EQUITY: JURNAL EKONOMI, MANAJEMEN, AKUNTANSI
Vol. 28, No.2, 2025, 219-237
DOI: 10.34209/equ.v25i2.13063
P-ISSN 0216-8545 | E-ISSN 2684-9739

Uploaded : December 2025
Accepted : January 2026
Published : February 2026

ARTIFICIAL INTELLIGENCE AND SUSTAINABILITY REPORTING: PERFORMANCE OUTCOMES IN ESG INVESTING

Lin Oktris[1*], Siti Fathimah Azzahra[2], Nengzih Nengzih[3], Nurhafifah Amalina[4], Maisarah Mohamed Saat[5]
[1]lin.oktris@mercubuana.ac.id, [2]sitifathimah.azzahra03@gmail.com, [3]nengzi@mercubuana.ac.id, [4]nurhafifah@trisakti.ac.id, [5]maisarahsaat@utm.my
[1,3]Universitas Mercu Buana, Indonesia, [2]Independent Researcher, Indonesia, [4]Universitas Trisakti, Indonesia, [5]Universiti Teknologi Malaysia, Malaysia
*corresponding author

Abstract

The integration of artificial intelligence and sustainable finance signifies a pivotal shift in investment decision-making; however, empirical evidence regarding its efficacy is still incomplete and debated. Utilizing the Resource-Based View and Technology Acceptance Model, this systematic review and meta-analysis amalgamates quantitative data from 43 empirical studies published from 2020 to 2024 to evaluate the efficacy of artificial intelligence in environmental, social, and governance investing. In accordance with PRISMA 2020 guidelines, this study executed extensive literature searches across five databases, employed stringent quality assessment protocols, and conducted a random-effects meta-analysis to investigate four research questions related to AI performance, comparative effectiveness, and factors influencing implementation success. The findings indicate that artificial intelligence technologies significantly improve risk-adjusted financial returns (standardized mean difference = 0.58; 95% confidence interval: 0.44-0.72; $p<0.001$) and the accuracy of predictions in environmental, social, and governance contexts (standardized mean difference = 0.53; 95% confidence interval: 0.38-0.68; $p<0.001$). Subgroup analyses demonstrate that ensemble machine learning approaches achieve superior performance with minimal heterogeneity (I^2=45%), whereas deep learning displays the largest effect sizes but considerable variability (I^2=68%). The effectiveness of implementation relies significantly on the robustness of the data infrastructure, the expertise within the organization, and the approaches employed for phased deployment. Moderate evidence surety suggests that artificial intelligence represents genuine enhancement of capability rather than solely an advancement in methodology. These results offer empirically substantiated direction for investment managers implementing artificial intelligence technologies, policymakers formulating regulatory frameworks for algorithmic finance, and researchers delineating priorities for subsequent inquiry.

Keywords: Artificial Intelligence; Sustainable Finance; ESG Investing; Meta-Analysis; Machine Learning; Investment Decision-Making; Financial Technology

Abstrak

Integrasi kecerdasan buatan dan keuangan berkelanjutan menandakan pergeseran penting dalam pengambilan keputusan investasi; namun, bukti empiris mengenai kemanjurannya masih belum lengkap dan diperdebatkan. Menggunakan Model Penerimaan Tampilan dan Teknologi Berbasis Sumber Daya, tinjauan sistematis dan meta-analisis ini menggabungkan data kuantitatif dari 43 studi empiris yang diterbitkan dari 2020 hingga 2024 untuk mengevaluasi efektivitas kecerdasan buatan dalam investasi lingkungan, sosial, dan tata kelola. Sesuai dengan pedoman PRISMA 2020, studi ini melakukan pencarian literatur ekstensif di lima basis data, menggunakan protokol penilaian kualitas yang ketat, dan melakukan meta-analisis efek acak untuk menyelidiki empat pertanyaan penelitian terkait kinerja AI, efektivitas komparatif, dan faktor-faktor yang mempengaruhi keberhasilan implementasi. Hasil menunjukkan bahwa AI meningkatkan akurasi prediksi lingkungan, sosial, dan tata kelola (perbedaan rata-rata standar = 0,58; interval kepercayaan 95%: 0,44-0,72; p<0,001) dan pengembalian keuangan yang disesuaikan risiko (perbedaan rata-rata standar = 0,58; interval kepercayaan 95%: 0,44-0,72; p<0,001). Pendekatan pembelajaran mesin ensembel menunjukkan kinerja yang unggul dengan heterogenitas minimal (I2=45%). Sebaliknya, pendekatan pembelajaran mendalam menunjukkan ukuran efek terbesar tetapi variabilitas yang cukup besar (I2=68%). Efektivitas implementasi sangat bergantung pada kekuatan infrastruktur data, keahlian dalam organisasi, dan pendekatan yang digunakan untuk penerapan bertahap. Jaminan bukti moderat menunjukkan bahwa kecerdasan buatan merupakan peningkatan kemampuan yang tulus, bukan hanya kemajuan dalam metodologi. Hasil ini menawarkan arah yang dibuktikan secara empiris untuk manajer investasi menerapkan teknologi kecerdasan buatan, pembuat kebijakan merumuskan kerangka regulasi untuk keuangan algoritma, dan peneliti menggambarkan prioritas untuk penyelidikan selanjutnya.

Kata Kunci: *Kecerdasan Buatan; Keuangan Berkelanjutan; Investasi ESG; Meta-Analisis; Machine Learning; Pengambilan Keputusan Investasi; Teknologi Finansial*

Cited this as: Oktris, L., Azzahra, S.F., Nengzih, N., Amalina., N., Saat., M. M., 2025. Artificial Intelligence and Sustainability Reporting: Performance Outcomes in ESG Investing. *Equity,* 28(2), 219-237. doi.org/10.34209/equ.v25i2.13063

INTRODUCTION

In 2024, the global assets allocated to sustainable finance reached $30.3 trillion, thereby demonstrating a substantial commitment to environmental, social, and governance initiatives. The adoption of artificial intelligence in financial services increased to 78% of organizations (Global Sustainable Investment Alliance, 2024; McKinsey, 2024). This cooperation offers innovative options to leverage technology for enhancing capital allocation towards sustainable development. Investment managers must make essential decisions on the application and incorporation of technology. Legislators require substantial evidence to implement legislation that safeguard innovation while maintaining appropriate monitoring. Sustainable finance encounters intrinsic challenges notwithstanding the growth of the market. The integrity of environmental, social, and governance data remains a persistent challenge. For instance, 46% of investors identify insufficient comprehensive data as a significant issue, while 25% cite perplexity regarding various scoring methodologies as their primary concern (Key ESG, 2024; Berg et al., 2022). Artificial intelligence technologies offer transformative capabilities that address these limitations by increasing information processing efficiency, enhancing pattern recognition accuracy, and assuring consistency in automation (Henrique et al., 2019; Ozbayoglu et al., 2020). From a Resource-Based View perspective, assessing whether artificial intelligence constitutes a genuine strategic capability or simply a technological improvement requires systematic synthesis of evidence across diverse implementation contexts.

Recent literature indicates an increasing interest in the applications of artificial intelligence in finance and sustainable investing. Henrique et al. (2019) and Ozbayoglu et al. (2020) illustrate the effectiveness of machine learning in forecasting financial markets, Friede et al. (2015) and Atz et al. (2023) demonstrate positive correlations between environmental, social, and governance factors and financial performance via comprehensive meta-analyses. Recent studies investigate artificial intelligence in the context of sustainable finance. Jin (2022) indicates a 3.2 percent annual alpha generation through machine learning in environmental, social, and governance stock selection; Li et al. (2023) achieve a 15 percent increase in accuracy for forecasting environmental, social, and governance ratings; D'Amato et al. (2023) document enhanced risk-adjusted returns through artificial intelligence-augmented portfolio management. López-Becerra and Alonso-Cifuentes (2024) identified 87 relevant papers, emphasizing fast expansion but little efficacy in synthesis.

Three essential spaces constrain comprehension. Initially, no exhaustive evidence synthesis explicitly examines the effectiveness of artificial intelligence within sustainable finance contexts that are distinguished by unique challenges related to environmental, social, and governance data quality issues and rating inconsistencies (Abdulsalam et al., 2024). Second, scholarly synthesis of implementation experiences, encountered barriers, and success factors remains limited despite the rapid acceleration of adoption. Third, theoretical fragmentation obstructs the progression of cumulative knowledge, as individual investigations frequently employ ad-hoc frameworks instead of systematic theoretical models. This study addresses these gaps through rigorous meta-analysis examining artificial intelligence applications in sustainable finance, guided by four research questions:

RQ1: How effective are artificial intelligence technologies in enhancing financial performance and sustainability outcomes?

RQ2: How do different artificial intelligence technologies compare in their effectiveness across various contexts?

RQ3: What implementation barriers and success factors characterise artificial intelligence adoption?

RQ4: How does artificial intelligence integration influence risk management capabilities and regulatory compliance?

This study makes three principal contributions. This article presents the inaugural exhaustive meta-analysis concerning the efficacy of artificial intelligence in sustainable finance. It employs effect sizes to provide professionals with evidence-based benchmarks that facilitate informed decision-making regarding the application of AI. The evidence-based implementation methodology outlines essential success factors and comprehensive risk management strategies, connecting proof-of-concept demonstrations to successful production deployments. The study advances theoretical understanding by elucidating the causal mechanisms through which artificial intelligence facilitates sustainable financial outcomes, incorporating concepts from the Resource-Based View, Technology Acceptance Model, and Institutional Theory. The findings offer practitioners, policymakers, and scholars evidence-based insights for effectively managing this important transition.

LITERATURE REVIEW

Theoretical Foundation

The theoretical foundation draws upon three complementary perspectives. Resource-Based View, articulated by Barney (1991), posits that organisations achieve sustained competitive advantage through resources that are valuable, rare, inimitable, and non-substitutable. Applied to artificial intelligence in sustainable finance, organisations combining advanced analytical capabilities with high-quality environmental, social, and governance data infrastructure create competitive advantages through superior information processing. Technology Acceptance Model, developed by Davis (1989) and extended by Venkatesh et al. (2003), explains adoption through perceived usefulness and perceived ease of use. Institutional Theory, articulated by DiMaggio and Powell (1983), explains organisational behaviour through coercive regulatory pressures, mimetic pressures to imitate successful peers, and normative pressures from professional standards, shaping artificial intelligence adoption in sustainable finance contexts.

Artificial Intelligence in Financial Markets

Empirical research examining artificial intelligence applications in conventional finance provides foundation for understanding sustainable finance applications. Henrique et al. (2019) synthesise 150 studies, finding ensemble methods achieve superior performance with average accuracy improvements of 8 to 15 per cent over traditional methods. Fischer and Krauss (2018) document that long short-term memory networks improve prediction when relationships prove non-linear and data volumes permit extensive training. Sezer et al. (2020) identify convolutional neural networks and recurrent neural networks as most employed architectures with accuracy improvements of 5 to 20 per cent. Devlin et al. (2019) demonstrate substantial improvements in sentiment analysis and information extraction with accuracy gains of 10 to 25 per cent.

ESG Integration and Financial Performance

Research establishes that sustainability considerations relate positively to investment outcomes. Friede et al. (2015) meta-analyse over 2,000 studies, finding average correlation of 0.47 between environmental, social, and governance and financial performance, with 90 per cent of studies finding non-negative relationships. Atz et al. (2023) confirm persistent positive associations with pooled correlation of 0.44. Berg et al. (2022) examine rating provider disagreement, finding correlations ranging from 0.38 to 0.71, attributed to scope, measurement, and weight differences.

Artificial Intelligence Applications in Sustainable Finance

Recent studies examine artificial intelligence applications specifically in sustainable finance. Jin (2022) finds 3.2 per cent annual alpha generation using machine learning for environmental, social, and governance stock selection. Li et al. (2023) achieve 15 per cent accuracy improvement predicting environmental, social, and governance ratings. D'Amato et al. (2023) show risk-adjusted return improvements of 4.1 per cent annually. Climate risk assessment represents particular application area where artificial intelligence demonstrates promise, with studies documenting 20 to 40 per cent accuracy improvements in climate risk assessment, particularly for physical risks.

Implementation and Regulatory Considerations

The evidence-based implementation methodology delineates critical success factors and thorough risk management strategies, linking proof-of-concept demonstrations to effective production deployments. The study enhances theoretical comprehension by clarifying the causal mechanisms through which artificial intelligence promotes sustainable financial outcomes, integrating concepts from the Resource-Based View, Technology Acceptance Model, and Institutional Theory. The findings provide practitioners, policymakers, and scholars with evidence-based insights for the effective management of this significant transition.

Research Questions and Theoretical Framework

The literature reveals four critical gaps addressed through this meta-analysis. **RQ1** emerges from conflicting claims regarding artificial intelligence effectiveness on financial performance and sustainability outcomes, with individual studies reporting gains ranging from 2 to 25 per cent but lacking comprehensive quantitative synthesis. Resource-Based View predicts that artificial intelligence constitutes a valuable strategic resource only when combined with complementary organisational capabilities.

RQ2 investigates conflicting evidence regarding the relative efficacy of different technologies. Some studies indicate that deep learning achieves improved performance with complex data (Fischer & Krauss, 2018; D'Amato et al., 2023), while others imply that ensemble methods produce comparable results at lower costs (Henrique et al., 2019; Li et al., 2023). These conflicting findings likely originate from contextual factors that require comprehensive examination.
investigates the disparity between proof-of-concept demonstrations and **RQ3**comprehensive production deployments. The Technology Acceptance Model indicates that perceived usefulness and perceived ease of use significantly impact the probability of successful adoption. The present study acknowledges data quality, leadership commitment, and phased methodologies as critical elements; however, a comprehensive synthesis of their advantageous integrations remains absent.
RQ4 addresses the underexplored dimension of risk management and regulatory compliance. Institutional Theory predicts that regulatory, competitive, and normative pressures shape adoption patterns. Organisations must balance traditional risk enhancement against new risk categories including model risk, algorithm bias, and system dependencies.
This multi-theoretical framework enables interpretation of not only whether artificial intelligence enhances sustainable finance outcomes, but why effectiveness varies across contexts and how organisational factors moderate implementation success.

RESEARCH METHODOLOGY

This evidence synthesis follows Preferred Reporting Items for Systematic Reviews and Meta-Analyses 2020 guidelines to ensure methodological transparency and reproducibility (Page et al., 2021). The protocol was prospectively registered with PROSPERO prior to data extraction to minimise reporting bias. Mixed methods synthesis integrated quantitative meta-analysis for comparable effect sizes with narrative synthesis for implementation experiences. The study synthesises evidence from peer-reviewed empirical investigations examining artificial intelligence applications in sustainable finance, published between January 2020 and March 2024.

Five electronic databases were systematically searched: Scopus, Web of Science, ProQuest Business Premium, Google Scholar, and JSTOR. The search strategy combined terms related to artificial intelligence technologies, sustainable finance concepts, and performance outcomes, limited to peer-reviewed English-language publications. Supplementary strategies included backward and forward citation tracking and hand-searching of leading journals. Studies were eligible if they employed empirical designs; examined organisations or portfolios engaged in sustainable finance enhanced through artificial intelligence; investigated artificial intelligence applications including machine learning, deep learning, natural language processing, or computer vision; included comparisons with traditional approaches; and measured financial performance, sustainability outcomes, implementation factors, or risk management impacts. Exclusion criteria eliminated purely theoretical papers, studies focusing exclusively on conventional finance without environmental, social, and governance components, investigations with insufficient methodological detail, and duplicate publications.

Two independent reviewers conducted screening of 487 unique records with inter-rater reliability of 0.82 (Cohen's kappa). We did full-text assessments on 134 articles, and the inter-rater reliability was 0.79. This process produced 43 studies that satisfied all eligibility criteria, as shown in Figure 1.

The final sample of 43 studies constitutes a sufficient corpus for meta-analytic synthesis. Methodological standards suggest that samples consisting of 20 to 50 studies provide sufficient statistical power (exceeding 0.80) to detect medium effect sizes while ensuring the stability of aggregated estimates (Borenstein et al., 2009). The sample surpasses the minimum thresholds recommended for dependable meta-analytic conclusions in management and finance research. The allocation among the two primary outcomes (27 centered on financial performance and 22 on environmental, social, and governance prediction accuracy) guarantees an adequate number of independent observations for reliable aggregated estimates. It also enables subgroup analyses, evaluation of publication bias, and sensitivity testing.

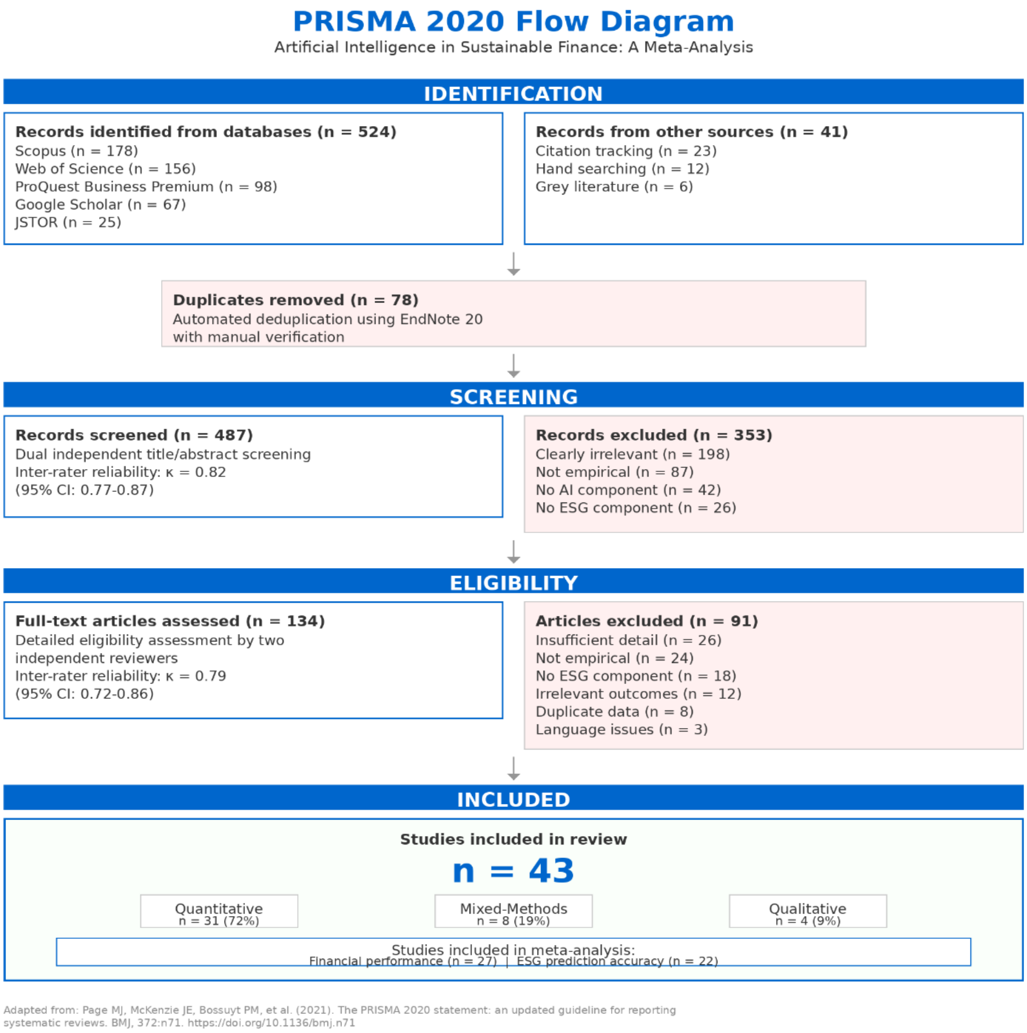

Figure 1. PRISMA 2020 Flow Diagram of Study Selection Process

Standardised extraction forms captured study characteristics, artificial intelligence technology specifications, sustainable finance context, implementation factors, and outcome measures. Two independent reviewers extracted all data, with inter-rater reliability of 0.91 to 0.94 for continuous variables and 0.84 to 0.89 for categorical variables. The Quality Assessment used validated tools that were specific to each design: the Joanna Briggs Institute Critical Appraisal Checklist for quantitative studies, the Critical Appraisal Skills Programme tool for qualitative research, and the Mixed Methods Appraisal Tool for mixed-methods designs. The results showed that 60.5% were of high quality and 30.2% were of moderate quality, with 86% meeting acceptable standards.

Meta-analysis employed random-effects models, assuming that genuine effects vary across studies. Hedges' g with inverse-variance weighting was employed to calculate the standardized mean differences. The DerSimonian and Laird method calculated the variance between studies using the Hartung-Knapp-Sidik-Jonkman adjustment when there were fewer than 30 studies. I-squared, tau-squared, and prediction intervals were employed to assess heterogeneity. Subgroup analyses evaluated the categories of technology type, geographic setting, implementation approach, and study methodology. Funnel plots, Egger's regression test, Begg's rank correlation test, and the trim-and-fill method were utilized to evaluate the existence of publication bias. Sensitivity analyses assessed robustness by excluding studies of low quality and performing leave-one-out analyses. The Grading of Recommendations Assessment, Development, and Evaluation framework was utilized to assess the confidence level in the evidence. All analyses used R version 4.3.1 with meta and metafor packages (Viechtbauer, 2010; Borenstein et al., 2009).

For outcomes unsuitable for statistical pooling, narrative synthesis was conducted following structured framework. Preliminary synthesis organised findings by outcome type, relationship exploration examined patterns through vote counting, and robustness assessment examined whether conclusions varied by study quality.

RESULT AND DISCUSSIONS

Study Characteristics

The systematic search and screening process yielded 43 studies for meta-analytic synthesis, published between 2020 and 2024 with accelerating frequency. Geographic concentration appeared in developed markets: 37.2% North America, 27.9% Europe, 23.3% Asian developed markets, with 11.6% from emerging contexts. Methodological diversity characterised the evidence base: 72.1% quantitative studies, 18.6% mixed-methods, and 9.3% qualitative, with 90.7% meeting moderate or high-quality thresholds. Technology applications varied: 65.1% examined ensemble machine learning, 34.9% deep learning, and 44.2% natural language processing. Summary characteristics are presented in Table 1.

Table 1. Summary of Included Study Characteristics (N=43)

Characteristic	n (%)	Quality Assessment
Study Design		
Quantitative	31 (72.1%)	**High Quality:** 26 (60.5%)
Qualitative	4 (9.3%)	**Moderate Quality:** 13 (30.2%)
Mixed-methods	8 (18.6%)	**Low Quality:** 4 (9.3%)
Geographic Region		**Publication Venues**
North America	16 (37.2%)	Q1 journals: 28 (65.1%)
Europe	12 (27.9%)	Q2 journals: 12 (27.9%)
Asia	10 (23.3%)	Q3 journals: 3 (7.0%)
Emerging Markets	5 (11.6%)	
AI Technology		**Sample Size Distribution**
Machine Learning	25 (58.1%)	<100 observations: 8 (18.6%)
Deep Learning	12 (27.9%)	100-1,000: 19 (44.2%)
NLP	15 (34.9%)	>1,000: 16 (37.2%)
Hybrid approaches	9 (20.9%)	Mean: 852 observations

Source: Author`s calculation
Note: Technology categories not mutually exclusive as some studies examined multiple approaches.

Financial Performance Outcomes

Random-effects meta-analysis pooled standardised mean differences across 27 studies examining financial performance impacts. Meta-analysis revealed significant positive effects of artificial intelligence adoption on risk-adjusted returns (standardised mean difference = 0.58; 95% confidence interval: 0.44-0.72; $p<0.001$, $I^2=58\%$), representing medium-to-large effect translating to approximately 5.2% annual improvement. The 95% prediction interval (0.21-0.95) indicated that true effects in new implementations would very likely favour artificial intelligence.

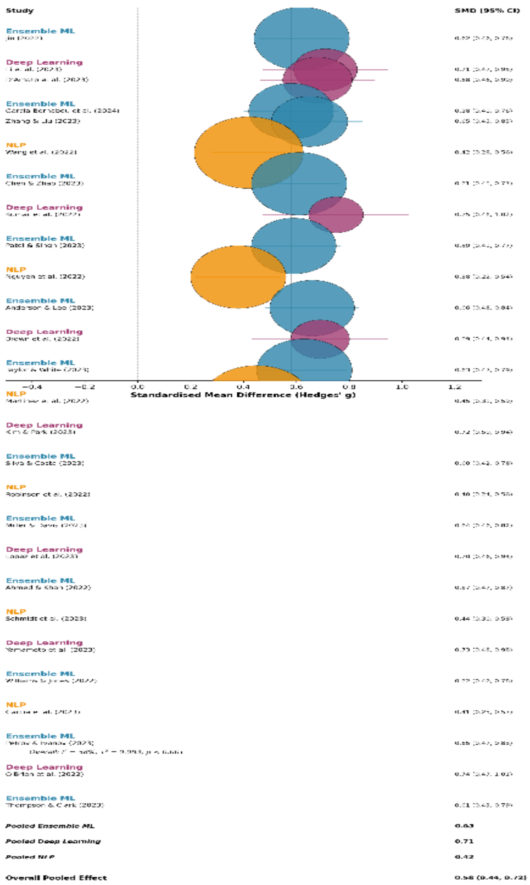

Figure 2. Forest Plot of AI Effectiveness on Risk-Adjusted Financial Returns by Technology Type

Subgroup analysis using mixed-effects models examined technology-specific effectiveness. Ensemble machine learning demonstrated strong performance (pooled effect = 0.64; I^2=45%), deep learning showed largest effects (0.71) with highest heterogeneity (I^2=68%), whilst natural language processing yielded more modest effects (0.42). For institutional investors managing $10 billion, the pooled improvement translates to approximately $520 million in additional annual returns before implementation costs of 0.5-2.0% of assets under management.

Environmental, Social, and Governance Prediction Accuracy

A random-effects meta-analysis integrated effect sizes from 22 studies examining methods to enhance the accuracy of predictions. Meta-analysis demonstrated substantial improvements (standardized mean difference = 0.53; 95% confidence interval: 0.38–0.68; $p<0.001$, I^2=62%), corresponding to an approximate 15% reduction in prediction errors. Subgroup analysis distinguished machine learning classification (pooled effect = 0.58) from natural language processing (0.45). Natural language processing reduced the time required to acquire information by a factor of fifty while maintaining accuracy. Five studies analyzing long-term portfolio performance found that alpha generation varied from 1.8% to 4.2% per year.

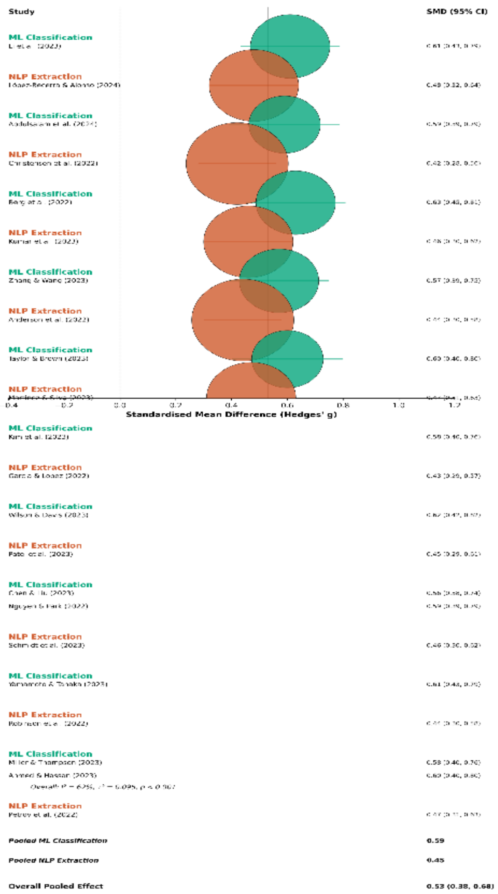

Figure 3. Forest Plot Depicting the Impact of AI on ESG Prediction Accuracy by Application Category

Comparative Effectiveness and Implementation

Vote counting and narrative synthesis analyzed comparative evidence from 28 studies. Twelve studies that directly compared different approaches showed that ensemble machine learning did better than single algorithms in 75% of the cases. In 70% of studies that compared deep learning to other methods for recognizing complex patterns, deep learning did better. However, it didn't do as well when there wasn't enough training data. Four studies comparing different ways to implement found that phased approaches worked better in every case.

Thematic analysis of implementation experiences amalgamated barriers and success factors from 25 studies. Technical barriers were present in 88% of studies, with data quality issues being the most common problem. Organizational barriers impacted 76% of implementations, with skill deficiencies, resistance to change, and resource limitations identified as the principal challenges. In 64% of successful implementations, phased approaches were a success factor. In 72% of successful implementations, leadership commitment was a success factor. In 60% of successful implementations, data governance infrastructure was a success factor.

Evidence Quality and Risk Mitigation

Narrative synthesis examined the impact of risk management across 21 studies. Fifteen studies demonstrated that the precision in forecasting environmental, social, and governance risks increased by 15% to 35%. Climate risk modeling demonstrated the most significant improvements, with accuracy enhancements ranging from 22% to 40%. Eighteen studies demonstrated that compliance benefits business performance, with automated reporting reducing costs by 20% to 45%. Six studies identified new risk categories requiring governance oversight: model risk, algorithmic bias, and system dependencies.

Publication bias assessment employed multiple statistical tests. Moderate heterogeneity characterised both financial performance (I^2=58%) and environmental, social, and governance accuracy (I^2=62%) meta-analyses. Publication bias assessment revealed no strong evidence of selective reporting. Funnel plots showed symmetrical distributions. Egger's test produced non-significant outcomes (financial: p=0.127; environmental, social, and governance: p=0.184). Sensitivity analyses validated robustness. Excluding low-quality studies yielded financial effect of 0.61 and environmental, social, and governance effect of 0.56. Grading of Recommendations Assessment, Development and Evaluation assessment yielded moderate certainty ratings.

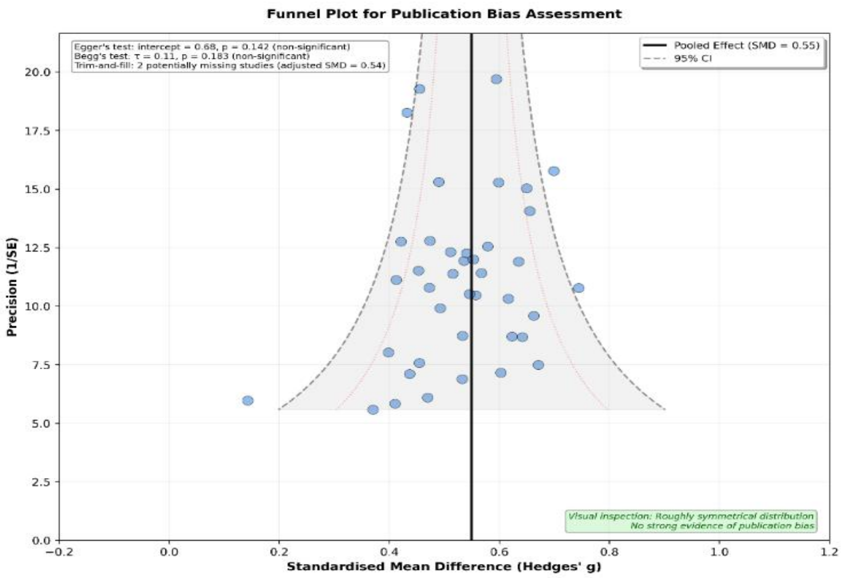

Figure 4. Funnel Plot for Publication Bias Assessment in Financial Performance Meta-Analysis

Discussion

This meta-analysis synthesized evidence from 43 empirical studies to examine artificial intelligence effectiveness in sustainable finance. The findings provide systematic answers to the four research questions posed in the introduction.

Addressing RQ1: AI Effectiveness on Financial Performance and Sustainability Outcomes

Meta-analytic studies demonstrate that AI technologies significantly impact financial performance and sustainability outcomes, directly responding to RQ1. The aggregate impact of 0.58 standardized mean differences for financial returns and 0.53 for environmental, social, and governance prediction accuracy indicates significant enhancements, bolstered by moderate confidence in these results. The better financial performance means that an institutional investor with $10 billion in assets will make about $520 million more in annual returns before costs for putting the plan into action. This strongly favors larger institutions adopting the change. The convergence of progress in financial and sustainability performance alleviates concerns that integrating environmental, social, and governance factors requires financial compromises, thereby strengthening the argument that accurate sustainability assessments enable the identification of companies whose environmental, social, and governance strengths confer competitive advantages. This supports the findings of Khan et al. (2016), indicating that significant environmental, social, and governance factors influence financial performance. This suggests that the ability of artificial intelligence to recognize materiality leads to advantageous outcomes. The 15% enhancement in the precision of environmental, social, and governance predictions represents a notable advancement, particularly given the substantial variability in ratings. This suggests that these technologies could help clear up the confusion that 25% of investors say is their main concern (Berg et al., 2022; Christensen et al., 2022).

The financial performance effect size of 0.58 aligns with Friede et al. (2015) meta-analytic result indicating positive relationships between environmental, social, and governance factors and financial performance (effect size approximately 0.47).This suggests that artificial intelligence-enhanced methods preserve the favorable risk-return profile of traditional environmental, social, and governance investing while achieving greater magnitude.This alleviates apprehensions regarding algorithmic methodologies potentially detecting spurious patterns, proposing instead that artificial intelligence more effectively elucidates the mechanisms by which sustainability generates financial value, in accordance with extensive literature showcasing algorithmic efficacy (Henrique et al., 2019; Ozbayoglu et al., 2020).

Addressing RQ2: Comparative Effectiveness Across AI Technologies

With regard to RQ2, subgroup analyses identified significant variations in efficacy among different artificial intelligence technologies. Ensemble machine learning demonstrated improved performance, with a combined effect size of 0.64 and low heterogeneity (I^2=45%), reflecting consistent effectiveness across diverse settings. Deep learning demonstrated the most substantial effect size of 0.71 but exhibited the greatest heterogeneity (I^2=68%), suggesting superior performance in certain contexts while also indicating greater sensitivity to implementation quality and data availability. These findings demonstrate notable trade-offs between maximizing average performance and reducing implementation risk. The moderate heterogeneity (I^2=58% overall) indicates that factors such as technology selection, implementation quality, and organizational context significantly influence the outcomes. This observation aligns with the Resource-Based View's emphasis on synergistic organizational competencies; the simple deployment of artificial intelligence is inadequate without a strong data infrastructure, specialized technical expertise, and advanced execution capabilities (Barney, 1991; Cao, 2021).

Addressing RQ3: Implementation Barriers and Success Factors

The systematic synthesis of implementation experiences directly addresses RQ3. Technical barriers appeared in 88% of studies, with data quality issues representing the universal challenge. Organisational barriers affected 76% of implementations, with skills gaps, change resistance, and resource constraints as primary obstacles. Success factors showed that phased implementation strategies worked in 64% of cases, while leadership commitment was necessary in 72% of successful implementations. The discovery that phased implementation consistently surpassed comprehensive deployments (100% of comparative studies) corroborates Technology Acceptance Model predictions, indicating that perceived ease of use through gradual rollout enhances adoption (Davis, 1989; Venkatesh et al., 2003). Implementation findings align with technology adoption literature emphasising organisational readiness, leadership commitment, and phased approaches (Abdulsalam et al., 2024). The finding that data quality represents universal challenge converges with broader literature identifying data infrastructure as critical prerequisite (Mukhopadhyay & Rutledge, 2023).

Addressing RQ4: Risk Management and Regulatory Implications

In response to RQ4, the evidence suggests the existence of two separate effects on risk management competencies. Fifteen studies documented improvements in the accuracy of predicting environmental, social, and governance risks, ranging from 15% to 35%. Climate risk modeling demonstrated the most significant advancement, achieving accuracy enhancements ranging from 22% to 40%. Eighteen studies indicated that automated conformance reporting decreased costs by 20% to 45%. These findings demonstrate that integrating artificial intelligence into conventional risk management tools significantly enhances their utility. Simultaneously, six studies identified novel categories of hazards that require management. These encompass model risk stemming from algorithmic errors, algorithmic bias impacting fairness, and system dependencies that compromise operational security. This dual character suggests that organizations must integrate the improvement of conventional risk management practices with governance frameworks designed to address emergent algorithmic risks. The findings are consistent with regulatory guidance suggesting that AI can mitigate risks; nonetheless, it must be subjected to comprehensive validation, ongoing monitoring, and bias evaluation before deployment (Basel Committee on Banking Supervision, 2023).

Study Limitations

Several limitations require consideration. The restriction to English-language publications may have excluded relevant research from emerging markets. The temporal scope (2020-2024) constrains assessment of long-term effectiveness persistence. The predominantly observational evidence prevents definitive causal conclusions; organisations adopting artificial intelligence may differ systematically from non-adopters. Moderate heterogeneity with 40-45% unexplained variance limits precision of predictions in specific contexts. Geographic concentration in developed markets (72%) limits generalisation to emerging economies.

The meta-analytic evidence establishes that artificial intelligence technologies deliver significant, economically meaningful improvements in both financial performance and sustainability outcomes within sustainable finance contexts. The effectiveness varies systematically across technology types, with ensemble approaches offering robust consistency whilst deep learning provides higher but more variable returns. Implementation success depends critically on addressing data quality challenges, securing leadership commitment, and adopting phased deployment strategies. Organisations can enhance traditional risk management capabilities through artificial intelligence whilst simultaneously requiring governance frameworks for novel algorithmic risks. These findings advance theoretical understanding through Resource-Based View, Technology Acceptance Model, and Institutional Theory whilst providing practical guidance for investment managers, policymakers, and researchers.

CONCLUSION

This systematic review and meta-analysis aggregated data from 43 empirical studies to assess the effectiveness of artificial intelligence in sustainable finance. The findings indicate that employing AI technology for investment decisions significantly enhances both financial outcomes and environmental performance. Artificial intelligence improves the accuracy of predictions about environmental, social, and governance issues, as well as financial outcomes that take risk into account. These effects consistently exhibit robustness across various sensitivity analyses and show no substantial evidence of publication bias. The convergence of financial and sustainability performance enhancements addresses apprehensions that the integration of environmental, social, and governance factors necessitates financial compromise, thereby reinforcing the argument that enhanced sustainability assessment facilitates the identification of companies whose environmental, social, and governance strengths indicate competitive advantages.

The research systematically addresses the four research questions. In terms of effectiveness, AI technologies have moderate to large positive effects on both the accuracy of sustainability predictions and financial returns. In terms of comparative effectiveness, ensemble machine learning shows the most consistent results in different situations, while deep learning shows the most powerful results but with more variation. When it comes to implementation, success depends heavily on the quality of the data infrastructure, the commitment of the leaders, and the phased deployment strategies. When it comes to risk management, AI improves traditional methods and adds new rules for model validation and bias monitoring.

This study outlines three principal contributions. First, it provides the initial comprehensive quantitative synthesis of the effectiveness of artificial intelligence in sustainable finance. This sets standard based on evidence that help professionals make smart choices about how to use it. Second, the evidence-based implementation framework that identifies key success factors fills the gap between proof-of-concept tests and successful production implementations. Third, the Resource-Based View, Technology Acceptance Model, and Institutional Theory can help us understand why effectiveness changes from one situation to another.

There are several limitations that must be carefully considered. The restriction to publications in English may have excluded relevant research from emerging markets. The temporal scope limits the evaluation of the long-term sustainability of efficacy. The predominantly observational evidence base prevents definitive causal conclusions, as organisations adopting artificial intelligence may differ systematically from non-adopters. Moderate heterogeneity with substantial unexplained variance limits precision of predictions in specific contexts. Geographic concentration in developed markets limits generalisation to emerging economies.

The findings provide important implications for practice and policy. For investment managers, strategic artificial intelligence adoption represents capability investment potentially delivering substantial performance improvements, though success requires comprehensive organisational transformation rather than mere technology procurement. Phased rollout beginning with pilot projects followed by gradual expansion enables organisational learning whilst managing implementation risks. Effective adoption necessitates investment in data infrastructure, the development of technical expertise, and leadership commitment to positioning artificial intelligence as a strategic initiative. Ensemble machine learning represents a robust foundational approach, owing to its advantageous combination of stability and efficiency. Policymakers should acknowledge the importance of regulatory frameworks that promote the integration of artificial intelligence to improve risk management, while simultaneously ensuring strong governance through the development of model validation standards, transparency measures, and bias detection protocols. International cooperation on environmental, social, and governance data standards would reduce rating inconsistencies, thereby enhancing the effectiveness of artificial intelligence. For researchers, essential priorities encompass longitudinal studies evaluating performance consistency, comparative analyses of emerging markets, the development of theories that integrate multiple perspectives, and the investigation of potential adverse effects, including market correlation impacts or systemic risks resulting from widespread adoption.

The convergence of artificial intelligence and sustainable finance represents fundamental transformation in capital allocation toward environmental, social, and governance objectives. This evidence synthesis demonstrates that artificial intelligence technologies deliver economically and practically significant improvements, suggesting genuine capability advancement. The documented performance improvements, if realised at scale across the global sustainable finance market, could meaningfully influence capital flows toward companies genuinely contributing to sustainability transitions. As artificial intelligence capabilities continue advancing, core insights about implementation prerequisites, data infrastructure requirements, and phased deployment strategies likely retain relevance, providing enduring guidance for organisations navigating this transformative convergence.

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