



Archives available at journals.mriindia.com

**International Journal on Research and Development - A
Management Review**

ISSN: 2319 - 5479

Volume 15 Issue 01, 2026

Impact of Sustainability-Oriented Mutual Funds on Investor Decision-Making: An Empirical Study

¹Ms. Sujata V., ²Dr. M. Kamaladevi

¹Research Scholar, Department of Commerce,
St. Peter's Institute of Higher Education and Research, Avadi.

²Associate Professor and Research Supervisor, Department of Commerce,
St. Peter's Institute of Higher Education and Research, Avadi.

Email: ¹sujatavenkatachari@gmail.com

Peer Review Information	Abstract
<p>Submission: 25 Jan 2026 Revision: 12 Feb 2026 Acceptance: 26 Feb 2026</p>	<p>The growing emphasis on sustainable finance has led to increased interest in sustainability-oriented mutual funds that integrate Environmental, Social, and Governance (ESG) principles into investment decisions. This empirical study examines the impact of sustainability-oriented mutual funds on retail investors' decision-making, focusing on awareness levels, influencing factors, and investment intentions. The study adopts a descriptive and analytical research design, using primary data collected through a structured questionnaire administered to retail investors. Statistical tools such as percentage analysis, mean and standard deviation, and regression analysis are employed to analyse the data. The results indicate that sustainability awareness, ethical considerations, perceived long-term returns, and trust in fund management significantly shape investors' decisions to invest in sustainability-oriented mutual funds. The findings further reveal that investors who demonstrate greater concern for environmental and social issues show a stronger preference for sustainable investment options. The study highlights the increasing relevance of sustainability-oriented mutual funds in promoting responsible investing. It provides valuable insights for asset management companies to align their product offerings with evolving investor preferences.</p>
<p>Keywords</p> <p><i>Sustainability-Oriented Mutual Funds, Investor Decision-Making, ESG Investing, Sustainable Finance, Retail Investors</i></p>	

Introduction

Recently, the global financial scene has shifted focus towards sustainability in investments, driven by concerns about climate change, social inequality, and corporate governance. This shift led to the emergence of sustainable finance, which incorporates Environmental, Social, and Governance (ESG) factors into investment choices. Investors now see that long-term financial success is linked to sustainable business practices, prompting them to re-evaluate strategies that previously prioritized short-term gains.

Sustainability-focused mutual funds have become a popular investment option, particularly for retail investors. These funds incorporate ESG criteria into their selection and management, aiming for both financial returns and ethical objectives, with an emphasis on long-term value. By investing in companies with solid environmental, social, and governance practices, they seek to mitigate risks associated with regulatory changes, environmental liabilities, and reputation concerns, while also promoting sustainable economic growth.

The rising popularity of sustainability-focused mutual funds can be linked to increased investor awareness and regulatory efforts to promote responsible investing. Governments, regulators, and international bodies are pushing for more transparency in ESG disclosures, helping investors make choices that align with their values. Retail investors, in particular, are more interested in investments that offer financial returns while also aligning with their ethical principles and social concerns. This trend points to a shift towards value-based investing, where financial goals are balanced with environmental and social responsibilities.

Despite the rapid growth of ESG-focused mutual funds, investor decision-making remains complex and multifaceted. Key influences include awareness of sustainability, ethical values, expectations of long-term returns, perceptions of risk, and trust in fund managers. Moral and environmental concerns drive some investors, while others remain hesitant, doubting the financial performance and credibility of sustainability-focused funds. Challenges such as greenwashing, the lack of standardized ESG metrics, and limited understanding of sustainability concepts further complicate how investors perceive these investments.

In this context, it is crucial to examine empirically how sustainability-focused mutual funds affect investors' choices. Understanding retail investors' perceptions of sustainable investments and the key factors shaping their investment decisions can offer essential insights for asset managers, policymakers, and financial advisors. This study aims to explore investor awareness, the factors that influence it, and investors' willingness to invest in sustainability-oriented mutual funds, thereby contributing to the expanding body of research on sustainable finance and responsible investing.

Objectives of the Study

1. To examine the level of awareness among retail investors regarding sustainability-oriented mutual funds.
2. To identify the key factors influencing investor decision-making towards sustainability-oriented mutual funds.
3. To analyse the impact of sustainability awareness and perceived benefits on investors' intention to invest in sustainability-oriented mutual funds.

Review of Literature

In recent years, sustainable finance and ESG investing have attracted significant interest as investors increasingly acknowledge the importance of incorporating environmental,

social, and governance factors into their investment choices. Friede, Busch, and Bassen (2015) highlight that extensive empirical research indicates ESG integration generally does not harm financial performance and often relates to improved risk-adjusted returns. This evidence has motivated both institutional and retail investors to consider sustainability-focused investment options, such as ESG mutual funds.

Several studies have explored how investors behave concerning socially responsible and sustainability-focused mutual funds. Nilsson (2008) found that ethical principles and personal beliefs significantly influence investors' choices regarding sustainable investments, particularly among socially conscious investors. Likewise, Riedl and Smeets (2017) noted that investors gain non-financial benefits from sustainable investments, like moral fulfillment and alignment with personal values, which positively affect their decision-making.

Investor awareness is a crucial factor influencing the adoption of sustainability-focused mutual funds. Research by Jain, Sharma, and Srivastava (2019) shows that a greater awareness and comprehension of ESG principles substantially boost investors' willingness to choose sustainable financial options. Nonetheless, they also pointed out that many retail investors have only a rudimentary grasp of ESG investing, underlining the importance of better disclosure and investor education.

Perceived financial performance plays a crucial role in shaping investor decisions. Bollen (2007) found that investors are often willing to accept marginally lower short-term gains if they perceive socially responsible funds as providing better long-term stability and reduced risk. However, some investors remain cautious about ESG funds, citing higher costs and uncertain returns, suggesting that perceptions of returns still influence investment decisions alongside ethical values.

Investor decisions are heavily influenced by trust in fund management and the transparency of ESG practices. Eccles, Ioannou, and Serafeim (2014) found that firms and funds demonstrating robust sustainability initiatives and transparent reporting generally garner higher investor confidence. Nevertheless, recent research highlights concern about greenwashing, in which funds overstate their sustainability achievements, which could damage trust among investors (CFA Institute, 2021).

Overall, existing research shows that factors such as sustainability awareness, ethical motivation, perceived long-term benefits, and trust in fund management play a key role in shaping investors'

choices toward sustainability-focused mutual funds. However, most studies concentrate on developed markets or institutional investors, leaving limited evidence about retail investors in emerging economies. This gap underscores the importance of additional empirical research to explore how these factors affect retail investor decisions, which this study aims to investigate.

Research Methodology

This study employs a descriptive-analytical research approach to examine how sustainability-focused mutual funds influence investors' decisions. Data were gathered primarily from retail investors via a structured questionnaire using a five-point Likert scale. The questionnaire covered topics including awareness of sustainability mutual funds, ethical considerations, expectations of long-term returns, trust in fund managers, and investment intent. Additionally, secondary data were sourced from journals, books, research papers, and financial reports to reinforce the study's conceptual framework.

The study's population consisted of retail investors who had experience or interest in mutual fund investments. Respondents were selected through convenience sampling, primarily due to accessibility and time constraints. The sample included 65 retail investors. The collected data were analysed using appropriate statistical methods. Percentage analysis helped to identify the demographic profile and awareness levels of investors. The perceptions of investors towards sustainability-focused mutual funds were examined using mean and standard deviation, while regression analysis assessed how sustainability awareness

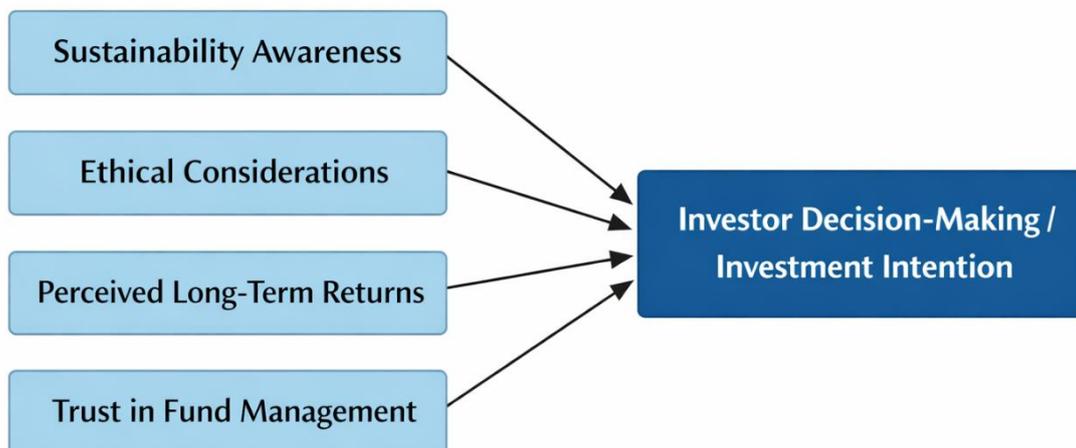
and perceived benefits influence investment intentions. Limitations of the study include dependence on self-reported data and restricted generalizability due to the sampling approach.

Conceptual Framework

The conceptual framework of the study explains the relationship between sustainability-oriented mutual funds and investor decision-making. It is developed from the existing literature on sustainable finance and investor behaviour. In the present study, investor decision-making/investment intention is treated as the dependent variable. It is influenced by key independent variables, including sustainability awareness, ethical considerations, perceived long-term returns, and trust in fund management.

Sustainability awareness refers to investors' understanding of ESG principles and of sustainability-focused mutual funds. Ethical considerations reflect their concern for environmental, social, and corporate responsibility issues. Perceived long-term returns refer to the belief that these funds can generate stable and lasting financial outcomes over time. Trust in fund management signifies investors' confidence in the credibility, transparency, and expertise of the asset management firms offering sustainable funds.

The framework posits that greater awareness of sustainability concepts, a more ethical perspective, optimistic perceptions of long-term gains, and increased trust in fund managers all positively influence investors' intention to invest in sustainability-focused mutual funds. These relationships have been empirically tested using regression analysis in the study.



Conceptual Framework of the Study

Data Analysis and Interpretation

This section analyses data from 65 retail investors to explore how sustainability-focused mutual funds influence their decision-making. The data were analysed using statistical methods, including percentage analysis, means, standard deviations, and regression analysis. These techniques helped to gauge investors' awareness, identify the main factors affecting their investment choices, and evaluate how sustainability aspects impact their investment intentions. The findings are shown in tables with accompanying explanations to ensure clarity and ease of understanding.

1. Awareness of Sustainability-Oriented Mutual Funds

Table 1: Awareness Level of Sustainability-Oriented Mutual Funds (n = 65)

Awareness Level	Number of Respondents	Percentage (%)
Low Awareness	14	21.5
Moderate Awareness	31	47.7
High Awareness	20	30.8
Total	65	100.0

The table indicates that most respondents (47.7%) have a moderate awareness of sustainability-oriented mutual funds, while 30.8% are highly aware. Conversely, 21.5% show low awareness, highlighting the need for better investor education and communication from asset management firms.

2. Factors Influencing Investor Decision-Making

Table 2: Mean and Standard Deviation of Influencing Factors

Factors	Mean	Standard Deviation
Sustainability Awareness	3.78	0.82
Ethical Considerations	3.92	0.76
Perceived Long-Term Returns	3.85	0.79
Trust in Fund Management	4.01	0.71

The average scores show that trust in fund management (Mean = 4.01) is the most significant factor influencing investor decisions, with ethical considerations and expected long-term returns also playing important roles. Additionally, sustainability awareness receives a

positive mean score, indicating that investors are progressively placing greater importance on sustainability-related information when making investment choices.

3. Investment Intention towards Sustainability-Oriented Mutual Funds

Table 3: Investment Intention of Investors

Investment Intention	Number of Respondents	Percentage (%)
Low Intention	12	18.5
Moderate Intention	29	44.6
High Intention	24	36.9
Total	65	100.0

The findings indicate that most respondents (81.5%) have a moderate-to-high intention to invest in sustainability-focused mutual funds, highlighting an increasing acceptance of sustainable investments among retail investors.

4. Regression Analysis

Table 4: Regression Results: Factors Influencing Investment Intention

Independent Variables	Beta (β)	t-value	Sig.
Sustainability Awareness	0.29	2.41	0.019
Ethical Considerations	0.31	2.68	0.010
Perceived Long-Term Returns	0.27	2.22	0.030
Trust in Fund Management	0.35	3.01	0.004

$R^2 = 0.56$

F-value = 19.84 ($p < 0.001$)

The regression analysis shows that all chosen independent variables significantly and positively influence investors' intention to invest in sustainability-focused mutual funds. Trust in fund management is the most influential factor, with ethical considerations and sustainability awareness also playing important roles. An R^2 of 0.56 indicates that 56% of the variation in investment intention is explained by these variables, demonstrating the model's robustness. The analysis shows that retail investors perceive sustainability-oriented mutual funds positively. Awareness, ethical orientation, perceived long-term benefits, and trust in fund management significantly influence investment intention. These findings underscore the growing relevance of sustainable finance and the importance of transparency and investor education in

promoting investments in sustainability-oriented mutual funds.

Findings and Suggestions

Findings

The study shows that most retail investors have a moderate to high awareness of sustainability-oriented mutual funds, indicating increased familiarity with ESG-based investments. Ethical concerns and worries about environmental and social issues strongly influence their decision-making, emphasizing the importance of value-driven investing. The analysis also finds that expectations of long-term returns positively affect investment intentions, leading investors to view these funds as stable and viable options. Trust in fund management is a crucial factor, underscoring the need for transparency, credibility, and professional management to boost investment in sustainable funds. Overall, the results confirm that awareness of sustainability, ethical considerations, long-term return expectations, and trust in management significantly encourage investors to choose sustainability-focused mutual funds.

Suggestions

The study's results suggest that asset management firms should enhance investor awareness efforts by offering clear, straightforward information about sustainability-focused mutual funds and ESG principles. Transparent sharing of sustainability practices and fund outcomes can build trust and alleviate concerns about greenwashing. Fund managers are advised to emphasize the long-term financial gains of sustainable investments to ease investors' return-related concerns. Additionally, financial advisors and institutions can foster ethical investing through educational initiatives. Policymakers and regulators should promote standardized ESG reporting frameworks to boost credibility and comparability among sustainable investment options. These strategies collectively can encourage the growth and acceptance of sustainability-focused mutual funds among retail investors.

Conclusion

This study explored how sustainability-focused mutual funds influence investor choices, emphasizing awareness, ethics, expected long-term gains, and trust in fund managers. Results show that retail investors are more drawn to sustainable investments, especially when they are well-informed and trust the fund's credibility. Ethical considerations and sustainability principles significantly affect investment

decisions, and perceptions of lasting financial benefits boost investor trust in these funds.

The study emphasizes that trust and transparency are essential for promoting sustainable investments, as investors tend to favour funds that openly communicate their sustainability goals and results. Overall, the research highlights the increasing importance of sustainability-focused mutual funds in fostering responsible investing and aligning financial aims with environmental and social objectives. By closing awareness gaps and improving disclosure practices, asset management firms and policymakers can further encourage retail investors to adopt sustainable investment options.

Scope for Future Research

This study suggests several directions for future research. Expanding the sample size and including investors from various regions could improve the generalizability of the results. Researchers might also compare the decision-making processes of retail versus institutional investors regarding sustainability-focused mutual funds. Additionally, employing advanced analytical methods, such as structural equation modeling, could reveal complex interactions among ESG factors. Long-term studies could track how investor perceptions and behaviours evolve. Exploring the role of regulation and ESG disclosure standards in shaping investor confidence would also provide valuable insights into sustainable finance.

References

- Bollen, N. P. B. (2007). Mutual fund attributes and investor behavior. *Journal of Financial and Quantitative Analysis*, 42(3), 683–708. <https://doi.org/10.1017/S0022109000004142>
- CFA Institute. (2021). *Global ESG disclosure standards for investment products*. CFA Institute Research Foundation. <https://www.cfainstitute.org>
- Eccles, R. G., Ioannou, I., & Serafeim, G. (2014). The impact of corporate sustainability on organizational processes and performance. *Management Science*, 60(11), 2835–2857. <https://doi.org/10.1287/mnsc.2014.1984>
- Friede, G., Busch, T., & Bassen, A. (2015). ESG and financial performance: Aggregated evidence from more than 2,000 empirical studies. *Journal of Sustainable Finance & Investment*, 5(4), 210–233. <https://doi.org/10.1080/20430795.2015.1118917>

Jain, M., Sharma, G. D., & Srivastava, M. (2019). Can sustainable investment yield better financial returns? Evidence from emerging markets. *Journal of Cleaner Production*, 239, 118–143. <https://doi.org/10.1016/j.jclepro.2019.118143>

Nilsson, J. (2008). Investment with a conscience: Examining the impact of pro-social attitudes on investment decisions. *Journal of Business Ethics*, 83(2), 307–325. <https://doi.org/10.1007/s10551-007-9620-z>

Riedl, A., & Smeets, P. (2017). Why do investors hold socially responsible mutual funds? *The Journal of Finance*, 72(6), 2505–2550. <https://doi.org/10.1111/jofi.12547>

UNCTAD. (2021). *World investment report 2021: Investing in sustainable recovery*. United Nations Conference on Trade and Development. <https://unctad.org>