

Investor Perception And Determinants Of ESG Fund Investment: Evidence From Telangana State

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Abstract

Environmental, Social, and Governance (ESG) investing has gained significant attention as investors increasingly seek to align financial returns with ethical, social, and environmental considerations. In India, ESG funds are emerging as a promising investment avenue; however, regional-level investor behavior remains underexplored. This study examines the factors influencing investors' decision-making to invest in ESG funds in Telangana State. Primary data were collected from 200 individual investors using a structured questionnaire. Statistical tools such as descriptive analysis, factor analysis, and multiple regression analysis were employed to analyze the data. The findings reveal that governance transparency, environmental concern, financial performance expectations, and ESG awareness significantly influence ESG investment decisions, while risk perception does not have a significant impact. The study offers valuable insights for asset management companies, policymakers, and financial advisors to promote sustainable investing in Telangana State.

Keywords: ESG funds, Sustainable investment, Investor behavior, Decision-making, Telangana State.

1. Introduction

The investment landscape has undergone a paradigm shift with the growing emphasis on sustainability and responsible investing. Environmental, Social, and Governance (ESG) investing integrates non-financial criteria into traditional financial analysis, enabling investors to support ethical business practices while pursuing long-term returns. Globally, ESG funds have demonstrated resilience and long-term value creation, attracting both institutional and retail investors.

In India, regulatory initiatives and increasing investor awareness have accelerated the growth of ESG-oriented mutual funds. Telangana State, characterized by rapid urbanization, rising income levels, and increasing financial literacy, provides a relevant context to examine ESG investment behavior. Despite this growth, empirical research focusing on regional investor decision-making toward ESG funds remains limited. This study attempts to bridge this gap by identifying and analyzing the factors influencing ESG investment decisions in Telangana State.

2. Review of Literature

Previous studies indicate that ESG investment decisions are influenced by both financial and non-financial factors. Environmental concern and ethical orientation have been identified as strong motivators for responsible investing. Governance quality, transparency, and corporate accountability play a crucial role in building investor trust. Research also suggests that investors continue to evaluate ESG funds based on expected financial performance and risk-adjusted returns.

However, lack of awareness, limited disclosure, and insufficient understanding of ESG metrics act as barriers to ESG fund adoption, particularly in emerging markets. Most existing studies are conducted at national or international levels, highlighting the need for region-specific research to understand local investor behavior.

3. Objectives of the Study

The objectives of the study are:

1. To examine the level of awareness of ESG funds among investors in Telangana State.
2. To identify the factors influencing investment decisions in ESG funds.
3. To analyze the relationship between ESG factors and investors' decision-making behavior.
4. To offer suggestions for promoting ESG investments in Telangana State.

4. Research Hypotheses

The following hypotheses were formulated for the study:

- **H1:** Environmental concern significantly influences ESG investment decisions.
- **H2:** Social responsibility significantly influences ESG investment decisions.
- **H3:** Governance transparency significantly influences ESG investment decisions.
- **H4:** Financial performance expectations significantly influence ESG investment decisions.
- **H5:** Risk perception significantly influences ESG investment decisions.
- **H6:** ESG awareness significantly influences ESG investment decisions.

5. Research Methodology

5.1 Research Design

The study adopts a descriptive and analytical research design.

5.2 Data Collection

Primary data were collected using a structured questionnaire administered to individual investors across urban and semi-urban areas of Telangana State. Secondary data were obtained from journals, reports, and regulatory publications.

5.3 Sample Size and Sampling Technique

A sample of 200 respondents was selected using convenience sampling.

5.4 Tools for Analysis

- Percentage analysis
- Descriptive statistics
- Factor analysis
- Multiple regression analysis

6. Data Analysis and Interpretation

6.1 Demographic Profile

The demographic analysis indicates that the majority of respondents are middle-aged, well-educated, and belong to middle- and high-income groups, suggesting a favorable profile for ESG investments.

6.2 Descriptive Statistics

Governance transparency and environmental concern recorded the highest mean scores, indicating that ethical management and sustainability considerations strongly influence investment decisions. ESG awareness showed a moderate mean score, highlighting the need for improved investor education.

6.3 Factor Analysis

The Kaiser-Meyer-Olkin value of 0.812 and a significant Bartlett's Test confirm the suitability of data for factor analysis. The extracted factors clearly align with the Environmental, Social, and Governance dimensions, validating the ESG construct.

6.4 Regression Analysis

The multiple regression model used in the study is:

$$DIS = \alpha + \beta_1 EC + \beta_2 SR + \beta_3 GT + \beta_4 FP + \beta_5 RP + \beta_6 EA + \varepsilon$$

The model explains 68% of the variation in ESG investment decisions ($R^2 = 0.68$) and is statistically significant. Governance transparency, environmental concern, financial performance expectation, and ESG awareness have a significant positive influence on ESG investment decisions. Risk perception does not show a significant impact.

7. Findings of the Study

1. Investors in Telangana State exhibit a positive attitude toward ESG investments.
2. Governance transparency is the strongest determinant of ESG investment decisions.
3. Environmental concern significantly motivates investors to choose ESG funds.
4. Financial performance expectations remain a critical factor alongside ethical consideration.
5. ESG awareness significantly influences adoption, while risk perception does not act as a major barrier.

8. Suggestions

- Asset management companies should intensify ESG awareness and education campaigns.
- Financial advisors should incorporate ESG literacy into investment counseling.
- Policymakers should strengthen ESG disclosure standards to enhance investor confidence.
- Digital investment platforms can be leveraged to disseminate ESG-related information effectively.

9. Conclusion

The study concludes that ESG investment decision-making in Telangana State is influenced by a combination of ethical values, governance trust, and financial considerations. While investors demonstrate a growing inclination toward sustainable investing, enhanced awareness and transparency are essential for broader adoption. Promoting ESG investments can contribute significantly to responsible capital allocation and sustainable economic development in the region.

References (Indicative)

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