Environmental, Social and Governance (Esg) Funds: Awareness and Investment Intention Among Retail Investor's

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ABSTRACT

This study looks into retail investors' awareness levels and investment intentions in Environmental Social and Governance (ESG) funds. As interest in sustainable investing grows on a global scale knowing the factors that influence ESG investment choices has become more important. Primary data was collected from 120 retail investors in Coimbatore city via a structured questionnaire that used convenient sampling. The main factors influencing investment behaviour were determined through statistical analysis which included chi-square and correlation tests. The results show that the main drivers of ESG fund investments are financial performance and ethical alignment whereas risk perception and ignorance serve as obstacles. The study sheds light on how demographic variables influence ESG investment trends. Increased investor education open reporting and focused financial products are some suggestions for enhancing the uptake of ESG funds in order to meet the rising demand for sustainable investment options.

Keywords: ESG Funds, Retail Investors, Investment Intention, Sustainable Investing, Financial Performance, Ethical Alignment

INTRODUCTION

The growing global awareness of Environmental Social and Governance (ESG) issues has propelled sustainable investing in recent years. In addition to financial returns investors are now taking into account the wider effects of their investments on the environment and society. An increasingly common way to match financial objectives with moral and social principles is through ESG funds. Retail investors who make up a sizable portion of the financial market are progressively learning more about ESG funds. Still undiscovered though are the degree of their awareness and the variables affecting their investment choices. Financial institutions and policymakers who want to encourage sustainable investment practices must have a thorough understanding of the factors that influence ESG fund investments. The purpose of this study is to assess retail investors awareness of and intention to invest in ESG funds in Coimbatore. By determining the primary drivers and obstacles to investing in ESG funds the study aims to offer practical advice for enhancing market share and investor interest in sustainable financial products.

STATEMENT OF THE PROBLEM

Globally Environment Social and Governance (ESG) funds have become an essential instrument for

advancing sustainable finance. Retail investors participation in this expanding market is however limited by their comparatively low awareness and investment intentions particularly in the Indian market. Bridging this gap requires an understanding of the elements influencing retail investors knowledge perception and choice of ESG funds. Retail investors awareness and investment intentions are investigated in this study along with adoption barriers and practical advice to promote wider use of sustainable financial products.

OBJECTIVES

- To assess the level of awareness of ESG funds among retail investors.
- To evaluate the factors influencing investment intentions of retail investors toward ESG funds

RESEARCH METHODOLOGY

This study used a quantitative research methodology to assess retail investors knowledge of and intention to invest in ESG funds. 120 retail investors in Coimbatore city were asked to complete a structured questionnaire intended to gather primary data. Convenient sampling was the method employed which made it simple to reach respondents and guaranteed a wide range of demographic representation. To find trends and connections between awareness levels investment intentions and demographic characteristics the study used a descriptive design. To gauge respondents' awareness and willingness to invest in ESG funds the survey comprised both closed-ended and Likert scale-based questions.

SAMPLE DESIGN

Data on awareness investment preferences driving forces and obstacles to investing in ESG funds were gathered using a structured questionnaire. The study uses a descriptive research design to investigate retail investors knowledge of and intentions for investing in ESG funds. 120 retail investors from Coimbatore city make up the sample and they represent a variety of demographic characteristics including age gender income level and educational background. A practical sampling technique was employed to guarantee a wide variety of responses. The study sought to improve the reliability of the findings by ensuring that participants were evenly represented across age groups income brackets and investment backgrounds.

DATA COLLECTION

Primary Data:

Utilizing a structured questionnaire 120 retail investors in Coimbatore city provided primary data for the study. Both open-ended and closed-ended questions are included in the survey to gather data on investor awareness investment behaviour driving forces (like ethical alignment and financial performance) and obstacles to investing in ESG funds. The results of the survey were supplemented by follow-up interviews with chosen participants to learn more about their thought processes. To find patterns and connections influencing ESG investment behaviour the gathered data was examined using descriptive statistics, correlation analysis and chi-square tests.

Secondary Data:

Secondary data for this project was gathered from a number of reliable sources such as academic journals research papers textbooks and financial websites. In order to acquire knowledge about ESG funds and sustainable investing trends pertinent literature was examined. The study's conclusions were supported and given context by the analysis of statistical data from market research and government reports. To

validate the study's findings and provide a solid theoretical basis prior research studies and financial reports were consulted.

STATISTICAL TOOLS USED

Descriptive Statistics:

A subfield of statistics called descriptive statistics is responsible for meaningfully organizing and summarizing data. Measures like mean median mode standard deviation and variance are used to shed light on a dataset's distribution dispersion and central tendency. Patterns and trends are easier to interpret when the fundamental characteristics of the data are understood thanks to these statistical techniques.

Chi-Square Test:

Chi-Square Test is a statistical measure used to examine the relationship between two categorical variables. It assesses whether the observed frequency distribution differs significantly from the expected distribution under the assumption of independence. The Chi-Square value helps determine whether there is a statistically significant association between the variables

Correlation Analysis:

Correlation is a statistical measure that characterizes the relationship between two variables. It shows how one variable changes in relation to another. The correlation coefficient (r) runs from -1 to +1 and determines the strength and direction of the relationship.

LIMITATIONS OF THE STUDY

This study has some limitations that could impact the findings accuracy and generalizability. There are only 120 retail investors from Coimbatore city included in the sample which might not be an accurate representation of all investors. Convenient sampling reduces response diversity by raising the risk of selection bias. The study also uses self-reported data which could be skewed by faulty recall or social desirability bias. Other possible influencing factors like macroeconomic conditions and regulatory changes are not included in the focus on awareness and investment intention toward ESG funds. Additionally, the study's time constraints may have limited the scope of its analysis and interpretation.

REVIEW OF LITERATURE

The impact of Environmental Social and Governance (ESG) factors on investor behaviour has been the subject of numerous studies. Strong ESG initiatives boost brand relationships and investor trust which raises investment confidence according to Chan and Wong (2024). Investors who see companies with strong ESG performance as more sustainable and less risky are more likely to make an investment in them according to Gupta and Sharma (2024). According to Li and Zhang (2023) ethical consideration of ESG issues affects the choices made by retail investors bringing them into line with their own values. These studies highlight how crucial ESG considerations are becoming in determining investor preferences and choices.

ANALYSIS OF THE STUDY

Descriptive Statistics Table

Variable	N	Frequency (%)
Age	120	Below 25: 45 (37.50%), 25 – 34: 31 (25.83%),

		35 – 44: 19 (15.83%), 45 – 54: 21 (17.50%), Above 54: 4 (03.33%).
Gender	120	Male: 77 (64.2%), Female: 43 (35.8%).
Education Qualification	120	High School or Below: 15 (12.5%), Undergraduate: 69 (57.5%), Postgraduate: 23 (19.2%), Professional Course: 13 (10.8%).
Occupation	120	Student: 54 (45.0%), Salaried Employee: 51 (42.5%), Business Owner: 8 (6.7%), Retired: 1 (0.8%), Other: 4 (5%).
Monthly Income	120	Less than Rs. 25,000: 60 (50.0%), Rs. 25,000 – 50,000: 22 (18.3%), Rs. 50,001 – 1,00,000: 20 (16.7%), More than Rs. 1,00,000: 18 (15.0%).
Investment Experience	120	Beginner (1-3 years): 64 (53.33%), Intermediate (4-7 years): 40 (33.33%), Advanced (8+ years): 16 (13.33%).
Investment Approach	120	Conservative (Low Risk, Stable Returns): 42 (35%), Moderate (Balanced Risk & Returns): 56 (46.66%), Aggressive (High Risk, High Returns): 22 (18.33%).
Awareness of ESG Funds	120	Aware: 72 (60%), Not Aware: 48 (40%).

Source: Primary Data

Most respondents to the study are male (64. 2 percent) young (37. 5 percent, under 25 years old) and educated (57. 5 percent, undergraduates). The majority are either salaried employee (42. 5 percent) or students (45 percent). Half make less than Rs 25000 and most people (53.33 percent are beginners) have little experience with investments. Most (46.66 percent) take a moderate approach to investing and 60 percent are aware of ESG funds. This suggests that there is a need for more financial literacy and specialized investment solutions because the investor base is cautious, has a moderate risk appetite and has little experience.

Chi-Square Test for Investment Experience vs. ESG Awareness
Chi-Square Test Results

Statistic	Value	df	Asymptotic Significance (2-sided)
Pearson Chi-Square	42.044	3	<.001

Statistic	Value	df	Asymptotic Significance (2-sided)
Likelihood Ratio	51.453	3	<.001
Linear-by-Linear Association	.003	1	.958
N of Valid Cases	120		

Source: Primary Data

The table showing to investigate the relationship between ESG awareness and investment experience level a Chi-Square test was used at a p-value of 7. 41e-10 (0.000000000741) which is incredibly low and well below the cutoff of 0. 05 the results show a highly significant relationship. This demonstrates that ESG awareness is significantly influenced by investment experience implying that knowledge of financial markets affects the propensity to make ESG investments.

Correlation Analysis: Correlation Matrix of ESG Investment Factors

Variable	Awareness	Knowledge Level	Risk Level	Return Potential	Investment Experience	Monthly Income	Investment Intention
Awareness	1.00	-0.70	0.28	-0.09	0.00	-0.32	0.46
Knowledge Level	-0.70	1.00	-0.13	0.11	0.08	0.55	-0.49
Risk Level	0.28	-0.13	1.00	0.43	0.34	0.14	0.20
Return Potential	-0.09	0.11	0.43	1.00	-0.12	0.16	-0.25
Investment Experience	0.00	0.08	0.34	-0.12	1.00	0.44	0.15
Monthly Income	-0.32	0.55	0.14	0.16	0.44	1.00	-0.32
Investment Intention	0.46	-0.49	0.20	-0.25	0.15	-0.32	1.00

Source: Primary Data

The above table showing Investors are more likely to make an investment if they know about ESG funds (0.46). Riskier ESG investments are thought to yield larger returns according to a positive correlation between risk perception and return potential (0.43). People with higher incomes typically know more about ESG (0.55). On the other hand, perhaps as a result of scepticism greater ESG knowledge is associated with lower investment intention (-0.49). Additionally, there is a negative correlation (-0.32) between higher income and investment intention indicating a preference for conventional investments. Investment Experience and Investment Intention (0.15) and Awareness and Return Potential (-0.09) have weak correlations suggesting that awareness and past experience by themselves do not influence return expectations. In conclusion financial literacy by itself does not ensure investment willingness but

awareness is crucial in promoting ESG investment. The perception of ESG funds as high-risk high-reward and the inverse relationship between income and investment intention underscore the necessity of focused marketing to draw in higher-income investors.

CONCLUSION

This study offers insightful information about the variables affecting Coimbatore retail investors knowledge of and intentions to invest in ESG funds. Although risk perception and ignorance continue to be major obstacles the results show that financial performance and ethical alignment are the primary factors promoting investments in ESG funds. ESG awareness and investment experience were found to be significantly correlated by the chi-square test results indicating that seasoned investors are more likely to understand the advantages of ESG funds. According to correlation analysis awareness has a positive effect on investment intention however greater levels of knowledge may cause hesitancy because of heightened scrutiny or scepticism. Higher-income investors may prefer traditional investments according to the negative correlation between income and investment intention. This highlights the need for focused awareness campaigns and customized financial products. All things considered the study emphasizes how crucial it is to raise retail investors awareness of ESG issues and deal with perceived risks in order to increase their involvement in sustainable investing.

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