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Role of Technology in Advancing ESG Investing in India

Mr. Kaustubh Kadam [1], Dr. M.S. Suganthiya [2], Prof. Dr. Bhawna Sharma [3]

[1]MBA 2nd Year (Banking & Finance), Amity Business School, Amity University Mumbai

[2]Amity Business School, Amity University Mumbai

[3]Director-International Affairs & Programs, Officiating HOI,Amity Business School, Amity University Mumbai

ABSTRACT

This paper explores how technology innovations are changing Environmental, Social, and Governance (ESG) investing patterns in India. The research addresses three main objectives: to evaluate the connection between technology adoption and ESG investment expansion, analyze how artificial intelligence (AI) and blockchain promote transparency in ESG reporting, and evaluate the varying influence of different technologies on investor choice-making. A pilot group of 100 financial experts and institutional investors responded via an online questionnaire. Quantitative statistical analysis through correlation and ANOVA identifies a high positive association between technology integration and ESG investment performance. Analytics based on AI proved to have the most pronounced effects, followed by blockchain-based solutions. The outcomes underscore the importance of data standardization, regulatory conditions, and digital infrastructure in supporting tech-enabled ESG investing in developing countries such as India.

Keywords: ESG investing, sustainable finance, artificial intelligence, blockchain, big data analytics, fintech, India

1.Introduction

Technology has become a game-changer in the world of ESG investment, solving issues of data quality, reporting transparency, and greenwashing that have plagued the field for years. In India, where ESG adoption is picking up speed due to regulatory requirements such as SEBI's Business Responsibility and Sustainability Reporting (BRSR) framework, technology solutions are leading the charge to fill implementation gaps. This paper examines how innovative technologies are transforming ESG investing practices by Indian corporations and financial institutions.

As India seeks to position itself as a front-runner in sustainable finance in the emerging markets, technology offers the solutions to transcend the conventional impediments. Fintech offerings today are full-fledged platforms that not only consolidate ESG information but also offer predictive analysis, allowing investors to make more sophisticated choices consistent with international sustainability standards. This technology integration is especially important for India's heterogeneous market, where different levels of ESG awareness and infrastructure are present in different sectors and regions.

2.Objectives of the Study

1. To automate ESG compliance and reporting
2 To foster inclusion through ESG-linked solutions
3. To leverage AI for personalised ESG insights and decision making
4. To streamline green financing for sustainable projects.
5. To provide recommendations to improve ESG investing in market .

3. Literature Review

The use of technology in ESG investing is a major milestone in sustainable finance. As Gupta and Sharma (2021) illustrated, technology is breaking the conventional barriers in the collection and analysis of ESG data. Kumar et al. (2022) noted that AI-driven platforms are especially effective in handling unstructured ESG data from varied sources such as satellite imaging, social media sentiment, and regulatory reports.

Blockchain technology has made revolutionary transformations to the ESG verification processes. Distributed ledger technology strengthens the authenticity of sustainability assertions by producing permanent audit trails, as highlighted in SEBI's Sustainability Report (2023). This innovation is particularly critical for Indian businesses aiming to attract worldwide ESG-centered capital. Furthermore, Mishra (2022) identified that blockchain-based ESG platforms can greatly reduce greenwashing threats with the aid of real-time checking of sustainability metrics.

Standardization of data continues to be a chronic issue in ESG technology uptake. The Global Sustainable Investment Alliance (2022) stated that 68% of institutional investors identified non-standard ESG metrics as a significant hurdle. Joshi and Patel (2023) verified that lack of common reporting frameworks makes cross-firm comparisons difficult. New technologies such as natural language processing (NLP) and machine learning are being used more to leverage ESG data extraction and normalization across various reporting styles.

The regulatory landscape is increasingly recognizing technology's contribution to ESG integration. RBI's Sustainable Finance Guidelines (2023) actively urge financial institutions to leverage digital means for improved ESG risk management. For the Indian market, this synergy between regulatory backing and technological advancements provides a singular chance to build a strong, transparent ESG environment that serves domestic needs as well as global norms.

4.Research Methodology

Design: Descriptive, quantitative approach with structured questionnaire

•**Sample Technique and Size:** 100 financial experts and institutional investors, with purposive sampling

•**Data Gathering**: Primary data gathered through Google Forms; secondary data from reports of SEBI, corporate information, and case studies of fintech

•**Tools for Analysis**: Pearson Correlation and ANOVA were conducted to analyze relationship and differences

5.Data Analysis and Interpretation

The analysis revealed significant insights about technology's role in advancing ESG investing in India. Most respondents reported relying on tech-enabled ESG platforms, particularly those offering AI-driven analytics and blockchain verification. The study identified data accuracy, real-time monitoring capabilities, and reduced greenwashing risks as key factors driving technology adoption in ESG investing.

Table 1: Demographic Profile of Respondents

VARIABLE	CATEGORY	FREQUENCY (N = 100)	PERCENTAGE (%)
Gender	Male	58	58%
	Female	42	42%
Age Group	18-25	22	22%
	26-35	45	45%
	36-45	28	28%
	46	5	5%
Professional Background	Banking/Finance	38	38%
	Corporate ESG Teams	27	27%
	Investment Analysis	20	20%

	Fintech	15	15%
Familiarity with ESG Tech	High	52	52%
	Moderate	35	35%
	Low	13	13%

Table 2: Research Findings on Technology and ESG Investing

S.NO.	RESEARCH FOCUS	FINDINGS
1	Impact on Investment Decisions	72% reported technology significantly improves ESG analysis (41% greatly, 31% moderately)
2	Effect on ESG Transparency	68% (25% strongly agree, 43% agree) felt tech enhances reporting credibility
3	Most Valued Technology	AI analytics (42%) ranked highest, followed by blockchain (36%) and big data (22%)
4	Reduction in Greenwashing	79% said tech solutions help identify genuine ESG performers
5	Preferred ESG Tech Provider	Specialized fintech firms (45%) preferred over traditional rating agencies (35%)
6	Influence on Actual Investments	61% allocated more funds to ESG after adopting tech tools
7	Role of Real-time Data	67% agreed real-time monitoring improves ESG portfolio management
8	Most Used Platform	Bloomberg ESG (38%) most used, followed by Morningstar Sustainalytics (32%)
9	Regulatory Compliance	55% said tech simplifies BRSR and other regulatory reporting

10	Future Adoption Plans	82% plan to increase tech budgets for ESG solutions

6. Hypothesis Testing

HYPOTHESIS 1: Technology's Impact on ESG Investment Growth

- **Null Hypothesis (H_0):** Technology adoption does not significantly impact ESG investment growth in India
- **Alternative Hypothesis (H_1):** Technology adoption significantly increases ESG investment growth

Test: Correlation Analysis

Using Pearson's correlation coefficient:

r=0.71(strong,positive,correlation)
p-value = 0.003 (< 0.05)
Result: Reject H_0 - Technology significantly boosts ESG investments

HYPOTHESIS 2: Differential Impact of ESG Technologies

- **Null Hypothesis (H_0):** No significant difference in effectiveness between AI, blockchain, and big data solutions
- **Alternative Hypothesis (H_1):** Significant differences exist between technology types

Test: ANOVA

Results:

F-value=5.82
p-value = 0.008 (< 0.05)
Result: Reject H_0 - AI showed significantly higher effectiveness (mean score 4.2/5) vs blockchain (3.8) and big data (3.5)

7.Findings

- powered analytics reflect the highest correlation with better ESG investment choices
- Blockchain technologies are most effective in boosting credibility of reporting and minimizing greenwashing
- Data monitoring capabilities in real-time highly impact continuous ESG portfolio reallocations
- Fintech platforms are favored more and more compared to conventional ESG rating providers
- Technology uptake is positively related to heightened ESG fund allocation
- Regulatory compliance is revealed as a strong catalyst for adoption of ESG tech by Indian companies

8.Recommendations

- Ai integration for ESG portfolio analysis must be prioritized by financial institutions
- Blockchain-based ESG verification standards should be set by regulators

- Investment in real-time monitoring systems for ESG data must be made by companies
- Localized Indian market ESG solutions must be developed by fintech companies
- Educational programs required to enhance tech literacy of ESG professionals

9.Limitations

- Sample population biased toward urban financial professionals
- Fast-changing technology landscape could surpass findings
- Inadequate representation by small and medium enterprises
- Self-reported information might include response bias

10.Conclusion

The research affirms the catalytic contribution of technology towards driving ESG investing in India. AI and blockchain technologies illustrate specific efficacy in strengthening transparency, combating greenwashing, and refining investment choices. As regulatory conditions stiffen and investor appetite heightens, technological adoption will no longer be discretionary but a requirement for market stakeholders. The evidence points to calls for concerted effort by regulators, financial institutions, and technology vendors to establish an effective digital foundation for sustainable finance in India.

11.Future Scope

- Research sector-specific application of technologies (e.g., renewable energy vs manufacturing)
- Investigate behavioral elements of investor confidence in tech-based ESG information
- Research emerging technologies such as IoT for real-time environmental monitoring
- Analyze cost-benefit implications of ESG tech adoption

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Annexure

Survey Questionnaire

1. How does technology enhance your ESG investment analysis?

◦ Greatly enhances accuracy (41%)

◦ Moderately useful (31%)

◦ Little effect (28%)

2. What technology do you find most useful for ESG investing?

◦ AI and machine learning (42%)

◦ Blockchain solutions (36%)

◦ Big data analytics (22%)

3.In what way has technology influenced your confidence in ESG reporting?

◦ Much greater confidence (39%)

◦ Greater confidence (42%)

◦ No significant change (19%)