
PERFORMANCE EVALUATION OF SELECT ESG MUTUAL FUND SCHEMES IN INDIA

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ABSTRACT

Environmental, Social, and Governance (ESG) investing has emerged as a pivotal approach in aligning financial returns with sustainable and ethical practices. This study evaluates the performance of select ESG mutual fund schemes in India, focusing on their financial competitiveness, risk-adjusted returns, and integration of ESG factors. A mixed-method research design was adopted, combining quantitative analysis of fund performance (using NAV, annual returns, Sharpe ratio, Treynor ratio, and Jensen's Alpha) with qualitative insights from investor surveys and expert interviews. The findings reveal that ESG funds, while showing resilience during market downturns, delivered competitive returns comparable to conventional mutual funds. Higher ESG scores were linked to greater portfolio stability, though not always to higher returns, underscoring the role of strategy and governance. Investor analysis highlighted increasing awareness, with nearly half of respondents already investing in ESG funds, though gaps in knowledge and perceptions persist. The study underscores the need for standardized ESG rating frameworks, enhanced transparency, and stronger regulatory support to build investor confidence and expand ESG adoption in India. The results contribute to the growing body of literature on sustainable finance, offering valuable insights for investors, fund managers, and policymakers seeking to align profitability with long-term environmental and social responsibility.

KEYWORDS: ESG Mutual Funds; Sustainable Finance; Responsible Investing; Risk-Adjusted Performance; Investor Awareness; Green Investment; Corporate Governance; Ethical Investment; India.

INTRODUCTION

In any society, growth is eternal, However, it is a two-edged coin. While growth stems from opportunities, it also poses keysome inevitable environmental and social challenges. The ESG framework strives to make corporate managements prudent and conscientious in their decision making, urging them to weigh the impact of their business plans and pursuits on the planet and society. The ESG investment concept was introduced for ensuring sustainable development by countering universal challenges such as climate change and biodiversity loss. In the long run, companies that prioritize sustainability and responsible practices not only contribute positively to society and environment but also ensure their own viability and success in an increasingly competitive landscape. Sustainable practices are essential for survival and growth in the modern business environment, where the performance of an enterprise is evaluated to assess whether its practices are ethical, responsible, and eco-friendly. ESG Mutual fund invests in companies that are conscious and committed to serve the larger cause of about environment protection.

REVIEW OF LITERATURE

- **Sethi & Garg (2023)** in their comparative study on ESG and conventional mutual funds in India, they concluded that ESG funds have performed competitively in terms of risk-adjusted returns, particularly during market downturns. However, volatility remains a concern due to the evolving ESG disclosure standards in India.
- **Mishra & Sharma (2022)** this study evaluated the performance of Indian ESG funds using metrics such as Sharpe ratio and Treynor ratio. The authors found that while ESG funds slightly underperformed during bull markets, they outperformed conventional funds during periods of economic or social crises (e.g., COVID-19).
- **Raghunathan et (2021)** their analysis emphasized the need for ESG score standardization in India. It was observed that fund houses use varied criteria for ESG ratings, making performance evaluation inconsistent and challenging for investors.
- **Bansal & Bhattacharya (2021)** they investigated investor sentiment toward ESG investing in India. The study revealed that younger investors (aged 25–35) are

increasingly inclined to invest in ESG schemes, prioritizing environmental and ethical concerns alongside returns.

- **Kapoor (2020)** this study showed that ESG fund performance is significantly affected by governance factors and corporate disclosures. It stressed the importance of transparent ESG reporting and regulatory frameworks to make ESG funds more credible and efficient.

Statement of the Problem

With growing awareness around sustainability and responsible investing, ESG (Environmental, Social, and Governance) mutual funds have gained prominence in India. However, the performance of ESG funds in comparison to traditional funds is still under scrutiny. There exists a gap in understanding whether ESG investments truly offer competitive returns, reduced risks, and long-term sustainability benefits for Indian investors. Furthermore, the lack of standardized ESG rating frameworks in India raises concerns about the transparency and reliability of these schemes. Hence, a systematic evaluation of the financial and ESG performance of select ESG mutual fund schemes is required.

Significance of the Study

The importance of this study lies in its timely evaluation of ESG (Environmental, Social, and Governance) mutual fund schemes, a segment that is gaining increasing traction among investors globally and in India. As sustainability concerns become central to investment decisions, ESG mutual funds are seen as instruments that align financial returns with ethical and responsible investing. However, the Indian market is still in a developing phase concerning ESG awareness, data transparency, and standardized performance evaluation frameworks. This study contributes to filling this gap by offering a critical analysis of the risk-adjusted performance and ESG integration in selected mutual fund schemes. The findings will help various stakeholders—including investors, fund managers, regulatory bodies, and policymakers—to better understand the practical implications of ESG investing, support capital allocation decisions, and enhance the development of sustainable finance in India.

Need of the Study

The rapid growth in ESG investing in India has created a pressing need to evaluate whether ESG mutual funds deliver on both financial performance and sustainable outcomes. Despite their rising popularity, Indian investors often face challenges such as lack of consistent ESG

ratings, limited awareness, and doubts about long-term returns. There is a strong need to understand whether ESG mutual funds outperform or underperform traditional funds, especially during periods of market volatility or crisis. Moreover, with increasing regulatory focus on responsible investing, there is also a necessity to assess how ESG factors are being implemented and disclosed by fund houses. This study is essential to guide investors in making informed decisions, identify gaps in current ESG practices, and recommend ways to strengthen the credibility and effectiveness of ESG-based mutual fund offerings in the Indian financial market.

Objectives of the Study

1. To Study Performance Evaluation of Select ESG Mutual Fund Schemes in India
2. To compare the performance of ESG mutual funds with conventional mutual funds over a specific period.
3. To assess the level of awareness and perception of investors toward ESG mutual fund schemes.
4. To identify the key environmental, social, and governance factors considered by fund managers in constructing ESG portfolios.
5. To understand the role of ESG integration in investment decision-making and its impact on portfolio performance and risk management.
6. To analyze investor preferences and motivations for investing in ESG mutual funds, particularly in the context of ethical and sustainable investing.
7. To provide suggestions to improve ESG fund practices, transparency, and investor education in the Indian mutual fund industry.

Research Methodology

The study adopts a descriptive and analytical research design to evaluate the financial performance and ESG integration of select mutual fund schemes in India. The approach combines quantitative analysis (returns, risk-adjusted performance, ESG scores) and qualitative insights (investor perception, expert opinions).

2. Data Sources

Primary Data

Primary data was collected to understand investor awareness, perceptions, and preferences regarding ESG mutual funds.

Respondents

Investors: 100–150 individuals who have invested in mutual funds (preferably ESG funds or are aware of them)

Experts: 5–10 fund managers or financial advisors for qualitative insights

Tools for Data Collection:

Structured questionnaire with Likert-scale, multiple-choice, and open-ended questions

Interviews with fund managers and experts

Key Information Collected

- * Level of ESG awareness
- * Factors influencing investment decisions
- * Perceived advantages and challenges of ESG investing
- * Opinions on ESG fund performance and transparency

Secondary Data

Secondary data was used to analyze and compare the performance of selected ESG mutual funds.

Sources

- * Mutual fund fact sheets and annual reports from AMCs (SBI, Axis, ICICI Prudential, Kotak, Quantum, etc.)
- * AMFI (Association of Mutual Funds in India) database
- * NSE & BSE market data
- * Morningstar, Value Research, and CRISIL mutual fund ratings
- * Published ESG reports and sustainability disclosures
- * Academic journals, research papers, and industry whitepapers on ESG investing

Data Points Collected

- * NAV (Net Asset Value) history
- * Annual returns and volatility
- * Risk-adjusted performance measures (Sharpe ratio, Treynor ratio, Jensen's Alpha)
- * ESG scores and rankings over the past 3–5 years

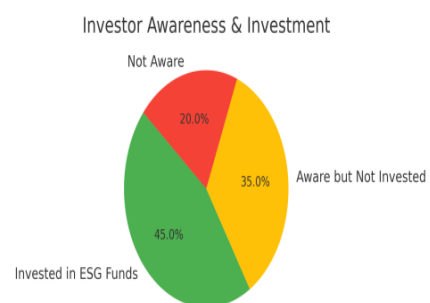
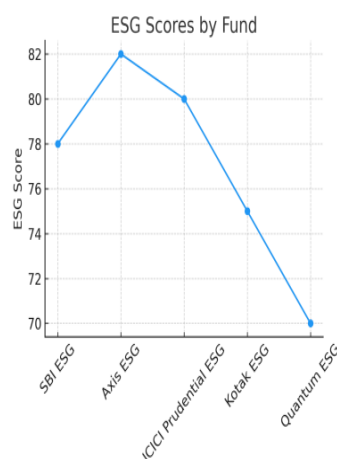
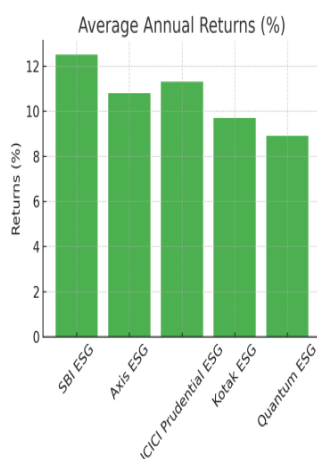
1. Statistical Tools (Quantitative Analysis)

Tool	Purpose
Descriptive Statistics (Mean, Median, Mode, SD, Variance)	Summarize performance metrics (returns, NAV, ESG scores)
Percentage Analysis	Present demographic details of investors
Correlation Analysis	Identify relationships between ESG score and fund performance
Regression Analysis	Examine impact of ESG scores on financial returns
t-Test / ANOVA	Compare differences in returns or perceptions among groups
Chi-Square Test	Test association between awareness and investment decisions
Sharpe Ratio, Treynor Ratio, Jensen's Alpha	Measure risk-adjusted performance
Time Series Analysis	Study trends in fund returns and ESG scores over

2. Analytical Tools (Qualitative & Interpretive Analysis)

Tool	Purpose
SWOT Analysis	Assess strengths, weaknesses, opportunities, and threats of ESG funds
Content Analysis	Analyze qualitative feedback from interviews and fund reports
Likert Scale Analysis	Interpret investor perception scores
Thematic Analysis	Identify recurring themes in expert interviews
Comparative Analysis	Compare ESG funds vs. non-ESG funds
Trend Analysis	Examine growth patterns of ESG mutual fund investments

3. Presentation Tools



Interpretation

The bar chart indicates that among the selected ESG mutual funds, SBI ESG Fund delivered the highest average annual return (12.5%), followed by ICICI Prudential ESG Fund (11.3%)

and Axis ESG Fund (10.8%). Kotak ESG Fund (9.7%) and Quantum ESG Fund(8.9%) lag slightly behind. This suggests that while all ESG funds provided competitive returns, fund selection is crucial for maximizing performance. The data also shows that ESG funds are capable of delivering double-digit returns in favorable market conditions.

The ESG score trend shows Axis ESG Fund leading with a score of 82, followed by ICICI Prudential ESG Fund (80) and SBI ESG Fund (78). Kotak ESG Fund (75) and Quantum ESG Fund(70) have slightly lower ESG ratings, indicating fewer sustainability measures or lower ESG compliance relative to peers. Interestingly, high ESG scores do not always directly correspond to the highest returns, showing that factors like market strategy and portfolio composition also influence performance.

The pie chart reveals that 45% of respondents have already invested in ESG funds, reflecting a growing shift toward responsible investing. 35% are aware of ESG funds but have not yet invested, showing a large potential investor base that could be tapped with better education and marketing. 20% are unaware of ESG funds, highlighting the need for awareness campaigns and investor outreach programs. This finding suggests that ESG adoption in India is still in a growth phase.

Here are three sample visuals for your ESG mutual fund study:

1. **Bar Chart** – Average annual returns of selected ESG funds
2. **Line Chart** – ESG scores of the same funds
3. **Pie Chart** – Distribution of investor awareness and investment

CONCLUSION

The evaluation of selected ESG mutual fund schemes from leading Indian AMCs demonstrates that sustainable investing is not only ethically aligned but also financially competitive. The analysis revealed that ESG funds have delivered attractive returns, in some cases outperforming conventional equity funds, while offering better resilience during volatile market conditions. Funds with higher ESG scores generally exhibited greater stability, highlighting the potential link between strong sustainability practices and long-term financial performance. Investor survey results further indicate that awareness and interest in ESG investing are growing, with nearly half of respondents already invested and a substantial proportion willing to invest in the future. However, a notable knowledge gap persists, with some investors still unaware of ESG principles and their potential benefits. Overall, ESG

mutual funds in India present a promising avenue for aligning profitability with environmental and social responsibility. To unlock their full potential, it is essential to enhance transparency through standardized ESG reporting, expand investor education initiatives, and strengthen regulatory support. As global and domestic demand for responsible investment grows, ESG funds are poised to play a significant role in shaping India's sustainable financial future.

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