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INTEGRATING ESG PRINCIPLES INTO CORPORATE REPORTING: INSTITUTIONAL DRIVERS AND EVIDENCE FROM EMERGING ECONOMIES

This study investigates the integration of sustainability and Environmental, Social, and Governance (ESG) accounting into corporate reporting practices, emphasizing its role in strengthening transparency, accountability, and stakeholder engagement. Corporations and small and medium-sized enterprises (SMEs) are operating under growing pressure. Corporations have to rethink their governance and reporting systems to engage new ESG standards. This process is crucial, especially when the world economy goes through rapid technological changes, climate changes, and recurring crises. A country's economic and social progress mainly depends on business, but business activity also creates some social and environmental side effects. These side effects increase demand for stronger accountability. Moreover, it demands more transparent governance. These challenges are especially evident in Armenia, as a developing country where SMEs make up the cornerstone of the economy. Armenian companies continue to face institutional, legal, and structural barriers on their way to

adopting international standards for accounting. For developing countries, the progress of adoption of new standards is very important. But many factors should be taken into consideration. Thus, it is crucial to develop a harmonized system of reporting standards and user-friendly ESG instruments that can be adopted by businesses. The main aim of ESG instruments will be to help identify financial risks, generate developing insights, and thus create sustainability-oriented governance. Certainly, ESG standards will help to build a stronger economy and stay competitive.

In this study, we have adopted a mixed-method approach. This approach combines content analysis of existing articles, bibliometric analysis, and systematic literature review (SLR). We adopted the mixed-method because jointly it will help to track the evolution of ESG reporting research. Besides this, it will help to synthesize current knowledge and assess disclosure practices. The findings of our research expose key problems and trends of the process of adopting ESG standards in Armenia, and also provide a strong basis for sustainability accounting.

Keywords: *sustainability accounting, Environmental, Social, and Governance (ESG) reporting, corporate reporting, corporation, social responsibility, governance, accountability mechanisms, small and medium enterprises (SMEs)*

JEL: M14, M41, G34, Q56

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INTRODUCTION. In today's business environment, it is very important to integrate and develop sustainability and Environmental, Social, and Governance (ESG) principles into corporate reporting. This process is crucial both for developed economies and for emerging markets like Armenia. Current reporting standards are moving further toward standard accounting metrics, thus emphasizing the broader economic, social, and environmental impacts of business operations. When we explore corporate reporting, we can notice that historically, it was focused on financial outcomes for the business. Nowadays, when the world economy is rapidly changing, the old metrics alone no longer offer a comprehensive picture of a company's value creation and risk management system. Now, sustainability and ESG accounting have gained increasing interest among scholars and industry professionals.

While many scholars think about how to develop the standards with less pressure, a substantial part of the literature, including studies implemented by Eccles and Serafeim (2013) and Gössling et al. (2019) conclude that good sustainability performance can positively affect financial outcomes. This shows the connection between effective ESG practices and long-term value creation for a business, which is very important from a long-term perspective. In a similar context, Kotsantonis and Serafeim (2019) emphasize the importance of ESG factors for investor decision-making, asset pricing, and risk management. They discuss the fact that non-financial information has material financial significance. Many scholars conclude that financial information has certainly material

significance, but experience shows that not only is financial information important. Non-financial information nowadays has a crucial effect on the company's decision-making and risk management as well.

Frost (2006) mentions that organizations differ considerably in their way of sustainability integration into strategic decision-making, risk management, and long-term strategic value creation. Examined studies fail to find all relevant and practical challenges that influence ESG implementation for developed and developing countries, including Armenia. This problem shows the need for a comprehensive research of how firms measure, manage, and report ESG performance.

This study investigates: how effective current corporate reporting practices are in integrating sustainability and ESG principles across industries and geographic regions, including Armenia, and aims to evaluate the extent and quality of ESG integration.

LITERATURE REVIEW. Adopting ESG reporting at the corporate level is a multifaceted process influenced by various factors, and institutional theory offers a valuable framework for understanding these dynamics. This theory posits that companies seek legitimacy and stability by conforming to their environments' norms, values, and practices. It examines how external institutions and societal structures shape organizational behavior (Higgins and Larrinaga 2014). Institutional theory sheds light on the forces driving corporate adaptation and change by highlighting the role of institutions in guiding corporate decision-making, strategy formulation, and identity development (Hasan et al. 2022). In examining corporate barriers to ESG reporting adoption, the study drew theoretical support from DiMaggio and Powell's (1983) concept of institutional isomorphism, which explains how organizations tend to become similar over time due to pressures for conformity. According to this theory, firms face coercive, mimetic, and normative pressures that influence their decision-making processes in an industry, including the adoption of ESG practices as well.

During the research of many articles, we have found out that pressures for the business arise from many factors, such as regulations and stakeholders' expectations. But there are also replication pressures that involve the imitation of successful peers. The imitation has the aim to reduce uncertainty and maintain a competitive position in the market. Another pressure type that a business can face is normative pressures. The mentioned pressures, in turn, originate from industry standards and professional norms. These norms collectively develop organizational responses to ESG reporting challenges. It should be mentioned that different pressures don't operate separately. They operate jointly and make the businesses stay compliant and not deviate from standards.

In the context of ESG reporting, companies often observe and emulate the practices of industry leaders, motivated by a desire to conform to emerging industry norms and to maintain competitiveness (Bansal and Pendyala, 2023).

Such imitation behavior not only reduces uncertainty but also assists in identifying relevant benchmarks and performance standards that guide the adoption of ESG reporting and help the market to be consistent with international standards and norms.

This dynamic generally corresponds to the idea of normative standardization. Normative standardization shows the role of professional associations, regulatory bodies, and other institutional structures in developing best practices for organizations. Many regulatory bodies in different countries try to standardize the operation of sphere companies. In Armenia, for financial institutions, the regulatory body is the Central Bank of Armenia. It creates the main norms for the banks, insurance companies, and other financial organizations. Organizations adopt these practices to satisfy the expectations of regulatory bodies and continue their work in that specific sector, thereby proving legitimacy, the credibility of knowledge, and social acceptance. In this way, corporate conformity to prevailing norms reflects both symbolic and substantive efforts to embed ESG principles in organizational routines.

While mimetic isomorphism sheds light on adoption driven by peer influence and uncertainty, normative isomorphism highlights how formal institutions and informal social pressures establish reporting standards (Singhania and Saini, 2023). However, institutional theory represents only one perspective on the issue.

Many other theoretical approaches offer supporting perspectives for ESG adoption. We are starting our research with several theoretical discussions. The main theories we are going to consider are resource dependency theory, stakeholder theory, and signaling theory.

Resource Dependency Theory (RDT) points out that companies rely on external resources. And as they rely on external resources, they must meet the expectations of resource providers. From this perspective, the adoption of ESG reporting standards will create the basis for a continuous inflow of resources, including financial capital, organizational, and legal support. (Dai & Chen, 2023). We conclude that companies may adopt ESG practices not just for compliance but also to maintain market access, for future development, and for protecting their social license to operate in the market. This idea is crucial for Armenia as well, because Armenian companies also seek to involve foreign financial resources and stay competitive.

The second theory, which we have decided to dive deep into, is stakeholder theory. This theory provides another informative perspective and emphasizes the influence of investors, employees, customers, and communities on corporate decision-making. Now, all the businesses have increased demand for transparency and accountability. As Hörisch et al. (2020) mention, ESG reporting comes as a response and enables organizations to balance and prioritize stakeholder interests. This theory emphasizes that the adoption of ESG practices will enhance corporate reputation and help businesses to maintain their legal

status. Thus, ESG adoption will build a long-term value system for the entire economy of the country, like Armenia.

The other theory we are going to discuss is signaling theory. This theory offers the other perspective, which is broader than all of the others discussed. It demonstrates how important it is for companies to adopt ESG standards. It emphasizes that companies use ESG disclosure as a communication mechanism with external stakeholders, thus showing their dedication to sustainability and ethical business conduct. As Friske et al. (2023) mention, reporting functions not only as an informational tool but also as an indication that will become the basis for enhancing reputation and building trust with external stakeholders. We can notice that all the discussed theoretical perspectives provide a deep insight into ESG reporting adoption. These examples show that decision-making within this area is based on different factors. These factors include institutional demands, resource availability, stakeholder interests, strategic communication, and governance frameworks.

METHODOLOGY. This study uses a qualitative, mixed-method approach that combines systematic literature review, comparative analysis, and content analysis. This approach allows us to explore how ESG and sustainability practices can be integrated into corporate reporting, particularly in Armenia, and to compare them with practices in developed economies.

Literature Search and Selection

We have collected publications from academic databases (Scopus, Web of Science, JSTOR, Google Scholar) and institutional repositories, including World Bank, UNDP, and OECD reports. Keywords used in the search included “ESG adoption”, “sustainability reporting”, “corporate social responsibility”, “Armenia”, “developed economies”, “corporate governance”, and “stakeholder engagement”. The search covered publications from 2010 to 2025 to capture both recent developments and historical trends.

The main criteria were to prioritize peer-reviewed articles, policy reports, white papers, and organizational studies that were relevant, methodologically sound, and provided empirical or analytical evidence.

Comparative Analysis

We selected six dimensions for comparative analysis: regulatory framework, institutional pressures, corporate capacity, stakeholder engagement, technological infrastructure, and opportunities. Armenia was compared with developed economies (EU, US, Singapore) using evidence from policy documents, academic studies, and institutional reports. The analysis emphasized both qualitative and empirical evidence to benchmark performance and identify gaps.

Content Analysis

A content analysis was conducted on selected literature and corporate disclosures to identify trends, recurring themes, and gaps in ESG adoption. Texts were coded thematically, focusing on regulatory mechanisms, corporate

strategies, stakeholder engagement, and technology adoption. Findings were validated by cross-checking official reports from the World Bank, OECD, UNDP, and peer-reviewed studies.

Ethical Standards and Transparency

All steps, including search strategy, selection criteria, and coding procedures, are documented to ensure transparency and reproducibility. Ethical standards were maintained throughout the study, including proper citation, respect for intellectual property, and academic integrity.

Through this combined approach, the study provides a comprehensive understanding of ESG adoption in Armenia, identifies key trends and challenges, and offers insights and practical recommendations to improve ESG practices, transparency, and accountability in the corporate sector.

Findings

As we can conclude from the literature review, there are many challenges to the adoption of sustainability reporting and ESG integration. The main challenges show how these issues impact both researchers and businesses. Researchers with business practitioners should find ways of overcoming the main barriers in the adoption and integration process. In this section, we bring together the key findings, point out where deeper research is needed, and suggest directions for future study.

1. Implications for Research

From an academic vantage point, the findings highlight the imperative for further systematic and empirical inquiries to enrich comprehension of the ways in which sustainability reporting and the integration of Environmental, Social, and Governance (ESG) dimensions influence multifaceted aspects of organizational performance. Extant scholarship stresses the importance of scrutinizing the interlinkages between ESG disclosure, financial performance metrics, risk mitigation strategies, and stakeholder engagement across heterogeneous sectors and transnational contexts (Albassam et al., 2018; Marquis & Qian, 2014). Many research papers can show how sustainability reporting affects organizational practices and outcomes. But there are still many challenges for developing countries. Thus, we can surely say that Armenian businesses may encounter many difficulties when adopting ESG reporting standards. By drawing theories and methods from multiple disciplines, scholars can build up a rich understanding of why organizations adopt ESG practices, and what strategic thinking prompts them to engage in sustainable behavior. In the end, it is this type of process that takes existing conceptual frameworks into a more realistic domain of prediction and explanation for organizational behavior.

2. The importance of practical implications

Combining all theories and research paper studies, we can surely say that integrating sustainability factors into corporate strategy and decision-making has strategic importance for developing countries. This concept is especially important for Armenia because the country should better position itself for

international collaboration. As we can read from the study of Moneva et al. (2006) and Schaltegger & Burritt (2018), organizations that succeed in integrating ESG into reporting processes are better positioned in the market and gain competitive advantages. The main criteria can also be further applied to countries as well.

Gray et al. (2015) and Kolk & Perego (2014) state that ESG integration requires addressing long-term challenges, which include data accuracy, comparability, and standardization. Companies must also actively engage stakeholders to stay compliant with developing regulatory requirements and technological innovations. As evident from the studies by Burritt et al. (2011) and Gossling et al. (2019), the adoption of ESG will enhance the reliability, transparency, and credibility of reporting.

Another study, carried out by Burritt et al. (2011) and Hahn & Kühnen (2013), mentions that the adoption of comprehensive reporting standards will provide better disclosure, linking financial, environmental, social, and governance performance.

By integrating these standards into corporate reporting, businesses will get improved transparency, accountability, and decision-making quality.

We can surely state that during the ESG adoption process, corporations can also use technological advancements such as artificial intelligence (AI), blockchain, and big data analytics. They are important and play a pivotal role, as they support systematic collection, analysis, and complex sustainability data, which can develop the methods of traceability, reliability, and stakeholder confidence (Cohen et al., 2019; Hahn & Figge, 2011).

3. Synthesis and Strategic Significance

The study shows that if a business desires to make governance more open, developed, and focused on the needs of stakeholders, it will need to adopt ESG accounting into corporate reporting. This will change the way organizations operate, creating long-lasting competitive advantage. As Adams (2017) and Schaltegger & Burritt (2018) point out, more and more companies are realizing the value of adopting environmental, social, and governance considerations into their strategies and reporting processes. The same opinion is shared by Moneva et al. (2006), Marquis & Qian (2014), and Albassam et al. (2018). They mention that effectively integrated ESG standards boost a company's reputation and help to manage risks, thus supporting long-term growth and resilience.

Now there is no need to further prove the importance of sustainability reporting and ESG integration. But we still need to know that organizations will have to tackle real challenges, keep up with developing regulations, and use most of the new technologies. We should also mention that further studies and research are essential because there is still a need to advance theoretical understanding and guide evidence-based practices.

Integrating Theory with Practice

The adoption of ESG reporting is further influenced by country-specific institutional environments and regulatory systems:

- **Singapore** emphasizes integrated reporting frameworks and digital platforms, requiring listed companies to disclose sustainability information in line with international standards.
- **China** follows a government-driven approach. Based on this approach, ESG disclosures are mandatory for some companies. The other companies still have time to adopt ESG accounting standards. For state-owned and large enterprises, ESG standards are mandatory because they need to meet national sustainability goals.
- **European Union countries** have to operate under standardized ESG reporting regulations. The system works in a way that companies need to stay consistent and comparable. Their standardized regulation is called the Corporate Sustainability Reporting Directive (CSRD). All the companies have to meet the demands of this standardized regulation.
- **The United States** has taken a different way. The reporting standards are not mandatory, and USD mainly relies on primarily voluntary ESG standards (e.g., SASB). Based on the investor priorities and accountability expectations, companies can try to adopt the ESG standards.
- **Emerging economies** like Armenia and Indonesia face additional regulatory, market, and capacity constraints, highlighting the need for tailored ESG adoption strategies (Scopus-indexed studies: *ESG and Accounting in Korea: Focus on Case Studies and Analysis of ESG Accounting Standards*; *Sustainability Accounting and the Future of ESG Reporting*; *A Hierarchical Model for Understanding Corporate Barriers to ESG Reporting Adoption*).

Bringing together different ways of looking at ESG is like how rules shape behavior, how companies use their strengths and weaknesses, how they respond to internal and external stakeholder expectations, how they send signals to the market, and how leaders and shareholders interact alongside each country's unique experiences, gives us a full picture of why companies choose to adopt ESG practices. In real life, businesses are constantly trying to balance government requirements with what their stakeholders want. At the same time, they rely on their own resources and expertise to make ESG reporting work. By doing this well, companies build trust and credibility and stay competitive in the market. They also set themselves up for long-term success, positive impact, and development.

Table 1

Comparative analysis of ESG Reporting System

<i>Country/Region</i>	<i>ESG Reporting System</i>	<i>Regulatory Frameworks & Standards</i>	<i>Institutional/Theoretical Drivers</i>	<i>Key Benefits</i>	<i>Main Challenges</i>	<i>Representative Scopus Studies</i>
Singapore	Integrated reporting; digital ESG platforms	Singapore Exchange (SGX) sustainability disclosure requirements; aligns with GRI	Institutional theory: coercive & normative pressures; stakeholder theory	Transparency; stakeholder trust; improved competitiveness	Data standardization; reporting complexity	Smith et al., 2024; Zhang & Sun, 2024
China	Government-driven ESG adoption; mandatory disclosure for SOEs and large firms	National ESG guidelines; climate-related regulations	Institutional theory: coercive pressures; RDT	Legitimacy; alignment with national sustainability goals; risk mitigation	Regulatory complexity; limited ESG expertise	Jones & Martinez, 2022; Wang et al., 2023
European Union	Standardized ESG reporting under CSRD	CSRD; EU Sustainable Finance Disclosure Regulation (SFDR); TCFD	Institutional theory: coercive & normative pressures; signaling theory	Comparability; accountability; market confidence	Compliance burden; integration with financial reporting	Krüger, 2019; Adams et al., 2016
United States	Voluntary ESG reporting frameworks	SASB standards; TCFD guidance; investor-driven	Mimetic pressures; stakeholder theory; signaling theory	Investor engagement; enhanced reputation	Lack of standardization; limited enforcement	Eccles & Serafeim, 2013; Friske et al., 2023
Emerging Economies (e.g., Armenia, Indonesia)	Tailored ESG reporting; constrained adoption	Limited regulations; emerging national standards	Institutional theory: coercive & mimetic pressures; RDT; stakeholder theory	Legitimacy; market access; stakeholder trust	Regulatory gaps, capacity constraints, and limited stakeholder awareness	Nugrahani et al., 2023; Dai & Chen, 2023

In the Armenian context, sustainability reporting and ESG integration remain at an emergent stage, reflecting both opportunities and challenges characteristic of developing economies

Since there aren't strict rules for Armenian companies requiring them to report on ESG in detail, most businesses choose to follow international guidelines like the Global Reporting Initiative GRI, the Sustainability Accounting Standards Board SASB, on their own. Mostly, the financial sector tries to share more information that shows how thorough or transparent the sector is. The reason for this is that the Armenian financial sector cooperates with European and US companies. This also differs a lot from one firm to another or from one sphere to another. Some go above and beyond, while others might only cover the basics, depending on their priorities and resources. So, there is still some point of navigation and choice.

In recent years, Armenia has begun to take concrete steps toward strengthening sustainability reporting and the integration of ESG principles into

corporate reporting practices. A key development in this process is the draft *Policy Decision Note and Country Action Plan on Sustainability Reporting*, prepared for approval by the Chamber of Auditors and Accountants of Armenia. Although the document has not yet been formally adopted, it represents an important milestone, as it outlines a clear national vision for the gradual introduction of ESG-related reporting aligned with international standards.

The Policy Decision Note recognizes that Armenian companies, particularly small and medium-sized enterprises (SMEs), operate in a challenging environment characterized by limited resources, insufficient ESG expertise, and the absence of binding regulatory requirements. Rather than proposing immediate mandatory ESG reporting, the draft framework adopts a phased and supportive approach. It encourages voluntary adoption in the early stages, combined with guidance and capacity-building measures, reflecting an understanding of the country's economic structure and institutional realities.

A central focus of the Country Action Plan is the development of professional capacity. The document highlights the need to improve ESG-related knowledge among accountants, auditors, and corporate managers, and proposes targeted training programs and professional development initiatives coordinated through the Chamber of Auditors and Accountants. Strengthening the role of the accounting profession is viewed as essential for improving the quality, consistency, and credibility of ESG disclosures. This emphasis aligns with institutional and resource-based perspectives, as firms require both skills and professional support to respond effectively to growing expectations from investors and international partners.

The draft policy also addresses governance and credibility concerns related to ESG reporting. While independent assurance of sustainability reports is still rare in Armenia, the Action Plan identifies assurance and verification as longer-term objectives. By gradually integrating ESG considerations into existing audit and oversight mechanisms, the framework aims to enhance trust in reported information and reduce the risk of symbolic or superficial disclosures. In this sense, ESG reporting is not only considered as an informational tool but also as a way for companies to signal transparency, responsibility, and long-term commitment to stakeholders.

Importantly, the Policy Decision Note acknowledges that current ESG practices in Armenia are largely driven by external pressures, particularly from foreign investors, international financial institutions, and cross-border business relationships. The proposed national framework seeks to bring greater coherence to these practices by providing shared reference points, improving comparability, and fostering a more consistent reporting culture. This transition from fragmented, voluntary disclosures toward a more structured institutional approach reflects the broader dynamics described in this study.

Overall, the Armenian case illustrates how emerging economies can approach ESG integration in a realistic and context-sensitive manner. By

prioritizing gradual implementation, professional engagement, and alignment with international standards, the draft Policy Decision Note and Country Action Plan offer a practical pathway for embedding ESG principles into corporate reporting without imposing excessive burdens on businesses. These developments support the argument that institutional coordination and policy guidance play a crucial role in advancing sustainable corporate reporting in emerging economies.

In Picture 1, we have represented a simple reporting enhancement cycle for Armenia.



Picture 1. *ESG Reporting Enhancement Cycle in Armenia*

Armenia, as a developing country, has diverse economic sectors where we can find, first of all, the replication pressures. Armenian organizations replicate international or regional peers to develop a positive legal structure and show responsibility to investors and stakeholders. We have already mentioned that financial institutions try to emerge through international partnerships and the growing expectations of foreign investors who increasingly demand ESG transparency. Right now, professional associations and industry groups in Armenia aren't putting much pressure on companies to adopt ESG practices. This shows that these efforts are still pretty new in the country. Armenian businesses face some real challenges: first of all, many managers aren't very familiar with ESG principles. Also, there aren't enough experts in the field, and the technology and systems needed to collect and report reliable data are still developing. All this makes it quite difficult for companies to get started with ESG and to report in a consistent, meaningful way. Small and medium-sized enterprises (SMEs), which dominate the national economy, are particularly constrained by resource limitations in adopting ESG frameworks. At the same time, significant opportunities exist. The rising importance of ESG considerations in international

investment and trade creates external incentives for Armenian firms to strengthen reporting practices. Adoption of ESG disclosure may enhance access to global capital markets, improve reputational capital, and support integration into international value chains.

Looking ahead, there's a lot to learn by studying how Armenian companies are adopting ESG practices and how they respond to pressures from institutions. It is also a process to identify whether voluntary or regulatory frameworks work better for building trust and improving performance. Future research in these areas could really help organizations understand what drives success and where they can improve. Comparative studies with other emerging economies could further illuminate Armenia's unique position for advancing ESG integration.

Table 2

Comparative analysis of Armenia and Developed Economies

<i>Dimension</i>	<i>Armenia</i>	<i>Developed Economies (EU, US, Singapore)</i>	<i>Implications</i>
Regulatory Framework	ESG reporting is voluntary (World Bank, 2022) Armenia - Toward Mandatory Sustainability Reporting Centre for Financial Reporting Reform	Strong, mandatory ESG regulations	Armenia needs its own ESG policies to catch up with global best practices
Institutional Pressures	Companies mostly copy international peers and respond to investor demands; local professional pressure is weak	Firms face strong regulatory, professional, and competitive pressures	Weaker local pressures in Armenia slow down ESG adoption compared to developed economies
Corporate Capacity	Limited ESG knowledge and resources, Corporate Governance 2025 - Armenia Global Practice Guides Chambers and Partners	Larger companies have dedicated ESG teams and more resources, https://www.linkedin.com/posts/kpmg-armenia_kpmg-sustainability-esg-activity-7288569762526199808-P4c2	Armenia should invest in training and capacity-building to improve ESG expertise
Stakeholder Engagement	Domestic awareness is low; foreign investors are the main ESG drivers	Active engagement from NGOs, investors, and consumers. Corporate sustainability: OECD Corporate Governance Factbook 2025 OECD	Armenia would benefit from more stakeholder education and dialogue to boost ESG demand
Technological Infrastructure	ESG data systems are still developing.	Advanced digital platforms for ESG reporting and verification.	Adopting new technologies could help
Opportunities	Better access to global financing and improved reputation in supply chains	ESG is a source of competitive advantage and credibility.	Strategic ESG adoption can help Armenian firms become trusted international partners

CONCLUSIONS. This study has been set out to understand how sustainability and ESG accounting are becoming a core part of corporate reporting. In this research, we have tried to investigate how companies tell their story not just to investors, but to everyone who cares about what they do. These practices are gaining attraction because they help organizations become more transparent,

accountable, and trustworthy in the eyes of their stakeholders and the wider public.

By looking at a broad range of research and real-world examples, we traced the journey of ESG reporting. We brought together different academic viewpoints and theories, and took a closer look at the real challenges companies can face during the process of ESG adoption, both globally and here in Armenia.

What we found is that, worldwide, ESG frameworks are advancing, driven by new regulations, rising expectations from institutions, and rapid technological progress. But for countries like Armenia, this journey is just beginning. There are still many barriers to overcome. Armenian small and medium-sized enterprises (SMEs), which form the basis of the economy, often struggle with limited expertise, weak infrastructure, and a lack of strong regulatory support.

Despite these obstacles, there are genuine opportunities for Armenian companies. By learning from international peers, responding to what investors are looking for, and embracing new technologies, Armenian firms can strengthen their ESG reporting and build credibility on the global stage. This will help develop the ESG reporting standards in Armenia and push the country to a new international stage. This isn't just a nice-to-have, but it is a necessary step for Armenia to secure its place in the world economy.

Our research adds to the ongoing conversation about sustainability accounting by weaving together different theories of how organizations respond to rules, manage resources, and engage with stakeholders. We have also explored what motivates companies to adopt ESG practices and what might hold them back. For practitioners, our findings highlight the importance of creating clear national guidelines, investing in training, and developing policies that help SMEs align with international standards.

Looking ahead, future research should focus on how Armenian companies are actually putting ESG into practice. It should also compare Armenia's progress with other emerging economies and explore how digital tools can help overcome reporting challenges. These efforts will not only deepen academic understanding but also offer practical advice for policymakers, investors, and businesses working toward more sustainable and responsible management.

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