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A Study on Assessing Awareness Levels of Sustainable Investment in Mutual Funds

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Abstract:

This study explores the adoption drivers and barriers faced by investors in ESG mutual funds. The research examines investor awareness levels and their influence on ESG fund adoption, alongside attitudes toward sustainable investing. Through a structured questionnaire, the study gathers insights into the motivations, concerns, and perceptions shaping ESG investment decisions. Additionally, it identifies key obstacles such as lack of knowledge, perceived lower returns, and regulatory uncertainties that hinder widespread adoption. The findings aim to enhance understanding of investor behavior in sustainable finance, providing valuable insights for fund managers and policymakers seeking to promote ESG investments in India.

Keywords — ESG Mutual Funds, Sustainable Investing, Investor Awareness.

I. INTRODUCTION

Mutual fund is a type of investment vehicle that collects the capital of several investors into a diverse portfolio that may consist of securities such as equities, bonds, money market instruments, and others. Professional fund managers oversee mutual, which are intended to accomplish particular investing goals like risk control, income generation, or capital growth. The assets of the mutual fund are proportionately owned by investors who buy units or shares, which are periodically rebalanced in accordance with fund strategies and market conditions. Mutual fund performance is measured by the Net Asset Value (NAV), which is the value of the fund's portfolio per unit. Various types of mutual funds are distinguished by their investment focus. Debt funds prioritise fixed-income instruments to yield steady returns, whereas equity funds invest in stocks to pursue long-term growth. To balance return and risk, hybrid funds combine debt and equity. ESG and thematic funds focus on particular topics, such as socially responsible investing, sustainability, and governance. Investors that connect their portfolios with social or environmental objectives and ethical ideals are catered to by these funds.

II. REVIEW OF LITERATURE

Tripathi & Bhandari (2023) - examines the expansion of ESG funds in India, emphasizing the difficulties with standards and regulatory support. As a case study, the SBI ESG Mutual Fund is examined. Investor interest in sustainable finance is rising, according to the survey.

Rath & Orissa (2022)- compares Indian ESG mutual funds with an emphasis on sustainability and financial rewards. During market downturns as COVID-19, the SBI ESG Fund shown resiliency. According to the study, ESG investments reduce market risk.

SBI Mutual Funds (2022)- Specifics The ESG methodology, financial results, and investment strategy of the SBI Magnum ESG Fund. It draws attention to investments made in businesses with robust ESG policies. SBI's dedication to sustainable investing is reaffirmed in the report.

Bhalla & Agarwal (2021)- discusses the role of corporate governance and ESG investment trends in India. draws attention to issues including changing rules and the absence of ESG disclosures. determines that ESG concepts are becoming more popular in india.

Rajgopal (2021) - Examines frequent misunderstandings about ESG investing and its effects on the economy. argues that investors frequently believe ESG funds would perform better on their own. demands a more sophisticated comprehension of ESG investing.

SEBI (2021) –suggests legislative actions to increase the openness of mutual fund ESG ratings. To lessen greenwashing, it is suggested that ESG measurements be standardized. suggests using a third party to confirm the accuracy of ESG disclosures.

Bhandari & Yadav (2021) – assesses the ESG mutual funds' financial performance in India. reveals that ESG funds outperform conventional funds. draws attention to the robust sustainability-focused portfolio approach of the SBI ESG Fund.

Shah (2020) –examines the shift of the SBI Magnum ESG Fund from a conventional equities fund to one that is ESG-focused. talks about choosing stocks according to sustainability and governance. draws attention to the growing interest of investors in ESG funds.

Ghosh (2020) - investigates the rise of ESG investing in India and the associated difficulties. talks about changing legislation and the absence of ESG reporting. draws attention to how Indian investors are increasingly embracing ESG concepts.

Siddiqui (2020) –examines the portfolio, investor reaction, and strategy of the SBI ESG Fund. demonstrates conformity to international sustainability norms and laws.

UN PRI (2019) - outline six guidelines for incorporating ESG into financial decisions. demonstrates how businesses with robust ESG policies fare better financially. emphasizes accountability and openness in ESG investing.

Morgan Stanley Institute for Sustainable Investing (2019- reveals that the performance of sustainable funds is on par with or superior to that of regular funds. demonstrates the reduced downside risk of ESG funds. draws attention to the

rising demand for ESG-based investments from investors. Giese, G., Lee, L. E., Melas, D., Nagy, Z., & Nishikawa, L. (2019)- investigates the effects of ESG elements on performance, risk, and valuation. reveals that companies with an ESG focus are more profitable and have less volatility. affirms the importance of ESG in making wise investment decisions.
Riedl, A., & Smeets, P. (2017) - investigates the driving forces behind investor behavior in socially conscious mutual funds. reveals that moral issues frequently take precedence over financial results. explains that those with more education are more likely to invest in ESG funds. Khan, M., Serafeim, G., & Yoon, A. (2016)- assesses the financial effects of concentrating on important ESG concerns. reveals that putting important ESG concerns first increases profits. draws attention to the significance of industry-relevant sustainability initiatives.
Clark, G. L., Feiner, A., & Viehs, M. (2015) - demonstrates how sustainability tactics lower risks and increase operational efficiency. reveals that businesses with strict ESG guidelines have less startup costs. affirms the contribution of ESG to long-term financial gains. Friede, G., Busch, T., & Bassen, A. (2015) - 2,000 papers on the relationship between financial performance and ESG were meta-analyzed. finds that risk-adjusted results are generally improved by ESG investing. dispels the idea that ESG investments don't perform well. Dimson, E., Karakaş, O., & Li, X. (2015) - investigates how company behavior is affected by active ESG ownership. discovers that firm success is enhanced by shareholder engagement. draws attention to the long-term advantages of prudent investing.
Capelle-Blancard, G., & Monjon, S. (2014) - investigates the investor attraction of mutual funds that practice social responsibility. identifies small financial sacrifices for moral congruence. finds that a lot of investors place a higher priority on social effect than profits. Eccles, R. G., Ioannou, I., & Serafeim, G. (2014) - investigates the effects of business sustainability on organizational procedures and financial performance. reveals that businesses with robust ESG policies have superior stakeholder involvement and governance. concludes that long-term performance is superior for sustainable enterprises.

III. RESEARCH METHODOLOGY

In order to fully comprehend the study primary data is collected to thoroughly examine ESG mutual funds and capture the qualitative and quantitative performance metrics.

IV. OBJECTIVE

To examine the awareness level and attitudes of the investors in adopting the ESG mutual funds.

V. HYPOTHESIS

H0: There is no significant relation between the investors awareness and perception toward the ESG mutual funds.

H1: There is a significant relation between the investors awareness and perception toward the ESG mutual funds.

VI. RESEARCH PROBLEM

Despite the increased emphasis on sustainable investing on a worldwide scale. Investors are still not well-informed on ESG funds, which makes them hesitant to make investments. Furthermore, despite ESG funds' claims to strike a balance between sustainability and financial returns, questions remain regarding their real performance, risk factors, and regulatory irregularities.

RESULT AND DISCUSSION

This chapter deals with a study on sustainable investment fund with the special reference to Mutual fund. The analysis and interpretation are based on primary data collection. The objective is based on Chi square, correlation and anova to analyse the adoption drivers of ESG Mutual Funds by awareness levels of investors and the attitudes of the investors in adopting ESG Mutual Funds.

Evaluate the awareness levels of investors

Table 1 – Summary of investment and Awareness

Case Processing Summary

	Valid		Cases Missing		Total	
	N	Percent	N	Percent	N	Percent
Do you currently invest in mutual funds? * Are you aware of ESG mutual funds?	103	100.0%	0	0.0%	103	100.0%

Inference from the above table highlights that all respondents, based on primary data collection, invest in ESG mutual funds regardless of their awareness. This suggests that ESG investments are widespread, possibly due to automatic fund allocations, employer-driven choices, or general investment trends favouring sustainability, even among those unfamiliar with ESG principles.

Table – 2 Number of aware people

Do you currently invest in mutual funds? * Are you aware of ESG mutual funds? Crosstabulation

Count	Are you aware of ESG mutual funds?		
	1	2	Total
Do you currently invest in mutual funds? 1	71	31	102
2	0	1	1
Total	71	32	103

Table 2 presents insights from a survey of 103 respondents regarding ESG mutual funds. It reveals that 71 individuals are aware of ESG mutual funds, while 31 lack awareness. Interestingly, 102 respondents still invest in these funds, suggesting that investment decisions may not always be driven by conscious awareness or understanding of ESG principles. This could be due to factors such as financial advisors' recommendations, automatic fund allocations, or employer-driven investment plans. The data highlights a gap between awareness and action, implying that many investors may be participating in ESG investments unknowingly or without fully understanding their implications.

Table – 3 Evaluate the adoption drivers of ESG Mutual Funds by awareness levels of investors

Chi-Square Tests

	Value	df	Asymptotic Significance (2-sided)	Exact Sig. (2-sided)	Exact Sig. (1-sided)
Pearson Chi-Square	2.241*	1	.134		
Continuity Correction[b]	.169	1	.681		
Likelihood Ratio	2.360	1	.124		
Fisher's Exact Test				.311	.204
Linear-by-Linear Association	2.219	1	.136		
N of Valid Cases	103				

a. 2 cells (50.0%) have expected count less than 5. The minimum expected count is .31.
b. Computed only for a 2x2 table

Table 3 details the Chi-Square tests provide statistical values and significance levels to assess the association between variables in the dataset. The tests conducted include the Pearson Chi-Square, Continuity Correction, Likelihood Ratio, and Fisher's Exact Test. The Pearson Chi-Square test resulted in a value of 2.241 with one degree of freedom (df) and a p-value of approximately 0.134. The Continuity Correction, which adjusts for small sample sizes, yielded a value of 0.169 with df = 1 and a p-value of 0.681. The Likelihood Ratio, another method for evaluating relationships between categorical variables, resulted in a value of 2.360 with df = 1 and a p-value of 0.124. Lastly, Fisher's Exact Test, often used when sample sizes are small, provided a two-sided and one-sided exact significance value of 0.311.

Since all the p-values are greater than the conventional significance threshold of 0.05, the results suggest that there is no statistically significant association between the tested variables. This means that any observed differences in the dataset are likely due to random variation rather than a meaningful relationship. These findings imply that the variables analysed do not have a strong dependence.

Table 4 - The obstacles faced by investors in adopting ESG Mutual Funds by examining their attitudes.

ANOVA

		Sum of Squares	df	Mean Square	F	Sig.
Age	Between Groups	8.603	4	2.151	3.006	.022
	Within Groups	70.115	98	0.715		
	Total	78.718	102			
Gender	Between Groups	1.412	4	0.353	1.919	.113
	Within Groups	18.025	98	0.184		
	Total	19.437	102			
Occupation	Between Groups	3.369	4	0.842	1.204	.314
	Within Groups	68.554	98	0.700		
	Total	71.922	102			
Do you currently invest in mutual funds?	Between Groups	0.024	4	0.006	0.599	.664
	Within Groups	0.967	98	0.010		
	Total	0.990	102			

Table 4 present ANOVA table presents the statistical analysis of how different factors (Age, Gender, Occupation, and Mutual Fund Investment Status) impact investor attitudes toward ESG mutual funds.

The ANOVA results reveal that age plays a significant role in shaping investor attitudes toward ESG mutual funds (**p = 0.022**). This suggests that different age groups perceive ESG investments differently, possibly due to factors like financial experience, risk tolerance, or awareness of sustainable investing. Younger investors may be more inclined toward ESG funds due to growing environmental and social consciousness, while older investors might prioritize traditional investment returns over sustainability considerations.

On the other hand, gender (p = 0.113), occupation (p = 0.314), and mutual fund investment status (p = 0.664) do not significantly influence ESG investment decisions. This means that men and women, as well as individuals across different occupations, do not show substantial variations in their ESG investment preferences. Similarly, whether someone is already investing in mutual funds does not impact their ESG adoption, possibly indicating that ESG investment is driven more by personal values and awareness rather than prior investment

IV. CONCLUSIONS

The data reveals a significant disconnect between investor awareness and ESG investment engagement. A sizable percentage (31 people) of respondents are unaware of ESG principles, despite the fact that all of them invest in mutual funds and almost all of them (102 out of 103) are involved in ESG funds. This implies that rather than making a deliberate choice based on ESG principles, many investors may be unintentionally making ESG investments as a result of things like automatic fund allocations, employer-driven decisions, or financial advisor recommendations.

This conclusion is further supported by the statistical tests, which show no significant correlation between investment decisions and ESG awareness according to the Pearson Chi-Square and other significance tests. This suggests that participation in ESG funds is driven by outside factors rather than firsthand knowledge. Furthermore, the adoption of ESG funds is not significantly impacted by demographic criteria like gender or occupation. Age, on the other hand, shows up as a statistically significant factor, suggesting that younger investors would be more likely than older generations to favor ESG investments.

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