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# Sustainable Investing after SEBI Regulations: A Study of ESG Mutual Funds

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## Abstract

*Sustainable investing has gained increasing importance as investors, regulators and financial institutions recognize that environmental, social and governance (ESG) factors can influence both corporate sustainability and long-term investment outcomes. In India, the Securities and Exchange Board of India (SEBI) has progressively strengthened the regulatory framework surrounding ESG disclosures and ESG-oriented mutual fund schemes. These measures seek to improve transparency, standardize investment practices, reduce green washing and enable investors to better understand the sustainability characteristics of financial products. This study examines the development of sustainable investing in India after the introduction and strengthening of SEBI's ESG-related regulations, with particular emphasis on ESG mutual funds. The study uses a descriptive and analytical research design based on secondary information obtained from SEBI publications, mutual fund documents, academic studies and other publicly available sources. It evaluates the regulatory changes affecting ESG mutual funds, examines their investment strategies, and discusses their risk-return characteristics and major challenges. The study finds that SEBI's regulatory intervention has contributed to greater standardization and transparency in ESG investing. At the same time, differences in ESG assessment methodologies, limited historical data, concentration in particular sectors, and the possibility of green washing remain important concerns. The paper argues that regulation can improve the credibility of sustainable investing, but investor awareness, independent ESG assessment and consistent reporting are equally important for the long-term development of ESG mutual funds in India.*

***Keywords***: *Sustainable Investing, ESG, Mutual Funds, SEBI, Green Washing, BRSR, ESG Disclosure, Responsible Investment, India.*

## Introduction

The traditional investment decision has generally focused on financial indicators such as profitability, liquidity, growth, valuation and risk. Over the last two decades, however, investors have increasingly considered non-financial factors that may affect the long-term sustainability of companies. Environmental, Social and Governance (ESG) investing represents one of the most prominent developments in this transition.

Environmental factors include issues such as greenhouse-gas emissions, resource consumption, pollution, climate-related risks and waste management. Social factors cover areas such as employee welfare, human rights, customer protection, diversity and community relationships. Governance concerns include board structure, shareholder rights, transparency, executive remuneration, business ethics and regulatory compliance. By incorporating these factors into investment analysis, ESG investing attempts to connect financial decision-making with broader sustainability considerations.

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In India, sustainable finance has developed alongside an increasing regulatory emphasis on corporate responsibility and disclosure. SEBI introduced the Business Responsibility and Sustainability Report (BRSR) framework for listed companies and subsequently strengthened ESG-related disclosures through the BRSR Core framework. The objective has been to improve the reliability and comparability of sustainability information available to market participants.

The mutual fund industry represents an important channel through which individual investors can participate in sustainable investing. ESG mutual funds pool investor money and allocate it to securities selected using ESG-related criteria. Before stronger regulatory intervention, however, investors could face difficulty in determining whether funds using an ESG label actually followed a sufficiently clear and consistent ESG investment process.

SEBI responded to this concern through regulatory and disclosure measures specifically addressing ESG mutual funds. Its July 2023 circular introduced a new category of mutual fund schemes for ESG investing and established related disclosure requirements.

SEBI's broader ESG framework also explicitly identified the risks of mis-selling and greenwashing and proposed stronger requirements concerning portfolio composition, ESG strategies and assurance. Against this background, the present study examines how SEBI regulations have influenced sustainable investing through ESG mutual funds in India.

**Background of the Study**

- **Sustainable Investing**

Sustainable investing refers to investment approaches that incorporate environmental, social and governance considerations alongside conventional financial analysis. The objective is not necessarily to sacrifice financial returns for sustainability. Instead, ESG factors can be viewed as additional information that may help investors identify opportunities and risks that traditional financial analysis may not fully capture.

For example, a company with high carbon exposure may face regulatory and transition risks as economies move towards lower-emission production. Similarly, weak corporate governance can increase the possibility of fraud, regulatory penalties or inefficient capital allocation. Strong employee practices and effective stakeholder relationships may, conversely, contribute to organizational resilience.

Consequently, ESG investing has increasingly moved from a niche investment philosophy toward an established component of modern portfolio management.

- **ESG Mutual Funds**

ESG mutual funds are investment schemes that apply ESG-related criteria when selecting securities. Depending on the scheme, portfolio construction may use exclusionary screening, ESG integration, best-in-class selection, positive screening, impact-oriented investing or other sustainability-focused approaches.

The distinction between these strategies is important. An exclusionary strategy may avoid companies involved in specified activities, whereas an integration strategy incorporates ESG information into conventional security analysis. A best-in-class strategy may select companies demonstrating comparatively stronger ESG characteristics within their industries.

SEBI's recent framework recognizes multiple ESG strategies, including exclusion, integration, best-in-class and positive screening, impact investing, sustainable objectives, and transition or transition-related investments. The 2026 Mutual Fund Master Circular also provides that ESG schemes should invest at least 80% of total AUM in equity and equity-related instruments aligned with the selected ESG strategy.

**Regulatory Evolution of ESG Investing in India**

The regulatory development of ESG investing in India can be understood as a gradual movement from voluntary sustainability reporting toward greater standardization and accountability.

- **BRSR Framework**

SEBI introduced BRSR to strengthen sustainability-related corporate disclosures. The framework provides investors with information concerning a company's environmental and social performance as well as governance practices.

The introduction of BRSR was significant for ESG investors because the quality of an ESG investment strategy depends partly on the quality and comparability of information supplied by portfolio companies.

- **BRSR Core and Assurance**

SEBI subsequently introduced BRSR Core, consisting of a focused set of key performance indicators for which assurance requirements were introduced. The framework was designed to improve the reliability of ESG information and reduce the possibility that sustainability claims could be based on inconsistent or weakly supported data. SEBI initially prescribed a phased applicability beginning with the largest listed entities and extending progressively to a larger group of companies.

For ESG mutual funds, improved corporate disclosures are particularly important because fund managers depend on company-level information to assess sustainability risks and construct portfolios.

- **SEBI's 2023 ESG Mutual Fund Framework**

SEBI's July 2023 circular specifically addressed the creation of a new category of ESG mutual fund schemes and related disclosure requirements. The regulatory approach sought to make ESG schemes more transparent and distinguishable. The broader policy rationale included mitigating greenwashing, improving the robustness of ESG-related disclosures and ensuring that investors could better understand the sustainability strategy followed by a mutual fund.

SEBI's policy framework also considered requirements concerning portfolio composition, ESG-related investment criteria, independent assurance and disclosures regarding the strategy followed by ESG schemes.

- **Shift Toward Strategy-Based ESG Investing**

A significant development is the move away from treating ESG as a single homogeneous investment category. SEBI's current framework recognizes different strategies under the ESG category. This approach is important because two funds can both carry an ESG label while having substantially different portfolio construction processes.

The strategy-based approach can therefore improve investor understanding by requiring the fund's stated sustainability objective to be connected more clearly with its actual investment strategy.

**Review of Literature**

Existing research on ESG mutual funds in India has examined their financial performance, risk-adjusted returns, portfolio characteristics and comparison with conventional funds.

Sarkar (2022), in his study “Performance Evaluation of ESG Funds in India – A Study,” examined the growth and performance of ESG mutual funds in the Indian market. The study analysed the growth of ESG funds in terms of number of schemes, average assets under management (AUM) and inflows. For performance evaluation, the study considered annualised returns, risk and various risk-adjusted performance measures. The findings indicated substantial growth in ESG funds and suggested that a majority of the selected ESG schemes had outperformed the market portfolio during 2021 and since inception.

Gupta (2022), in “Growth and Performance Measurement of ESG-themed Mutual Funds in India: An Empirical Investigation,” investigated the development of ESG-themed mutual funds and evaluated their risk-return performance. The study used conventional and risk-adjusted measures including the Sharpe Index, Treynor Ratio, Sortino Measure and Jensen's Alpha. The findings suggested that although the ESG mutual fund industry was still at an early stage, it showed positive momentum in terms of the number of schemes and AUM. The study also reported that the selected funds generated superior performance relative to the market benchmark.

SEBI's 2021 consultation paper on ESG mutual fund disclosure norms represented an important regulatory development in the Indian ESG investment ecosystem. The consultation recognised the growing demand for ESG investments but simultaneously highlighted concerns regarding greenwashing, inconsistent ESG terminology and inadequate disclosure. SEBI proposed greater disclosure of investment strategies, sustainable objectives, ESG decision-making processes and the use of proprietary or third-party ESG scoring methodologies.

Dutta and Singh (2024), in “Performance of ESG Schemes and Flexicap Mutual Fund Schemes in India: A Comparative Analysis,” compared sustainable ESG mutual funds with traditional flexicap

mutual funds. The study examined returns, risk and risk-adjusted performance. Its findings indicated that ESG-oriented funds achieved annualised returns that surpassed those of the traditional flexicap funds during the period considered.

Joshi and Madireddy (2025), in “Evaluating ESG Mutual Funds in India: A Data-driven Approach to Performance Metrics,” evaluated eight ESG mutual funds using the Nifty 50 as the benchmark. The researchers employed Treynor's measure, Jensen's Alpha, Sharpe measure and Sortino measure to evaluate performance. The study found differences in the performance of individual ESG funds and identified Quant Equity ESG Fund as the strongest performer among the funds examined, followed by ICICI Prudential ESG Exclusionary Strategy Fund and Axis ESG Integration.

Kumar and Mishra (2024), in their comparative study of ESG thematic equity funds in the Indian mutual fund market, examined the return performance of ESG-oriented schemes. Their research emphasised the increasing relevance of ESG investing in India and the ability of ESG thematic funds to combine sustainability objectives with financial investment objectives. The study contributes to the growing empirical literature evaluating ESG funds as an investment alternative rather than merely as socially responsible financial products.

Agarwal and Rastogi (2026), in “Sustainable Investing and Mutual Fund Performance: Evidence from the Indian Market,” examined the relationship between ESG scores and mutual fund performance using data from 110 Indian equity-diversified mutual fund schemes over nine years from 2015 to 2023. The study considered NAV, Treynor Ratio and total expense ratio as indicators of fund performance and investigated both aggregate ESG scores and individual environmental, social and governance dimensions.

**Research Gap**

Although ESG investing has attracted increasing academic and regulatory attention, relatively limited research has examined the effect of India's 2023 regulatory framework on individual ESG mutual funds.

- Most studies focus on:
- ESG fund performance;
- comparison of ESG funds;
- risk-adjusted returns;
- ESG ratings; or
- corporate sustainability reporting.

There is comparatively less research connecting these dimensions with SEBI's post-2023 regulatory changes.

The present study attempts to address this gap by examining ESG mutual funds before and after the introduction of the strengthened regulatory framework, while simultaneously considering fund performance, AUM and disclosure-related developments.

**Objectives of the Study**

The major objectives of the study are:

- To examine the development of sustainable investing in India during 2021–2026.
- To analyse SEBI's regulatory framework for ESG mutual funds introduced in July 2023.
- To study the performance of SBI ESG Exclusionary Strategy Fund during the study period.
- To examine the performance of ICICI Prudential ESG Exclusionary Strategy Fund during the study period.
- To compare the AUM and return performance of the selected ESG funds.
- To examine the role of BRSR and BRSR Core in improving ESG investment transparency.
- To assess whether the regulatory framework can reduce the risk of greenwashing.
- To identify challenges associated with ESG mutual fund investing in India.
- To provide suggestions for strengthening sustainable investment practices.

**Research Methodology**

The study follows a descriptive and analytical research design. It combines regulatory analysis with comparative examination of selected ESG mutual funds.

- **Period of Study:** The study covers 2021 to 2026.

  The period has been divided conceptually into:

  - **Pre-regulation period:** 2021–2023
  - **Post-regulation period:** 2024–2026

- **Sample Selection**

  Two ESG mutual funds have been selected:

  - SBI ESG Exclusionary Strategy Fund
  - ICICI Prudential ESG Exclusionary Strategy Fund

  Both are classified as ESG thematic funds following an exclusionary strategy.

  The SBI scheme's official materials describe it as an open-ended equity scheme investing in companies following an ESG theme with an exclusionary strategy.

  The ICICI Prudential scheme is similarly described as an open-ended equity scheme investing in companies identified under the ESG theme using an exclusion strategy. Its benchmark is the NIFTY 100 ESG TRI.

- **Sources of Data**

  The study uses secondary information from:

  - SEBI circulars and regulatory publications;
  - AMFI data;
  - official mutual fund factsheets;
  - scheme documents;
  - publicly available NAV and performance databases;
  - published research literature.

  AMFI provides historical NAV information and industry-level mutual fund statistics.

- **Tools of Analysis**

  The following analytical techniques are used:

  - Percentage analysis
  - Comparative analysis
  - AUM growth analysis
  - Mean return
  - Standard deviation
  - Year-wise return comparison
  - CAGR
  - Pre- and post-regulation interpretation

**Profile of SBI ESG Exclusionary Strategy Fund**

The SBI ESG Exclusionary Strategy Fund is one of the older ESG-oriented schemes in the Indian mutual fund industry. The scheme was previously known as SBI Magnum Equity ESG Fund. SBI's official ESG material explains that sustainable investment may involve exclusion, ESG-score-based selection and social-goal-oriented approaches.

The fund's objective is to seek long-term capital growth through active management of a diversified portfolio of companies selected using ESG criteria.

The fund's historical presence gives it an advantage for long-term analysis because its performance record extends substantially beyond the 2021–2026 period.

A July 2024 SBI factsheet reported AUM of approximately Rs. 6,039 crore as of 31 July 2024.

**Profile of ICICI Prudential ESG Exclusionary Strategy Fund**

The ICICI Prudential ESG Exclusionary Strategy Fund was launched in 2020. Its investment objective is long-term capital appreciation through investment in a diversified portfolio of companies identified according to ESG considerations under an exclusionary strategy.

The fund uses NIFTY 100 ESG TRI as its principal benchmark. As of July 2026, publicly available fund information reported an AUM of approximately Rs. 1,365 crore for the scheme.

The fund's relatively recent inception compared with the SBI scheme makes the comparison useful for understanding how newer ESG products have developed within India's evolving regulatory environment.

**Comparative AUM Analysis**

The following figures provide a comparative picture of the selected funds.

| Financial Year | SBI ESG AUM (Rs. Crore) | ICICI Prudential ESG AUM (Rs. Crore) |
|---|---|---|
| 2022–23 | 4412.65 | 1,223.16 |
| 2023–24 | 5,525.30 | 1,406.52 |
| 2024–25 | 5,433.25 | 1,428.28 |
| 2026* | 5,700 range | 1,365 |

**2026 represents latest available 2026 information rather than completed FY data.*

The 2022–23 through 2024–25 figures reported in published comparative ESG-fund research show that SBI's scheme maintained a substantially larger asset base than the ICICI Prudential scheme.

From 2022–23 to 2024–25, SBI's AUM increased from approximately Rs. 4,413 crore to Rs. 5,433 crore. This represents an approximate compound annual growth rate of **10.96%**.

Over the same period, ICICI Prudential's AUM increased from approximately Rs. 1,223 crore to Rs. 1,428 crore, representing an approximate CAGR of **8.06%**.

The difference indicates that SBI's ESG scheme had a stronger expansion in its asset base over the selected three-year period. However, AUM growth should not automatically be interpreted as evidence of superior investment performance because AUM is influenced by both investment returns and investor inflows/outflows.

**Return Performance Analysis**

For comparative analysis, calendar-year returns of the direct-growth plans have been considered. The figures should be interpreted carefully because they are market returns and cannot be attributed solely to SEBI's regulatory intervention.

| Year | SBI ESG Direct Growth (%) | ICICI Prudential ESG Direct Growth (%) |
|---|---|---|
| 2021 | 30.89 | 24.01 |
| 2022 | -1.68 | -2.27 |
| 2023 | 24.91 | 33.65 |
| 2024 | 13.04 | 22.69 |
| 2025 | 7.53 | 6.66 |
| 2026 | -2.10 | -4.51 |

The SBI and ICICI Prudential figures are based on publicly available performance data for the direct-growth plans.

The data shows considerable year-to-year variation. Both funds recorded negative performance in 2022, followed by strong recovery in 2023 and positive returns in 2024 and 2025.

ICICI Prudential recorded particularly strong returns in 2023 and 2024, whereas SBI displayed comparatively stronger performance in 2021 and 2025.

This pattern demonstrates an important characteristic of ESG thematic investing: ESG classification does not eliminate market risk. Because both funds remain equity-oriented thematic products, their returns can be substantially affected by market cycles and sector-level exposures.

**Descriptive Statistical Analysis**

Based on the six annual observations shown above, the approximate arithmetic mean of the observed returns is:

| Measure | SBI ESG | ICICI Prudential ESG |
|---|---|---|
| Mean annual/YTD return | 12.38%* | 13.37%* |
| Standard deviation | Approximately 13–14% | Approximately 15–16% |
| Overall observation | Lower average volatility | Higher return variability |

The available observations indicate that ICICI Prudential generated a somewhat higher average return over the selected series but also experienced greater variation.

This finding supports the conventional risk-return principle: a higher observed return does not necessarily mean a superior investment unless the associated risk is considered.

**Post-Regulation Changes in ESG Mutual Funds**

The most important change after July 2023 is not necessarily an immediate increase in returns. Instead, the major impact is visible in the structure of ESG investment products and their disclosure requirements.

Before the new framework, ESG investing could be relatively difficult for retail investors to evaluate because the term ESG could cover different investment approaches.

SEBI's framework addressed this issue by requiring the ESG strategy to be clearly reflected in the scheme name.

For example, the term: **"ESG Exclusionary Strategy Fund"**

provides more information than the generic expression: **"ESG Fund."**

This distinction improves investor understanding by communicating the principal investment philosophy.

The framework also specifies a minimum 80% allocation towards the relevant ESG strategy, thereby strengthening the connection between the product label and actual portfolio construction.

**Impact of BRSR Core on ESG Investing**

BRSR Core has the potential to improve the quality of ESG investing in India in three major ways.

- **Better Comparability**

Standardised ESG indicators make it easier for fund managers and investors to compare companies.

- **Greater Reliability**

Assurance requirements provide an additional layer of credibility to sustainability-related information.

- **Better Investment Decisions**

More consistent ESG data can help asset managers integrate sustainability factors into security selection.

The BRSR Core framework is being implemented progressively, with the coverage increasing from the top 150 listed companies to the top 1,000 by FY 2026–27. This phased expansion is important because ESG mutual funds require a sufficiently broad universe of companies with credible sustainability information.

**Greenwashing and Investor Protection**

Greenwashing is one of the principal risks associated with the rapid growth of sustainable investing.

A fund can potentially appear sustainable through marketing language even when its investment process does not adequately reflect sustainability objectives.

SEBI's framework addresses this risk through several mechanisms:

- Strategy-specific ESG classifications;
- Minimum 80% allocation towards the stated ESG strategy;
- BRSR/BRSR Core-related investment requirements;
- ESG scores and related disclosures;

- Disclosure of ESG rating providers;
- Greater transparency regarding voting decisions;
- Increased accountability of fund managers and trustees.

The regulatory objective is therefore not simply to encourage ESG investment but to make the ESG label more meaningful.

Nevertheless, regulation cannot completely eliminate green washing. Investors still need to examine portfolio composition, ESG methodology, exclusions, ratings and stewardship activities.

**Comparison of SBI and ICICI Prudential ESG Funds**

| Parameter | SBI ESG Exclusionary Strategy Fund | ICICI Prudential ESG Exclusionary Strategy Fund |
|---|---|---|
| Strategy | Exclusionary | Exclusionary |
| Fund type | Open-ended equity thematic | Open-ended equity thematic |
| Historical origin | Much older ESG-oriented scheme | Launched in 2020 |
| Benchmark | NIFTY 100 ESG TRI | NIFTY 100 ESG TRI |
| AUM scale | Larger | Smaller |
| Risk | Very high equity-market risk | Very high equity-market risk |
| Major strength | Long operating history and larger asset base | Stronger recent performance in some years |
| Key limitation | Performance can lag broad market in some periods | Smaller asset base and shorter history |
| Regulatory relevance | Subject to post-2023 ESG framework | Subject to post-2023 ESG framework |

SBI's official material continues to present the scheme as an ESG exclusionary strategy fund. ICICI Prudential's current factsheet likewise identifies the scheme as an ESG Exclusionary Strategy Fund.

**Findings of the Study**

The major findings are as follows:

- **Finding 1: ESG investing has become more formally regulated**

The 2023 SEBI framework transformed ESG investing from a relatively broad thematic concept into a more clearly defined regulatory category.

- **Finding 2: The 80% requirement strengthens portfolio accountability**

The requirement that at least 80% of scheme AUM should be aligned with the stated ESG strategy provides greater consistency between fund objectives and portfolio construction.

- **Finding 3: BRSR Core strengthens the information ecosystem**

The introduction of assured ESG-related disclosures can improve the reliability of information available to investors and fund managers.

- **Finding 4: SBI maintains a larger ESG asset base**

The selected data indicate that SBI's ESG scheme has a considerably larger AUM than the ICICI Prudential scheme.

- **Finding 5: ICICI Prudential displayed strong performance in several post-regulation years**

ICICI Prudential's direct-growth scheme recorded particularly strong returns in 2023 and 2024, although performance weakened during 2026 YTD.

- **Finding 6: Regulation does not eliminate market risk**

Both funds experienced negative performance in certain years. Therefore, ESG regulation should not be interpreted as a mechanism that guarantees superior returns.

- **Finding 7: Investor confidence may improve through transparency**

The stronger disclosure structure can reasonably contribute to investor confidence by reducing information asymmetry. However, investor confidence should ideally be measured through investor surveys, folio growth, net inflows and other primary indicators rather than inferred solely from fund performance.

- **Finding 8: ESG investing remains a developing market**

Although regulation has improved the framework, ESG ratings, methodologies and sustainability data continue to evolve.

**Challenges in Sustainable Investing in India**

- **Lack of Uniform ESG Methodologies**

Different rating agencies may evaluate the same company differently. This can create confusion for investors.

- **Data Availability**

Historical ESG data are less extensive than traditional financial data such as earnings, debt and profitability.

- **Greenwashing Risk**

Even with regulation, marketing may sometimes emphasise sustainability more strongly than the underlying investment methodology.

- **Thematic Concentration Risk**

ESG funds are thematic equity schemes. Therefore, investors can experience substantial fluctuations.

- **Limited Investor Awareness**

Many retail investors understand financial return but have limited knowledge of ESG scoring, BRSR, ESG ratings and stewardship.

- **Difficulty in Measuring Social Impact**

Environmental metrics can sometimes be quantified relatively easily, but social impact is often more difficult to measure consistently.

- **Short Post-Regulation Period**

Since the major regulatory changes were introduced in 2023, the post-regulation observation period is still relatively short. A stronger causal assessment will require several more years of data.

**Suggestions**

Based on the findings, the following suggestions are made:

- **Strengthen Standardisation**

SEBI and industry bodies should continue working towards greater standardisation of ESG definitions and methodologies.

- **Improve Investor Education**

AMCs should explain ESG strategies in simple language and provide examples of how securities qualify or fail to qualify.

- **Increase Independent Verification**

Independent assurance of ESG information should gradually cover a wider range of companies and relevant sustainability indicators.

- **Improve Portfolio-Level Disclosure**

Investors should be able to easily identify:

  - ESG score;
  - BRSR status;
  - BRSR Core assurance status;
  - exclusion criteria;
  - sector exposure;
  - major ESG controversies.

- **Introduce Clearer Greenwashing Controls**

Regulators should continue monitoring ESG fund advertising and promotional materials.

- **Develop Long-Term ESG Performance Benchmarks**

ESG funds should be evaluated over sufficiently long periods against appropriate ESG and broad-market benchmarks.

- **Encourage Better Stewardship**

Voting and engagement should become important components of ESG investing rather than relying exclusively on stock selection.

- **Promote Investor Awareness of Risk**

ESG should not be presented as a substitute for risk assessment. Investors must understand that ESG thematic funds can carry high equity-market risk.

**Conclusion**

Sustainable investing has moved from a relatively specialised investment philosophy to an increasingly recognised component of India's financial market. The growth of ESG mutual funds has created opportunities for investors to align financial objectives with environmental, social and governance considerations. At the same time, the rapid expansion of ESG products created concerns relating to disclosure quality, greenwashing and information asymmetry.

SEBI's July 2023 reforms represent a significant development in India's ESG investment ecosystem. The introduction of a dedicated ESG sub-category, multiple recognised strategies, the 80% strategy-alignment requirement, BRSR Core-linked investment criteria and additional portfolio disclosures has strengthened the regulatory foundation of sustainable investing.

The BRSR Core framework complements these reforms by improving the quality and assurance of sustainability information generated by listed companies. Its phased implementation through FY 2026–27 indicates that India's ESG reporting ecosystem is still undergoing development.

The comparative analysis of SBI ESG Exclusionary Strategy Fund and ICICI Prudential ESG Exclusionary Strategy Fund demonstrates that ESG funds can experience significant variations in performance and AUM. SBI has maintained a considerably larger asset base, whereas ICICI Prudential has shown strong performance in several years of the study period. Neither fund, however, provides evidence that ESG classification by itself guarantees superior returns.

The central conclusion of the study is that **the primary impact of SEBI's ESG reforms should be evaluated in terms of transparency, accountability and credibility rather than simply short-term returns**. The new framework makes it more difficult for an investment product to rely solely on the ESG label without explaining its strategy and portfolio characteristics.

At the same time, the study recognises that the post-regulation period is still relatively short. Therefore, stronger conclusions regarding causality, investor confidence and long-term financial performance will require additional years of observations and, preferably, primary investor-survey data.

Overall, India's ESG regulatory framework is moving sustainable investing in the direction of greater disclosure and accountability. Continued development of BRSR Core, ESG ratings, independent assurance, investor education and stewardship practices can further strengthen the credibility of ESG mutual funds in India.

**Limitations of the Study**

The study has the following limitations:

- It is based primarily on secondary data.
- Only two ESG mutual funds have been selected for detailed comparison.
- The post-SEBI period is relatively short.
- 2026 data are incomplete and therefore represent year-to-date observations.
- AUM is influenced by both investment performance and investor flows.
- Investor confidence has not been directly measured through a primary survey.
- ESG scores from different providers may not be directly comparable.
- The study does not establish a causal relationship between SEBI regulations and fund returns.
- Market conditions can influence fund performance independently of ESG regulations.

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