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Performance and Risk Assessment of ESG Mutual Funds: Sustainable Investing in India: A Comparative Analysis

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Abstract: The mutual fund industry has witnessed significant growth since last two decades. The Assets under Management (AUM) of the sector has increased more than 12% in the FY26. In the year 2005 it was ₹3.15 lakh crore and increased to ₹75.61 lakh crore in 2026, reflecting sustained expansion and effective management by Asset Management Companies (AMCs). At the same time the ESG sector has grown, with increasing prominence on integrating environmental, social, and governance (ESG) factors into investment decisions. The ESG mutual fund has grown during the FY 2018-19. According to the SEBI, these funds are mandated to invest 80% of their capital in the ESG sector. This study focused in the objectives of the financial performance, consistency and stability, fund performance, risk management, and long-term investment sustainability of ESG mutual fund. The performance of the ESG Fund is assessed by using different standard measures such as annual returns, standard deviation, and the Sharpe ratio. The study further reveals consistency in performance of the fund during different periods of market uncertainty. We analysed the period-wise comparative analysis of ESG fund performance in the Indian context, offering experimental insights into the sustainability and stability of ESG-oriented investment strategies. Findings suggest that the ESG mutual funds reveal competitive risk-adjusted returns with relatively moderate volatility across different market situations. The performance of the ESG mutual fund will have a better for long-term potential in comparison of short-term.

Keywords: Asset Management Companies, Environmental, Social and Governance, Socially Responsible Investment, Sustainable Development Goals

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