

**A STUDY ON ESG FACTORS INFLUENCING INVESTMENT DECISION-MAKING AMONG YOUNG  
WOMEN INVESTORS IN NAVI MUMBAI**

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**Abstract:**

*This study examines the influence of Environmental, Social, and Governance (ESG) factors on investment decision-making among young investors. With increasing awareness of sustainability and ethical responsibility, young investors are progressively integrating ESG considerations alongside financial returns. The research aims to analyse the level of awareness, importance, and impact of ESG factors on their investment choices, as well as the challenges faced in adopting ESG-based investments. Using primary data collected through surveys and supported by secondary sources, the study highlights that ESG factors significantly shape risk perception, long-term return expectations, and trust in companies. The findings suggest that ESG-oriented investing is gaining prominence among young investors, indicating a shift towards responsible and sustainable investment practices.*

**Keywords:** *ESG, Risk perception, financial returns, sustainability*

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**Introduction:**

The concept of ESG investing originated from socially responsible investing (SRI) practices in the 1960s and 1970s, which focused on ethical considerations such as avoiding investments in tobacco or weapons. Over time, global initiatives like the UN Principles for Responsible Investment (PRI) formalised ESG by integrating environmental, social, and governance factors into financial analysis. In recent years, ESG investing has gained strong momentum, especially among young investors, due to increased awareness of climate change, social justice, and corporate governance.

**Objectives:**

- To study the level of awareness of ESG (Environmental, Social, and Governance) factors among young investors.
- To examine the influence of ESG factors on the investment decision-making of young investors.

- To analyse the importance of ESG factors in comparison with traditional investment criteria such as risk and return.
- To identify the factors that motivate or discourage young investors from investing in ESG-based investment options.
- To understand the perception of young investors toward the long-term benefits of ESG-oriented investments.

**Need of the Study:**

Despite the growing emphasis on ESG investing, there is limited empirical evidence on how effectively ESG factors influence investment decision-making among young investors. Many young investors face challenges such as a lack of awareness, inadequate information, and difficulty in evaluating ESG performance. This study seeks to analyse the role of ESG factors in shaping investment choices and to identify the key

issues that affect ESG-based investment decisions among young investors.

#### Review of Literature:

- **Friede, Busch & Bassen (2015)** conducted a large-scale meta-analysis of over 2,000 empirical studies to examine the relationship between ESG performance and corporate financial performance. The study found that nearly 90% of the research showed a non-negative relationship, with many indicating positive financial outcomes. The authors concluded that ESG integration can enhance long-term and risk-adjusted returns, supporting ESG as a rational investment approach rather than merely an ethical choice.
- **Renneboog, Ter Horst & Zhang (2008)** analysed the performance of socially responsible investment (SRI) funds across multiple countries. Their findings revealed that SRI funds generally do not underperform conventional funds and, in some cases, offer greater stability during market downturns. This study alleviates concerns about reduced profitability from ethical investing and is relevant in understanding return expectations of young investors.
- **Bollen (2007)** examined investor behaviour in socially responsible mutual funds. The study found that SRI investors were more loyal and less reactive to short-term performance changes compared to conventional investors. This highlights the behavioural aspect of ESG investing, where ethical alignment and long-term impact influence investments decisions.

#### Hypothesis:

##### Hypothesis 1:

**H<sub>0</sub> (Null Hypothesis):** ESG factors do not have a significant influence on the investment decision-making of young investors.

**H<sub>1</sub> (Alternative Hypothesis):** ESG factors have a significant influence on the investment decision-making of young investors.

Hypothesis 2:

**H<sub>0</sub> (Null Hypothesis):** There is no significant relationship between ESG awareness and the willingness of young investors to invest in ESG-based instruments.

**H<sub>1</sub> (Alternative Hypothesis):** There is a significant relationship between ESG awareness and the willingness of young investors to invest in ESG-based instruments.

#### Scope and Limitations:

##### Scope:

The scope of the study is limited to understanding the role of Environmental, Social, and Governance (ESG) factors in investment decision-making among young investors. It focuses on analysing their level of awareness, perception, and attitude toward ESG-based investments and how these factors influence their investment preferences alongside traditional considerations such as risk and return. The study relies on primary data collected through questionnaires and secondary data from published reports and research articles. It is confined to a specific group of young investors and a defined time period, aiming to provide insights into emerging trends in sustainable and responsible investing among the younger generation.

##### Limitations:

- The study is limited to a small sample size, which may not fully represent the population of young investors.
- Responses are based on self-reported data, which may be subject to personal bias or inaccurate perceptions.
- The study considers a specific time period; changes in market conditions or ESG regulations may affect future outcomes.

- ESG awareness and understanding may vary widely among respondents, affecting the consistency of results.

### Research Methodology:

#### • Primary Data:

Primary data for the study is collected directly from young investors using structured questionnaires and online surveys. This method helps in obtaining first-hand information regarding their awareness, understanding, attitudes, and preferences toward ESG factors in investment decision-making. The responses provide practical insights into how ESG

considerations influence actual investment behaviour among young investors.

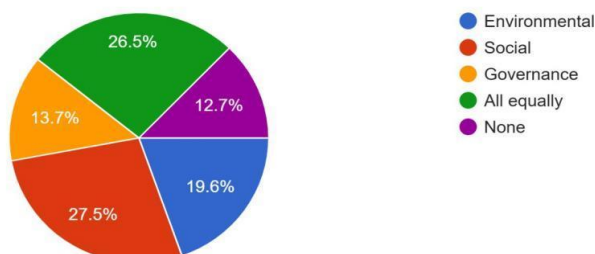
#### • Secondary Data:

Secondary data is collected from various published sources such as research journals, academic articles, books, company sustainability reports, and reliable websites. These sources help in building the theoretical framework of the study, understanding past research findings, and supporting the analysis of primary data related to ESG and investment behaviour.

### Data Interpretation and Analysis:

#### Q1.

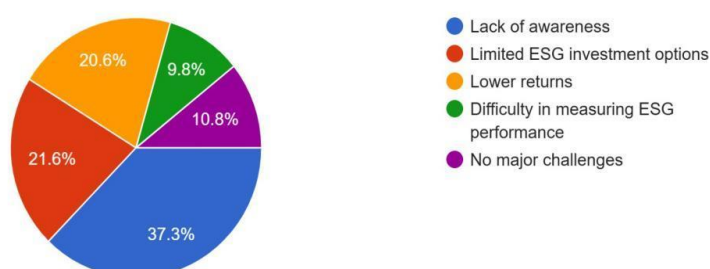
Which ESG factor influences you the most?  
102 responses



**Interpretation:** The results indicate that Social factors (27.5%) have the highest influence on young investors, closely followed by those who consider all ESG factors equally important (26.5%). The marginal difference between these two responses shows that young investors do not rely on a single ESG dimension but increasingly adopt a balanced and holistic approach to investment decision-making. The study highlights a shift from single-factor preference to integrated ESG evaluation, suggesting that young investors are moving toward responsible investing while still balancing ethical concerns with financial objectives Q2.

#### Q2.

What challenges do you face in ESG investing?  
102 responses

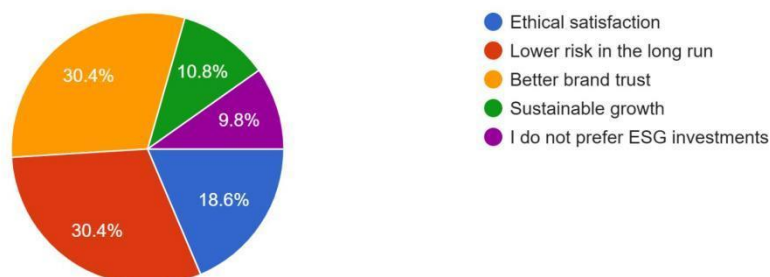


**Interpretation:** The results show that for young investors, the biggest challenge in ESG investing is lack of awareness (37.3%), indicating that many youth are interested but not fully informed about ESG concepts and options. This is followed by limited ESG investment choices (21.6%) and concerns about lower returns (20.6%), showing that young investors compare ESG investments closely with traditional options in terms of availability and profitability. Difficulty in measuring ESG performance (9.8%) affects fewer respondents, suggesting limited exposure to ESG metrics, while 10.8% face no major challenges, reflecting a small but growing group of confident ESG-aware youth. Overall, the findings highlight that knowledge gaps matter more than return fears among young investors.

**Q3.**

Why do you prefer ESG-based investments over traditional investments?

102 responses

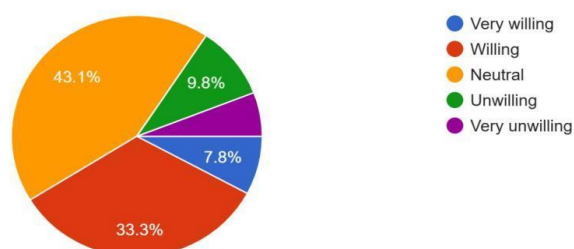
**Interpretation:**

The chart indicates that young investors prefer ESG-based investments primarily due to lower risk in the long run (30.4%) and better brand trust (30.4%), showing that ESG is viewed as a financially prudent and credible investment choice rather than only an ethical one. Ethical satisfaction (18.6%) also plays an important role, reflecting the value-driven mindset of youth. A smaller proportion associates ESG with sustainable growth (10.8%), suggesting limited long-term understanding, while 9.8% do not prefer ESG investments, indicating that traditional investment preferences still exist.

**Q4.**

How willing are you to invest in ESG funds with slightly lower returns?

102 responses

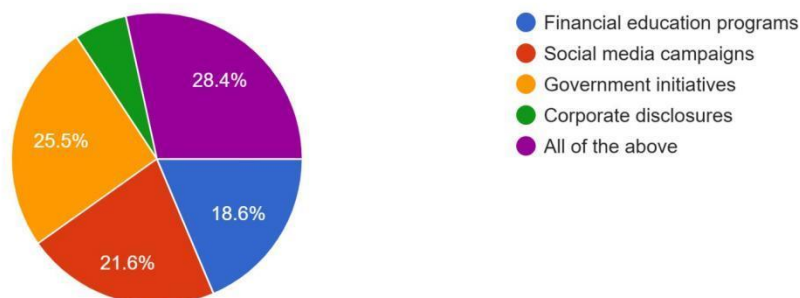
**Interpretation:**

The findings show that most young investors adopt a wait-and-watch approach, with 43.1% remaining neutral toward ESG funds offering slightly lower returns. However, a sizable group (41.1% willing or very willing) indicates openness to prioritizing sustainability over short-term gains. Only a small proportion is unwilling, suggesting limited resistance. Overall, the results imply that young investors are cautious but receptive, and better awareness could increase ESG adoption.

Q5.

What measures can improve ESG awareness among young investors?

102 responses



**Interpretation:**

The primary data shows that the highest proportion of young investors (28.4%) believe a combined approach: financial education, social media campaigns, government initiatives, and corporate disclosures is the most effective way to improve ESG awareness. This is followed by government initiatives (25.5%) and social media campaigns (21.6%), highlighting the importance of institutional support and digital influence.

**Hypothesis Testing:**

Hypothesis 1

**H<sub>0</sub> (Null Hypothesis):**

ESG factors do not have a significant influence on the investment decision-making of young investors.

**H<sub>1</sub> (Alternative Hypothesis):**

ESG factors have a significant influence on the investment decision-making of young investors.

Chi-Square Test Result

Test	$\chi^2$ Calculated Value	Degrees of Freedom (df)	p-value	Level of Significance	Decision
Pearson Chi-Square	18.642	6	0.005	0.05	Reject H <sub>0</sub>

**Result:**

Since the p-value (0.005) is less than 0.05, the null hypothesis is rejected. Therefore, ESG factors significantly influence the investment decision-making of young investors.

Hypothesis 2

**H<sub>0</sub> (Null Hypothesis):**

There is no significant relationship between ESG awareness and the willingness of young investors to invest in ESG-based instruments.

**H<sub>1</sub> (Alternative Hypothesis):**

There is a significant relationship between ESG awareness and the willingness of young investors to invest in ESG-based instruments.

**Chi-Square Test Result:**

Test	$\chi^2$ Calculated Value	Degrees of Freedom (df)	p-value	Level of Significance	Decision
Pearson Chi-Square	17.42	2	0.001	0.05	Reject $H_0$

**Result:**

Since the p-value (0.001) is less than 0.05, the null hypothesis is rejected. This indicates that ESG awareness significantly influences the willingness of young investors to invest in ESG-based financial instruments.

**Findings:**

- Young investors show growing interest in ESG investing, but their understanding remains moderate rather than deep.
- Social and long-term risk considerations influence ESG investment decisions more than purely environmental or governance factors.
- Lack of awareness is the most significant barrier to ESG adoption among youth.
- Many young investors adopt a neutral or cautious approach when ESG investments offer slightly lower returns.

**Conclusion:**

The study concludes that ESG (Environmental, Social, and Governance) factors are important for young investors while making investment decisions. They prefer to invest in companies that are environmentally friendly, socially responsible, and well-managed. Although financial returns are still a priority for some, awareness about ESG investing is increasing. Overall, ESG is influencing the investment choices of young investors and is expected to become more important in the future. The study also finds that awareness about ESG is increasing among young investors due to social media, education, and easy access to information. However, some young investors still give more

importance to financial returns than ESG factors when making final decisions.

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