



Prerna Jain Sharma

Academician

Millennial-Driven Growth of Socially Responsible Investment Exchange Traded Funds in India

Millennials are emerging as powerful stakeholders in India's investment ecosystem. With a strong orientation toward ethics, sustainability, and transparency, they are influencing the development and adoption of Socially Responsible Investment (SRI) Exchange-Traded Funds (ETFs). The article explores the factors contributing to the

millennial-driven growth of SRI-ETFs in India, examining the motivations behind the preferences of millennials for socially responsible investments, the adoption of SRI-ETFs as a financial product, and the implications for India's investment ecosystem. Drawing on academic literature, industry reports, and market insights, the article investigates the challenges hindering greater adoption of SRI-ETFs in India.

Introduction

In recent years, there has been a paradigm shift in the global investment landscape as sustainability becomes a central theme for both institutional and retail investors. Socially Responsible Investment (SRI), which integrates Environmental, Social, and Governance (ESG) factors into investment decisions, has gained significant momentum (Hebb, T. et al., 2015). In India, this trend is reflected in the emergence of ESG-themed mutual funds and exchange-traded funds (ETFs), which aim to deliver not only financial returns but also positive societal impact (Samant & Singh, 2022).

Parallel to this development is the rise of the millennial investor — a generation that is more tech-savvy, value-conscious, and inclined toward ethical consumption and investment (Roxas and Marte, 2022). Millennials in India, born between 1981 and 1996, now constitute a substantial portion of the investor base, driving demand for financial products that align with their social and environmental values.

India is undergoing a notable shift in investment behaviors, influenced significantly by its millennial population (born 1981–1996). Now accounting for about 34% of the national workforce, this generation demonstrates growing interest in ethical finance and sustainability (CAMS Report, 2023). SRI-ETFs, which track ESG-compliant companies, align with the millennial ideology of impact-driven investing. This article explores how millennials are shaping the demand for SRI-ETFs in India and what challenges persist.

Research Methodology

The article employs an exploratory narrative review approach to gather both qualitative and quantitative insights into investigating the role of millennials in the growth of Socially Responsible Investment (SRI) ETFs in India. It aims to address the following research questions:

RQ1: What is the level of awareness among millennials about SRI-ETFs?

RQ2: What are the factors influencing the shift towards SRI-ETFs among Indian millennials?

RQ3: What are the barriers to greater engagement of millennials with SRI-ETFs in India?

Comprehensive Discussion and Synthesis

Decoding the Millennial Money Mindset

Millennials constitute the largest and most diverse generation in today's workforce, shaping financial trends through a unique blend of values, tech-savviness, and lived experiences. Unlike prior generations, they navigate rising education costs, volatile job markets, and delayed financial milestones—pressures that fundamentally dictate their economic behaviour. This generation spans a wide life spectrum, from early-career professionals focusing on personal savings to parents managing mortgages and childcare.

Although millennials represent the most educated generation, stagnant wages and heavy student loan debt often compromise their saving capacity. Growing up alongside the internet and smartphones, they actively manage money via mobile

banking, budgeting apps, and robo-advisors, adopting fintech solutions faster than their predecessors. As conscious savers, they prioritise emergency funds and retirement savings through automated apps and high-interest digital accounts, yet they often favour liquidity over long-term instruments amid economic uncertainty. When they do invest, they prefer low-cost, diversified vehicles like ETFs and index funds that align with Environmental, Social, and Governance (ESG) factors, typically accessing them through user-friendly digital platforms (Camilleri, 2021).

Millennials and the Rise of Responsible Investing

Millennials demonstrate significantly higher awareness of ESG and SRI concepts than previous generations. Data from the CAMS Report (2023) indicate that millennials choose ESG funds over standard equities at a rate 2.3 times that of older cohorts, driven primarily by climate anxiety and corporate ethics. Similarly, a global study by Lestari & Frömmel (2024) reveals that millennials in emerging markets like India prioritise social impact over pure financial returns, signalling a clear departure from traditional profit-driven strategies.

The growing popularity of ESG mutual funds, thematic ETFs, and digital sustainability platforms mirrors this demand for corporate transparency. Indian millennials specifically favour financial products tied to visible outcomes, such as clean energy infrastructure or women-led enterprises. Furthermore, mobile apps and fintech tools have democratised this space, allowing young investors to track environmental and social impact metrics in real time. Online communities across Reddit, LinkedIn, and Instagram function as modern spaces for financial literacy, where peer discussions normalise SRI and ESG strategies. On the regulatory front, SEBI's enhanced ESG disclosure mandates provide millennials with the credible data

and confidence required to make verified, responsible investment decisions.

ETFs Alignment with Millennial Investment Goals

While ETFs and mutual funds both serve as pooled investment vehicles, their structural and operational designs differ significantly. ETFs trade on stock exchanges like individual equities, providing investors with real-time pricing and intraday liquidity, whereas mutual funds settle exclusively at the end-of-day Net Asset Value (NAV). Lestari & Frömmel (2024) identify cost as another critical differentiator: ETFs feature lower expense ratios due to passive management, while actively managed mutual funds incur higher administrative fees.

Because millennials maintain higher fee sensitivity than older generations, the lower expense ratios and lack of entry or exit loads enhance the structural appeal of ETFs. Furthermore, millennials prioritize institutional openness and portfolio control; ETFs satisfy this preference by disclosing holdings daily, unlike mutual funds, which typically report on a monthly or quarterly delay. The proliferation of mobile investment apps and online brokerages directly connects digital-native retail investors to the ETF marketplace, streamlining portfolio rebalancing. Finally, the

broader shift toward passive investing stems from a growing recognition that consistently beating the market is difficult. By tracking major indices like the Nifty 50 or S&P 500, ETFs deliver reliable market-average returns with lower relative risk, satisfying the cautious financial outlook of the millennial investor.

Factors influencing the shift towards SRI-ETFs in India

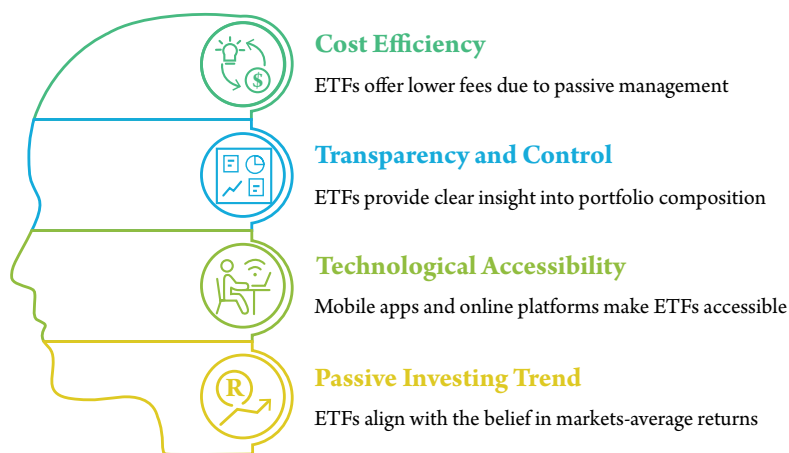
a. Demographic Influence: Millennials and Gen Z

Millennials and Gen Z are actively redefining investing norms in India by prioritizing values-based portfolios, technological integration, and transparency. Market research shows that over 65% of millennial investors seek products reflecting their social or environmental beliefs. Patil et al. (2024) observe that younger Indian investors strongly prefer passive instruments like ETFs due to their low fees and digital accessibility. As these cohorts accumulate wealth, their collective purchasing power forces asset management companies to launch dedicated SRI ETFs.

b. ESG Awareness and Education

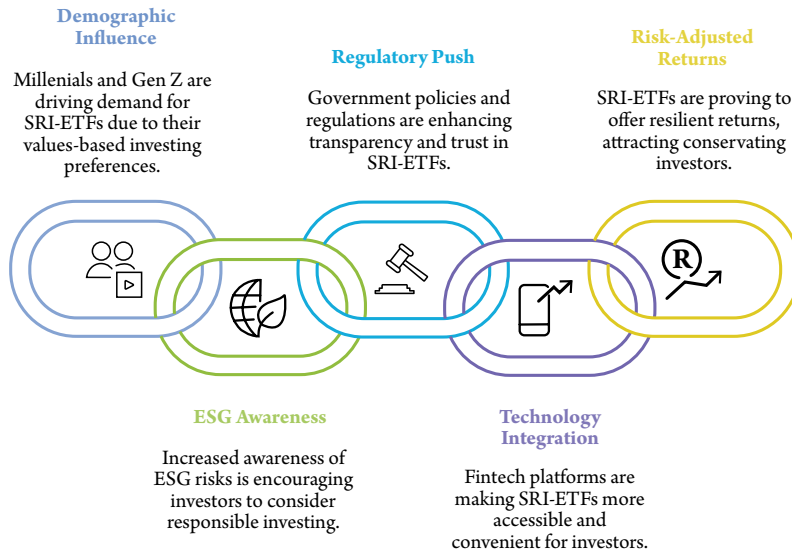
Escalating exposure to climate change risks, social inequality, and corporate governance failures drives millennial interest

Figure 1: Why Millennials Prefer ETFs?



Source(s): Author's Compilation

Figure 2: Channeling greater adoption of SRI-ETFs in India



Source(s): Author's Compilation

in responsible finance. Surveys indicate that approximately 58% of Indian retail investors aged 25–40 consider ESG factors central to their investment decisions. Targeted educational campaigns by regulators, asset management companies, ESG-themed webinars, and integrated broker ratings have stripped away the complexity of sustainable finance, making it accessible to everyday retail investors.

c. Regulatory Push and Policy Alignment

Regulatory mandates heavily accelerate India's SRI-ETF market expansion. SEBI's disclosure requirements for listed companies enhance data transparency and build investor trust, while frameworks like the Business Responsibility and Sustainability Report (BRSR) enforce corporate accountability. This transparent data stream allows fund managers to build credible, index-tracking ESG ETFs that retail investors can back with confidence.

d. Technology and Fintech Integration

Fintech platforms democratize consumer access to sustainable investing. Leading digital trading apps offer seamless access to thematic, ESG-focused ETFs. Digital-native millennials utilise these platforms to compare, purchase, and monitor sustainable portfolios, while modern robo-advisors embed ESG preferences directly into automated investor profiling. Ultimately, fintech

integration reshapes millennial habits by providing low barriers to entry and immediate financial data (Patil et al., 2024).

e. Risk-Adjusted Returns and Resilience

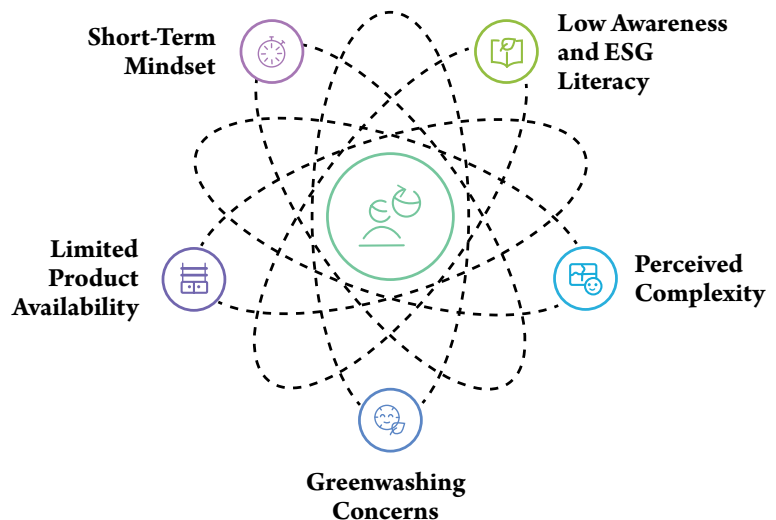
Empirical research confirms that SRI-ETFs provide resilient financial returns during periods of high market volatility. For example, ESG-aligned funds outperformed traditional benchmarks during the COVID-19 pandemic (Meehan & Corbet, 2025). This track record dismantles the myth that sustainable investing requires sacrificing performance. Because conservative Indian investors require proven stability, the dual advantage of ethical alignment and financial resilience makes SRI-ETFs an attractive proposition for millennials.

Barriers to greater engagement of millennials with SRI-ETFs in India

a. Low Awareness and Limited ESG Literacy

A primary barrier to market engagement is the low baseline awareness of SRI-ETFs and general ESG mechanics among young investors. While

Figure 3: Barriers to Millennial engagement with SRI-ETFs in India



Source(s): Author's Compilation

Deivamani & Sagayaraj (2024) note that only a small fraction of millennials in regions like Coimbatore can correctly define ESG criteria, a separate corporate survey highlights that 58% of Indian millennials have never encountered the term.

This stark statistical contrast against the high urban adoption metrics underscores a deep geographic fragmentation within the demographic. High enthusiasm metrics primarily reflect digitised, affluent investors using advanced fintech platforms in Tier-1 metros, whereas the 58% unfamiliarity rate exposes a steep digital and financial literacy deficit across Tier-2 and Tier-3 cities. Consequently, millennial awareness in India is polarised by regional financial infrastructure rather than being a demographic monolith.

b. Perceived Complexity and Lack of Financial Literacy

The perceived complexity of sustainable instruments discourages deeper market engagement. Navigating ESG scores, proprietary fund methodologies, and index-tracking metrics demands a level of financial literacy that many young investors lack. Garg et al. (2022) note that a lack of clarity regarding institutional ESG screening processes drives investor hesitation, particularly among first-time and small-scale retail investors.

c. Concerns over Greenwashing and Trust Deficit

Greenwashing, where corporations exaggerate or fabricate their sustainability credentials, fuels investor scepticism. The absence of standardised global ESG ratings and inconsistent corporate disclosures across Indian firms creates an asset trust deficit (Lestari & Frömmel, 2024). As Meehan & Corbet (2025)

“Regulatory support has been a key enabler of the SRI-ETF market. SEBI's requirement for the top 1,000 listed companies in India to disclose ESG metrics has improved data transparency and investor trust.”

emphasise, volatile economic crises cause investors to demand rigorous evaluation standards to ensure their capital supports genuine, verifiable, sustainable outcomes. Without an ironclad verification ecosystem in India, millennials remain cautious.

d. Limited Product Availability and Accessibility

Compared to developed Western financial markets, India offers a narrow selection of SRI-ETFs, which severely restricts investor choice and market depth. Compounding this scarcity, asset management companies rarely promote these specific niche products on popular millennial investment apps. CAMS (2023)

highlights that fewer than 15% of mutual fund distributors across Tier 2 and Tier 3 cities market ESG products, effectively cutting off non-urban millennials from the sector.

e. Short-Term Mindset and Market Perception

A distinct behavioural barrier manifests as a preference for short-term profits. Driven by peer influence, limited starting capital, and minimal long-term financial planning education, many Indian millennials seek rapid returns (Patil et al., 2024). Because institutions market SRI-ETFs as long-term, value-driven investments, these funds often appear less attractive to young investors when contrasted with aggressive equity options or speculative digital assets.

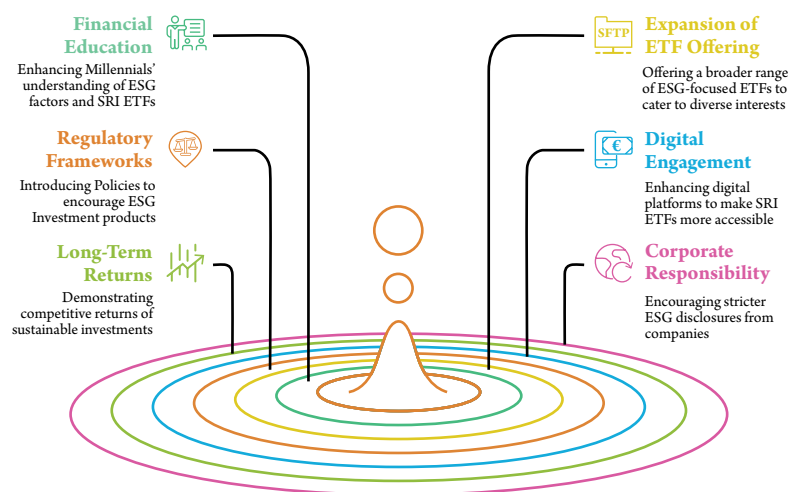
Recommendations

Enhancing Millennial Participation: Strategic Insights

a. Financial Education and Awareness Campaigns

Asset management firms and academic institutions must implement targeted financial education programs to drive

Figure 4: Strategies to enhance millennial investment in SRI-ETFs in India



Source: Author's Compilation

long-term growth in India's SRI-ETF sector. These initiatives should demystify ESG criteria, publish comparative fund performance, and outline the societal benefits of sustainable capital. Strategic partnerships among banks, universities, and fintech platforms can scale this literacy rapidly.

b. Expansion of ESG-Focused ETF Offerings

The Indian market requires a broader, more diverse spectrum of SRI-ETFs. Asset management companies should design innovative ESG products tailored to varied risk tolerances and investment horizons. Introducing specialised ETFs focused on discrete sub-themes—such as climate transition, social equity, or corporate governance—will better capture distinct millennial interests.

c. Development of Regulatory Frameworks

Financial regulators, led by SEBI, can accelerate adoption by introducing formal policies that incentivise the development and marketing of ESG products. Potential measures include tax incentives for sustainable ETF asset holdings and stricter, uniform parameters for ESG compliance reporting. These actions will bolster market transparency and reinforce retail investor trust.

d. Enhancing Digital Engagement and Accessibility

Because millennials operate as digital natives, fintech brokerages and traditional fund houses must enhance their digital user interfaces to optimise SRI-ETF visibility. Integrating transparent ESG scores directly into trading dashboards and adding real-time carbon or social impact tracking modules will drive deeper millennial platform engagement.

“A behavioral barrier also exists in the form of short-term return expectations. Many Indian millennials prioritize quick returns due to peer influence, low initial capital, or lack of long-term financial planning.”

e. Promoting Long-Term Financial Returns with Sustainability

A lingering misperception suggests that sustainable funds deliver subpar performance. Financial institutions must aggressively counter this narrative by presenting historical data, performance metrics, and comparative case studies. Demonstrating that SRI-ETFs match or exceed traditional index returns over long horizons will satisfy both the financial and ethical requirements of young investors.

f. Encouraging Corporate Responsibility and ESG Disclosure

Regulators must hold listed corporations accountable via stringent, standardised ESG disclosure rules. Because millennials demand that corporate entities actively align with sustainability milestones, any firm included in an SRI-ETF index must demonstrate verifiable ethical practices. Elevating corporate accountability directly protects the fundamental credibility of the underlying ETF.

Conclusion

This study examines the influence of Indian millennials on the emerging market of Socially Responsible Investment (SRI) ETFs. While millennials demonstrate high

awareness of ESG principles and strong interest in sustainable investing, active participation remains limited. Key barriers include low financial literacy, limited product availability, and misconceptions about SRI performance. Despite these challenges, millennials are attracted to SRI ETFs for their alignment with ethical values and their transparent, cost-effective nature. Although the Indian SRI-ETF market is still evolving, this generation's growing investment interest mirrors global trends. With the right support, such as improved financial education and broader access to ESG products, India can capitalise on this momentum to accelerate the growth of responsible investing.

Limitations of the study

While this narrative review synthesises valuable market data, its scope is constrained by three core limitations:

a. Data Constraints and Temporal Boundaries: Because SRI-ETFs are nascent in India, the study lacks long-term historical performance data spanning multiple macroeconomic cycles.

b. Geographic Concentration and Macroeconomic Bias: The underlying secondary data primarily reflects urban, metro-based investors, underrepresenting the financial behaviours of millennials in Tier-2 and Tier-3 regions.



c. Methodological Boundaries and Lack of Primary Verification:

The paper relies entirely on secondary sources, mapping out stated consumer intentions rather than tracking direct, verified portfolio allocations.

Future Research Directions

To expand upon the findings and boundaries of this study, future research should pursue the following avenues:

a. Longitudinal Performance Tracking:

Future studies should implement longitudinal tracking to observe how Indian SRI-ETFs perform across shifting macroeconomic cycles as the market matures, directly addressing current temporal data constraints.

b. Demographic and Regional Expansion:

Researchers should conduct targeted primary surveys in Tier-2 and Tier-3 cities to map out regional variations and close the geographic data gap present in current literature.

c. Primary Empirical Validation:

Future work should transition from secondary narrative synthesis to primary quantitative or psychometric modelling to track actual consumer portfolio allocations rather than stated intent.



“A key recommendation for promoting the growth of SRI ETFs in India is the implementation of targeted financial education programs. These programs should focus on enhancing millennials understanding of ESG factors, the financial performance of SRI ETFs, and the long-term benefits of sustainable investing.”

References

- Camilleri, M.A. (2021). The market for socially responsible investing: a review of the developments. *Social Responsibility Journal*, Vol. 17 No. 3, pp. 412-428. <https://doi.org/10.1108/SRJ-06-2019-0194>
- Computer Age Management Services Report (2023). The emerging force of the millennial investor is here to stay & grow. CAMS India. https://www.camsonline.com/Annual_Report/FY2023-2024/key-highlights.html
- Deivamani, S., & Sagayaraj, T. (2024). Awareness of millennial investors towards ESG factors with reference to Coimbatore district. *Journal of the K.R. Cama Oriental Institute*, 78, 2024.
- Deloitte. (2021). The Deloitte Global 2021 Millennial and Gen Z Survey: A call for accountability and action. Deloitte Global. Retrieved from <https://www2.deloitte.com/us/en/insights/topics/talent/deloitte-millennial-survey-2021.html>
- Hebb, T., Hawley, J., Hoepner, A., Neher, A., & Wood, D. (Eds.). (2015). *The Routledge Handbook of Responsible Investment* (1st ed.). <https://doi.org/10.4324/9780203104415>
- Garg, A., Goel, P., Sharma, A., & Rana, N. P. (2022). As you sow, so shall you reap: Assessing drivers of socially responsible investment attitude and intention. *Technological Forecasting and Social Change*, 184, 122030. <https://doi.org/10.1016/j.techfore.2022.122030>
- KPMG (2017). Meet the millennials. <https://assets.kpmg.com/content/dam/kpmgsites/uk/pdf/2017/04/Meet-the-Millennials-Secured.pdf>
- Lestari, J. S., & Frömmel, M. (2024). Socially responsible investments: Doing good while doing well in developed versus emerging markets? *Research in International Business and Finance*, 69, 102229. <https://doi.org/10.1016/j.ribaf.2024.102229>
- Meehan, D., & Corbet, S. (2025). Comparing the resilience of socially responsible and SIN investment during the COVID-19 pandemic. *Research in International Business and Finance*, 73(A), 102537. <https://doi.org/10.1016/j.ribaf.2024.102537>
- Morningstar India Pvt. Ltd. (2023). Investor survey on ESG awareness and trends in India.
- Patil, A., Hiremath, R. B., Yadav, R., & Mane, N. S. (2024). Decoding millennial investment behavior: A comprehensive study of Indian stock market participation. *Academy of Marketing Studies Journal*, 28(6), 1–8.
- PwC. (2021). Millennial money: How digital is shaping the future of finance. PricewaterhouseCoopers.
- Roxas, H. and Marte, R. (2022), “Effects of institutions on the eco-brand orientation of millennial consumers: a social cognitive perspective”, *Journal of Consumer Marketing*, Vol. 39 No. 1, pp. 93-105. <https://doi.org/10.1108/JCM-11-2020-4262>
- Samant, M. D., & Singh, R. S. P. (2022). Post Covid surge in ESG mutual funds in India: Is it a structural break? *Journal of Positive School Psychology*, 6(8), 600–609. <https://journalppw.com/index.php/jpsp/article/view/9779>

Author may be reached at
prernajain_91@yahoo.in and
eboard@icai.in