

Environmental, Social and Governance and the Young Investor's Awareness level

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Abstract:

Past research on Environmental, Social and Governance (ESG) and investing in stock has been explained at the level of corporations, financial advisors, portfolio managers, and institutional investors. This study is an attempt to study the level of awareness of young investors in the market with ESG goals. Responsible investing has been studied and published in large level, but when it comes to governance part, investors were not given much awareness on linking ESG and stock investing. Awareness on ESG issues by analyzing their company performance in accordance with the sector balanced outputs would help the investors to do responsible investing. The results of this research study would give more insights to the marketers and policy makers to educate the young investors on ESG for a sustainable and calculated future of stock market investing by providing information about the firm's ESG goals at the initial level.

Methodology: This study is based on primary data from a group of young investors – MBA finance graduates with an experience on demat account trading.

Findings: Respondents have much experience in investing in stocks by considering factors like stock performance, sector performance, and profit percentage and at the least company history and governance. Respondents have rich experience in trading with the theory and practical knowledge gained at the institution/ from the course. With hands-on experience with the aid of stock investing apps in handy, it is not uncommon to do investing for profit percentage alone. It is found that respondents have very less awareness on ESG to link with their investing pattern.

Research limitations: This study is limited to young investors concentrated to MBA finance graduates in a management studies institution in Coimbatore. This research underlines the importance of providing awareness to young investors to link ESG while investing.

Keywords: Environmental, Social and Governance, Stock Investor, Young Investor, Governance, BSE

1. Introduction

Research on stock, companies report, financial statements are common among authors, but is it possible to prioritize ESG factor in the minds of the investors? This research has taken a step to find the awareness level of young investor on ESG with simple questionnaire statements for their responses. Studies on relation between “ESG & corporate finance performance are available and difficult to generalize” (Friede, 2015). It says the relation between the above factors is far relatable to confine to ESG. The objective of the corporate can also be taken into consideration on research on ESG. This research has attempted another perspective of studying the awareness of the investors in the first place that too young investor, budding investor.

This study to “investigate the impact of sustainability (social & environmental) awareness practices on green trust and green altruism to find how sustainability awareness practices affect the impulse buying behavior of consumers” (Khalil, & Khalil, 2022) – this study concentrates on the social & environment towards sustainability. This indicates to concentrate on social & environmental at the first place. Practices to investigate all the aspects of corporates towards investing would benefit the consumers and organizations as a whole. It also indicates to enhance the self-interest of consumers in their buying behavior. Helping the investors to understand all these factors would have more impact other than desecrating the practices.

This study is so clear about “providing information about firm fundamentals and affecting investor preferences” (Pedersen, 2020). These practices would attract and educate investors on the firm's practices and unknowingly in the long term

investors would prefer and stay to invest in these organizations. Without burdening the investors on their pattern of investing it is to make them understand on the firm's practices is little hard. “Including non-financial information related to environmental, social, and governance issues in investment analyses has become mainstream practice among investors” (Matti, 2022). But the main stream practice when it comes to Artificial intelligence it diversifies the invests from the traditional ESG to a new perspective of investment consideration.

2. Prior Research on ESG

Prior research on ESG concentrates recently on COVID-19 pandemic by relating it with the ESG investing interests. Investors interest on portfolios based on sector performance, profit percentage, and company reputation before and after pandemic that is what they are prepared of and educated. They lived, invested, and earned during pandemic with the objectives except ESG. ESG is of the concentration as environmental, social, and governance sustainability as a whole. Awareness on ESG at that point would be of more significant move to pause the investors from following blind investment patterns.

Investing has seen different patterns before and after pandemic. Investors started concentrating and considering sectors after pandemic with the fund they had. The allocation of funds towards investment was different from ESG investing or sustainability investing. Various researches on ESG reveal various reasons in terms of ESG investing with various funds. Government's stimulus package or funds kept the investment pattern from investors

NSDL at a Glance (May 31, 2023)

Client Accounts Active	3,19,90,873	
Accounts having Debt instruments	8,02,184	
Number of certificates eliminated (Approx.) (in Crore)	6,609	
Number of companies in which more than 75% shares are dematted	19,031	
Average number of accounts opened per day since November 1996	4,976	
Presence of demat account holders in the country	99.27% of all pincodes in the country	
Depository Participants		
DPs	283	
DP Service Centres	59,668	
DP Geographical Coverage (Cities/Towns)	2,039	
Companies Joined	41,517	
Demat Custody Quantity (Crore securities)	3,30,427	
Demat Custody Value (₹ Lakh Crore)	324.94	US\$ 3930 (billion)
Demat Custody	Instruments	Value (in ₹ Crore)
Shares	47,601	2,63,46,119
Debt/Bonds	21,386	41,87,069
CP	1,713	4,59,782
Sovereign Gold Bonds	63	15,907
Settlement (01/05/2023 - 31/05/2023) (single side)		
Equity Shares	Qty (in Crore)	Value (in ₹ Crore)
NSE	1,302	4,04,788
BSE	57	16,121
Total	1,359	4,20,909
Debt/Bonds Settlement		1,38,547

Source: <https://nsdl.co.in/about/statistics.php>

aligned towards a straight line or kept going despite other lines paused for a while.

The theme of ESG investment goals linked with “Generational Wealth” (James,

2020) is another point of view deviate from actual ESG investing. By considering this as a generational-investment-pattern would be some hope to have them aligned

with ESG in the near future. But it educates to integrate ESG criteria for investing into the investment process of generational investors but without broad explanation. It concludes with the demand suggestions for ESG investing and gender preferences to have dialogue with next generation clients. It is understood to add the general and generational investors for the carry-forward of ESG investing to generations to serve the actual purposes.

Another research discusses a country-specific model for ESG. It prepares the investors on ESG by educating the purpose and benefits of ESG investing to the youngsters in the digital era which has simplified the investment process.

3. Government and BSE

Government measures to boost the number of investors/de-mat holders are appreciable when it comes to nation building and recently ESG goals are added to that. Government can take initiatives to bridge the gap between ESG awareness and link with stock investments with the budding investors/young investors. Academic plays an important role in imparting the knowledge of ESG with the students in general and by specific to the investment-related courses. BSE and SEBI as separate entities support government's measures on trading with nation-building and can do the same for ESG goals and with trading activities. BSE has a remarkable role to play with the aid of government to promote ESG and in link with stock trading by creating parallel awareness on the same. Aiding the other trading platforms to work on the same idea of promoting ESG in the sectors and companies in line with their disclosure and

guidelines would give a great difference in the track of achieving the ESG goals.

The above statistics display the investments made by the retail investors with the corporates for various reasons and the government's recent measures to increase the demat account and the initial investment in mutual funds as low as Rs. 150 per month. The measures by the government to increase the deposits or the demat account shall integrate to improve the activities to create awareness to link the investment with ESG goals will be of great importance to the country. The value of demat custody is very meager percentage of the amount to be invested by linking the ESG and the trading investments by the public.

Certain reviews on ESG from earlier researches:

- How does an investor prioritize ESG factors in India? An assessment based on fuzzy AHP
- ESG and financial performance
- ESG investments through sustainability awareness
- ESG efficient frontier
- ESG & ethics-based AI
- ESG Criteria
- ESG investing through superannuation
- ESG – great wealth transfer
- ESG management on investment decision
- Retail investors & ESG news

Research relates retail investors and ESG news by concluding that “retail investors care about firms’ ESG related activities, but only to the extent they are financially material for company’s stock performance” (Qianqian, 2023). This article is recently published in western country and it would not reflect Indian investors and ESG activities. “ESG performance is systematically priced during crisis time” (Veddilip, 2022).

This study relates the measures by the government on pandemic with the investors and public concentrated on the ESG stocks and economic stimulus package.

4. ESG & Investors Awareness Level

This study approached the young investors on the ESG practices in India by associating it with the stock investments by them. It highlights wherein the investors without awareness on ESG they concentrate on the investment patterns through various analysis depends on the company performance, impact of government's announcements on sectors, dividend factors, and other factors. First, when they were asked about the amount they have invested, it was ranging from Rs. 1000 to Rs. 7000 through various stocks of different companies. They were taught to invest in stocks systematically with various analyses on ups and downs of the stock market. They did have the point that ESG is a part of the corporate responsibility which included as their performance, strategies and so on, because most of the respondents were unable to link ESG with their stock market investing interest or activity.

Second, they rely on the Sector-wise performance of the stock compared to the other companies in the same sector. That is the factors they consider to compare are Sector, Stock performance, Profit percentage, and at least Company history. Governance is balanced with the recent happenings of corporates in the business world and its impact on the stock market was really well known by the young investors. But the failure of governance, share price impact and the purpose of ESG goals

were not integrated in their investment pattern.

5. Respondents

About 93 Respondents from a Management institution in Coimbatore were invited to participate in this simple questionnaire-based awareness survey from the MBA Finance discipline who owns a demat account and a 6 months experience in stock trading through android app at the time of survey. All those respondents were experienced in stock trading have invested Rs. 1000 to Rs. 7000 from the academic exposure of securities and portfolio investments. At the time of data collection, respondents were asked 10 questions on ESG, factors considered to invest in a company, Environmental goals, Social goals and Governance. Though the author is from a different discipline have taught the respondents on ESG and sustainability reporting in the academics that the author knew the students' knowledge and exposure on stock market. The data collection was done personally by requesting the respondent to answer the questions responsibly and wisely. They were not allowed to discuss the questions with their fellow classmates or faculties from other disciplines for assistance and asked to recall the concept they studied earlier in the previous semesters on ESG. Data collected were processed and interpreted with SPSS to get simple percentage analysis to mention the percentage of respondents and their level of awareness of ESG link with stock investments.

6. Findings

Respondents were asked 10 questions to test on the level of awareness on ESG and investing patterns of young investors. Respondents from a particular domain were selected to have appropriate anticipated outcomes from the survey had given different results. Respondents were clear about the purpose of owning a demat account and trading and the amount range they had invested gave the proof for the exposure they had with the investment activities. Out of 93 respondents all had their active de-mat account with day-to-day trading and receiving updates through the app used for trading activities. The amount invested was ranging from Rs. 1000 to Rs. 7000. About 61 respondents have invested more than Rs. 4000 with a profit of Rs. 4000 from the past 4 months, 23 have invested more Rs. 6000 with a profit of Rs. 5000 from the past 4 months and 9 respondents have revealed that their investment has crossed Rs. 15,000 from the initial investment of Rs. 7000 and a profit of Rs. 13,000 from the past 4 months. About 31 respondents have replied with "YES" for the question on their knowledge on "Environmental, Social and Governance" and very few respondents have replied with "NO" for the question on their knowledge and idea of the link between ESG and stock market investments.

About 74 respondents have answered "Profit Percentage" as the factor they consider while investing in the stock market and opined that their objective is to earn from the stock by doing intra-day and profitable ways of trading, wherein 12 respondents have answered "Stock Performance" as the factor they consider while investing in the stock market which would help them to analyze the pattern the stock performs

when compared to the industry, 5 respondents have answered "Sector Performance" as the factor they consider while investing in the stock market opined that it would take them to think about the role of investments they made in the stock by considering the sector alone and only 2 respondents have answered "Company History & Governance" as the factor they consider while investing in the stock market which depends on the company's reputation in the past years. In the recent years, governance have taken a hit in the investors' mind and stayed negative during their investment idea on a specific company from the information received from social media and the main stream media. This research had direct questions in the awareness survey to get direct answers from the respondents on the title the research is conducted.

Respondents were able to comment and question on the role of ESG and its association with stock investment, the impact it would create on the company responsibly reporting and so on. Converting the young investors from Profit Percentage to responsible investing towards the ESG goals would have the way to a smooth transition of goal-oriented investing in the near future. It is possible with the measures taken in the academic theoretical to practical exposure of trading and ESG.

7. Limitations

Generalizability is a limitation and the findings are limited to MBA finance and other investors involved in stock trading. This is a simple conceptual research study to test the awareness level of investors on the concept of "ESG". Creating awareness is seemed to be a simple task but at a large level and big change, it is to be considered

at the initial level, which is young investor. Individual level perception and awareness shall be changed to the anticipated position in terms of the factors and purpose of investing.

8. Discussion

Goals towards a better society, environment is linked with the development of the country and indirectly associated with the corporates which would help the economy of the country in some way. And it starts from the way how the society prepares the young generation towards the policy goals, in terms of wealth creation and investments. The factor profitability is just a motivator, in the large level it can concentrate and associate other factors to success as whole. Understanding those goals for the betterment of the society is in the hands of the young generation who start and continue the activities which would help to achieve the goals on behalf of their country, society and environment. The link among environment, social, and governance is bundled in the activities of the corporates and its investments. The investments towards these corporates from the public investors/retail investors in large level would have an impact on the activities of the corporates and it is expected towards a better society and environment. The government and stock exchange are the new perspective to have ESG goals on the toes of the corporates by inviting the public to make investment in the corporates which would make developments in terms of business activities. Awareness and motivation directed towards the young generation would have an impact on achieving ESG goals for the country through corporates would be more possible in the coming years inclusive of all

companies and its shareholders. Corporates have started projecting themselves towards the responsible activities of environmental, social, and of course governance success by nominating appropriate people for the top management. All these have to integrate into one for the betterment of the society, environment and as well the corporate success in the long term.

9. Conclusion

This simple research tries to convey the message of creating awareness to the young investors in the country like India to have an extreme benefit in the large level of achieving the ESG goals through balanced corporate governance with social and environmental activities. The second two activities of social and environmental can be set right with the governance improvement in the corporates. Government measures shall help the corporates to sustain the corporates' activities on ESG goals.

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