

# ESG Integration In Mutual Funds: Implication For Fund Returns And Share Price of Top 3 ESG Funds

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**Abstract-** This study compares three top ESG mutual funds in India: Quantum ESG, Axis ESG Integration Strategy Fund, and SBI ESG Exclusionary Fund. The top-rated Strategy Fund for the years 2021 through 2025. The study assesses growth potential and risk-adjusted performance by concentrating on Net Asset Value (NAV) trends, fund stability, and volatility.

A secondary data strategy is used, with regression analysis, descriptive statistics, and year-wise NAV analysis utilized to assess fund performance and its relationship to the Sensex. find and choose the prices of shares for the business. The results show that, despite an initial dip in 2022, all three funds rebounded well from 2023 onward, demonstrating resilience in ESG-driven methods. Quantum had the most consistent growth among them, SBI maintained stability with consistent long-term returns, and Axis exhibited greater volatility with varied results. Regression analysis reveals a robust positive association between the Sensex and ESG funds, notably for Axis and Quantum, proving that ESG-focused investing is highly relevant to the market. In general, the research finds that ESG funds not only encourage sustainable and ethical investing practices but also show a lot of promise for long-term wealth accumulation, which makes them a good choice for investors looking to grow their wealth over time. In the Indian environment, this makes them a viable rival to conventional mutual funds.

**Keywords-** Risk-Adjusted Performance, Sustainable Investment, NAV Trends, ESG Mutual Funds, Sensex.

## I. INTRODUCTION

ESG investing has become a major trend in the world's financial markets, reflecting the rising need for environmentally sound and sustainable investment options. Investors today are interested in the moral and social effects of their investments as well as financial returns. The goal of ESG mutual funds is to direct investment toward businesses that exhibit a strong dedication to environmental protection, social responsibility, and sound governance. The

Quantum ESG Best-in-Class Strategy Fund, the SBI ESG Exclusionary Fund, and the Axis ESG Integration Strategy Fund are among the top ESG-based funds in India, where ESG-based funds are gradually gaining popularity. SBI uses an exclusive approach to ESG investing by excluding firms connected to bad sectors, while Axis combines ESG factors with its investing strategy. Quantum takes a best-in-class approach, selecting the businesses that score the highest on ESG criteria inside their industries, and utilizes conventional financial metrics to guarantee a balanced assessment. By looking at variables like net assets, this comparative study aims to assess the performance, risk, and long-term growth potential of these three ESG funds. value (NAV) trends, risk-adjusted returns, and overall stability. The study also examines whether ESG funds can deliver competitive or superior performance in comparison to conventional mutual funds, providing investors with valuable insights and contributing to the body of knowledge. to the discussion on sustainable finance in India.

## STATEMENT OF PROBLEM

The growing demand for sustainable and responsible investing has led to the rise of ESG (Environmental, Social, and Governance) mutual funds in India. While these funds claim to balance financial returns with ethical considerations, there is still ambiguity regarding their actual performance compared to traditional investment options. Investors face the challenge of understanding whether ESG-focused strategies can deliver consistent long-term returns or if they involve higher risks and trade-offs. Moreover, with multiple approaches—such as exclusionary screening, integration of ESG with financial metrics, and best-in-class selection—the effectiveness of these strategies remains underexplored in the Indian context. The lack of comprehensive comparative analysis of ESG funds creates uncertainty for investors who seek both ethical alignment and financial growth. This project addresses the problem by evaluating the performance, stability, and impact of three leading ESG funds—SBI ESG Exclusionary Fund, Axis ESG Integration Strategy Fund, and

Quantum ESG Best-in-Class Fund—through NAV trends, risk-adjusted returns, and correlation with market benchmarks.

## OBJECTIVES

- To identify the portfolio of investment of selected ESG mutual fund companies .
- To analyse the trending pattern of selected ESG mutual fund companies .
- To evaluate the Impact of selected ESG mutual fund on BSE-Sensex.

## II. METHODOLOGY

### DATA COLLECTION

The study adopts a secondary data. The database pertaining to NAV values, Portfolio allotments, share price of Sensex are taken from the official websites of BSE and also Groww APP.

### PERIOD OF STUDY

The study period spans from 2021 to 2025 (five years data).

#### Tools Used:

Regression Analysis: to identify the impact of ESG fund on benchmark index

Trend Analysis: for year-wise comparison of NAVs and identifying growth

#### Restrictions on the Investigation:

- [1] Time Constraint - Because the analysis only covers the years 2021–2025, it may not account for long-term performance cycles or changes in the structure of ESG investment.
- [2] Limited Fund Options: Only three ESG mutual funds (SBI, Axis, and Quantum) are taken into account, which may not reflect the full scope of ESG investments in India.

## III. LITERATURE REVIEW

**Arshad Khan (2025)** conducted a comparative study of ESG-focused funds and traditional mutual funds in the Indian environment. His study indicates that, in most cases, ESG funds produced returns comparable to those of conventional funds, with somewhat superior risk-adjusted performance in certain instances. ESG funds often exclude high-risk industries

like tobacco, fossil fuels, and gambling, making diversification strategies a major advantage. providing a portfolio with greater social responsibility. Notably, Khan observed a generational trend in which millennial and Gen-Z investors favored ESG funds more since they are in line with their personal beliefs regarding sustainability and ethical finance. Additionally, he highlighted the psychological fulfillment and reputational benefits that investors receive above financial rewards. The research came to the conclusion that, even if ESG funds may not always produce the best raw returns, they are nevertheless appealing because they encourage responsible investing, lower risk, and provide long-term stability.

**ShikhaDua and Pratham (2025)** assessed 36 ESG mutual funds in India using financial indicators like the Sharpe ratio in their joint study. and the Treynor ratio to assess riskadjusted performance. Their research demonstrated that some funds, like Quant ESG, regularly outperformed their competitors and even some conventional funds. This discovery supported the notion that not all ESG funds are created equal, and that meticulous fund selection is essential for generating robust returns. The research discovered that funds with active management and greater levels of genuine ESG integration were more resilient in turbulent markets, providing higher returns relative to risk. Additionally, they warned against "greenwashing," in which certain funds adopt ESG labels without truly integrating sustainable practices. Their conclusion emphasized that ESG funds are not just ethical investments, but they can also be financially lucrative if investors choose funds with solid ESG credentials and sound portfolio management.

**Jayadev and Anupama R. (2024)** compared the performance of ESG mutual funds in India to the NIFTY 100 ESG Index in order to determine determine how well these funds match benchmark performance. Their research demonstrated that the benchmark was responded to by different ESG funds in different ways. For instance, Quantum ESG demonstrated a high degree of correlation with the NIFTY 100 ESG Index, making it a trustworthy choice for investors looking for index-based ESG results. The Axis ESG Integration Fund, on the other hand, displayed a poorer alignment, indicating inconsistencies in its screening and integration of ESG standards. This discrepancy demonstrates that ESG funds use varying degrees of rigor in their sustainability practices, and investors should exercise caution when making assumptions about uniformity. The authors highlighted the significance of transparency in fund methodology and ESG criteria, ultimately determining that clear alignment with benchmarks and credibility are essential for long-term investor trust in ESG funds.

**Tarun Kumar Soni (2023)** compared the performance and growth of ESG mutual funds in India to that of conventional mutual funds, with a particular emphasis on how they fared in various market circumstances, including those of crisis and normalcy. His study found that, despite their appealing ethical orientation and sustainability focus, ESG funds do not consistently generate higher financial returns than their non-ESG counterparts. Due to their exclusionary investment methods, ESG funds were able to weather the COVID-19 epidemic and mitigate significant losses. The net returns were, however, reduced by the compliance and monitoring costs associated with ESG requirements, which made them less appealing to investors focused on profit. Soni emphasized that factors outside of money, such as social responsibility, environmental awareness, and governance practices, drive many investors. He came to the conclusion that ESG funds have a fair objective, providing both ethical fulfillment and financial returns, but that investors should be aware of the inherent trade-off between sustainability and profitability when selecting investments with an ESG focus.

**Rohilla (2023)** examined the risk-return dynamics of ESG mutual funds in the Indian market, with a focus on growth, volatility, and market responsiveness. The results demonstrated that ESG funds experienced times of significant growth, especially when there was a rise in the worldwide demand for sustainable finance, but that they were also susceptible to shocks to volatility during crises and policy shifts. Even though ESG funds stayed out of some high-risk industries, like coal and fossil fuels, they were still vulnerable. totally protected against economic slumps. Rohilla maintained that India's ESG investing environment is still in its infancy, with a paucity of historical data and a comparatively small number of funds. compared to established markets, there are options. ESG funds demonstrated resilience in the face of these obstacles by aligning with businesses that prioritized environmental stewardship and good governance. His research came to the conclusion that ESG funds are a viable investment option with long-term potential, but that investors should diversify to mitigate the underlying risks.

### Objective:1

Portfolio of Investment of Selected ESG Mutual Funds.

**Table no:1.1 - SBI ESG exclusionary strategy fund**

Investment portfolio	Percentage %
HDFC Bank Ltd	9.40%
ICICI Bank Ltd	8.19%
Infosys Ltd.	5.01%

Larsen & Toubro Ltd	4.70%
Maruti Suzuki India Ltd	4.30%
Axis Bank Ltd	4.27%
Ultratech Cement Ltd	3.95%
Kotak Mahindra Bank Ltd	3.61%
State Bank of India	3.48%
Reliance Industries Ltd	3.43%

### Interpretation:

The SBI ESG Exclusionary Strategy Fund's well-diversified portfolio, with a strong emphasis on the banking industry, is demonstrated by its sizable investments in HDFC, State Bank of India (3.48%), Kotak Mahindra Bank (3.61%), Axis Bank (4.27%), ICICI Bank (8.19%), and Bank (9.40%) are the top five banks in the fund's portfolio, demonstrating its preference for them. reflecting trust in the Indian banking industry's resilience and development potential, financial organizations account for a large share of the distribution overall. Furthermore, the fund's emphasis on the IT industry is represented by the presence of Infosys Ltd. (5.01%), which provides balance and exposure to India's competitive global technology industry. The inclusion of Maruti Suzuki (4.30%) brings exposure to the automobile industry, a key sector for the Indian economy, while Larsen & Toubro (4.70%) implies dependence on infrastructure development. Ultratech Cement (3.95%) reflects confidence in the expansion of the building and housing industries, while Reliance Industries (3.43%) provides energy and a varied industrial base. The fund's overall allocation maintains sectoral diversification, with a focus on banking and finance, and is backed by prominent figures in the IT, infrastructure, automotive, and cement industries. This distribution represents a strategy of striking a balance between stability and growth potential in key areas of the Indian economy.

**Table no :1.2 - Axis ESG integration strategy fund**

Investment portfolio	Percentage %
ICICI Bank Ltd	7.34%
HDFC Bank Ltd	6.47%
Bharti Airtel Ltd	5.93%
Bajaj Finance Ltd	4.87%
Gland Pharma Ltd	4.52%
Reliance	4.42%

Industries Ltd	
Eternal Ltd	3.91%
Inter globe Aviation Ltd	3.80%
Infosys Ltd	3.37%
AU Small Finance Bank Ltd	2.76%

### Interpretation:

With a heavy focus on financials, the Axis ESG Integration Strategy Fund offers a diversified mix headed by ICICI Bank (7.34%), Bajaj Finance, and HDFC Bank (6.47%). (4.87%) and AU Small Finance Bank (2.76%), demonstrating faith in the growth of the financial services industry in India. Bharti Airtel (5.93%) guarantees exposure to the telecom industry, which is expanding quickly and is essential to the digital connection. The fund's emphasis on healthcare and pharmaceuticals, which have long-term growth potential, is highlighted by Reliance Industries (4.42%), which provides balance through its energy and infrastructure operations, and Gland Pharma (4.52%). A diverse manufacturing footprint. Everlasting Ltd. (3.91%) and Inter globe Aviation (3.80%) provide exposure to niche industries and aviation, respectively, which helps to diversify the portfolio. With 3.37%, Infosys contributes from the IT industry, fostering greater technological diversity. Overall, the fund strikes a balance between the banking, telecommunications, healthcare, IT, energy, and consumer-driven industries. The integration reflects a growth plan that includes both established industries and fresh prospects.

**Table no:1.3 - Quantum ESG best in class strategy fund**

Investment portfolio	Percentage %
TVS Motor Company Ltd.	5.64%
The Indian Hotels Company Ltd.	4.15%
HDFC Bank Ltd	3.41%
Marico Ltd.	3.01%
Persistent Systems Ltd.	2.83%
ICICI Lombard General Insurance Comp.	2.79%
Kotak Mahindra Bank Ltd.	2.71%

Bajaj Finance Ltd.	2.51%
HDFC Life Insurance Co Ltd	2.17%
Mahindra & Mahindra Ltd.	2.13%

### Interpretation:

The Quantum ESG Best-in-Class Strategy Fund has a varied allocation across numerous industries, with a significant focus on consumer and financial businesses. Its biggest exposure is in TVS Motor Company Ltd. (5.64%), which demonstrates a preference for the automotive industry with long-term growth prospects. The Indian Hotels Company is the second-biggest holding. (4.15%) of Ltd. reflects a focus on hospitality and services.

### Objective:2 – Trending Pattern of Selected ESG Mutual Funds

**Table no:2.1 -Trend analysis of SBI ESG exclusionary strategy fund**

Year	SBI ESG (Trend %)
2021	30.086
2022	29.743
2023	61.996
2024	82.742
2025	89.725

### Interpretation:

The table no 2.1 shows performance of the SBI ESG Exclusionary Fund from 2021 to 2025 shows a clear growth trend with slight fluctuations. In 2021, the fund started with a NAV of 30.086, establishing its base value. The following year, 2022, witnessed a marginal decline to 29.743, reflecting a short-term dip in performance. However, the fund bounced back strongly in 2023 with its NAV rising sharply to 61.996, marking the beginning of a high-growth phase. This positive momentum continued in 2024 as the NAV increased further to 82.742, showing strong investor confidence and improved market conditions. By 2025, the NAV climbed to 89.725, which indicates steady but moderate growth compared to the previous year. Overall, the fund showed resilience by recovering quickly after the dip in 2022. The upward movement from 2023 onwards highlights its potential as a sustainable investment option. Investors who remained

invested over the long term witnessed significant wealth creation. The NAV nearly tripled over five years, underlining strong performance. This demonstrates that the SBI ESG Exclusionary Fund can deliver consistent long-term returns despite short-term volatility.

**Table no:2.2 - Trend analysis of axis integration strategy fund**

Year	Axis ESG (Trend %)
2021	25.808
2022	13.161
2023	41.985
2024	67.132
2025	67.205

**Interpretation:**

The table no:2.2 shows the performance of Axis ESG Integration Strategy Fund showed mixed performance between 2021 and 2025. In 2021, the NAV was 25.808, but it fell sharply in 2022 to 13.161, indicating a significant decline and possible market or fund-specific challenges. The fund recovered strongly in 2023 with the NAV rising to 41.985, reflecting a solid comeback. This growth trend continued in 2024 as the NAV surged further to 67.132, marking the fund’s peak performance during the period. In 2025, the NAV slightly increased to 67.205, showing stability but almost no growth compared to the previous year. Overall, the fund displayed high volatility with both steep falls and strong recoveries. Investors who stayed invested after the 2022 downturn benefited from large gains in the following years. The pattern suggests that while risky in the short term, the fund has the potential for strong medium to longterm returns.

**Table no:2.3 - Trend analysis of quantum ESG best in class strategy**

Year	Quantum ESG (Trend %)
2021	29.902
2022	27.498
2023	59.804
2024	87.002
2025	93.467

**Interpretation:**

The table no 2.3 shows the performance of Quantum ESG Best in Class Strategy fund started with a NAV of 29.902 in 2021, showing a moderate base. In 2022, it slightly declined to 27.498, reflecting short-term challenges, possibly due to market volatility. However, in 2023, the fund saw a sharp recovery, rising to 59.804, more than doubling from the previous year. This indicates strong investor confidence and good ESG-driven performance. By 2024, the NAV further surged to 87.002, showing consistent upward momentum. In 2025, the NAV reached 93.467, marking the highest point in the five-year period. The overall trend highlights the resilience and long-term growth potential of ESG-focused strategies. Despite minor fluctuations, the fund delivered strong returns over the observed years.

**Table no: 3 -Forecast analysis of the funds**

Year	NAV SBI ESG	NAV Axis ESG	NAV Quantum ESG
2026	288.871	110.5415	25.337
2027	312.566	131.7473	27.695
2028	336.261	145.54099	29.765

**Interpretation:**

The table no:3 shows the SBI ESG Exclusionary Fund shows steady growth across the three years, rising from ₹110.54 in 2026 to ₹145.54 in 2028, indicating consistent performance with healthy year-on-year appreciation. The Axis ESG Integration Strategy Fund also demonstrates upward movement, increasing from ₹86.28 in 2026 to ₹119.46 in 2028, suggesting that the fund is gaining strength after earlier volatility and is gradually stabilizing. Meanwhile, the Quantum ESG Best-in-Class Strategy Fund achieves the strongest growth momentum, starting at ₹113.67 in 2026 and reaching ₹152.75 in 2028, which highlights its aggressive growth potential compared to the other two funds.

Overall, all three funds reflect positive NAV growth, but Quantum ESG leads in terms of relative performance, followed by SBI ESG, while Axis ESG shows more moderate improvement. This suggests that investors seeking higher returns may find Quantum ESG more attractive, while those preferring stability may lean towards SBI ESG.

**OBJECTIVE 3**

The increasing popularity of ESG (Environmental, Social, and Governance) mutual funds can indirectly affect the Sensex by altering how companies behave and how the market operates. As more investors choose ESG funds, companies are motivated to improve their ESG practices to attract that capital. This can lead to: Better Company Performance - Stronger ESG practices often result in improved operations, financial stability, and long-term value. Reduced Risk and Volatility - Companies with good ESG scores are often seen as less risky, which can reduce stock price swings. Increased Investor Confidence - These improvements make companies more appealing to a wider range of investors. Ultimately, as companies on the Sensex improve their ESG standards, it can lead to better overall performance and stability for the index itself.

**Table no.4 : Regression Analysis – ESG Funds and Sensex, Axis, SBI & Quantum Share price**

**H0: Selected ESG Funds do not have impact on the Sensex index and share price of Selected Companies.**

Dependent – Independent Variable	R-Value	Sig.value	S/NS	Rank
Sensex- AXIS ESG Fund	0.994	0.001	S	1
Sensex – SBI ESG Fund	0.947	0.015	S	3
Sensex – Quantum ESG Fund	0.980	0.003	S	2
Axis Shareprice – AXIS ESG Fund	0.917	0.029	S	4
SBI Shareprice – SBI ESG Fund	0.656	0.229	NS	-
Quantum Shareprice – Quantum ESG Fund	0.478	0.416	NS	-

Source: Secondary Data

The Table shows R-value which represents the impact level or the strength of the linear relationship between two variables. The value ranges from -1 to +1. value close to +1 (like 0.994, 0.947, 0.980, and 0.917) indicates a strong positive linear relationship. This means that as the independent variable (e.g., ESG fund price) increases, the dependent

variable (e.g., Sensex index or a company's share price) also tends to increase.

The closer the R-value is to 1 or -1, the stronger the relationship. It is evident from the table that R-values for the relationships between the Sensex and the three ESG funds (0.994, 0.947, 0.980) and between Axis' share price and the Axis ESG fund (0.917) are all very close to 1, indicating a strong positive correlation. This suggests a significant impact level. The Rvalues for the relationships involving SBI and Quantum share prices (0.656 and 0.478) are lower, indicating a weaker positive relationship.

The table no. 4 shows the Significant value, with which H0 is accepted and Rejected. The table indicates that H0 (Null Hypothesis) is rejected and shows the significant impact of selected Axis ESG Fund (0.001), SBI ESG Fund (0.015) and Quantum ESG Fund on BSE Sensex. And also Axis ESG Fund have significant impact on the share price of Axis Share Price. The Two other selected ESG Funds such as SBI ESG Fund & Quantum ESG Fund failed to reject the null hypothesis with respect to share price of respective companies, which means no significant impact.

Ranking has been assigned based on high R-value and a low significant value together provides strong evidence of a meaningful and statistically significant relationship between the variables. In this case, Rank 1 - Axis ESG Fund have high impact on Sensex with value of 99.4% followed by Rank @ - Quantum ESG Fund (98%), SBI ESG Fund (94.7%) and least impact on Axis share price by Axis ESG Fund (91.7%) which is ranked 4.

#### IV. CONCLUSION

The comparative study of SBI ESG Exclusionary Fund, Axis ESG Integration Strategy Fund, and Quantum ESG Best-in-Class Strategy Fund highlights the performance, risk, and growth potential of ESG investments in India from 2021 to 2025. While all three funds experienced a short-term dip in 2022, they rebounded strongly from 2023 onward, demonstrating the resilience of ESG-focused strategies. Quantum ESG showed the most consistent growth and strong risk-adjusted returns, SBI ESG provided stable long-term gains with a diversified portfolio emphasizing banking and IT sectors, and Axis ESG exhibited higher volatility but offered potential for substantial returns. Trend and regression analyses reveal a positive correlation with the BSE Sensex, particularly for Quantum and Axis, indicating alignment with broader market movements. Overall, ESG mutual funds in India not only promote sustainable and ethical investing but also offer competitive financial returns, making them a viable alternative

to conventional mutual funds by combining long-term wealth creation with responsible investment practices.

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