

Investors' Awareness and Perception Towards ESG Investing: A Study Based on Review of Literature

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Abstract

Environmental, Social, and Governance (ESG) investing has gained importance as investors increasingly consider sustainability alongside financial returns. This study presents a literature review on investors' awareness and perception of ESG investing, focusing on studies published between 2019 and 2025. The review identifies key themes such as ESG awareness levels, investor perception, and the influence of ESG factors on investment decisions. Findings suggest that institutional investors exhibit higher ESG awareness, while retail investors show moderate to low understanding influenced by financial literacy and demographics. The study highlights limited behavioral and emerging-market-focused research and provides a foundation for future empirical studies on ESG investing.

Keywords: ESG Investing, Investor Awareness, Investor Perception, Retail Investors, Investment Behaviour, India

1. Introduction

Environmental, Social, and Governance (ESG) investing has become an important approach in today's financial markets. This method integrates non-financial factors into traditional investment choices (Singhal, 2021). ESG investing assesses companies and investment options based on environmental aspects like climate change impact and resource conservation (Sweta & Yadav, 2025), social aspects such as labor welfare, diversity, and community engagement (Karandikar, 2025), and governance aspects like transparency, ethical behavior, and board accountability (Chaubey, Verma & Yadav, 2025). This investment method reflects a gradual shift from focusing on short-term profits to creating long-term value and investing responsibly (Jain, Sharma & Srivastava, 2019).

In today's world, ESG investing has become more relevant because of the growing awareness of

environmental damage, social inequality, and corporate governance issues (Mehta & Joshi, 2024). Investors increasingly understand that ESG-related risks and opportunities can impact corporate sustainability and long-term financial success (Parikh, 2023).

In India, ESG investing is gradually developing with the introduction of ESG mutual funds, green bonds, and improved sustainability reporting (Rani et al., 2024). However, even with rising interest, ESG adoption among Indian retail investors is still limited due to uneven awareness and understanding (Lahre, 2019; Sweta & Yadav, 2025). Researchers are looking into how investor awareness, perceptions, behavioral biases, and risk attitudes affect ESG investment choices (Deka et al., 2023; Upadhyaya, Khan & Awasthi, 2023). Evidence showing that ESG investments can provide returns similar to traditional investments has further increased focus on how investors perceive and accept ESG investing (Jain, Sharma & Srivastava, 2019; Arshad Khan, 2025).

Despite its growing importance, a major challenge remains the limited and inconsistent awareness of ESG investing among investors (Singhal, 2021; Sweta & Yadav, 2025). Many investors know about ESG concepts but are unclear about their practical application, effects on returns, and the reliability of ESG information (Mehta & Joshi, 2024). Concerns about return uncertainty, the lack of standardized disclosures, and insufficient education for investors limit broader adoption, especially in emerging markets like India (Rani et al., 2024; Sweta & Yadav, 2025).

In this context, the purpose of this study is to systematically review the existing literature on investors' awareness and perceptions of ESG investing (Mahadevan & Amudha, 2025). The study aims to synthesize previous research, identify key themes and gaps, and establish a

conceptual basis for future empirical studies on sustainable investment practices (Singhal, 2021; Sweta & Yadav, 2025).

2. Objectives Of the Study

- To examine investors' awareness and perception of ESG investing in India.
- To analyze the key factors influencing investors' ESG investment behavior and decision-making.

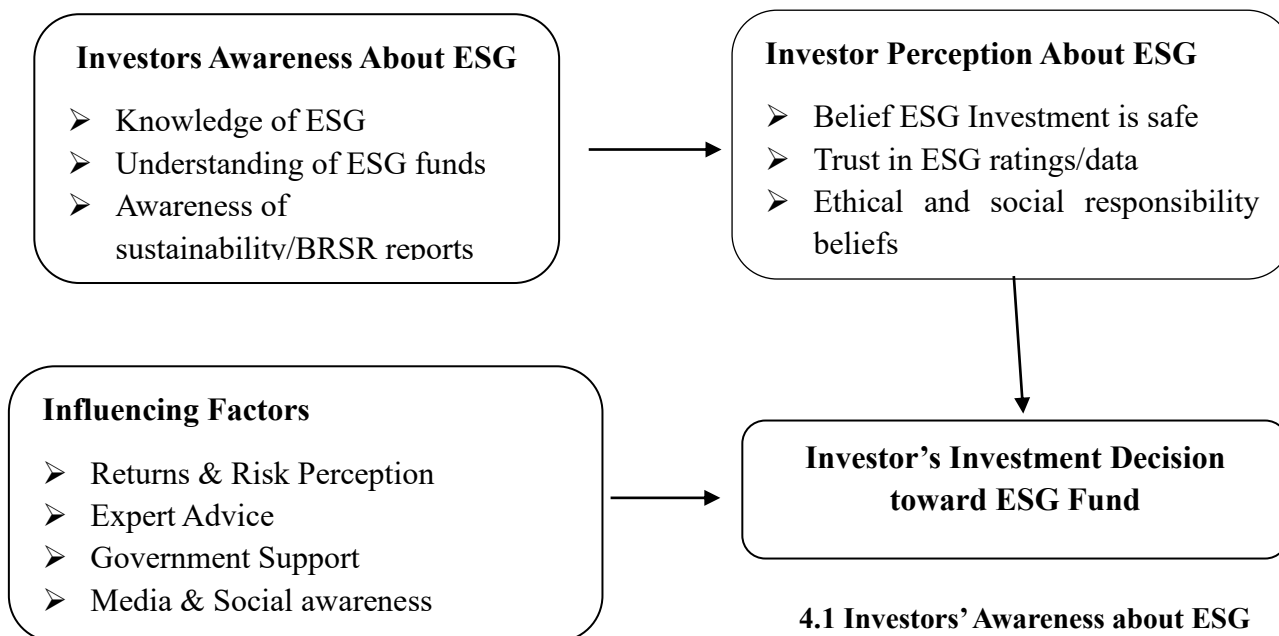
3. Research Methodology

This study takes a descriptive and conceptual approach. It analyzes secondary data from peer-reviewed journals like, UGC CARE-listed publications, SSRN and other working papers published between 2019 and 2025, with a focus on ESG investing in India. The literature was reviewed systematically to find patterns in investor

awareness, perception, and decision-making, which formed the conceptual framework. Since the study relies entirely on existing research, it is limited by the scope, methodology, and context of earlier studies. The findings may not capture recent market changes, new ESG products, or the subtleties of investor behavior. Moreover, the focus on Indian investors restricts its applicability to other emerging or developed markets. Despite these limitations, the study offers a thorough overview of ESG awareness and perception in India and points out important gaps for future research.

4. Conceptual Framework

The conceptual framework is grounded in behavioural finance and sustainable investment theories, explaining how ESG awareness influences investor perception and ultimately shapes investment decisions toward ESG funds.



(Figure 1: Conceptual Framework Illustrating the Influence of ESG Awareness and Perception on Investor Decision-Making.)

4.1 Investors' Awareness about ESG

When people talk about investors' ESG awareness, they're really asking how much investors actually know about Environmental, Social, and Governance principles—and how they use that knowledge when deciding where to put their money. For the “E,” it's about understanding things like climate change, carbon emissions, and protecting natural resources. The “S” covers stuff like fair treatment of workers, diversity, safety at work, and helping out local communities. Then there's “G,” which is all about companies being transparent, sticking to ethical business practices, having

accountable boards, and following the rules (Singhal, 2021; Sweta & Yadav, 2025). But ESG awareness isn't just about knowing the buzzwords. It also means investors get what ESG mutual funds are, know how to read sustainability reports, pay attention to ESG ratings, and keep up with rules like SEBI's Business Responsibility and Sustainability Reporting guidelines (Mahadevan & Amudha, 2025). Research shows that in India, how much investors know about ESG often depends on their education, how financially literate they are, and whether they have access to solid information (Mehta & Joshi, 2024; Rani et al., 2024). When investors really understand ESG, they stop looking only at financial numbers. They start to see the bigger picture, which helps them feel more confident about ESG investments and cuts down on uncertainty (Thirumalai, 2022)

4.2 Investor Perception about ESG

When investors think about ESG, they bring their own beliefs and attitudes to the table. They look at whether ESG investments seem safe, if they trust the ratings and disclosures, and how strongly they feel about ethics and social responsibility (Karandikar, 2025; Chaubey, Verma, & Yadav, 2025). If investors are convinced that ESG investments can deliver solid returns and make a positive impact on the environment and society, their perception turns positive (Jain et al., 2019; Arshad Khan, 2025). But doubts creep in when they see greenwashing, inconsistent ratings, or unclear disclosures (Lahari, 2019; Ruchi & Anuradha, 2023). So, what investors think about ESG isn't just a side note — it's the link between knowing about ESG and actually investing in it. Just being aware isn't enough; people need to feel that ESG products are trustworthy before they'll put their money in (Goel et al., 2024). Clear rules and transparent reporting really help boost confidence in ESG investments (Reeta et al., 2025).

4.3 Influencing Factors

ESG investment behavior is shaped by several factors, including understandings of return and risk, expert advice, regulatory frameworks, and media exposure. Investors evaluate ESG products based on their expected financial performance and perceived risk. This significantly influences their willingness to invest (Mehta

& Joshi, 2024; Thirumalai, 2022). Studies show that individuals with higher risk tolerance and a long-term investment perspective are more likely to engage in ESG investing (Khurana & Sikri, 2023; Deka et al., 2023).

Expert guidance plays a critical role in improving investor confidence, especially among retail investors who may lack sufficient knowledge of ESG concepts. Financial advisors assist investors in interpreting ESG data, clarifying expected returns, and reducing doubts. This helps build trust in ESG investments (Upadhyaya, Khan, & Awasthi, 2023; Begum & Yadavalli, 2025).

Regulatory support and information dissemination further influence ESG investment behavior. Government initiatives such as the Securities and Exchange Board of India's ESG disclosure guidelines and the Business Responsibility and Sustainability Reporting (BRSR) framework improve the transparency and credibility of ESG data (Mahadevan & Amudha, 2025; Reeta et al., 2025). Additionally, media content and social awareness campaigns play a significant role in spreading ESG knowledge and shaping positive investor attitudes toward sustainable investing (Rani et al., 2024; Arshad Khan, 2025).

4.4 Investor's Investment Decision toward ESG Fund

When investors decide to put money into ESG funds, they're choosing ESG-compliant options like mutual funds, stocks, green bonds, and other socially responsible products (Upadhyaya et al., 2023). This decision is the end result of everything else — their awareness, their opinions, and all those outside influences (Begum & Yadavalli, 2025). Investors who know more about ESG and have positive views are much more likely to jump in (Khurana & Sikri, 2023; Deka et al., 2023). But even with all the buzz about ESG, retail investors in India still aren't diving in headfirst. Trust issues, not enough information, and limited product choices hold people back (Chhetri & Sharma, 2022)

5. Findings

This literature review finds that investors' awareness of ESG investing in India remains moderate, especially among retail investors, despite the growing attention to sustainable finance. The analysis shows that many

investors understand the concept of ESG but lack a practical grasp of ESG products, disclosures, and performance implications. This limited clarity affects investor confidence and slows down actual ESG adoption. While other studies report higher ESG awareness among institutional investors, retail participation is still held back by lower financial literacy and gaps in information (Singhal, 2021; Rani et al., 2024). The review also suggests that even though investor perception of ESG investing is generally positive from an ethical standpoint, worries about return uncertainty and greenwashing are still significant. These concerns, though not heavily emphasized, are also mentioned in earlier research (Jain et al., 2019, Lahre, 2019), highlighting the gap between ESG perception and investment behavior in India.

6. Conclusion

ESG awareness is rising among Indian retail investors, but a deep understanding of these products and what they mean for personal finances is still missing. How investors perceive ESG makes a big difference positive beliefs about returns, risk, and ethics push people to invest. Yet greenwashing, unclear reporting, and patchy data keep many investors on the sidelines. Boosting financial literacy, offering solid ESG info, and making disclosures standard can build more trust. In the end, growing awareness and shaping positive perceptions are crucial to getting more people on board with sustainable investing and helping ESG investments grow in India.

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