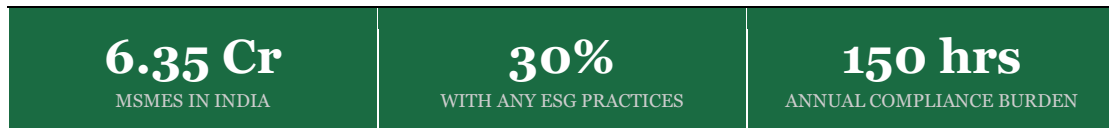


India's MSMEs Need a *UPI Moment* for ESG Compliance

What if sustainability for small businesses were as simple, seamless, and universal as a phone payment?

Dr. Srinath Sridharann · Vasudha Saraogi · May 2026



India's 6.35 crore MSMEs are the true backbone of the economy, generating employment, driving exports, and sustaining communities from Surat to Shillong. Yet when it comes to Environmental, Social, and Governance (ESG) compliance, these very same enterprises are being asked to climb a mountain with neither a map nor boots.

Today, only 30% of MSMEs have adopted any form of ESG practice, and most of those are doing the bare minimum to satisfy regulatory requirements, not out of genuine commitment. The reasons are entirely understandable: ESG compliance can erode margins by 5–15% of annual revenue. Businesses are already navigating over 40 different compliance obligations each year. And awareness, expertise, and access to finance for sustainability initiatives remain painfully thin on the ground.

The status quo is not working. Government incentives and green bonds have helped, but have reached only a fraction of those who need support. Training programs have benefited around 50,000 MSMEs, a meaningful number, yet a drop in the ocean of 6.35 crore businesses.

201cIntegrating ESG practices into the fabric of MSMEs is the blueprint for national growth - transforming local enterprises into engines of sustainable development and shared prosperity.201d

The Compliance Burden Is Real

It's worth pausing on the sheer weight of the compliance challenge facing India's small businesses. On average, an MSME spends 120 to 150 hours every year on compliance-related activities, preparing filings, maintaining records, and managing interactions with tax authorities, labour boards, and environmental agencies. That time typically requires dedicated staff or expensive outsourced professionals: accountants, legal advisors, and consultants who are luxuries many small businesses can barely afford.

Adding ESG reporting on top of this stack is not simply adding one more form. It demands new knowledge, new systems, new metrics, and often new personnel. For a 12-person garment workshop in Tiruppur or a family-run auto-components supplier in Pune, the barriers aren't motivational - they're structural.

What India Needs: A DPI for ESG

The answer lies in something India has already proven it can build: transformative digital public infrastructure. UPI did not ask every small merchant to become a fintech expert. It met businesses where they were - on their phones, in their language, with a frictionless interface - and fundamentally shifted the economics of digital payments overnight.

A dedicated Digital Public Infrastructure (DPI) for ESG compliance could do exactly the same for sustainability. Imagine a free, nationally available platform - multilingual, mobile-first, and accessible to a sole proprietor in rural Rajasthan just as easily as to a manufacturer in an urban industrial cluster.

WHAT THE PLATFORM WOULD INCLUDE

- Comprehensive modules covering environmental, social, and governance criteria - clearly explained, jargon-free
- Automated reporting tools that pre-populate data from existing business records
- Real-time monitoring dashboards with simple, visual progress indicators
- Integration with existing business management systems to reduce double-entry
- A gamified, single-window interface designed to reduce time and cognitive load
- Helpdesk support and ongoing training, available in multiple Indian languages
- Cloud-based architecture with robust data security to protect sensitive business information

Designed for Inclusivity, Not Just Compliance

The design principle must be radical accessibility. This is not a platform for large businesses with sustainability teams - it is a national resource for the micro-entrepreneur, the first-generation business owner, and the cooperative that cares deeply about its workers and its community but has never encountered the acronym ESG.

That means availability in Hindi, Tamil, Bengali, Marathi, and the full sweep of India's linguistic diversity. It means an interface that works on an entry-level Android phone with a patchy 4G connection, not just on a laptop in a co-working space. And it means a compliance journey that's intuitive enough for a business owner to engage with directly - without needing to hire an intermediary.

A phased rollout, beginning with pilot testing in select regions and industrial clusters, will allow the platform to be refined through real-world feedback before scaling to the national level. Regulatory requirements evolve; the platform must evolve with them, continuously updated in response to user needs and policy changes.

The Prize: Real, Measurable Impact

The case for investment in such infrastructure is not merely moral - it is economic. The projected impact is significant:

40–50% potential increase in ESG adoption rates within two years	50–75 hrs of compliance time saved per MSME per year
30–40% reduction in annual compliance costs for adopting MSMEs	Crores of businesses brought into the sustainability economy

Time savings translate directly into cost savings: fewer hours spent on compliance means less money paid to outsourced professionals, and more time redirected to the core work of building a business. That freed-up capacity compounds across an entire sector.

A Collective Commitment

Ultimately, ESG is not a box to be ticked - it is a direction of travel for the entire economy. National acceptance of sustainability principles is only genuinely achieved when every enterprise, regardless

of size, is equipped and empowered to participate. The largest corporations cannot carry this transition alone. It requires the corner workshop, the neighbourhood manufacturer, and the village-level cooperative to be part of the story.

The tools to make that happen exist. India's capacity to build transformative digital infrastructure, proven by Aadhaar, UPI, and ONDC, is unparalleled. What is needed now is the will to point that capacity at ESG, and to treat every MSME not as a compliance problem to be managed, but as a sustainability asset waiting to be unlocked.

201cNational economic acceptance of ESG is truly achieved only when every unique business integrates these principles into its operations - for it is the collective commitment of all enterprises that drives genuine and inclusive progress.201d

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