sustainability

MDPI

Article

Environmental, Social and Governance (ESG) Disclosure and the Small and Medium Enterprises (SMEs) Sustainability Performance

Hebah Shalhoob [1,*] and Khaled Hussainey [2]

1 Department of Business Administration, The Applied College, King Abdulaziz University, Jeddah 21589, Saudi Arabia
2 Faculty of Business and Law, The University of Portsmouth, Portsmouth PO1 3DE, UK
* Correspondence: hshalhoob@kau.edu.sa

Abstract: This paper aims to evaluate the impact of environmental, social and governance (ESG) disclosure practices on the sustainability performance of small and medium enterprises (SMEs) in Saudi Arabia. It adopts qualitative research methods to answer the research questions through interviews, using a sample of 30 interviewees, to direct and moderate the relationship between SMEs' sustainability performance and their disclosure of ESG practices. The results indicated that SMEs in Saudi Arabia lack awareness of ESG practices and disclosures and, therefore, the extent of their importance to sustainability performance. The findings of this research have several practical implications for different stakeholders, internally and externally, such as managers, consultants, investors, credit agencies, lenders, policymakers, government, and the overall community in the context of the potential effects of ESG disclosure practices on SMEs.

Keywords: small and medium enterprises; environmental; social; governance; sustainability; Saudi Arabia

Citation: Shalhoob, H.; Hussainey, K. Environmental, Social and Governance (ESG) Disclosure and the Small and Medium Enterprises (SMEs) Sustainability Performance. *Sustainability* **2023**, *15*, 200. https://doi.org/10.3390/su15010200

Academic Editor: Mário José Baptista Franco

Received: 25 November 2022
Revised: 17 December 2022
Accepted: 19 December 2022
Published: 23 December 2022

1. Introduction

The COVID-19 pandemic has left a significant impact on all companies around the world. Companies with sustainable ESG positively benefited (financially, strategically, competitively and reputationally), whereas others hardly survived (if they do so). This confirms the importance of ESG reporting and compliance to all companies as an essential feature of success, not only restricted to power and energy sectors.

Over the past four decades, the disclosure of sustainability practices has been broadly argued in the academic literature [1]. Studies mainly focused on examining the relationship between ESG disclosure and performance for large and publicly listed companies [2–7]. However, it is observed that SMEs have attracted less attention from researchers. At the same time, they represent the majority in the manufacturing industry and play an important role in economic activity [8]. Corporate social responsibilities, in general, are seen as moderately new practices for SMEs [8,9]. This is considered as an inspiration for the study and highlights the need for more studies in this area. This led to the following questions:

- Which of the three ESG dimensions is performed more by SMEs in Saudi Arabia?
- What are the challenges and opportunities of ESG disclosure in SMEs?
- How far are the SMEs in Saudi Arabia aware of the concept of sustainability?
- Are SMEs in Saudi Arabia ready for ESG disclosure practices?

ESG disclosure has become an important and value-added aspect of businesses. However, it remained poorly discovered among SMEs, which play a significant role in most economies representing the majority of companies worldwide. The current paper aims to evaluate the impact of environmental, social and governance (ESG) practices disclosures on the sustainability performance of small and medium enterprises (SMEs) in Saudi Arabia. This can be achieved through the following objectives: distinguish the most ESG dimension practice by SMEs in Saudi Arabia; determine the challenges and opportunities of disclosing ESG practices in the Saudi SMEs; measure SMEs' level of awareness about the sustainability concept; identify the willingness of SMEs in Saudi Arabia for ESG practices disclosures.

On 24 April 2017, the Saudi Council of Economic and Development Affairs in Saudi Arabia launched ten executive programs to achieve Saudi Vision 2030, including the Financial Sector Development Program, which aims to support the development of the Saudi economy and achieve its goals. The program aims to create a prosperous financial sector in terms of achieving the vision goals and maintaining financial stability and thus ensuring the sector's sustainability in general in the long term.

From this point of view which coincides with the growing global interest in sustainability, Saudi Arabia has focused on ESG practices which are pushing regulators to prepare and implement ESG strategies and standards, such as social reforms, lowering the dependence on oil and diversifying the economy, the launch of new mega projects and improved governance mechanism, creating new jobs for Saudis and attracting the top foreign talent (meafinance, 2021). The Saudi Exchange announced, on Thursday, 29 October 2021, ESG disclosure guidelines to encourage listed companies to disclose their performance and promote sustainable growth in Saudi [10]. The issuance of this guide comes within the framework of Saudi Arabia's commitment to support listed companies as well as companies looking to be listed. Its ongoing efforts aim to raise awareness of the importance of these practices in the Saudi financial market to align with Saudi Vision 2030. Likewise, The Public Investment Fund (PIF) exposed its ESG plan, which stresses investing in renewable energy, water, and carbon management projects. In 2019, Saudi employed a USD 28 billion renewable energy program which offers loans for clean energy projects and the manufacturers of renewable energy components. Additionally, in 2022, Saudi Arabia announced agreements and investment initiatives worth USD 13.8 billion across various industries During the Global Entrepreneurship Congress (GEC) held in Riyadh. These initiatives will help the industry become an engine for economic growth. Indeed, according to the Global Competitiveness Center, Saudi Arabia is ranked 12th on the Availability of Venture Capital Index, which is among the most prominent sub-indicators [11]. However, the current ESG score for Saudi Arabia is moderately negative and should improve, as mentioned by Moody's.

SMEs in Saudi Arabia represent a key and strategic axis for development and economic mobility. One of the core objectives in the Saudi vision is to increase SMEs' contribution to GDP from 20% to 35% by 2030. Saudi Arabia's SMEs employ more than 80% of the workforce, contribute about 23% of the GDP, and represent approximately 99.5% of all businesses [12]. The SMEs sector in Saudi Arabia has proven its resilience and superior ability to adapt during the COVID-19 pandemic, as it achieved 5% growth in 2020 compared to 2019. In the first quarter of 2022, the number of SMEs exceeded 752,560 [12]. In this regard, Saudi Arabia played a significant role in helping SMEs to overcome their challenges by establishing the Small and Medium Enterprises General Authority [12], in 2016. In this regard, ESG practices have become a critical part of decision-making. So, these guidelines will encourage companies to disclose their performance voluntarily. Accordingly, we asked: Are Saudi Arabian SMEs ready for this practice?

The novelty of the research is raised from the idea itself, as there is a lack of relevant research. In addition, to the researchers' knowledge, no study has yet been conducted in Saudi Arabia to discuss the impact of ESG practices disclosures on SME performance. The study will provide a foundation for the challenges SMEs face today in Saudi Arabia.

The remainder of this paper is structured as follows. Section 2 reviews the literature and the theoretical framework. Section 3 develops the conceptual framework. Section 4 describes the methodology. Then, the data analysis is discussed in Section 5. Section 6 discusses the findings. Section 7 concludes the work.

2. Literature Review and the Theoretical Framework

In the last two decades, ESG practices and climate transition have become a fast-growing phenomenon in business and have gained much attention from researchers and governments. ESG emerged in the early 1990s as a portfolio risk management concept [13]. By 2021, ESG reporting had been adopted by over 70 countries from over 500 organizations [14]. This growth is essential for companies and has become widely used to measure sustainability standards for holding companies accountable [15]. This concept has become a fundamental pillar for any company intending to be competitive in the market [16].

Incorporating ESG practices into the financial system helps create an efficient and sustainable financial system for the long term. Today's financial markets attach great importance to companies that generate financial returns for investors, and those who create great value that help advance development. Legal authorities in the countries are responsible for adopting the best practices for ESG reporting, raising market awareness, protecting investors, and fulfilling their social and economic responsibilities. High-quality reports can help companies to achieve their goals internally and externally and provide the needed information to make decisions.

The stakeholder theory has been used to understand SMEs' needs and explain the relationship between SMEs and ESG practices disclosures. Stakeholder theory addresses the concept that a company should maintain better relationships with all stakeholders. Over time, it will be more successful, similarly to those initiatives related to corporate social responsibility. It represents several targeted people (individuals or groups) impacted by business entities who benefit or harm companies' activities [17]. Based on Freeman's theory, ESG activities could be merged or transferable into a company's market performance. Ref. [18] imply that the policies of active ESG initiatives are instrumental in protecting the bottom line as well as increasing shareholder value. Ref. [3] also finds that ESG activities can resolve conflicts between managers and stakeholders, as their engagement positively affects firm performance.

According to [19], ESG reporting is critical for meeting the prospects of stakeholders. Additionally, it is vital to maintaining good relations to preserve and reinforce corporate legitimacy [20,21]. Companies respond to the prospects and doubts of the main stakeholders by disclosing sustainability information on ESG to tolerate a strong and continuing connection with stakeholders [22–24].

Apart from this, stakeholders (for example, employees, customers, creditors, suppliers, auditors, government and the general public) have become conscious of ESG practices, hence preferring environmentally friendly companies [25,26]. As such, employees have confidence in working in a company that integrates green practices in its plan; customers need companies to be clear and honest in reporting ESG sustainability; and governments become critical in implementing ESG sustainability obligations between listed firms, since they can withhold operating certificates from companies that do not comply [27–29]. However, stakeholder theory emphasizes that companies are more likely to decide to disclose their ESG activities.

ESG practices are considered the main part of the corporate sustainability elements [30]. These practices have emerged based on three criteria (environment, social and governance) to measure corporate sustainability [31]. The importance of their practices is mainly shaped by enhancing business sustainability, especially in times of crisis. The first criterion is the environment, including the reuse and recycling of materials, eco-friendly products, increasing green areas, the attention to natural wealth, energy efficiency, reducing gas emissions, toxic waste disposal, climate change, environmental pollution and carbon footprint, global warming and carbon emissions [32]. These effects created a considerable threat to the future of the next generations. The second creation is the social development practices. This stems from volunteering and supporting non-profit organizations, gender equality, product quality and safety, social contribution, labor standards training and development, and health and safety to create a more sustainable work environment. The third creation is corporate governance practices, including tax transparency, shareholder rights, risk management, data protection, anti-corruption and shareholders' rights. Corporate governance is concerned with strengthening the board of directors' performance, limiting the use of administrative authority in the non-interests of shareholders, and stressing disclosure and data protections, which help to prevent the misleading of shareholders and stakeholders in the company [33].

According to [34], corporate governance is the least noticeable area of ESG that evaluates corporate behavior, followed by social activities that focus on diversity, labor standards and social opportunities. The environment is the first and the most discussed part of ESG activities including pollution, waste, natural resources and climate change.

Companies are becoming more interested in applying ESG practices to produce competitiveness and create a positive relationship with stakeholders [35]. Ref. [36] stressed that ESG practices could generate extreme shareholder value, such as increasing performance [37], identifying new opportunities, facilitating better decision-making [38], employees' commitment [39], identifying expertise gaps in the board of directors (Fenwick et al., 2022) and creating a positive reputation by gaining a better sense of their competitors, improving branding and positioning in the labor [37,39,40]. In contrast, lower profitability could occur for ESG practices due to their high cost. Nevertheless, the improvements in cost-effectiveness tend to offset the initial costs [41]. However, limited attention is paid to how ESG performance affects employees [37]. Encouraging ESG reporting disclosure will contribute to the company and its stakeholders. It demonstrates the complete picture of the company's future financial and non-financial performance [42]. In other words, ESG initiatives offer firms potential benefits that are scrutinized by investors, rating agencies, and clients [37].

The regulation of the requirement of ESG reporting disclosure differs across countries, where regulatory bodies and governments play an important role in developing their compliance standards in their market. Australia, Belgium, China, Denmark, Finland, France, India, Italy, Japan and South Africa are mandated by many regulatory actors to disclose their non-financial information as ESG practices [43]. Nevertheless, the requirement for ESG reporting disclosure could be mandatorily or voluntarily based on the instruction of the country's securities exchanges [30]. Ref. [44] emphasized that ESG practices should complement portfolio management. The increasing number of ESG practices led to the establishment of several global reporting initiatives, such as Global Reporting Initiatives and the United Nations Global Compact [45]. In addition to these are the UN guiding principles reporting framework (UNGP), Unctad Intergovernmental Working Group of experts on International Standards of Accounting and Reporting (ISAR), CDP, Climate Disclosure Standards Board (CDSB), GRI, International Integrated Reporting Council (IIRC), Sustainability Accounting Standards Board (SASB), Financial Stability Board (FSB), and the Task Force on Climate-Related Financial Disclosures (TCFD) (ESG Disclosure Guidelines, 2021), established due to the growing demand of the ESG reporting disclosures.

ESG reporting disclosure is supported by various studies suggesting that sustainable reports bring more transparency [46], enhancing performance, and lead to better business [6]. In addition, it creates significant competitive advantages and benefits the company's reputation [47] through many factors, including board characteristics, financial risks, environmental and social-cultural aspects, regulations, ownership structure, corporate governance, and corporate exposure to issues [48,49].

There is considerable research examining the relationship between ESG disclosure and companies' performance. Some documented a positive relation [1–3,5,6,50–56]. On the other hand, some contradictory findings in the literature suggest a negative relationship between ESG and performance [4,57–59]. In contrast, [7] found no connotation between the level of ESG disclosure and the company's financial performance, provided that country regulations significantly influence the company's ESG disclosure level.

However, there is still a need for more evidence on ESG disclosure within SMEs owing to several factors (social, structural and functional) that prevent drawing any form on the empirical evidence [60], leaving it unexplored.

Ref. [1] reveals that ESG performance is not useful for SMEs' profit, as they do not have the same resources as large companies. Similarly, in the short run, ESG reporting on SMEs could have a negative impact on the corporation's performance in mainland China, while the correlation, in the long run, is proven to be positive [61]. Ref. [62] expresses that ESG disclosures for SMEs may not occur without appropriate resources. Increased resources (financial or human) and transparency are required for ESG reporting to boost investment in SMEs [63]. Ref. [64] added that the cost of capital is the main distinction of SMEs' disclosure of ESG large companies. It should be noted that to achieve sustainability in the long term, SMEs can leverage global institutions for good practices in ESG in their operations [65].

On the other hand, Ref. [61] found positive effects of environmental regulation on the environmental and economic performance of SMEs, and predicted its impact on profitability. Ref. [66] demonstrates that SMEs shape sustainability dynamics by participating in formal political processes and social movements, and constructing and contesting discourses. In the FinTech sector in SMEs, internal stakeholders express a strong interest in the organization's sustainability and desire to work for organizations with strong ESG commitments [34]. Ref. [67] found that green innovation capacity positively affects financial performance through environmental performance.

In the context of Saudi Arabia, PSB Middle East in Saudi Arabia and the UAE conducted an exclusive study of 200 applicants about ESG matters, revealing that half of the applicants had an ESG framework, but they are not sure if their staff fully understood it [68]. Ref. [69] presents a positive association of ESG disclosures between Saudi companies. Moreover, Ref. [70] discovered the awareness of sustainability using ESG criteria in Saudi organizations and their obligation to sustainability by reducing the risks of the organization's sustainability. Ref. [71] also demonstrated that SMEs in Saudi Arabia play a major role in the Saudi gross domestic product growth, proposing policy solutions to improve the access to sustainability (finance and investment) to achieve Saudi Vision 2030.

3. Conceptual Framework of the Relationship between ESG Disclosures on SMEs Sustainability

Companies of all sizes have been affected by ESG practices and reports issues for sustainability, while SMEs have been missing from the mainstream. Recently, ESG issues have been a huge concern for businesses, as many developments have been taken to integrate them into the business. In 2021, the EU Commission proposed to involve SMEs in the Corporate Sustainability Reporting Directive instead of focusing on large listed companies, by proposing simpler reporting standards for SMEs.

The ESG practices are an integral part of each company's mission, as well as a vital aspect of investment and financial performance. SMEs have a range of advantages of being flexible, having faster decision-making processes, maintaining closer customer and supplier relationships and being community-focused [72]. The conceptual framework in Figure 1 demonstrates the relationship between ESG practices disclosures on SMEs' sustainability performance and represents an overview of the study.

Based on the literature, the framework revealed that the disclosure of this type of practice is influenced by several challenges and opportunities that will make it easy for SMEs to compete and raise their financial performance [52,73–75]. A comprehensive review is required to assess such factors and the current situation and construct a framework that could affect the implementation of SMEs. The conceptual framework considered ESG practices as a proxy representing SMEs' sustainability practices.

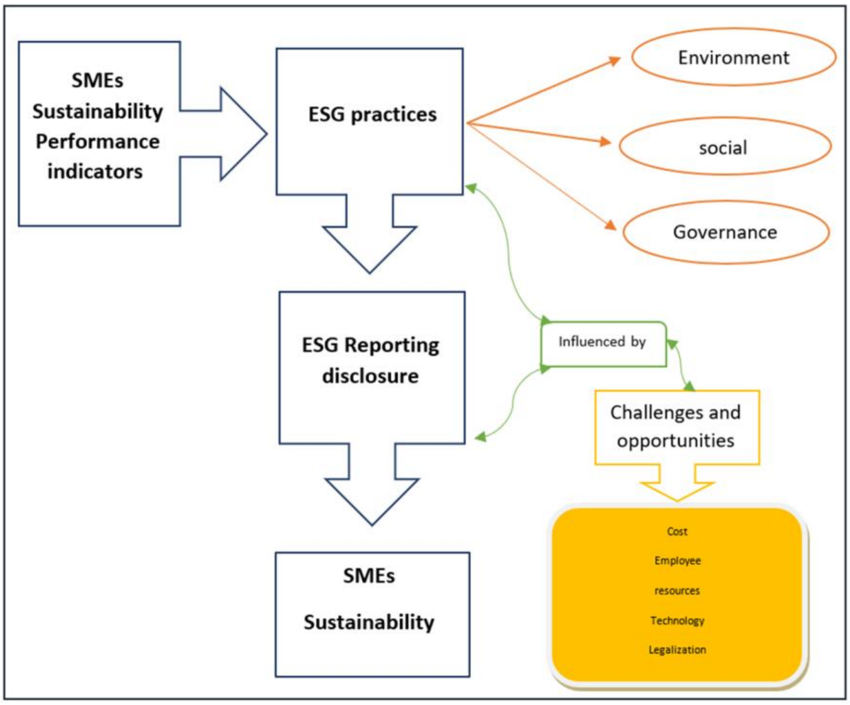

Figure 1. Conceptual framework. Source: Author (2022).

The Opportunities and Challenges of ESG Practices for SMEs

ESG practices are an integral part of companies' mission, as well as a vital aspect of investment and financial performance. The disclosure of this type of practice will make it easy for companies to compete and raise their financial performance [73,75]. It also can mitigate investment risks. Businesses realize that ESG is an opportunity to understand and mitigate risks. Ref. [76] shows that ESG disclosure positively affects firm value, as financers reward the disclosure of ESG with a lower cost of capital funds [77]. The voluntary disclosures of ESG can reduce asymmetry information, contribute to sustainable business, enhance the positive reputation of firms, and manage their image [78,79]. In addition, the conceptual framework considered ESG practices as a proxy representing SMEs' sustainability practices. However, in light of limited reporting requirements for SMEs as well as higher costs and lack of capacity, obtaining ESG-accurate information remains challenging when adapting to reporting procedures [80], due to limited resources and operational flexibility [62], higher costs, lack of aligned methodological frameworks for ESG integration, and the complexity of management's commitment and risk management.

4. Research Methodology

Primary data was obtained in this study through qualitative research, applying in-depth interview techniques. According to Ref. [81], an interview is considered the traditional and the main way of collecting information. This method helps follow up the idea immediately with the participants to highlight their perceptions and experiences, to obtain a view on the relationship between SMEs' sustainability performance and the disclosure of ESG practices, and to answer the research questions.

The target population for the study involved 2000 SMEs in Saudi Arabia. However, the study population used a sample of 30 participants. The research objective was explained to the respondents, and anonymity was assured. This selection has been undertaken manually based on the contact data available through The Small and Medium Enterprises General Authority in Saudi Arabia (Monshaat). An email was sent to all SMEs of the study population with a cover letter stating a brief introduction and the purpose of the study. However, the researcher had only 40 replies in total, as 10 replies were randomly nominated to refine the interview questions via pilot study, while the 30 remaining participants constitute the population of the study. The participants were given one-to-one in-depth visual interviews, both face to face and via Zoom, from 3rd July to 15th August 2022, in different regions in Saudi Arabia. They were chosen based on their ownership of SMEs for at least four years. The allocated time for each participant was about 45 min to help the researcher collect as much information as possible. The interviews were recorded and conducted in Arabic to ensure that the participants understood the questions being asked, and then the important quotations were translated into English. The participants' information is presented in detail in Appendix A. The data was collected using notes and interview records.

The interviews entailed 20 questions (Appendix B). The questions are divided into 5 sections. These include: general questions about the SME and its activities; questions to identify the ESG practices applied by the SMEs; factors which influence the practices of the SMEs; measuring the awareness level of SMEs about the concept of sustainability in the Saudi Arabia; and knowing the extent to which SMEs in Saudi Arabia are prepared to disclose ESG reports. The interviews started with a description of the aim of the study and then answering questions. In case of any mis-understanding, rephrasing was performed as needed. If more detail was required, additional questions were asked. Some of the questions were rephrased if a participant could not answer a question. Lastly, the participants were invited to add any comments. An interview list was followed to achieve superlative use of the interview time and to keep the participants focused. Then, this list was revised to assess the need for any modification.

5. Data Analysis

Descriptive data analysis was carried out in this qualitative study to evaluate the impact of ESG practices SMEs' performance in Saudi Arabia. The data analysis begins with transcribing the data conducted by notes and interviews recorded and then transcribed into codes. Coding was assigned in this study by reading all interviews transcribed for each question and sorting them out into themes. These codes were based on short descriptive terms that arise out of the data that is being studied.

6. Results and Discussion

Applying ESG practices positively affects SMEs' development and helps them gain a competitive advantage, have a deeper understanding of risks, streamline operations and improve financial performance [34,61,66,67,72]. Therefore, sustainability should be embedded into their goal and strategy at all levels. Applying the suitable practices of ESG, considering the overlap among the environmental, social and governance factors. In this section, the study's findings will be presented and discussed based on the research questions and the conceptual framework.

6.1. ESG Practices by SMEs

Answers to the second part of the interview are categorized and summarized in Appendix C, to help identify ESG practices applied by the SMEs.

Social activity participation was the highest common form of ESG practices employed by SMEs in the research sample, regardless of the size and nature of their contributions. Supporting non-profit organizations, volunteering and charitable contributions are common social practices by SMEs in Saudi Arabia. According to Ref. [34], social activities focus on diversity, labor standards and social opportunities. Ref. [82] indicates that SMEs in Saudi Arabia are aware of the importance of social responsibility, and it is implementing it more deeply in a sustainable way. Sweeping social reforms in Saudi Arabia have paved the way for better ESG standards [83]. To increase awareness of the importance of social responsibility, in 2011, the Makkah Chamber of Commerce and Industry initiated a seminar to contribute to the health and welfare of society [84]. In Africa, Ref. [85] claims that SMEs generate jobs and bring goods and services to those who need them, even if there are no official social responsibility departments. Correspondingly, social responsibility from an SME perspective can go outside the interaction with the direct communities [86].

Moreover, the environment is the first and most significant discussed part of ESG [34]. In this study, many participants agreed that there is a societal megatrend towards environmental awareness, mostly in terms of Going Paperless. Participants claimed to be passionate about the environment and advocated ESG-related practices. However, a potential gap exists in their contribution to being green. According to Ref. [87], SMEs are involved in some environmental initiatives, such as climate change.

In terms of corporate governance, only a few participants are aware of the importance of its practice in their business. One participant argues that "It's difficult for us as SMEs to have a sufficient practice or even to apply Corporate Governance in our business due to several reasons, one of them is that we don't have board members" (Interview Participant). Ref. [34] also agrees that it is the least noticeable area of ESG. Another participant added that " Proprietorship companies are the most difficult and challenging companies in the terms of applying corporate governance" (Interview Participant). According to the Ernst & Young Global Limited Survey, in 2021, the number of ESG practices will increase soon and could generate extreme value for shareholders [36].

6.2. Factors Influencing the Practices of ESG

The third part of the interview highlights the factors influencing ESG practices to promote business sustainability. In this regard, a Strengths, Weaknesses, Opportunities, and Threats (SWAT) analysis has been applied to obtain a better understanding of the factors affecting ESG practice in Saudi Arabia. It helps identify the internal and external factors connected to ESG practices and summarizes and categorizes interviewees' answers. It is useful for evaluating the possibilities and opportunities when applying ESG for SMEs. According to Ref. [88], SWOT analysis enables companies to identify and take advantage of strengths and opportunities while addressing weaknesses and overcoming threats and providing valuable information about a company's strengths, weaknesses, opportunities, and threats. Table 1 presents the internal and external factors of ESG practices.

The results from the SWOT analysis demonstrated that SMEs in Saudi Arabia face a challenge in implementing ESG practices, mainly due to the identification of the current weaknesses and threats, such as the number of employees, high costs, risk management, tight profit margins, limited product range, systematic complexity of disclosure standards, declining economic conditions, potential loss of employees, rising fixed costs, the price fluctuates, competitors, legislation, and credit risk [1,62,64,80]. Such issues and challenges must be considered when SMEs implement ESG practices. So, the company's management and competent authorities must discover solutions to such challenges SMEs face. This result demonstrates a negative relationship between ESG disclosure and performance [57–59]; therefore, ESG disclosure is not useful for SMEs' performance, as they do not have the same resources as large companies.

In contrast, ESG practices disclosures engagement can be positively impacted by the increasing number of customers, broadened product range, growing environmental awareness, broadened geographic reach, competitive advantage, market growth, obtain financing and reputation as outlined in the literature [47–49]. Despite the benefits gained through promoting sustainable practices, most companies still suffer from a lack of a clear strategy for sustainability. One of the interviewees argues "it is necessary to adopt an approach based on integration, integrating sustainability reports, and making tangible changes in the corporate culture to enhance the sustainability benefits of companies". Another participant added that "Recently, if we wish to work with a foreign partner, we are required by the foreign company to have sustainability reports" (Interview Participant). It should complement portfolio management [44].

Table 1. SWOT Analysis.

Strengths	**Weaknesses**
Strong Brand with Clear Visions	Lack Of Resources
Good Local Market Knowledge	Number Of Employees
Able To Charge a Price Premium	High Costs
Customer-Centric Strategy	Risk Management
Quality And Efficiency	Difficult To Access Capital and Funding
Increase Productivity	Tight Profit Margins
Profit Improvement	Limited Product Range
Good Corporate Culture	Marketing Cost
Clear Value Proposition	Weak Bargaining Power with Suppliers
Close To the Customer	
Great Value Products	
High-Quality Stuff	
New Business	
Opportunities	**Challenges Or Threats**
Broaden Product Range to Target New Segments	Systematic Complexity of Disclosure Standards
Increase The Number of Customers	Consumers Becoming More Price Sensitive
Growing Environmental Awareness	Conditions And Corruption Due to Rapid
Broaden Our Geographic Reach	Weakening Supplier Relationships
Competitive Advantage	Losing Key/Valuable Customers
Market Growth	Declining Economic Conditions
Get Financing	Potential Loss of Employees
Technology	Rising Fixed Costs
Reputation	Price Fluctuates
Suitability	Competitors
	Legislation
	Credit Risk

6.3. Awareness of Sustainability

Responses to the interview's questions showed a lack of awareness of ESG sustainability reporting, indicating a negative tendency towards the awareness of Saudi SMEs and ESG sustainability reporting [68,70]. Hence, most of the participants do not have any understanding of the sustainability concept. Few participants believed that it was related to environmental practices only. One interviewee argues that "Sustainability protects our environment from pollution". Another interviewee argues that "It is related to recycling". However, another group of participants have a basic understanding, as they believe the main responsibility here is to help businesses continue running. One of the interviewers says, "Sustainability means continuity", another one believes that "Sustainability is the future", and a third one claims that "It is a strategy that aims to provide long-term value". Additionally, another participant added, "I believe that sustainability mainly contributes to risk reduction".

Sustainability is a high priority for leading business sectors, which continuously announce specific initiatives and goals to promote such practices. However, there is still a clear gap between the reviewers' words and the actual practice. As one participant specifies, "Yes, we know what sustainability is, and what sustainability reports are and we know how important they are to the company, but unfortunately, we do not prepare them, as currently there is no consideration of sustainability in Saudi Arabia about small and medium-sized companies". Another added that "Most of the current sustainability reports are prepared by public relations Companies in London". We believe that through adopting lean and green thinking to transition to sustainable business practices, SMEs can more rapidly contribute to the circular economy at the company level. Agencies and professional bodies can support SMEs in this transition through targeted interventions that address the enablers and barriers presented [89]. Overall, the results indicate that Saudi SMEs are still behind the developed countries in participating in ESG practices in their businesses.

6.4. ESG practices Disclosures

This part illuminates to what extent SMEs in Saudi Arabia are prepared and ready to disclose ESG reports. As discussed in the previous section, most participants have yet to learn what ESG is. Even so, one of the interviewees says, "We do some work related to the environment and society, but we were not aware of the importance of such practices for our sustainability". Another interviewee adds that "As a general term, I have heard of it before, but I had no idea of the importance of such a practice". On the other hand, one participant says that "we have a full understanding of ESG and its reports, and we are on the way to launching our services on this kind of report, but unfortunately, due to our low capacity, we could not apply it on ourselves". So, even if SMEs have a good understanding of ESG reports, they still face challenges that impeded them from adopting such practices. One of the participants says that "We don't have the capacity and the full knowledge to disclose such practices in separate reports". He claims that " If the preparation and examination of financial statements by an auditor is very costly for us as small businesses, how would you like us to prepare other reports". It should be noted that most of the participants use Twitter and Instagram to disclose their ESG activities to the public, as they disclose these activities in the annual report.

Further, when asked about the impact of ESG practices disclosures on sustainability performance, most respondents denied having any current disclosures contribution. Still, they believe that ESG practices add value to SMEs. Regarding corporate legislation, some interviewees stressed that decision-making was not affected by the ESG consideration unless there was outside regulatory enforcement. Governments must put in place incentive legislation that contributes to the activation of these practices by small companies, as they did with large and joint stock companies [30,43,44]. As one participant mentions, "First, before blaming the legislation, we need to define and raise awareness of such practices and the extent of their importance and the return from their application to small and medium companies" (Interview Participant) [47–49]. However, many acts of legislation have increased the burden on SMEs and did not consider the lack of capabilities, whether material or the number of employees. Removing restrictions will contribute positively and develop the ability to keep pace with any new practices aiming to raise their participation rates in the country's GDP.

When asked about their opinions on maintaining a good sustainability level, most participants emphasized that awareness is the main challenge that limits such practices. They also found it difficult to measure and determine performance at the present time due to the recent inflation. ESG practices are primarily adopted to mitigate risk and strengthen a positive reputation [6]. One interviewee argues that "After Corona, as SMEs, we had the largest share of damage, which requires us to recalculate the concept of sustainability and how to benefit from it". These issues are in line with the literature [1,5,6,50–53,56].

Lastly, valuable suggestions have been made by the interview participants. One interviewee suggests that "there should be points given to those who implement such practices, and these points should have advantages in return, for example, an authorized body such as "Monshaat" should start giving scoring for ESG practices and these scoring should give them priority in funding and tenders. Thus, activating this type of culture will contributes to the development of sustainability". Another suggestion by one of the interviewees indicates that "Any contribution from the sectors interested in such practices in the matter of raising awareness is very important to us and to our clients". In terms of the main challenges, one interviewee argues that "Awareness is the main challenge for implementing ESG practices, having awareness with a desire will help in applying such practices". An interviewee also argues that "At the international level, there are great efforts regarding sustainability and its reports, so if we locally have been able to develop a model for the established impacts and converted them into a measurable standard, to clarify the actual impact of such practices on share price, domestic product and capitalization", as it is also bringing transparency to the ESGs [46].

7. Conclusions

This study analyzed and evaluated the impact of environmental, social and governance (ESG) practices disclosures on small and medium enterprises (SMEs) sustainability performance in Saudi Arabia. It hence drew the following important findings. First, SMEs have realized that corporate governance is vital for them to achieve strategic goals, but this still needs to be achieved, according to the current nature of SMEs. Hence, launching a good corporate culture requires a long-term process, which is problematic and needs to be achieved. However, based on the results, SMEs in Saudi Arabia consider social activities the most ESG practices. Second, the SWOT analysis identified the threats and weak factors that negatively affect adopting such practices as ESG. On the bright side, ESG practices can also be impacted positively, as identified in the strengths and opportunities. Third, the participants of SMEs believed that environmental practices are the core of sustainability, and all resources should be arranged to meet these needs, due to the limited resources of SMEs and the need for a clear strategy for sustainability. Lastly, SME participants need to understand ESG and its reports, pay more attention and be aware of its importance. According to the interviews, corporate legislation does not assist SMEs in implementing ESG practices due to the complexity and lack of awareness.

The findings of this study have several theoretical and practical implications. Regarding the theoretical implications, this study contributes to the literature in several ways. First, it validates the implication of ESG practices disclosure on SMEs' sustainability performance, presenting a potential answer to perceive if SMEs are ready for this type of performance. Research findings could help financial regulators develop an ESG disclosure guideline for SMEs. Second, it contributes to theory by developing a sustainable conceptual framework for SMEs. This framework can be used as a basis for application in development. Correspondingly, it could be a valuable tool for sustainability adoption. Based on the previous literature, researchers and practitioners applied ESG evaluations for companies in different sectors. Though, the process of ESG evaluation is still growing for SMEs. Last, this study contributes to knowledge by adding to the existing body of accounting and financial literature on SMEs and ESG, shedding light on the possible associations between non-financial disclosure and sustainability performance. There needs to be more research conducted in Saudi Arabia or abroad about the possible relationship between ESG disclosure practice and SME sustainability performance, to the authors' knowledge.

The findings of this study offer several practical implications for different stakeholders, internally and externally, as managers, consultants, investors, credit agencies, lenders, policymakers, government and the overall community in the context of the potential effects of ESG disclosure on SMEs. In terms of managers and consultants, this study may be useful in their management and relevant for their strategic decisions and financing planning to improve overall sustainability performance. Moreover, it alerts external institutions to encourage ESG investment and consider their participation in societal issues, non-opportunistic behavior, trustworthiness, and integrity as a part of credit decision-making. Correspondingly, policymakers and government should provide sufficient support and compel management to adopt moral ESG disclosure practices. Thus, all the stakeholders have access related to SMEs affairs. Mainly, the results imply that Saudi SMEs should start preparing to include ESG practices in their business and provide ESG reports about their operations.

The study has a few limitations which offer opportunities for future research. First, the sample size is small, even though interview methods usually use smaller participant pools. This is due to the weak response by SMEs. Future research could interview more SMEs and conduct interviews with SMEs with a good practice of ESG and its reporting. More research is needed to explore a wider geographic range.

Author Contributions: Conceptualization, H.S. and K.H.; methodology, H.S.; software, H.S.; validation, H.S.; formal analysis, H.S.; investigation, H.S.; resources, H.S.; data curation, H.S.; writing—original draft preparation, H.S.; writing—review and editing, H.S. and K.H.; visualization, H.S.; supervision, K.H.; project administration, H.S. All authors have read and agreed to the published version of the manuscript.

Funding: This research received no external funding.

Institutional Review Board Statement: Not applicable.

Informed Consent Statement: Not applicable.

Data Availability Statement: Not applicable.

Conflicts of Interest: The authors declare no conflict of interest.

Appendix A. Interview Participants' Information

Participants	Sector	Date	Duration	Formation
SME 1	Housing and food services	5 July 2022	30 min	Face-to-face
SME 2	Housing and food services	14 July 2022	45 min	Face-to-face
SME 3	Housing and food services	22 July 2022	47 min	Face-to-face
SME 4	Housing and food services	24 July 2022	35 min	Face-to-face
SME 5	Housing and food services	6 July 2022	36 min	Video communication
SME 6	Housing and food services	3 August 2022	45 min	Face-to-face
SME 7	Housing and food services	5 August 2022	45 min	Video communication
SME 8	Wholesale and retail	4 July 2022	40 min	Face-to-face
SME 9	Wholesale and retail	24 July 2022	45 min	Video communication
SME 10	Wholesale and retail	25 July 2022	53 min	Face-to-face
SME 11	Fashion and Beauty	10 July 2022	30 min	Video communication
SME 12	Fashion and Beauty	13 July 2022	40 min	Video communication
SME 13	Fashion and Beauty	24 July 2022	49 min	Video communication
SME 14	Real estate activities	25 July 2022	45 min	Video communication
SME 15	Real estate activities	3 August 2022	45 min	Face-to-face
SME 16	Construction	4 July 2022	40 min	Face-to-face
SME 17	Construction	10 August 2022	55 min	Face-to-face
SME 18	Accounting and financial services	4 July 2022	45 min	Video communication
SME 19	Accounting and financial services	6 August 2022	30 min	Video communication
SME 20	Transport and storage	24 July 2022	45 min	Video communication
SME 21	Transport and storage	5 August 2022	45 min	Video communication
SME 22	Entertainment	6 July 2022	45 min	Face-to-face
SME 23	Entertainment	5 August 2022	50 min	Face-to-face
SME 24	Infrastructure	5 July 2022	40 min	Face-to-face
SME 25	Human health	4 July 2022	45 min	Face-to-face
SME 26	ICT	5 July 2022	45 min	Video communication
SME 27	Education	5 August 2022	45 min	Video communication
SME 28	Manufacturing	12 July 2022	50 min	Video communication

Participants	Sector	Date	Duration	Formation
SME 29	Administrative and consulting services	5 July 2022	58 min	Video communication
SME 30	Marketing and consulting services	10 July 2022	20 min	Face-to-face

Appendix B. Lists of the Interview Questions

Organized by Interview Axes

- **General questions about the SME and its activities:**
  - Q1: What is the company's activity (In which sector)?
  - Q2: Is it a small or medium-sized business?
  - Q3: Does the company have a website, social media accounts? Please specify if any?
  - Q4: Does the company keep books of account?
  - Q5: Does the company have an accountant?
  - Q6: Does the company use one of the accounting programs (software), please specify if any?
  - Q7: Does the company disclose its Financial Statements /where if the answer is yes?
- **Questions to identify the ESG practices applied by the SMEs:**
  - Q8: Which practices related to the environment responsibility are practiced by your company?
  - Q9: Which practices related to the social development are practiced by your company?
  - Q10: Are you aware of the meaning of corporate governance?
  - Q11: Which practices related to corporate governance are practiced by your company?
- **Factors influence the practices of the SMEs:**
  - Q12: In your opinion, what are the factors affecting the implementation of the practices discussed previously with you, whether internal factors (strengths and weaknesses) or external factors (challenges and opportunities)?
- **Measuring the awareness level of SMEs about the concept of sustainability in the Saudi Arabia:**
  - Q13: Have you ever heard of the concept of sustainability? Please explain it if you do?
  - Q14: Do you know what sustainability reports are / and how important they are to the company?
- **Knowing the extent to which SMEs in Saudi Arabia are prepared to disclose ESG reports:**
  - Q15: Have you ever heard of what environmental, social and corporate governance practices are? please clarify?
  - Q16: Do you disclose such practices? If the answer is yes, is it done independently or within the company's financial reports?
  - Q17: Where are such practices disclosed? (Website, social media)
  - Q18: Does the corporate legislation help or limit the application of such practices and why?
  - Q19: Do you think you maintain a good level of sustainability and good performance?
  - Q20: Would you like to add anything else?

Appendix C. ESG Practices by Interviewed SMEs

Criteria	Practices
Environmental	• Use Eco-Friendly Cleaning Supplies • Use Recycled Products • Reduce Plastics • Going Paperless • Switch To Eco-Friendly Lighting • Energy-Efficient Equipment • Using Energy Efficiently • Using Water Efficiently • Promote Eco-Friendliness • Managing Waste Responsibly • Bring Plants into The Office • Green Energy Initiatives. • Recycling And Reusing • Clean Technology • Green Building
Social	• Labor standards that guarantee fair wages • company's relations with other businesses • Volunteering and charitable contributions • Good relations with local communities • Supporting Non-Profit Organizations • Staff training and development • gender equality and diversity • Providing job opportunities • Product quality and safety • Human rights protection • Customer satisfaction • Fair labor practices • Health and Safety
Corporate Governance	• Transparent Accounting Systems • Data Protection and Security • Compliance And Integrity • Tax Transparency • Business Ethics • External Audit • Lack Of Effective Corporate Risk Management • Lack Of Diversity of Board Members • Lack Of Disclosing Information • Lack Of Board Structure • No ESG Reporting

References

1. Gholami, A.; Sands, J.; Shams, S. Corporates' sustainability disclosures impact on cost of capital and idiosyncratic risk. *Meditari Account. Res.* **2022**. [CrossRef]
2. Steyn, M. Organisational benefits and implementation challenges of mandatory integrated reporting: Perspectives of senior executives at South African listed companies. *Sustain. Account. Manag. Policy J.* **2014**, *5*, 476–503. [CrossRef]
3. Ghoul, S.E.; Guedhami, O.; Kim, Y. Country-level institutions, firm value, and the role of corporate social responsibility initiatives. *J. Int. Bus. Stud.* **2017**, *48*, 360–385. [CrossRef]
4. Buallay, A. Between cost and value: Investigating the effects of sustainability reporting on a firm's performance. *J. Appl. Account. Res.* **2019**, *20*, 481–496. [CrossRef]
5. Becker, M.G.; Martin, F.; Walter, A. The power of ESG transparency: The effect of the new SFDR sustainability labels on mutual funds and individual investors. *Financ. Res. Lett.* **2022**, *47*, 102708. [CrossRef]

6. Kumar, P.; Firoz, M. Does Accounting-based Financial Performance Value Environmental, Social and Governance (ESG) Disclosures? A detailed note on a corporate sustainability perspective. *Australas. Account. Bus. Financ. J.* **2022**, *16*, 41–72. [CrossRef]
7. Atan, R.; Alam, M.M.; Said, J.; Zamri, M. The impacts of environmental, social, & governance factors on firm performance: Panel study of Malaysian companies. *Manag. Environ.Qual. Int. J.* **2018**, *29*, 182–194. [CrossRef]
8. Bansal, P.; Hoffman, A.J. *The Oxford Handbook of Business and the Natural Environment*; Oxford University Press: Oxford, UK, 2012. [CrossRef]
9. Johnson, M.P. Sustainability management and small and mediumsized enterprises: Managers' awareness and implementation of innovative tools. *Corp. Soc. Responsib. Environ. Manag.* **2015**, *22*, 271–285. [CrossRef]
10. Saudi Exchange. ESG Disclosure Guidelines. 2021. Available online: https://sseinitiative.org/wp-content/uploads/2021/11/Tadawul-ESG-Disclosure-Guidelines-EN.pdf (accessed on 10 March 2022).
11. Alhusaini, M. *More Than Just Oil: Saudi Arabia's Improved Credit Rating*; Ehata Financial Company: Riyadh, Saudi Arabia, 2022; Available online: https://ehata.com.sa/saudi-arabias-journey-to-sustainable-sovereign-debt-2/ (accessed on 5 November 2022).
12. Monshaat Quarterly Report. *SME Monitor Q1 2022*; Monshaat: Riyadh, Saudi Arabia, 2022. Available online: https://www.monshaat.gov.sa/sites/default/files/2022-06/Monshaat%20Quarterly%20Report%20Q1%202022%20-%20EN%20%281%29.pdf (accessed on 13 March 2022).
13. Boffo, R.; Patalano, R. *ESG Investing: Practices, Progress, and Challenges*; OECD: Paris, France, 2020; Available online: https://www.oecd.org/finance/ESG-Investing-Practices-ProgressChallenges.pdf (accessed on 7 March 2022).
14. World Economic Forum. Stakeholder Capitalism: Over 70 Companies Implement the ESG Reporting Metrics 2022. Available online: https://www.weforum.org/impact/stakeholder-capitalism-esg-reporting-metrics/ (accessed on 10 March 2022).
15. Howard-Grenville, J. ESG Impact is Hard to Measure—But it's Not Impossible. Harvard Business Review. 2021. Available online: https://hbr.org/2021/01/esg-impact-is-hard-to-measure-but-its-not-impossible (accessed on 7 March 2022).
16. Orlitzky, M.; Siegel, D.; Waldman, D. Strategic corporate social responsibility and environmental sustainability. *Bus. Soc.* **2011**, *50*, 6–27. [CrossRef]
17. Freeman, R. The politics of stakeholder theory: Some future directions. *Bus. Ethics Q.* **1994**, *4*, 409–421. [CrossRef]
18. Jo, H.; Harjoto, M.A. The causal effect of corporate governance on corporate social responsibility. *J. Bus. Ethics* **2012**, *106*, 53–72. [CrossRef]
19. Velte, P. Women on management board and ESG performance. *J. Glob. Responsib.* **2016**, *7*, 53–72. [CrossRef]
20. Dakhli, A. The impact of ownership structure on corporate social responsibility: The moderating role of financial performance. *Soc. Bus. Rev.* **2021**, *14*, 12445. [CrossRef]
21. Govindan, K.; Kilic, M.; Uyar, A.; Karaman, A.S. Drivers and value-relevance of CSR performance in the logistics sector: A cross-country firm-level investigation. *Int. J. Prod. Econ.* **2021**, *231*, 107835. [CrossRef]
22. Mohammadi, S.; Saeidi, H.; Naghshbandi, N. The impact of board and audit committee characteristics on corporate social responsibility: Evidence from the Iranian stock exchange. *Int. J. Product. Perform. Manag.* **2020**, *70*, 2207–2236. [CrossRef]
23. Deegan, C.; Blomquist, C. Stakeholder influence on corporate reporting: An exploration of the interaction between WWF-Australia and the Australian minerals industry. *Account. Organ. Soc.* **2006**, *31*, 343–372. [CrossRef]
24. Katmon, N.; Mohamad, Z.Z.; Norwani, N.M.; Farooque, O.A. Comprehensive board diversity and quality of corporate social responsibility disclosure: Evidence from an emerging market. *J. Bus. Ethics* **2019**, *157*, 447–481. [CrossRef]
25. Johnson, M.P.; Schaltegger, S. Two decades of sustainability management tools for SMEs: How far have we come? *J. Small Bus. Manag.* **2016**, *54*, 481–505. [CrossRef]
26. Ma, X.; Qing, L.; Ock, Y.S.; Wu, J.; Zhou, Y. The Effect of Customer Involvement on Green Innovation and the Intermediary Role of Boundary Spanning Capability. *Sustainability* **2022**, *14*, 8016. [CrossRef]
27. Galleli, B.; Semprebon, E.; Santos, J.A.R.D.; Teles, N.E.B.; Freitas-Martins, M.S.D.; Onevetch, R.T.D.S. Institutional Pressures, Sustainable Development Goals and COVID-19: How Are Organisations Engaging? *Sustainability* **2021**, *13*, 12330. [CrossRef]
28. May, A.Y.C.; Hao, G.S.; Carter, S. Intertwining corporate social responsibility, employee green behavior, and environmental sustainability: The mediation effect of organizational trust and organizational identity. *Econ. Manag. Financ. Mark.* **2021**, *16*, 32–61.
29. Fraj, E.; Matute, J.; Melero, I. Environmental strategies and organizational competitiveness in the hotel industry: The role of learning and innovation as determinants of environmental success. *Tour. Manag.* **2015**, *46*, 30. [CrossRef]
30. Baron, R. *The Evolution of Corporate Reporting for Integrated Performance*; OECD: Paris, France, 2014; pp. 1–30.
31. Raimo, N.; Caragnano, A.; Zito, M.; Vitolla, F.; Mariani, M. Extending the Benefits of ESG Disclosure: The Effect on the Cost of Debt Financing. Corporate Social Responsibility and Environment Management. 2021. Available online: https://onlinelibrary.wiley.com/doi/10.1002/csr.2134?af=R (accessed on 8 March 2022).
32. Akhter, S.; Dey, P.K. Sustainability reporting practices: Evidence from Bangladesh. *Int. J. Account. Financ. Report.* **2017**, *7*, 61–78. [CrossRef]
33. Kocmanova, A.; Docekalova, M.; Nemecek, P.; Simberova, I. Sustainability, Environmental, Social and Corporate Governance Performance in Czech SMEs. 2012. Available online: https://www.researchgate.net/publication/265186811 (accessed on 8 March 2022).

34. Gannon, G.; Hieker, C. Employee Engagement and a Company" s Sustainability Values: A Case Study of a FinTech SME. *Management* **2022**, *10*, 201–210.
35. Crane, A.; Matten, D.; Spence, L.J. Corporate social responsibility in a global context. In *Corporate Social Responsibility: Readings and Cases in a Global Context*; Routledge: Abingdon, UK, 2014; Volume 3, p. 26. Available online: https://core.ac.uk/download/pdf/28903705.pdf (accessed on 15 March 2022).
36. Gillan, S.L.; Koch, A.; Starks, L.T. Firms and social responsibility: A review of ESG and CSR research in corporate finance. *J. Corp. Financ.* **2021**, *66*, 101889. [CrossRef]
37. Bailey, R.; Ferguson, A. ESG as a Workforce Strategy. Marshmclennan.com. 2021. Available online: https://www.marshmclennan.com/insights/publications/2020/may/esg-as-a-workforce-strategy.html (accessed on 5 April 2022).
38. Fenwick, M.; Joubert, T.; Van Wyk, S.; Vermeulen, E.P. ESG as a Business Model for SMEs. *Available SSRN* **2022**, 642. [CrossRef]
39. Tkalac, V.A.; Sincic, C.D. The relationship between reputation, employer branding and corporate social responsibility. *Public Relat. Rev.* **2018**, *44*, 444–452. [CrossRef]
40. Aggerholm, H.K.; Andersen, S.E.; Thomsen, C. Conceptualising employer branding in sustainable organizations. *Corp.Commun. Int. J.* **2011**, *16*, 105–123. [CrossRef]
41. Kotsantonis, S.; Pinney, C.; Serafeim, G. ESG integration in investment management: Myths and realities. *J. Appl. Corp. Financ.* **2016**, *28*, 10–16.
42. Jensen, J.C.; Berg, N. Determinants of traditional sustainability reporting versus integrated reporting: An institutionalist approach. *Bus. Strategy Environ.* **2012**, *21*, 299–316. [CrossRef]
43. Doug, M.; Yow, M. *Measuring Sustainability Disclosure: Ranking the World's Stock Exchanges*; Corporate Knights Capital: Toronto, ON, Canada; Aviva, ACCA, Standard & Poor's Ratings Services: New York, NY, USA, 2014; p. 45.
44. Vannoni, V.; Ciotti, E. Esg or Not Esg? A Benchmarking Analysis. *Int. J. Bus. Manag.* **2020**, *15*, 152–161. Available online: https://pdfs.semanticscholar.org/e66f/1ed0d677e150bd83451741af9fd4e7fb6442.pdf (accessed on 9 April 2022). [CrossRef]
45. Lydenberg, S. Emerging Trends in Environmental, Social, and Governance Data and Disclosure: Opportunities and Challenges. *Priv. Sect. Opin.* **2014**, *32*, 16–29.
46. Adams, C. *Understanding Integrated Reporting: The Concise Guide to Integrated Thinking and the Future of Corporate Reporting*; Routledge: Abingdon, UK, 2017.
47. Lee Brown, D.; Guidry, R.P.; Patten, D.M. Sustainability reporting and perceptions of corporate reputation: An analysis using fortune. In *Sustainability, Environmental Performance and Disclosures*; Emerald Group Publishing Limited: Bingley, UK, 2009; Volume 4, pp. 83–104.
48. Clementino, E.; Perkins, R. How Do Companies Respond to Environmental, Social and Governance (ESG) ratings? Evidence from Italy. *J. Bus. Ethics* **2021**, *171*, 379–397. [CrossRef]
49. Irfan, M.; Ahmad, M. Relating consumers' information and willingness to buy electric vehicles: Does personality matter? *Transp. Res. Part D Transp. Environ.* **2021**, *100*, 103049. [CrossRef]
50. Friede, G.; Busch, T.; Bassen, A. ESG and financial performance: Aggregate edevidence from more than 2000 empirical studies. *J. Sustain. Financ. Invest.* **2015**, *5*, 210–233. [CrossRef]
51. Rabaya, A.J.; Saleh, N.M. The moderating effect of IR framework adoption on the relationship between environmental, social, and governance (ESG) disclosure and a firm's competitive advantage. *Environ. Dev. Sustain.* **2022**, *24*, 2037–2055. [CrossRef]
52. Mohammad, W.M.W.; Wasiuzzaman, S. Environmental, social and governance (ESG) disclosure, competitive advantage and performance of firms in Malaysia. *Clean. Environ. Syst.* **2021**, *2*, 100015. [CrossRef]
53. Al Hawaj, A.Y.; Buallay, A.M. A worldwide sectorial analysis of sustainability reporting and its impact on firm performance. *J. Sustain. Financ. Invest.* **2022**, *12*, 62–68. [CrossRef]
54. Popa, D.N.; Bogdan, V.; Sabau Popa, C.D.; Belenesi, M.; Badulescu, A. Performance mapping in two-step cluster analysis through ESEG disclosures and EPS. *Kybernetes* **2022**, *51*, 98–118. [CrossRef]
55. Abdi, Y.; Li, X.; Càmara-Turull, X. Exploring the impact of sustainability (ESG) disclosure on firm value and financial performance (FP) in airline industry: The moderating role of size and age. *Environ. Dev. Sustain.* **2022**, *24*, 5052–5079. [CrossRef]
56. Khalid, F.; Razzaq, A.; Ming, J.; Razi, U. Firm characteristics, governance mechanisms, and ESG disclosure: How caring about sustainable concerns? *Environ. Sci. Pollut. Res.* **2022**, *29*, 1–14. [CrossRef] [PubMed]
57. Wright, P.; Ferris, S.P. Agency conflict and corporate strategy: The effect of divestment on corporate value. *Strategy. Manag. J.* **1997**, *18*, 77–83. [CrossRef]
58. Kim, E.-H.; Lyon, T.P. Greenwash vs brownwash: Exaggeration and undue modesty in corporate sustainability disclosure. *Organ Sci.* **2015**, *26*, 705–723. [CrossRef]
59. Duque-Grisales, E.; Aguilera-Caracuel, J. Environmental, Social and Governance (ESG) Scores and Financial Performance of Multilatinas: Moderating Effects of Geographic International Diversification and Financial Slack. *J. Bus. Ethics* **2021**, *168*, 315–334. [CrossRef]
60. Russo, A.; Perrini, F. Investigating stakeholder theory and social capital: CSR in large firms and SMEs. *J. Bus. Ethics* **2010**, *91*, 207–221. [CrossRef]
61. Chen, L.; Yuan, T.; Cebula, R.J.; Shuangjin, W.; Foley, M. Fulfillment of ESG Responsibilities and Firm Performance: A Zero-Sum Game or Mutually Beneficial. *Sustainability* **2021**, *13*, 10954. [CrossRef]

62. Ren, S.; Wei, W.; Sun, H.; Xu, Q.; Hu, Y.; Chen, X. Can mandatory environmental information disclosure achieve a win-win for a firm's environmental and economic performance? *J. Clean. Prod.* **2020**, *250*, 119530. [CrossRef]
63. Barbagila, M.; Buttice, V.; Giudici, G.; Mendy, J.; Sarker, T.; Sharma, G.D.; Zutshi, A. Supporting SMEs in Sustainable Strategy Development Post-COVID-19: Challenges and Policy Agenda for the G20. Ph.D. Diss, Institute of Management Studies Ambika Zutshi Department of Management, Faculty of Business and Law, Deakin University. 2021. Available online: https://www.researchgate.net/profile/JohnMendy/publication/354809956_Policy_brief_Task_Force_5_2030_Agenda_and_Development_Cooperation_SUPPORTING_SMES_IN_SUSTAINABLE_STRATEGY_DEVELOPMENT_POST-COVID-19_CHALLENGES_AND_POLICY_AGENDA_FOR_THE_G20/links/614d9c59a3df59440ba94cdb/Policy-brief-Task-Force-5-2030-Agenda-and-Development-Cooperation-SUPPORTING-SMES-IN-SUSTAINABLE-STRATEGY-DEVELOPMENT-POST-COVID-19-CHALLENGES-AND-POLICY-AGENDA-FOR-THE-G20.pdf (accessed on 2 November 2022).
64. Gjergji, R.; Vena, L.; Sciascia, S.; Cortesi, A. The effects of environmental, social and governance disclosure on the cost of capital in small and medium enterprises: The role of family business status. *Bus. Strategy Environ.* **2020**, *30*, 683–693. [CrossRef]
65. Hu, M.K.; Kee, D.M.H. Global institutions and ESG integration to accelerate SME development and sustainability. In *Handbook of Research on Global Institutional Roles for Inclusive Development*; IGI Global: Hershey, PA, USA, 2022; pp. 139–156.
66. Westman, L.; McKenzie, J.; Burch, S.L. Political participation of businesses: A framework to understand contributions of SMEs to urban sustainability politics. *Earth Syst. Gov.* **2020**, *3*, 100044. [CrossRef]
67. Jo, D.; Kwon, C. Structure of Green Supply Chain Management for Sustainability of Small and Medium Enterprises. *Sustainability* **2021**, *14*, 50. [CrossRef]
68. Zawya. Nearly Two-Thirds of Businesses in the UAE and Saudi Arabia Lack an ESG Framework: ASDA'A BCW Survey. 2022. Available online: https://www.zawya.com/en/press-release/research-and-studies/nearly-two-thirds-of-businesses-in-the-uae-and-saudi-arabia-lack-an-esg-framework-asdaa-bcw-survey-y4gmmu7h (accessed on 9 April 2022).
69. Bamahros, H.M.; Alquhaif, A.; Qasem, A.; Wan-Hussin, W.N.; Thomran, M.; Al-Duais, S.D.; Shukeri, S.N.; Khojally, H.M. Corporate governance mechanisms and ESG reporting: Evidence from the Saudi Stock Market. *Sustainability* **2022**, *14*, 6202. [CrossRef]
70. Al-Alqam, M.S.; Rehman, A.U.; Alsultan, M. Study of Saudi Arabian manufacturing and service organization sustainability and future research directions. In *IOP Conference Series: Earth and Environmental Science*; IOP Publishing: Bristol, UK, 2022; Volume 1026, p. 012004.
71. Alharbi, R.K. Saudi Arabia's small and medium enterprises (SMES) sector post-COVID-19 recovery: Stakeholders' perception on investment sustainability. *Int. J. Organ. Anal.* **2022**. [CrossRef]
72. Cronan, J. ESG for Small Business—A Risk or an Opportunity Post COVID-19. Xchainge. 2022. Available online: https://xchainge.com.au/esg-for-small-business-a-risk-or-an-opportunity-post-covid-19/ (accessed on 15 November 2022).
73. Kramer, M.R.; Porter, M. *Creating Shared Value*; FSG: Boston, MA, USA, 2011; Volume 17.
74. Morsing, M.; Perrini, F. CSR in SMEs: Do SMEs matter for the CSR agenda? *Bus. Ethics A Eur. Rev.* **2009**, *18*, 1–6. [CrossRef]
75. Porter, M.; Serafeim, G.; Kramer, M. Where ESG fails. *Inst. Invest.* **2019**, *18*, 1–6. [CrossRef]
76. Ioannou, I.; Serafeim, G. The consequences of mandatory corporate sustainability reporting. *Harv. Bus. Sch. Res. Work. Pap.* **2017**, 11–100. Available online: https://ssrn.com/abstract=1799589 (accessed on 16 April 2022). [CrossRef]
77. Eliwa, Y.; Aboud, A.; Saleh, A. ESG practices and the cost of debt: Evidence from EU countries. *Crit. Perspect. Account.* **2021**, *79*, 102097. [CrossRef]
78. Reber, B.; Gold, A.; Gold, S. ESG disclosure and idiosyncratic risk in initial public offerings. *J. Bus. Ethics* **2022**, *179*, 867–886. [CrossRef]
79. Serafeim, G. Social-impact efforts that create real value. *Harv. Bus. Rev.* **2020**, *98*, 38–48.
80. Steinhöfel, E.; Galeitzke, M.; Kohl, H.; Orth, R. Sustainability reporting in German manufacturing SMEs. *Procedia Manuf.* **2019**, *33*, 610–617. [CrossRef]
81. Girin, J. Empirical Analysis of Management Situations: Elements of Theory and Method 1. *Eur. Manag. Rev.* **2011**, *8*, 197–212. [CrossRef]
82. Alshaikh, L.; Hamas, Y.M.; Khan, M. Implementation of CSR programs in saudi SMES. *PalArch's J. Archaeol. Egypt/Egyptol.* **2021**, *18*, 857–865.
83. Meafinance. How ESG is Rapidly Taking Over the Financial Services Industry Saudi Arabia. 2021. Available online: https://issuu.com/meafinance/docs/mea-finance-apr-2021/s/12033529 (accessed on 22 April 2022).
84. Ali, A.J.; Al-Aali, A. Corporate Social Responsibility in Saudi Arabia. *Middle East Policy* **2012**, *19*, 40–53. [CrossRef]
85. Painter-Morland, M.; Dobie, K. Ethics and sustainability within SME's in Sub-Saharan Africa; enabling, constraining and contaminating relationships. *Afr. Bus. Ethics* **2009**, *14*, 7–19. Available online: https://www.researchgate.net/publication/274899061_Corporate_Social_Responsibility_in_SMEs_A_Shift_from_Philanthropy_to_Institutional_Works (accessed on 25 April 2022).
86. Turyakira, P.; Venter, E.; Smith, E. The impact of corporate social responsibility factors on the competitiveness of small and medium-sized enterprises. *South Afr. J. Econ. Manag. Sci.* **2014**, *17*, 157–172. [CrossRef]
87. Brammer, S.; Hoejmose, S.; Marchant, K. Environmental management in SMEs in the UK: Practices, Pressures and Perceived Benefits. *Bus. Strategy Environ.* **2012**, *21*, 423–434. [CrossRef]

88. Humphreys, J. Weakness or opportunity. *MIT Sloan Manag. Rev.* **2007**, *48*, 96.
89. Caldera, H.; Desha, C.; Dawes, L. Evaluating the enablers and barriers for successful implementation of sustainable business practice in 'lean' S83MEs. *J. Clean. Prod.* **2019**, *218*, 575–590. [CrossRef]