



AN INVESTIGATION INTO INVESTORS' AWARENESS OF ESG INVESTING AND THE IMPACT OF NON-FINANCIAL FACTORS ON THE LONG-TERM PERFORMANCE OF INDIAN MARKET ORGANISATIONS

*AKSHATHA R

**Dr. SWATI SISODIYA

* Akshatha R, Research Scholar, Mansarovar Global University, Sehore, Madhya Pradesh

**Dr. Swati Sisodiya, Assistant Professor, Mansarovar Global University, Sehore, Madhya Pradesh

ABSTRACT:

ESG investing will be the subject of this study, with a particular emphasis on non-financial aspects of the Indian investment sector, such as environmental, social, and governmental factors. To determine whether investors and investment managers in the Indian investment sector are likely to adopt these practices or do they possibly pose a threat to maximize returns and increase financial wealth for their clients and themselves? Investment managers and investors from different Indian investment organisations provided a total of 385 replies to the survey used to collect the primary data for the study. The sample is chosen using a random sampling technique. In order to collect data pertinent to the Indian investment sector and show a link between organisational success and sustainable investment, the study employed quantitative methodologies and a descriptive statistical approach. Journals, papers, newsletters, books, government portals, regulatory websites, stock exchanges, and annual reports are all sources of secondary data. Every question in the questionnaire is analysed using SPSS software. Here, the coefficient correlation between two variables is determined using Pearson's correlation analysis. It was discovered that there was a significant correlation between the factors influencing investors' interest in sustainable investments and the benefits they provided. The conclusion is that sustainable investments will increase economic transactions, financial responsibility, and transparency, all of which contribute to the long-term success of Indian organisations.

Key Words: Environmental, Social, and Governance, Indian Investment, Investment managers and investors.

1. INTRODUCTION:

The phrase "sustainable investment" refers to a range of tactics employed by investors to optimise profits while raising long-term social or environmental value. Investors have been able to conduct more comprehensive analyses and make better investment decisions by fusing conventional investing strategies with "Environmental, Social, and Governance (ESG)" considerations. Conventional profit-driven businesses have begun to demonstrate a strong desire to understand and manage the broader consequences of their operations. But thus far, attempts by "businesses, non-governmental organisations (NGOs), and governments" to address societal issues including poverty, inequality, and climate change have been unsuccessful. Sustainable investment has emerged as a potential remedy for social and environmental issues by holding the financial markets more accountable for such consequences. More investors now demand that their investments reflect these higher ideals and provide answers to more significant issues. This makes it possible to make sustainable or value-created investments.

Although it has existed since the 18th century, sustainable investing has only recently gained popularity. The UNPRI's "(United Nations Principles for Responsible Investment)" success, which calls for taking ESG factors into account when making investment decisions, substantially encourages the growth of sustainable investment. The United Nations states that all of its member nations must embrace the 17 "sustainable development goals (SDGs)" in 2015 and finish them by 2030.

Nowadays, before making any investment decisions, investors consider ESG factors. Investors can screen investments with the aid of this criterion.

- Environment Criteria, which has gained prominence in recent years, seeks to describe a business's performance from the perspective of its impact on the environment.
- Social criteria outline how a company manages relationships with its employees, clients, and suppliers, as well as how it responds to diversity and interacts with the communities in which it operates.
- Leadership, compensation, internal controls, shareholder rights, and corporate culture are examples of governance criteria.

Over the past year, "environmental, social, and governance (ESG)" orientated investing has become more popular in India. Indian ESG investments reached Rs 12,000 crore at the end of June 2021, a startling 184 percent increase over June 2020. The rate of growth is strong overall. The quantity of ESG assets will continue to increase, notwithstanding a considerable moderation. This triple-digit increase is consistent with India's growing understanding of ESG and the significance of its role in the growth of contemporary enterprises. It's a good beginning. However, it is anticipated that the total value of assets held in ESG funds worldwide would reach \$53 trillion by 2025. Thus, there is still a

long way to go in ESG investment in India. Businesses based in India have a fantastic opportunity to profit from this trend.

On all 17 "Sustainable Development Goals (SDG)," India received a score of 66 out of 100. According to the "State of India's Environment Report, 2022," which was released by the "Centre for Science and Environment," India's ranking has dropped mainly as a result of significant obstacles in 11 SDGs, including gender equality, health and safety, hunger eradication, and sustainable cities and communities. In order to accomplish the SDGs, which were agreed in 2015 by 192 UN member states as part of the 2030 agenda, India fell three spots from last year's ranking of 117 to 120, according to a recent study.

2. LITERATURE REVIEW

Tsang et al. (2022) offer a comprehensive assessment of research on environmental, social, and governance (ESG) disclosure, classifying studies according to their motivations, outcomes, and reporting features. They place an emphasis on the role that environmental, social, and governance (ESG) disclosures play in enhancing transparency and the decision-making process for investors.

Li (2022) examines the development of environmental, social, and governance (ESG) investing, identifying major actors such as ESG investors, experts, and regulators. According to the findings of the study, environmental, social, and governance (ESG) investing has experienced significant growth as a result of global sustainability concerns and institutional adoption.

Halid et al. (2023) Compare and contrast the ESG scores with the performance of the company. The analysis reveals contradictory data; although some research demonstrate a positive financial impact, others suggest that there is either no association or a negative relationship due to the costs of implementation.

Narula et al. (2023) discusses how environmental, social, and governance practices have an impact on the value of a company through processes such as stakeholder involvement, capital allocation, and sustainability reporting. The study suggests that integrating environmental, social, and governance factors can improve long-term wealth maximisation by enhancing corporate reputation and operational efficiency.

Arsin (2023) examines the empirical research on environmental, social, and governance (ESG) initiatives and business performance, pointing out that the findings vary from area to region and industry to industry. The article places an emphasis on the influence of regulations and disparities between sectors.

Sun (2024) examines the literature on environmental, social, and governance (ESG) performance, with a particular emphasis on measurement methodologies, factors that influence performance, and

economic consequences. Throughout the course of the research, inconsistencies in ESG indicators are brought to light, and the necessity of standardised evaluation systems is emphasised.

Chen (2025) discusses the incorporation of environmental, social, and governance considerations into financial decision-making frameworks such as the Modern Portfolio Theory. According to the findings of the study, environmental, social, and governance (ESG) considerations are increasingly having an impact on the behaviour of institutional and individual investors.

3. RESEARCH METHODOLOGY

a. Research Question:

What is the impact of sustainable investments on the long-term performance of an Indian organization?"

b. Research Objectives:

- To understand the awareness level and to discover the factors influencing the investors' attention towards sustainable investment.
- To ascertain how long-term organisational performance in India has been impacted by sustainable investments.
- To determine if an investor's primary goal is financial performance or if their investment style has changed.
- To suggest any measures to incorporate ESG investing and to continuously enhance the performance of businesses in the Indian market

c. Hypothesis:

Null Hypothesis- The factors influencing investors interest towards sustainable investments and the advantages achieved from sustainable investments is insignificant.

Alternative Hypothesis- The factors influencing investors interest towards sustainable investments and the advantages achieved from sustainable investments is significant.

d. Research sample size & techniques:

The Krejcie Morgan formula allowed for the collection of 385 of the 1,50,000 samples that the researcher had originally chosen for the study. Investment managers gathered 48 of the 385 responses, while investors collected 337. Respondents with at least two years of experience as investors or investment managers provided the data, which was thoroughly assessed using SPSS software. Each questionnaire topic was examined separately using frequency tables, and pie charts and bar graphs were also produced. The association between the different variables in the study has been ascertained using Pearson's correlation.

4. ANALYSIS AND INTERPRETATION

Table No. 1- Gender of the respondents

Gender	Frequency	Percent
Male	218	56.63
Female	167	43.37
Total	385	100.0

Interpretation -According to Table 1 above, 56.63% of the replies were from men and 43.37% from women. However, male replies are marginally higher than female responses.

Table No. 2- Age of the respondents

Age	Frequency	Percent
18-25	75	21.8
26-35	286	73.6
36-50	18	3.4
>50	6	1.1
Total	385	100.0

**SPSS Output/Primary Data

Interpretation -The majority of responders are in the 26–35 age range. Nearly 74% of the respondents fall into the 26–35 age bracket, making up bulk of the sample. Next was the 18–25 age group, which accounted for about 22% of the data. 3% and 1%, respectively, were between 36 and 50 and over 50.

Table No. 3- Are you an Investor or Investment manager?

Particulars	Frequency	Percent
Investor	337	87.4
Investment Manager	48	12.6
Total	385	100.0

**SPSS Output/Primary Data

Interpretation -Table 3 shows that 48 respondents, or up to 13% of the total, are investment managers, and 337 respondents, or up to 87% of the total, are investors. It is better to acquire replies from these particular groups rather than the broader public since they will have a deep understanding and expertise of the underlying subject.

Table No. 4- Are you familiar with the concept of sustainable investment?

Particulars	Frequency	Percent
Yes	239	62.1
No	70	18.4
May be	76	19.5
Total	385	100.0

**SPSS Output/Primary Data

Interpretation -According to the table No. 4, 62% of those surveyed knew what sustainable finance was. Nonetheless, a sizable percentage of the answers were still noted as potentially totalling to 20%, and 18% be unaware that this idea even existed.

Table No. 5- Would you be willing to give up financial gains to have a positive impact on non-financial ESG factors?

Particulars	Frequency	Percent
Yes	164	42.5
No	115	29.9
May be	106	27.6
Total	385	100.0

**SPSS Output/Primary Data

Interpretation -42% of respondents would be willing to forgo cash advantages in favour of the beneficial effects produced by these non-financial elements, according to the table-5. Thirty percent of respondents valued financial gain over beneficial influence, while roughly twenty-eight percent were neutral.

Table No. 6- Would Sustainable investment improve organisation's performance in the long run?

Particulars	Frequency	Percent
Strongly Agree	98	25.3
Agree	204	52.9
Neutral	74	19.5
Disagree	9	2.3
Total	385	100.0

**SPSS Output/Primary Data

Interpretation -Nearly 53% of respondents felt that these investments will ultimately help the firm, as seen in the table. Because investor demands are rising, about 25% strongly agree that it will increase long-term profitability. 2% of respondents opposed it, and 19% were neutral.

Table No. 7- How may sustainable investment techniques improve the long-term success of Indian organizations among the following?

Particulars	Frequency	Percent
Improved economic transactions	89	23.0
Improved financial accountability	49	12.6
All of the above	198	51.7
Total	385	100.0

**SPSS Output/Primary Data

Interpretation -According to Table 7, almost 23% of respondents believed that enterprises might improve their economic transactions by making sustainable investments, and 52% of respondents agreed with each of the aforementioned elements. 13% of respondents believed it would improve operational openness, and 13% felt it would encourage accountability. The long-term success of an organization is influenced by each of these factors.

Table No. 8- Do you consider ESG ratings/scores before making these sustainable investments?

Particulars	Frequency	Percent
Yes	249	64.4
No	44	11.5
May be	92	24.1
Total	385	100.0

**SPSS Output/Primary Data

Interpretation -56percent supported considering ESG ratings before making sustainable investments, according to Table 8's research. About 21 respondents were impartial, and just 10 did not consider ESG ratings while selecting sustainable assets.

Table No. 9- Will ESG reporting, and disclosure be essential to the organisation's long-term performance in the Indian market?

Particulars	Frequency	Percent
Strongly Agree	89	23.0
Agree	226	58.6
Neutral	53	13.8
Disagree	13	3.4
Strongly Disagree	4	1.1
Total	385	100.0

**SPSS Output/Primary Data

Interpretation -According to Table 9, about 59% and 23% of respondents agreed and strongly agreed that an organization's long-term performance depends on ESG reporting and disclosure. Approximately 14% of respondents provided neutral answers. One percent strongly disagreed, and three percent disagreed.

Table No. 10- What are the main advantages of sustainable investment in the Indian market

Particulars	Responses	
	N	Percent
Maximization of returns	27	17.2%
Long term performance	34	21.7%
Good competitive position	29	18.5%
New untapped opportunities	26	16.6%
All of the above	41	26.1%
Total	157	100.0%

**SPSS Output/Primary Data

Interpretation -The greatest responses, averaging almost 26%, were found for each benefit in Table 10. These were acknowledged for long-term performance, accounting for 22% of the comments. According to 19% of respondents, there is fierce competition in the market for sustainable investments. 17% of respondents believe it helps to maximise returns in addition to their typical investment practices.

Table No. 11- Which advantages of ESG investment are most significant to you?

Advantages	Responses	
	N	Percent
Energy efficiency	59	17.9%
Climate change	42	12.8%
Waste and pollution control	37	11.2%
Health and safety	53	16.1%
Stakeholder concerns	46	14.0%
Board structure	24	7.3%
Remuneration	26	7.9%
Shareholder rights	41	12.5%
Total	329	100.0%

**SPSS Output/Primary Data

Interpretation -Table 11, displays the number of numerous options that the respondents selected. The total number of responses was 329. About 18% of the replies were about energy efficiency, and 16% were about health and safety. In about 14% of cases, stakeholder concerns were reported. About 13% of respondents addressed climate change. The percentage of shareholder rights was roughly 12%. 11% or so for waste management and pollution. 7% for the board's makeup and roughly 8% for compensation.

Table No. 12- Which of the following factors most significantly contributes to investors' growing interest in sustainable investment?

Factors	Responses	
	N	Percent
Higher financial returns	37	25.5%
Low risk	16	11.0%
Market reputation and size of the firm	34	23.4%
Minimal regulation	16	11.0%
Niche market	7	4.8%
All of the above	35	24.1%
Total	145	100.0%

**SPSS Output/Primary Data

Interpretation -As indicated in Table 12, the respondents selected a specific number of multiple options. The total number of responses was 145. Thirty-five of the respondents selected every one of the previously listed characteristics, and 37 replies were selected for greater financial benefits. The firm's size and market repute received 34 replies in total. For both minimum regulation and low risk, a total of sixteen responses were selected. For the niche market, seven responses were noted.

Table No. 13- What potential ESG barriers can you identify from the list below?

Barriers	Responses	
	N	Percent
Negative perception on financial returns	43	13.4%
Lack of awareness	65	20.2%
Lack of regulation	39	12.1%
Lack of framework	43	13.4%
Lack of governance	39	12.1%
Market volatility	33	10.3%
High capital investments	27	8.4%
Stakeholder conflicts	32	10.0%
Total	321	100.0%

**SPSS Output/Primary Data

Interpretation -As indicated in Table 13, the respondents selected a specific number of multiple options. The total number of responses was 321. Of all the major obstacles listed above, ignorance of sustainable investing accounted for approximately 20% of the respondents. Lack of a framework and a negative view of financial rewards were noted in almost 13% of the respondents. Lack of regulation and market volatility accounted for about 12% of the responses. Stakeholder disputes were chosen by 10% of respondents, and substantial capital investments accounted for 8% of responses. The aforementioned obstacles make it quite evident that there is still a lack of knowledge regarding these investments in India.

Table No. 14- Hypothesis Testing

		Factors most significantly contribute to investors growing interest in sustainable investment	Advantages from sustainable investments in India
Factors most significantly contribute to investors growing interest in sustainable investment	Pearson Correlation	1	.608**
	Sig. (2-tailed)		<.001
	N	385	385
Advantages from sustainable investments in India	Pearson Correlation	.608**	1
	Sig. (2-tailed)	<.001	
	N	385	385

** . Correlation is significant at the 0.01 level (2-tailed).

**SPSS Output/Primary Data

Interpretation -The two variables chosen for this analysis are factors influencing investors' interest towards sustainable investments and the advantages or benefits achieved from these sustainable investments in India. The correlation coefficient between these two variables is 0.608 and the p-value used for the test is 0.01, indicating that there is a strong relationship between these two variables. This means that factors influencing investors' interest towards sustainable investments and the advantages achieved from the sustainable investments are positively correlated and is significant.

5. FINDINGS:

- Approximately 87% of the respondents were investors, while 13% were investment managers. The responses were primarily gathered from investors and investment managers.
- The concept and the potential long-term benefits of these investments were recognised by about 62% of respondents.
- According to the survey's results, almost 42% of participants are willing to forgo profits until a company integrates the ESG criterion into its business plan.
- According to the survey, almost 78% of participants agreed that this will eventually help organisations.

- According to the poll, about 82% of participants felt that ESG disclosure and reporting will improve an organization's long-term success.
- Based on the findings, it is concluded that the main factors driving stakeholders' increasing interest in sustainable investments in India are a high financial return, low risk, the firm's size and reputation in the market, a specialised industry, and less regulation.
- According to the results, investors' lack of awareness was noted in about 65 responses.
- Nearly 52% of the respondents were found to agree with every criteria. When taken as a whole, these elements ensure streamlined company processes that meet the needs and preferences of the main stakeholder groups.

6. CONCLUSION

The research study's primary goals were to determine investor awareness of ESG investing and the effect these non-financial elements have on Indian companies' long-term performance. Certain goals were set at the start of the study, which will now be covered in this section, in order to look into pertinent data in line with the objective. The Indian financial market has seen two significant developments since a few years ago. The first is the sharp rise in the percentage of retail investors, and the second is the growing interest in sustainable investments. There has been a discernible change in the financial sector toward sustainable investments, as seen by the number of notable corporations committing to net-zero emissions in their portfolios and an increase in investment flows. ESG concerns are becoming more important to investors, who seek to include them into their decision-making.

Businesses are experiencing significant cost savings as a result of operational efficiency linked to environmental sustainability, and sustainability boosts innovation and competitive advantage. The company's reputation and financial performance are also improved by the additional cost-saving benefits and increased investor interest. Long-term benefits can be achieved by incorporating "Environment, Social, and Governance (ESG)" factors into their primary strategy, if not right away.

REFEENCES

1. Aho, I. 2013. Value-added business models: linking professionalism and delivery of sustainability. *Building Research & Information* 41(1), pp. 110-114.
2. Aich, S.; Thakur, A.; Nanda, D.; Tripathy, S.; Kim, H.-C (2021) Factors Affecting ESG towards Impact on Investment: A Structural Approach. *Sustainability*, 13, 10868. <https://doi.org/10.3390/su131910868>
3. Ashwin Kumar, N. C., Smith, C., Badis, L., Wang, N., Ambrosy, P., & Tavares, R. (2016).
4. Ashima Obhan and Shuchi Dutta, (2021) India: Sustainable Finance And India's Climate Goals Banerjee, X. Chang, K. Fu, T. Li, G. Wong (2015) Corporate environmental risk and the customer–supplier relationship.
5. Brunner, P.H.; Rechberger, H. (2021) Waste to energy—Key element for sustainable waste management. *Waste Manag.*, 37, 3–12
6. Borrego, M., Douglas, E.P. and Amelink, C.T. (2009). Quantitative, qualitative, and mixed research methods in engineering education. *Journal of Engineering education* 98(1), pp.53-66.
7. Bryman, A. (2016). *Social research methods*. Oxford university press.

8. Buchanan, E.A. and Hvizdak, E.E. 2009. Online survey tools: Ethical and methodological concerns of human research ethics committees. *Journal of Empirical Research on Human Research Ethic* 4(2), pp.37-48.
9. Economic times, 2022 ,India slips 3 spots to rank 120 on 17 SDG goals adopted as 2030 agenda: Report
10. E. Duuren, A. Plantinga, B. Scholtens. (2016), ESG integration and the investment management process: Fundamental investing reinvented *Journal of Business*
11. Gomes, C.M., Scherer, F.L., Gonçalves De Menezes, U.I.A.R.A., Da Luz Neto, R.O.B.E.R.T.O. and Kruglianskas, I (2013). Strategies of sustainable management and business performance: an analysis in innovative companies. *International Journal of Innovation Management* 17(05), p. 1350026.
12. Govardhana Rangan, M.G (2021) “*Why RBI should be careful while framing ESG lending rules*”, *Economic Times*, (accessed from www.economicstimes.com).
13. Hebb, T. 2011. *The Next Generation of Responsible Investing*. Ontario: Springer Science & Business Media.
14. Huber, B. M., & Comstock, M. (2017). ESG Reports and Ratings: What They Are, Why They Matter. Retrieved from <https://corpgov.law.harvard.edu/2017/07/27/esg-reportsand-ratingswhat-they-are-why-they-matter/>
15. ICMA (2020). *Sustainable Finance High-level Definitions*. International Capital Market Association. Zurich.
16. Saurav Kumar, Rohit Ambast, Shreya Chaturvedi (2022) : ESG REPORTING AND ITS FRAMEWORK IN INDIA, THE LEGAL 500.
17. Schwab K. (2015). *The Global Competitiveness Report 2014-2015*. WEF, Geneva Securities and Exchange Board of India, (2021) “*Business responsibility and sustainability reporting by listed entities*”, circular no. SEBI/HO/CFD/CMD-2/P/CIR/2021/562.
18. Shailesh Tyagi, (2021). How ESG reporting landscape is evolving in India.
19. Shakil, M. H., Mahmood, N., Tasnia, M., & Munim, Z. H. (2019). Do environmental, social and governance performance affect the financial performance of banks? A cross-country study of emerging market banks. *Management of Environmental Quality: An International Journal*,
20. Sivananth Ramachandran and Mohan Kumar Prabhu. (2022) “ A peek inside Indian ESG funds”, *The Economic Times*.
21. Securities and Exchange Board of India, (2022) “*Consultation Paper on Environment, Social and Governance (ESG) Rating Providers for Securities Market*”, (accessed from www.sebi.gov.in).
22. Swapnil Kardile (2022). “ Investing in sustainable practices today will help companies see RoI in next decade”, *Social story*.
23. Tim Stobierski, 2022 WHAT IS SUSTAINABLE INVESTING?
24. Vanderstoep, S.W. and Johnson, D.D. (2008). *Research methods for everyday life: Blending qualitative and quantitative approaches* (Vol. 32). John Wiley & Sons.
25. Williams, C. (2007). *Research methods*. *Journal of Business & Economics Research (JBER)* 5(3).
26. Narula, R., Rao, P., & Rao, A. A. (2023). *Impact of ESG on firm value*.
27. Sun, Z. (2024). *Literature review on ESG performance of enterprises*.
28. Tsang, A., Frost, T., & Cao, H. (2022). *ESG disclosure: A literature review*.
29. Halid, S., et al. (2023). *ESG score and firm performance: A literature review*.
30. Arsin, M. (2023). *Impact of ESG activities on firm performance*.
31. Chen, S. (2025). *Impact of ESG on financial decision-making*.
32. Management Review Quarterly (2024). *Determinants and outcomes of ESG performance*.
33. ESG Disclosure Study (2022). *Meta-analysis of ESG and firm performance*
34. Li, R. (2022). *Literature review of ESG investment*.
35. Asem, E., Fan, R., & Tian, G. Y. (2025). *ESG and cost of capital*.