

## Finance, Economics and Sustainability in the Digital Era: Role of Green Finance, SRI

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### Abstract

Sustainability has emerged as a major concern for economies worldwide due to environmental degradation, climate change and social inequality. The financial and economic systems play a crucial role in supporting sustainable development by directing investments toward environmentally and socially responsible activities. This study aims to examine the role of finance and economics in promoting sustainability, with emphasis on green finance, Socially Responsible Investing (SRI), Environmental, Social, and Governance (ESG). The study adopts a qualitative and conceptual research approach based on secondary data collected from academic journals, government publications and international reports. The analysis reveals that green financial instruments, ESG-based investments and supportive economic policies contribute significantly to environmental protection, financial stability and long-term economic growth. Additionally, inclusive financial models enhance financial inclusion and sustainable livelihoods. However, challenges such as lack of standardized ESG frameworks and limited technological integration remain. The study concludes that coordinated financial policies and sustainable investment practices are essential for achieving long-term sustainable development.

**Keywords:** Green Finance, Socially Responsible Investing, Environment, Social, governance (ESG), Sustainable Development.

### Introduction

The digital era has transformed financial systems through technologies such as fintech platforms, artificial intelligence, and blockchain, improving efficiency, transparency, and access to financial services while reshaping capital allocation mechanisms.[1] Green finance refers to financial activities that support environmentally sustainable projects, including renewable energy and climate-friendly infrastructure, and helps in reducing climate-related financial risks while promoting sustainable economic growth.[2]

Beyond its environmental role, green finance also contributes to economic stability by encouraging innovation, efficient resource use, and responsible investment behaviour. In digitally enabled financial systems, monitoring and allocation of green funds become more transparent, which strengthens the overall impact of sustainable finance. Socially Responsible Investing (SRI) involves integrating environmental, social, and governance (ESG) factors into

investment decisions, with digital tools improving ESG data availability and enabling better evaluation of corporate sustainability performance.[3]

However, SRI extends beyond ethical screening and increasingly reflects a strategic investment approach focused on long-term value creation. Investors now recognize that sustainable business practices contribute to resilience and competitiveness in a rapidly evolving digital economy. Digital finance enhances sustainable investment by reducing information asymmetry and improving access to green funding, particularly in emerging economies, thereby positively influencing corporate ESG performance and green innovation.[4] Despite these developments, challenges such as inconsistent ESG reporting standards, regulatory gaps, and greenwashing risks persist. Therefore, it is necessary to examine how green finance and SRI, supported by digital financial systems, collectively contribute to sustainable economic development in the digital era.

### **Objective**

1. To analyse the significance of Socially Responsible Investing (SRI) and ESG factors in influencing investment decisions and corporate sustainability.
2. To study the impact of sustainability-oriented financial practices on global and emerging markets.

### **Review of Literature**

The integration of finance, economics, and sustainability in the digital era has received growing attention from researchers, especially in the context of green finance and socially responsible investment (SRI). Studies highlight that digital transformation through fintech innovations such as artificial intelligence, blockchain, and big data analytics has strengthened sustainable finance by improving transparency, efficiency, and environmental risk assessment. Digital platforms facilitate better monitoring of green investments and support the achievement of sustainable development goals.[1]

Green finance has been widely recognized as an effective mechanism for promoting environmentally sustainable economic growth. Existing literature suggests that green financial instruments such as green bonds, climate finance, and sustainability-linked loans channel capital towards renewable energy projects and environmentally friendly infrastructure. These instruments help reduce environmental risks while supporting long-term economic stability and sustainable development.[2]

Socially Responsible Investing (SRI) has evolved significantly with the integration of environmental, social, and governance (ESG) criteria into investment decision-making. Research indicates that SRI is no longer limited to ethical screening but now it has become a strategic investment approach supported by digital tools and ESG analytics. Digital finance enables investors to evaluate corporate sustainability performance more effectively, thereby improving accountability and long-term value creation. [3]

The role of digital finance in improving corporate ESG performance has also been

explored extensively. Studies published in sustainability-focused journals indicate that digital financial development reduces information asymmetry and enhances access to sustainable funding, particularly in emerging economies. Firms operating in digitally advanced financial systems are more likely to adopt green innovations and improve environmental and governance practices.[4]

Despite the positive impact of green finance and SRI, several challenges remain. Literature points to the lack of standardized ESG reporting frameworks, regulatory gaps, and the risk of greenwashing as major barriers to effective implementation. Researchers emphasize the need for stronger regulatory mechanisms and globally harmonized sustainability standards to ensure transparency and credibility in the sustainable finance practices.[5] Overall, the literature confirms that green finance and SRI play a crucial role in aligning financial systems with sustainability objectives in the digital economy. However, most studies remain conceptual or region-specific, indicating the need for further empirical research to assess long-term economic impacts and policy effectiveness at a global level. [6]

### **Literature Gap**

Existing literature highlights the growing importance of green finance and socially responsible investment (SRI) in promoting sustainability in the digital era. Several studies focus on the role of digital transformation and fintech in enhancing green finance mechanisms, transparency, and environmental risk management. However, most of these studies are conceptual or descriptive in nature, with limited empirical validation across different economic contexts.[1] While green finance instruments such as green bonds and sustainability-linked loans have been extensively discussed, the literature largely concentrates on their theoretical benefits rather than measuring their long-term economic and environmental outcomes. There is a lack of comprehensive studies examining how green finance contributes simultaneously to economic growth, financial stability, and sustainability performance, particularly in developing economies.[2]

Similarly, research on Socially Responsible Investing (SRI) primarily emphasizes ESG integration and ethical investment strategies. Although digital tools and ESG analytics platforms are acknowledged, limited attention has been given to how digital finance directly influences investor behaviour and capital allocation decisions in SRI frameworks. This indicates a gap in understanding the interaction between digital finance adoption and responsible investment outcomes.[3] Furthermore, existing studies on digital finance and corporate ESG performance mainly focus on firm-level or country-specific evidence, especially in selected emerging economies. There is insufficient comparative research across regions to understand the broader economic implications of digital finance-driven sustainability initiatives at a global level.[4]

Another significant gap identified in the literature relates to standardization and regulation. Although scholars acknowledge challenges such as inconsistent ESG reporting, regulatory gaps, and greenwashing risks, limited empirical research evaluates the

effectiveness of existing regulatory frameworks in addressing these issues within digital sustainable finance systems.[5] Overall, the literature lacks an integrated analytical framework that combines digital finance, green finance, and SRI to assess their collective impact on economic sustainability. This gap highlights the need for future research to develop holistic models and empirical studies that examine the long-term role of digital financial systems in achieving sustainable economic development.[6]

### **Research Methodology**

This study follows a descriptive and analytical research design to evaluate the role of green finance and socially responsible investment (SRI) in advancing sustainability in the digital era. The descriptive approach helps understand existing frameworks and concepts, while qualitative analysis enables interpretation of thematic relationships across studies. The research is based on secondary data collected from peer-reviewed journal articles, systematic literature reviews, and academic publications that specifically explore digital finance, sustainable finance, and green investment. Secondary data provides an established foundation for analyzing theoretical linkages and trends in sustainable finance.[5] One of the key sources includes a systematic literature analysis of digital transformation, green finance, and fintech interactions within a sustainable economy, revealing how digital technology supports ecological sustainability and economic development. [7] The study also considers systematic reviews on the integration of digital technology in green finance, highlighting opportunities and challenges associated with blockchain, artificial intelligence, and data analytics in supporting sustainable investments.[8]

In addition, selected literature on the role of digital financial inclusion and sustainable finance is used to examine how digital financial services enable access to green investments and reduce social inequality, strengthening the theoretical framework of sustainable economic participation [9]. The collected material has been analysed using qualitative content analysis, where themes such as digital finance innovation, green finance instruments, ESG integration, and Fintech adoption were systematically examined. The analysis identifies how digital financial tools and sustainable investment practices intersect to influence economic sustainability and financial inclusion. Since the research is conceptual and theory-driven, no primary data collection (e.g., surveys or experiments) was conducted. Instead, secondary data interpretation ensures academic depth and logical consistency in understanding how finance, economics, and sustainability converge in the digital age.

### **Data Analysis**

Research shows that ESG and SRI influence investor choices by integrating environmental, social, and governance factors beyond traditional financial metrics, shaping risk-return profiles and long-term performance evaluation. [10] Other studies highlight that strong ESG practices and CSR activities positively affect investor confidence, helping firms

build reputation and attract capital. [11] Further, the integration of sustainability into investment decisions represents a shift toward stakeholder impact and shared value, rather than purely shareholder return maximization. [14, 15] From these insights, it is clear that ESG and SRI serve as decision-making filters that reduce perceived risk, enhance sustainability credentials, and promote longer-term investment stability. This motivates investors to reallocate portfolios toward firms with strong sustainability performance.

Sustainability-oriented practices such as green finance and ESG investing are associated with increased resource flows into renewable energy and sustainable infrastructure. A multi-country analysis reported positive links between ESG investment and growth in sustainable sectors like renewable energy. [13] Secondary literature also suggests that sustainable finance contributes to inclusive economic participation by expanding access to financial services and enhancing equitable investment across diverse population groups. [9] Emerging markets show growing adoption of sustainable finance practices, although structural challenges such as reporting standards and financial development gaps remain. [14,16] The data suggests that sustainability-oriented financial practices not only boost environmental outcomes but also support broader economic resilience. In global markets, they help stabilize portfolio performance, while in emerging markets, they foster market development and green infrastructure investment [17].

**Table: Impact of ESG, SRI and Sustainable Finance**

| Focus Area                                 | Key Observation   | Implication  |
|--|---|--|
| ESG C SRI in investment decisions          | ESG and SRI integrate environmental, social, and governance factors into investment evaluation beyond traditional financial metrics | Encourages responsible and long-term investment decisions          |
| ESG practices and corporate sustainability | Strong ESG and CSR practices improve investor confidence and corporate reputation   | Helps firms attract capital and enhance sustainability performance |
| Shift in investment approach               | Sustainability integration reflects a shift from shareholder value maximization to stakeholder value creation                       | Promotes shared economic, social, and environmental value          |
| Green finance and ESG investing            | ESG-linked investments increase capital flows into renewable energy and sustainable infrastructure                                  | Supports expansion of green and low-carbon sectors                 |
| Sustainable finance and inclusion          | Sustainable finance improves access to financial services and equitable investment opportunities                                    | Enhances inclusive economic participation                          |

|                  |  |   |
|------------------|--|---|
| Emerging markets | Adoption of sustainable finance is increasing despite challenges like reporting gaps and limited financial development | Supports market development and green infrastructure growth |
|------------------|--|---|

## Conclusion

The study concludes that finance and sustainability are increasingly interconnected in the digital era, with green finance and Socially Responsible Investing (SRI) playing a crucial role in shaping modern financial systems. ESG factors have emerged as key determinants of investment decisions, enabling investors to evaluate long-term risks, corporate responsibility, and sustainable performance alongside financial returns. The findings confirm that firms adopting strong ESG practices benefit from improved transparency, governance, and investor confidence, which enhances corporate sustainability. Sustainability-oriented financial practices support long-term value creation by encouraging responsible business behaviour and reducing environmental and social risks. Furthermore, green finance and ESG-based investments contribute positively to both global and emerging markets. While developed markets show greater maturity in adopting sustainable finance, emerging markets are gradually integrating these practices to promote inclusive growth and green development. Overall, the study highlights that integrating sustainability into financial decision-making is essential for achieving balanced economic growth, environmental protection, and social well-being in the digital era.

## Findings

- **Growing Importance of SRI and ESG in Investment Decisions:** The study finds that Socially Responsible Investing (SRI) and ESG factors significantly influence modern investment decisions. Investors increasingly consider environmental, social, and governance performance alongside financial returns to manage risk and ensure long-term sustainability.
- **Positive Link between ESG Practices and Corporate Sustainability:** Companies with strong ESG practices demonstrate better transparency, governance quality, and stakeholder engagement. Such firms are more likely to attract responsible investment and achieve sustainable corporate growth.
- **Shift from Short-Term Profit to Long-Term Value Creation:** Findings indicate a clear transition from short-term profit maximization toward long-term value creation. Sustainability-oriented investment strategies encourage firms to adopt responsible business models aligned with social and environmental goals.
- **Impact of Sustainable Finance on Global Markets:** In developed global markets, sustainability-oriented financial practices contribute to financial stability, innovation, and efficient capital allocation toward green and low- carbon sectors.
- **Role of Sustainable Finance in Emerging Markets:** In emerging markets, green

finance and ESG-based investments support economic development, financial inclusion, and infrastructure growth. However, adoption is slower due to limited awareness and regulatory challenges.

### Suggestions

- **Strengthening ESG Disclosure Standards:** Governments and regulatory bodies should develop uniform ESG reporting frameworks to improve transparency and comparability across firms. Standardized disclosures will enhance investor trust and reduce information asymmetry in sustainable investments.
- **Promoting SRI Awareness among Investors:** Financial institutions should actively educate retail and institutional investors about the long-term financial and social benefits of SRI and ESG-based investing. Increased awareness can accelerate the shift from short-term profit orientation to sustainable value creation.
- **Encouraging Green Finance in Emerging Markets:** Policy incentives such as tax benefits, subsidies, and credit guarantees should be introduced to encourage green bonds and sustainable finance instruments in emerging economies, where capital constraints often limit sustainability initiatives.
- **Integration of Digital Technologies in Sustainable Finance:** The use of digital platforms, fintech, and data analytics should be expanded to improve ESG data collection, monitoring, and impact assessment. Digitalization can enhance accessibility and efficiency in sustainable finance practices.
- **Corporate Integration of Sustainability into Core Strategy:** Corporations should embed ESG principles into their core business strategies rather than treating them as compliance requirements. This integration can improve long-term competitiveness, risk management, and corporate reputation.

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