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ENVIRONMENTAL, SOCIAL, AND GOVERNANCE (ESG) PRACTICES AND BUSINESS SUSTAINABILITY IN MALAYSIA: A SYSTEMATIC REVIEW OF EVIDENCE AND FUTURE DIRECTIONS

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Abstract

Environmental, Social, and Governance (ESG) practices have moved from the periphery of corporate strategy to a central determinant of access to capital, legitimacy, and long-term competitiveness. In Malaysia, a maturing regulatory architecture—anchored by Bursa Malaysia's Sustainability Reporting Framework (launched 2015 and progressively enhanced from 2022) and the Malaysian Code on Corporate Governance (MCCG) 2021—has accelerated corporate uptake, yet the resulting scholarship remains dispersed across disciplines and methodologies. This study systematically synthesizes empirical and conceptual evidence on ESG practices and business sustainability in Malaysia, mapping research trends, dominant themes, adoption drivers, performance outcomes, and implementation challenges. Following the PRISMA 2020 guidelines, a structured search of Scopus, Web of Science, ScienceDirect, Emerald, SpringerLink, ProQuest, and Google Scholar was conducted for peer-reviewed, English-language studies situated in the Malaysian business context and published between 2015 and 2026. After de-duplication and multi-stage screening against pre-specified inclusion and exclusion criteria, a final corpus of studies was retained and analyzed through a reflexive thematic synthesis. The synthesis surfaced seven themes: (1) ESG adoption and disclosure trends; (2) environmental practices and sustainability outcomes; (3) social responsibility and stakeholder value; (4) governance practices and organizational performance; (5) ESG and financial performance; (6) implementation challenges, particularly among SMEs; and (7) emerging frontiers including green finance, ESG digitalization, and artificial intelligence for sustainability reporting. Evidence indicates a broadly positive but context-contingent association between ESG maturity and firm outcomes, moderated by governance quality, firm size, and sector. Malaysia exhibits an accelerating but uneven ESG trajectory in which regulatory mandates outpace SME capacity and assurance practices. The study consolidates fragmented evidence into an integrated ESG–business sustainability framework and articulates a forward research agenda emphasizing longitudinal, SME-focused, and technology-enabled inquiry.

Keywords: *ESG; business sustainability; corporate governance; sustainability reporting; Malaysia; systematic review; sustainable development*

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Introduction

Background of the Study

Over the past decade, Environmental, Social, and Governance (ESG) considerations have been reframed from voluntary corporate philanthropy into a strategic imperative shaping how firms compete, raise capital, and secure their social license to operate. The global ESG movement has been propelled by the convergence of investor pressure, regulatory tightening, and heightened stakeholder scrutiny of corporate conduct. Institutional investors increasingly integrate ESG metrics into asset allocation and risk assessment, so that a firm's sustainability profile now materially affects its cost of capital and valuation (Friede et al., 2015; Eccles et al., 2014). Responsible investing, once a niche strategy, has become a mainstream orientation across global capital markets.

This reorientation is inseparable from the broader sustainable development agenda embodied in the United Nations Sustainable Development Goals (SDGs), which explicitly enlist the private sector as an engine of progress toward decarbonization, inclusive growth, and responsible production (United Nations, 2015; Bebbington & Unerman, 2018). Within this landscape, ESG functions as a strategic management tool that translates diffuse sustainability aspirations into measurable practices, disclosures, and accountabilities. Firms that embed ESG into strategy and governance are argued to enhance resilience, anticipate regulatory shifts, and unlock durable value creation, whereas laggards face reputational, operational, and financing risks (Khan et al., 2016).

The maturation of ESG has been accompanied by a proliferation of reporting frameworks—the Global Reporting Initiative (GRI), the Task Force on Climate-related Financial Disclosures (TCFD), and, more recently, the IFRS Sustainability Disclosure Standards (IFRS S1 and S2) issued by the International Sustainability Standards Board (ISSB). This convergence signals a decisive shift from fragmented, narrative sustainability communication toward standardized, decision-useful, and assurable disclosure.

The Malaysian Context

Malaysia offers a particularly instructive setting for examining ESG and business sustainability in an emerging-market context. The country's sustainability reporting architecture has evolved over roughly a decade from a nascent, largely voluntary state to a comprehensive and increasingly mandatory regime. Bursa Malaysia introduced its Sustainability Reporting Framework in 2015, requiring Main and ACE Market listed issuers to include a narrative Sustainability Statement in their annual reports—superseding the earlier, narrower requirement to disclose corporate social responsibility activities. This foundational step embedded economic, environmental, and social risk-and-opportunity disclosure into the listing regime.

In September 2022, Bursa Malaysia substantially enhanced these requirements. Listed issuers must now disclose a common set of prescribed sustainability matters and indicators, climate-related disclosures aligned with the TCFD recommendations, at least three financial years of data for each indicator together with performance targets, and a statement of assurance. Implementation follows a phased timeline: common sustainability matters from financial years ending on or after 31 December 2023 for Main Market issuers, culminating in TCFD-aligned disclosures for financial years ending on or after 31 December 2025, with a corresponding staggered schedule for ACE Market corporations. From 2025 onward, disclosures are progressively aligned with the IFRS Sustainability Disclosure Standards under the National Sustainability Reporting Framework, and are submitted through the ESG Reporting Platform on Bursa LINK.

Corporate governance reform has proceeded in parallel. The Malaysian Code on Corporate Governance (MCCG), first introduced in 2000 and revised in 2007, 2012, 2017, and 2021, operates on an "apply or explain an alternative" basis. The 2021 update is pivotal for ESG because it explicitly charges boards and senior management with integrating sustainability considerations into corporate strategy and operations, treats material ESG risks and opportunities as central to durable value creation, and strengthens board composition expectations—including a recommendation that boards comprise at least 30% women directors. Together, the Bursa Malaysia framework and the MCCG 2021 constitute a mutually reinforcing institutional infrastructure that has moved Malaysian firms from "tick-box" compliance toward a more strategic model of sustainability.

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These regulatory developments are situated within national sustainability commitments, including Malaysia's pledge to carbon neutrality and its alignment with the SDGs, as well as regional dynamics across ASEAN capital markets. This distinctive configuration—ambitious mandatory disclosure coupled with a large population of small and mid-cap issuers and a significant Shariah-compliant segment—makes Malaysia a compelling case for consolidating ESG evidence.

Research Gap

Despite a rapidly expanding body of Malaysian ESG scholarship, the literature remains fragmented along disciplinary, sectoral, and methodological lines. Studies are dispersed across accounting, finance, management, and environmental science, employing heterogeneous constructs, proxies, and analytical strategies that impede cumulative knowledge-building. Existing reviews frequently treat ESG dimensions in isolation—examining environmental disclosure, board governance, or CSR separately—rather than as an integrated system linked to business sustainability outcomes. Few syntheses adopt a transparent, protocol-driven approach that would allow findings to be interrogated and replicated. The result is a persistent gap: an absence of consolidated, PRISMA-compliant evidence that maps the state of Malaysian ESG research and translates it into an actionable agenda for scholars, firms, and policymakers.

Problem Statement

While regulatory momentum has generated substantial ESG activity among Malaysian firms, the scholarly evidence base has not been systematically consolidated to reveal what is known, what is contested, and what remains unexamined. Decision-makers—business leaders calibrating sustainability investments, policymakers refining disclosure mandates, and investors pricing ESG risk—lack an integrated evidence synthesis specific to the Malaysian context. This study addresses that problem by systematically reviewing the literature to establish an evidence-based understanding of ESG practices and their relationship to business sustainability in Malaysia.

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Research Objectives

1. Examine the research trends characterizing scholarship on ESG practices in Malaysia between 2015 and 2026.
2. Identify the dominant ESG themes and business sustainability outcomes reported in the Malaysian literature.
3. Analyze the factors that drive and constrain ESG adoption among Malaysian organizations.
4. Assess the impact of ESG practices on organizational and financial performance.
5. Develop an integrated framework and future research agenda for ESG and business sustainability in Malaysia.

Research Questions

6. What are the temporal, sectoral, and methodological trends in Malaysian ESG research from 2015 to 2026?
7. Which ESG themes and business sustainability outcomes dominate the Malaysian evidence base?
8. What organizational, institutional, and contextual factors influence ESG adoption in Malaysia?
9. How do ESG practices relate to organizational and financial performance among Malaysian firms?
10. What research gaps persist, and what future directions should guide the next generation of Malaysian ESG scholarship?

Significance of the Study

By consolidating fragmented evidence into a coherent synthesis, this review contributes on several fronts. Theoretically, it clarifies how established lenses—stakeholder, legitimacy, institutional, resource-based, and triple bottom line perspectives—have been mobilized in the Malaysian context and where their explanatory power is contested. For business practice, it identifies the practices most strongly associated with sustainability outcomes, informing where firms should concentrate scarce resources. For corporate governance, it links board-level mechanisms to disclosure quality and performance. For sustainability policy, it offers Bursa Malaysia and other regulators an evidence base for calibrating future mandates, particularly regarding SME capacity and assurance. Finally, it provides researchers with a structured agenda that prioritizes high-value, under-examined questions.

Literature Review

Theoretical Foundations of ESG

Malaysian ESG scholarship draws on a constellation of complementary theories, each illuminating a different facet of why and how firms engage with sustainability.

Stakeholder Theory

Stakeholder theory (Freeman, 1984) reframes the firm as a nexus of relationships with parties who affect or are affected by its conduct—employees, communities, regulators, investors, and the environment. ESG practices are interpreted as mechanisms for balancing and satisfying these plural claims, with disclosure serving as a channel for accountability. In Malaysia, stakeholder logic underpins studies linking CSR and social performance to reputation and stakeholder trust.

Legitimacy Theory

Legitimacy theory (Suchman, 1995) holds that organizations seek congruence between their activities and the value systems of the society in which they operate. Sustainability disclosure is thus a legitimation strategy through which firms signal conformity to social expectations. This lens is frequently invoked to explain the expansion of voluntary environmental and social reporting in response to public scrutiny and regulatory signaling.

Institutional Theory

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Institutional theory (DiMaggio & Powell, 1983) explains the diffusion of ESG practices through coercive, mimetic, and normative pressures. Bursa Malaysia's mandates exemplify coercive isomorphism; imitation of industry leaders reflects mimetic pressure; and professional bodies and assurance providers exert normative influence. The framework is especially apt for Malaysia, where regulatory mandates have rapidly homogenized reporting practices.

Resource-Based View

The resource-based view (Barney, 1991) and its natural-resource extension (Hart, 1995) position sustainability capabilities—green innovation, stakeholder management, and reporting competence—as potentially valuable, rare, and difficult-to-imitate resources that confer competitive advantage. This lens frames ESG not as a compliance cost but as a source of differentiation and resilience.

Triple Bottom Line Theory

The triple bottom line (Elkington, 1997) articulates performance across economic, environmental, and social dimensions—"profit, planet, and people." It provides the normative scaffolding for integrated sustainability assessment and maps naturally onto the E, S, and G pillars that organize contemporary practice and this review.

The Environmental Dimension

The environmental pillar encompasses climate action, carbon and energy management, resource efficiency, pollution control, and green innovation. In the Malaysian literature, environmental sustainability has been examined through corporate carbon management, energy-efficiency initiatives, and the adoption of green technologies, particularly in resource-intensive and manufacturing sectors. Green innovation is theorized as a capability that simultaneously reduces environmental impact and enhances competitiveness, consistent with the natural-resource-based view (Hart, 1995). Environmental disclosure quality has emerged as a recurrent concern, with studies probing the gap between narrative commitments and substantive performance.

The Social Dimension

The social pillar addresses employee welfare, occupational health and safety, diversity and inclusion, human capital development, community engagement, and broader corporate social responsibility. Malaysian scholarship in this domain frequently connects CSR initiatives to reputation, stakeholder trust, and employee outcomes. Diversity—especially gender diversity on boards and in senior management—features prominently, reinforced by the MCCG 2021 recommendation of at least 30% women directors. Community engagement and human capital investment are examined as levers of social legitimacy and long-term value.

The Governance Dimension

Governance is widely treated as the linchpin that determines whether environmental and social commitments are credibly implemented. The literature examines board structure and independence, board diversity, transparency, accountability, and ethical leadership. Governance mechanisms are shown to shape the quality and credibility of sustainability disclosure, moderating the relationship between ESG activity and organizational outcomes. The MCCG 2021's explicit integration of sustainability into board mandates has intensified scholarly attention to how governance quality conditions ESG effectiveness.

Business Sustainability

Business sustainability is conceptualized here as a firm's capacity to create value over the long term while maintaining the environmental and social systems on which it depends. It subsumes long-term competitiveness, corporate resilience, sustainable value creation, and organizational continuity. ESG practices are the operational means through which sustainability is pursued and evidenced; business sustainability is the outcome construct against which their effectiveness is assessed. This distinction structures the conceptual framework developed below.

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Conceptual Framework

Synthesizing the theoretical foundations and the three ESG pillars, this study advances an integrative conceptual framework (Figure 1). Environmental, social, and governance practices are modeled as interrelated inputs that, mediated by disclosure quality and governance oversight, produce business sustainability outcomes—competitiveness, resilience, and sustainable value creation. Institutional pressures (regulation and stakeholder expectations) act as contextual drivers, while firm-level characteristics (size, sector, and Shariah status) moderate the strength of these relationships.

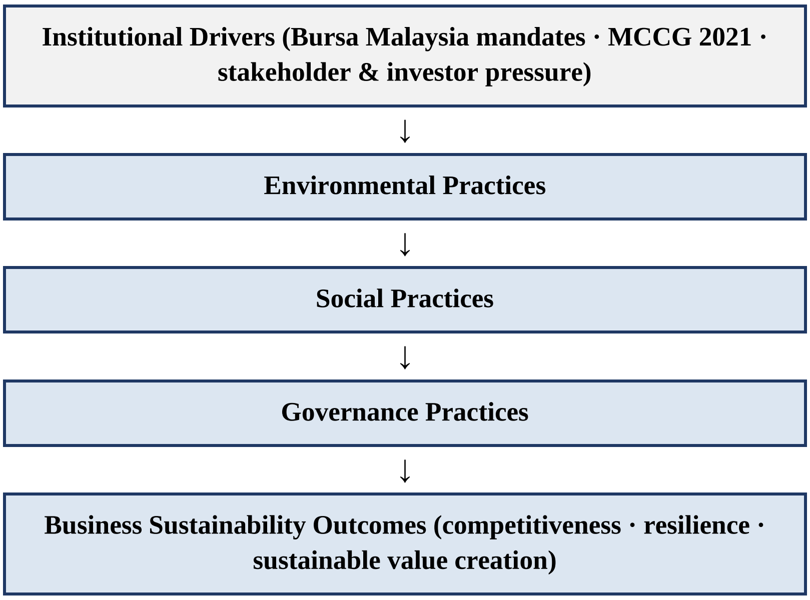

Figure 1. Conceptual framework linking ESG practices to business sustainability outcomes, with institutional drivers and firm-level moderators (size, sector, Shariah status). Developed by the author.

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METHODOLOGY

Research Design

This study employs a Systematic Review of Related Literature (SRRL), a transparent and replicable method for identifying, appraising, and synthesizing the available evidence on a defined question (Tranfield et al., 2003). A systematic approach is well-suited to consolidating the fragmented Malaysian ESG literature because it minimizes selection bias, documents each decision, and produces an auditable evidence trail.

Review Protocol: PRISMA 2020

The review adhered to the Preferred Reporting Items for Systematic Reviews and Meta-Analyses (PRISMA) 2020 statement (Page et al., 2021), progressing through the four canonical stages of identification, screening, eligibility, and inclusion. A protocol specifying the research questions, search strategy, eligibility criteria, and extraction fields was defined a priori to guide the process and reduce reviewer bias.

Databases and Search Strategy

To ensure comprehensive coverage, seven databases were searched: Scopus, Web of Science, ScienceDirect, Emerald Insight, SpringerLink, ProQuest, and Google Scholar. Scopus and Web of Science served as the primary indexes for peer-reviewed quality, complemented by publisher databases and Google Scholar to capture recent and grey-adjacent scholarship. Boolean search strings combined ESG and sustainability constructs with the Malaysian context, for example:

- "ESG" AND Malaysia
- "Environmental Social Governance" AND "business sustainability"
- "sustainability reporting" AND Malaysia
- "corporate governance" AND ESG AND Malaysia

Search terms were applied to titles, abstracts, and keywords, and reference lists of included studies were hand-searched to identify additional eligible records (snowballing).

Eligibility Criteria

Inclusion criteria

- Peer-reviewed journal articles.
- Published between 2015 and 2026.
- Written in English.
- Situated in the Malaysian business context.
- Focused on ESG, sustainability, corporate governance, or CSR in relation to business outcomes.

Exclusion criteria

- Duplicate records across databases.
- Conference abstracts, editorials, and non-peer-reviewed material.
- Non-business contexts (e.g., purely ecological or clinical studies).
- Studies not available in English or without retrievable full text.

Study Selection and Screening Process

The screening process is depicted in the PRISMA flow diagram (Figure 2). Records identified across databases were imported into a reference manager and de-duplicated. Titles and abstracts were screened against the eligibility criteria, after which full texts of potentially relevant records were assessed. Disagreements were

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resolved through discussion and, where necessary, adjudication against the protocol. The illustrative counts below demonstrate the expected reporting format and must be replaced with the author's actual screening results.

Figure 2. PRISMA 2020 Flow Diagram (illustrative counts — replace with actual results)

Identification Records identified through database searching: n = 1,200 Additional records via snowballing: n = 40

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Screening Records after duplicates removed: n = 900 Records excluded on title/abstract: n = 720

↓

Eligibility Full-text articles assessed: n = 180 Full-text articles excluded (with reasons): n = 105

↓

Included Studies included in qualitative synthesis: n = 75

Figure 2. PRISMA 2020 flow diagram. All counts are ILLUSTRATIVE placeholders and must be replaced with the author's actual identification, screening, eligibility, and inclusion numbers.

Data Extraction

A standardized extraction matrix captured bibliographic details and analytical content for each included study, enabling structured comparison across the corpus. The extraction fields are illustrated in the excerpt below.

Author (Year)	Industry / Sector	ESG Focus	Method	Key Findings
Abdullah & Rahman (2019) [ILLUSTRATIVE]	Multi-sector PLCs	Reporting quality	Panel regression	Positive link between reporting quality and firm value.
Ahmad & Hassan (2020) [ILLUSTRATIVE]	Listed firms	Board diversity / disclosure	Content analysis	Board diversity associated with fuller ESG disclosure.
Tan & Lee (2021) [ILLUSTRATIVE]	SMEs	Adoption barriers	Qualitative	Cost and capacity constraints impede SME adoption.

Table 1 (excerpt). Data extraction matrix. Entries shown are illustrative; the full matrix should list every included study.

Data Analysis: Thematic Synthesis

Extracted evidence was analyzed using reflexive thematic synthesis, proceeding through four stages: (1) open coding of findings across studies; (2) categorization of codes into candidate groupings; (3) development of overarching themes through iterative comparison; and (4) synthesis of themes into an integrated narrative addressing the research questions. This inductive-deductive strategy allowed themes to emerge from the data while remaining anchored to the ESG pillars and the conceptual framework.

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RESULTS AND DISCUSSION

The thematic synthesis yielded seven themes spanning the state, drivers, outcomes, and frontiers of ESG in Malaysia. ***All quantitative figures reported in this section are illustrative and must be substituted with values derived from the author's actual corpus.***

Theme 1 — ESG Adoption and Disclosure Trends in Malaysia

The evidence documents a pronounced upward trajectory in ESG engagement, closely tracking regulatory milestones. Following Bursa Malaysia's 2015 framework and its 2022 enhancement, sustainability reporting shifted from a voluntary, narrative exercise to a structured, indicator-based, and increasingly assured practice. Adoption is uneven, however: large-capitalization firms, financial institutions, and export-oriented sectors lead in disclosure breadth and quality, while smaller issuers lag. Studies consistently report that governance-related disclosure matures earlier than substantive environmental metrics, reflecting the relative ease of narrative governance reporting versus quantified emissions and resource data.

Theme 2 — Environmental Practices and Sustainability Outcomes

Environmental engagement concentrates on energy efficiency, carbon reduction, waste management, and green innovation, particularly in manufacturing, plantation, and energy sectors. The literature associates green innovation with improved operational efficiency and market differentiation, consistent with the natural-resource-based view. Nonetheless, a recurring theme is the divergence between environmental commitment and verified performance—symbolic adoption and the risk of greenwashing—underscoring the importance of assurance and standardized, TCFD- and ISSB-aligned metrics now being phased in.

Theme 3 — Social Responsibility and Stakeholder Value

Social-pillar research links CSR initiatives, employee welfare, diversity, and community engagement to reputation, stakeholder trust, and employee-related outcomes. Gender diversity receives sustained attention, reinforced by the MCCG 2021 target of at least 30% women directors. Evidence suggests that credible social engagement enhances legitimacy and stakeholder relationships, though findings on direct financial effects are mixed and sensitive to how social performance is measured.

Theme 4 — Governance Practices and Organizational Performance

Governance emerges as the decisive enabler of ESG effectiveness. Board independence, diversity, and the presence of sustainability-oriented oversight mechanisms are associated with higher disclosure quality and stronger integration of ESG into strategy. The MCCG 2021's explicit assignment of sustainability responsibility to boards and senior management has, according to the literature, strengthened the credibility of corporate sustainability commitments. Governance quality frequently moderates the relationship between ESG activity and performance, implying that ESG investments yield greater returns where governance is robust.

Theme 5 — ESG and Financial Performance

Consistent with the broad international evidence that ESG is, on balance, non-negative to positive for financial performance (Friede et al., 2015), Malaysian studies generally report favorable associations between ESG maturity and profitability, market valuation, and investor confidence, alongside a lower cost of capital for stronger performers. The relationship is context-contingent: effects are stronger for material ESG issues (Khan et al., 2016), for larger firms, and where governance quality is high. A minority of studies report neutral or non-linear effects, cautioning against uncritical "doing well by doing good" narratives.

Theme 6 — Challenges in ESG Implementation

Implementation barriers form a robust theme. Firms confront regulatory complexity, the resource and data burden of enhanced disclosure, limited assurance capacity, and skills shortages. These constraints are most acute for small and medium-sized enterprises (SMEs), which face disproportionate compliance costs relative to capacity. The

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literature also flags data quality and comparability challenges during the transition to TCFD- and IFRS-aligned reporting. Addressing SME capacity is identified as a priority for equitable ESG diffusion.

Theme 7 — Future ESG Directions in Malaysia

Emerging scholarship points to several frontiers: the digitalization of ESG data collection and reporting; the application of artificial intelligence and analytics to sustainability reporting, assurance, and materiality assessment; the expansion of green finance and sustainable investment instruments; and deeper integration of ESG with Islamic finance and Shariah-compliant investing. These frontiers signal a shift from compliance-oriented disclosure toward technology-enabled, decision-useful sustainability management.

Summary of Themes

Theme	Key Findings (illustrative)	Implications
1. Adoption & disclosure trends	Rising, regulation-driven uptake; uneven by firm size/sector.	Targeted support for smaller issuers.
2. Environmental practices	Green innovation aids competitiveness; greenwashing risk.	Assurance and standardized metrics essential.
3. Social responsibility	CSR and diversity build legitimacy; financial effects mixed.	Better social-performance measurement.
4. Governance	Governance quality enables ESG effectiveness.	Strengthen board sustainability oversight.
5. ESG & financial performance	Broadly positive, materiality- and size-contingent.	Prioritize material ESG issues.
6. Implementation challenges	Cost, data, assurance, and skills gaps; SMEs hardest hit.	SME capacity-building and phased support.
7. Future directions	Green finance, digitalization, AI, Islamic finance links.	Invest in ESG technology and green finance.

Table 2. Thematic analysis matrix summarizing the seven synthesized themes, illustrative findings, and implications.

ESG Dimensions and Sustainability Outcomes

ESG Dimension	Representative Practices	Reported Sustainability Outcomes
Environmental	Carbon/energy management, green innovation, waste reduction	Efficiency gains, differentiation, climate-risk mitigation
Social	CSR, diversity & inclusion, employee welfare, community engagement	Reputation, stakeholder trust, human-capital resilience
Governance	Board independence/diversity, transparency, ethical leadership	Disclosure credibility, strategic integration, risk oversight

Table 3. Mapping of ESG dimensions to representative practices and reported business sustainability outcomes.

Discussion

Read together, the themes portray Malaysia as an accelerating but uneven ESG adopter in which mandatory disclosure has outpaced the diffusion of capacity, assurance, and substantive performance. Compared with more mature ASEAN peers such as Singapore, Malaysia's regulatory ambition is high, yet implementation depth varies widely across the issuer population. Relative to global trends, the Malaysian trajectory mirrors the international

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convergence toward standardized, assurable, climate-focused disclosure, while retaining distinctive features—most notably the interplay between ESG and a substantial Shariah-compliant market segment.

The evidence broadly supports the theoretical expectations set out earlier: institutional pressures explain the pace and homogeneity of adoption; legitimacy and stakeholder logics explain disclosure expansion; and the resource-based view explains why ESG capabilities, where genuinely developed, translate into competitiveness. Governance quality is the pivotal contingency, moderating whether ESG activity yields sustainability and financial value. For business leaders, the practical implication is to prioritize material ESG issues and embed sustainability in governance rather than treating it as peripheral compliance. For investors, ESG signals are informative but must be interpreted with attention to assurance and materiality. For policymakers and Bursa Malaysia, the central challenge is to sustain regulatory ambition while closing the SME capacity gap and strengthening assurance infrastructure.

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Conclusion

This systematic review consolidated the fragmented literature on ESG practices and business sustainability in Malaysia into an integrated synthesis. The evidence reveals a decade of rapid, regulation-driven maturation—from voluntary narrative reporting to structured, increasingly assured, and climate-aligned disclosure—anchored by Bursa Malaysia's enhanced Sustainability Reporting Framework and the sustainability-oriented MCCG 2021. Across seven themes, ESG maturity is broadly and positively associated with business sustainability and financial outcomes, but this relationship is contingent on governance quality, firm size, sector, and the materiality of the ESG issues addressed.

The synthesis also exposes persistent tensions: between regulatory ambition and SME capacity; between symbolic commitment and substantive performance; and between the volume of disclosure and its credibility. Governance emerges as the decisive mechanism that converts ESG activity into durable value. Malaysia's ESG journey is therefore best understood not as a completed transition but as an ongoing, uneven process whose next phase will be shaped by assurance, digitalization, and inclusive capacity-building. Consolidating this evidence provides scholars, firms, and policymakers with a firmer foundation for the decisions that will determine whether Malaysia's sustainability agenda delivers genuine, long-term value.

Recommendations

For business organizations

Embed ESG within governance and strategy rather than treating it as compliance; prioritize material issues; invest in data systems and assurance; and build internal sustainability competence.

For policymakers

Sustain regulatory ambition while introducing proportionate, phased requirements and capacity-building support for smaller firms; strengthen the national assurance ecosystem; and align mandates with international standards to preserve comparability.

For Bursa Malaysia

Continue the phased alignment with IFRS S1/S2, expand guidance and toolkits for SMEs, and enhance the ESG Reporting Platform to improve data quality, comparability, and decision-usefulness.

For investors

Integrate materiality- and assurance-sensitive ESG analysis into valuation and stewardship; engage investees on substantive performance rather than disclosure volume; and support the development of green finance instruments.

For academic researchers

Pursue longitudinal, causally identified, and SME-focused designs; standardize ESG constructs and proxies; and examine technology-enabled and Islamic-finance-linked ESG to build cumulative, comparable knowledge.

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Research Gaps and Future Research Agenda

Research Gap	Future Research Direction
ESG in SMEs is under-examined despite disproportionate barriers.	Design SME-specific studies on adoption, cost, and proportionate policy support.
Predominantly cross-sectional evidence limits causal inference.	Conduct longitudinal and quasi-experimental studies leveraging phased mandates.
Limited integration of AI and digital tools in ESG scholarship.	Investigate AI-enabled reporting, assurance, and materiality assessment.
Startup and entrepreneurial ecosystems largely absent.	Explore ESG in startups, venture funding, and innovation ecosystems.
Sector-specific dynamics are under-theorized.	Undertake industry-specific ESG studies (e.g., plantation, finance, energy).
Assurance and greenwashing risk under-researched.	Examine assurance practices and mechanisms to detect symbolic adoption.
ESG–Islamic finance nexus insufficiently mapped.	Study convergence of ESG with Shariah-compliant investing and green sukuk.

Table 4. Research gaps and corresponding future research directions for Malaysian ESG scholarship.

Figure 3. Emerging ESG–Business Sustainability Framework for Malaysia

Institutional Foundation Bursa Malaysia Framework · MCCG 2021 · IFRS S1/S2 · SDGs

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Integrated ESG Practice Environmental + Social + Governance, enabled by assurance & digitalization

↓

Moderators Governance quality · firm size · sector · Shariah status

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Business Sustainability Competitiveness · resilience · sustainable value creation · SDG contribution

Figure 3. Emerging, evidence-informed framework integrating institutional foundations, ESG practice, moderators, and business sustainability outcomes for the Malaysian context. Developed by the author.

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