



The Role of ESG Awareness in Shaping Sustainable Mutual Fund Investment Behaviour among Retail Investors in India

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Abstract: *Environmental, Social and Governance, commonly known as ESG is being increasingly discussed across the Indian financial markets as a paradigm shift in the last few years under the underlying assumption that retail investors now have an awakening towards sustainability and corporate responsibility. This research-based paper attempts to summarise empirical findings from thirty peer-reviewed academic papers and thus attempts in its deliberation, the extent to which this consciousness of ESG principles translate into investment decisions within that domain of sustainable mutual funds among Indian retail investors. The introduction frames the research as one between a higher level of ESG constructs, and empirical realities that investors are dealing with on the ground, which would establish the research question at the center of the inquiry.*

The analytical segment draws a nuanced picture of what is behind ESG-laden investment behavior. While the data confirm a steady rise in awareness around ESG, especially in more educated, younger and higher income cohorts, the impact of this awareness on the actual choice of portfolio is tempered by an interplay of psychological, social and financial factors. The treatise mentioned that attitudes, subjective norms, perceived behavioral control, religious values, and risk perception have significant influence on the intentions of investors. Crucially, governance attributes are given a higher weight in investor attention, as compared to environmental or social factors (a finding consistent with a larger body of literature on institutional prioritisation). Nevertheless, the overriding priority for most of the participants is still the expectation of financial returns; numerous investors have indicated that they are willing to incorporate ESG considerations only when the prospective gains are not obviously undermined.

Concluding on a reflective note, the article provides a rich overview of the theoretical frameworks which are prevalent as of today, i.e. from the Theory of Planned Behaviour over Sustainable Finance Theory, together with a critical appraisal of the methodological choices made throughout the reviewed studies. The synthesis highlights the practical implications for a host of stakeholders - policy makers are being called upon to design incentives that balance return maximisation and sustainability, fund managers are urged to develop products that transparently balance ESG criteria and financial performance while scholars are urged to carry out further empirical work with a stronger focus on longer time horizons to disentangle the dynamic evolution of investor sentiments in the context of India's rapidly changing retail investment landscape.

Environmental, Social, and Governance (ESG) investing has become a revolutionary paradigm in the Indian financial markets, due to a heightened consciousness among retail investors regarding sustainability and corporate responsibility. This research article draws upon the empirical evidence of 30 scholarly studies to analyse the effect of ESG awareness on the sustainable mutual fund investment behaviour of the Indian retail investors. The results of the analysis show that while ESG awareness has been increasing, especially among educated, younger, and higher-income segments, this is translated into actual investment behavior through multiple psychological, social, and financial factors. Key findings show that attitude, subjective norms, perceived behavioral control, religious values, and risk perception have a significant influence on investment intentions, where governance factors were given more priority than environmental or social criteria. However, there is still a predominant financial return expectations to which many investors are willing to embrace ESG investments provided there is no compromising of return. This article offers a comprehensive review of the theoretical frameworks, methodologies, empirical results and practical implications for policy makers, fund managers and researchers interested in promoting sustainable finance in India's retail investment context.

Keywords: *Esg Investing, Sustainable Finance, Mutual Funds, Investor Behaviour, Financial literacy, Responsible Investment.*

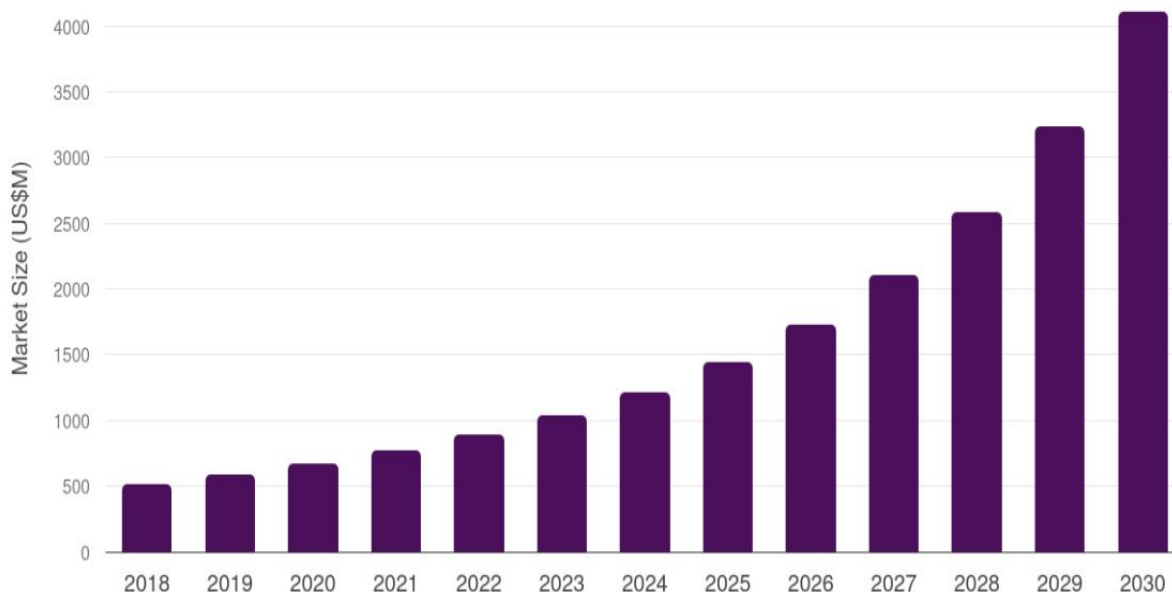
Introduction

1.1 Context of ESG in India: The Indian financial landscape has undergone a paradigm shift in the recent years, with the following factors coming into the picture: Environmental, Social, and Governance (ESG) considerations have become an increasingly important parameter in decision-making processes in investments. This transformation is part of a broader trend in the global financial system towards sustainable finance, where investors are seeking to align their investment portfolios with their values beyond traditional financial metrics. In India this change is particularly important in view of the twin challenges facing this country of delivering at a fast rate of economic growth while at the same time, addressing pressing environmental and social issues [1].

ESG investing in India has been an evolution from a niche concept to a mainstream concept due to regulatory initiatives, growing corporate disclosure requirements and investor consciousness on sustainability issues. The Securities and Exchange Board of India (SEBI) has taken a number of initiatives to promote responsible investing, including mandatory Business Responsibility and Sustainability Reporting (BRSR) for listed companies. It is these regulatory developments which have created an enabling environment for ESG mutual funds and sustainable investment products [2].

1.2 Market Trends and Growth : The Indian ESG investment market has witnessed a significant growth in the market wherein the asset managers are launching dedicated ESG mutual fund schemes and the increase in the interest of the investors in sustainable investment options. Evidence based on various studies shows that there is an increasing awareness among retail investors particularly in the urban centres such as Bengaluru, Lucknow and in North India [1], [7], [20]. This growth trajectory is being supported by shifts in demographics, as younger generations - particularly millennials and Gen Z - have more trends towards socially responsible investing than older generations [5], [10]. Despite this momentum, the penetration of ESG mutual funds remains inconsistent across different investor segments and geographic borders. Studies reveal great variations in the awareness level with socially responsible investors having a much higher level of ESG consciousness than conventional investors [3]. This heterogeneity makes focusing ESG adoption strategies on the wide range of retail investors in India important.

India Investor Types - Esg Investing Market, 2018-2030



1.3. Problem Statement: While ESG awareness amongst Indian retail investors is on the rise, there are critical questions around how the awareness is being translated into actual investing behavior. The relationship of ESG consciousness to sustainable mutual fund investment choices is complex and mediated by psychological factors as well as social influences, risk perceptions and financial considerations. Understanding these dynamics is critical for policymakers, fund managers, and financial advisors who are looking to encourage sustainable investment practices.

Furthermore, what research exists indicates there is a stubborn gap in the differences between what investors say their intentions are and how they actually invest with many investors claiming to be interested in investing in ESG funds but ultimately prioritizing financial returns over sustainability considerations [9], [17]. This intention-behavior gap coupled with challenges such as lack of standardization in ESG ratings, greenwashing concerns and investor education pose a significant challenge to mainstreaming of sustainable investing in India.

This article attempts to address these complexities by synthesizing empirical evidence about the role of ESG awareness in determining the behavioural responses of sustainable mutual fund investments by Indian retail investors by examining the psychological, social and demographic factors that influence this relationship and providing actionable recommendations for the stakeholders.

2. Literature Review

2.1 Theoretical Frameworks : The literature relating to ESG investment behavior by retail investors in India is based on several established theoretical frameworks for psychological and behavioral mechanisms in investment decision-making.

Theory of Planned Behavior (TPB): The Theory of Planned Behavior has been developed by Ajzen, and is the dominant theoretical perspective in several studies that investigate ESG investment intentions and behavior [5], [9]. TPB argues that behavioral intentions are based on three constructs: attitude toward the behavior, subjective norms (perceived social pressure) and perceived behavioral control (perceived ease or difficulty to do the behavior). In relation to investing in ESG, research has shown that positive beliefs about sustainable investments, positive social norms related to investments (family, friends) and belief in personal

capacity to make ESG investment decisions are positive predictors of investment intentions [9]. Studies have expanded the basic TPB model by adding other variables like collectivism, environmental issue, financial performance expectations, and SRI awareness which were found to have a significant effect on the explanatory power of the model [9].

Behavioral Reasoning Theory (BRT): Mishra et al. used Behavioral Reasoning Theory to analyse the values-based antecedents of socially responsible equity fund investment among the Indian retail investors [6]. BRT is a conceptual extension of TPB, introducing “reasons for” and “reasons against” as mediators between values and beliefs and global motives (attitude, subjective norms, perceived behavioral control). The study found out that religious values have a significant effect on the causes of Indian investors justifications for or against SREF investment, with “reason for” having a positive effect on global motives and “reason against” having a negative effect on attitude and perceived behavioral control [6]. This framework holds special significance in the Indian context, where cultural and religious values play a significant role in making financial decisions.

Behavioral Finance Theories: Several studies integrate some of the ideas of behavioral finance to understand how cognitive biases affect ESG investment decisions. Deka et al. devised and validated a scale to establish the relation between ESG consciousness, behavioral biases (availability bias, gambler’s fallacy, overconfidence, anchoring, herding, and regret aversion), and risk perception among Indian retail investors [4]. Their results show that increased ESG awareness reduces the positive association between perceived biases and risk perception, and that ESG-aware investors are less prone to bias [4].

Signaling Theory Stakeholder Theory: Banerjee et al. used the signaling theory, stakeholder theory to measure environmental factor, behavioral finance theories to measure social behavior and agency theory to measure the governance factors in their structural equation model on ESG factors and investment decisions [8]. These theories are useful in creating an understanding of how investors use ESG information as quality and long-term value creation signals by corporations.

2.2 Empirical Studies on ESG Awareness and Investment Behavior: By the empirical investigation of ESG awareness among Indian retail investors, some of the regular trends are identified but at the same time, there are significant differences between demographic groups and geographical locations.

Comparative Profiles of ESG Investors: Jonwall et al. performed a detailed comparison of socially responsible (SR) and conventional investors in India, discovered that SR investors have a much higher awareness of SRI, are more concerned about both general and specific ESG matters, and also tend to invest in faith-based investing and consume responsibly [3]. SR investors are mostly males who are aged 30-40 and have postgraduate degrees and get an annual income of between 10- 20 lakhs [3]. The researcher established three specific groups of investors in terms of SRI awareness, readiness to forego financial returns in favor of ESG concerns, attitudes towards ESG matters, and consumer preferences, which would be useful in market segmentation strategies [3].

Awareness and Attitude Linkages: Numerous studies reveal that there is a positive correlation that exists between ESG awareness and sustainable investing attitudes. Fatima et al. stated that greater awareness of retail investors in Lucknow has a positive influence on their attitude to ESG investing, but this connection is also conditional without financial returns being sacrificed [7]. This observation is supported by a number of studies showing that although awareness is a condition, it does not correlate with investment behavior without having to consider the expectations of returns [9], [15].

Psychological and Social Drivers: Attitude, subjective norms and perceived behavioral control were found in consistent research to be important predictors of ESG investment intentions. Thanki et al. discovered that the attitudes towards SRI were strongly interrelated with collectivism, environmental issues, financial

performance expectations, and SRI awareness, and all these attitudes with subjective norm and perceived behavioral control had a positive effect on the investment intention [9]. It was interesting to note that the perceived behavioral control became the best predictor of the investment intention, followed by the subjective norms, and it is suggested that investor confidence and social influence are important [9].

Risk Perception and Behavioral Biases: The scale validation study conducted by DeKa et al. found that the level of ESG consciousness is the strong predictor of investment risk perception and risk-relevant behavior among investors and the impact of behavioral biases on investment choice [4]. Increased ESG awareness was linked to less vulnerability to behavioral biases, which can indicate that ESG education has the dual potential of encouraging sustainable investment and enhancing the overall quality of investment decisions [4]. The research also identified ESG investors were more educated and younger and therefore less likely to be biased in making investments [4].

Governance Focus: The significant observation in various research studies is that Indian investors focus on governance variables than environmental and social variables in investment decisions [2], [8], [20]. Banerjee et al. discovered that governance aspects had the greatest impact on investment decisions, which is attributed to the Theory of Planned Behavior that the good governance is directly proportional to financial performance and minimization of risks [8]. The fuzzy AHP analysis conducted by Sood et al also indicated that the criteria of governance had the highest influence on the North Indian equity investors, then the environmental criteria, and finally the social criteria had least influence [20].

2.3 Research Gaps: Although the literature has been accumulated, there are still a number of gaps on the awareness of ESG and investment behavior among Indian retail investors:

Small National Representation: A majority of the studies are city/region specific (Bengaluru, Lucknow, North India), where the sample does not represent the country and its retail investors as a whole in terms of diversity [1], [7], [20].

Limitations on Cross-Sectional: Cross-sectional studies primarily restrict the insight into how ESG awareness and investment decisions change over time, and whether initial intentions become long-term patterns of investment [3], [4], [9].

Intention-Behavior Gap: Although a lot of research has studied investment intentions, a smaller number of studies have followed up on actual investment behavior and thus the intention behavior gap has not been fully filled [9].

The Standardization Problems: There is not a standardized ESG indicator and rating in India, which makes research and practice more complicated, and the investors have dissatisfaction with greenwashing and the quality of data [17].

Demographic Diversity: Little is studied about the ESG investment behavior among diverse demographic segments, specifically women investors, rural population, and those with lower income [19].

Objectives: Based on the literature review and the studies' identified research gaps, studies in this field generally aim at the following objectives:

- 1 To discover determinants of ESG investment intentions and behavior, including psychological determinants (attitude, perceived behavioral control), social determinants (subjective norms), values (religious and cultural motives), risk perception and behavioral biases [4], [6], [9].

- 2 To segment the market for retail investors by their awareness of ESGs and their willingness to trade financial returns for sustainability outcomes and their consumption choices, in order to tailor its product development and marketing strategies [3], [5].
- 3 To investigate the relative significance of environmental, social, and governance factors in investment decision-making, knowledge about the ESG dimensions that are influential in investment decision-making by Indian investors [8], [20].

4 Methodologies

4.1 Common Research Designs: Current studies on ESG awareness and investment behavior of Indian retail investors are largely quantitative survey-based studies, which are cross sectional by design. These methods allow the researcher to measure the attitudes, intentions and self-reported behaviors of the investors at a particular time, which are then subjected to statistical analysis of the relationship that exists among two or more variables.

Survey-Based Data Collection: Most of the studies rely on the use of structured questionnaires to be filled in and submitted online or by way of face-to-face interviews [2], [4], [6], [7], [9]. Usually, questionnaires use Likert scales (usually, 5-point scale, or 6-point scale) to assess constructs, including ESG awareness, attitudes, subjective norms, perceived behavioral control, investment intentions and actual investment behavior [5], [9]. Other studies also supplement the quantitative surveys with qualitative research, including semi-structured interview, to obtain more information of the decision-making process of the investors [17].

Cross-Sectional Design: The cross-sectional method prevails in the literature, and it allows the researcher to investigate the relationship of variables in a given moment [3], [4], [9]. Although this design is efficient and cost-effective, it does not allow causal inference and will not help to capture temporal dynamics and how investor behavior evolves over time.

4.2 Sampling Techniques: Empirical literature uses different sampling techniques to select retail investor respondents with a minimum of 110 up to 576 respondents.

Convenience and Purposive Sampling: A number of studies apply convenience sampling, where participants are recruited via accessible avenues including online or access to other avenues, including brokerage firms or investor associations [9], [18]. Though this method is easy to use, it can also give rise to selection bias and narrow down the generalizability.

Random and Stratified Sampling: More serious research works use random or stratified random sampling methods to use to increase representativeness. Mishra et al. recruited 370 participants randomly in India by applying multi-stage stratified random sampling [6], and Banerjee et al. used stratified proportionate random sampling to obtain data on 576 people across all Indian states [8]. Such methods enhance chances of findings to represent overall population of retail investors.

Geographic Focus: They are studies that are specifically centered on cities or regions, such as Bengaluru. [1], Lucknow [7], North India [20], Gujarat [5], and Guntur [11]. This geographic concentration reflects practical constraints but also highlights the need for more nationally representative research.

4.3 Analytical Tools and Techniques.: The statistical and analytic methods used by researchers are of a wide range to test hypothesis and prove the model of measurement.

Exploratory and Confirmatory Factor Analysis: Exploratory Factor Analysis (EFA) is frequently used to reveal underlying factor structures and eliminate data dimensionality, with Confirmatory Factor Analysis (CFA) then being used to test the measuring model and evaluate construct validity and reliability [4], [11]. These methods guarantee the use of survey tools that are able to capture desired constructs.

Structural Equation Modeling (SEM): SEM is the most popular analysis method that is used to test the complicated association among latent variables. Research uses covariance-based SEM (running programs like AMOS) as well as variance-based Partial Least Squares SEM (PLS-SEM with Smart PLS) [4], [6], [8], [9], [11]. SEM enables researchers to estimate both measurement models and structural relationships in a simultaneous manner to test the impact of ESG awareness, attitudes, norms, and other variables on the investment intentions and behavior.

Complementary Advanced Techniques: In certain studies the robustness is improved using complementary methods of analysis. The Artificial Neural Networks (ANN) and fuzzy set Qualitative Comparative Analysis (fsQCA) in combination with PLS-SEM were applied by Mishra et al. to determine the patterns of configurational and non-linear relationships [6]. The analysis by Sood et al. used fuzzy Analytic Hierarchy Process (AHP) to determine the relative relevance of ESG factors [20].

Classical Statistical Methods: The classical statistical methods such as independent t-tests to compare groups of investors [3], chi-square to analyse categorical data [3], linear regression to test a certain hypothesis [7] and cluster analysis to segment the market are also being studied [3].

Reliability and Validity Assessment: Cronbachs alpha (Normally the value should be above 0.7) and composite reliability measurements are always used by the researchers to evaluate the reliability of the instrument [7], [8], [12]. The convergence validity is tested by utilizing Average Variance Extracted (AVE) whereas the discriminant validity is checked by making sure that there is differentiation between the constructs [8].

Findings

5.1 Retail investor awareness level among the Indian retail investors.: Although the literature does not give one, nationally representative estimate of the prevalence of ESG awareness among all Indian retail investors, one can observe similar patterns in the results of several studies. The level of ESG awareness among certain types of demographics is more prominent and also differs greatly between the social and conventional investor groups.

Differentiated Awareness Patterns: Jonwall et al. discovered that the level of SRI/ESG awareness of socially responsible investors is very high compared to traditional investors, and they exhibit greater interest in both the general and specific ESG questions [3]. This observation implies that the level of awareness is not evenly spread, but is concentrated among the investors who have already implemented sustainable investment practices or possess pro-environmental and pro-social values.

Generational Differences: Research of younger groups of investors has shown an increase in ESG awareness and concern towards sustainable investing. According to the findings of Dave et al. Gen Z respondents in Gujarat were very familiar with Socially Accountable Funds (mean score of 4.74 on a scale) [5]. This generation trend has been consistent with the global trends in which millennials and Gen Z investors consider values alignment and social impact more than older generations [10].

Geographic Differences: A study carried out across the cities of India indicates geographic differences in the level of awareness indicating that urban centers that are highly educated and exposed to sustainability discourse are more ESG conscious [1], [7]. Nevertheless, absence of rural and semi-urban samples makes it difficult to understand the patterns of awareness in the vast geographical region of India.

5.2 Psychological Motives of ESG Investment Behavior: Several psychological elements determine the change in ESG awareness into investment intentions and behavior, and attitude, subjective norms, and perceived behavioral control were identified as the major factors.

Attitude towards ESG Investing: Positive attitudes towards ESG investments are also found to be predictive of investment intentions in all studies. Thanki et al. concluded that the attitudes to SRI and their effect on investment intention depended on the effect of collectivism, environmental interest, expectations of financial performance and awareness of SRI [9]. These results highlight the fact that awareness is not enough, but it should be converted into positive assessments of ESG investments as desirable and beneficial.

Subjective Norms and Social Influences: There are social influences of family, friends, peers, and financial advisors, which are important in influencing ESG investment decisions. Subjective norms were shown to be significant predictors of investment intention by Thanki et al., which means that perceived social pressure and support by reference group determine sustainable investment decisions [9]. Interestingly, the authors discovered that subjective norms did not have a significant impact on SAF adoption in Gen Z respondents, indicating that there might be some generational variation in vulnerability to social influences of subjective norms [5]. According to Deka et al., the key factor in investment decisions is social, and these causes include imitation of friends or brokers, with peer effects and recommendations of advisors being important [4].

Perceived Behavioral Control: Perceived behavioral control: The perceived behavioral control the degree to which investors are certain that they can make ESG investment choices turned out to be the most vehement forecaster of investment intention in a number of studies [9]. This observation implies that the awareness and positive attitudes are essential in making translations into investment behavior by increasing investor trust to invest in specific investments by means of education, ease of accessing information and ease of investment using investment platforms.

5.3 Values, Culture and religious Influences. The cultural and religious values have a huge influence on ESG investment behavior in India as the country is diverse in terms of its cultural values.

Religious Values: Behavioral Reasoning Theory used by Mishra et al. also found that religious values influenced justifications by Indian retail investors on whether or not to invest in socially responsible equity funds [6]. The constructs, reasons, of investing (consistent with religious values), had a positive impact on attitude, subjective norms, and perceived behavioral control, whereas they had a negative impact on attitude and subjective behavioral control [6]. This observation underscores the need to put ESG investments into perspective to appeal to the religious and ethical affiliations of the investors.

Collectivism and Environmental Issues: Thanki et al. discovered that the cultural value of collectivism, or the predisposition of the culture to put group welfare above personal benefits, was one of the most important ones in determining the attitude towards SRI [9]. In the same way, environmental issues also influenced the attitudes positively, which indicates that investors with a sense of belonging to the common welfare and environmental conservation are more likely to be influenced by sustainable investment opportunities [9]. Sharma et al. discovered that environmental attitude and collectivism have a strong influence on social investing efficacy, and social investing efficacy plays a mediating role between the personal qualities and non-economic investment objectives [18].

5.4 Behavioral Bias and Risk Perception. The moderating factors are risk perception and behavioral biases that have an effect on the relationship between ESG awareness and investment behavior.

ESG Consciousness and Risk Perception: The validation study of the scale of ESG Consciousness conducted by Deka et al. showed that the scales are related to the perceived investment risk and could moderate effects of behavioral biases on the risk perception [4]. In particular, an increased ESG awareness undermines the positive correlation between perceived biases of the investors and its perception of risk, which implies that ESG-sensitive investors can make rational risk judgments more easily [4]. The implications of this finding on investor education are substantial, and it is possible that ESG awareness can positively affect the quality of overall investment decisions, not necessarily sustainable.

Behavioral Biases: The paper found that there were a number of behavioral biases present in the case of Indian retail investors, such as availability bias, gambler fallacy, overconfidence bias, anchoring bias, herding bias and the regret aversion bias [4]. These biases were also observed to be not as likely to affect ESG investors who are also more educated and younger [4]. It implies that demographic elements related to increased ESG awareness are also connected with more rational investment decision-making.

5.5 Governing Focus in ESG Assessment: The common result of several studies is that Indian investors focus on governance factors rather than environmental and social aspects when rating ESG investments.

Governance Primacy: Banerjee et al. discovered that Indian investors seem to give more importance on the governance factors than the environmental and social factors in making investment decisions [8]. Such a conduct is consistent with Theory of Planned Behavior, according to which a robust governance is directly correlated with financial performance and reduction of risks, which generates a positive attitude [8]. The fuzzy AHP analysis by Sood et al. also indicated that the criteria of governance was the most significant factor among the North Indian equity investors, then the environmental criteria and the least influential criterion was the social criteria [20].

Rationales behind Governance Focus: Governance focus is based on the perception of investors that good corporate governance has a direct relationship with financial performance, agencies problems and also alleviates investment risk [8]. Also, the governance metrics are simpler to measure and assess than complex impacts on the environment or the social sphere, which makes them more accessible to retail investors [8]. Environmental and social factors are commonly viewed as not having such a direct impact on the immediate returns and less transparent [8].

5.6 Financial Performance Expectations.: Even amongst highly ESG aware investors in India, the financial returns expectations are still the prevailing consideration by most retail investors.

Conditionality: The title of the study by Thaki et al. reflects an important finding: I Am Ready to Invest in Socially Responsible Investments (SRI) Options Only If the Returns Are Not Compromised [9]. The strongest causes of attitudinal background to SRI were financial performance and SRI awareness, which means that investors need to be assured that investments in ESG will provide them with competitive financial returns [9]. This observation is reflected in numerous studies and it has been shown that the readiness to invest in ESG funds is often conditional on the perceived or actual financial performance .

Fund Name	Assets Under Management (AUM)	1-Year Return	3-Year Return	5-Year Return
SBI Magnum Equity ESG Fund	₹ 5,514 Cr	27.5 %	13.6 %	16.8 %
ICICI Prudential ESG Exclusionary Strategy Fund	₹ 1,425 Cr	9.1 %	19.6 %	14.7 %
Kotak ESG Exclusionary Strategy Fund	₹ 869 Cr	16.5 %	16.3 %	12.6 %
Aditya Birla Sun Life ESG Integration Strategy Fund	₹ 600 Cr	12.4 %	17.3 %	12.9 %
Axis ESG Integration Strategy Fund	₹ 1,152 Cr	8.2 %	14.4 %	10.3 %
SBI ESG Exclusionary Strategy Fund	₹ 5,514 Cr	11.1 %	14.7 %	12.4 %

Table 1.1Representing the ESG Funds – AUM and Performance

Source: www.indmoney.com

Rank	Company (India)	ESG Ranking Context
1	Infosys Ltd.	Ranked No. 1 in ESG performance among India's listed companies in multiple ESG score assessments.
2	Info Edge (India) Ltd.	Ranked as a top performer in ESG rankings (Grade A+) in recent assessments.
3	Housing Development Finance Corporation (HDFC)	Ranked among the top ESG companies in India (Grade A+).
4	ICICI Lombard General Insurance Co.	Ranked high (Grade A+) in ESG among Indian firms.
5	Mahindra & Mahindra Ltd.	Among top ranked ESG performers in Indian corporate ESG lists.
–	Adani Green Energy Ltd.	Ranked No. 1 in ESG within the power/utilities sector in NSE Sustainability rankings.
–	Hindustan Unilever Ltd. (HUL)	Ranked top in Hurun sustainability rankings in India.
–	HCL Technologies	Ranked high on ESG policy strength in assessments of NSE 100 companies.

Table 1.2 Representing the list of top-ranked ESG companies in India (based on recent rankings and sustainability lists)

Source: Google

Trade-Off Reluctance: Although certain groups of investors say that they are willing to make small trade-offs in terms of returns to achieve sustainability results, most of them are not willing to make a compromise with financial performance [3]. This hesitation is not only a challenge, but also an opportunity: on the one hand, it helps emphasize the significance of being able to show that sustainable business approaches can yield competitive returns; on the other hand, it points to the necessity of educating investors regarding the potential of sustainable business approaches to create value in the long term.

5.7 Demographic Influences: The demographic characteristics of ESG awareness and investment behavior are also largely affected by education, age, income, and gender.

Education and Income: Education level and income are always linked with the increase of ESG awareness and investments in sustainable funds [3], [4]. According to Jonwall et al. SR investors usually have postgraduate degrees with an average salary per year of between 10-20 lakhs [3]. According to Deka et al., ESG investors are more educated and therefore less likely to be affected by behavioral biases [4].

Age and Generational Trends: The age group (30-40) and younger (millennials and Gen Z) age groups are more ESG aware and interested in sustainable investing than their older counterparts [3], [5]. The generational trend indicates that ESG investing will probably rise going forward because more younger investors will become wealthy and constitute a larger portion of the retail investor segment.

Gender Differences: There is little literature on gender differences of ESG investment behaviour. According to Dave et al., Gen Z respondents revealed men to be more prone to social issues liability than women [5]. Nevertheless, Rekha et al. observed that women investors are increasingly becoming aware of Green Mutual Funds and sustainable development is encouraged [19]. There is a need to do more research on the issue of gender when making decisions on ESG investment among various segments of the population.

In as much as it has been established, it is concluded and recommended that further investigation is required to clearly understand the facets of resolving conflicts within the corporate sector. Conclusion and Recommendations In as much as it has been established, it is concluded and recommended that more research is needed in order to clearly understand the aspects of conflict resolution in the corporate world.

6. Conclusion and Recommendations

6.1 Summary of Key Findings: This synthesis of empirical studies in this area about the understanding of ESG and sustainable mutual fund investment activity among Indian retail clients demonstrates a number of crucial findings. The awareness of ESG in India is increasing, especially in more educated and younger, and better-income segments, though it is spread unevenly among the population of retail investors. Several psychological variables mediate the translation of awareness into actual investment behavior; such as attitude, subjective norms and the perceived behavioral control; the cultural and religious values are of great importance in the Indian context.

What is unique about Indian investors is that they put a strong focus on governance issues as opposed to both environmental and social standards because they believe that good governance has a direct effect on the financial performance and reduction of risks. Notably, the expectation of financial returns is the most prevalent and most investors are not ready to accept ESG investments unless the returns are not affected. This observation highlights the difficulty and the opportunity of promoting sustainable investing: it is important to show that ESG investments can provide competitive financial returns and, at the same time, promote sustainability objectives.

6.2 Recommendations to Policymakers and Regulators.

Enhance Disclosure and Standardization: The emphasized policies need to focus on the creation and implementation of standardized ESG disclosure systems that minimize information asymmetry and allow investors to take rational decisions [2]. The issue of insufficient standardization of ESG ratings and the question of greenwashing is a major obstacle to investor confidence [17]. It is necessary to have regulatory transparency on ESG labels, performance claims and reporting standards to develop trust and avoid deceptive marketing [2].

Enhance Investor Learning: Governmental agencies and regulators need to develop specific investor education programs that can increase awareness of ESG, clarify how sustainability can contribute to the generation of long-term value, and instill trust in investors to make ESG investment decisions [7]. Such programs are to be designed to suit various demographics segments because it has been identified that the level of awareness and information requirements of various age groups, levels of education, and geographical areas differ [3], [5].

Encouragement of ESG Adoption: Policymakers might aim at tax credits or other financial opportunities to invest in certified ESG mutual funds as an economic stimulus that would pursue the goals of sustainability. These measures can be used to get over the anthropocentric mindset that is currently restricting the adoption of ESG [9].

6.3 The implications to Mutual Fund Houses and Financial Advisors: Product Design and Performance Communication: In ESG mutual funds, fund managers need to create products that are well designed to convey sustainability credentials as well as financial performance expectations [8], [9]. Due to the high focus of governance factors by investors, the funds must emphasize good governance practices as well as inform investors on the importance of considering the environment and social factors [8], [20]. It is paramount to be transparent in the reporting of past performance, risk-adjusted returns, and correlation between ESG factors and financial performance [9].

Segmentation and Targeting: The fund houses ought to consider segmentation mechanisms that appreciate the diversity of the retail investor market [3]. Various classes of investors, such as the most dedicated SR investors, ESG-inquisitive traditional investors, will need products, communications, and engagement strategies that are customized. There is a high-potential market of younger investors, especially, to expand the ESG funds [5], [10].

Advisor Training and Engagement: Financial advisors are key to developing investor decisions by influencing perceptions of behavioral control and subjective norms [4], [9]. Fund houses must invest in training of advisors on the concept of ESG, product features and communication strategies that resonate with the investor concerns on returns but also put in a positive light on sustainability.

6.4 implications to Researchers

Extended Geographic and Demographic Exploration: Future studies must seek nationally representative samples that reflect the diversities of the Indian retail investor community in cities, semi-urban and rural regions [1], [7], [20]. A more detailed focus on underrepresented groups of demographics, such as women investors, lower-income, and older populations would offer an even more comprehensive picture of ESG investment behaviour [19].

Longitudinal Research Designs: Longitudinal research designs that follow investors as they age would shed some light on the way ESG awareness changes overtime, whether original intentions are reflected in long-term investment behavior, and the ways that market conditions and life events alter sustainable investment decisions [3], [4], [9]. This kind of research would fill the intention-behavior gap that the existing cross-sectional research cannot exhaust.

Mixed-Methods Approaches: It could be suggested to mix some quantitative surveys in the form of in-depth interviews or focus groups, or cases, which will contribute to better understanding of the decision-making processes, barriers, and motivations behind the ESG investment behavior [17]. Qualitative research would be able to reveal the nuances that would not be revealed by structured questionnaires especially in terms of cultural values, risk perceptions and information processing.

Behavioral Experiments: Experimental study designs that have control over the delivery of information, the nature of framing or choice architecture may offer causal data regarding how to maximally influence ESG investment behavior. An example is where experiments could be used to determine whether focus on governance issues and focus on environmental or social issues determines investment decisions or whether various performance communication strategies have an impact on willingness of investors to invest in ESG funds.

6.5 Future Research Directions: The following are some of the potential areas of future research given by this review:

- The investigation of intention-behavior gap by longitudinal research of investors who indicate the ESG investment intentions and identifying which factors either enable or hinder translation of intentions into actual investments.
- Exploring how digital platforms and fintech can bring access to ESG investments more democratically and increase investor education, especially among younger, technologically-advanced generations.
- Examining the effect of market performance and economic environment on ESG investment behavior, assessing whether devotion to sustainable investing is found to continue in a downturn market or in response to economic pressure.

- Discussing the effectiveness of various communications and framing methodologies to facilitate ESG awareness and investment including social media, influencer marketing, and peer effects.
- Evaluating the practical financial performance of ESG mutual funds in the Indian market and its influence on investor perception and behaviour, which will give empirical evidence to overcome the return issues.

6.6 Concluding Remarks: ESG awareness is a crucial though inadequate requirement of promoting sustainable mutual fund investment behavior among Indian retail investors. Although awareness is increasingly rising, especially among the educated and younger brackets, the movement to action needs to focus on psychological barriers, investor confidence, competitive financial performance, and the facilitating ecosystem of standardized disclosure, trusted information and accessible products. The peculiarities of the focus on the factors of governance in Indian investors imply the necessity to exploit this focus in the communication strategy, yet progressively increasing the importance of environmental and social aspects of sustainability.

The way ahead involves concerted effort on the part of various stakeholders: policymakers need to reinforce regulatory structures and disclosure policies; fund managers need to create attractive products and report performance well; financial advisers need to be prepared to counsel investors to make sustainable decisions and researchers need to further understand the complex drivers that affect ESG investment decision-making. Since India strives to achieve its sustainable development targets and climate obligations, the mobilization of retail investor funds towards ESG investments will become more significant in supporting the shift to a more sustainable economy.

7. References

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