Nudging for Sustainable and Responsible Behaviour: Analysing ESG Mutual Fund Investments in India

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Abstract

'Prithvi shanti', meaning 'let the forces of nature be in balance', is an ancient Indian wisdom, coming from the Upanishads. Ever since the Rio de Janeiro conference took place in 1992 in Brazil, the world has improved compared to what it would have been without this conference. This nudging for sustainable and responsible behaviour has continued since then, but the question remains as to how effective it has been. The effectiveness of nudging to perform sustainable behaviour can be assessed in several ways, including global investment in environmental sustainability, improvements in environmental, social, and governance (ESG) metrics, and a reduction in environmental degradation. Presently, it has evolved into a full-fledged ESG sector, encompassing compliance and investment This paper attempts to trace the evolution of the ESG framework in India. Further, it seeks to analyse the performance of the Nifty 100 Index with the Nifty 100 ESG Index and ranks the ESG mutual funds in India based on their last 3 years' performance. The tendency to invest in sustainable and responsible investments is rising, albeit slowly. A comparison of the broad market index, Nifty 100, with the Nifty 100 ESG shows that the latter has outperformed.

Keywords: *Environmental, Social, and Governance (ESG), Indices, ESG Mutual Funds, Investments, Sustainable and Responsible Behaviour*

1. Introduction

The Rio de Janeiro conference, held in 1992, marked a milestone in drawing the world's attention to the pressing issues of climate change and the overexploitation of its resources beyond sustainable levels. Ever since, through various rounds of discussions and conferences, conscious collective efforts to save the planet have been nudging us towards sustainable and responsible behaviour. In 2004, in its report titled 'Who Cares Wins', the United Nations introduced the idea of Environmental, Social, and Governance (ESG) as understood in the modern context. This sustainable and responsible behaviour by individuals and nations can be reflected in diverse ways, including funding and investing in projects that aim to make the world better, i.e., strengthening the ESG sector and improving ESG metrics.

This section examines significant developments in ESG that have occurred at a global scale over the last three decades.

1.1 The 1992 Rio de Janeiro Convention on Biological Diversity

The 1992 Rio de Janeiro Convention on Biological Diversity (CBD), also known as the Earth Summit, was a landmark international agreement signed at the United Nations Conference on Environment and Development in Rio de Janeiro. It aimed to promote the preservation and sustainable use of biodiversity, along with the just and fair sharing of benefits derived from the use of genetic resources. CBD had three main objectives: the preservation of biological diversity, the sustainable use of its constituents, and the unbiased sharing of the benefits derived from the use of genetic resources. The CBD is a legally binding international treaty, meaning that countries that ratify it are obligated to implement its provisions. One hundred ninety-six countries are currently parties to the CBD. The CBD has led to the development of various protocols and initiatives, including the Cartagena Protocol on biosafety and the Nagoya Protocol on access to genetic resources and the fair and equitable sharing of benefits arising from their utilisation (Ashworth, 2022). Countries like India have established national bodies and legislation, such as the Biological Diversity Act of 2002 and the National Biodiversity Authority, to implement the provisions of the CBD. In essence, the CBD is a crucial international agreement that recognises the importance of biodiversity for human well-being and the need for its conservation and sustainable use. Simultaneously, there are developments in the form of an alliance among nations for global sustainable investment.

1.2 Global Sustainable Investment Alliance (GSIA)

An alliance of regional sustainable investment organisations, the Global Sustainable Investment Alliance aims to promote and support the growth of sustainable investment practices globally. Its mission is to leverage the financial services industry to address key global challenges and accelerate the transition to a sustainable future. The GSIA also plays a role in influencing policy and building communities of sustainable investment practitioners.

The key highlights of the Global Sustainable Investment Alliance (GSIA) Report, 2022 are:

- The quantum of sustainable investing assets is a total of USD 30.3 trillion globally.
- Data published in the new GSIA report – Global Sustainable Investment Review 2022 – is the 6th edition of this landmark publication.
- In non-US markets, sustainable investment AUM have increased by 20% since 2020.
- Increased rigour in the US results in a decline in assets labelled as ‘sustainable’ (GSIA Report, 2023)

The findings of the report highlight the ongoing efforts by regulators, policymakers, and industry players to refine the scope of sustainable investments and address greenwashing risks, leading to more trustworthy measurements of global sustainable AUM. Launched to inform discussions at the Conference of the Parties of the UNFCCC, more commonly known as COP, sustainable investment organisations from around the world have made a series of policy recommendations f2.or the international community to consider.

1.3 GSIA Report 2044

The Global Sustainable Investment Alliance (GSIA) is expected to release a report in 2044 that summarises the state of SRI worldwide, building on previous reports that detailed the growth and trends in SRI practices. These reports typically analyse various investment strategies, including negative or exclusionary screening, ESG integration, and impact investing, and their impact on achieving sustainability goals, such as climate action and the Sustainable Development Goals (SDGs).

Key aspects expected to be covered in the 2044 GSIA report are a review of sustainable investment assets, focusing on quantitative measures of total assets invested in sustainable and responsible investments. It will also incorporate regional and country-level analysis, emphasising the importance of robust and comparable disclosure methodologies for sustainability information, potentially recommending the adoption of global baselines for corporate sustainability disclosures and ESG ratings. The report might address barriers and challenges to scaling up SRI, potentially building on the Policy Vacuum, Interest, Valuation, Ownership, and Transition Misalignment (PIVOT) framework identified in previous analyses. The report will offer recommendations for policymakers to promote further and accelerate the adoption of sustainable investment practices (GSIA Report, 2023)

2. Literature Review

The relevant literature highlights various issues associated with what ESG investing is and what it is not. Given a particular definition of each component of ESG, how we measure them is itself a vast field of study.

2.1 ESG Metrics

Berg, Florian, et. al. (2022) investigate ESG data from six prominent ESG rating agencies.[1] : Kinder, Lydenberg, and Domini (KLD), Sustainalytics, Moody's ESG (Vigeo-Eisis), S&P Global (RobecoSAM), Refinitiv (Asset4), and MSCI. Different rating agencies employ varying taxonomies, which become integral to their ESG rating methodologies. The authors decompose the divergence into scope, measurement, and effect. Divergence on these three counts is not similar. Measurement divergence is the highest, compared to the divergence in concept and effect. They also detect, in their study, the rater effect, where a rater's overall view of a firm influences the measurement of specific categories, which in turn affects the ratings assigned.

2.2 ESG Investment Performance

As part of their literature review, Aydoğmuş et al. (2022) give a whole list of research papers where either there is a positive relationship between ESG investments and firm value and performance, or there is a list where this relationship is not so unambiguous. The study presents data indicating a clear-cut positive relationship between ESG score and firm value and ESG score and profitability, taking data of the largest 5000 publicly listed companies from the Bloomberg database from 2013 to 2021, with an overall universe of 45000 panel data firm-year observations, and applies filters using ESG scores in the Refinitiv database and ends up with 1720 companies having 14043 firm-year observations. The sample consisted of firms with a market capitalisation of USD 2.85 billion or above.

Kraussl et al. (2024) examine the recent literature on the expectations, beliefs, and perceptions of investors who incorporate ESG considerations into investment decisions to achieve superior performance or social impact[2] . Kraussl et al. (2024) find strong empirical evidence in the literature that investors have a preference for ESG and that their actions can generate positive social impact through engagement.

Soni, T.K. (2023) examined the relationship between risk-adjusted returns and mutual funds operating in India over a 13-year period. He concluded that the financial performance of ESG mutual funds with higher ESG scores is not significantly better than that of ESG mutual funds with lower ESG scores, after adjusting for the Fama-French five-factor model.Vishali, M., MK, MS. (2024) posit that socially responsible investment is an emerging investment avenue in India. To evaluate the effectiveness of the ESG funds, they employed various risk-adjusted returns measures and compared them.

3. Objectives

The study aims to determine whether socially responsible investment, in the form of ESG investments, is prevailing in India. Furthermore, whether it is profitable or not, compared to other comparable investments. In this paper, we focus on sustainable and responsible behaviour in terms of ESG investing in India, specifically limiting our discussion to ESG Indices and mutual funds. Thus, the specific objectives are:

- To examine the historical perspective on the evolution of the ESG framework in India.
- To analyse the performance of the Nifty 100 Index with the Nifty 100 ESG Index, and
- To rank the ESG mutual funds in India based on their last 3 years' performance.

4. Methodology

For this study, exploratory insights and empirical analysis have been blended to understand how ESG investing is evolving in the Indian financial landscape. The current and historical data have been obtained from the official websites of the National Stock Exchange (NSE), Bombay Stock Exchange (BSE), and various other verified websites, as duly credited in the references. Different ESG indices developed by NSE and BSE (in partnership with S&P) in collaboration with private financial data providers were checked. Then, only one index was solely focused on, namely the Nifty 100 ESG Index, and compared with the Nifty 100 Index. The returns and risk-adjusted returns of these two indices were compared over one year, five years, and since their inception. Different ESG mutual funds based on their financial performance, were also compared, evaluating their three-year returns and rankings.

5. The Evolution of the ESG Framework in India

Richard Thaler, a Nobel laureate in Economics, is known for his work on "nudge theory", which explores how subtle influences can affect people's choices and behaviours. He suggests that by understanding how people make decisions, we can design environments that encourage them to make better choices without restricting their freedom (Thaler, 2018). The evolution of the ESG framework, both globally and in India, can be viewed from this perspective. However, the idea here is nudge, not sludge. Sludge can take two forms. It can discourage behaviour that is in a person's best interest, such as claiming a rebate or tax credit, but imposes unimplementable conditions. Alternatively, it can encourage self-defeating behaviour, such as investing in a deal that is too good to be true (Thaler, 2018).

For a long time, businesses have considered earning profits as their primary goal, necessary for survival and growth. However, as humanity's greed began to negatively impact the environment and its quality of life, with its associated side effects, voices were raised, forcing businesses to think beyond financial considerations and consider non-financial issues as well. The corporate sector is not only expected to take the blame but also play a crucial role in reversing the situation. Each one of us is now aware of the global challenges, including climate change and disasters, increasing economic and social inequalities, poverty, and discrimination, among many others. Businesses cannot ignore their responsibilities towards society. So, not only are regulators, but consumers and employees are now raising their voices, arguing that companies should responsibly manage both natural and social capital, in addition to managing financial capital. A proper governance framework must also be in place to support this.

At the conceptual level, ESG refers to a framework comprising three pillars: Environment, Social, and Governance, representing the topic areas that companies should report on, in addition to reporting on tangible assets and liabilities. The environmental section encompasses topics such as climate change, pollution and waste, energy, biodiversity, water management, resource utilisation and environmental compliance. The social part includes areas such as labour practices, diversity, equity and inclusion, health and safety, human rights, employee engagement, customer responsibility, and community impact. The governance section encompasses corporate ethics, regulatory compliance, board structure, internal audit and control, shareholder rights, executive compensation, and risk management. Put simply, a company's day-to-day activities, besides presenting financial risks and opportunities, also generate non-financial risks and opportunities. The purpose of ESG reporting is to capture these.

6. Findings

6.1 ESG-led Investing in India

In 2009, the Ministry of Corporate Affairs (MCA) issued voluntary guidelines for Corporate Social Responsibility (CSR). This was the formal start of ESG investing in India. The Western world, by this time, had already laid the foundation, institutionalised and created formal frameworks in this direction. The 'Who Cares Wins', report of the United Nations, which introduced the idea of ESG, persuaded all stakeholders, including business managers, directors, investors, and analysts, to incorporate ESG principles into their long-term strategies and decision-making processes.

However, India was quick to catch up with global sentiments from here. Following the CSR guidelines, the MCA introduced the National Voluntary Guidelines (NVGs) in 2011, which outline the social, environmental, and economic responsibilities of businesses. The purpose of these guidelines is to provide Indian corporates with a framework of principles, enabling them to balance financial performance with positive social and environmental impacts and operate responsibly and sustainably. From practising ethics, transparency, and accountability to protecting the environment, respecting human rights, and supporting inclusive growth and equitable development, the nine principles of NVGs can be viewed as the formal entry of a similar framework, such as ESG, in India.

Using NVGs as a base, in 2012, the Securities and Exchange Board of India (SEBI) issued the Business Responsibility Report (BRR), a mandatory disclosure format for top-listed companies (100 from FY 2012, 500 from FY 2015, and 1,000 from FY 2019). Whereas NVGs helped shape ESG thinking, BRR structured ESG reporting for investors, other stakeholders, and regulators. Whereas NVGs urged all businesses to conduct their operations ethically across nine principles, BRR mandated top-listed companies to report on actions taken to uphold NVGs' principles (Business Responsibility Reports – FAQs).

The BRR was replaced by the Business Responsibility and Sustainability Report (BRSR) in 2021 by SEBI. BRSR is mandatory for the top one thousand listed companies from FY 2022-23. The introduction of BRSR marked a significant leap for India in meeting global standards for the ESG framework. Now the reporting style has become more structured and quantitative, making comparison and auditing of ESG data easier than before, when qualitative data was provided (SEBI, 2021). The BRSR is aligned primarily with the Global Reporting Initiative (GRI) (GRI, 2024). Its format covers most of the ESG factors in a structured way, although the 'ESG' label has not been used explicitly.

It not only focuses on policy-level disclosures but also emphasises performance indicators and becomes useful for regulators and investors.

6.2 Development of ESG Indices

The two national stock exchanges of India, the Bombay Stock Exchange and the National Stock Exchange, develop and maintain various stock market indices, including broad market indices, sector-specific indices, thematic indices, and market capitalisation-based indices. To measure the overall performance of the stock market, broad market indices are used, which also serve as indicators of the economy's health. Two important broad market indices developed by these two stock exchanges are Nifty and Sensex. The sector-specific indices track the performance of specific sectors, while thematic indices focus on specific investment themes, such as consumption or ESG.

Although the first ESG index was launched in the USA in 1990, India developed its first ESG-focused index in 2008. Standard and Poor, in collaboration with CRISIL and KLD Resources and Analytics, launched the S&P ESG India Index. The NSE has developed three ESG indices: the Nifty 100 ESG Index, the Nifty 100 Enhanced ESG Index, and the Nifty 100 ESG Sector Leader Index. The BSE has developed the BSE 100 ESG Index, the BSE CARBONEX Index, and the BSE GREENEX Index. These indices were launched between 2012 and 202020. However, the BSE CARBONEX Index and the BSE GREENEX Index were discontinued in September 2024.

6.3 Nifty 100 Index and Nifty 100 ESG Index

The Nifty 100 Index[3] is a broad-based index made up of the top 100 companies, chosen from the Nifty 500 Index, representing key sectors of the economy and ranked on full market capitalisation, "Nifty100 ESG Index is designed to reflect the performance of companies within the Nifty 100 index based on Environmental, Social and Governance (ESG) risk score" (NSE, 2019, p. 2). The Nifty 100 ESG Index was officially launched on March 27, 2018, and made publicly available for benchmarking and other purposes. The base date, the retrospective reference point used to construct the index historically, enabling investors to analyse the theoretical past performance, was kept as April 1, 2011, with a base value of 1000. There are 88 stocks out of the Nifty 100 Index in this. The list of 88 stocks is provided in Annexure 1.

To create the Nifty 100 ESG Index, the Nifty 100 Index serves as the universe, implying that all stocks listed in the Nifty 100 Index become eligible to be part of the Nifty 100 ESG Index. Out of these stocks, companies whose controversy score falls below 70 are excluded. Controversy score assesses how a company manages its controversies. Better handling of controversies means lower risks of negative reputation, litigation, and long-term performance volatility and hence higher scores. Thereafter, the sin stocks are removed. Companies involved in sectors such as tobacco, alcohol, gambling and nuclear weapons are excluded. The remaining companies are then evaluated based on their ESG performance. Companies with a valid ESG score (provided by SES[4]) are included in the Index (NSE, 2019).

6.4 Nifty 100 Index vs Nifty 100 ESG Index

For a better understanding, we can compare the two indices based on their construction philosophies, compositions, and financial performances.

6.4.1 Construction Philosophy

As discussed earlier, the Nifty 100 ESG Index is a subset of the Nifty 100 Index. When we compare the two based on their construction philosophies, it is evident that the Nifty 100 ESG Index considers the sustainability performance of companies, in addition to their financial size, liquidity, and other financial parameters. So, the Nifty 100 ESG Index is more aligned with the goal of sustainable and responsible investing.

6.4.2 Composition

Again, based on our previous discussion, we know that the Nifty 100 ESG Index excludes all companies from the top-listed large-cap 100 companies that form the Nifty 100 Index, which belong to the sin sectors, have high controversy, or a low ESG score. This means the Nifty 100 ESG Index represents a more sustainable and responsible universe compared to the Nifty 100 Index, as it excludes companies that may be high in profitability but low in ESG.

6.4.3 Performance and Risk

Figures 1 to 3 below present a comparison between the two indices, Nifty 100 and Nifty 100 ESG, for the complete period (since inception of Nifty 100 ESG), one year and five years (up to July 11, 2025) in terms of Returns.

Figure 1

Performance of Nifty 100 and Nifty 100 ESG index since April 1, 2011

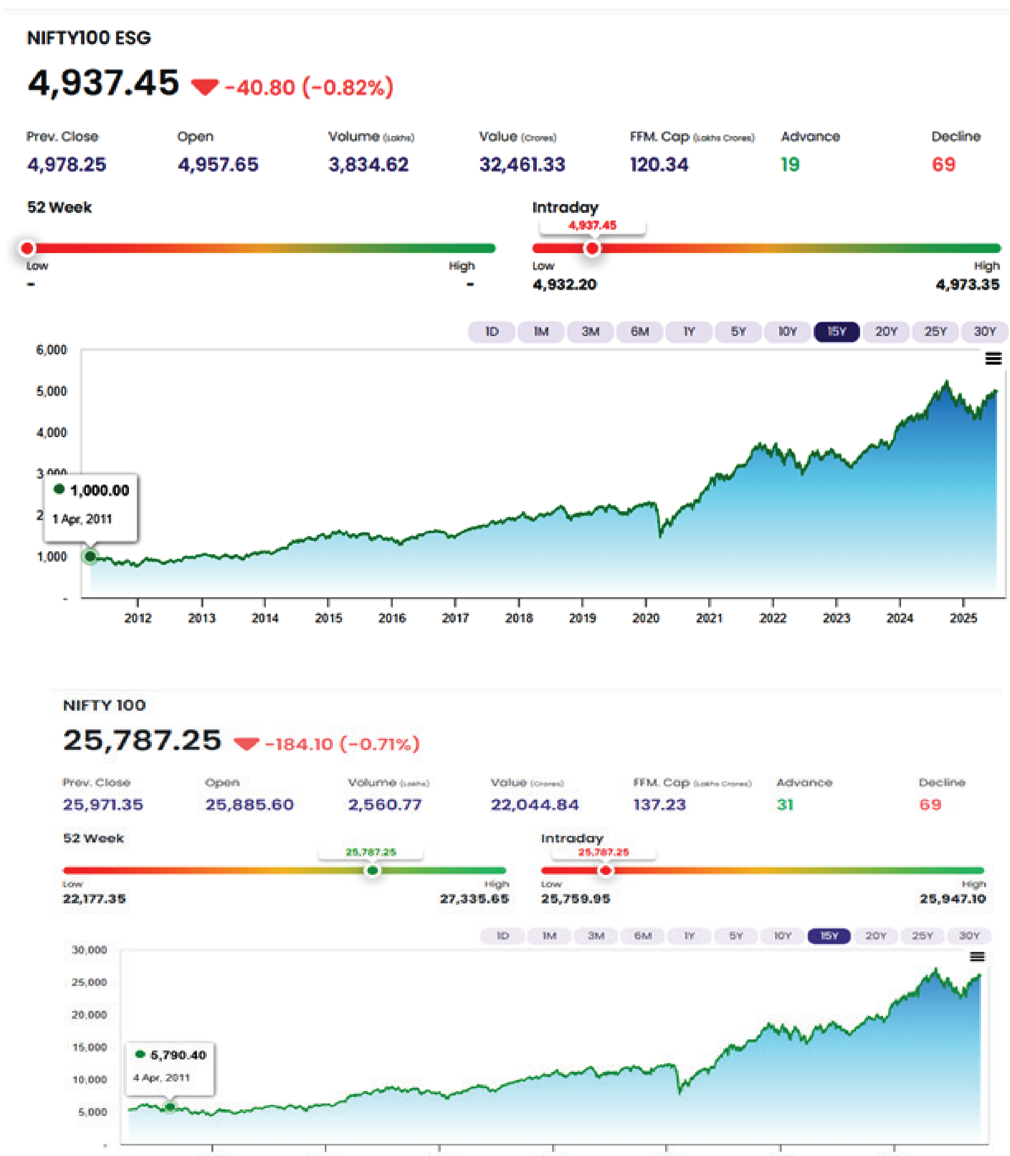


Figure 2

One-Year Performance of Nifty 100 Index and Nifty 100 ESG Index

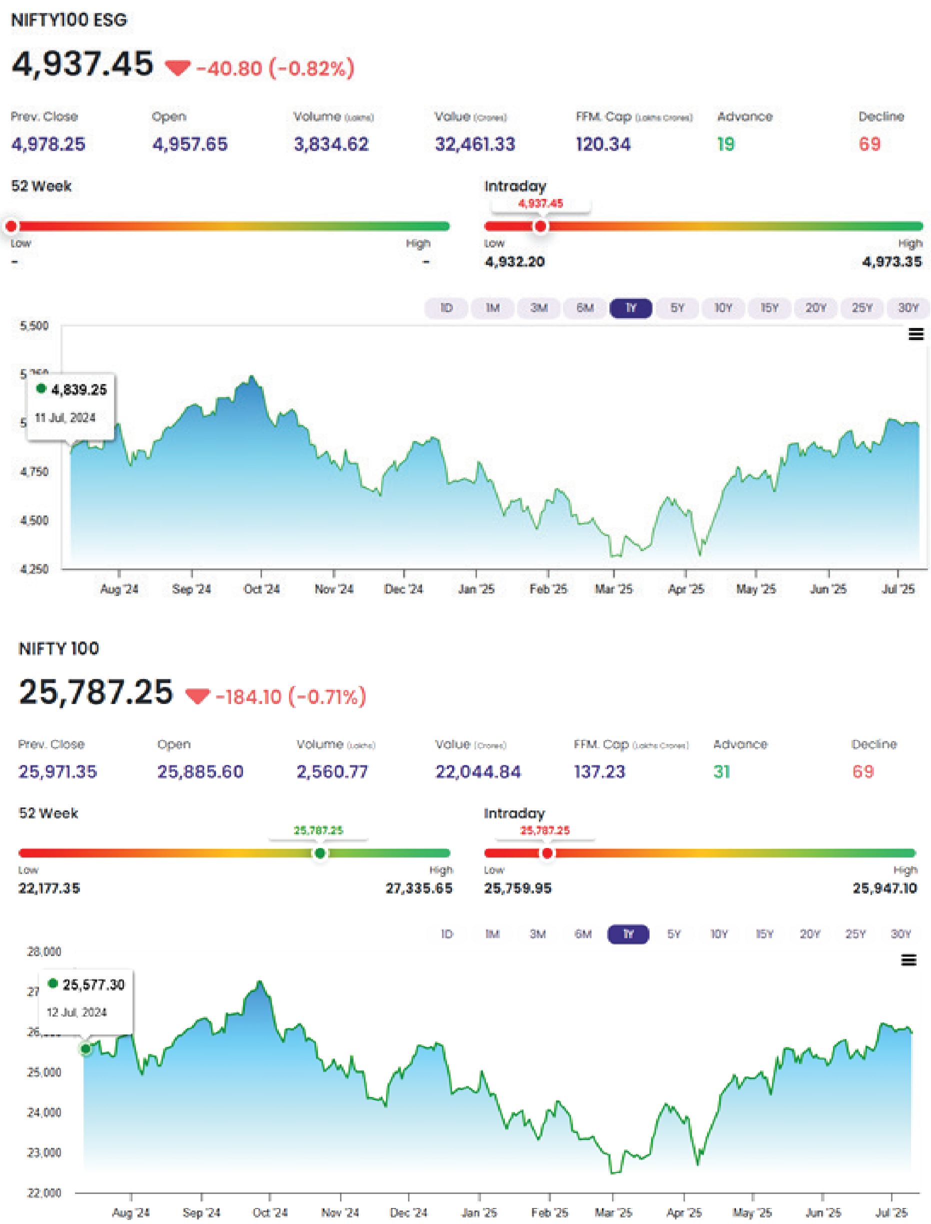
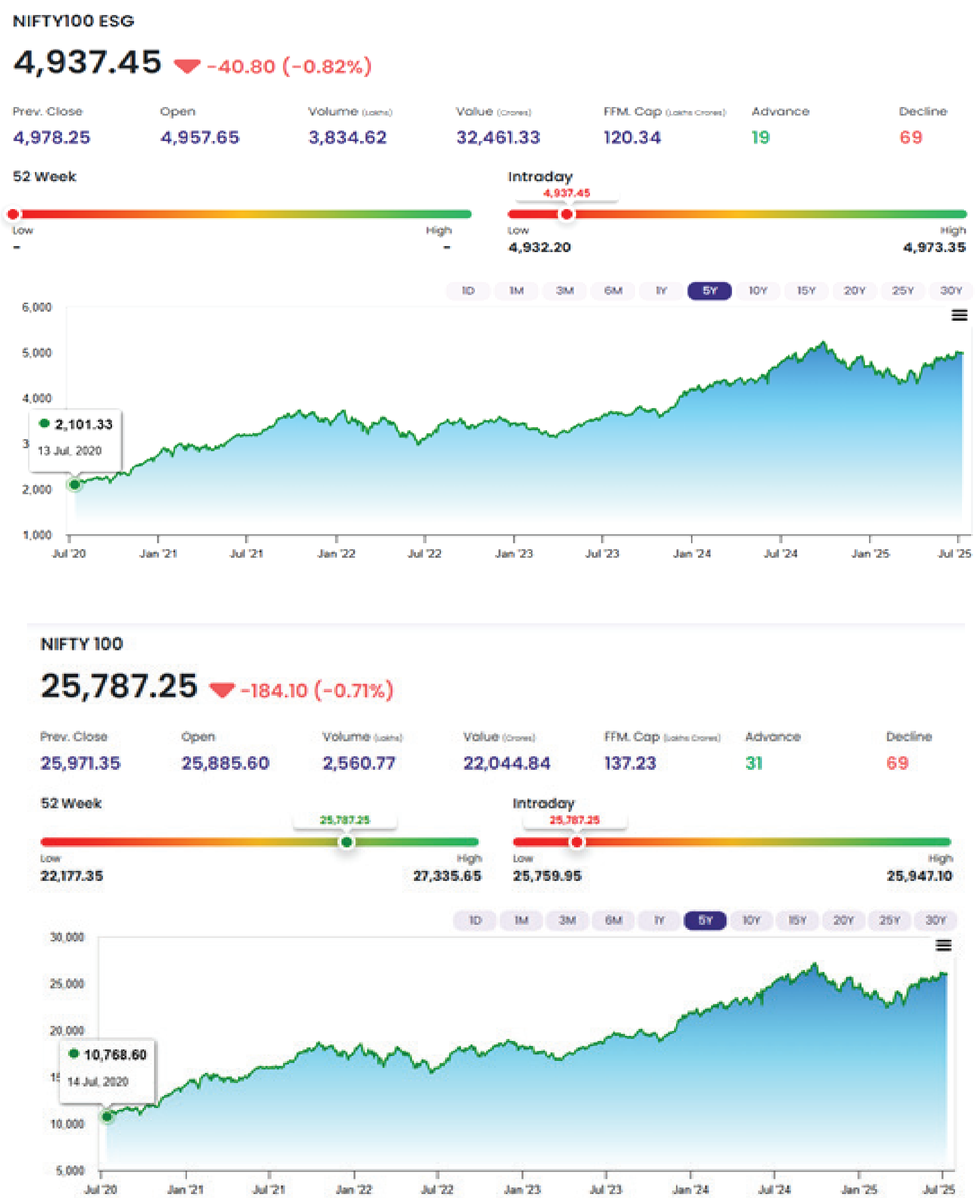


Figure 3

5-Year Performance of Nifty 100 Index and Nifty 100 ESG Index



The Nifty 100 ESG Index has outperformed the Nifty 100 Index by a slight margin.

Table 1 presents a detailed comparison of the performance of the two indices in terms of returns (both price and total), risk (measured by volatility), and the Sharpe ratio, which measures risk-adjusted returns.

Table 1

Return, Risk and Sharpe Ratio of Price and Total Return (Nifty100 v Nifty100 ESG)

S. No.	Plan/Index	CAGR	Risk[5]	Sharpe Ratio[6]
1	One-Year Nifty100 Price Return	4.53	14.1	-0.125531915
2	One-Year Nifty100 Total Return	5.68	14.1	-0.043971631
3	One-Year Nifty100 ESG Price Return	5.63	14.55	-0.04604811
4	One-Year Nifty100 ESG Total Return	6.64	14.55	0.023367698
5	5-Year Nifty100 Price Return	20.04	14.69	0.935330157
6	5-Year Nifty100 Total Return	21.41	14.69	1.028590878
7	5-Year Nifty100 ESG Price Return	20.06	14.56	0.389423077
8	5-Year Nifty100 ESG Total Return	21.42	14.56	1.038461538
9	Since Inception, Nifty100 Price Return	15.6	21.26	0.437441204
10	Since inception, Nifty100 Total Return	17.22	21.26	0.51364064
11	Since Inception, Nifty100 ESG Price Return	11.97	16.73	0.822474597
12	Since Inception Nifty100 ESG Total Return	13.44	16.73	0.426778243

Source: Authors' compilation from NSE Factsheet from www.nseindia.com and authors' calculations.

As evident from the data presented in the table and illustrated in the charts, a comparison between the Nifty 100 ESG Index and the Nifty 100 Index reveals that the returns are comparable or slightly higher for the Nifty 100 ESG Index.

Not only this, the ESG Index also has lower risk (volatility). The exclusion of high-risk stocks (sin sector or controversial) is the reason for this.

It is also worth noting that comparable /higher returns with lower volatility result in a higher Sharpe Ratio, indicating more efficient risk-adjusted returns for the Nifty 100 ESG Index. The credit goes to the Nifty 100 ESG Index's portfolio, which emphasises a stronger environmental focus, better governance, and superior social concerns. In times of economic and social uncertainty, these practices offer greater resilience and better stability.

Thus, it is safer to say that the Nifty 100 ESG Index has not compromised on financial performance by delivering stable and balanced returns while prioritising sustainability goals and exhibiting responsible behaviour.

6.4.4 ESG Mutual Funds in India

ESG Mutual Funds may be evaluated on the following parameters:

6.4.4.1 Based on Suitability:

Investors seeking to diversify their portfolios by investing in companies that demonstrate sustainable practices across ESG parameters, with high returns, and aim for long-term wealth creation. With a long-term investment horizon, those investors who are comfortable with market fluctuations consider this option.

6.4.4.2 Based on Taxability of Earnings:

A higher rate of tax is levied on the entire amount of gains if the mutual fund units are sold within one year of the date of investment. If the units are sold after one year from the date of investment, a portion of the gains may be exempted from tax. In contrast, gains exceeding the specified limit, are usually taxable, at a specified, lower rate. No tax is applicable if the investor continues to hold the units.

6.4.4.2 Based on Dividends:

Dividends, as part of an investor's income, are taxed according to the specified rates and are deducted at source if the investor's dividend income exceeds the specified limit in a financial year.

Ten funds were operating at the time of writing. Of these 10 funds, one fund[7] was of recent origin and, therefore, was excluded from analysis. Table 2 provides a summary of ESG mutual funds in India. ICICI Prudential ESG Exclusionary Strategy Fund Direct – Growth was ranked number one in ESG Mutual Funds in India. Moreover, the Mirae Asset Nifty 100 ESG Sector Leader Fund was ranked ninth, the lowest among ESG Mutual Funds in India. Annualised returns varied from 24 per cent for the top-ranking ESG mutual fund to 17 per cent for the bottom-ranking ESG mutual fund in India.

Table 2

ESG Mutual Funds in India

S.No	MF/Index Fund	NAV	AUM % Retail	Exp Ratio	Type G/D	Exit Load(%)	Exit n Days	3 Year Returns	CAGR	Rank
1.	ICICI Prudential ESG Exclusionary Strategy Fund Direct – Growth	24.18	1525.27	1.00	G	1.00%	365	90.84%	0.24	1
2.	Quant ESG Equity Fund Direct – Growth	36.28	298.68	0.87	G	1.00%	15	86.42%	0.23	2
3.	Quant ESG Equity Fund Direct - IDCW Payout	36.23	298.68	0.87	D	1.00%	15	86.42%	0.23	2
4.	Quant ESG Equity Fund Direct - IDCW Reinvestment	36.23	298.68	0.87	D	1.00%	15	86.42%	0.23	2
5.	Kotak ESG Exclusionary Strategy Fund Direct – Growth	18.66	875.25	0.88	G	0.50%	90	69.27%	0.19	3
6.	Kotak ESG Exclusionary Strategy Fund Direct – IDCW	18.66	875.25	0.88	D	0.50%	90	69.27%	0.19	3
7.	Kotak ESG Exclusionary Strategy Fund Direct - IDCW Payout	18.66	875.25	0.88	D	0.50%	90	69.27%	0.19	3

8.	Invesco India ESG Integration Strategy Fund Direct – Growth	19.35	490.84	0.97	G	1.00%	365	67.53%	0.19	4
9.	Invesco India ESG Integration Strategy Fund Direct - IDCW Payout	15.78	490.84	0.97	D	1.00%	365	67.53%	0.19	4
10.	Aditya Birla Sun Life ESG Integration Strategy Fund Direct – Growth	19.28	636.56	1.42	G	1.00%	30	67.22%	0.19	5
11.	Aditya Birla Sun Life ESG Integration Strategy Fund Direct – IDCW	16.81	636.56	1.42	D	1.00%	30	67.22%	0.19	5
12.	Quantum ESG Best In Class Strategy Fund Direct – Growth	25.73	104.28	0.75	G	1.00%	365	63.37%	0.18	6
13.	SBI ESG Exclusionary Strategy Fund Direct Plan – IDCW	95.34	5715.13	1.33	D	1.00%	365	62.10%	0.17	7
14.	SBI ESG Exclusionary Strategy Fund Direct Plan -Growtha	265.56	5715.31	1.33	G	1.00%	365	62.10%	0.17	7
15.	Axis ESG Integration Strategy Fund Direct – Growth	23.20	1245.58	1.30	G	1.00%	365	60.11%	0.17	8
16.	Axis ESG Integration Strategy Fund Direct - IDCW Payout	16.53	1245.58	1.30	D	1.00%	365	60.11%	0.17	8
17.	Mirae Asset Nifty 100 ESG Sector Leaders FoF Direct – Growth	19.24	100.33	0.05	G	0.05%	15	58.35%	0.17	9
18.	Mirae Asset Nifty 100 ESG Sector Leaders FoF Direct - IDCW Payout	19.23	100.33	0.25	D	1.00%	15	58.35%	0.17	9

Source: *Compiled from publicly available documents from brokers' apps, like MOSL, GROWW, Paytm, and www.amfi.com*

7. Discussion

ESG investment guidance has been encouraging responsible behaviour among investors in India. We have divided the discussion of this fund comparison into three parts: past behaviour (2018-2022), present mood (2023-2025), and future possibilities (2025 onwards).

7.1 Past Behaviour (2018-22)

Most ESG mutual funds in India have emerged post-2019. One apparent reason could be the COVID-19 pandemic, which aroused strong sentiments towards the need for sustainable and responsible behaviour. The BRR and BRSR mandates also expedited the trend. At their inception, these funds were targeted at specific niches and were viewed as idealistic. The initial returns were low. Retail participation was also poor due to the unawareness and scepticism of retail investors.

7.2 Present Mood (2023-25)

The replacement of BRR with BRSR by SEBI has led to improved ESG disclosures, encouraging investors to make more informed decisions. Meanwhile, private players like Zerodha, Government organisations like SEBI, and other Institutions like nationalised banks are investing heavily in educating investors towards responsible investing. Additionally, Gen Z investors are more conscious of sustainability. So, investors' perceptions about ESG funds are gradually becoming favourable, and these funds are now viewed as a balanced and risk-mitigated investment strategy.

7.3 Future Expectations

The ESG mutual funds are expected to attract higher levels of investment, both institutional and individual. These funds are unlikely to remain backstage even if they do not move to the mainstream soon. More rigorous disclosure mandates from regulatory bodies, which boost transparency and comparability, as well as a broader range of fund options and increased sensitivity towards individual and collective responsibility, will increase total investments in ESG funds as sustainability becomes a core life value.

A contrasting development can be observed in the form of the 'One Big Beautiful Bill Act' (OBBB Act), signed into law in the USA by the Trump administration on July 4, 2025, which may have global implications for ESG investments.

The legislation reverses many of the clean energy incentives introduced under the Inflation Reduction Act (IRA), including those covering renewable power generation, electric vehicle (EV) infrastructure and commercial efficiency upgrades. For businesses that rely on high-density computing, the changes could significantly alter the economics of integrating clean power.

The performance of ESG funds[8] has improved compared to their previous performance, as reported in a recent study[9]. Such results indicate that not only are ESG investments sustainable and responsible, but also profitable.

8. Conclusion

The growing concern to save the planet has led to various steps, including adopting socially responsible and sustainable behaviour. One way to practice socially responsible and sustainable behaviour is to opt for ESG investing. With the development of ESG indices by the BSE and NSE, as well as the offering of ESG mutual funds by leading companies, India has taken steps towards ESG investments. A comparison of the broad market index, Nifty 100, with the Nifty 100 ESG shows that the latter has outperformed.

By understanding how people make decisions, we can design environments that encourage them to make better choices without restricting their freedom. The evolution of the ESG framework, both globally and in India, can be viewed from this perspective. ESG investment guidance has generally been inducing responsible behaviour on the part of investors in India. ESG mutual fund investments have grown more rapidly than many other types of investments. However, more needs to be done.

Annexure I: List of ESG stocks included in Nifty 100 ESG Index

Company	Industry	Mkt Cap (Cr)	CMP	PE
Reliance Industries Ltd	Refineries	₹ 20,22,901	₹ 1,495.2	29.04
HDFC Bank Ltd	Banks - Private Sector	₹ 15,20,969	₹ 1,983.7	21.49
Tata Consultancy Services Ltd	Computers - Software - Large	₹ 11,81,450	₹ 3,266	23.98

Bharti Airtel Ltd	Telecommunications - Service Provider	₹ 11,52,551	₹ 1,921.9	40.51
ICICI Bank Ltd	Banks - Private Sector	₹ 10,14,913	₹ 1,421.9	19.89
State Bank of India	Banks - Public Sector	₹ 7,21,555	₹ 808.65	9.3
Infosys Ltd	Computers - Software - Large	₹ 6,62,564	₹ 1,594.9	24.99
Hindustan Unilever Ltd	Personal Care - Multinational	₹ 5,92,120	₹ 2,519.6	56.81
Life Insurance Corporation of India	Life Insurance	₹ 5,83,322	₹ 922.4	12.07
Bajaj Finance Ltd	Finance - Large	₹ 5,80,010	₹ 933.5	34.8
HCL Technologies Ltd	Computers - Software - Large	₹ 4,44,226	₹ 1,638.3	25.53
Sun Pharmaceutical Industries Ltd	Pharmaceuticals - Indian - Bulk Drugs & Formulation	₹ 4,01,288	₹ 1,672	35.03
Maruti Suzuki India Ltd	Automobiles - passenger cars	₹ 3,95,439	₹ 12,574	27.27
Mahindra & Mahindra Ltd	Automobiles - passenger cars	₹ 3,82,378	₹ 3,073.2	29.58
UltraTech Cement Ltd	Cement - Major - North India	₹ 3,68,164	₹ 12,495	60.18
Axis Bank Ltd	Banks - Private Sector	₹ 3,64,021	₹ 1,173.8	12.97
NTPC Ltd	Power Generation And Supply	₹ 3,32,159	₹ 342.7	14.18
Bajaj FinServ Ltd	NBFC-Holding Companies	₹ 3,22,191	₹ 2,017.2	36.21
Adani Ports & Special Economic Zone Ltd	Miscellaneous - Large	₹ 3,09,040	₹ 1,431.7	28.64

Oil & Natural Gas Corp Ltd	Oil Exploration / Allied Services	₹ 3,04,254	₹ 241.76	8.37
Titan Company Ltd	Diamond Cutting / Jewellery - Large	₹ 2,98,202	₹ 3,361.6	89.38
Adani Enterprises Ltd	Trading - Large	₹ 2,95,741	₹ 2,558.7	73.04
Power Grid Corporation of India Ltd	Power Generation And Supply	₹ 2,77,716	₹ 298.55	17.89
Wipro Ltd	Computers - Software - Large	₹ 2,70,501	₹ 258.3	20.66
Avenue Supermarts Ltd	Trading - Large	₹ 2,64,451	₹ 4,064.2	97.67
Eternal Ltd	E-Services	₹ 2,54,093	₹ 263.35	478.73
JSW Steel Ltd	Steel - Large	₹ 2,53,642	₹ 1,037.2	65.36
Tata Motors Ltd	Automobiles - LCVs/ HCVs	₹ 2,50,928	₹ 681.8	8.89
Asian Paints Ltd	Paints / Varnishes	₹ 2,34,005	₹ 2,439.2	59.58
Adani Power Ltd	Power Generation And Supply	₹ 2,32,978	₹ 603.95	17.99
Nestle India Ltd	Food And Dairy Products - Multinational	₹ 2,31,629	₹ 2,403.5	75.45
Interglobe Aviation Ltd	Transport - Airlines	₹ 2,28,805	₹ 5,917.5	31.52
Bajaj Auto Ltd	Automobiles - Scooters and 3-Wheelers	₹ 2,25,091	₹ 8,067	30.73
Indian Oil Corporation Ltd	Refineries	₹ 2,12,665	₹ 150.65	17.55

Jio Financial Services Ltd	NBFC-Others	₹ 2,06,990	₹ 325.8	128.27
DLF Ltd	Construction - Housing - Large	₹ 2,01,713	₹ 815.1	44.05
Tata Steel Ltd	Steel - Large	₹ 1,99,549	₹ 159.84	55.89
Trent Ltd	Trading - Large	₹ 1,90,271	₹ 5,364	131.38
Grasim Industries Ltd	Diversified - Large	₹ 1,87,987	₹ 2,762	48.49
SBI Life Insurance Company Ltd	Life Insurance	₹ 1,83,906	₹ 1,835.2	76.19
Divis Laboratories Ltd	Pharmaceuticals - Indian - Bulk Drugs	₹ 1,81,397	₹ 6,835	82.8
Indian Railway Finance Corporation Ltd	Finance - Term-Lending Institutions	₹ 1,76,882	₹ 135.28	27.18
Vedanta Ltd	Metal - Others	₹ 1,73,073	₹ 442.75	12.9
HDFC Life Insurance Company Ltd	Life Insurance	₹ 1,63,508	₹ 759	98.3
Adani Green Energy Ltd	Power Generation And Supply	₹ 1,61,383	₹ 995.2	92.26
Tech Mahindra Ltd	Computers - Software - Large	₹ 1,56,967	₹ 1,602.5	39.74
LTIMindtree Ltd	Computers - Software - Large	₹ 1,54,402	₹ 5,206	33.57
Eicher Motors Ltd	Automobiles - Motorcycles / Mopeds	₹ 1,53,793	₹ 5,612.5	32.48
Varun Beverages Ltd	Food - Processing - Others	₹ 1,52,947	₹ 452.25	54.95

Bajaj Holdings & Investment Ltd	NBFC-Holding Companies	₹ 1,52,892	₹ 13,752	23.45
Pidilite Industries Ltd	Chemicals - Speciality - Large	₹ 1,52,571	₹ 3,000.8	72.84
Hindalco Industries Ltd	Aluminium	₹ 1,50,766	₹ 670.95	9.07
Bharat Petroleum Corporation Ltd	Refineries	₹ 1,49,613	₹ 344.85	10.99
Ambuja Cements Ltd	Cement - Major - North India	₹ 1,44,240	₹ 587.15	34.88
Power Finance Corporation Ltd	Finance - Term-Lending Institutions	₹ 1,42,151	₹ 430.95	6.18
Lodha Developers Ltd	Construction - Housing - Large	₹ 1,39,741	₹ 1,400.1	50.55
Britannia Industries Ltd	Food And Dairy Products - Multinational	₹ 1,38,588	₹ 5,758.5	63.07
Godrej Consumer Products Ltd	Personal Care - Indian - Large	₹ 1,31,456	₹ 1,285	69.35
TVS Motor Company Ltd	Automobiles - Motorcycles / Mopeds	₹ 1,30,789	₹ 2,754.5	59.29
Cholamandalam Investment & Finance Company Ltd	Finance - Large	₹ 1,28,838	₹ 1,532.5	30.22
Punjab National Bank	Banks - Public Sector	₹ 1,26,479	₹ 110.21	6.84
Shriram Finance Ltd	Finance - Large	₹ 1,25,730	₹ 668.25	15.32
Bank of Baroda	Banks - Public Sector	₹ 1,22,664	₹ 237.44	5.93

ABB India Ltd	Electric Equipment - General - Large	₹ 1,21,886	₹ 5,756.5	64.52
Cipla Ltd	Pharmaceuticals - Indian - Bulk Drugs & Formulation	₹ 1,19,948	₹ 1,485	23.31
GAIL (India) Ltd	Gas Distribution	₹ 1,19,633	₹ 181.89	11.33
Shree Cement Ltd	Cement - Major - North India	₹ 1,12,733	₹ 31,210	100.41
Torrent Pharmaceuticals Ltd	Pharmaceuticals - Indian - Formulations	₹ 1,12,127	₹ 3,314.2	58.54
Siemens Ltd	Electric Equipment - General - Large	₹ 1,10,936	₹ 3,117.7	59.04
Bosch Ltd	Auto Ancillaries - Trading	₹ 1,07,684	₹ 36,525	53.46
Tata Consumer Products Ltd	Tea - Indian - Large	₹ 1,06,562	₹ 1,076.8	84.33
Samvardhana Motherson International Ltd	Auto Ancillaries - Others	₹ 1,06,107	₹ 150.75	27.93
REC Ltd	Finance - Term-Lending Institutions	₹ 1,05,605	₹ 401.05	6.65
CG Power & Industrial Solutions Ltd	Electric Equipment - General - Large	₹ 1,05,139	₹ 667.75	110.74
Adani Energy Solutions Ltd	Power Generation And Supply	₹ 1,04,956	₹ 874.05	44.33
Dr Reddy's Laboratories Ltd	Pharmaceuticals - Indian - Bulk Drugs & Formulation	₹ 1,04,656	₹ 1,254.7	18.86
Indian Hotels Co Ltd	Hotels - Large	₹ 1,04,636	₹ 735.2	63.59

Apollo Hospitals Enterprise Ltd	Hospitals / Medical Services	₹ 1,03,374	₹ 7,189.5	71.5
Canara Bank	Banks - Public Sector	₹ 1,01,455	₹ 111.92	5.79
ICICI Lombard General Insurance Company Ltd	General Insurance	₹ 99,920	₹ 2,012.2	39.83
Zydus Lifesciences Ltd	Pharmaceuticals - Indian - Bulk Drugs & Formulation	₹ 98,570	₹ 979.6	21.11
Havells India Ltd	Electric Equipment - General - Large	₹ 95,749	₹ 1,527.8	64.55
Jindal Steel & Power Ltd	Steel - Large	₹ 95,735	₹ 938.4	26.67
ICICI Prudential Life Insurance Company Ltd	Life Insurance	₹ 95,498	₹ 660.7	80.53
Dabur India Ltd	Personal Care - Indian - Large	₹ 94,262	₹ 530.85	53.52
JSW Energy Ltd	Power Generation And Supply	₹ 91,513	₹ 523.7	51.33
Info Edge (India) Ltd	E-Services	₹ 89,105	₹ 1,375.2	103.25
Hero MotoCorp Ltd	Automobiles - Motorcycles / Mopeds	₹ 84,229	₹ 4,218.7	19.24

Source: (www.nseindia.com)

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Endnotes

1. Presently, there are 13 global rating agencies. In addition to the six mentioned above, there are: CDP, ISS-oekom, Corporate Knights Global 100, LSEG FTSE Russell, Bloomberg ESG, RepRisk and Dow Jones
2. Kraussl, Roman, Tobi Oladiran, and Denitsa Stefanova (2024). A review on ESG investing: Investors' expectations, beliefs and perceptions Vol. 2024. Pp. 476-502.
3. NSE Indices, a subsidiary of the National Stock Exchange (NSE) creates and maintains all Nifty indices.
4. Stakeholder Empowerment Services (SES) is an ESG rating firm, which SEBI recognises, and its ESG ratings are officially used by NSE Indices to construct Nifty ESG Indices, including Nifty 100 ESG Index.
5. The risk-free rate was taken as 6.3 per cent.
6. Sharpe ratio

7. White Oak Capital ESG Best-in-class Strategy Fund Direct – Growth. As this is of recent origin, sufficient data were not available for analysis. And it had only Rs 64.6 crore AUM as of July 10, 2025. Although the expense ratio was low (0.57), the risk was very high, like other ESG funds.
8. Authors' calculation of the last 3-year performance of the ESG mutual funds in India.
9. Some of these funds were studied by Dutta, S., Sharma, D., & Singh, S. (2023). Performance Review Of ESG Investing in India. Journal of Economics, Vol. 27 (10).

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