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A STUDY ON IMPACT OF ENVIRONMENTAL, SOCIAL, AND GOVERNANCE ON MUTUAL FUNDS PERFORMANCE IN INDIA

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Abstract

The present study analyzed the Environmental, Social, and Governance (ESG) aspects of selected mutual funds—namely, SBI Fund, Quantum Fund, Axis Fund, ICICI Prudential Fund, and Aditya Birla Sun Life Fund. The study was based on descriptive research using secondary data, and employed key performance indicators such as Alpha, Sharpe Ratio, Beta, and Standard Deviation to assess risk-adjusted returns and volatility.

The results indicate that ICICI Prudential Fund demonstrated superior performance, with higher Alpha and Sharpe Ratio values, suggesting that it delivers better returns with lower relative risk. On the other hand, Aditya Birla Sun Life Fund

recorded the highest Beta and Standard Deviation, signifying increased volatility and overall investment risk. Additionally, the higher expense ratio associated with this fund may further diminish investors' net returns.

Based on these findings, it can be concluded that ICICI Prudential Fund is better suited for investors looking for consistent performance and efficient risk-adjusted returns, whereas Aditya Birla Sun Life Fund may cater to investors with a higher risk appetite. The study highlights the critical need for investors to evaluate both performance indicators and cost structures when selecting mutual funds.

Keywords: Environmental, Social, and Governance.

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1. Introduction about the study:

Environmental, Social, and Governance (ESG) investing has emerged as a significant global trend. In India, ESG-themed mutual funds are gaining traction as investors become more conscious of sustainability and ethical considerations.

1.1 Need of the study:

The need for this study arises from the growing importance of Environmental, Social, and Governance (ESG) factors in investment decision-making. With increasing awareness about sustainable and responsible investing, it is essential to understand the concept of ESG mutual funds in India and evaluate their performance. This study aims to provide insights into how ESG funds are performing in comparison to conventional mutual funds, and whether they offer competitive returns while aligning with ethical and sustainable values. The findings will help investors, fund managers, and policymakers make informed decisions regarding ESG investing in the Indian context.

1.2 Scope of the study:

- The study focuses on selected mutual funds in India, specifically SBI Fund, Quantum Fund, Axis Fund, ICICI Prudential Fund, and Aditya Birla Sun Life Fund.
- Environmental, Social, and Governance (ESG) factors are considered as part of the evaluation criteria to assess the sustainability and ethical impact of the funds.

- The analysis uses key financial metrics such as Alpha, Sharpe Ratio, Beta, and Standard Deviation to measure risk-adjusted returns and volatility.

1.3 Objectives of the study:

- To understand the concept and relevance of ESG investing in the Indian mutual fund market.
- To evaluate the performance of ESG mutual funds SBI fund, Quantum fund, Axis fund, ICICI Pru fund & Aditya Birla Sun fund.
- To Suggest the investor about the best ESG funds for their investments.

1.4 Limitations of the study:

The study is limited to the ESG SBI fund, Quantum fund, Axis fund, ICICI Pru fund & Aditya Birla Sun fund

2. Research and methodology:

Type: Descriptive and analytical research

2.1 Data Source:

- **Secondary:** AMFI, SEBI, Mutual Fund Fact Sheets, Value Research, Morningstar, Business Standard, etc.

2.2 Tools for Analysis:

- Sharpe Ratio
- Standard Deviation,
- Beta

2.3 Data analysis and interpretation:

ESG Mutual funds

Annual risk and returns

Period	SBI fund	Quantum fund	Axis fund	ICICI Pru fund	Aditya Birla Sun fund
1 Month	0.28%	1.04%	1.02%	0.59%	1.71%
3 Months	6.31%	7.29%	5.40%	7.79%	8.31%
6 Months	3.56%	1.32%	0.18%	4.62%	0.90%
1 Year	3.43%	6.17%	4.58%	12.43%	8.25%
2 Years	17.98%	18.20%	17.34%	26.27%	20.54%
3 Years	18.24%	18.30%	17.51%	24.53%	19.41%
4 Years	13.46%	12.42%	10.87%	16.17%	13.18%

Interpretation: From the above, it is found that the ICICI Prudential fund is giving higher returns.

Key ratio

Funds	SBI fund	Quantum fund	Axis fund	ICICI Pru fund	Aditya Birla Sun fund
Expenses Ratio	1.33%	0.75%	1.31%	1.00%	1.43%
Exite load	1.00%	1.00%	1.00%	1.00%	1.00%
AUM (Fund size)	Rs 5,715 Crs	Rs 104 Crs	Rs 1,246 Crs	Rs 1,525 Crs	Rs 637 Crs

Interpretation: From the above, it is found that the Aditya Birla Sun Life Fund has a higher expense ratio.

Performance ratios

FUNDS	SBI fund	Quantum fund	Axis fund	ICICI Pru fund	Aitya Birla Sun fund
Alpha	0.27	0.06	-1.16	6.49	0.23
Sharpe	0.75	0.72	0.6	1.19	0.71
Beta	0.93	0.94	0.94	0.86	0.98
Standard deviation	13.17	13.59	14.28	12.81	14.6

Interpretation: From the above analysis, it is found that ICICI Prudential Fund ranks first based on Alpha and Sharpe Ratio. In terms of Beta, the Aditya Birla Sun Life Fund is more volatile, and it also has a higher Standard Deviation, indicating greater overall risk.

3. Findings of the study:

1. ICICI Prudential Fund is delivering higher returns.
2. Aditya Birla Sun Life Fund has a higher expense ratio.
3. Based on both Alpha and Sharpe Ratio, ICICI Prudential Fund ranks first.
4. According to the Sharpe Ratio, ICICI Prudential Fund holds the top position.
5. The Beta value indicates that Aditya Birla Sun Life Fund is more volatile.
6. As per the Standard Deviation, Aditya Birla Sun Life Fund exhibits greater overall risk.

3.1 Suggestions of the study:

- Since ICICI Prudential Fund ranks highest in both **Alpha** and **Sharpe Ratio**, it may be preferred by investors seeking **higher returns with relatively lower risk**.
- Given the **higher expense ratio**, investors should carefully assess whether the returns of Aditya Birla Sun Life Fund justify its **higher cost** of investment.
- The **high Beta and Standard Deviation** of Aditya Birla Sun Life Fund indicate **greater volatility and total risk**. This fund may suit aggressive investors with a **higher risk tolerance**.
- Investors may consider allocating a higher proportion to ICICI Prudential Fund for **stability and performance**, while keeping exposure to Aditya Birla Sun Life Fund **limited or tactical**, based on market conditions and individual risk profiles.
- As fund performance and risk metrics can change over time, a **regular review** of Alpha, Beta, Sharpe Ratio, and Expense Ratio is recommended to **rebalance the portfolio** effectively.

4. Conclusion of the study:

In conclusion, ICICI Prudential Fund is better positioned for investors seeking consistent and risk-adjusted performance, whereas Aditya Birla Sun Life Fund should be approached with caution, keeping in mind the cost and volatility involved. Investors are advised to align their choices with their risk appetite and investment goals and periodically review fund metrics to ensure optimal portfolio performance.

5. Further scope of research:

Future research can expand the sample size by including a broader range of mutual funds across different categories such as equity, debt, hybrid, and sector-specific funds to provide a more comprehensive analysis.

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