A Study On Awareness Of ESG Investing Among Millennials.

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ABSTRACT:

Environmental, Social, and Governance (ESG) investing has gained significant importance in recent years, particularly among millennials who prefer ethical and sustainable investment options. This study examines the awareness and knowledge of millennials regarding ESG investing and its impact on their investment decisions. The research looks at millennials' views on ESG factors, their preference for ESG investment products, and how demographic and behavioural factors like education, income, social influence, and ethical values play a role. We collected primary data using a structured questionnaire and gathered secondary data from journals, reports, and previous studies on ESG investing. The findings show that while millennials are very interested in sustainable investing, their actual investment decisions are affected by limited financial literacy, perceived risk-return trade-offs, and a lack of clear ESG information. The study concludes that raising ESG awareness, improving disclosure standards, and strengthening financial education can significantly boost millennial involvement in ESG investments.

Keywords: ESG investing, millennials, sustainable finance, investment decisions, financial awareness

INTRODUCTION:

In recent decades, the global investment landscape has changed significantly. This change stems from a growing awareness of sustainability, social responsibility, and long-term value creation. Traditional investment methods focused mainly on financial returns and risk minimisation are now being complemented, and sometimes challenged, by Environmental, Social, and Governance (ESG) investing. ESG investing combines environmental protection, social responsibility, and corporate governance factors into investment decisions. This approach aims not only to generate financial returns but also to support sustainable economic growth and responsible corporate behaviour (OECD, 2020).

The rising importance of ESG investing is due to increasing global concerns like climate change, social inequality, corporate misconduct, and governance failures. Investors recognise that companies with strong ESG practices are better equipped to manage long-term risks, respond to regulatory changes, and maintain stakeholder trust. Research by Barko et al. (2022) shows that firms with solid ESG performance often achieve better long-term value creation. This reinforces the importance of sustainability in investment decisions. As a result, ESG investing has evolved from a niche concept to a mainstream strategy worldwide.

Among various investor groups, millennials have become a crucial segment in shaping the future of ESG investing. Defined as individuals born between 1981 and 1996, millennials represent a large and economically significant demographic. As this generation moves through its peak earning and investing years, its preferences are likely to impact financial markets significantly. Research indicates that millennials have different attitudes toward money, risk, and social responsibility compared to previous generations. They are often seen as more socially aware, environmentally conscious, and value-driven in their consumption and investments (Formánková et al., 2019).

Several studies suggest that millennials place more importance on aligning their investments with their personal values, including environmental sustainability, ethical labour practices, and corporate transparency. According to Schroders' Global Investor Study, millennials are more likely than older generations to consider ESG factors when making investment choices. This shift reflects wider societal changes, where financial decisions increasingly aim for social and environmental impact rather than just wealth accumulation.

Despite the growing interest, awareness and understanding of ESG investing among millennials varies. Awareness means being familiar with ESG investing, while understanding involves knowing the ESG criteria, measurement methods, ratings, and their implications for financial performance. Studies by Lestari and Wiryono (2023) show that while many millennials have positive views on sustainable investing, their practical understanding of ESG products and mechanisms is limited. This gap between intention and action poses a significant challenge for the wider adoption of ESG investing.

A key factor affecting millennial investment behaviour is financial literacy. Dinh (2025) notes that investors with better financial knowledge are more likely to grasp ESG concepts and include them in their investment decisions. Conversely, low financial literacy can lead to misconceptions, like the belief that ESG investments always yield lower returns or carry higher risks. Such views discourage millennials from actively investing in ESG financial products, even if they feel ethically inclined to do so.

Another significant challenge in ESG investing is the lack of standardisation and transparency in ESG reporting. The OECD (2020) points out that inconsistent ESG disclosure practices and the absence of universally accepted metrics reduce investor confidence. Millennials, who often rely on digital platforms for information, may struggle to evaluate and compare ESG investment options due to differing rating methods and concerns about greenwashing. This lack of clarity can erode trust and reduce participation in ESG markets.

Behavioural factors also significantly influence millennial investment choices. Social influence, peer pressure, and exposure to digital media can strongly affect views on ESG investing. Studies show that millennials are more likely to be swayed by their social networks, online communities, and sustainability topics shared on digital platforms. While this can boost awareness, it can also foster a shallow understanding, where investment choices are driven more by trends than by informed analysis (Pelster, 2024).

Additionally, demographic aspects such as education, income level, and occupation greatly influence ESG awareness and investment choices. Higher education levels often correlate with better awareness of sustainability issues and ESG ideas. Similarly, individuals with higher incomes may be more able to invest in ESG products, which are sometimes seen as premium or long-term investments. Bhide (2025) notes that generational and socioeconomic differences create varied patterns of ESG adoption among retail investors.

In emerging economies like India, studying ESG awareness among millennials is crucial. Although ESG investing has gained popularity globally, its adoption in developing markets remains limited. Barriers include lower investor awareness, changing regulatory frameworks, and a lack of ESG-focused financial products. However, India's young population, rapid digitalisation, and growing focus on sustainable growth offer strong opportunities for ESG investing to expand in the coming years.

Millennials in India are increasingly engaging with global sustainability discussions through social media, education, and international financial trends. At the same time, they face unique challenges, such as income uncertainty, market fluctuations, and limited access to reliable ESG information. Understanding how their awareness and understanding of ESG investing shape their investment choices is essential for policymakers, financial institutions, asset managers, and educators.

This study aims to enhance existing literature by examining how aware and informed millennials are about ESG investing and how these factors affect their investment choices. By exploring both knowledge-based and behavioural aspects, the study seeks to identify key drivers and barriers impacting ESG adoption among millennial investors. The findings are expected to offer valuable insights for creating targeted awareness programs, improving ESG disclosure practices, and developing investment products that align with the values and financial needs of millennials.

In summary, ESG investing is a critical intersection of finance and sustainability, and millennials are vital to its future growth. Their ethical focus and sustainability awareness create strong potential for ESG adoption, but gaps in awareness, understanding, and trust still limit active participation. Addressing these challenges is important for promoting sustainable finance and ensuring that investment choices contribute positively to long-term economic, social, and environmental outcomes.

OBJECTIVES OF THE STUDY

1. To assess the level of awareness of ESG investing among millennials.
2. To analyse the influence of ESG awareness and understanding on millennials' investment decisions.

RESEARCH METHODOLOGY

The research methodology outlines the structured approach used to explore millennials' awareness and understanding of ESG investing and how it impacts their investment choices. A clearly defined methodology guarantees the reliability, validity, and objectivity of the findings. This study employs a descriptive and analytical research design to describe the current level of ESG awareness among millennials and to examine the relationship between their understanding of ESG factors and their investment behaviour. This approach is suitable because the study focuses on observing, analysing, and interpreting existing trends and patterns without manipulating any variables.

The study uses both primary and secondary data sources to ensure a thorough and balanced analysis. Primary data were directly collected from millennial respondents using a structured questionnaire. This questionnaire aimed to gather information about respondents' demographic profiles, ESG investing awareness, understanding of environmental, social, and governance factors, investment preferences, and perceived barriers to ESG investment. The questionnaire included a mix of multiple-choice questions and Likert-scale statements to measure awareness levels, attitudes, and behaviours. This method allowed for the easy analysis and comparison of quantitative data.

Secondary data were gathered from a variety of published and unpublished sources. These include academic journals, research papers, books, reports from organisations like the OECD, studies on financial markets, and credible websites. These secondary sources offered theoretical insights, empirical evidence, and background information related to ESG investing and millennial investment habits. Reviewing the secondary literature helped shape the research problem, design the questionnaire, and interpret the study's findings in context with existing research.

The study focuses on millennials, typically those born between 1981 and 1996. This group was chosen because they represent a growing segment of investors known for their focus on ethical and sustainable investment practices. Due to time and resource constraints, the study used a convenience sampling method. Participants were selected based on their availability and willingness to take part in the survey. While convenience sampling may limit the applicability of the findings, it is fitting for exploratory and perception-based studies like this one.

The sample size was decided based on practical factors, such as respondent availability and time limits. The study gathered responses from a selected group of millennial investors with different educational backgrounds, income levels, and job profiles. Efforts were made to include a diverse range of respondents to ensure wider representation and lessen bias. However, the findings must be viewed within the limitations of the chosen sample size.

The structured questionnaire was the main tool for data collection. It was carefully crafted to ensure clarity, relevance, and consistency with the study's objectives. Before it was distributed, the questionnaire was reviewed to remove any confusion and ensure it effectively gathered the intended information. The questions on ESG awareness explored whether respondents knew about ESG investing and how they learned about it, such as through social media, financial advisors, academic courses, or online platforms. Questions on ESG understanding assessed respondents' knowledge of environmental issues, social responsibility, and corporate governance practices, as well as their perceived significance in investment decisions.

Data collection primarily occurred through online survey tools, making it easy for respondents to participate. This method also allowed for reaching a larger group of millennials in a shorter time frame. Respondents were guaranteed confidentiality, and their answers were used only for academic purposes. This assurance encouraged honest and unbiased responses, which improved the reliability of the collected data.

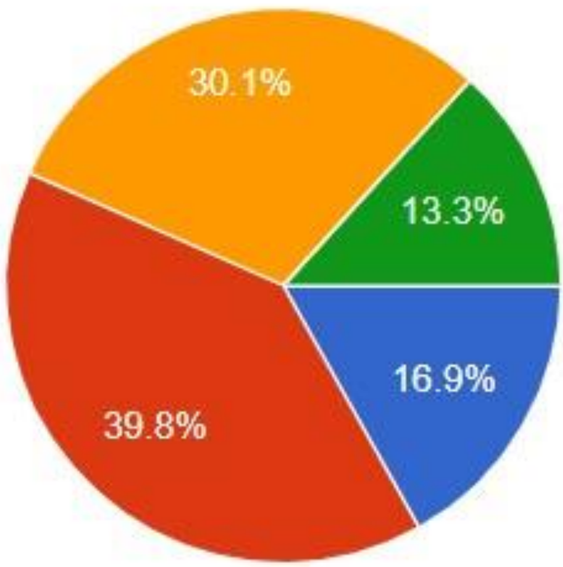
The collected data were processed, classified, and analysed using suitable analytical tools. Percentage analysis was used to summarise demographic characteristics and assess ESG awareness and understanding levels. Charts and tables were used to present data clearly and understandably. Simple statistical techniques interpreted the relationships between ESG awareness and investment behaviour. The analysis aimed to identify patterns, trends, and factors influencing millennial investment decisions without relying on complex statistical modelling, in keeping with the study's descriptive nature.

The study focuses on recent trends in ESG investing to mirror the current investment landscape. ESG investing is quickly evolving, influenced by regulatory changes, corporate transparency practices, and shifting investor preferences. Therefore, recent data were prioritised to maintain the relevance and accuracy of findings. This focus increases the study's applicability to today's investment decision-making among millennials.

The study's scope is limited to exploring awareness, understanding, and behavioural influences related to ESG investing among millennials. It does not delve deeply into the financial performance of ESG investments or compare ESG returns with traditional investments. The goal is to provide insights into investor perception rather than to analyse portfolio performance. This narrowed scope allows for a more in-depth exploration of the behavioural and awareness-related aspects of ESG investing.

In summary, the methodology used in this study offers a structured way of analysing ESG awareness and its impact on investment decisions among millennials. By combining primary and secondary data, using a descriptive-analytical design, and employing suitable data collection and analysis methods, the study maintains methodological rigour while effectively addressing the research objectives.

Awareness of ESG



FINDINGS AND INTERPRETATION

1. Level of ESG Awareness

The study shows that most respondents have a basic understanding of ESG investing. Many millennials learned about ESG investing from social media, online financial platforms, news articles, and discussions with peers. This suggests that ESG investing has become more visible among younger investors due to increased digital exposure and growing discussions on sustainability and responsible business practices. However, while general awareness is high, detailed knowledge about ESG metrics, rating systems, and evaluation methods is limited.

Many respondents struggle to tell the difference between ESG investing and traditional socially responsible investing. The study also found that respondents have a limited understanding of how ESG scores are calculated, who assigns ESG ratings, and how these ratings affect investment choices. This implies that their awareness is mostly conceptual rather than technical. Millennials seem to support the idea of sustainable investing, but lack enough information to make informed decisions based on ESG criteria.

These findings suggest that even though ESG investing has become part of mainstream financial discussions, investor education has not kept up with market trends. The lack of structured knowledge may prevent millennials from confidently investing in ESG products. Thus, raising awareness is not enough without accompanying educational initiatives that improve understanding of ESG tools, disclosures, and performance measurement. This gap between awareness and knowledge highlights the need for targeted financial literacy programs focused on ESG investing.

2. Understanding of ESG Factors

The study shows that millennials have an uneven grasp of the three components of ESG investing. Respondents understood environmental factors better. They were familiar with climate change, pollution control, renewable energy use, and carbon emissions. This understanding likely stems from widespread media coverage, global climate movements, and educational campaigns highlighting these issues. Consequently, respondents felt more comfortable linking ESG investing with environmental sustainability.

In contrast, their understanding of social and governance factors was lower. Many respondents did not clearly grasp social factors like employee welfare, diversity, inclusion, community engagement, and human rights. Similarly, governance aspects, such as board structure, executive pay, transparency, and shareholder rights, often seemed complex and technical. This limited understanding suggests that millennials may underestimate the importance of social and governance practices in determining long-term corporate performance.

These findings highlight the partial and fragmented nature of ESG knowledge among millennials. While environmental concerns strongly shape their view of ESG investing, limited awareness of social and governance factors weakens their ability to fully evaluate ESG-compliant companies. This imbalance could lead to investment decisions that overly focus on environmental factors while ignoring governance and social risks. To encourage holistic ESG investing, more emphasis should be placed on educating investors about the connections between all three ESG components and their joint impact on financial and ethical outcomes.

3. Influence on Investment Decisions

The study shows a positive connection between ESG awareness and investment preferences among millennials. Respondents with higher levels of ESG awareness and understanding were more inclined to invest in ESG mutual funds, green bonds, and shares of companies known for sustainable practices. These investors were willing to align their investment choices with personal values like environmental protection, ethical governance, and social responsibility, even if it meant accepting moderate risk or longer investment horizons.

However, the findings suggest that ESG awareness alone does not guarantee actual investment behaviour. Many respondents who expressed interest in ESG investing had yet to invest in these products. The gap between intention and action is likely due to worries about returns, uncertainty around ESG performance, and limited access to suitable investment options. Still, respondents who understood ESG benefits better were more confident choosing ESG-based investments over traditional ones.

These findings suggest that ESG awareness is crucial in shaping positive attitudes toward sustainable investing. Millennials who are knowledgeable about ESG are more likely to view such investments as both ethically sound and financially viable. Therefore, improving ESG literacy could significantly affect investment decisions and increase participation in sustainable finance. Financial institutions can use this insight by offering clear ESG products and transparent performance data to convert interest into actual investment behaviour.

4. Barriers to ESG Investing

The study identifies several major barriers that limit millennial participation in ESG investing. The biggest barrier reported by respondents was the lack of reliable and standardised ESG information. Many respondents found it hard to access trustworthy ESG ratings and compare ESG investment options due to inconsistent reporting standards. This uncertainty undermines investor confidence and discourages active participation in ESG markets.

Another significant barrier is the fear of lower financial returns. A considerable number of respondents believed that ESG investments might underperform traditional investments, especially in the short term. This view persists despite evidence showing that ESG investments can provide competitive long-term returns. Limited financial literacy further worsens this concern, as respondents lack the analytical skills needed to evaluate risk-return trade-offs in ESG investments.

Additionally, limited financial education and a lack of professional guidance hinder ESG adoption. Many respondents reported not receiving enough exposure to ESG concepts in formal education or from financial advisors. These findings indicate that structural and informational barriers, rather than a lack of interest, are the main obstacles to ESG investing among millennials. Addressing these barriers through clear disclosures, investor education, and regulatory support can significantly improve participation in ESG investing.

LIMITATIONS OF THE STUDY

1. The study is based on a limited sample size, which may restrict the generalisation of the findings.
2. Convenience sampling was used, which may lead to respondent bias.
3. The study focuses only on millennials and does not include other generational groups.

4. The responses come from self-reported data, which may be influenced by personal bias or inaccurate reporting.
5. The level of ESG awareness and understanding may change over time due to shifting market conditions.
6. Regional variations were not thoroughly covered, which may impact how the results apply to other areas.

CONCLUSION:

The study concludes that millennials generally exhibit a positive attitude toward ESG investing, largely driven by ethical values, environmental concerns, and a desire to contribute to sustainable development through their financial decisions. Millennials perceive ESG investing as a responsible approach that aligns personal values with long-term societal and environmental goals. The findings indicate that awareness of ESG investing exists at a basic level; however, a deeper understanding of ESG concepts, metrics, and evaluation mechanisms remains limited. This gap between interest and knowledge restricts millennials' active participation in ESG-based investment products.

The study also highlights that millennials with higher levels of ESG awareness and understanding are more inclined to prefer ESG mutual funds, sustainable stocks, and green investment instruments. Nevertheless, concerns regarding inconsistent ESG information, lack of standardised disclosures, and perceived risk-return trade-offs continue to act as major deterrents. Limited financial literacy and inadequate exposure to ESG concepts through formal education and advisory services further constrain informed investment decisions.

Overall, the research suggests that millennials' favourable attitude alone is insufficient to drive large-scale adoption of ESG investing. Enhancing transparency, strengthening investor education, and improving regulatory frameworks are essential to convert positive perception into actual investment behaviour. By addressing these gaps, ESG investing can become a more accessible, trusted, and attractive option for millennial investors, thereby contributing to the growth of sustainable finance and long-term economic stability.

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