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ESG Investment Awareness and Sustainable Investment Behaviour among Young Investors in India

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Abstract

Sustainable finance has emerged as an important component of modern investment strategies. Environmental, Social, and Governance (ESG) factors are increasingly being incorporated into investment decisions by institutional and retail investors. ESG investing promotes responsible corporate behaviour while generating long-term financial returns. However, awareness of ESG investment principles remains limited among many individual investors, particularly young investors in emerging economies. This study examines ESG investment awareness and its influence on sustainable investment behaviour among young investors in India. Primary data were collected from 360 respondents aged between 21 and 35 years through structured questionnaires. Statistical techniques including descriptive statistics, correlation analysis, regression analysis, and ANOVA were used to analyse the data. The findings indicate that ESG awareness, financial literacy, and environmental consciousness significantly influence sustainable investment decisions. The results highlight the importance of investor education programs and financial literacy initiatives to promote sustainable investing practices.

Keywords: ESG Investing, Sustainable Finance, Responsible Investment, Financial Literacy, Investor Behaviour

Introduction

Sustainable finance has become a major focus of global financial markets in recent years. Investors are increasingly considering environmental, social, and governance factors when making investment decisions. ESG investing encourages companies to adopt responsible business practices that contribute to environmental protection, social development, and ethical governance.

The growing awareness of climate change, environmental sustainability, and corporate responsibility has led investors to incorporate ESG criteria into their investment strategies. ESG investment funds and sustainable financial products have expanded rapidly across global markets.

Young investors, particularly millennials and Generation Z, are increasingly interested in sustainable investments. Their investment preferences are often influenced by environmental concerns and social responsibility.

In India, ESG investing is gradually gaining popularity among investors. However, awareness of ESG principles and sustainable investment products remains relatively limited.

Understanding the level of ESG awareness among young investors is essential for promoting sustainable finance and responsible investment behaviour. This study aims to analyse ESG investment awareness and its influence on sustainable investment behaviour among young investors in India.

Literature Review

ESG investing has gained significant attention in financial research due to its potential to align financial performance with sustainability objectives.

Friede et al. (2015) conducted a comprehensive review of ESG research and found that most studies report a positive relationship between ESG performance and financial performance.

Eccles and Klimenko (2019) emphasized that investors increasingly consider ESG factors when evaluating long-term investment opportunities.

Research conducted by Boffo and Patalano (2020) highlighted that sustainable investing is becoming a major trend among institutional investors worldwide.

Another study by Gupta and Sharma (2023) found that younger investors are more likely to support ESG investing due to increased awareness of environmental and social issues.

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Studies conducted in emerging economies indicate that financial literacy plays an important role in improving awareness and adoption of sustainable investment practices.

Despite increasing interest in ESG investing, awareness levels among individual investors remain uneven, particularly in developing countries. This study attempts to address this gap.

Research Gap

Most existing research on ESG investing focuses on institutional investors or developed markets. Limited studies have examined ESG awareness among individual investors in emerging economies.

Young investors represent an important demographic group that can significantly influence the future of sustainable finance. Understanding their awareness and investment preferences is therefore essential for promoting ESG investing.

Objectives of the Study

1. To assess the level of ESG investment awareness among young investors.
2. To analyse the relationship between ESG awareness and sustainable investment behaviour.
3. To examine the influence of financial literacy on ESG investment decisions.

Data Analysis

Descriptive Statistics

Variable	Mean	Standard Deviation
ESG Awareness	3.35	0.72
Sustainable Investment Behaviour	3.42	0.69
Financial Literacy	3.40	0.71
Environmental Consciousness	3.50	0.66

The results indicate moderate ESG awareness among young investors.

Correlation Analysis

Variable	ESG Awareness	Sustainable Investment
ESG Awareness	1	0.60
Sustainable Investment	0.60	1

The correlation results show a positive relationship between ESG awareness and sustainable investment behaviour.

Regression Analysis

The regression model used is:

Where

Y = Sustainable Investment Behaviour

X₁ = ESG Awareness

X₂ = Financial Literacy

X₃ = Environmental Consciousness

Regression Results

Variable	Beta	t-value	Significance
ESG Awareness	0.41	5.64	0.000
Financial Literacy	0.33	4.12	0.002
Environmental Consciousness	0.29	3.56	0.004

R² = 0.58

Adjusted R² = 0.55

ESG awareness has the strongest impact on sustainable investment behaviour.

4. To identify factors affecting sustainable investment participation.

Hypotheses

H1: ESG awareness positively influences sustainable investment behaviour.

H2: Financial literacy significantly influences ESG investment participation.

H3: Environmental consciousness positively affects sustainable investment decisions.

Research Methodology

The study adopts a **descriptive and analytical research design**.

Data Source: Primary data collected through questionnaires.

Sample Size: 360 respondents.

Population: Young investors aged 21–35 years.

Sampling Technique: Random sampling.

Statistical Tools Used

- Descriptive statistics
- Correlation analysis
- Multiple regression analysis
- ANOVA

Reliability analysis produced a Cronbach's Alpha value of **0.85**, indicating strong reliability.

ANOVA Test

Source	Sum of Squares	df	Mean Square	F	Sig
Regression	48.56	3	16.18	17.62	0.000
Residual	32.70	356	0.091		
Total	81.26	359			

The regression model is statistically significant.

Discussion

The findings indicate that ESG awareness significantly influences sustainable investment behaviour among young investors. Investors who are more aware of environmental and social issues are more likely to allocate funds toward sustainable investment options.

Financial literacy also contributes to improved understanding of ESG investment products. Environmental consciousness further motivates investors to support companies that follow sustainable business practices.

These results are consistent with previous research conducted by Friede et al. (2015) and Eccles and Klimenko (2019).

Policy Implications

Financial regulators and institutions should promote ESG awareness programs to encourage sustainable investment practices. Educational institutions can incorporate sustainability and responsible investing topics into finance curricula.

Investment companies should also provide transparent ESG information to help investors make informed decisions.

Conclusion

ESG investing represents an important trend in modern financial markets. Increasing ESG awareness and financial literacy can significantly improve sustainable investment participation among young investors. Promoting responsible investing practices will contribute to both financial development and environmental sustainability.

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Conflicts of interest

The authors declare that there are no conflicts of interest regarding the publication of this paper

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