

A Study on Investor Perception towards ESG and Green Investments in Bengaluru

Bhavya Begani

Student, Faculty of Management Studies
CMS Business School, JAIN (Deemed-to-be University), Bengaluru
bhavya_begani24@cms.ac.in

Dr. Mansi Kukreja

Professor, Faculty of Management Studies
CMS Business School, JAIN (Deemed-to-be University), Bengaluru
dr.masi_kukreja@cms.ac.in

Abstract

Environmental, Social, and Governance (ESG) investing has emerged as a transformative approach in modern financial markets, shifting focus from purely profit-driven strategies to sustainable and responsible investment practices. This study examines investor perception towards ESG and green investments in Bengaluru, a major financial and technological hub in India. The research aims to evaluate awareness levels, risk-return perceptions, and factors influencing investment decisions related to ESG instruments.

The study adopts a descriptive research design using primary data collected from 100 respondents through structured questionnaires. Analytical tools such as descriptive statistics, correlation analysis, and regression models were employed to interpret the data. The findings indicate that ESG awareness, expected returns, and ethical motivation significantly influence investment intention, while perceived risk negatively impacts ESG adoption.

The study concludes that although investor interest in ESG investments is growing, challenges such as lack of awareness, data inconsistency, and trust issues persist. The paper highlights the need for improved disclosure standards, investor education, and policy support to enhance ESG adoption in India.

Keywords: ESG, Green Investments, Investor Perception, Sustainable Finance, Bengaluru

INTRODUCTION

Over the past decade, Environmental, Social, and Governance (ESG) investing has emerged as a transformative force in global financial markets. Traditionally, investment decisions were primarily driven by financial metrics such as risk, return, and liquidity. However, increasing awareness of environmental degradation, social inequality, and corporate governance failures has led to a paradigm shift in investor behaviour. Investors today are not only concerned with financial returns but also with the broader impact of their investments on society and the environment.

Globally, ESG investing has witnessed exponential growth, supported by international frameworks such as the United Nations Principles for Responsible

Investment (UN PRI) and the Sustainable Development Goals (SDGs). Institutional investors, asset managers, and regulatory bodies are increasingly incorporating ESG criteria into portfolio construction and risk assessment processes. ESG factors are now recognized as material determinants of long-term financial performance, influencing corporate valuation, risk exposure, and investment sustainability.

In the Indian context, ESG investing is gaining significant traction, driven by regulatory initiatives, rising investor awareness, and increased participation of global capital. India, as one of the fastest-growing major economies, faces a unique challenge of balancing rapid economic development with environmental sustainability and social equity. Issues such as climate change, pollution, resource scarcity, and income inequality have

intensified the need for responsible investment practices.

Urban centres like Bengaluru have emerged as key hubs for ESG investment activity. Known as India's technology and startup capital, Bengaluru hosts a large population of financially literate, young, and environmentally conscious investors. The presence of IT professionals, entrepreneurs, and high-income groups contributes to a higher propensity for adopting innovative financial instruments, including ESG and green investments. Additionally, digital platforms and fintech innovations have made sustainable investment options more accessible to retail investors.

Despite these advancements, ESG adoption in India particularly among retail investors remains at a relatively nascent stage. Several challenges hinder widespread adoption, including limited awareness, lack of standardized ESG metrics, inconsistent disclosures, and concerns regarding the trade-off between sustainability and financial returns. Many investors still perceive ESG investments as complex or less profitable compared to traditional investment avenues.

Furthermore, behavioral and psychological factors play a crucial role in shaping ESG investment decisions. Factors such as ethical motivation, social influence, perceived risk, and return expectations significantly impact investor attitudes toward sustainable investing. Understanding these behavioral dimensions is essential to bridge the gap between ESG awareness and actual investment behaviour.

In this context, the present study aims to examine investor perception towards ESG and green investments in Bengaluru. By analysing awareness levels, risk-return perceptions, and influencing factors, the study seeks to provide valuable

insights into the drivers and barriers of ESG adoption. The findings of this research are expected to contribute to the growing body of literature on sustainable finance and assist policymakers, financial institutions, and asset managers in designing effective strategies to promote ESG investments.

LITERATURE REVIEW

The growing relevance of Environmental, Social, and Governance (ESG) investing has attracted considerable attention from researchers, policymakers, and financial practitioners worldwide. ESG investing represents a shift from traditional financial decision-making toward a more holistic approach that integrates sustainability, ethical considerations, and long-term value creation.

Early studies in developed markets highlight that ESG-compliant investments can generate competitive financial returns while reducing exposure to long-term risks. Chelawat and Trivedi (2015) demonstrated that ESG indices in emerging markets like India can outperform traditional benchmarks without significantly increasing risk. Similarly, Mukhopadhyay (2023) found that ESG indices such as the NIFTY 100 ESG and BSE 100 ESG delivered higher compounded annual growth rates (CAGR) with lower volatility compared to conventional indices. These findings reinforce the argument that ESG investing is not merely an ethical choice but also a financially viable strategy.

Further research emphasizes the role of ESG in enhancing corporate performance and investor confidence. Sarangi (2021) highlighted that companies with strong ESG practices tend to exhibit better governance structures and improved policy disclosures, which contribute to long-term sustainability. However, the study also pointed out that while governance aspects are relatively well-developed, environmental and social dimensions often

receive less attention in practical implementation.

In the Indian context, ESG investing is still in a developmental phase. Patil (2024) observed that although regulatory frameworks and policy initiatives are strengthening, ESG adoption remains limited due to lack of awareness and standardization. Similarly, Sahu and Rahate (2024) identified challenges such as inconsistent regulatory frameworks, immature financial markets, and insufficient green finance instruments as key barriers to ESG integration in emerging economies.

Another important dimension of ESG research focuses on investment performance and fund evaluation. Vishali and Shafi (2024) analyzed the performance of ESG mutual funds in India and found that certain funds, such as ICICI Prudential ESG Fund, demonstrated superior performance compared to other ESG schemes. Banu et al. (2021) further examined ESG mutual funds and concluded that such investment instruments provide viable opportunities for socially responsible investors, although their availability remains limited in the Indian market.

Behavioral finance perspectives have also gained prominence in ESG research. Goel et al. (2024) and Ali et al. (2025) highlighted that investor behaviour towards ESG investments is influenced by psychological and social factors, including ethical concerns, social norms, financial self-efficacy, and risk perception. These studies indicate that ESG investment decisions are not purely rational but are shaped by subjective attitudes and external influences. For instance, investors may prefer ESG investments due to moral satisfaction or social recognition, even when financial returns are comparable to traditional investments.

Moreover, the issue of ESG data quality and transparency remains a critical concern. Several studies emphasize that the lack of standardized ESG metrics and inconsistent rating methodologies create confusion among investors. This problem is particularly significant in emerging markets like India, where ESG reporting frameworks are still evolving. The introduction of regulatory measures such as SEBI's Business Responsibility and Sustainability Reporting (BRSR) framework is a step toward improving transparency, but challenges persist in terms of data comparability and reliability.

Another important area of research is the role of green finance and sustainable investment instruments. Green bonds, ESG mutual funds, and impact investing have gained traction as alternative investment avenues. Studies suggest that these instruments not only contribute to environmental sustainability but also offer diversification benefits to investors. However, the adoption of such instruments is often constrained by limited awareness and accessibility among retail investors.

Despite the growing body of literature on ESG investing, significant research gaps remain. Most existing studies focus on developed markets or analyse ESG performance at a macro level, with limited emphasis on individual investor perception in emerging economies. In India, particularly in urban centres like Bengaluru, there is a lack of empirical research examining how demographic factors, behavioral aspects, and market conditions influence ESG investment decisions.

Furthermore, while prior studies have explored the financial performance of ESG investments, relatively few have investigated the interplay between awareness, perception, and actual investment behaviour. This gap is critical,

as increased awareness does not necessarily translate into investment action. Understanding this disconnect is essential for designing effective strategies to promote ESG adoption.

In summary, the literature indicates that ESG investing offers both financial and non-financial benefits, contributing to sustainable development and long-term value creation. However, challenges such as lack of awareness, standardization issues, and behavioral biases continue to hinder its widespread adoption, particularly in emerging markets. The present study aims to address these gaps by providing an in-depth analysis of investor perception towards ESG and green investments in Bengaluru.

RESEARCH OBJECTIVES

The present study is designed to examine investor perception towards ESG and green investments in Bengaluru, with a focus on both financial and behavioral aspects influencing decision-making. The specific objectives of the study are:

- To assess the level of investor awareness regarding ESG and green investment instruments, including mutual funds, ETFs, and green bonds.
- To examine investor perception with respect to the risk-return profile of ESG investments in comparison to traditional investment avenues.
- To analyse the key factors influencing ESG investment decisions, such as ethical motivation, social influence, and financial expectations.
- To evaluate the relationship between ESG perception and investment intention, particularly in the context of emerging urban markets like Bengaluru.

RESEARCH METHODOLOGY

The study employs a descriptive research design to understand investor perception and behaviour towards ESG and green investments. This approach enables a systematic analysis of attitudes, awareness, and influencing factors.

Data Collection

- **Primary Data:** Collected through a structured questionnaire using a Likert scale to measure investor opinions and perceptions.
- **Secondary Data:** Sourced from research journals, SEBI reports, ESG fund data, and financial publications to provide theoretical and contextual support.

Sample Details

- **Sample Size:** 100 respondents
- **Target Group:** Retail investors and mutual fund participants in Bengaluru
- **Sampling Technique:** A combination of convenience and stratified sampling to ensure representation across different demographic groups

Data Analysis Tools

- Descriptive statistics to summarize respondent characteristics
- Correlation analysis to identify relationships between variables
- Multiple regression analysis to evaluate the impact of key factors on ESG investment intention

DATA ANALYSIS AND FINDINGS

Demographic Insights

The study reveals that the majority of respondents are young investors aged between 22–25 years, indicating a strong interest among millennials in ESG investments.

Awareness of ESG Investments

The results indicate moderate awareness levels, with a significant proportion of respondents acknowledging the growing importance of ESG investing.

Risk and Return Perception

Most investors believe that ESG investments offer returns comparable to traditional investments. However, some respondents still perceive ESG investments as risky due to lack of information and market familiarity.

Ethical and Social Influence

Ethical motivation plays a significant role in influencing ESG investment decisions. Investors are increasingly aligning their portfolios with environmental and social values.

The regression model indicates:

- ESG awareness positively influences investment intention
- Expected return has a strong positive impact
- Ethical motivation significantly drives ESG adoption
- Perceived risk negatively affects investment decisions

These findings confirm that both financial and non-financial factors influence ESG investment behaviour.

DISCUSSION

The findings suggest that ESG investing is gaining traction among urban investors, particularly younger demographics. However, the adoption is still constrained by lack of awareness and standardized information.

The study highlights the importance of behavioral finance in understanding ESG investment decisions. Investors are not solely driven by returns but also by

ethical considerations and social responsibility.

The results align with global trends where ESG investments are seen as both financially viable and socially beneficial.

IMPLICATIONS

Theoretical Implications

The study contributes to sustainable finance literature by integrating behavioral and financial perspectives in ESG investment analysis.

Managerial Implications

- Asset management companies should enhance ESG product awareness
- Financial institutions must improve transparency and disclosures
- Customized ESG investment products should be developed

Policy Implications

- Regulatory bodies should standardize ESG reporting
- Government initiatives should promote green investments
- Investor education programs should be strengthened

LIMITATIONS OF THE STUDY

The study is limited to Bengaluru and may not represent the entire investor population. The sample size is relatively small, and the use of convenience sampling may introduce bias. Additionally, ESG awareness among respondents varies, which may influence responses.

CONCLUSION

The study concludes that ESG and green investments are gaining importance among investors in Bengaluru. While awareness and interest are increasing, several challenges hinder widespread adoption.

Financial returns, ethical considerations, and awareness levels are key drivers of ESG investment decisions. However, perceived risk and lack of transparency act as barriers.

To promote ESG investing, stakeholders must focus on improving awareness, enhancing data reliability, and strengthening regulatory frameworks. ESG investing holds significant potential for sustainable economic growth and responsible financial development.

SCOPE FOR FUTURE RESEARCH

Future studies can expand the geographical scope beyond Bengaluru and include larger sample sizes. Comparative

studies between urban and rural investors can provide deeper insights. Further research can also explore the performance of ESG funds over time and the impact of regulatory changes.

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REGRESSION ANALYSIS

Independent Variable	β (Unstandardized)	t-value	p-value	Hypothesis Result
Intercept	0.72	5.12	0.000	—
ESG Awareness	0.21	3.25	0.002	Supported
Perceived Risk	-0.29	-4.01	0.000	Supported
Expected Return	0.31	5.45	0.000	Supported
Ethical Motivation	0.37	5.80	0.000	Supported
Social Influence	0.18	2.45	0.016	Supported