertook a systematic literature review examined the competitive advantages associated with sustainable startups in the context of growing Environmental, Social, and Governance (ESG) awareness. Using the PRISMA 2020 protocol, the study analysed 44 articles sourced from the Scopus and Web of Science databases to understand how sustainability practices contribute to startup competitiveness. The findings indicate that sustainable startups effectively integrate economic and environmental objectives, foster continuous innovation, attract investment, reduce regulatory risks and demonstrate greater adaptability to market changes. The review further highlights the importance of advanced technologies and circular economy strategies in enhancing operational efficiency and ensuring regulatory compliance. Despite these insights, the study identified significant research gaps concerning the mechanisms through which ESG practices create competitive advantages for startups.

Deng et al. (2025) explored the relationship between Environmental, Social and Governance (ESG) performance and the financial performance of startups in emerging economies. The study proposes that strong ESG practices act as a signal of quality and legitimacy, helping startups overcome the liability of newness by reducing information asymmetry among external stakeholders. Using longitudinal data, the findings reveal a positive association between ESG performance and financial outcomes. The positive impact of ESG is weakened in settings with high digitalization, greater analyst coverage and well-developed regional institutions, as these provide alternative sources of credibility. Conversely, intense industry competition strengthens the ESG performance link by enhancing its differentiation value.

Research Gap

Despite the growing importance of Environmental, Social and Governance (ESG) practices in ensuring sustainable business performance, existing literature is largely concentrated on large corporations and publicly listed firms, with limited empirical attention

given to startup companies, particularly in emerging economies like India. Startup companies operate under unique conditions such as resource constraints, informal structures and high uncertainty, which may significantly influence their level of ESG awareness and implementation, yet this dimension remains underexplored. Moreover, prior studies predominantly focus on ESG outcomes like financial performance and firm valuation, rather than examining the foundational aspects of awareness and early-stage adoption among entrepreneurs. Additionally, there exists a geographical gap, as research is mainly centered on developed economies and metropolitan cities, while emerging entrepreneurial ecosystems in Tier II regions such as Coimbatore district have received limited scholarly attention. Furthermore, there is a lack of integrated analysis of environmental, social and governance dimensions within startup contexts, as these components are often studied in isolation. Hence, the study addresses these gaps by empirically examining ESG awareness and its implementation among startup companies in Coimbatore district using a comprehensive analytical approach.

Statement of the Problem

Environmental, Social and Governance (ESG) principles have become increasingly important for ensuring sustainable business growth and long-term organisational performance. Large corporations are progressively integrating structured ESG frameworks due to regulatory mandates and investor expectations, the level of ESG awareness and implementation among startup companies remains uncertain, particularly in emerging entrepreneurial ecosystems. In the context of Coimbatore District, a rapidly developing startup hub, there is limited empirical evidence regarding how entrepreneurs perceive ESG principles and the extent to which these principles are integrated into their business operations. The potential gap between ESG awareness and actual implementation among startups remains largely unexplored. Therefore, a systematic investigation is necessary to assess the level of ESG awareness and implementation practices among startup companies in Coimbatore.

Objectives of the Study

1. To examine the level of Environmental, Social, and Governance (ESG) awareness among startup companies in Coimbatore District.
2. To assess the extent of implementation of ESG practices among startup companies in Coimbatore District.

Research Methodology

According to the data obtained from Startup TN, a total of 207 startup companies were registered in Coimbatore District in the year 2022. Out of this population, a sample of 104 respondents, representing 50 per cent of the total startup companies, was selected for the study. The respondents were chosen using the Simple Random Sampling Technique.

Analysis and Interpretation

Table 1
Awareness about Environmental, Social, and Governance (ESG)

Variables	Particulars	Frequency	Per Cent
Awareness about ESG	Yes	104	100
	No	0	0

	Total	104	100
ESG Practice improve Long Term Business Performance	Yes	80	77
	No	24	23
	Total	104	100
Familiar ESG Dimension	Environmental	13	13
	Social	6	6
	Governance	12	12
	All Three Equally	73	70
	Total	104	100

Source: Primary Data

Awareness about ESG

Out of the 104 respondents, 100 % reported that they are aware of ESG. This indicates complete awareness of ESG among the respondents. The fact that 100 percent of the sample is aware displays that ESG concepts are fully known within the study group.

ESG Practice Improves Long-Term Business Performance

A significant majority (77 %) perceive ESG implementation as beneficial for long-term business sustainability and growth. However, nearly one-fourth (23 %) of the respondents are not convinced about its long-term impact, suggesting some level of uncertainty and hesitation.

Familiar ESG Dimension

The majority of respondents (70 %) possess comprehensive knowledge of all three ESG dimensions. Among the individual dimensions, Environmental awareness (13 %) is slightly higher than Governance (12 %) and Social (6 %). The Social dimension records the lowest percentage, representing comparatively lesser standalone familiarity.

Table 2
Implementation of Environmental, Social and Governance (ESG)

Variables	Particulars	Frequency	Per Cent
Current Level of ESG Implementation in the Startup Company	Fully Implemented	80	77
	Partially implemented	14	13
	Planning stage	8	8
	Not Implemented	2	2
	Total	104	100
Allocation of Budget for ESG Activities	Yes	40	38
	No	64	62
	Total	104	100
Consideration of ESG during Major Business Decisions	Yes	74	71
	No	30	29
	Total	104	100
	Insufficient Finance	73	70

Major Barrier to ESG Implementation	Lack of Technical Expertise	20	19
	Regulatory Complexity	8	8
	Difficulty in Measuring ESG Performance	3	3
	Total	104	100

Source: Primary Data

Current Level of ESG Implementation in the Startup Company

A majority of startups (77%) have successfully implemented ESG practices, followed by 13 per cent partially implemented ESG practices, while only a small fraction (10%) is still planning or have not started.

Allocation of Budget for ESG Activities

Most startups (62%) do not dedicate a budget for ESG activities, indicating financial constraints or lower prioritization of ESG in resource allocation.

Consideration of ESG during Major Business Decisions

A significant majority of startups (71%) integrate ESG considerations into their major decisions, showing awareness of sustainability despite limited budget allocation.

Major Barrier to ESG Implementation

The primary barrier to ESG implementation is insufficient finance (70%), followed by lack of technical expertise (19%), Regulatory complexity (8%) and finally difficulty in measuring ESG performance accounted 3 per cent.

ESG Implementation Level and Age of the Startup Company

A Kruskal –Wallis test was conducted to examine the difference in ESG implementation levels across different age groups of the startup company.

Table 3

ESG Implementation Level	Age of the Startup Company	N	Mean Rank
	1 to 3 years	23	28.85
	3 to 5 years	46	67.09
	5 to 10 years	35	48.87
	Total	104	

Source: Computed from Primary Data

The mean rank indicates the relative position of ESG implementation levels among the groups. A higher mean rank represents a higher level of ESG implementation. It is observed that startup companies aged 3 to 5 years have the highest mean rank (67.09), indicating relatively higher ESG implementation compared to the other age groups. Startup companies in the 1 to 3 years category have the lowest mean rank (28.85), suggesting comparatively lower ESG implementation. The 5 to 10 years category occupies a moderate position. This shows that ESG implementation appears to be more prominent among startup companies in their mid-growth stage (3–5 years).

Table 4
Test Statistics

ESG Implementation Level	
Kruskal-Wallis H	28.991
df	2
Asymp. Sig.	.000

Source: Computed from Primary Data

The Kruskal–Wallis test was conducted to examine whether ESG implementation levels differ across startup companies based on their age. The test statistics table reveals that the Kruskal–Wallis H value is 28.991 with 2 degrees of freedom and a p-value of 0.000, which is less than the 0.05 level of significance. Therefore, the result is statistically significant. This confirms that there is a significant difference in ESG implementation levels among startup companies based on their age.

Post Hoc Analysis

The Kruskal-Wallis test showed significant differences, a post hoc analysis was performed to find which groups differed. The Dunn-Bonferroni method was used to adjust for multiple comparisons.

Table 5
Pairwise Comparisons of Age of the Startup Companies

Sample1 – Sample 2	Test Statistic	Std. Error	Std. Test Statistic	Sig.	Adj. Sig*
1 to 3 years – 5 to 10 years	-20.024	7.579	-2.642	.008	.025
1 to 3 years – 3 to 5 years	-38.239	7.211	-5.303	.000	.000
5 to 10 years to 3 to 5 years	18.216	6.334	2.876	.004	.012

Source: Computed from Primary Data

*Significance Values have been adjusted by the Bonferroni Correction for Multiple Tests

The Dunn – Bonferroni post hoc test was conducted to identify specific differences among the age groups of startup companies following a significant Kruskal–Wallis result. The adjusted significance values indicate that all pairwise comparisons are statistically significant at the 5 per cent level. There is a significant difference between startups aged 1 to 3 years and 5 to 10 years (Adj. Sig. = 0.025), between 1 to 3 years and 3 to 5 years (Adj. Sig. = 0.000), and between 5 to 10 years and 3 to 5 years (Adj. Sig. = 0.012). Since all adjusted p-values are less than 0.05, it can be concluded that each age category differs significantly from the others with respect to the study variable. This implies that the age of the startup companies has a significant influence on the variable under study, and the differences are evident across all three stages.

Conclusion

The study concludes that Environmental, Social and Governance (ESG) principles have gained strong recognition among startup entrepreneurs in Coimbatore District, reflecting a growing orientation toward sustainable and responsible business practices within the regional entrepreneurial ecosystem. While awareness levels are exceptionally high and many startups have begun incorporating ESG considerations into their operational and strategic activities, the formal structuring of these initiatives remains limited, particularly in terms of dedicated financial investment. The findings further indicate that startup companies with greater operational maturity demonstrate more substantial ESG integration, suggesting that organisational stability plays a key role in enabling sustainability adoption. Overall, although the entrepreneurial community exhibits a positive attitude toward ESG, practical implementation is constrained by resource and capability challenges, underscoring the necessity for policy support, targeted capacity-building efforts and access to sustainability-focused funding to promote deeper integration of ESG practices and ensure long-term business resilience.

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