

Impact of Lack of Transparency and Selective Disclosure on ESG Investment Patterns

Vaishnavi Mahantesh Pashchapur¹, Ms. Supriya²

¹Student, Department of MBA and Research Centre, Surana College (Autonomous)

²Assistant Professor, Department of MBA and Research Centre, Surana College (Autonomous)

ABSTRACT

The term ESG Investing has become increasingly popular in the present-day context of investments as there is an increasing trend amongst the investors to make investments that can not only make profits but can ensure sustainability and ethics as well. It is imperative for the investors to know about the ESG disclosures made by the firm for evaluating their performance from the perspective of environment, society and governance. Credibility of the ESG disclosures is now becoming a matter of great concern as the investors would find it difficult to make decisions about their investments in case of any lack or selectivity in these disclosures. The research would attempt to analyze the effect of the lack of transparency and selective disclosure on ESG investments.

Lack of transparency may refer to inadequate or insufficient ESG disclosures by the firms while selective disclosure refers to highlighting only positive sustainability disclosures.

This research is to be implemented using a quantitative approach that will examine the problem of Generation Z investors who are interested in sustainable investments. Data will be collected with the help of a well-designed questionnaire. Besides, the analysis of data will be performed using proper statistical approaches aimed at finding the link between the selected variables. It will help to get new information about the influence of the disclosure policy of companies on the decision-making of ESG investors. Moreover, it will be useful for all stakeholders including companies, governments, and others to see the necessity of making reliable and balanced ESG disclosures.

Keywords: Lack of Transparency, Selective Disclosure, ESG Investment Patterns, Generation Z Investors.

INTRODUCTION

ESG investing has gained prominence due to the growing desire of investors to evaluate not just financial gains but also a firm's environmental, social, and governance performance. In order to make well-informed decisions on investments, investors require relevant information about the sustainability of the company, and such information must be supplied by the company. Lack of transparency and selective

disclosure in the process can complicate investors' understanding of the true sustainability performance of a firm.

It is essential to note that lack of transparency is associated with inadequate or unclear information, while selective disclosure means presenting the positive ESG activities and minimizing the negative ones. Such practices may impact investors' attitude to ESG investments and decision-making regarding such types of investments.

This study addresses Generation Z investors and explores the relationship between lack of transparency and selective disclosure and ESG investing behavior of these investors.

OBJECTIVES OF THE STUDY

1. To assess the relationship between trust in ESG information and ESG investment patterns among Generation Z investors.
2. To compare the impact of perceived greenwashing factors on ESG investment patterns among Generation Z investors.

REVIEW OF LITERATURE

1. **(J. Sund and B. Dreyer, 2025):** The study on warm-glow investor preferences showed that investors might want to back companies that have ESG performance.. When there is uncertainty and a feeling that companies are greenwashing it can make investors less interested in ESG investing.
2. **(Deng, 2024):** The study looked at ESG disclosure, investment optimization and greenwashing. It said that clear and reliable ESG disclosures can help with investment decisions.. Greenwashing can get in the way of good ESG investing.
3. **(Paudel, 2024):** The study found that when people are aware of sustainability it helps build trust and makes them more likely to buy a product.. When they think companies are greenwashing it makes them doubt the sustainability claims. This leads to demand for transparency and real information.
4. **(Munonye, 2026):** The study said that having circular-economy indicators can make ESG evaluation more transparent and accountable. It can also lower the risks that come with companies just saying they are sustainable without proof.
5. **(Park, 2026):** The research linked real ESG communication, with stakeholder trust, value creation and long-term relationships. It showed how important it is to have credible sustainability communication.
6. **(David, 2024):** Evidence from Indian investors showed that traditional financial factors remain important and that inconsistent ESG ratings, inaccurate ESG data and fear of greenwashing can reduce the importance assigned to ESG factors.
7. **(Aliano, 2024):** The study linked greenwashing in sustainable finance with information asymmetry, lack of stakeholder trust and reduced credibility of ESG disclosures.
8. **(Khan, 2024):** The study found that greenwashing can reduce investor confidence, increase information asymmetry and make it difficult to distinguish genuinely sustainable firms.

9. **(Legenzova, 2025):** Analysis of sustainability and management reports found differences in tone and communication that can reflect impression management and present sustainability issues more positively than actual performance.
10. **(S. Corbet, 2025):** The study found negative market reactions to greenwashing allegations against fintech firms, indicating that investors can penalize firms associated with misleading sustainability practices.

RESEARCH GAP

- There is a lack of research about investors from Generation Z.
- Trust in ESG information and investing in ESG are looked at separately.
- The effect of clear ESG reporting on investor trust needs attention.
- The influence of seeing greenwashing on how people invest has not been studied much.
- The part that both trust and the idea of greenwashing play in ESG investing behavior needs research.

HYPOTHESES

H₁: Generation Z investors who trust the information about ESG investments are more likely to make kinds of Environmental Social and Governance investments.

H₂: Generation Z investors are more likely to avoid companies that pretend to be environmentally friendly but are not if they are honest, about what they're doing and do not hide information

RESEARCH METHODOLOGY

- **Research Design:** Quantitative, descriptive research design.
- **Population:** Generation Z investors.
- **Sample Size:** 155 respondents.
- **Data Source:** Primary data collected through a structured questionnaire.
- **Sampling:** Non-probability sampling.
- **Scale Used:** 5-point Likert scale.

DATA ANALYSIS AND INTERPRETATION:

ANOVA

Research Objective

To assess the relationship between trust in ESG information and ESG investment patterns among Generation Z investors.

Hypothesis

H₀: There is no significant relationship between trust in ESG information and future investment in ESG-related financial products.

H₁: There is a significant relationship between trust in ESG information and future investment in ESG-related financial products.

Decision: Since $p = 0.03 < 0.05$, H_0 is rejected and H_1 is accepted.

Anova: Single Factor

SUMMARY				
Groups	Count	Sum	Average	Variance
ESG information disclosed by companies is trustworthy.	155	493	3.18	1.15
Future investment in ESG-related financial products is likely.	155	533	3.44	1.07

ANOVA						
Source of Variation	SS	df	MS	F	P-value	F crit
Between Groups	5.16	1	5.16	4.66	0.03	3.87
Within Groups	341.11	308	1.11			
Total	346.27	309				

Source of Data: Primary Data

Interpretation:

The ANOVA results show that the mean score for trust in ESG information is 3.18, while the mean score for future investment in ESG-related financial products is 3.44. The calculated F-value is 4.66, which is higher than the critical value of 3.87. Also, the p-value is 0.03, which is less than 0.05. This indicates that there is a statistically significant difference between the two variables.

Inference:

The results show a significant difference between trust in ESG information and future ESG investment intention ($p = 0.03 < 0.05$). This indicates that trust in ESG information can influence investors' future ESG investment decisions.

Pearson Correlation Analysis

Research Objective

To compare the impact of perceived greenwashing factors on ESG investment patterns among Generation Z investors.

Hypothesis

H₀: Selective disclosure is not significantly related to the avoidance of companies charged with greenwashing among Gen-Z investors.

H₁: Selective disclosure is significantly related to the avoidance of companies charged with greenwashing among Gen-Z investors..

Correlation Result

Variable	Companies selectively disclose ESG information to improve their public image.	Companies accused of greenwashing are avoided for investment.
Companies selectively disclose ESG information to improve their public image.	1	
Companies accused of greenwashing are avoided for investment.	0.235	1

Pearson Correlation Summary

Statistic	Value
Pearson Correlation Coefficient (r)	0.234661
N	155
T Statistic	2.985978
DF	153
p value	0.003293

Source of Data: Primary Data

Interpretation:

There exists a weak positive relationship between selective disclosure and avoidance of greenwashing-accused companies, as the Pearson correlation is $r = 0.235$. The p-value of 0.003 is less than 0.05, proving that there exists a significant relationship between the two factors.

Inference:

Generation Z investors perceiving selective ESG disclosure are somewhat more likely to avoid greenwashing-accused companies; however, there is a weak relationship, meaning that the above-mentioned factor exerts little impact on investment avoidance.

Decision about the hypothesis

Given that $p = 0.003 < 0.05$, we reject the null hypothesis and accept the alternative one.

OVERALL FINDINGS:

The study shows that investors tend to pay attention to ESG factors when they trust the information companies share. When companies provide clear and open ESG reports investors feel more confident. Can make better choices. The study also found that investors who see companies only sharing information are a little more likely to stay away from businesses accused of greenwashing but this link is not very strong.

Overall, the results show that honest clear and fair ESG information is important, for building trust with investors. This kind of information helps Generation Z investors make ESG investment decisions.

CONCLUSION:

The study shows that people trust ESG information and this trust is connected to how they invest in ESG. When companies give honest ESG reports investors feel more confident and can make better investment choices. At the time if investors think companies are not being honest, about being green they are a little more likely to avoid those companies.

Overall, the study makes it clear that transparency and trust are very important when it comes to ESG information and how investors decide to invest in ESG. ESG investment decisions are shaped by how companies communicate their ESG information and how trustworthy this information is.

LIMITATIONS OF THE STUDY:

- The study was limited to Generation Z investors.
- The study included only 155 respondents.
- Non-probability sampling was used, which may limit the generalisation of the findings.
- The study relied on questionnaire responses, which may reflect the respondents' personal opinions and understanding.
- The study mainly focused on trust in ESG information, transparency, selective disclosure and ESG investment patterns.
- Other factors that may influence ESG investment decisions were not covered in detail.
- The findings may not fully represent the views of all Generation Z investors.

SUGGESTIONS:

- Companies need to give people a picture of what they are doing with Environmental, Social and Governance or ESG for short so that investors can trust them.
- When companies talk about their ESG information they should tell the story, including the good things and the bad things so that everything is fair.
- Investors should double check the ESG information that companies provide by looking at trusted sources before they decide to put their money into something because this will help them make good investment decisions, about ESG.

REFERENCES

1. Sund and B. Dreyer, "Warm-glow investor preferences in ESG investing," *Social Responsibility Journal*, vol. 21, no. 3, 2025. DOI: <https://doi.org/10.1108/SRJ-11-2024-0818>
2. Deng, X. Zhang, and H. Yu, "ESG disclosure, investment optimization, and greenwashing from an investor perspective," *Journal of Economics, Finance and Administrative Science*, vol. 6, no. 3, 2024. DOI: <https://doi.org/10.32996/jefas.2024.6.3.2>

3. Paudel, "Greenwashing, sustainability awareness, consumer trust and purchasing decisions in the fashion industry," Master's thesis, Finland, 2024. Available: <https://urn.fi/URN:NBN:fife2024100776236>
4. L. Munonye and C. Munonye, "Circular economy metrics for improving ESG investing and reducing greenwashing risks," *Frontiers in Sustainability*, 2026. DOI: <https://doi.org/10.3389/frsus.2025.1588374>
5. J. Park, "ESG signals, perceived sustainability awareness, value creation, and long-term trust," *Sustainability*, vol. 18, no. 5, 2026. DOI: <https://doi.org/10.3390/su18052179>
6. Banerjee and R. David, "ESG factors in investment decisionmaking: Evidence from Indian investors," *Qualitative Research in Financial Markets*, 2024. DOI: <https://doi.org/10.1108/QRFM-10-2023-0241>
7. Aliano, G. Cestari, and S. Madonna, "Greenwashing in sustainable finance and ESG practices among SMEs," in *Sustainable Finance and ESG*, Cham, Switzerland: Springer, 2024, ch. 7. DOI: https://doi.org/10.1007/978-3-031-74193-7_7
8. Khan, "Greenwashing and sustainable investment: Challenges in ESG decision-making," Master's thesis, Vilnius Gediminas Technical University, 2024. Available: <https://etalpykla.vilniustech.lt/handle/123456789/154653>
9. Šneiderienė and R. Legenzova, "Greenwashing in corporate sustainability reporting: Evidence from sustainability and management reports," *Sustainability*, vol. 17, no. 18, 2025. DOI: <https://doi.org/10.3390/su17188441>
10. S. Corbet, D. Muñiz, and M. Staunton, "Investor reactions to greenwashing allegations in fintech firms," *SSRN Electronic Journal*, 2025. DOI: <https://dx.doi.org/10.2139/ssrn.5277127>