

The Risk–Return Nexus of ESG Investing in Sensitive and Non-Sensitive Industries: An Emerging Market Perspective

Nikita Kedia

*School of Business Management, SVKM's Narsee Monjee Institute of
Management Studies, Mumbai, India*

Email: nikita.kedia212@gmail.com

Abstract: The study examines stock performance of ESG investments in environmentally sensitive and non-sensitive industries in the Indian market. Using a sample of NSE-listed stocks, calendar-time portfolios of high and low ESG firms are constructed to evaluate risk-adjusted performance based on industry. Results indicate high-ESG portfolios significantly outperform low-ESG portfolios on absolute and risk-adjusted bases in non-sensitive industries. However, the effect weakens in environmentally sensitive industries, suggesting that stakeholders do not sufficiently reward ESG efforts due to higher expectations from these firms. The insights aid investors, firms, and policymakers shape ESG strategies and guide investment decisions in these industries.

Keywords: ESG, Stock Returns, Sensitive Industries, Emerging Market

JEL Classification Number: G11, G12, M14