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Investor Inclination Towards ESG Mutual Funds: An Analytical Approach to Wealth Maximization Strategies

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Abstract: This present research study investigates individual investors' preference to invest in Environmental, Social, and Governance (ESG) mutual funds for wealth maximisation. This study investigates investor awareness, investment priority factors and several variables in assessing investors' inclination towards ESG Mutual Fund schemes in India. This research is guided by five key objectives: evaluating investor awareness and perception; identifying determinants of mutual fund investment; and analysing the influence of environmental, social, and corporate governance (ESG) aspects on investor preferences. Results indicate that investor awareness and perception (H1) about ESG mutual funds are not significantly positive ($p > 0.05$), suggesting little familiarity and weak attitudinal alignment. Various investment decision criteria, including returns, risk, and market trends, significantly influenced investor behaviour ($p < 0.05$). Unexpectedly, environmental (H3), social (H4), and governance (H5) aspects did not substantially influence investor preferences ($p > 0.05$). The study concludes that, the financial safety, high returns, market trends, and regulatory backing are more influential determinants of investor behaviour than ESG-specific values. Future efforts must emphasise education, digital resources, and awareness to enhance ESG fund acceptance in India.

Keywords: ESG, Mutual Fund, Sustainability, Investor, Wealth Maximisation.

INTRODUCTION

In recent years, the investing landscape has experienced a notable paradigm shift due to heightened investor awareness and a preference for ethical and sustainable financial instruments. ESG (environmental, social, and governance) mutual funds have become a significant option for discriminating investors aiming to match wealth generation with ethical and sustainability-oriented principles. ESG mutual funds pursue financial returns while prioritising long-term societal as well as environmental effects. As investors become increasingly knowledgeable and value-driven, the trend towards ESG-focused investments is gaining

traction in both global as well as Indian markets.

This research paper, titled "Investor Inclination Towards ESG Mutual Funds: An Analytical Approach to Wealth Maximisation Strategies," examines the behavioural and perceptual factors affecting individual investors' adoption of ESG mutual funds. The study seeks to evaluate investors' understanding, perceptions, and attitudes regarding ESG mutual funds, while also identifying the principal elements that affect mutual fund investment decisions. Particular attention is focused on analysing the distinct contributions of environmental sustainability, social responsibility, as well as corporate governance in influencing investor

preferences. The study posits that investor awareness and perception significantly impact the propensity to invest in ESG mutual funds. It asserts that environmental, social, and governance factors, both individually and collectively, influence investor decision-making. The research employs a systematic analytical method to reveal how these ESG characteristics enhance wealth maximisation techniques, possibly altering the conventional investment landscape.

LITERATURE REVIEW:

As per (Rokade, 2021) The study evaluated the performance of Mutual Funds in India using metrics like Sharpe Ratio, Beta, method return, Treynor's measure, and alpha. Results showed no single strategy was superior across all parameters. All schemes excelled for long-term investments, suggesting investors need better knowledge and financial advisor support.

Dr. M. Jegadeeshwaran and Mahesh Kumar T. (2017). The study evaluated mutual fund schemes, including UTI mutual fund, against bank-supported Asset Management Companies (AMCs) and schemes initiated by Financial Institutions (FIs) sponsored mutual fund companies. The analysis used tools like CAGR, first Sample T-test, ANOVA, and regression analysis. The success of AMC depends on AUM growth, scheme structure, size, and management experience.

(Dr. Joginder Singh, November 2020) Talking about benefits of It is also necessary to observe how investors should choose a schemes to invest.

(Murthy, Anjaneyulu, Bhatt, & Kumar, 2022) The study measured mutual fund performance using Sharpe and Treynor ratios. Results showed all samples performed well, but different results may occur in 2021-22. The authors suggest investors should choose schemes with high Sharpe ratios for high returns and high Treynor's ratios for lesser risk. Investors are willing to increase returns, but they are often hesitant to take the risks associated with such investments. (Jain, Jindal, Sharma, & Ahmed, 2023) A survey found that 61% of respondents believe they can achieve superior returns through mutual funds, despite only 38% being willing to take risks. This suggests the potential for enhancing mutual fund awareness and providing suitable investment advice to maximize wealth.

Definition and Concept –

A study by Angelo Drei, Theo Le Guenedal, Frederic Lepetit, Vincent Mortier, Thierry Roncalli for Takaya Sekine Amundi Asset Management, Paris (2019) delved deep about core concept of ESG investing. The study finds out that ESG investing is a complex strategy of investing in firms based primarily on ratings assigned on three parameters viz E – Environmental, S – Social and G – Corporate

Governance. It is a multi-faceted matrix that analyses quality of the investment from various industries and promotes investing in such companies for a better cause.

Benjamin Bruder, Yazid Cheikh, Florent Deixonne, Ban Zheng, (2019) assessed performance of securities by assigning weighted average scores to them based on E, S, G pillar criteria and observed that the “G” factor governance has high impact on the performance of securities from view point of volatility.

ESG Investment and Sustainability Definition and concept –

Ruchi Prabhu, Dr. Anuradha Yesugade (2023), while observing level of awareness of ESG investing amongst the retail Indian investor concluded that this theme is now getting popularity and retail investors are also now concerned about the sustainable practices of business enterprises.

(Bradford Cornell, 2020) highlights that while assessing securities based on ESG parameters, many times environmental issues are given majority however, Social aspects also hold a lot of impact on the performance of securities. So, while assigning ESG ranking equal weightage to all parameters should be assigned.

Certain case studies can help to elaborate ESG investing. (Krishnamoorthy, 2021) “Environmental, Social, & Governance (ESG) Investing: Being Good to Do Well” emphasizes the advantages of sustainable investing with a case study. The author presents all steps taken through Hindustan Unilever Limited (HUL) for improving sustainability and examines the correlation between an organization's ESG initiatives and its growth in revenues, profit margins, including investor value. Nevertheless, it indicates that further empirical research is required to substantiate the correlation between the aforementioned variables. ESG investing is not limited to Equity investing, debt instruments are also evolved under ESG investing.

(Manda, Yadav, Shivani, Sangwan, & Vambol, 2023) Kittu Manda, Anuradha Yadav, Shivani, Vikramaditya Sangwan, Sergij Vambol, 28 December 2023, Sovereign green bonds as an unconventional tool to address climate change, have conceptually explained green bonds and presented a lot of facts and figures about the issuance of bonds in Asian regions. The research states that there is a requirement for a framework and policy regulation to widen the scope of green bonds. However, it has been observed that the paper does not talk about bond yields, maturities, which are of concern to any investor. Also, the paper does not seem to address the credit rating of bonds. It was observed that in most countries, the ultimate contribution towards renewable energy. The study has indirectly shown that green bonds reflect only one component of ESG, and sustainable investing should be more inclusive, especially in the debt

market. There is scope to study further whether green bonds are gaining popularity because projects like sustainable energy can possibly show direct results, benefitting the investors and society.

Thinking about ESG as an investment philosophy, *prima facie*, people perceive it as an environmentally friendly scheme; however, it has more than that. It aims to bring a good life for everyone with the means of financing sustainable businesses. In ESG, apart from E, S, and G are equally important. (Ravi, 2024) In an unorthodoxly titled essay, "The 'S' and 'G' may lack allure, yet in ESG, they signify ethics and integrity," two principal components of ESG are highlighted: S – Social aspects and G – Governance considerations. The article's fundamental premise advises investors to consider not only environmental problems but also to evaluate companies based on social and governance factors. The article is grounded on theory and incorporates example films highlighting the significance of the Social and Governance aspects. Companies that alter work regulations for short-term benefits and compromise work ethics are seeing long-term detrimental repercussions on valuations, as investors tend to avoid companies that emit bad signals regarding sustainability and governance.

In her October 2023 post for ESG Clarity, Laura Miller cites research from the Each Party Parliamentary Group in London, which notes that gender disparity remains significantly prevalent in the corporate sector. To some degree, boardrooms acknowledge women's inclusion; entrepreneurship is one avenue for this, however, the disparity remains significant. Corporations pursue tangible advantages associated with the designation of "Equal Companies." The research urges corporations to enhance their diversity by ensuring that 40% of all boardroom members are women. Organizations with a balanced representation of both male and female staff are predicted to see substantial growth. (Butani & Laljani, 2024), "Environmental, Social, and Governance Influence on Corporate Governance: A Comprehensive Analysis" highlights the third element of ESG that is Corporate Governance. It states that the firms that imbibe ESG in corporate governance give better long-term results. The reason is, imparting ESG practices mitigates risk, strengthens organizational structure.

Wealth Creation through Mutual Funds

Are mutual funds really beneficial for investors? Research by Dr. D. Senthill, (June 2019) illuminated many factors associated with mutual fund investing according to primary data acquired through a concise questionnaire administered to 150 respondents. The standard deviation and mean are analytical methods employed to assess the reliability of the replies. The survey concludes that the investor has grown more knowledgeable and vigilant. The investor seeks to

ensure financial stability and plans on investing in mutual funds. A large proportion of respondents conclude that wealth enhancement through investment is a long-term and challenging endeavor. According to the report, mutual funds are cost-effective and simple to invest in. The researcher advocates that the investment company sector should adhere to optimal corporate governance principles, while investors should prioritize asset diversification and the development of a balanced portfolio.

Mutual funds are gaining popularity and rank at 2nd number. Interesting facts revealed from the study are the configuration of investors giving preference, which states that young investors give priority to mutual funds over other instruments. (Kanore, 2018), The researcher has examined urban perceptions of wealth development and the preferred investing tools associated with it. This research indicates that urban residents of Pune and the surrounding area continue to prioritize traditional instruments like as fixed deposits or life insurance contracts.

Establishing a trajectory for wealth generation is a methodical endeavor. Consider slow-paced investments like fixed deposits and typical life insurance policies, contrasted with rapid options including direct capital investing, or the high-risk derivatives akin to flying in an airplane, which may either crash or land safely. One also possesses a chauffeur-driven vehicle equipped with all safety measures in a well-regulated traffic environment, akin to mutual funds. Certified professionals manage your portfolio, ensuring returns that meet your objectives. The dilemma now is which automobile to go with? Luxury SUV, a passenger vehicle, characterized by lower fuel consumption or reduced emissions. These are the options available in mutual fund schemes: equity, debt, and hybrid. Large, mid-cap, small-cap, multi-cap, and flexible-cap. Additionally, themes such as Pharmaceuticals, Banking, Information Technology, Automotive, and Manufacturing exist, with ESG being one of these themes. ESG is a vehicle that may possess slightly reduced speed relative to other cars, although it will emit lower CO₂ levels and operate efficiently in promoting sustainability. One will contemplate the comparison of these vehicles.

(Ramapriya, 2024), The document titled "Policies into Mutual Funds in the Emerging Indian Economy" examines the aims of investing in mutual funds and provides a brief analysis of the capital market. Following an overview of mutual funds across the nation from their inception, her analysis identifies the best 10 mutual fund schemes using their performance measured by 3-year and 5-year rolling returns. Eight to nine of these schemes represent large-cap funds. (Data as of November 2023) It explicitly indicates that none of the theme schemes,

including ESG, have achieved a position among the top-performing mutual funds of India. The author advises selecting a scheme based on one's risk profile and investing objectives.

(Banu, Bhuvaneswar, & Dr., 2021), A study titled "A Study On This Sustainable Investment Funds Given Special Reference achieve State Bank a India environmental, social, and Mutual Fund Schemes" examined the performance of the SBI ESG Magnum scheme over a five-year period from 2015 to 2019, concluding which ESG schemes exhibited an annualized growth rate of 15%, with assets under management increasing significantly. The report recommends the inclusion of additional areas such as pesticides, media, and telecommunications. The recommendations are dubious, given there may be uncertainty over the performance of certain industries in ESG rankings. Secondly, the duration allocated for the study lacked an alternative ESG framework for peer comparison. Researchers also indicated that government laws mandating ESG in portfolios will transform this sector.

Evolution of ESG

Evolution of ESG at global level

Participation of institutional investor was predominant in ESG investing till early 2010 decade. Gradually retail investor is participating in socially responsible, Principles for Responsible Investing (PRI) or ESG themed investments. (Mariia Karelina, Vladimir Mkhitarian, Svetlana Dzeranova), (September, 2022). The study reveals statistical data about growth of ESG investing all over the globe according to which USA, and Europe having majority share. Followed by Japan, Canada and Australia. The study does not talk about growth of ESG in Asian markets.

Conceptual evolution of ESG is discussed at length taken back from Corporate Social Responsibility (CSR) in 1950s to ESG in early 2010s. (Ioannis Passas, 2024) The concept of ESG emerged in early 2000s and came to main streamline in late 2020s and has long way to go. The evaluation from financial angle supported by ESG rankings will change method of investing.

(Sunarto, 2023), In her article "The Ethical Investor," she states that a survey indicates young & retail investors exhibit a heightened interest in ESG investing, believing that returns will not be adversely affected by such investments. There are ten strategies to include into one's portfolio in order to become an ethical investor, including selecting fund managers who authentically adhere to ESG criteria and portfolio selection and investing in companies committed to a low-carbon economy and gender equality for employees. Additionally, contemplating the alignment of investments with faith-based principles. The author posits that the velocity of transition and the political agenda will determine the

future of sustainable investing.

(Pathak, 2021), In her work, she has endeavored to elucidate ESG investing on a global scale. The researcher emphasizes the significance of ESG investment, as the largest asset managers globally are now prioritizing it. The report provides a concise overview of ESG-themed mutual funds in the nation and identifies their corresponding returns as of the specified date. The report reveals that asset managers have numerous problems in ESG investing, mostly due to the recent debut of most funds, resulting in a lack of market standards and taxonomy. A significant problem is the lack of trustworthy and authentic data necessary for ESG grading. The goal of mutual fund investors is to achieve higher returns, and ESG investment, over this little timeframe, has not demonstrated efficacy as a successful means of wealth maximization.

(Nelson, 2023) He has indicated in his piece how ESG investing is gaining traction and fostering new paradigms of thought. The title of his article, "ESG 2.0," signifies the emergence of invention and innovation within the framework of sustainability. The author elucidates developing concepts like impact financing & transition finance. Investors, portfolio, & fund managers are using newly created tools and technology to access data that enables them to examine sector and company-level information closely. (Bratley, 2023) in a survey conducted for in-depth analysis found out that in year 2023 the popularity of ESG investment is diminishing daily in comparison to 2020. Investors are apprehensive regarding returns. Some individuals believe that it is preferable to invest in high-performing equities rather than assume the risks associated with ESG, thereby contributing to societal good independently. However, there are investors who contend that endorsing ESG practices yields long-term benefits with satisfactory profits.

Concepts such as green investing are gaining popularity, with assets under management accumulating under this investment philosophy. However, considering the current state of affairs around the globe, we require a substantial sum about 3.5 trillion dollars in the next three decades to address sustainability concerns. Hari Menon, (April 1, 2024), "SDGs and ESG, ET Insights, Green Investing: Examines the emergence of ESG investing platforms and their influence on capital allocation," has identified a pivotal moment. He noted that in recent years, the primary concern is the focus of portfolio investors on ESG scores, their compound annual growth rate (CAGR), and ESG declarations. Who is responsible for ensuring that any funds received under this focus are effectively utilized to achieve sustainability objectives?

Johannes Petry & Jan Fichtner & Robin Jaspert, (07-04-2023), Authored a compelling paper discussing the authentic representation of portfolio selection for

ESG funds. In U.S. markets where retirement plans were mandated to allocate a specific amount to ESG-themed funds, investors objected, claiming it adversely affected their returns. Consequently, after analyzing the array of ESG funds, the author noted that these funds closely track the ESG Index, which exhibits a significant concentration of stocks with favorable ESG ratings. This solely assists investors in mitigating risk and does not assess the company impact on the environment and sustainability. To establish effective ESG investing, enhanced rules, clarity in ESG indexes, and active investor engagement in annual meetings are essential.

Jessica Cummins, (December 2023), “Navigating ESG, quick as 1-2-3: How to thrive and prosper within the resources industry” discusses ESG investing & alternatives inside the Australian capital market in her essays. The author asserts that Australian investment agencies, such as Perennial Better Futures Portfolio, Australian Ethical Investment (ASX: AEF), and Seneca Financial Solutions, incorporate criteria like positive and negative screening, integration of environmental and social management, renewable energy, and low carbon technologies. It can be inferred that Australian capital market is optimistic on ESG philosophy with increase in number of ESG portfolio managers in 2023 as compared to year 2022. The concentration of such portfolios in majorly renewable energy

Evolution of ESG in Indian market

The world has observed VUCA (Volatility, Uncertainty, Complexity and Ambiguity) post COVID. Now investors got a reason to care more about well being of society, environmental equilibrium, well-being. The heightened awareness has stimulated sustainable investing, leading to the introduction of eight ESG-themed mutual fund schemes in India from mid-2020 to 2021, within a brief period of 1.5 years. A very remarkable article “A peek inside Indian ESG Funds” in Economic Times by Sivanath Ramchandran and Mohan Kumar Prabhu, (Feb 2022), comparison was done while conducting a survey amongst retail and institutional investors. They observed that ESG is still in early development and portfolio building under ESG schemes is varying from its benchmarks, the ESG ranking and ratings could be the cause. However, speaking about retail investor’s intention behind ESG investing is primarily the returns and not personal values or impact investing.

OBJECTIVES OF THE RESEARCH:

1. To assess the awareness, perception, and attitude of individual investors towards ESG mutual funds.
2. To examine the various factors that influence investors' decisions when investing in mutual funds.
3. To analyze the impact of environmental factors on individual investors' preferences towards ESG mutual funds.
4. To evaluate the role of social factors in shaping investor preferences for ESG mutual funds.
5. To determine the effect of corporate governance-related factors on investment preferences in ESG mutual funds.

HYPOTHESIS OF THE RESEARCH:

- **H1:** Investors have a significant awareness and their perception & attitude are positive towards ESG mutual funds.
- **H2:** There is a significant influence of various factors on investors' decisions while investing in mutual funds.
- **H3:** Environmental factors significantly influence investment preferences to invest in ESG Mutual Funds.
- **H4:** Social factors significantly influence investment preferences to invest in ESG Mutual Funds.
- **H5:** Corporate governance factors significantly influence investment preferences to invest in ESG Mutual Funds.

RESEARCH METHODOLOGY:

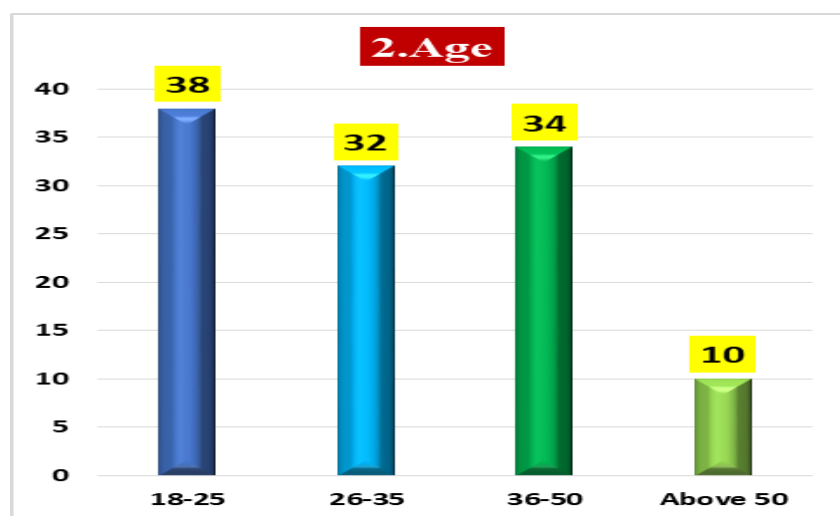
- **Type of Research:** Descriptive Research.
- **Sampling Technique:** Convenient Sampling
- **Methodology:** Primary data collection was done through three questionnaires from 114 Mutual Fund Investors (ESG Mutual Fund + Non-ESG Mutual Fund)
- **Statistical Test:** Friedman Mean Rank, Chi-square Test, Mann-Whitney U Test, Kruskal-Wallis Test, ANOVA, Chi-square, Correlation, Regression, Factor Analysis
- **Scope of Study:** The functional scope of the study is confined to Mutual Fund Customers across Mumbai City.

DEMOGRAPHIC ANALYSIS: MUTUAL FUND INVESTORS:

AGE OF RESPONDENTS

2. Age			
	Frequency Responses	of	Percentage (%)
18-25	38		33

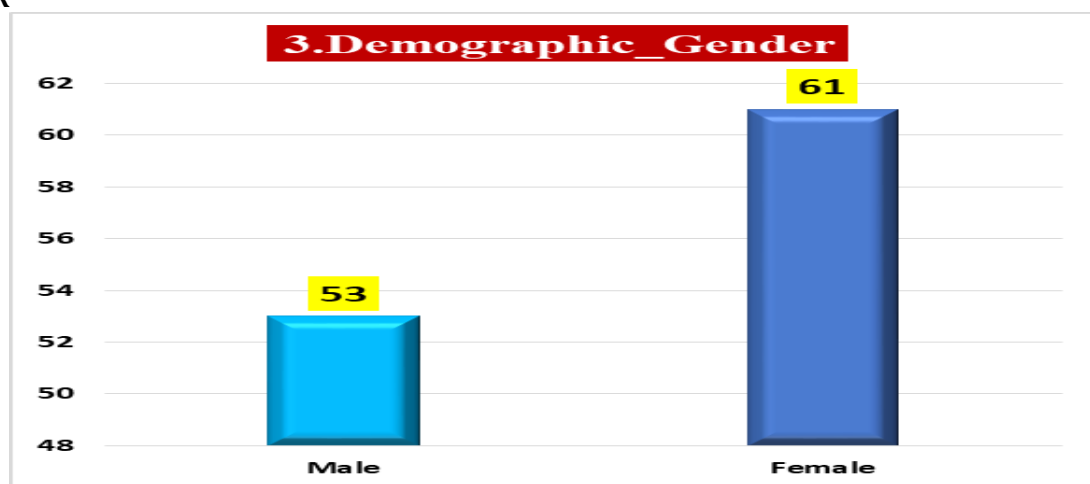
26-35	32	28
36-50	34	30
Above 50	10	9
Total	114	100



GENDER

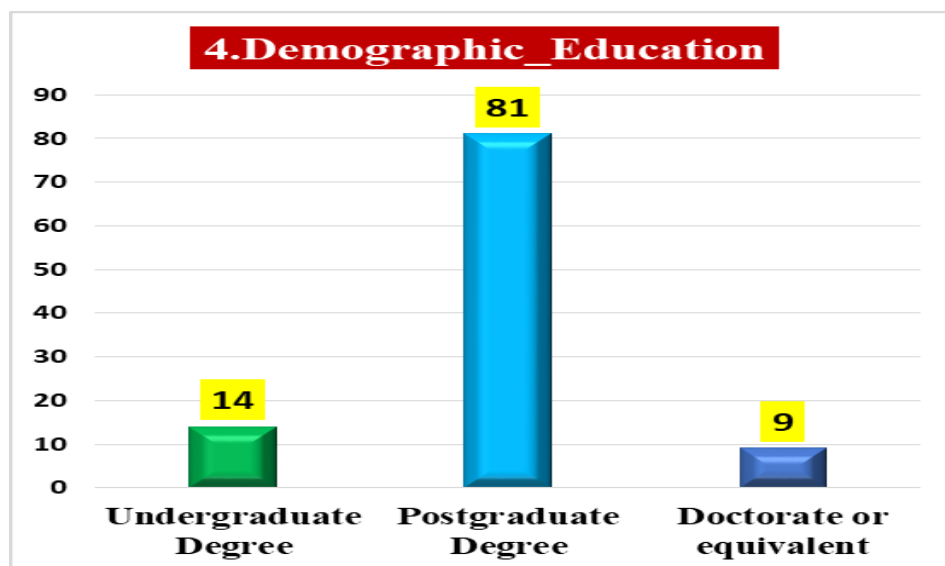
	Frequency Responses	of	Percentage (%)
Male	53		47
Female	61		53
Total	114		100

GENDER



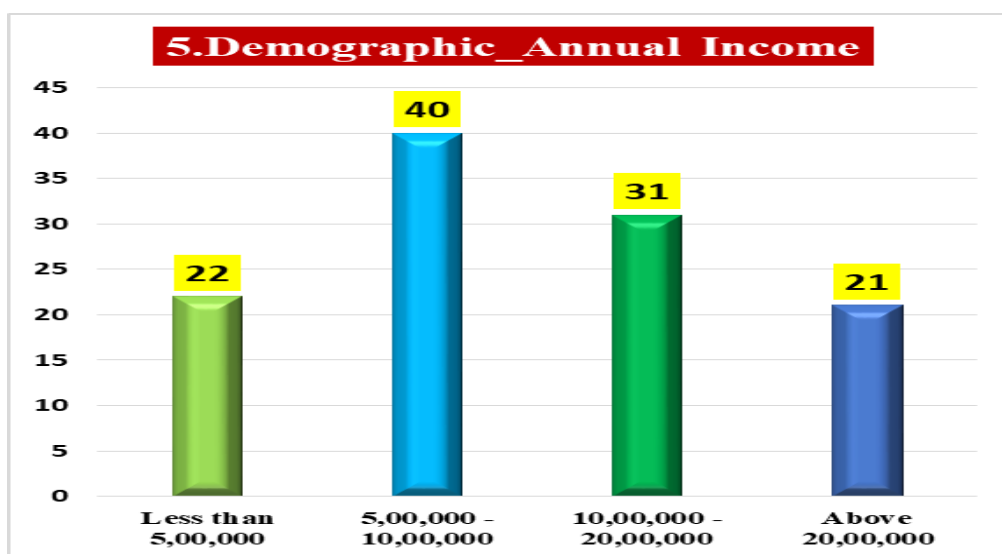
	Frequency of Responses	Percentage (%)
Higher Secondary/Diploma	10	9
Undergraduate Degree	14	12
Postgraduate Degree	81	71
Doctorate or equivalent	9	8
Total	114	100

EDUCATION



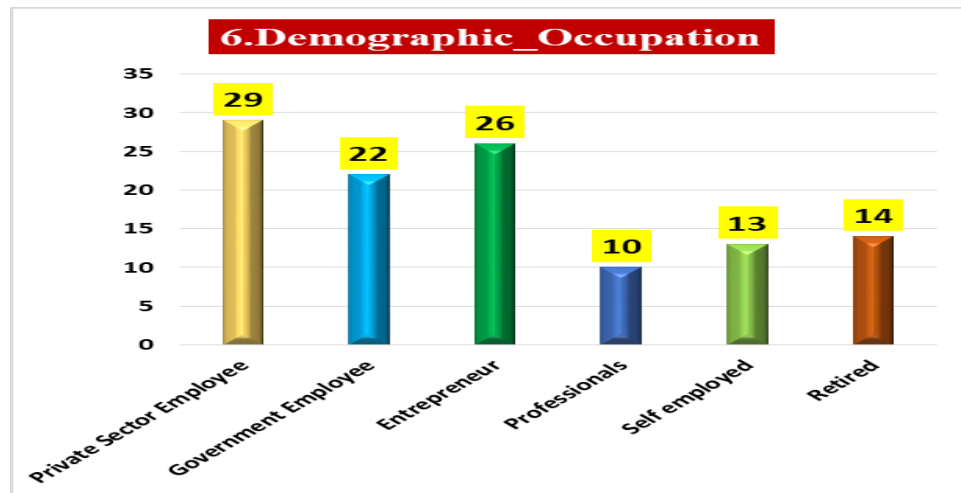
ANNUAL INCOME

	Frequency of Responses	Percentage (%)
Less than 5,00,000	22	19
5,00,000 - 10,00,000	40	35
10,00,000 - 20,00,000	31	27
Above 20,00,000	21	18
Total	114	100



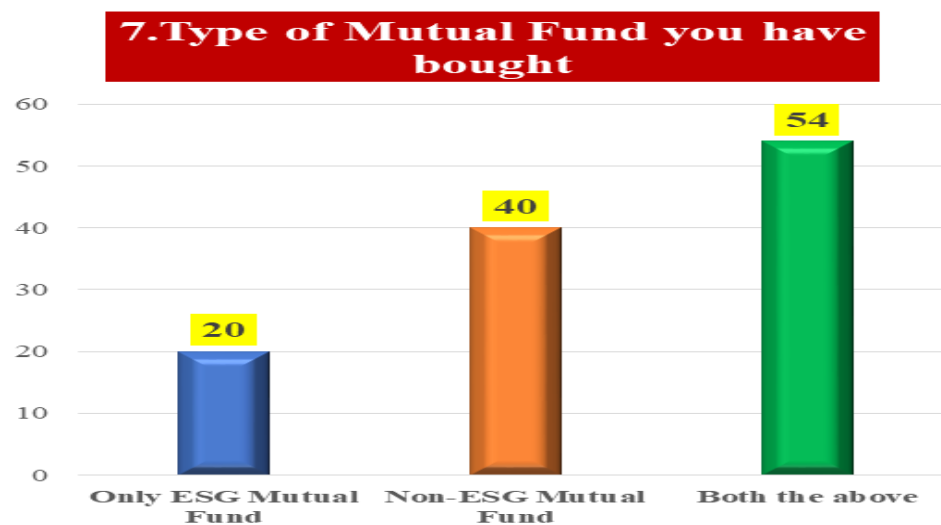
OCCUPATION

	Frequency of Responses	Percentage (%)
Private Sector Employee	29	25
Government Employee	22	19
Entrepreneur	26	23
Professionals	10	9
Self employed	13	11
Retired	14	12
Total	114	100



TYPE OF MUTUAL FUND YOU HAVE BOUGHT

	Frequency of Responses	Percentage (%)
Only ESG Mutual Fund	20	18
Non-ESG Mutual Fund	40	35
Both the above	54	47
Total	114	100



HYPOTHESIS TESTING:

1. H1: Investors have a significant awareness and their perception & attitude are positive towards ESG mutual funds.

Mann-Whitney U Test Statistics Ranks				
Gender		N	Mean Rank	Sum of Ranks
I am not well aware of ESG Mutual Fund Schemes.	Male	53	64.32	3666.00
	Female	61	50.68	2889.00
	Total	114		
I actively seek information about ESG Mutual Funds.	Male	53	59.82	3409.50
	Female	61	55.18	3145.50
	Total	114		
ESG Mutual Funds are a better investment option than traditional mutual funds.	Male	53	61.94	3530.50
	Female	61	53.06	3024.50

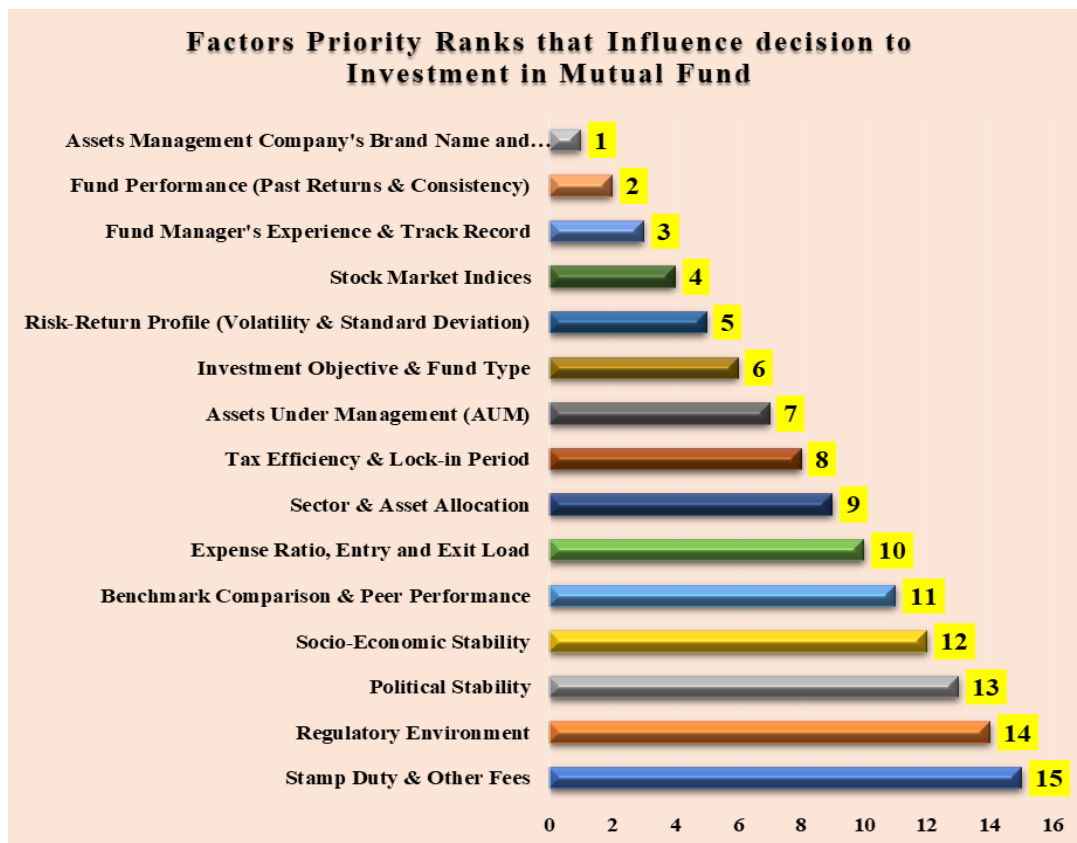
Investing in ESG Mutual Funds positively impacts the environment and society.	Total	114		
	Male	53	54.01	3078.50
	Female	61	60.99	3476.50
	Total	114		
I am willing to shift my investments towards ESG Mutual Funds.	Male	53	61.80	3522.50
	Female	61	53.20	3032.50
	Total	114		

TABLE: MANN-WHITNEY U TEST STATISTICS

Mann-Whitney U Test Statistics							
Statements	Mann-Whitney U	Wilcoxon W	Mean	Z	Asymp. Sig. (2-tailed)	Interpretation	Result
I am not well aware of ESG Mutual Fund Schemes.	1236.000	2889.000	3.582	-2.311	.121	0.121 > 0.05 No Significant difference: Both males and equally not well aware of ESG mutual funds.	Since Majority constructs have p value > 0.05. Hence, We fail to Reject the Null Hypothesis. H0: Investors have no significant awareness and their perception & attitude are negative towards ESG mutual funds.
I actively seek information about ESG Mutual Funds.	1492.500	3145.500	3.649	-.791	.429	0.429 > 0.05 No significant difference: Both genders actively seek information at similar levels.	
Mutual Funds are a better investment option than traditional mutual funds.	1371.500	3024.500	3.959	-1.564	.011	0.011 < 0.05 Significant difference: Males rank ESG funds slightly higher than females, but both genders have a positive perception.	
I actively seek information about ESG Mutual Funds.	1425.500	3078.500	4.128	-1.185	.236	No significant difference: Both genders agree ESG investments have a positive impact on the environment and society.	
I am willing to shift my investments towards ESG Mutual Funds.	1379.500	3032.500	3.914	1.455	.033	Significant difference: Since p < 0.05 and Z score is positive which indicates that, female are giving more preference for shifting to ESG funds than men.	

H2: There is a significant influence of various factors on investors' decisions while investing in mutual funds.

Factors that Influence your Investment in any Mutual Fund	Rank	Friedman Mean Rank
Assets Management Company's Brand Name and Reputation	1	5.47
Fund Performance (Past Returns & Consistency)	2	5.80
Fund Manager's Experience & Track Record	3	5.93
Stock Market Indices	4	6.61
Risk-Return Profile (Volatility & Standard Deviation)	5	7.03
Investment Objective & Fund Type	6	7.42
Assets Under Management (AUM)	7	7.67
Tax Efficiency & Lock-in Period	8	8.01
Sector & Asset Allocation	9	8.71
Expense Ratio, Entry and Exit Load	10	8.85
Benchmark Comparison & Peer Performance	11	8.92
Socio-Economic Stability	12	9.59
Political Stability	13	9.74
Regulatory Environment	14	9.95
Stamp Duty & Other Fees	15	10.31



FRIEDMAN CHI-SQUARE TEST STATISTICS:

Test Statistics															
Chi-Squa re	258. 105 a	210. 474 a	186. 000 a	171. 000 a	154. 947 a	151. 789 a	147. 579 a	146. 526 a	146. 000 a	135. 211 a	133. 105 a	115. 211 a	101. 526 a	100. 211 a	97. 316 a
df	14	14	14	14	14	14	14	14	14	14	14	14	14	14	14
Asy mp. Sig.	.000	.009	.008	.034	.015	.008	.016	.021	.015	.005	.030	.003	.011	.037	.02 6

Mean of Responses	10.31	9.95	9.74	9.59	8.92	8.85	8.71	8.01	7.67	7.42	7.03	6.61	5.93	5.80	5.47
All p-values are less than 0.05. $p < 0.05$															

Interpretation:

All the factors analyzed have p-values less than 0.05, indicating that each factor significantly influences investors' decisions while investing in mutual funds.

ESG FACTORS BASED HYPOTHESIS TESTING:

H3: Environmental factors significantly influence investment preferences to invest in ESG Mutual Funds.

H4: Social factors significantly influence investment preferences to invest in ESG Mutual Funds.

H5: Corporate governance factors significantly influence investment preferences to invest in ESG Mutual Funds.

KRUSKAL-WALLIS TEST MEAN RANKS ON THE BASIS OF INCOME LEVELS OF THE INVESTORS

KRUSKAL-WALLIS TEST MEAN RANKS			
Annual Income		N	Mean Ranks
I prefer investing in funds that support companies reducing their carbon footprint.	Less than 5,00,000	56	47.72
	5,00,000 - 10,00,000	26	61.15
	10,00,000 - 20,00,000	16	62.94
	Above 20,00,000	16	57.04
	Total	114	
Renewable energy usage by companies is an important factor in my investment decision.	Less than 5,00,000	56	48.47
	5,00,000 - 10,00,000	26	59.35
	10,00,000 - 20,00,000	16	54.22
	Above 20,00,000	16	60.16
	Total	114	
I consider a company's waste management practices before investing in ESG funds.	Less than 5,00,000	56	41.00
	5,00,000 - 10,00,000	26	56.79
	10,00,000 - 20,00,000	16	66.13
	Above 20,00,000	16	60.08
	Total	114	
Companies with strong climate policies should be prioritized in ESG Mutual Funds.	Less than 5,00,000	56	44.41
	5,00,000 - 10,00,000	26	58.29
	10,00,000 - 20,00,000	16	57.72
	Above 20,00,000	16	60.81
	Total	114	
Social (S)_I prefer ESG funds that invest in companies promoting labor rights and fair wages.	Less than 5,00,000	56	50.66
	5,00,000 - 10,00,000	26	58.08
	10,00,000 - 20,00,000	16	59.13
	Above 20,00,000	16	58.72
	Total	114	
Social (S)_Companies with strong diversity and inclusion policies should be prioritized in ESG investments.	Less than 5,00,000	56	55.57
	5,00,000 - 10,00,000	26	59.06
	10,00,000 - 20,00,000	16	65.66
	Above 20,00,000	16	53.56
	Total	114	
Social (S)_Corporate social responsibility (CSR) initiatives influence my investment	Less than 5,00,000	56	45.81
	5,00,000 - 10,00,000	26	54.63
	10,00,000 - 20,00,000	16	62.73

KRUSKAL-WALLIS TEST MEAN RANKS			
Annual Income		N	Mean Ranks
choices	Above 20,00,000	16	70.75
	Total	114	
Social (S)_Companies maintaining ethical supplier relationships impact my decision to invest in ESG funds.	Less than 5,00,000	56	62.82
	5,00,000 - 10,00,000	26	51.73
	10,00,000 - 20,00,000	16	55.41
	Above 20,00,000	16	50.34
	Total	114	
Corporate Governance (G)_I prefer ESG Mutual Funds investing in companies with transparent corporate governance.	Less than 5,00,000	56	51.99
	5,00,000 - 10,00,000	26	57.46
	10,00,000 - 20,00,000	16	75.81
	Above 20,00,000	16	58.53
	Total	114	
Corporate Governance (G)_Efficient Board and Leadership of Companies are a crucial factor in my investment decisions.	Less than 5,00,000	56	53.85
	5,00,000 - 10,00,000	26	52.38
	10,00,000 - 20,00,000	16	61.77
	Above 20,00,000	16	68.47
	Total	114	
Corporate Governance (G)_Companies with board diversity and equal representation should be part of ESG Mutual Funds.	Less than 5,00,000	56	57.15
	5,00,000 - 10,00,000	26	54.16
	10,00,000 - 20,00,000	16	56.56
	Above 20,00,000	16	60.88
	Total	114	
Corporate Governance (G)_I consider good Corporate Governance policies before investing in ESG Mutual Funds.	Less than 5,00,000	56	47.53
	5,00,000 - 10,00,000	26	63.00
	10,00,000 - 20,00,000	16	49.59
	Above 20,00,000	16	60.05
	Total	114	

Interpretation of Kruskal-Wallis Test Results for Hypotheses H3, H4, and H5

The ranking analysis of ESG investment preferences across different income groups reveals notable trends. Higher-income groups (₹10,00,000 - ₹20,00,000 and above ₹20,00,000) consistently show higher mean ranks across most environmental, social, and corporate governance (ESG) factors, indicating a greater inclination toward ESG investments. In environmental factors, respondents earning above ₹10,00,000 rank higher for investment preferences in companies supporting carbon footprint reduction, renewable energy usage, and climate policies, while lower-income groups (below ₹5,00,000) rank lower, suggesting lower prioritization. In social factors, the highest mean ranks are observed in CSR initiatives and labor rights within the highest income group (above ₹20,00,000), reflecting stronger awareness and preference for ethical investment practices. Corporate governance factors, such as transparent governance and board leadership, receive higher rankings from the ₹10,00,000 - ₹20,00,000 group, suggesting that mid-to-high-income investors prioritize governance integrity more than lower-income groups. However, the variation across all groups indicates some level of preference for ESG investments in all income categories, albeit with stronger emphasis from higher-income investors.

KRUSKAL WALLIS TEST STATISTICS:

Test Statistics ^{a,b}												
	27.Part B_I prefer investing in funds that support companies reducing their carbon footprint.	28.Part B_Renewable energy usage by companies is an important factor in my investment decision.	29.Part B_I consider a company's waste management practices before investing in ESG funds.	30.Part B_Companies with strong climate policies should be prioritized in ESG Mutual Funds.	31.Social (S)_I prefer ESG funds that invest in companies promoting labor rights and fair wages.	32.Social (S)_Companies with strong diversity and inclusion policies should be prioritized in ESG investments.	33.Social (S)_Corporate social responsibility (CSR) initiatives influence my investment choices	34.Social (S)_Companies maintaining ethical supplier relationships impact my decision to invest in ESG funds.	35.Corporate Governance (G)_I prefer ESG Mutual Funds investing in companies with transparent corporate governance.	36.Corporate Governance (G)_Efficient Board and Leadership of Companies are a crucial factor in my investment decisions.	37.Corporate Governance (G)_Companies with board diversity and equal representation should be part of ESG Mutual Funds.	38.Corporate Governance (G)_I consider good Corporate Governance policies before investing in ESG Mutual Funds.
Chi-Square	2.355	1.945	6.169	3.374	.889	1.590	6.234	3.359	6.961	3.523	.496	3.778
df	3	3	3	3	3	3	3	3	3	3	3	3
Asymp. Sig.	.502	.584	.104	.337	.828	.662	.101	.339	.073	.318	.920	.286
a. Kruskal Wallis Test												
b. Grouping Variable: 5.Demographic_Annual Income												

Interpretation of Kruskal-Wallis Test Results for Hypotheses H3, H4, and H5:

- The Kruskal-Wallis test is used to determine whether there are statistically significant differences in investment preferences for ESG mutual funds based on environmental, social, and corporate governance (ESG) factors, across different income groups.

HYPOTHESIS TESTING RESULTS:

H3: Environmental factors significantly influence investment preferences in ESG Mutual Funds.

- A reduction in carbon emissions, the use of renewable energy, waste management techniques, and climate policies were among the factors examined. The p-values (Asymp. Sig.) range from 0.104 to 0.584, and the Chi-Square values range from 1.945 to 6.169.
- H3 is not supported because all p-values are higher than 0.05, suggesting that environmental factors have no discernible impact on ESG investment preferences.

H4: Social factors significantly influence investment preferences in ESG Mutual Funds.

- The following factors were examined: CSR programs, diversity and inclusion, labour rights, and ethical supplier relationships.
- The p-values range from 0.101 to 0.828, and the Chi-Square values range from 0.889 to 6.234. H4 is not supported because all p-values are higher than 0.05, indicating that social factors have no discernible effect on investors' preferences for ESG funds.

H5: Corporate governance factors significantly influence investment preferences in ESG Mutual Funds.

- The following factors were examined: governance policies, board diversity, board leadership, and transparent corporate governance. The p-values range from 0.073 to 0.920, and the Chi-Square values range from 0.496 to 6.961.
- For transparent corporate governance, the lowest p-value is 0.073, which is marginally above 0.05 and indicates that H5 is likewise not supported.

Final Conclusion:

- None of the hypotheses (H3, H4, H5) are supported since all p-values are above 0.05, indicating that environmental, social, and corporate governance factors do not significantly influence investment preferences for ESG mutual funds across income groups.

SUMMARY OF HYPOTHESIS TESTING:

TABLE: SUMMARY OF HYPOTHESIS TESTING:

Alternative Hypothesis	Hypothesis Testing Result
H1: Investors have a significant awareness and their perception & attitude are positive towards ESG mutual funds.	The majority of constructs have p-value > 0.05. H1 Not Supported (Fail to reject the Null Hypothesis)
H2: There is a significant influence of various factors on investors' decisions while investing in mutual funds.	All the factors have a significant impact because the p-value < 0.05 for all. H2 Supported
H3: Environmental factors significantly influence investment preferences to invest in ESG Mutual Funds.	H 3 Not Supported H 4 Not Supported H 5 Not Supported The majority of constructs have p-value > 0.05. (Fail to reject the Null Hypothesis)
H4: Social factors significantly influence investment preferences to invest in ESG Mutual Funds.	
H5: Corporate governance factors significantly influence investment preferences to invest in ESG Mutual Funds.	

FINDINGS:

1. Investor Awareness and Perception (H1):

The statistical analysis indicated that investor awareness & perception of ESG mutual funds are not statistically significant as most constructs exhibited p-values greater than 0.05. This indicates that although ESG funds are attracting interest of the investors, they may still be inadequate in broad recognition and favourable perception among investors.

2. Factors Influencing Investment Decisions (H2):

The Friedman Mean Rank Test showed that many factors significantly affect investment decisions in mutual funds. The p-value < 0.05 for all constructs substantiates the hypothesis that elements such as financial returns, risk perception, ESG features, and market trends influence investor preferences.

3. Environmental Factors Impact on Investment Decisions (H3):

The findings of the Kruskal-Wallis test demonstrate that environmental criteria, including carbon footprint reduction, the renewable energy utilisation, and waste management, do not significantly affect investor decisions regarding ESG mutual funds. The hypothesis was unsupported, as the majority of constructs had p-values beyond 0.05.

4. Social Factors Impact on Investment Decisions (H4):

The statistical investigation could not demonstrate a substantial influence of social issues such as labour rights, diversity, & ethical corporate practices on ESG investing preferences. The hypothesis was unsupported, as the p-values surpassed 0.05.

5. Corporate Governance Influence on Investment Decisions (H5):

The research revealed no statistically significant correlation between corporate governance elements (board diversity, transparency, leadership efficacy) and investor preferences for ESG mutual funds. A p-value greater than 0.05 indicates that governance concerns are not a principal determinant of ESG investments.

DISCUSSIONS AND CONCLUSION:

The present pilot study sought to evaluate investor inclination for ESG mutual funds by examining their awareness, decision-making criteria, and the impact of ESG elements (Environmental, social, and corporate governance) on their portfolio. The findings demonstrate that investor awareness, perception, as well as attitude towards ESG mutual funds were not so positive. This indicates that, despite increasing global popularity, ESG mutual funds in India have not yet attained significant preference among the retail investors. The study concludes that, the financial safety, high returns, market trends, and regulatory backing are more influential determinants of investor behaviour than

ESG-specific values. Future efforts must emphasise education, digital resources, and awareness to enhance ESG fund acceptance in India. In India, conventional mutual funds and their financial indicators persist in prevailing investment inclinations; hence, to make ESG Funds an attractive choice for wealth creation in India, it is imperative to implement comprehensive awareness programs and focused investor education. Also, tax exemption on withdrawal or redemption from ESG schemes can attract retail investors towards ESG Mutual Fund investment. Moreover, the role of training and structured education programs is crucial in empowering mutual fund distributors to effectively promote ESG mutual funds. Strengthening real-world applications, policy clarity, and digital training tools can improve ESG fund adoption in the long run.

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