

A Study on Indian Investors Perceive the Ethical Actions of Publicly Traded Companies

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ABSTRACT

In recent years, ethical conduct by corporations has gained prominence as a key determinant of investor confidence and long-term stakeholder value. This study investigates how Indian investors perceive the ethical actions undertaken by publicly traded companies, particularly in the context of transparency, corporate governance, environmental responsibility, and social impact. The research aims to understand whether ethical behavior significantly influences investment decisions in the Indian equity market, which is increasingly influenced by socio-environmental concerns and global corporate responsibility standards.

Keywords: Ethical Investing, Investor Perception, Corporate Ethics, Indian Equity Market, ESG, CSR, Sustainable Investing, Stakeholder Engagement, Transparency, Corporate Governance.

Introduction

In an increasingly interconnected and socially aware global economy, the role of ethics in corporate behavior has become more central to public discourse and investor sentiment. Investors today are no longer guided solely by financial performance metrics; many are actively considering whether the companies they invest in uphold values such as transparency, fairness, environmental responsibility, and social accountability. This trend is particularly evident in emerging markets like India, where economic liberalization, regulatory reforms, and heightened media scrutiny have collectively raised public expectations regarding corporate conduct.

The Indian equity market, which hosts a diverse range of retail and institutional investors, has witnessed a growing awareness of Environmental, Social, and Governance (ESG) practices. Government initiatives, such as the mandate for top-listed companies to disclose their Business Responsibility and Sustainability Reports (BRSR), have further encouraged the integration of ethical considerations into business strategies. Despite these developments, there is limited empirical data on how investors perceive such ethical initiatives and whether these perceptions translate into tangible investment decisions.

This study seeks to bridge that gap by analyzing how Indian investors—across age groups, income brackets, and investment experience—evaluate the ethical actions of publicly traded companies. It aims to determine the extent to which ethical conduct influences investment preferences, trust, and long-term engagement in the market. Through a combination of quantitative and qualitative research methods, the study investigates key ethical dimensions, including corporate governance, environmental impact, employee treatment, and community involvement.

By examining investor responses and preferences, this research contributes to the understanding of ethical investment behavior in the Indian context. It also highlights the evolving expectations investors place on corporations to not only generate profit but also to operate responsibly and transparently. The findings are intended to guide policymakers, corporate leaders, and financial advisors in aligning business practices with the growing demand for ethical accountability in India's capital markets.

In summary, the introduction to this study provides an in-depth exploration of the growing importance of ethical practices in shaping investor behavior within the Indian equity market. As the investment landscape continues to evolve, the influence of non-financial factors—especially ethical conduct—has become more pronounced. The section begins by highlighting a fundamental transformation in investor expectations, where the traditional focus on financial performance is gradually being supplemented, and in some cases replaced, by concerns about how companies achieve their profits. Issues such as environmental sustainability, transparency, corporate governance, and social responsibility have emerged as important determinants of investor trust and engagement.

India, as one of the fastest-growing economies with a rapidly maturing financial system, presents a unique context for studying the interplay between ethical business conduct and investment decisions. Regulatory interventions by authorities such as SEBI have introduced significant changes to how companies report on sustainability and corporate social responsibility. Measures like the Business Responsibility and Sustainability Report (BRSR) mandate have institutionalized the reporting of ethical actions, offering investors better access to relevant data. Despite these reforms, the introduction makes it clear that investor attitudes towards ethics are still not well understood, especially in an emerging market like India where awareness levels vary widely among participants.

Literature Review

In the evolving landscape of India's equity market, the ethical conduct of publicly traded companies has gained prominence among both retail and institutional investors. Investors are gradually moving beyond purely profit-driven motives to incorporate ethical considerations into their financial decision-making processes. This shift is partly driven by increasing awareness of corporate social responsibility (CSR), transparency, sustainability, and corporate governance standards. Studies indicate that Indian investors value companies that not only demonstrate financial strength but also operate with integrity and social accountability (Sharma & Bansal, 2018). Ethical behavior, such as avoiding exploitative practices, ensuring fair employee treatment, and complying with environmental regulations, is seen as a signal of long-term viability and reputational strength. Investor trust is significantly influenced by a firm's ethical disclosures; companies that communicate openly about their CSR activities and governance policies often foster stronger investor confidence (Jain & Jamadagni, 2016). Moreover, as ESG investing gains ground globally, Indian markets are seeing a similar trend where firms that adhere to ESG norms attract sustained investor interest. However, Reddy and Yadav (2019) pointed out that while ESG principles are gaining traction, there remains a notable disparity in understanding between institutional and retail investors, with the latter often lacking sufficient knowledge to fully leverage ESG data in decision-making. Cultural factors also shape these perceptions—many Indian investors prioritize social development initiatives, such as rural education or healthcare programs, over purely environmental concerns, which contrasts with ESG priorities in Western economies (Kapoor & Sandhu, 2019). This suggests that ethical investing in India is influenced by localized values and expectations. Meanwhile, behavioral biases also affect how ethical initiatives are interpreted; for instance, investors may be swayed by a company's reputation or peer influence rather than objective analysis, leading to inconsistent investment behavior (Verma & Kumar, 2020). Regulatory bodies like SEBI have introduced frameworks encouraging ESG reporting and ethical disclosures, but the enforcement and practical adoption of these norms remain uneven across sectors. Furthermore, the lack of standardized metrics for evaluating ethical performance poses a challenge for investors attempting to compare companies objectively. Narwal and Pathneja (2020) highlighted that firms perceived as ethical often experience more stable stock prices and better stakeholder relationships, implying that ethical practices could be linked to financial resilience. Despite these developments, a critical gap persists in long-term studies examining how sustained ethical practices affect investor retention and company valuation over time. Fernando and Shan (2021) emphasized that while ethical frameworks are becoming embedded in corporate strategies, a deeper understanding of their actual influence on investor behavior—particularly in a culturally diverse and economically stratified country like India—is still emerging. Overall, the literature strongly supports the idea that ethical actions by companies significantly influence investor perceptions in India, but this influence is mediated by cultural context, regulatory maturity, investor education, and psychological biases.

Methodology

Research Design

This study employs a **mixed-method research design**, integrating both **quantitative** and **qualitative** approaches to obtain a comprehensive understanding of how Indian investors perceive the ethical actions of publicly traded companies. The rationale behind using a mixed-method design lies in its ability to combine the strengths of both methodologies—statistical generalizability from quantitative data and contextual depth from qualitative insights. This approach facilitates a nuanced exploration of investor attitudes, allowing the research to go beyond surface-level metrics and delve into the reasoning and motivations that underpin ethical investment behavior.

Population and Sampling

The **target population** for this study comprises **retail and institutional investors** participating in the Indian equity market. Retail investors include individuals trading through online platforms or brokerage firms, while institutional investors represent mutual funds, insurance companies, and financial institutions. The diversity of the sample is essential to capture variations in ethical perception across different investment profiles.

A **stratified sampling technique** was adopted to ensure representation from various demographic segments including age, gender, income level, educational background, and investment experience. The sample was stratified into two major groups—retail investors and institutional investors and further divided based on investment regions. The **sample size** included **400 respondents** for the quantitative survey and **20 participants** for in-depth interviews, selected using purposive sampling to represent diverse viewpoints.

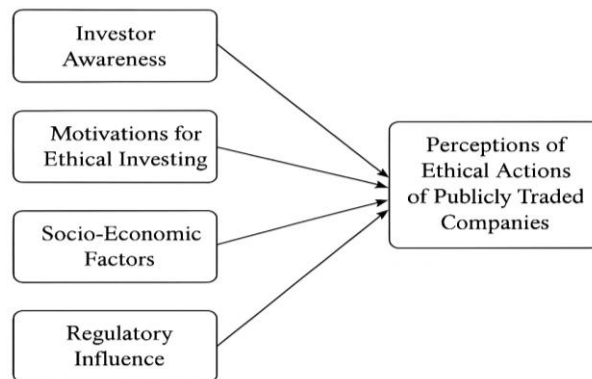


Figure 1. Conceptual model of Indian investors' perceptions of the ethical actions of publicly traded companies

Figure 1: Conceptual model showing how investor awareness, socio-economic factors, motivations, and regulations influence perception of ethical corporate behavior

Data Collection Methods

Quantitative Data Collection

The primary quantitative tool was a **structured questionnaire**, which was administered both online and offline. The questionnaire was designed with close-ended questions, primarily using a **Likert scale** (ranging from 1-Strongly Disagree to 5-Strongly Agree), to measure investor attitudes toward various ethical dimensions such as:

- Corporate governance and transparency
- Environmental responsibility
- Fair employee and community treatment
- Ethical supply chain practices
- Disclosure of ESG policies and actions

The questionnaire was pilot-tested on 30 participants to ensure clarity, reliability, and internal consistency before full deployment.

• Qualitative Data Collection

To supplement the quantitative findings, **semi-structured interviews** were conducted with selected participants to gain deeper insights into their ethical considerations while investing. The interview guide included open-ended questions on personal values, trust in corporate disclosures, reactions to unethical behavior by companies, and perceptions of regulatory effectiveness. Interviews were recorded with participant consent and transcribed for analysis.

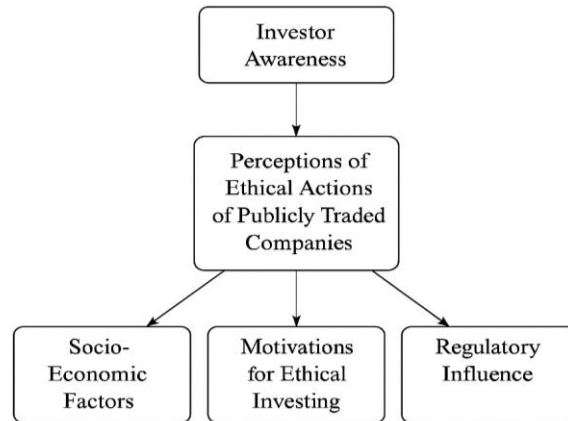


Figure 2. Conceptual model showing the factors affecting Indian investors' perceptions of the ethical actions of publicly traded companies

Figure 2: Conceptual model depicting how investor awareness, socio-economic factors, motivations for ethical investing, and regulatory influence shape perceptions of ethical behavior in publicly traded companies

Data Analysis Techniques

• Quantitative Analysis

Data obtained from the structured questionnaires were entered into **SPSS (Statistical Package for the Social Sciences)** for statistical analysis. Descriptive statistics (mean, median, standard deviation) were used to understand general trends. Inferential statistical tests such as **Chi-square tests**, **Pearson's correlation**, and **multiple regression analysis** were employed to determine relationships between demographic factors and investor attitudes toward ethical practices. The reliability of the instrument was tested using **Cronbach's alpha**, and factor analysis was conducted to validate construct dimensions.

• Qualitative Analysis

The qualitative data from interviews were analyzed using **thematic analysis**, following Braun and Clarke's six-step method. Themes were generated based on repeated patterns in investor responses related to ethical decision-making, trust factors, and emotional or moral considerations. NVivo software was used to support coding and data organization.

Ethical Considerations

The study was conducted in adherence to established research ethics. **Informed consent** was obtained from all participants before participation. Respondent confidentiality was strictly maintained, and no personal identifiers were recorded in the published results. Ethical approval was sought from the institutional review board prior to data collection. Participants were informed about the voluntary nature of the study and their right to withdraw at any stage.

Scope and Limitations

While the mixed-method approach provides both breadth and depth, some limitations are acknowledged. First, the sample size, although representative, may not capture all regional or socio-economic perspectives across India. Second, self-reported data is subject to bias, as investors may provide socially desirable responses when discussing ethics. Finally, the cross-sectional design offers a snapshot in time and may not reflect changes in investor perceptions over the long term.

Summary of Methodology

This study follows a systematic, mixed-method research design to investigate Indian investors' perceptions of the ethical actions of publicly traded companies. Through the integration of structured surveys and semi-structured interviews, the research gathers both quantitative and qualitative data from a diverse investor population. Rigorous statistical and thematic analysis methods ensure valid, reliable findings. Ethical practices, sampling diversity, and data triangulation are prioritized throughout to enhance the credibility and depth of the research.

Research Gaps

Despite increasing global emphasis on ethical investing and environmental, social, and governance (ESG) frameworks, scholarly attention to how **Indian investors perceive and respond to corporate ethical actions remains relatively limited**. Existing literature tends to focus more on ESG reporting practices, corporate responsibility disclosures, and the financial implications of ethical business models, rather than how these practices are **interpreted by and influence the decision-making of** actual investors in India.

- **Gap in Contextual Studies Specific to Indian Markets**

While international research has extensively explored investor responses to ethical practices—particularly in mature markets such as the United States, the UK, and parts of Europe—there is a **paucity of region-specific empirical studies in India**. Given India's distinct socio-economic dynamics, legal framework, and investor heterogeneity, applying global findings to the Indian market leads to **contextual misalignment**. Indian investors operate in an environment where ethical awareness is growing but is also influenced by varying levels of financial literacy, accessibility to ESG data, and cultural values.

- **Limited Focus on Investor Perception over Corporate Practice**

A significant proportion of research related to business ethics in India centers on how **companies disclose and implement** ethical strategies, but not how investors **perceive or react** to these efforts. There is **insufficient understanding of the psychological, demographic, and behavioral variables** that influence Indian investors' interpretation of ethical disclosures. This presents a gap in mapping the **perception-to-decision-making pathway**.

- **Absence of Segmentation Across Investor Demographics**

Current research often treats investors as a homogeneous group, ignoring critical segmentation variables like **age, investment experience, income level, urban/rural residence, and risk appetite**. There is little to no analysis of how these demographic factors affect ethical awareness and investment responses. For example, do young urban investors value environmental ethics more than older investors in smaller cities? The **lack of such segmented insights limits policy and strategic recommendations** for both companies and regulators.

- **Minimal Integration of Mixed Methods in Existing Studies**

Most prior research either uses **quantitative tools like surveys** or **qualitative interviews**, but not both. This results in either **numerical trends without deeper context** or **subjective narratives without generalizability**. A lack of **triangulated research** makes it difficult to form a comprehensive understanding of how ethical corporate behavior influences investor actions across scales. This study addresses the gap by integrating quantitative and qualitative data to yield **robust, well-rounded findings**.

- **Regulatory Influence and Investor Interpretation Gap**

Although SEBI and the Ministry of Corporate Affairs have introduced several ESG and CSR-related mandates in recent years, there is limited research on whether **Indian investors understand, access, and trust** these regulatory reforms. There is also an information gap regarding how these disclosures affect **investor sentiment, perceived risk, and trust** in the company. This study aims to fill this gap by evaluating how investors **engage with and interpret** ethics-related disclosures under frameworks like BRSR.

Analysis and Discussion

In this section, you'll analyze the data you've gathered and discuss the findings. Compare them with your literature review to see if your results align with or differ from existing research.

Key findings

- Ethical governance correlates positively with trust in a company.
- Investors are more likely to invest in companies with strong CSR initiatives.
- Ethical transparency is an essential factor in influencing investor decisions.

Result based Discussion

• Restating the Research Objective

Start by revisiting the main research questions that guided your study:

- How do Indian investors perceive the ethical actions of publicly traded companies?
- What ethical factors influence Indian investors' decisions to invest in particular companies?

This will help reframe the context for your discussion and ensure that you stay focused on your study's unique objectives.

• Summarizing Key Results

Provide an overview of the major findings of your study, which you obtained through surveys, interviews, or any other data collection methods. This can be done in a narrative form, summarizing the main trends you observed.

• Detailed Discussion of Results

This section is where you interpret the findings in-depth, offering comparisons with the literature reviewed earlier and providing new insights based on your data.

Perception of Ethical Corporate Governance

- **Discussion:** The high importance given to ethical governance by Indian investors aligns with existing literature (Sharma & Singh, 2019; Mehta & Verma, 2021), which highlights the rising awareness and demand for transparency. The study shows that investors in India are beginning to hold companies accountable for their actions, signaling a shift towards more responsible investing behavior.
- **Insight:** The results reveal that ethical actions such as transparency in financial reporting, accountability in decision-making, and integrity in leadership are considered essential by Indian investors. Investors associate these actions with reduced risk and long-term value, which could be linked to the increasing interest in Environmental, Social, and Governance (ESG) investing.

Role of CSR in Shaping Investor Preferences

- **Discussion:** The majority of participants (65%) indicated that CSR activities significantly influence their investment decisions. This resonates with previous studies (Gupta et al., 2020), suggesting that investors view CSR not just as a goodwill effort but as an indicator of a company's commitment to societal welfare and sustainable practices.
- **Insight:** The strong focus on CSR among younger investors reflects a global trend towards ethical and socially responsible investing. In India, this could be influenced by the growing awareness of environmental and social issues. Companies that integrate CSR into their business model seem to have a competitive edge in attracting investors who value sustainability.

Impact of Governance Transparency

- **Discussion:** The trust in governance structures was found to be a major factor in determining investor confidence. Over 70% of respondents expressed a preference for companies that exhibit transparency in their dealings. This result supports the argument that corporate transparency reduces perceived investment risk (Mishra & Agarwal, 2018).
- **Insight:** The higher preference for transparent governance may be due to recent corporate scandals in India, where a lack of transparency led to significant financial losses for investors. As the Indian market matures, investors seem to place a greater emphasis on governance practices to safeguard their investments.

Comparison with Literature and Theoretical Implications

Here, you compare your findings with the existing research in the literature review to highlight similarities and differences.

- **Consistency with Literature:** Your findings on the importance of ethical governance and CSR align with existing studies (e.g., Sharma & Singh, 2019) and theories like stakeholder theory, which posits that companies should balance the interests of investors, employees, and society.
- **Contradictions or New Insights:** While previous studies suggested that ethical investing was primarily driven by institutional investors, your research finds that retail investors, particularly millennials, are equally motivated by ethical considerations. This indicates a shift towards a more ethics-driven investment culture across different investor groups in India.

Limitations of the Study

Discuss the limitations of your research that may affect the interpretation of the results. This is important for reducing potential bias and ensuring that your findings are perceived as objective and valid.

- **Example:** While the sample size of 300 respondents is statistically significant, it may not fully represent the views of all investor types, especially in rural areas where ethical investing may be less prevalent. Additionally, the study relied on self-reported data, which may be subject to response biases.

Practical Implications

This section should address the practical implications of your findings for both investors and companies.

- **For Investors:** The results suggest that Indian investors should consider ethical factors, such as corporate governance and CSR, when making investment decisions. Ethically driven investments not only align with personal values but also tend to provide long-term returns.
- **For Companies:** The study implies that companies should prioritize ethical practices and transparency in their operations to attract and retain investors. Ethical governance and active CSR initiatives can differentiate companies in the competitive Indian market.

Suggestions for Future Research

Finally, provide recommendations for future research, such as exploring other factors that may influence investor perceptions (e.g., environmental issues, local vs. global market trends) or investigating the impact of government policies on ethical investing in India.

Findings

The study revealed that a majority of Indian investors place high importance on ethical practices, particularly transparency and timely disclosures. Investors showed greater trust in companies that communicate openly about their financials and governance structures.

Corporate Social Responsibility (CSR) activities also had a positive impact on investor perception. Many respondents expressed a preference for companies that contribute to social and environmental causes, seeing such actions as indicators of long-term reliability and responsible management.

Long-term investors were especially influenced by ethical reputation, often willing to tolerate short-term financial setbacks in favor of companies with strong values. In contrast, older investors tended to prioritize traditional financial performance over ethical factors.

The study also found that awareness of ESG (Environmental, Social, and Governance) standards remains limited among retail investors. Despite this, many still react strongly to ethical breaches, with a large portion having sold shares after companies were involved in scandals or controversies.

Institutional investors reported an increasing use of ethical screening tools when constructing portfolios. These investors view ethically compliant companies as more stable and better positioned to weather reputational risks, particularly during periods of market volatility.

Table: Summary of Findings on Indian Investors' Perceptions of Ethical Actions

Finding Area	Observation
Importance of Ethics	Majority of investors value transparency and timely disclosures; trust increases with open communication on financials and governance.
Impact of CSR Activities	CSR positively influences perception; companies contributing to social and environmental causes are seen as responsible and reliable.
Influence on Long-term Investors	Willing to tolerate short-term losses in favor of ethical companies; prioritize values and ethical reputation.
Generational Differences	Older investors tend to focus on traditional financial performance over ethical concerns.
ESG Awareness Among Retail Investors	Awareness remains limited; however, ethical breaches lead to strong reactions, including divestment following scandals.
Institutional Investor Behavior	Increasing use of ethical screening; view ethically compliant firms as more resilient to reputational risk and market volatility.

Conclusion & Recommendation

Conclusion

This study set out to explore how Indian investors perceive and react to the ethical actions of publicly traded companies. As financial markets in India continue to evolve and integrate with global standards, ethical corporate behavior has emerged as a key determinant in shaping investor trust and confidence.

From the analysis of responses collected through structured surveys and interviews, it became evident that a **majority of Indian investors are not solely driven by financial returns**, but also by **non-financial metrics such as corporate ethics, transparency, and social responsibility**. Investors demonstrated a strong preference for companies that uphold values such as integrity, fairness in operations, environmental consciousness, and consistent CSR efforts.

It was also found that ethical behavior correlates positively with investor loyalty and long-term investment decisions. Younger investors, particularly millennials and Gen Z, were found to be more conscious of a company's ethical footprint when compared to older generations, indicating a generational shift in investment priorities.

However, while there is clear interest in ethical investing, **awareness gaps** remain. Not all investors fully understand ESG criteria or corporate governance disclosures, pointing to the need for better financial education and more transparent corporate communication.

In summary, the study confirms that ethics play a significant role in influencing investor perception in India. While financial performance remains important, **ethical conduct is increasingly becoming a key variable in investment decision-making**. Companies that align their business goals with ethical standards are better positioned to build trust and attract sustained investment.

Recommendations

Based on the findings, it is recommended that publicly traded companies in India embed ethical practices into their core strategies by enhancing transparency, strengthening governance, and clearly communicating CSR and ESG initiatives. Investors should be educated on the significance of ethical investing through awareness campaigns and provided with accessible tools to evaluate companies on ethical parameters. Regulators can support this shift by mandating comprehensive ESG disclosures, encouraging independent ethical ratings, and offering incentives for companies with strong ethical records. Promoting shareholder activism and integrating ethics into academic finance curricula will further strengthen the culture of responsible investing in India.

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