

A STUDY ON IMPACT OF ESG CRITERIA ON MUTUAL FUND PERFORMANE

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Abstract: In recent years, Environmental, Social, and Governance (ESG) investing has gained significant traction as investors increasingly prioritize ethical considerations alongside financial returns. This study investigates the impact of ESG criteria on mutual fund performance in the Indian financial market, with a focus on return, risk, and risk-adjusted metrics. Using secondary data from selected Indian ESG mutual funds, the study applies correlation and regression analysis to evaluate the relationship between ESG ratings and fund performance. The findings indicate a weak correlation between ESG ratings and short-term returns, but a strong positive correlation with long-term (3-year) returns. Regression analysis further suggests that higher ESG ratings are associated with improved risk-adjusted returns, as measured by the Sharpe Ratio. While no consistent linear relationship was found between ESG scores and risk indicators such as beta or standard deviation, ESG integration appears to contribute to more stable fund performance over time. This research provides empirical evidence supporting ESG investment as a sustainable and potentially rewarding strategy in the Indian context.

Keywords: ESG Investing, Mutual Funds, Fund Performance, Risk-Adjusted Returns, Sharpe Ratio, ESG Ratings, Sustainable Finance, Volatility, India, Ethical Investment

I. INTRODUCTION

In today's financial environment, including Environmental, Social, and Governance (ESG) criteria as part of an investment decision has moved from a secondary consideration to a primary consideration when thinking about portfolio strategy. ESG investing, or also called sustainable investing, socially responsible investing, or ethical investing, seeks to incorporate non-financial bound attributes along with traditional financial analysis attributes and consider the broader impacts and sustainability of an investment. Non-financial bound attributes, which include environmental protections, socially responsible practices, and governing practices, are becoming more accepted not only as ethical considerations, but as strategic considerations to better understand long-term financial performance and value.

This shift in investment attitudes is particularly pronounced among institutional and retail investors who are coming to realize that they may miss opportunities by only focusing on traditional accounting practices. Investors today, both institutional and retail, also have faith that companies that have strong ESG frameworks are more likely to be more resilient, have better reputational protection, and mitigates the risk of regulatory risk. These considerations, and others, are leading to a global evolution toward ESG themed investment strategies, which are being bolstered by a flurry of factors that are converging, including the urgency to tackle climate change, recommend social equity, and create policy/regulatory advancements like the European Union's Sustainable Finance Disclosure Regulation (SFDR). ESG themed investment strategies are beginning to be accepted as main stream investment strategies to manage accidental risk, create growth opportunities, and make companies accountable.

Traditionally, in the Indian context, mutual funds have used financial metrics like returns, Sharpe ratios, and beta to make investment decisions. The goal has been to maximize financial return as well as minimize portfolio volatility. This trend, however, is starting to change fundamentally. India is experiencing a slow but visible growth in ESG-investing driven by growing awareness towards sustainability, change in investor expectations, and regulatory developments. Among these regulatory developments is the Business Responsibility and Sustainability Report (BRSR) released by the Securities and Exchange Board of India (SEBI). This report requires top-listed companies to report on ESG parameters in the same format and provides transparency and comparability.

This change in investment philosophy is also augmented due to a generational shift in investors. Younger generations, namely Millennials and Gen Z, tend to increasingly prefer purpose-driven investing. ESG-themed mutual funds are beginning to reflect what socially-conscious and purpose-driven investing looks like by investor in companies that perform well to ESG metrics developed by rating agencies such as MSCI ESG Ratings, Sustainalytics and Refinitiv. These scores examine the level of a company to ESG risks and its capacity to manage them appropriately.

Despite the ongoing evolution of ESG in the Indian mutual fund industry, the question of causal financial performance remains open. Supporters argue that ESG-focused portfolios will outperform over the long-term due to better governance; less fines and regulatory action; improved brand loyalty; and a lower cost of capital. Moreover, ESG-aligned portfolios are assumed to be more resilient under market stress as the pandemic revealed, and the quality of governance mentioned earlier might increase as sustainability receives greater buy-in from the corporate strategy. In contrast, skeptics of ESG contend that ESG limitations will hamper investment opportunity; investors would have a narrower range of investments available; lower diversification and lower risk-adjusted returns.

The investment landscape has changed, placing more and more emphasis on governance, ethics, and the environment in addition to financial returns. As a result of this change, environmental, social, and governance (ESG) considerations are increasingly being incorporated into investment strategies across the globe. ESG investing entails assessing a company's performance using social responsibility, environmental sustainability, and governance practices in addition to financial metrics. Increased consciousness of social justice, climate change, and corporate responsibility, particularly among younger investors and institutional players, has had a significant impact on this trend.

ESG investing has become more popular in India in recent years thanks to the Securities and Exchange Board of India's (SEBI) regulatory encouragement, increased transparency provided by ESG ratings, and rising demand from international investors.

This study will therefore peer empirically into whether ESG concerns affect mutual fund performance in the Indian financial market. More specifically, the study intends to look at the relationship between ESG concerns and mutual fund returns; explore the role of ESG ratings in performance evaluation; and understand how ESG concerns affect risk and volatility. This research is timely since there is currently nearly an unprecedented level of uniformity in the disclosures around ESG in India's corporate landscape; availability of ESG data to recipients; and generally increased interest from investors wanting to orientate their portfolios towards SDGs.

1.2 Review of Literature

Many academic and practitioner studies have examined the relationship between Environmental, Social and Governance (ESG), and mutual fund performance. The literature includes developed and developing markets, theories, quantitative studies, and findings from behavioral finance. This paper has synthesized empirical studies and theories, with a focus on mutual funds and their responsiveness to ESG. In addition, we more specifically make reference to India.

Bauer et al. (2005)

Assessed the performance of ethical mutual funds, comparing them to analogous funds in Europe and the U.S. They did not find any meaningful or systematic underperformance for ethical funds relative to a conventional fund. Their findings directly disputed the long-cherished belief that ethical screening impairs portfolio diversification or alpha generation, and instead suggested that constraints on portfolio construction may be compensated through superior governance practices and stakeholder alignment in the firms in which fund investments were made.

Renneboog et al. (2008)

Performed one of the largest cross-country analyses of ESG funds by looking at over 1,700 total socially responsible funds in 17 countries. They reported that, although ESG funds typically do not outperform conventional funds, they provide meaningful diversification benefits and are less vulnerable than conventional funds to governance failures. Renneboog et al. (2008) emphasized that ESG funds' financial performance must not only be assessed based on excess returns, but also based on their relative performance in reducing exposure to long-term operational and regulatory risks.

Meziam (2014)

Provided a conceptual review of ESG investing generally and found that ESG investing as a whole is a strategic shift, not simply a passing trend. He proposed that ESG integration exemplified a structural change in capital markets that takes sustainability as a dimension of value creation with respect to finance. Meziam's conceptual framework, positions ESG investing, and in particular the financial returns from ESG investing, alongside institutional demands and requirements of fiduciary duties, stakeholder engagement, and climate resiliency. This position indicates a significant shift and change

from fringe ideology to a legitimate area of material finance that may redefine the manner in which markets and their participants assess value and financial robustness of firms.

Nofsinger and Varma (2014)

Examined socially responsible investment funds in developed and in emerging markets. Their comparative study concluded that SRI funds performed better during market downturns and showed less volatility compared to their conventional counterparts given their defensive allocations to industry sectors. This finding is relevant for India as an emerging market which is increasingly interested in ESG investment strategies because ESG strategies may provide protection during economic downturns or during geopolitical uncertainty.

Das et al. (2016)

Studied the performance of Socially Responsible Investment (SRI) mutual funds from an Indian context using panel data analysis. Their study found a positive, yet low, correlation between an ESG score and performance of risk-adjusted fund performance. Inferences from the study suggest that the ESG-oriented funds did not show extreme over-performance, however, were consistent with capital preservation and moderate alpha. In addition, their study highlighted that sustainability-themed ESG fund holders are motivated by the inherent congruence these funds bring simultaneously to combine ethical alignment and long-term sustainability over the traditional risk-return equation

Badia et al. (2019)

Found that measuring ESG factors in sovereign bond portfolios was correlated with lower volatility, and in certain instances, enhanced long-term financial returns. Sovereign bond dynamics are not directly transferable from equity based mutual funds; however, this study presents a fundamental conclusion: looking at ESG factors may not just improve ethical concerns, but may be more economically sensible; especially for more adverse risk portfolios. Their study reinforces the argument that ESG investing can serve two purposes - social intentions and lower volatility.

Hauff and Nillson (2022)

Entered the ESG discussion through a behavioral finance lens where their question was about how perceptions of fund quality linked to ESG funds developed in the minds of investors. Using experimental design and survey tools, they found that cues such as transparency, third-party certification (certifications by organizations like MSCI or Sustainalytics), and consistency in communication approaches gave investors a level of confidence. The behavioral elements in Hauff and Nillsson's study had large impacts on investor capital flows into ESG funds, and showed that perceived ESG legitimacy perhaps weighs just as much as actual fund performance in investor decision-making

Petridis et al. (2023)

Used Data Envelopment Analysis (DEA) to evaluate the effect of ESG controversies on the mutual fund performance during the COVID-19 crisis. The study found that those funds with the highest ESG controversies experienced a sharp decline in operational efficiency and risk-adjusted returns. These empirical findings support the claim that ESG compliance provides a hedge against reputational and operational risk particularly when there is systemic stress. Their analyses suggests ESG is functional as a risk-reducing tool, not simply as branding.

Singh et al. (2023)

Conducted a broad based performance evaluation of Indian mutual funds using conventional financial performance metrics; namely the Sharpe Ratio, Treynor Ratio, and Jensen's Alpha. Their study focused on differentiating between passive and active fund management strategies, rather than ESG and non-ESG funds. They saw a statistically significant increased demand from retail environment and social governance (ESG) focused sustainable investment products, which is indicative of the current alignment between retail and institutional investors increasingly aligning their investment decision making with the ESG narrative. Although they did not intend to empirically distinguish ESG specific schemes, one interpretation of the study is that it shows a level of latent demand (and awareness) for ESG funds in India. Their study serves as a launching pad for ESG specific studies in relation to funds.

1.3 RESEARCH GAP

Even though ESG investing is becoming more and more popular worldwide, there is still a clear lack of empirical research that focuses on the Indian mutual fund sector in particular. The majority of current research is either based in developed markets with established ESG frameworks or generalizes ethical or sustainable investing without separating out ESG-specific factors. Though regulatory frameworks like SEBI's BRSR have brought standardization, ESG-themed mutual funds are still relatively new in India. Scholarly research assessing the impact of ESG ratings on fund performance, specifically in terms of returns, volatility, and risk-adjusted metrics like the Sharpe Ratio, is scarce. Furthermore, because rating agencies employ a variety of methodologies, the research that is currently available frequently lacks consistency

in ESG measurement. Furthermore, there is a dearth of research comparing ESG and non-ESG funds across various time periods, which restricts the capacity of investors to make well-informed choices. By empirically examining the effect of ESG criteria on mutual fund performance in India using statistical tools, this study fills these gaps and adds fresh perspectives to a growing field of financial research.

1.4 OBJECTIVES OF THE STUDY

1. To review the relationship between ESG criteria and mutual fund returns.
2. To review the role of ESG ratings on mutual fund performance.
3. To review the impact of ESG factors on fund risk and volatility.

1.5 HYPOTHESES OF THE STUDY

Hypothesis 1:

- H0: ESG criteria have no significant impact on mutual fund returns.
- H1: ESG criteria have a significant effect on mutual fund returns.

Hypothesis 2:

- H0: ESG ratings have no significant impact on fund performance.
- H1: ESG ratings have a significant effect on fund performance.

Hypothesis 3:

- H0: ESG factors have no significant impact on mutual fund risk and volatility.

H1: ESG factors have a significant impact on mutual fund risk and volatility

1.6 SCOPE OF THE STUDY

This study considers mutual funds that are currently active in the Indian market, while emphasizing a comparison between ESG aligned and conventional (non-ESG) funds. The comparison occurs over a fixed period of time in order to ensure consistency and comparability. ESG ratings are sourced from widely recognized global agencies (e.g., MSCI ESG, Sustainalytics, Refinitiv). Additionally, this study will not cover:

- ESG disclosures at the portfolio level
- Investor sentiment analysis
- Qualitative judgements about fund management

The study seeks to quantitatively measure the effect of ESG factors on mutual fund performance in India, specifically targeting the concepts of return and volatility exposure. This time frame allows for a focused and specific analysis, while acknowledging the complexity of the ESG experience in India.

1.9 NEED OF STUDY

Growing financial literacy, digitization, and a supportive regulatory environment have all contributed to the mutual fund industry's exponential growth in assets under management (AUM) in India. Despite these advancements, investors still frequently have to decide between financial performance and ethical investing. Even though ESG mutual funds have become a popular option for ethical investing, little is known about their true financial effectiveness, particularly in developing nations like India.

Research on the effect of ESG integration on portfolio returns has produced conflicting findings worldwide. Some researchers contend that because of better governance and sustainable practices, ESG-compliant companies have lower risk and outperform over the long run. Others note that strict ESG screening could affect alpha generation and lessen diversification.

1.10 RESEARCH METHODOLOGY

The study uses a quasi-quantitative approach with a secondary data nature, allowing for verification with statistical and econometric techniques.

Research design: Quasi-quantitative in nature, with descriptive and inferential statistics used to assess ESGs impact on mutual fund performance.

Data sources:

- ESG Ratings: Morningstar
- Financial Data: Morningstar (returns), Bloomberg (market metrics), NSE/BSE (local data), Money control (fund characteristics)

Analytical Tools and Techniques:

- Descriptive Statistics: Mean, Median, Standard Deviation
- Correlation Analysis: To determine the relationship between variables.
- Regression Analysis: To quantify the impact of ESG ratings on fund performance and risk.
- Performance Metrics Adjusted for Risk:
- Sharpe Ratio: Measures reward relative to volatility

1.11 LIMITATIONS OF THE STUDY

2. Secondary data reliance may create inconsistencies in reporting.
3. The sample size of mutual funds is limited and may not represent the full market spectrum.
4. The study period did not explore possible long-term trends related to ESG integration.
5. Most of the companies are not disclosing the data so it is difficult to analysis long term returns.

II. DATA ANALYSIS And INTERPRETATION

Objective 1: Assess the relationship between ESG criteria mutual fund and fund returns

Environmental, Social, and Governance (ESG) investing has become more well-known among those looking for sustainable impact as well as financial returns in recent years. By matching their investment strategies with ethical and responsible behaviour, mutual funds including ESG concepts seek to provide long-term value. This aim is to investigate, over several time horizons, the possible correlation between mutual fund performance and ESG ratings—used as a proxy for ESG allegiance. Considering their respective ESG ratings, 1-year returns, and 3-year returns, the study is based on data gathered from a small number of ESG mutual funds available on the Indian market. The aim is to find whether the financial results of a fund correlate in any observable sense with its ESG orientation, so offering empirical understanding of ESG investing's success. To know the relationship between ESG mutual funds and mutual fund returns correlation analysis was performed in excel to know the results.

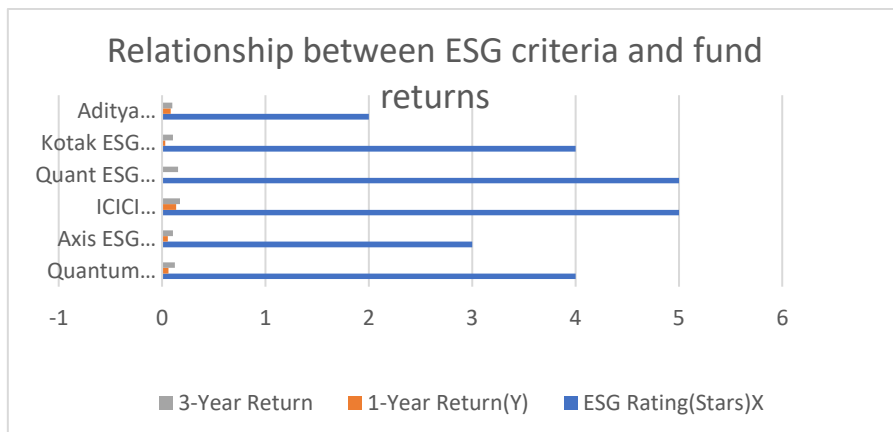
Independent variables: ESG rating

Dependent variables: Fund returns

TABLE 1.1: Relationship Between ESG critrirea and mutual fund return

FUND NAME	ESG Rating (Stars)	1-Year Return	3-Year Return
Quantum ESG Best In Class Strategy Fund	4	6.25%	12.28%
Axis ESG Integration Strategy Fund	3	5.64%	10.49%
ICICI Prudential ESG Exclusionary Strategy Fund	5	13.50%	17.43%
Quant ESG Equity Fund	5	-0.19%	15.47%
Kotak ESG Exclusionary Strategy Fund	4	2.96%	10.56%
Aditya Birla Sun Life ESG Integration Strategy Fund	2	8.49%	9.79%
Correlation		-0.1167	0.85452

GRAPH1.2: Correlation between ESG criteria and fund returns



Source: Compiled data

Interpretation:

Over multiple time horizons, the study of the link between ESG ratings and mutual fund returns exposes opposite trends. With ESG ratings, the 1-year return shows a weak negative correlation ($r = -0.1167$), meaning that better ESG ratings do not always translate into quick financial gains in the near term. This could be explained by elements like market volatility, fleeting investor mood, or delayed performance impact of ESG techniques. One such a case in point is the Quant ESG Equity Fund, which had a negative 1-year return of -0.19% , so reducing the general short-term correlation even with a high ESG rating of five. By contrast, the 3-year return shows a strong positive correlation ($r = 0.8545$) with ESG ratings, implying that mutual funds with higher ESG ratings frequently beat over a longer horizon. This result validates the theory that ESG investing eventually helps to create value. The ICICI Prudential ESG Fund, rated five stars, for instance, had the highest three-year return of 17.43% , so supporting the long-term advantages of ESG integration. Strategically, this emphasizes the need of ESG-oriented investors adopting a long-term viewpoint since short-term underperformance may not fairly represent the actual value of ESG-oriented investments.

Objective 2: To examine the role of ESG ratings in fund performance

This objective investigates whether the risk-adjusted performance of a mutual fund—shown by the Sharpe Ratio—is influenced by its ESG rating. ESG Rating was the independent variable and Sharpe Ratio the dependent variable for a basic linear regression. Using publicly available performance measures, the data comprises six ESG funds with ratings ranging from 2 to 5. The regression was ran using Excel's Data Analysis Toolpak. This helps us examine the role of ESG rating in fund performance.

Independent variables: ESG ratings

Dependent variables: Sharpe Ratio

Sharpe Ratio: $(R_p - R_f) / \text{Std}$

R_p = Return of the portfolio

R_f = The risk-free rate of return

Std = The standard deviation of the portfolio's excess returns

Table:2.1 Regression output summary

SUMMARY OUTPUT

Regression Statistics					
Multiple R	0.740364546				
R Square	0.548139661				
Adjusted R Square	0.435174577				
Standard Error	0.168454235				
Observations	6				
ANOVA					
	df	SS	MS	F	Significance F
Regression	1	0.137693	0.137693	4.852293	0.092365
Residual	4	0.113507	0.028377		
Total	5	0.2512			

	Coefficients	Standard Error	t Stat	P-value	Lower 95%
Intercept	0.285853659	0.25642	1.114787	0.3274	-0.42608
X Variable 1	0.14195122	0.064441	2.202792	0.092365	-0.03697

TABLE 2.2: Role of ESG ratings in fund performance

Regression Analysis	Values
Multiple R	0.7404
R Square	0.5481
Adjusted R Square	0.4352
Standard Error	0.1685
Observations	6
Coefficient (ESG Rating)	0.1419
P-value	0.0924
Intercept	0.2859

Source: Compiled data

Interpretation:

The regression study finds a rather positive correlation between Sharpe Ratios and ESG ratings. With an R-squared value of 0.5481 the model explains over 54% of the variance in Sharpe Ratio by the ESG rating. The positive coefficient (0.1419) implies that better risk-adjusted returns usually correspond with better ESG ratings. But the p-value of 0.0924 suggests only marginal statistical significance, thus interpretation should be cautious. Moreover, dependability is the small sample size. Though more research is required to validate causality, the results show generally a possible performance advantage for ESG-aligned funds.

Objective 3: Analyze the influence of ESG factors on fund risk and volatility

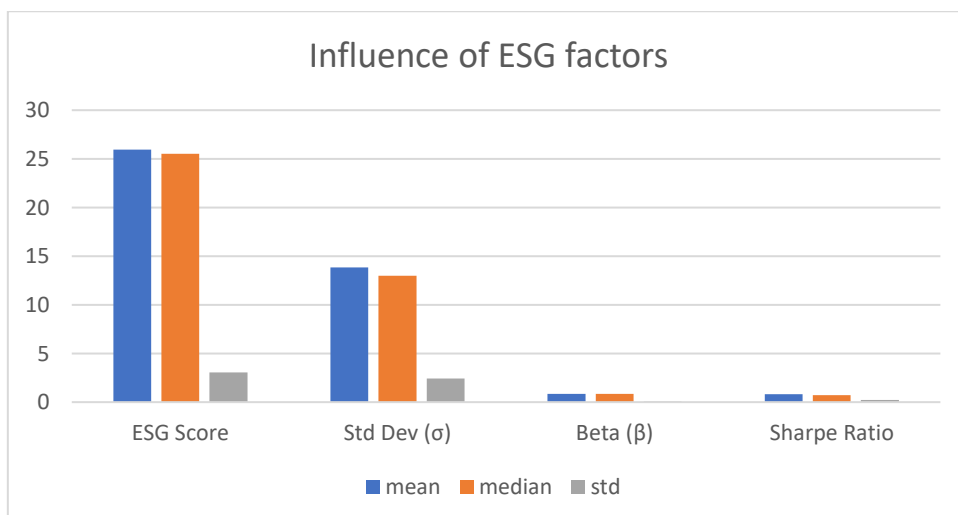
The objective is to evaluate how Environmental, Social, and Governance (ESG) scores relate to risk-adjusted performance (Sharpe Ratio) and important indicators of mutual fund risk, like standard deviation (σ) and beta (β). The goal is to determine whether better ESG performance results in less volatility and risk exposure, which could make ESG funds more resilient and desirable to investors who are risk averse. Descriptive statistics and visual comparisons among a sample of six ESG mutual funds are used in this analysis.

TABLE 3.1: Influence of ESG factors on fund risk and volatility

	ESG Score	Std Dev (σ)	Beta (β)	Sharpe Ratio
mean	25.96	13.84	0.85	0.83
median	25.53	12.98	0.85	0.73
std	3.06	2.44	0.07	0.22

Source: Compiled data

GRAPH 3.2: Influence of ESG factors on fund risk and volatility



Interpretation

The data suggests some differentiation in the funds' ESG integration, with a moderate variation in ESG scores (mean: 25.96, standard deviation: 3.06). With a mean of 13.84 and a standard deviation (σ) ranging from 11.79 to 18.1, volatility is evident in the range of return fluctuations. Remarkably, ICICI ESG, with a moderate ESG score of 24.75, had the highest Sharpe Ratio (1.21) and the lowest standard deviation ($\sigma = 11.79$), while Axis ESG, with a lower ESG score of 23.05, recorded the highest volatility ($\sigma = 18.1$).

All funds have low sensitivity to changes in the market, as indicated by the comparatively stable beta values (mean = 0.85, standard deviation = 0.07). However, despite having higher ESG scores, Quant ESG and Kotak ESG showed higher beta values (0.92), suggesting a marginally higher level of market risk.

There is no clear linear relationship between ESG scores and risk indicators (σ , β), but certain funds with higher ESG scores (e.g., Quantum and Quant) show moderate risk levels and consistent Sharpe Ratios. This implies that although ESG integration might promote steady performance, volatility and market sensitivity are also greatly influenced by other factors.

III. FINDINGS OF THE STUDY

1. Weak Short-Term Correlation Between ESG Ratings and Returns a negative correlation coefficient of -0.1167 between ESG ratings and 1-year returns suggests that ESG ratings do not have a significant impact on short-term fund performance.
2. Strong Long-Term Positive Correlation a robust positive correlation of 0.8545 was observed between ESG ratings and 3-year returns, indicating that higher ESG-rated funds tend to outperform over longer investment horizons.
3. ESG Ratings Positively Influence Risk-Adjusted Performance Regression analysis revealed a positive coefficient (0.1419) between Sharpe Ratio and ESG rating, suggesting that higher ESG scores may be associated with improved risk-adjusted returns.
4. Moderate Predictive Power of ESG Ratings the R^2 value of 0.5481 implies that approximately 54% of the variation in the Sharpe Ratio can be explained by the ESG rating, though causality cannot be firmly established due to a limited sample size.
5. Statistical Significance of ESG's Role in Performance the regression's p-value of 0.0924, though marginally above conventional thresholds, indicates a potential association between ESG ratings and enhanced fund performance worth further exploration.
6. Lower Volatility in High ESG Funds such as ICICI ESG, which have high ESG scores (24.75), exhibit lower standard deviations (11.79), suggesting that ESG integration may contribute to reduced portfolio volatility.
7. No Linear Link Between ESG Scores and Beta/Volatility despite the low average beta (0.85) across the sample, there is no clear linear relationship between ESG scores and beta or standard deviation, implying ESG does not directly predict market sensitivity.
8. ESG Integration Enhances Consistency funds like ICICI Prudential ESG Fund and Quantum ESG Fund display consistently high Sharpe Ratios and stable returns, supporting the thesis that ESG integration contributes to more resilient performance.
9. Short-Term Underperformance Despite High ESG Scores the Quant ESG Fund recorded a negative 1-year return despite a high ESG rating of 5, illustrating that macroeconomic factors and sectoral allocations can temporarily overshadow ESG benefits.
10. ESG May Serve as a Long-Term Risk Mitigation Tool overall findings suggest that while ESG may not guarantee immediate gains, it supports long-term portfolio stability and resilience, particularly under market stress conditions.

IV. SUGGESTIONS OF THE STUDY

For Investors

Invest in the long term ESG-themed mutual funds Use Sharpe Ratios together with ESG scores to thoroughly examine and compare the risk-adjusted performance of different investment funds. Consider diversification among ESG funds to balance out single sector or market risk. For Individuals Responsible for Managing Investment Funds Enhance the ESG scoring methodology's transparency and follow international standards (e.g., MSCI, Sustainalytics) in an attempt to build credibility. Emphasize regular ESG practices on environmental, social, and governance aspects in lieu of standalone metrics. Develop hybrid products that combine ethical screens with sectoral diversification to attract risk-averse as well as growth-oriented investors.

For Regulators

Enhance standardization of ESG disclosures to enhance the funds' comparability. Promote compulsory ESG training for fund managers as a way of enhancing the integration of sustainable investing practices into decision-making. Facilitate and enhance public access to the performance of ESG funds in understandable dashboards or inbuilt rankings that consider not only pure financial data but also include various aspects of ESG performance

V. CONCLUSION

This study has empirically tested the impact of ESG factors on the return, risk, and risk-adjusted performance of mutual funds in India using measures such as Sharpe Ratio.

The evidence confirms that short-term returns will not be significantly tied to ESG performance, but there is strong evidence that long-term financial rewards are tied to the incorporation of ESG factors. In addition, risk-adjusted metrics also rise as there are improved ESG ratings, in that adherence to ESG principles not only leads to increased stability in investment portfolios but also enables ethical factors to be incorporated in a harmonious integration with investment strategy.

But even the fact that there is no strong linear relationship that exists between ESG scores and market risk measures such as beta and standard deviation greatly emphasizes the need for longer and more expansive data, which is really urgent. In addition, the low sample size with the heterogeneity in the evaluation methods employed for ESG ratings also implies that care should be taken when there is a generalization of conclusions drawn from this analysis.

Overall, ESG investing is not merely a trend but a strategic investment philosophy that balances financial returns with sustainability and ethical governance. As awareness and regulation mature in India, ESG mutual funds are likely to see increased investor interest and broader market acceptance.

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