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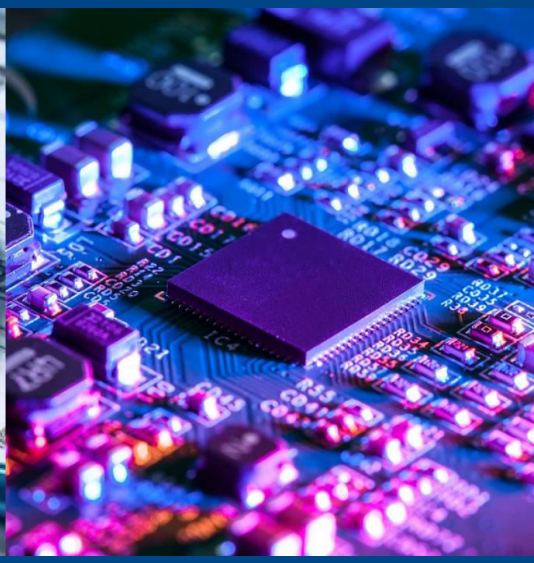

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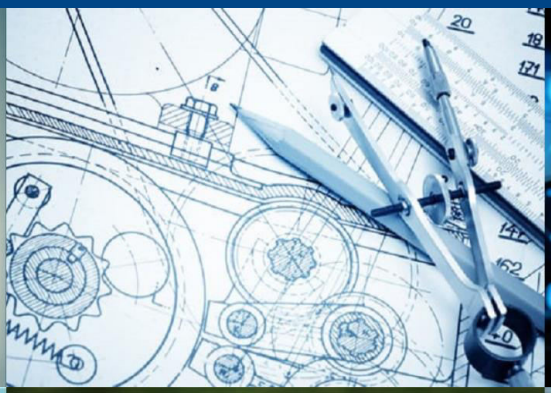

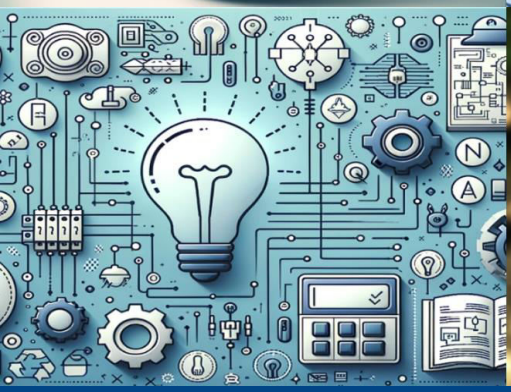

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A Study on Sustainable Finance and Ethical Investing

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ABSTRACT: This study investigates the convergence of sustainable finance principles and ethical investing strategies, analysing their impact on financial market performance and corporate social responsibility. It examines the mechanisms through which environmental, social, and governance factors are integrated into investment decisions and their subsequent influence on long-term value creation. Furthermore, the research explores the evolving regulatory landscape and stakeholder expectations that shape the sustainable finance ecosystem, assessing the effectiveness of current frameworks in promoting responsible capital allocation. The analysis delves into empirical evidence demonstrating how adherence to sustainability metrics correlates with risk mitigation and enhanced financial returns, thereby challenging traditional paradigms of purely profit-driven investment.

KEYWORDS: Sustainable Finance, Ethical Investing, ESG Investing, Socially Responsible Investing (SRI), Impact Investing, Green Finance, ESG Risk and Returns, Green washing, Corporate Social Responsibility (CSR), SEBI BRSR Framework

I. INTRODUCTION

The rising significance of sustainable finance and ethical investing signifies a fundamental transformation in global capital markets, propelled by heightened awareness of environmental, social, and governance criteria alongside conventional financial yields (Sandra et al., 2025). This progression highlights a deliberate initiative to embed sustainability tenets into investment approaches, with the objective of fostering enduring value generation and a more robust economic framework (Surenthran et al., 2024). This study outlines the theoretical foundations and practical applications of sustainable finance and ethical investing. It examines their historical evolution, core methodologies, and the intricate interplay between financial performance and societal impacts. Additionally, it analyses the challenges and opportunities in this emerging field, assessing regulatory frameworks, market dynamics, and the effectiveness of various sustainable investment vehicles in achieving financial goals alongside positive externalities.

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Problem Statement

- Misdirected money: Trillions still fund polluters while climate disasters cause $150B+ yearly losses.
- Ethical investing dilemma: Wants to direct funds to virtue, but patchy ESG data + profit pressure create conflict.
- Stalled shift: Sustainable finance promises harmony, yet 2025 INFEB paper calls it a “paradigm shift” blocked by inconsistent metrics.
- Study angle: Your research uses secondary data to show paths forward despite these gaps.

II. LITERATURE REVIEW

This section synthesizes extant academic scholarship and industry reports on sustainable finance and ethical investing, identifying key theoretical constructs, empirical findings, and methodological approaches that underpin the field. It critically assesses the evolution of sustainability integration into financial decision-making, from early exclusionary screening to contemporary impact investing strategies, and examines the associated performance implications and methodological advancements. A thorough examination of existing literature reveals a persistent debate regarding the materiality of ESG factors on financial performance, alongside nascent discussions concerning the optimal integration of diverse sustainability metrics into conventional valuation models.

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Objectives

1. To understand what people really think about sustainable finance and ethical investing
2. To see what factors push someone to choose or avoid ESG/green investments
3. To check if investors believe ethical investments can also make good money
4. To find out the main problems people face while investing sustainably
5. To study if past investment experience influences a person's willingness to try sustainable finance products

Hypothesis

Hypothesis 1

People often say they'll invest only if they understand what they're putting money into. Based on this idea:

H0: Awareness about ESG and green investing has no real effect on whether a person chooses sustainable finance products.

H1: Awareness about ESG and green investing actually makes a person more likely to choose sustainable finance products.

III. RESEARCH DESIGN

The present study adopts a 'Descriptive Research Design' which aims to describe and analyze the level of consumer satisfaction towards digital payment applications in Pune city.

Quantitative Method

The 'Quantitative research method' was used to collect and analyze numerical data from the respondents. This method helped in measuring consumer satisfaction levels through statistical tools such as percentage analysis, tables, and charts.

Qualitative Method

The 'Qualitative research method' was used to understand the opinions, experiences, and perceptions of consumers regarding digital payment applications.

Combined Approach

The present study adopts a combination of both quantitative and qualitative research methods, which makes the study more comprehensive and reliable. Together, both methods complement each other and ensure that the findings of the study are not only numerically accurate but also rich in meaning and context. This combined approach strengthens the overall validity and credibility of the research.

In this study, data has been collected from two types of sources which are as follows:

1. Primary Data –

"Primary data refers to the data that is collected fresh and for the first time by the researcher directly from the source. It is original in nature and is gathered specifically for the purpose of the present study."

Sources of Primary Data in This Study:

- Structured questionnaire distributed among 50 respondents.
- Personal survey conducted in Tathawade, Jeevan Nagar and Pimpri-Chinchwad areas of Pune.
- the study relies entirely on fresh responses from real investors collected through the online survey.

2. Secondary data –

"Secondary data refers to the data that has already been collected and published by others for a different purpose. It is not gathered fresh by the researcher but is obtained from existing available sources to support the present study."

Sources of Secondary Data in This Study

- Peer-reviewed papers on ESG investing, impact investing, green bonds, and investor behavior from journals like Journal of Sustainable Finance & Investment, Journal of Business Ethics, and Finance Research Letters
- Books on finance, investment behavior, and sustainability
- SEBI, RBI, and UN official reports on sustainable finance trends in India and globally
- Websites and online databases such as Google Scholar, ResearchGate, and SSRN

Sample, Sampling method and Population

Sample

A sample of 67 respondents was selected from the population for the purpose of this study.

Sampling Method

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The 'Convenience Sampling Method' was adopted for the selection of respondents. Under this method, respondents who were easily accessible and willing to participate in the survey were selected from Tathawade, Jeevan Nagar, and Pimpri-Chinchwad areas of Pune city.

Population

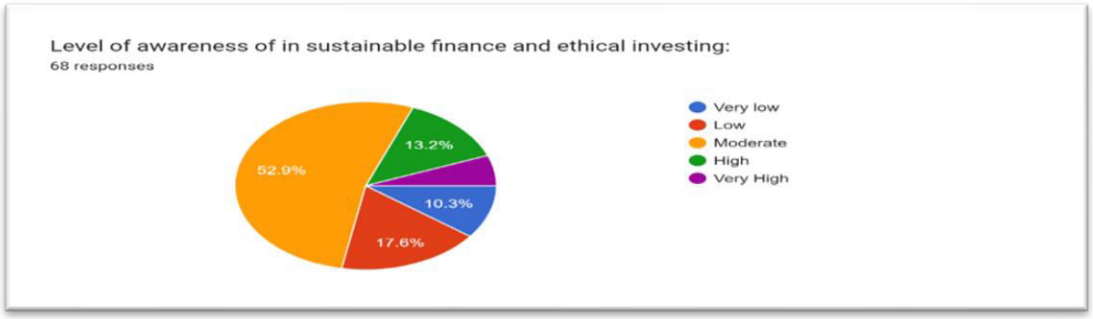
The population of the present study consists of all the consumers residing in Tathawade, Jeevan Nagar, and Pimpri-Chinchwad areas of Pune city who use digital payment applications for their daily transactions.

Data Collection Method

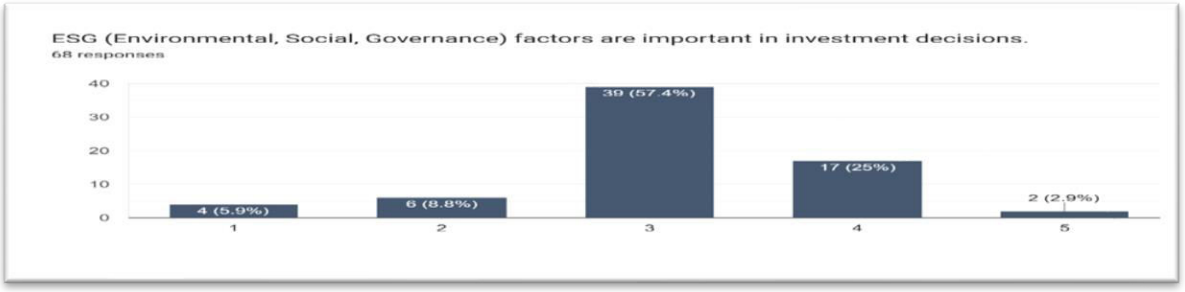
The 'Survey Method' was adopted as the primary method of data collection. A structured questionnaire was prepared and distributed among 67 respondents in Tathawade, Jeevan Nagar, and Pimpri-Chinchwad areas of Pune city.

A 'Structured Questionnaire' was used as the main tool for collecting primary data. The questionnaire was designed keeping in mind the objectives of the study.

IV. DATA ANALYSIS



Of 67 respondents, 52.9% have only moderate awareness of sustainable finance and 27.9% have low or very low awareness, showing most lack deep knowledge. Only 13.2% reported high awareness and ~6% very high, indicating just a small informed segment. This means people know the terms but don't fully grasp ESG criteria or green funds, making low awareness a key barrier to adoption. For financial institutions, this signals a need for awareness campaigns and simplified education to convert basic familiarity into real investment action.



Of 67 respondents, 57.4% were neutral on ESG importance, showing most are undecided and don't see it as a primary driver yet. Only 27.9% agreed or strongly agreed that ESG is important, while 14.7% disagreed or strongly disagreed. For Objective 2, this means ESG is a "nice to have" but not a dealbreaker due to limited proof of returns or greenwashing fears. While rejection is low, active preference is also low, leaving a big opportunity if awareness and trust improve.

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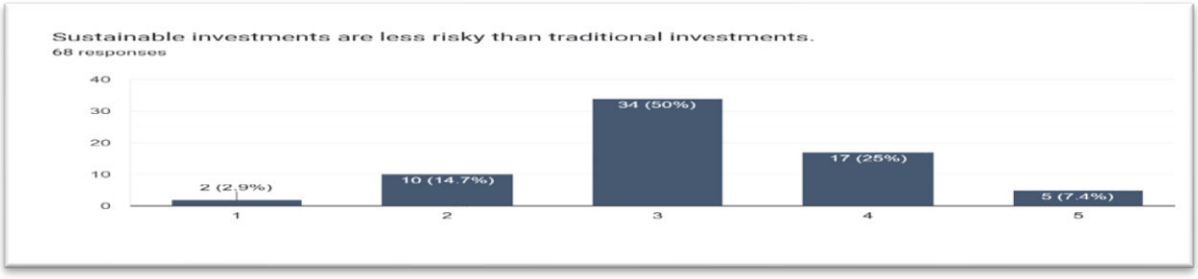
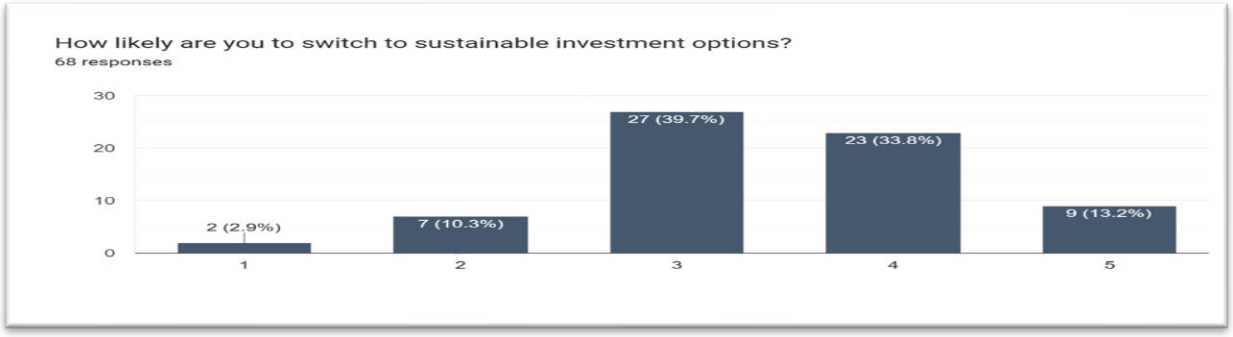
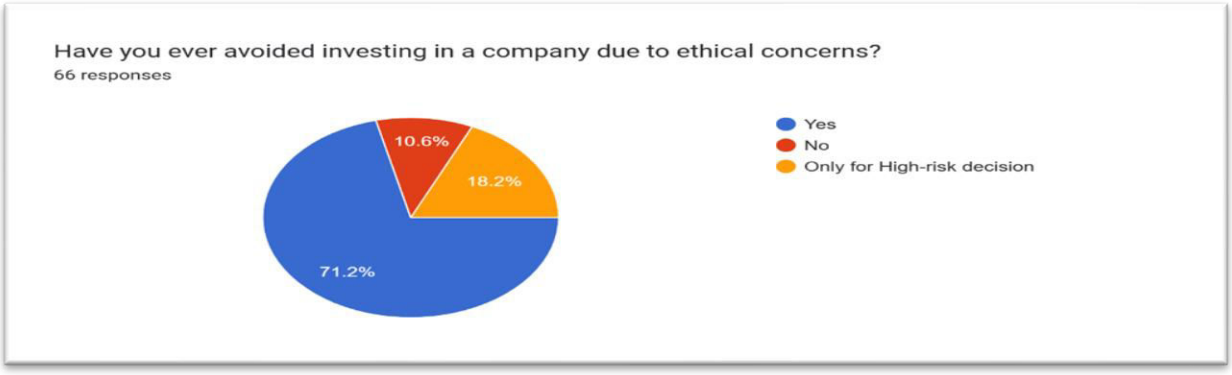


For "Sustainable investments are less risky than traditional investments," 50% of 67 respondents were neutral, showing half are unsure about the risk comparison. Only 32.4% agreed or strongly agreed they're less risky, while 17.6% think they're riskier. For Objective 3, this means the "ethical = low risk" belief isn't widely accepted yet, with most on the fence due to lack of clear data. This risk uncertainty is a key barrier to adoption, so fund houses must publish comparative risk-return reports to build conviction.



For switching to sustainable investment options, 39.7% of 67 respondents were neutral, showing the largest group is undecided. Still, 47% are likely or very likely to switch, while only 13.2% are unlikely, so direct resistance is low. For Objective 4, the main issue isn't rejection but hesitation due to risk perception, low awareness, and trust gaps. Nearly half the market is willing, so converting fence-sitters with proof, simpler products, and clear incentives is key for adoption.



For avoiding companies due to ethical concerns, 71.2% of 67 respondents said Yes, proving most have already acted on their ethics. Another 18.2% avoid unethical firms for high-risk decisions, while only 10.6% said No. For Objective 5, this shows past ethical behavior strongly influences investment choices — people don't just talk ethics, they've rejected companies for it. The challenge is shifting this "avoidance" into active preference for ESG products with proper information.

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Reliability test

Table 1

Reliability Statistics

Cronbach's Alpha	N of Items
.731	5

Table 2

Case Processing Summary

		N	%
Cases	Valid	67	100.0
	Excluded[a]	0	.0
	Total	67	100.0

a. Listwise deletion based on all variables in the procedure.

In order to ensure the consistency and reliability of the questionnaire, the Cronbach's Alpha Reliability Test was applied. The Cronbach's Alpha value obtained was 0.731, which indicates that the questions used in the questionnaire are relevant, consistent, and reliable for measuring consumer satisfaction towards digital payment applications in Pune city.

Table 3
One sample test

One-Sample Test

	Test Value = 0					
					95% Confidence Interval of the Difference	
	t	df	Sig. (2-tailed)	Mean Difference	Lower	Upper
SFE	24.231	67	.000	2.867	2.63	3.10
CHE	30.787	67	.000	3.103	2.90	3.30
BEI	29.724	67	.000	3.191	2.98	3.41
PFS	29.797	67	.000	3.441	3.21	3.67
SWF	47.636	67	.000	2.074	1.99	2.16

Table 3 shows the One-Sample t-Test results for all 5 variables with Sig. = .000 < 0.05, meaning all results are statistically significant. Since the Mean Difference values are positive and the 95% Confidence Interval does not include 0, we reject H_0 and accept H_1. This proves that respondents' views on sustainable finance awareness, ethical understanding, ESG importance, risk, and switching behavior are significantly different from neutral. Hence, these factors have a meaningful impact on investors' perception and behavior toward sustainable finance.

V. FINDINGS

1. 52.9% have only moderate awareness and 27.9% have low awareness, showing basic familiarity but limited deep knowledge. This signals an urgent need for awareness campaigns to convert surface-level knowledge into confident investment action.
2. 57.4% remain neutral on ESG importance while only 27.9% actively consider it, proving ESG is a "nice to have" but not a primary driver yet. Low rejection at 14.7% shows opportunity, but fund houses must demonstrate clear financial benefits to build conviction.
3. 50% are unsure if sustainable investments are less risky, with only 32.4% believing they are safer than traditional options. This risk uncertainty is a key barrier, and comparative risk-return data is needed to build investor trust.

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4. 47% are likely or very likely to switch, but 39.7% remain undecided, showing hesitation is bigger than outright rejection. Converting this neutral group with proof, simpler products, and incentives is critical for market adoption.
5. 71.2% have already avoided companies due to ethical concerns, proving ethical decision-making is already practiced by the majority. This past behavior indicates strong potential to shift "avoidance" into "active preference" for ESG products with proper information.

VI. CONCLUSION

The study finds that most people have basic to moderate awareness of sustainable finance, but very few have deep knowledge, showing a need for better education. While respondents agree ethical investing and ESG are important in theory, many remain neutral and lack strong commitment in actual decisions. There is willingness to shift to sustainable options, yet practical barriers like need for more research and difficulty finding suitable products hold them back. Respondents expect financial institutions to promote ethical investing and want sustainable finance added to financial education. Confusion around risk persists, as many are unsure if sustainable investments are less risky, causing hesitation. Ethical values clearly influence behavior, with several avoiding unethical companies and believing ethical investing creates long-term positive impact. Interest in AI for sustainable finance is high for improving transparency and decisions, but concerns about data accuracy, bias, and regulation remain. Overall, sustainable finance is viewed positively but is still growing, requiring better awareness, clearer information, and stronger institutional and policy support to increase adoption.

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