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SOCIALLY RESPONSIBLE INVESTMENT IN INDIA: A CONCEPTUAL FRAMEWORK

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Abstract

In recent years, socially responsible investment (SRI) in India has acquired significant traction. Environmental, social, and governance (ESG) factors are increasingly factored into investment decisions. They prioritise businesses that demonstrate sustainable practises, contribute to social welfare, and uphold standards of transparent governance. Indian regulatory bodies such as the Securities and Exchange Board of India (SEBI) have implemented guidelines to promote responsible investing and ESG disclosure by listed companies. This increasing emphasis on SRI has resulted in the emergence of socially responsible mutual funds and heightened awareness among Indian investors regarding the significance of aligning their investments with their values and societal impact.

Keywords: Socially Responsible Investment (SRI), ESG, India, Index, Fund, SEBI, Sustainability

Introduction: Traditionally, an investor has been investing on the basis of risk-return ratio, i.e., where risk is minimum and return is maximum. But today, an investor takes much more factors into account before investing his savings in anorganization."An investor is not interested in investing in a company whose operations have an adverse impact on the environment, social ethics, sinful activities such as Tobacco products, Guns and Ammunition, Alcoholic products, and Toxic products"(Singal, 2021).Tobacco Company, a major cigarette manufacturer, was the target of a Public Interest Litigation brought against Life Insurance of India to force it to divest from it, serving as a prime illustration of how society's citizens are becoming more aware of their social responsibilities (Rajdeep Kumar Raut, Rohit Kumar and Niladri Das, 2020). Investors are becoming socially responsible by considering the organization's environmental, social, and governance practices in their potential investments. The focus of millennials is gradually shifting towards sustainable returns with environmental and social issues. This modern-day investing is known by different names around the world. Some call it Socially responsible investing, social investment, Sustainable Socially conscious, Green Investing, Ethical investing, Sustainable investing, and Impact investing.

The origins of SRI, or ethical investment may be found in the eighteenth and nineteenth centuries, when investors were driven by religion, such as the Quakers and Methodists, who strove to match their financial decisions with their moral convictions. (Sparkes & Cowton, 2004; Richardson, 2009).Avoiding "sinful" businesses like those engaged in the manufacture of alcohol and tobacco, gambling, and subsequently the slave trade etc. were among the earliest types of ethical investing.(Richardson, 2009; De Colle & York, 2009; Hawley, 2016).Exclusionary screening and divestmentwere soon adoptedforothernon-religious agendas. The divestment boycott against South Africa's apartheid state in the late 1970s (Richardson, 2009),and during the Vietnam War in the late 1960s and early 1970s (Hawley, 2016) was a crucial milestone in the SRI movement.

The concept of SRI emerged in the 1960s and 1970s as a response to social and environmental concerns. During this period, there was growing awareness of issues such as racial and gender discrimination, environmental pollution, and worker exploitation. Initial SRI funds includingPax World Balanced Fund and first spectrum fund (mynote, 2019) were created in the 1970s and were focused on screening out investments in companies that were involved in tobacco, alcohol, or gambling. The next phase of SRI development came in the 1980s, when investors started to actively seek out companies that were actively engaged in positive social and environmental activities.In the 1990s, the term "Socially Responsible Investing" began to be widely used and the scope of SRI expanded to include issues such as human rights, labor practices, and corporate governance. The growth of the SRI market accelerated in the early 2000s, and today there are a wide range of SRI investment strategies and products available to investors.(William Donovan, April 2022). The development of SRI has been driven by a number of factors, including increased public awareness of social and environmental issues, changing attitudes towards corporate responsibility, and the emergence of new technologies that allow investors to more easily track and analyze corporate behavior.Overall, the concept of SRI has evolved from a simple exclusionary approach to a more proactive and engagement-focused strategy that seeks to promote positive social and environmental outcomes while generating financial returns.

New types of SRI tactics gained ground as a result of this change in emphasis. Many asset owners and mutual funds adopted positive screening and best-in-class investment, which focuses on investing in businesses that perform very well on ESG concerns. Additionally, in an effort to alter corporate conduct, or shareholder activism, investors began to interact with businesses known for their "irresponsible" business practices. Depending on the industry and work folio of concerned company different screening criteria are used by different investors.

SRI funds have larger presence in developed countries as compared to developing countries. This is because SRI investing often requires a certain level of financial and regulatory infrastructure that may be lacking in many developing countries. In developed countries, SRI investing has been driven by increasing demand from investors for investments that align with their social and environmental values, as well as a greater awareness of the impact of corporations on society and the environment.However, SRI investing is also growing in popularity in many developing countries, as investors become more aware of the social and environmental issues facing their communities. In recent yearsthere has been a growing interest in impact investing and socially responsible investing in emerging economies driven by factors such as growing wealth, increasing awareness of environmental and social issues, and government initiatives. Catching the pace with developed nations, developing nations like India, Brazil and South Africa have established their own SRI funds and exchanges to promote socially responsible investing.

While the SRI industry is still in its early stages in many developing countries, there is significant potential for growth as investors become more aware of the benefits of investing in companies that are socially and environmentally responsible (Iyengar, 2021).These days, investor invests by taking in view social objectives along with financial objectives is a common practice.Government is also promoting socially responsible investing as they are issuing new policies in which companies along with their financial report also have to submit their Business Responsibility Report to facilitate investors to make their investing decisions.

Morgan Stanley Survey published in 2019 show that population interested in socially conscious investing has risen to 85% compared to 75% in 2017. This indicates that responsible investment is becoming more popular, and more investors are interested in it.As per a report by Morningstar, a company that conducts investment research, number of open-ended mutual fund investing based on ESG criteria has risen to 303 in 2019 compared to 111 in year 2014. In brief the development of SRI is summarized in table 1.

Table No. 1

Evolution of ESG

Year	Description
1898	Established and adopting a no-weapons, alcohol, or tobacco investing policy is Quaker's Friends Fiduciary Corporation.
1928	When a Boston-based ecclesiastical organization launched the pioneer fund, it became the first public offering of a screened investment fund.
1960	Civil rights and the Vietnam War caused political unrest in SRI.
1973	First shareholder resolution is submitted by the newly created Interfaith Center on Corporate Responsibility.
1977	Congress enacts the CRA Act to curtail lending practices that disadvantage residents of low-income neighborhoods, and PAX World developed the first mutual fund dedicated to social responsibility.
1992	Finance Initiative for the 1992 United Nations Environment Programme (UNEPFI)
1997	The first set of universally embraced international standards for sustainability reporting, the Global Reporting Initiative (GRI) Sustainability Reporting Standards, were created. Currently, the 250 largest firms in the world as of 1997 each report on their sustainability performance.

1997	SAB000 Standard
2000	UN Global Compact
2003	Equator Principles
2004	Accounting for Sustainability Project (A4S)
2006	In order to define investors' commitment to responsible investing, the UNEP Finance Initiative created the United Nations Principles for Responsible Investment (UN PRI) in conjunction with investors. In 2017, there were over 1,700 signatories and over $68 trillion in ALM in the network.
2007	The Board for Climate Disclosure Standards
2008	Eurosif Transparency Code
2008	Several donor governments have joined forces to form the Business Call to Action (BCtA), which aims to inspire businesses to create inclusive business models that involve those at the bottom of the economic pyramid: has a daily purchasing power of less than US$10 in US currency in 2015.
2009	United Nations Sustainable Stock Exchanges (UN SSE)
2009	Climate Bond Initiative
2010	ISO 26000 Standard
2011	OECD Guidelines for Multinational Enterprises
2011	To promote high-quality disclosure of significant sustainability information, the Sustainability Accounting Standards Board (SASB) was established as an independent, private sector standard-setting organisation. SASB creates standards for 79 different industries that are not legally required in relation to SEC laws.
2013	International Integrated Reporting (IR) Framework India became first country to mandate CSR with companies Act 2013
2015	The Sustainable Development Goals (SDG) are a set of 17 objectives established by the United Nations to address issues such as social justice, urbanisation, environmental degradation, gender equality, poverty, and hunger. Many investors are using the SDGs from 2015 as their ESG compass.
2015	Task Force on Climate – Related Financial Disclosures (TCFD
2017	2017 Task Force on Green Bond Principles (GBP)
2017	To reconcile and integrate ESG reporting standards, IIR and GRI formed the joint Corporate Leadership Group on Integrated Reporting (CLGIR).
2020-21	For the top 1000 corporations by market capitalization, BRSR reporting has been voluntary.
2022	Reporting the BRSR will be required.

Literature Review

The majority of SRI research has focused on how well SRI funds have done in the market. Specifically, they look into the question of whether or not the financial performance of SRI funds is on par with that of non-SRI funds. Scientists work hard to compile detailed resources for financial backers, in order to bolster their ethical investment standards. Theoretically speaking, less diversity among investment instruments may result from the incorporation of additional criteria into the SRI fund manager's decision-making process. This could lead to a poorer level of diversification, lower returns, and higher risk, leading to a lower risk-adjusted return.

The concept of ESG can be traced back to the social responsibility movement of the 1960s and 1970s, which motivated companies to consider their impact on society and the environment in addition to their financial performance. However, the modern ESG movement can be traced back to the early 2000s, when a group of institutional investors formed the United Nations Principles for Responsible Investment (PRI) to encourage the integration of ESG factors into investment decision-making. (Gibson and Smith, 2020). The three most crucial SRI-related elements, according to Diouf et al. (2016), are financial rewards, institutional role, and environmental, social, and governance (ESG) issues. Shareholders expect businesses to operate responsibly, provide safe, high-quality products, and protect the environment and its safety (Epstein and Freedman, 1994). The development of SRI is influenced by a number of variables, including as the accessibility of SR funds, the popularity of SR funds, the financial performance of SR funds, the performance of businesses in relation to ESG concerns, SRI-related policies and regulations, and the investment habits of individual investors (Williams, 2005, 2007; Berry and Junkus, 2013; McLachlan and Gardner, 2004; Nilsson, 2009; Chamorro-Mera and Palacios-González, 2019). According to a study by Barreda-Tarrazona et al. (2011), return and diversification are the two main factors that investors consider when making an investment. Employing more screens was associated with more reliable incremental excess returns (Guerard, 1997) or, at a certain level of screens, better financial performance (Barnett and Solomon, 2006). According to studies by Gregory et al. (1997), Goldryer and Diltz (1999), Mill (2006), and Schroder (2007), SRI strategies are generally non-punitive to ethical investors and serve as a haven during market crises.

In the past two decades, especially in developed countries, the emergence of SRI funds and other cutting-edge ethical financial instruments has increased retail investor participation (Fowler and Hope, 2007; Ortas et al., 2014). Well-established CSR frameworks coupled with consistent ESG/CSR disclosures, liquid capital markets, enormous market development with vast stocks universe, and culture of horizontal individualism in developed countries, the vast majority of SRI studies consistently focused on developed countries, particularly the US and UK and other European countries (Hill et al., 2007; Vives and Wadhwa, 2012).

There has been a paradigm shift in the investment strategy adopted by market participants, resulting in the gradual rise of socially responsible investing in India. When evaluating the long-term wealth creation strategies of companies, market participants have begun to place a premium on ESG factors (Malla, 2017). Even though the concept of ESG investing is relatively new among Indian investors, they have begun to consider the crucial aspects of socially responsible investing when making investment decisions.

Socially Responsible Investing (SRI) is a superior investment vehicle for Indian investors due to the significantly higher returns of ESG index and socially responsible equities across all sectors. Regulators, policymakers, and mutual funds should develop a variety of socially responsible products and sectoral indices to initiate the movement of SRI in India's various sectors (Tripathi & Bhandari, 2016). Even though the daily compounded returns of the ESG India Index are statistically indistinguishable from those of the Nifty and CNX 500, the annualised returns of the ESG India Index have been superior to those of the other two indexes. Thus, companies, investors, and society as a whole benefit from a concentration on environmental and social sustainability (Sudha, 2015).

ESG CRITERIA

The practice of SRI uses ESG (Environmental, Social and Governance) factors for the guidance of their investors. ESG investment manager uses different strategies to screen different types of companies to classify them as Socially responsible companies. These strategies are mainlyInclusionary, Exclusionary, and Thematic. In order to prepare ESG funds, fund managers perform different approaches for selecting the securities in which investments are to be made. These approaches are as follows: -

(a) **Exclusionary or Negative Screening**: In this approach, fund manager excludes the companies which deals in products which are not socially acceptable. E.g.: Alcohol production, Tobacco production, Weapon designing and manufacturing.
(b) **Inclusionary or Positive Screening**: In this approach, fund manager includes the companies which deals in products which are environment friendly, and positive for society.
(c) **Thematic Screening**: In this approach, fund manager will select a particular sector of Responsible investing companies like – Sector included in limiting of Carbon emissions. (Singal, 2021)
(d)) **Best in class**: In this approach, fund manager will select top ranked companies among the index concerned
(e) **Impact investing**: This approach involves investing in companies that have a positive impact on society or the environment, such as renewable energy or clean technology.
(f) **Norms-based screening**: This approach involves screening companies based on their compliance with international norms and standards, such as the United Nations Global Compact or the International Labor Organization's core labor standards.

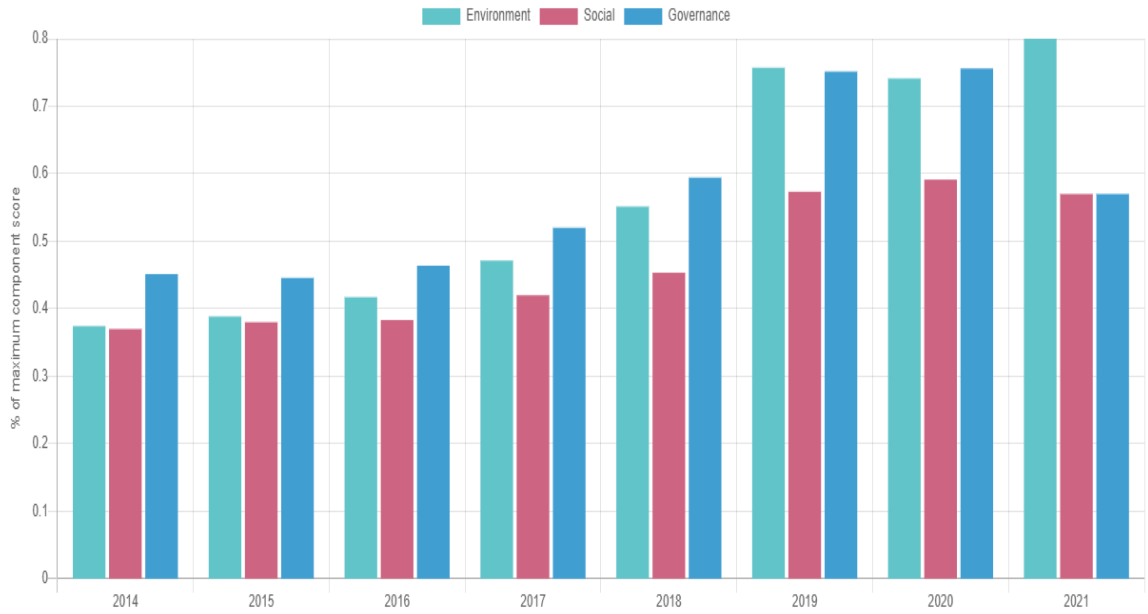
There isn't any distinct parameters, rules or Black and white boundary to classify a company into a responsible company or not. Any company which is following a parameter may not be following any other parameter which will label that organization as ESG Company. Example, An Electric Vehicle Marker using Cobalt as raw material for manufacturing automobiles is fulfilling responsibility towards Environment but at the same time, its raw material comes from Mines employing Child labour that contradict its responsible towards society. (Singh, 2020). Important ESG criteria used for screening can be differentiated as:

Environmental factors	Social factors	Governance factors
• Energy usage • Carbon footprint • Climate Change • Clean technology • Water management and conservation • Waste Management • Pollution Monitoring • Natural Resource Conservation • Contaminated Property • Hazardous Waste • Toxic Emissions • Compliance with Govt Environment Regulator • Limit harmful and pollutant chemicals • Seeks to lower greenhouse gas emissions • Companies put out carbon and sustainable reporting	• Employee Welfare • Vendor Relationship • Welfare initiatives • Local social welfare program • Health care initiative • Religion Equality • Gender Equality • Race Equality • Clean Environment initiative • Education Initiative • Human Rights Monitoring • Operate an ethical supply chain Supports LGBTQ right and encourages diversity • Has policies to protect against sexual misconduct • Pays fair wages • Workplace safety • Labor relation	• Transparent Accounting Method • Business Ethics • Political Influence • Legal Practices • Whistleblower Policies • Conflict of Interest in Board decision • Investor Relationship • Embraces corporate transparency • Employs a CEO independent of the board chair • Board Diversity • Anti-corruption policies

(Dhamne, Modak, 2021), (The Investopedia Team, 2023), (https://www.cfainstitute. org/en/research/esg-investing#:~:text=ESG%20stands%20for%20Environmental%2C%20Social, material%20risks%20and%20growth%20opportunities.)

Sandra Mathis, (2023)https://www.techtarget.com/whatis/definition/environmental-social-and-governance-ESG

https://www.futurescape.in/responsible-business-rankings/the-rise-of-esg/



https://www.futurescape.in/responsible-business-rankings/the-rise-of-esg/

ESG in India

The concept of ESG investing got recognition in 2006 with United Nations Principle for responsibility investing (PRI) came into existence. PRI is a global network of Institutional investors that became the originator of sustainable investing with the turn of various issues and events like Climate change, basic human rights, transparency in government are gaining importance worldwide. ESG (Environmental, Social, and Governance) is a framework for measuring the sustainability and ethical impact of investments. In recent years, there has been a growing focus on ESG in India, as companies and investors recognize the importance of sustainability and responsible investing. In India, there is an increasing focus on ESG issues, with more and more companies recognizing the importance of responsible business practices. In 2012, the Securities and Exchange Board of India (SEBI) introduced the Business Responsibility Reporting (BRR) framework, which requires listed companies to report on their sustainability and social responsibility initiatives. In 2014, India became the first country to make CSR mandatory for companies of a certain size, requiring them to spend at least 2% of their average net profit on CSR initiatives. In 2018, The Securities and Exchange Board of India (SEBI) introduced a requirement for the top 1,000 listed companies to disclose their ESG-related initiatives and performance in their annual reports. This was a significant step towards promoting ESG practices in India (Uhrynuk, Burdulia, Lee, 2021).

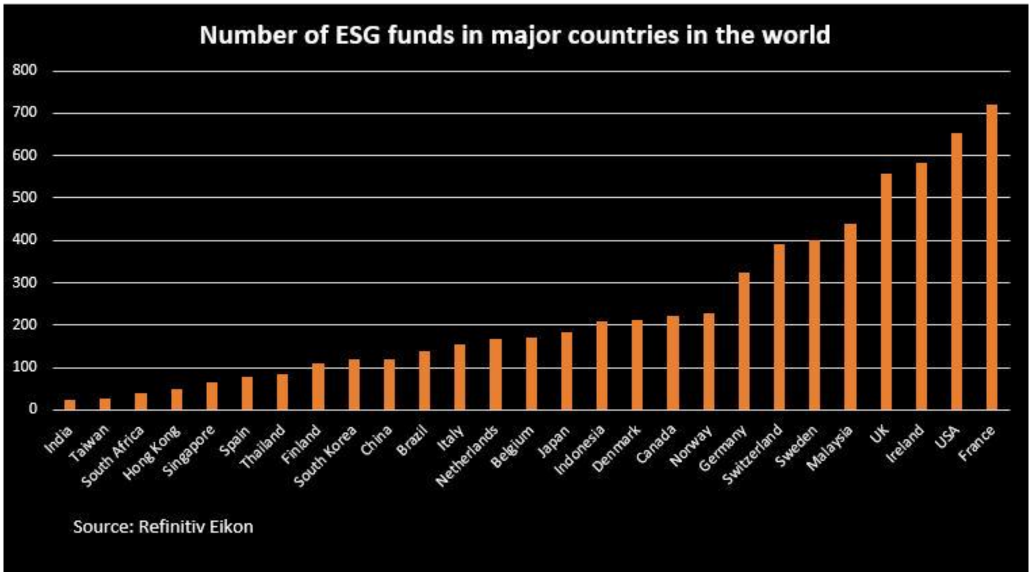
India has also committed to the United Nations' Sustainable Development Goals (SDGs), which provide a framework for sustainable development and social responsibility, and has launched several initiatives to achieve these goals. (Dhiraj Relli, 2021). Several Indian companies have also taken steps to integrate ESG into their business operations. For example, Tata Steel is committed to reducing its carbon footprint and has set a target of becoming carbon neutral by 2050. The company is investing in renewable energy sources, such as wind and solar, and has implemented various measures to reduce its energy consumption. Infosys, an IT services company, has been recognized for its efforts in promoting gender equality and diversity. This company has set a target of having 50% women in its workforce by 2025 and has implemented various policies to support this goal, such as providing maternity and paternity leave, flexible working hours, and career development programs. HDFC Bank has also launched a sustainability program to reduce its carbon footprint and promote environmental awareness. Reliance Industries has made significant investments in renewable energy, such as solar and wind power, and is also committed to reducing its carbon emissions.

Mahindra & Mahindra, a leading automobile manufacturer, is committed to reducing its carbon footprint and promoting sustainable mobility. This company has launched various electric vehicle models and is investing in renewable energy sources such as wind and solar. Tata Steel has implemented a number of sustainability initiatives, including the net zero carbon by 2045 and net zero water consumption by 2030 (economic times, 2022) Reliance Industries has also invested in renewable energy and has launched initiatives to promote sustainable agriculture (economic times, 2022)

Several Indian stock exchanges, including the National Stock Exchange (NSE) and the Bombay Stock Exchange (BSE), have launched ESG indexes that track companies based on their ESG performance. This provides investors with a way to invest in companies that are committed to sustainability and responsible business practices. Institutional investors in India have shown an increasing interest in ESG investing. The general people are also becoming more conscious of ESG issues. This has been driven by a range of factors, including the impacts of climate change, social inequality, and corporate scandals. Overall, the development of ESG in India is still in its early stages, but there are signs of progress. As investors and companies increasingly recognize the importance of sustainability and responsible business practices, ESG is likely to become an increasingly important factor in the Indian investment landscape. As per Mrinal Singh, Deputy CIO- Equity in ICICI Prudential Asset Management Company, the companies which do not adhere to sustainable business models will be facing problems in raising funds from the market, be it Equity or debt funds. Business expert says that Tobacco companies, Coal companies, and other companies producing hazardous waste in the environment going to face tough challenges. Investors which are becoming more sensitive to health-related issues are disassociating themselves from investing in Tobacco companies as tobacco is the causes of around 6 million annual deaths worldwide. Resulting, annual profits of Global Tobacco industry have slump to $ 35 billion. (Kamath, 2020)

ESG Funds: ESG funds are those funds thatconsider the companies which focuson Environmental, Social, and corporate governance. Today, 1/3rd of the total assets in the United States amounting to US $17 trillion are covered under ESG investment criteria, rising sharply @ 42% since 2018. Whereas, ½ of European assets are managed in ESG funds. Globally, at present, there are more than 3000 ESG funds available but in India, investors have limited options till now in ESG investing. According to Refinitiv data, the sixth largest economy in the world has 23

ESG funds, whereas the United States and Britain each have more than 500, while Japan has 182 and China has 119. There are more ESG funds in other top ten economies as well. (PatturajaMurugaboopathy and GauravDogra, 2021). Due to investors' shifting attention to socially responsible enterprises in 2020 as a result of the Covid-19 epidemic, six ESG funds were created in the Indian market. These include ICICI, Aditya Birla Sunlife, Kotak, Axis, Quant, Mirae, and Axis. The market value of ESG funds has crossed Rs 10,000 crores at year's end (singal, 2021). Recently, many fund houses have launched New Fund offers (NFOs) of ESG theme. In 2020, 07 such funds were launched and many have launched in 2021. “By March 2021, net inflows into these funds were close to 678 crore, compared to a mere 68 crore in March 2020.”(Singal, 2021). Recently, On February 20, 2023, SEBI released a consultation document has allowed AMC to introduce the ESG program under various categories Exclusions Integration, Best-in-Class & Positive Screening, Impact Investing, and Sustainable Goals among other factors. This will allow the Association of Mutual Funds in India (AMFI) to impose standardized criteria for various ESG strategies. (Jaiswal, 2023)



(PatturajaMurugaboopathy and GauravDogra, 2021)

ESG fund in India

Fund	Launched Date	Total no. of Equity holding	AUM as on 31.3.23	MARCH 2020 NAV	MARCH 2021 NAV	MARCH 2022 NAV	MARCH 2023 NAV	FUND GROWTH SINCE INCEPT-ION
SBI Magnum ESG Equity fund	May 2018	41	4509.484 Cr	79.0211	136.1424	164.2434	158.1366	10.8
Quantum India equity ESG fund	July 2019	45	61.894 Cr	7.75	14.4	16.29	16.12	14.3
Axis ESG Equity Fund	February 2020	51	1537.181 Cr	9.02	13.63	15.42	14.4	13.5
ICICI Prudential ESG Fund	October 2020	41	1263.365 Cr		11.69	13.20	13.10	12.27
Quant ESG Equity Fund	October 2020	41	61.894 Cr		13.17	20.52	20.40	35.83
Mirae Asset ESG Sector Leaders ETF	November 2020	51	123.691 Cr		11.178	13.111	12.474	11.2%
Aditya Birla sun Life ESG Fund	December 2020	40	835.333 Cr		10.56	12.78	11.49	7%
Kotak ESG Opportunities Fund	December 2020	49	1195.381 Cr		10.46	12.18	11.37	7.48%

Source:scripbox, moneycontrol

ESG-compliant companies have more market share compared to those that are not complying with them.The credibility and reputation of the companies following ESG norms in the market are much higher than others and attract more investors due to their sustainable approach." (drishtiias.com). Also, ESG-following companies feel safer from the stringent compliance rules. The companies which take into consideration their responsibilities towards ESG are more sustainable in the long run, and offer better risk-adjusted performance leading to earning more profit in the long run.As per Acuite ESG research of the time period between 1 April, 2020 and 11 October, 2021. Since the outbreak of Coronavirus pandemic, Top 50 ESG companies had yield result of 131% compared to the 117% yield earned on NSE's Nifty 50 index. (Economic times)Net Inflows in ESG funds increased from Rs 22 crores in March 2020 to Rs 678 crores in March 2021.

ESG INDEX

In India, there are several ESG indices that investors can consider. Bombay Stock Exchange (BSE) and National Stock Exchange (NSE) has introduced their SRI indices. Initially, Standard & Poor's BSE 100 ESG index was launched by BSE for tracking of sustainability criteria of its top 100 companies. Then, NSE has launched Nifty 100 ESG index for tracking of sustainability criteria of its top 100 companies. Again, NSE launched Nifty 100 Enhanced ESG index for the companies whose ESG score is more than 50.At present, Nifty 100 ESG index measure the performance of 90 companies. Whereas, Nifty 100 Enhanced ESG index measure the performance of 80 companies.

BSE CARBONEX INDEX: BSE CARBONEX INDEX was launched in 30 November 2012. This index follows base date 30 September, 2010 with base value 1000. The index is rebalanced on semi-annually basis in June and December.Bombay stock exchange introduce first of its kind in India is S&P BSE CARBONEX. It measures the companies of S&P BSE 100 index on the basis of their efforts and commitment to mitigate risk and perils from climate change. The sophisticated approach of this index to address market demand for managing the portfolio by including risk and opportunities arising from climate change. This index is a tilted variant of BSE100 ESG index in which weights are assigned to its constituents to compare the climate risk relative to industrial peer. This index does not differentiate between the companies inwhich industry they belong to. The companies that achieve the highest assessment score are weighted more and those which score low are assigned lower weight. There are companies in the market which respond to climate change positively and adapt themselves accordingly and mitigate the adversely cause by climate change. The companies which are proactive in this will become a constituent of this index.

BSE GREENEX INDEX: Bombay Stock Exchange launched BSE GREENEX INDEX on 22 February, 2012. This index follows base date 01 October, 2008 with base value 1000. The index is rebalanced on semi-annually basis in June and December. The first of its kind index in India, it assesses "Carbon Performance" of Stocks base on criteria involving quantitative data. The objective of the index is to assess the energy efficiency performance disclosed in the Energy and Financial data of various companies listed on Bombay Stock Exchange. It is different from other global indices, which measures Environmental performance by using quantitative data. BSE Ltd has collaborated with gTrade Carbon Ex Ratings services Private Limited (gTrade) to launch BSE GREENEX Index. BSE GREENEX Index consists of top 20 most efficient companies on carbon emissions in the BSE 100 Index. The parameter used in the calculation of Emission intensity. Emission intensity is calculated as Total Emission divided by Total revenue.

S & P BSE 100 ESG INDEX:S&P BSE Indices launched S&P BSE 100 ESG Index on 26 Oct 2017. Various ESG factors are taken into consideration while selecting its constituents. It includes the companies which are part of S&P BSE 100 index. The objective of the index is designed to measure the performance of the securities which meet ESH parameters and along with that maintain its risk and performance profile similar to the parent index S&P BSE 100. In its screening criteria, this index excludes companies dealing in Tobacco business, Manufacturing of Controversial Weapons and the companies which are at bottom of 5% of S-RAY universe, UN Global Compact Score index. The base date of the index is 30 April 2014 and starts with the base value of 100. (bse.gov.in)In the past few years, Due to these companies' noncompliance with international ESG criteria, international market participants withdrew their investments from Indian enterprises.

NIFTY100 ESG INDEX:national stock exchange launched NIFTY100 ESG INDEX based on the companies covered under nifty 100 index. This index was launched in 27 March, 2018. This index is rebalanced on quarterly basis. The calculation of the score of each company is done at the end of the day. This index reflects the company's performance based on ESG(environment, social and governance) scores. For the calculation of score, Weight areassign are assigned to each constituent derived from market capitalization of company. This index follows thebaSse date 1 April, 2011 with base value 1000. The companies involved in the business of alcohol products, tobacco,weapons, gambling are excluded from this index. Other companies which are engaged in controversy of category 4 and 5 are also excluded (on the scale of 1 to 5 category 1 is considered as least controversy company). (nseindia.com)

NIFTY100 ENHANCED ESG INDEX: National stock exchange launched another ESG index names NIFTY100 ENHANCED ESG INDEX. This index was launched in 27 March, 2018. This index follows base date 1 April, 2011 with base value 1000. The index is rebalanced on quarterly basis and reconstituted on semi-annually basis. This index includes those nifty100 index companies which have normalized ESG score at least 50%. This is the main key difference between NIFTY100 ESG Index and Nifty100 Enhanced ESG index. Other characteristics such as, the companies involved in the business of alcohol products, tobacco, weapons, gambling are excluded from this index. Other companies which are engaged in controversy of category 4 and 5 are also excluded (on the scale of 1 to 5 category 1 is considered as least controversy company) are similar in both indices. (www.nseindia.com)

NIFTY100 ESG SECTOR LEADERS:Recently, NSE Indices launched a new index called "Nifty 100 ESG Sector Leaders Index". This index provides exposure of large cap companies in the Nifty 100 index to investors. This companies have scored better on ESG risk management parameter compared to their peers and stayed away from the controversies in the market. The companies which are less involved in controversies and have low ESG risk factor have better chances of inclusion in this index. (nseindia.com). The base date of this Index is 01 Jan 2014 and starts on the base value of 1000. The companies which are involved in the industries of Tobacco, Alcohol, Controversies in market, Arms and ammunition and Gambling are excluded from this index. Companies having ESG risk score higher than Global subindustry average risk score are also excluded from this index.

However, there are other private entities which have launched their own indices which provide ratings to the companies on the basis of performance in ESG practices.Since the ESG indices were launched in India, it is observed that ESG index has outperformed the parent index. Example: -Nifty 100 ESG index since its inception in 2014 has outperformed its parent index

Nifty on average basis (Kamath, 2020). In the global scenario also, ESG index has outperformed its parent index. Example: - MSCI ESG index outperformed MSCI World index. (Singal, 2021)

Conclusion

Stakeholders are not clearly aware of the term ESG or SRI investment. The rating criteria of various rating agencies are not standardized, which leads to incomparability of data from various sources.There is lack of information available on ESG investment of Indian companies in the market for common users. It is difficult to obtain data due to inadequate disclosures, and the data which is available is too complicate tograsp/ understand (Abhishek Gawande, 2021). We may get quantitative data, but it is more difficult to obtain qualitative data on ESG works of companies.Indian investors are resistance to change i.e., they have conventional mindset of investing in market. Shifting their approach towards ESG investing is a major challenge.There is no formal organization in India which keeps track record of ESG investment of various companies to enable stakeholders to obtain data.There is unavailability of relevant software and hardware to process and store data related to ESG investment in the country.Accounting Standard for the ESG investment of companies is yet to come, which makes the concept of ESG arbitrary for every person.ESG funds are based on unregulated ESG ratings. The data underlying ESG ratings are incomplete, mostly unaudited, and often dated. As a result, even those who are responsible for these data have little faith in their accuracy(Pucker and king, 2022). There is no stature available in India for ESG investing. Hence, all type of data is not recorded in the books. Only that information is recorded, which suits management of the company. (Dhamne, Modak, 2021). There needs to develop clarity in the selection/screening process of suitable ESG fund.

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