PROJECT REPORT ON

"IMPACT OF ESG FACTORS ON INVESTMENT RETURNS IN INDIAN EQUITY MARKET"

Submitted By

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Submitted To

VISVESVARAYA TECHNOLOGICAL UNIVERSITY, BELAGAVI

In partial fulfillment of the requirements for the award of the degree of

MASTER OF BUSINESS ADMINISTRATION

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MAY-2024

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Date: 10/09/2024

CERTIFICATE

This is to certify that **Rithesh B** bearing **USN 4AL22BA078**, is a bonafide student of Master of Business Administration course of Alva's Institute of Engineering and Technology, Moodbidri for the batch 2022-2024, affiliated to Visvesvaraya Technological University, Belagavi. The Project report on "**Impact of ESG Factors on Investment Returns in Indian Equity Market**" is prepared by him under the guidance of **Dr Vishnu Prasanna K N**, Professor, in partial fulfilment of the requirements for the award of the degree of Master of Business Administration of Visvesvaraya Technological University, Belagavi Karnataka.

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DECLARATION

I, **Mr Rithesh B (USN: 4AL22BA078)** hereby declare that the project report entitled **"IMPACT OF ESG FACTORS ON INVESTMENT RETURNS IN INDIAN EQUITY MARKET"** is prepared by me under the guidelines of Dr Vishnu Prasanna K N, Professor of Finance, PG Departments of Business Administration, Alva's Institute of Engineering and Technology, Mijar, Moodbidri.

I also declare that this project work is towards the partial fulfilment of the university regulations for degree of MASTER OF BUSINESS ADMINISTRATION by Visvesvaraya Technological University, Belgaum.

I have undergone a project for a period of 6 weeks. I further declare that this project is based on the original study undertaken by me and has not been submitted for the award of any degree/diploma from any other University/Institution

Date: 10/09/2024

Place: Mijar

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signature of the student

ACKNOWLEDGEMENT

I would like to take this opportunity to express my sincere gratitude to all those who have helped me throughout this project. It gives me immense pleasure to acknowledge all those who have rendered encouragement and support for the successful completion of this work.

I express my deep sense of gratitude to my internal guide **Dr Vishnu Prasanna K. N** Professor Dept. of the MBA., for his constant support and encouragement to carry out my project successfully without much difficulty.

I am grateful to **Mrs. Priya Sequeira,** HOD, MBA department, Alva's Institute of Engineering and Technology, Mijar, Moodabidiri. Whose timely suggestions and encouragement support me to complete this project.

I would like to express my sincere thanks to **Dr. Peter Fernandes,** Principal Alva's Institute of Engineering and Technology, Mijar, Moodabidiri.

With regards,

Rithesh B

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EXECUTIVE SUMMARY

The impact of Environmental, Social, and Governance (ESG) factors on investment returns in the Indian equity market is increasingly gaining attention as both investors and corporations recognize the importance of sustainable and ethical business practices. This study aims to analyze the relationship between ESG scores and investment returns for twelve companies selected from the Nifty 50 index, representing four distinct sectors: Information Technology, Banking, Pharmaceuticals. By employing correlation analysis and descriptive statistics, the research seeks to provide a comprehensive understanding of how ESG factors influence financial performance in these sectors.

The selected companies include prominent names such as Infosys and TCS from the Information Technology sector, HDFC Bank and ICICI Bank from the Banking sector, Sun Pharma from the Pharmaceuticals sector,. These companies were chosen based on their significant market capitalization and the availability of ESG data, ensuring a robust and representative sample for the analysis.

Initial findings from descriptive statistics reveal varying levels of ESG adoption and performance across the sectors. For instance, Information Technology companies generally exhibit higher ESG scores, reflecting their progressive policies on environmental sustainability and corporate governance. In contrast, the Energy sector shows a wider range of ESG scores, indicating differing levels of commitment to ESG principles.

Correlation analysis between ESG scores and investment returns provides nuanced insights. In the Information Technology sector, a positive correlation is observed, suggesting that higher ESG scores are associated with better investment returns. This can be attributed to the sector's focus on innovation and efficiency, which often aligns with sustainable practices. The Banking sector shows a moderate positive correlation, highlighting the growing importance of governance and social responsibility in financial performance. On the other hand, the Pharmaceuticals sector presents a mixed correlation, with some companies showing a positive relationship while others do not, indicating that ESG factors might influence returns differently within sub-segments of the industry. The Energy sector, traditionally challenged by environmental concerns, exhibits a weaker correlation, reflecting the complex trade-offs between profitability and sustainability.