Sentiment and Sustainability: Media Influence on ESG Investing in Different Markets

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Abstract

This study examines whether media sentiment around ESG issues influences investor behaviour, asset flows, and stock performance, comparing an emerging market (India) with a developed market (the United States). Analyzing media sentiment and ESG market data from 2015–2024, we find notable cross-market differences. In the developed market, upbeat ESG news and favourable media sentiment are associated with increased ESG fund inflows and short-term outperformance of ESG-focused stocks, suggesting that media narratives can quickly sway investor sentiment and asset prices. By contrast, the emerging market shows only a weak or delayed linkage—investors there are less responsive to ESG media coverage, consistent with evidence that ESG investing is not yet deeply embedded in their preferences. This study contributes to the literature by highlighting that the impact of ESG-related news is highly context-dependent. These findings have practical implications for policymakers, investors, and companies: tailoring ESG communication to local investor sentiment and improving transparency could enhance the effectiveness of sustainability initiatives. The study also underscores the need for further research on the media's role in sustainable finance as global markets continue to evolve in embracing ESG principles.

Keywords: ESG investing, Media Sentiment, Behavioural Finance, Emerging Markets, Developed Markets, Sustainable Finance, Investor Sentiment

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Introduction

Sustainable investing focused on Environmental, Social, and Governance (ESG) factors has rapidly moved from niche to mainstream in global finance over the past decade. By 2022, investors worldwide had allocated trillions of dollars to ESG-themed funds, recognizing sustainability issues as material to long-term performance. Media coverage of ESG investing grew in tandem, shaping public discourse and investor sentiment around sustainability. Global media coverage of ESG investment surged by 75% in 2020 compared to 2019 (Consultancy. eu, 2021), reflecting increased public scrutiny of corporate sustainability and positioning media sentiment as a significant driver of investor behaviour.

Behavioural finance has well established that media news and narratives can sway investor mood and decision-making, sometimes fueling exuberance or panic beyond fundamental values. In the context of ESG, media outlets often highlight companies' environmental initiatives, social responsibility actions, or governance failures. Positive coverage (e.g., a glowing report on a company's renewable energy program) can attract sustainability-minded investors, whereas negative press (e.g., exposing an environmental scandal) might lead to divestment or stock price declines. The question arises: Does media sentiment significantly influence ESG investment performance and flows, and does this influence vary across different markets? This study investigates that question by comparing an emerging market (India) with a developed market (United States).

From a theoretical perspective, this study is grounded in behavioural finance, which contends that markets are not fully efficient and that investors' emotions can affect asset prices. In contrast to the Efficient Market Hypothesis (EMH)—which implies media coverage influences prices only through fundamental information—behavioural finance suggests that media narratives can shape investor sentiment and drive temporary mispricings. This framework is relevant to ESG investing: if investors are swayed by sustainability stories, media sentiment could impact market behaviour beyond classical predictions. Developed markets, with their larger institutional investor base and greater ESG integration, may react more swiftly to ESG news. For instance, Europe has been at the forefront of sustainable finance, and even amid recent uncertainties, ESG fund inflows remained strong in Europe (Iyer, 2024).

In the United States, ESG investing has become a politicised topic in the media and public sphere. Media narratives of an "anti-ESG" backlash—framing ESG as "woke capitalism" that could harm returns—have gained prominence in recent years. This negative framing, repeated in certain news outlets and on social media, appears to have dampened enthusiasm among some investors. A Stanford University survey in late 2024 revealed a steep decline in young U.S. investors' support for ESG goals (Gelfand, 2025): only 11% of millennial and Gen Z investors still felt it was "extremely important" for investment companies to pursue environmental priorities, down from 44% two years earlier. Similarly, the share of young investors willing to sacrifice more than 10% of their returns for ESG objectives fell from about one-third in 2022 to just 10% by 2024. These trends show how quickly sentiment can shift in response to media narratives, demonstrating the powerful role of public discourse in shaping investment behaviour.

In contrast, emerging markets are still developing their ESG ecosystems. Taking India as an example: although regulators and stock exchanges have introduced sustainability disclosure requirements and indices, investor sentiment toward ESG remains cautious. The number of dedicated ESG mutual funds in India has grown, yet retail participation is limited, and many funds have underperformed benchmark indices. A report in *Responsible Investor* noted that India's ESG funds have been "championed by managers, snubbed by investors," with asset managers eager to launch ESG products but finding lukewarm interest among the investing public (Azizuddin, 2024). This suggests that media coverage of ESG in India might not trigger the same reaction as in markets where investors actively seek sustainable investments. Indeed, prior research finds that Indian investors are largely indifferent to ESG news—one study showed that changes in a broad ESG index did not significantly affect investor sentiment, implying ESG factors were not yet priced in by Indian markets (Dhasmana et al, 2023).

Given these dynamics, this paper provides an empirical analysis of media sentiment's impact on ESG investing in different market contexts. We focus on two countries, India and the US, as illustrative cases of an emerging versus a developed market. Using a combination of content analysis for media sentiment and financial data analysis for market responses, the study addresses two primary research questions: (1) Does media sentiment about ESG issues correlate with or drive investment returns and fund flows in ESG assets? (2) Are there significant differences between an emerging market and a developed market in this relationship? By investigating these questions, we shed light on how information environments and investor attitudes mediate the effectiveness of sustainable investment initiatives across contexts.

Literature Review

Media influence assumes particular significance in ESG investing, where financial goals intersect with sustainability considerations and values-driven decision-making. ESG information often reaches investors through news about companies' sustainability initiatives, scandals, or ratings. Recent studies have begun to explore this intersection of media sentiment and sustainable finance:

Dorfleitner and Zhang (2024) show that stock markets react to the tone of ESG news events: on days with positive ESG news, stocks see small abnormal gains, whereas negative ESG news leads to larger declines. Moreover, firms with weaker prior ESG reputations were punished more by negative news, suggesting that investors interpret media ESG signals in the context of a company's standing. Dhasmana et al (2023) find a limited integration of ESG factors into Indian market sentiment. During extreme market conditions, they observed some interplay between an investor sentiment index and an ESG stock index, but in normal times ESG index performance did not significantly affect overall sentiment. They conclude that ESG investing remains peripheral to most Indian investors' sentiment, aligning with evidence that many prioritise traditional financial metrics over sustainability. Similarly, Goutte et al (2023) report that in European markets, periods of highly positive ESG news sentiment corresponded with above-market stock returns, indicating potential opportunities for sentiment-driven strategies (though such advantages may diminish as they become widely recognized).

Li et al (2025) report a "ripple effect" in China's market, where clusters of ESG news with a particular sentiment amplify stock return volatility. They suggest that media sentiment first shifts investor mood, which then drives volatility—an effect most pronounced for smaller or non-state firms lacking stable long-term investors. This highlights how media narratives can induce herd behaviour in retail-dominated markets. Yu et al (2025) find that companies with more positive ESG news coverage tend to have a lower cost of equity, especially among large or state-owned firms that investors closely watch. This suggests that favourable media sentiment can confer financial benefits for firms (e.g., cheaper capital) by bolstering investor confidence and reducing perceived risk.

Comparative studies confirm that sentiment's influence in ESG investing varies by market context. Loang (2025), for example, examined China, India, and Singapore and found that investor sentiment drives trading volumes and volatility of ESG stocks in China and Singapore, but much less in India. In those former markets, positive ESG news sentiment amplified these effects, whereas in India the news tone had little impact. This indicates that in some markets (with higher ESG awareness or more proactive media), investors respond to ESG narratives, while in others ESG news remains a minor factor in investment decisions.

In summary, existing research shows that media and sentiment effects can influence ESG investing, but their magnitude and direction vary widely across markets and contexts. This variation provides the foundation for our comparative analysis. Developed markets with more mature ESG adoption show quicker incorporation of news sentiment into prices (including opportunities for excess returns from sentiment-driven trading), whereas some emerging markets exhibit weaker or one-sided effects, implying incomplete transmission of ESG information to investor actions. These differences may stem from factors such as investor base composition (institutional vs. retail), trust in ESG disclosures, media coverage intensity, and cultural attitudes toward sustainability. Building on this literature, our study examines how these dynamics play out in two specific markets, leveraging actual media content analysis rather than proxy sentiment indicators alone.

Data and Methodology

Research Design: We adopted a comparative case study approach focusing on India (an emerging market) and the United States (a developed market) to analyse media influence on ESG investing. These markets were chosen for their contrasting stages of ESG integration and differing media landscapes. India's ESG market is relatively nascent but growing, with a handful of sustainability indices and funds launched in the last few years. The US has a well-developed ESG ecosystem but also a highly polarised media environment around sustainability issues. By examining both markets, we aim to capture a broad spectrum of media sentiment effects.

Media Sentiment Data: We constructed media sentiment indices for ESG-related news in each country. For India, news articles on ESG, sustainability, and corporate social responsibility were collected from major financial news outlets (e.g., *The Economic Times*, *Business Standard*, *The Hindu Business Line*) and general news sources (e.g., *The Times of India*) for 2015–2024. For the US, ESG-related news was gathered from prominent outlets such as *The Wall Street Journal*, *The New York Times*, *Bloomberg*, and *Reuters* over the same period. Articles were filtered by relevant keywords (e.g., "ESG," "sustainable investing," "climate finance," "corporate social responsibility") to ensure coverage of ESG topics. Significant global ESG news events (like UN climate summit reports or major corporate ESG controversies) were also included, as these can broadly impact investor sentiment.

In total, approximately 3,500 articles for India and 5,200 for the US were compiled. We then performed textual sentiment analysis to quantify the tone of coverage. A lexicon-based approach was used, employing the Loughran-McDonald financial sentiment dictionary (designed for finance) augmented with custom ESG-specific positive and negative terms. Each article was scored for sentiment polarity, and we computed a monthly ESG Media Sentiment Index for each country by averaging the sentiment scores of all ESG news articles each month. The index ranges from –1 (extremely negative) to +1 (extremely positive), with 0 being neutral. (Figure 1, omitted, showed intuitive trends – for example, a sharp negative dip in March–April 2020 during the initial COVID-19 crisis, and a strong positive jump around late 2021 amid widespread net-zero pledges and celebratory coverage of ESG investment growth.)

ESG Market Performance Data: To gauge ESG investment outcomes, we used multiple indicators:

Stock Index Returns: For India, we obtained the Nifty100 ESG Index (100 Indian companies with high ESG scores) from the National Stock Exchange's data. For the US, we used the MSCI USA ESG Leaders Index, which tracks large- and mid-cap US companies with leading ESG performance relative to sector peers. These indices served as proxies for ESG investment performance in each market. We computed monthly total returns (including dividends) for both indices. As benchmarks, we also gathered broad market index returns (Nifty 50 for India and the S&P 500 for the US) to control for general market trends.

Fund Flows: We collected data on net flows into ESG-focused mutual funds and ETFs in each market. For the US, Morningstar and Investment Company Institute reports provided aggregate quarterly net flows into sustainable funds. For India, where ESG funds are relatively new, we compiled total assets under management and net new inflows for the handful of ESG mutual funds launched (mostly post-2018) using fund fact sheets and industry reports. These figures, while rough, indicate money moving into or out of ESG investments over time. For context, the combined AUM of ESG-focused mutual funds in India grew from around ₹2,747.66 crore at the start of 2020 to ₹12,544.02 crore by the end of 2021 (see Table 1).

Investor Sentiment Indices: To distinguish media effects from overall market mood, we also considered broad investor sentiment measures. For the US, we used the AAII Investor Sentiment Survey (bullish % minus bearish %) as a monthly barometer. For India, we proxied investor sentiment using a combination of the consumer confidence index and mutual fund equity flow trends, since no established survey-based sentiment index is available for the Indian market.

Methodology: Our empirical strategy involved time-series analysis and comparative evaluation. We first examined contemporaneous correlations between the media sentiment index and ESG index returns in each market. A moderate positive correlation was found in the US dataset, whereas India showed near-zero correlation in normal periods (little immediate co-movement). We then conducted Granger causality tests (in a vector autoregression framework) to explore lead–lag relationships. In the US, media sentiment *Granger-caused* ESG index returns at the 5% significance level—spikes in positive media sentiment were followed by above-average ESG index performance in subsequent months. There was no significant evidence of reverse causality (ESG returns affecting media sentiment) in the US. By contrast, in India neither direction was statistically significant. There was only weak evidence that during crisis periods (e.g., early 2020) Indian ESG returns might have led media sentiment (perhaps because media reacted to market turmoil), but overall media sentiment had negligible influence on future returns, aligning with Dhasmana et al's (2023) one-sided indifference.

We also ran regression models to quantify the impact of media sentiment on ESG fund flows and returns, controlling for other factors. For fund flows (quarterly data), we regressed net ESG fund inflows (as a percentage of total ESG assets) on average media sentiment during the quarter and the ESG index return that quarter. In the US, positive media sentiment had a significant positive coefficient ($p < 0.05$), indicating that upbeat ESG coverage coincided with higher sustainable fund inflows. In India, the media sentiment coefficient was positive but not significant; instead, the ESG index return (recent performance) was a stronger predictor of flows. This suggests that U.S. investors may be swayed by media "buzz," whereas Indian investors, to the extent they invest in ESG funds at all—respond more to tangible performance or are influenced by other factors like regulatory nudges or institutional promotion.

For stock index returns, we modeled monthly excess returns (ESG index return minus the broad market index return) as a function of lagged media sentiment, contemporaneous media sentiment, and lagged excess return (to account for momentum or mean-reversion). In the US, lagged media sentiment had a positive, statistically significant effect on excess ESG returns (for example, a one-standard-deviation increase in last month's media sentiment index predicted roughly an additional +0.5% outperformance of the ESG index over the broad market in the current month). In India, no similar effect was found—the coefficient was slightly negative and insignificant, implying media optimism did not translate into relative gains for ESG stocks in India.

Event studies of major ESG news events provided further context. In the US, the "Dieselgate" scandal (Volkswagen's emissions fraud in 2015 – a governance and environmental failure) prompted ESG funds to reduce exposure to Volkswagen, and automotive-sector ESG leaders saw abnormal returns around those dates. Conversely, a very positive media response to BlackRock CEO Larry Fink's high-profile 2020 letter advocating sustainable investing coincided with a short-term uptick in ESG fund inflows and stock performance. In India, by contrast, negative events like the 2018 IL&FS corporate debt crisis (a governance failure) drew media attention but had little measurable effect on ESG indices (since ESG investing was minimal at the time). Even the announcement of new sustainability regulations in 2021 produced only a modest market reaction that was hard to distinguish from the regulatory news itself.

We took several steps to ensure the robustness of our analysis. We smoothed the media sentiment indices slightly to reduce noise, checked all-time series for stationarity (differencing or de-trending them as needed), and used heteroskedasticity-consistent standard errors in regressions. The relatively short span of data for ESG-focused funds in India is a limitation, which we addressed qualitatively by triangulating with surveys and secondary reports on investor attitudes.

By combining these approaches, we built a comprehensive picture of the role media sentiment plays in influencing ESG investment outcomes—and how that role diverges between a developed and an emerging market setting. Key findings are presented in the next section.

Table 1: Growth of ESG Mutual Fund Assets in India (2020–2021)

Date (India)	Total AUM in ESG Mutual Funds
January 31, 2020	₹2,747.66 crore
December 31, 2021	₹12,544.02 crore

Results

The analysis reveals a stark dichotomy between U.S. and Indian markets in how media sentiment influences ESG investing. Below, we discuss the findings for each market, followed by possible explanations and broader implications.

Media Sentiment and ESG Investing in the United States

In the United States, we find significant media sentiment effects on ESG investment decisions. Periods of highly positive ESG coverage in the media were followed by discernible increases in ESG fund flows and above-market returns for ESG indices. For example, in the second half of 2019, when major U.S. media extensively covered the "business case for sustainability" and high-profile climate initiatives, the media sentiment index was consistently positive. Correspondingly, ESG-focused equity funds saw strong net inflows during those months, and the MSCI USA ESG Leaders Index outperformed the broad S&P 500 by a few percentage points. Over the full year 2021, the MSCI USA ESG Leaders Index returned +31.7% versus +27.0% for the S&P 500, reflecting ESG outperformance amid generally positive media sentiment (see Table 2). The regression analysis confirms that media sentiment had explanatory power even after controlling for the overall market and recent performance, suggesting a causal narrative consistent with investor sentiment theory: optimistic news increases demand for ESG assets, driving prices up.

Granger causality tests further confirmed that media sentiment tends to lead stock performance more than the reverse. This aligns with intuition, upbeat media coverage likely encourages investors to allocate more to ESG investments (perhaps due to expectations of future growth or the feel-good factor of "doing well by doing good"), thereby pushing prices higher. U.S. media do respond to market developments as well, but the feedback loop is not as immediate as the initial media-to-market direction. Once a positive ESG trend was underway, media amplification often further propelled it in a self-reinforcing cycle.

Not all ESG news is equal in its market impact. We observed that positive news on social or governance topics had a slightly stronger impact on stock returns than environmental news. This mirrors Jeong et al (2025), who found that media sentiment on social and governance issues was more positively associated with firm performance than environmental news. One possible reason is that social and governance news often involves concrete corporate actions (e.g., labor practices or board decisions) with more direct implications for operations and risk, prompting swifter investor reactions. Environmental news, while crucial in the long run, might be seen as more slow-moving or anticipated (except in cases of sudden disasters or major regulatory shocks).

Negative media sentiment also had a significant impact on U.S. ESG investing. Although 2015–2020 generally saw ESG media sentiment trending positive, there were pockets of negativity—especially in 2021–2022 as the anti-ESG political backlash grew. We found that spikes in negative ESG sentiment (for example, intense media criticism of ESG funds' underperformance or op-eds labeling ESG as misguided) corresponded with outflows from some sustainable funds and relative underperformance of ESG indices. Notably, in the final quarter of 2022, U.S. sustainable funds had a net –$6.2 billion outflow (see Table 3) amid heavy negative press, after years of steady inflows. This suggests that media-fueled scepticism (e.g., questioning whether ESG means sacrificing returns) had a measurable short-term impact,

Table 2: ESG Index vs. Broad Market Index – Selected Returns in U.S. and Indian Markets

Market (Index)	Period	ESG Index Return	Broad Index Return
United States (MSCI USA ESG Leaders)	2021 (full year)	+31.7%	+27.0% (S&P 500)
United States (MSCI USA ESG Leaders)	2022 (full year)	–20.2%	–19.5% (S&P 500)
India (Nifty100 ESG)	Nov 2021 – Nov 2022	–5.0%	+1.4% (Nifty 50)

Table 3: U.S. Sustainable Fund Net Flows in Selected Periods

Period (U.S.)	Net Flows into Sustainable Funds
Q1 2021 (record high inflows)	+$21.5 billion
Q4 2022 (significant outflows)	–$6.2 billion

as some investors pulled money out or hesitated to invest further. It underscores that media influence can cut both ways: positive narratives can bolster ESG investing, but negative narratives can impede it.

Media Sentiment and ESG Investing in India

In India, the results tell a different story—media sentiment appears to have a much more limited influence on ESG investment metrics. The correlations between the India ESG media sentiment index and ESG index returns were weak (and even slightly negative at times). Neither the Granger causality tests nor the regressions produced statistically significant evidence that media sentiment drives ESG stock performance or fund flows in India.

Even prominent positive ESG coverage in Indian media did not translate into notable market movements favouring ESG assets. For instance, despite a surge of optimistic media coverage in late 2021 around India's commitments at COP26 and the launch of new ESG-focused funds, the Nifty100 ESG Index did not outperform the broader Nifty 50. In fact, from November 2021 to November 2022, the Nifty100 ESG index fell about 5%, while the conventional Nifty 50 rose roughly 1.4% (see Table 2). This illustrates the lack of any boost for ESG assets despite positive media sentiment. Likewise, ESG-oriented equity funds in India did not experience discernible jumps in net inflows around those news events; their assets under management grew only modestly, primarily driven by a few institutional allocations rather than a broad swell of retail money.

One could argue that media coverage of ESG in India has not reached the level of saturation or influence that it has in the West. The volume of ESG-related news in Indian outlets, while growing, remains relatively low, and many Indian investors might simply overlook or be unaware of the ESG stories that do appear. Survey evidence supports this supposition: a 2022 survey found that most Indian retail investors were unfamiliar with the term "ESG investing" or did not consider ESG factors in their decisions, focusing instead on past returns and company reputation. If investors aren't primed to care about ESG, media stories on the topic, good or bad, won't move the needle much.

The findings for India resonate with Dhasmana et al (2023), which concluded that Indian investors are largely indifferent to ESG initiatives in terms of sentiment. That study found that poor performance of the ESG index could stir some negative investor sentiment (perhaps as a reaction to losses), but improvements in the ESG index did not excite investors, an asymmetry. Similarly, our analysis indicates that bad news with ESG implications (for example, a corporate governance scandal in a blue-chip company) certainly gets media attention in India, but investors mostly treat it as a company-specific issue or a general market risk rather than a referendum on ESG investing as a concept.

Another factor is the role of institutional investors and regulation. In India, much of the drive for ESG comes from the top down, mandated sustainability reporting (e.g., BRSR requirements) and global institutional investors pushing for ESG in emerging markets. These actors tend to be less swayed by local media sentiment and more by global directives or long-term risk management goals. Thus, a cheerful news article in *The Economic Times* praising a company's CSR initiative may have minimal impact on trading or allocations. In short, if domestic retail investors aren't tuned into ESG narratives and institutions are guided by broader considerations, local media sentiment will have only a limited effect.

During crisis events, however, there is some evidence that media sentiment and ESG performance can connect even in India. The COVID-19 pandemic provides an example: the social and economic distress of the pandemic led to extensive media discussions about corporate social responsibility, employee welfare, and community support, essentially putting the "S" (social) in ESG in the spotlight. During March–June 2020, the media sentiment index was very negative initially (as coverage focused on failures and challenges), then turned positive as stories emerged of companies stepping up with relief efforts. Correspondingly, the ESG index's volatility spiked and its movements became erratic. A sub-sample Granger test suggested sentiment and returns were interlinked at the height of the crisis, echoing Oubani (2024)'s finding that sentiment connections intensify in turbulent times. This suggests that when ESG issues become central to survival or public trust, even typically indifferent investors in India may react to media narratives. Outside of such extreme scenarios, however, media sentiment's baseline influence in India remains muted.

Discussion

The comparative analysis of U.S. and Indian markets shows that media influence on ESG investing is highly context-dependent, shaped by structural and cultural factors. Several factors help explain this differential impact across markets:

Investor awareness: In the U.S., a large segment of investors (especially institutions and younger, values-driven investors) is aware of ESG and actively seeks information about it, making them receptive to media signals. In India, ESG awareness is still limited to a niche; mass-market investors do not closely follow ESG news, which greatly limits the media's ability to change sentiment. Surveys reflect this gap: younger U.S. investors generally show considerable interest in ESG, whereas many Indian investors are only beginning to learn about these concepts.

Media coverage: U.S. media (including major financial outlets) devote substantial coverage to ESG, ranging from investigations of greenwashing to profiles of sustainable companies, often framing ESG as a major trend or debate in capitalism. These narratives can strongly influence sentiment. Indian media, while reporting on ESG, give it far less prominence. ESG stories are typically confined to business pages or sustainability columns and rarely make headline news. The framing also differs: in India, ESG investing is usually portrayed as a compliance or corporate philanthropy matter rather than a core investment strategy. Thus, even if media tone is positive, it may not create a "fear of missing out" among investors.

Investor base and market structure: U.S. markets are dominated by institutional investors (mutual funds, pension funds, ETFs) who are sensitive to reputational factors and client preferences, and thus more responsive to ESG news and pressure. Many institutions react when the media highlight ESG issues at companies in their portfolios. In India, domestic institutional investment in ESG is only just beginning, and retail investors make up a large portion of trading. Retail investors often chase short-term profits and rumors rather than consider ESG fundamentals. Media sentiment might influence overall market mood, but it isn't specifically driving shifts into ESG investments. Additionally, foreign portfolio investors in India who care about ESG tend to rely on global media and analyses more than local news, diluting the impact of Indian media sentiment on ESG flows.

Cultural/political context: The U.S. has a polarized discourse around ESG, some segments strongly champion it while others push back, meaning media narratives can swing sentiment dramatically in either direction. This polarization has itself become a media story, reinforcing cycles of enthusiasm or backlash (witness the rise of anti-ESG sentiment in recent years). India's ESG discourse is far less politicised; there is a generally positive official stance on sustainability (few would openly argue against clean water or better governance), but also some skepticism about ESG investing's financial merits. Indian investors may simply ignore ESG considerations without any "culture war" debate, thus, the media lacks sensational angles to exploit, reducing its influence on public opinion.

Considering these factors, our findings support the notion that media influence is an amplifying force that requires a receptive environment. In the U.S., that environment exists: there is a critical mass of investors ready to adjust portfolios based on sustainability narratives. In India, the environment is still forming and has not yet reached critical mass, so media coverage alone has little effect on behaviour absent a stronger intrinsic demand for ESG.

Importantly, these results do not mean ESG factors are unimportant in India—rather, they suggest that the communication and sentiment channel is currently weak there. As India's markets mature and global ESG norms take hold, this could change. In the future, if a major corporate scandal akin to Enron or Dieselgate were to occur and trigger regulatory and public outcry in India, it might catalyse investors to pay more attention to ESG news. For now, however, media coverage of ESG in India operates on relatively infertile ground in terms of influencing investment flows.

These findings align with observations in other markets. Loang (2025) noted that India lagged China and Singapore in sentiment impact, which is echoed by our results. Singapore's market, though smaller, has a highly developed financial community and strong global connectivity, likely making media (and social media) influence more potent. China, despite a state-influenced media environment, has seen retail investor sentiment drive "green stock" bubbles in the past, investors do react when ESG themes are promoted (or sanctioned) by media. Morocco's case (Oubani, 2024) shows that even smaller markets aren't immune when sentiment shifts during crises. Overall, sensitivity to media sentiment correlates with how deeply ESG is integrated into the investment community's mindset in each locale.

From a practical perspective, these findings have several implications:

For investment managers: In markets like the U.S., managers can monitor media sentiment as part of their strategy (to anticipate flows) and also manage narratives, emphasizing ESG's financial merits during backlashes to reassure investors. In emerging markets, managers may need to focus more on investor education and on demonstrating tangible performance benefits, since media buzz alone is unlikely to convince skeptical investors.

For companies: In the U.S., companies that publicize good ESG news often enjoy short-term market rewards, while those facing ESG-related controversies may be punished, which encourages firms to highlight sustainability achievements and manage ESG crises proactively to avoid negative press. In India, companies have not yet seen immediate stock benefits from ESG accolades, but this could change as the investor base evolves. Moreover, global investors in India can react to international ESG news, a negative story in the global press can still hurt an Indian company's stock. Thus, companies should pursue genuine ESG improvements and transparent communication, anticipating that media influence will grow over time.

For policymakers and regulators: In markets where media influence on ESG is low, regulators could encourage greater ESG disclosure and even spur media coverage by highlighting poor ESG performers or laggards. In the U.S., regulators might consider how media narratives (and misinformation) about ESG affect capital flows. As standardized ESG disclosure rules are implemented, the media's interpretation of those disclosures will be crucial. Ultimately, media is a double-edged sword, it can promote sustainable finance or undermine it. Proactive engagement with media, including quickly correcting false or politicised narratives, is essential to ensure that capital flows toward genuine sustainability goals.

Finally, our study has some limitations. The sentiment indices are inevitably imperfect; nuances in news tone (sarcasm, context, biases) cannot be fully captured by a dictionary-based approach. We also excluded social media sources (e.g., Twitter/X, Reddit), which increasingly influence investor sentiment; incorporating such data would be a worthwhile avenue for future research. Additionally, the relatively short period and small sample of ESG-specific funds in India limit our ability to detect media effects in that market. We mitigated this by triangulating with qualitative evidence (surveys and reports on investor attitudes), but India's status as a nascent ESG market remains a caveat. These limitations urge caution in generalising our results and point to areas where further research and more refined data could enhance understanding.

Conclusion

This study provides empirical evidence of media sentiment's markedly different influence on ESG investing in a developed market versus an emerging market. In the United States, media coverage and sentiment around ESG issues have a tangible impact on investor behaviour and market outcomes. Positive ESG news in mainstream media tends to bolster investor sentiment, leading to increased fund flows into sustainable investment products and short-term excess returns for ESG-focused stock indices. Negative media narratives, especially the anti-ESG backlash of recent years, have conversely cooled investor enthusiasm and even prompted outflows, showing that media can both promote and discourage ESG investing. In India, by contrast, media sentiment's effect on ESG investment metrics has been minimal. Broadly speaking, Indian investors do not react strongly to ESG-related news, reflecting the still-nascent role of ESG considerations in that market. Positive media coverage has not catalysed major shifts toward sustainable investments, and negative news (barring major scandals) has not significantly deterred investors who were not already focused on ESG. Overall, the media's power to influence sustainable finance is fundamentally context-dependent and tied to the maturity of ESG integration in a given market.

In markets where ESG investing is mainstream or widely acknowledged (as in the U.S. and much of Europe), media sentiment acts as a reinforcement mechanism that can accelerate trends, amplifying upswings and potentially exacerbating backlashes. In markets where ESG remains a niche or compliance-driven activity (as in many emerging economies), media coverage alone is insufficient to change investor behaviour without underlying structural drivers.

Those looking to advance sustainable finance should recognise that media coverage is not "just noise"; it can meaningfully alter investor perceptions. In places like the U.S., leveraging media effectively, through transparency, compelling storytelling, and clear communication of ESG successes, can attract capital to sustainability. At the same time, one must be prepared to address negative press swiftly with facts and evidence of performance, to prevent sentiment-driven pullbacks.

In markets where media effects on ESG have been weak, more foundational work is needed. Regulators, industry bodies, and ESG advocates in emerging markets might concentrate on improving financial literacy about ESG and on demonstrating the materiality of sustainability issues. As investors become more attuned to ESG, media sentiment will likely begin to wield greater influence; essentially, the ground must be made fertile for the media "seed" to grow.

Our results also support calls for better ESG disclosure and standards. When clear, comparable ESG information is available, the media can interpret and disseminate it in a way that is useful for investors. Inconsistent or "greenwashed" information, however, can breed media skepticism and negative sentiment (as seen in some U.S. commentary around "ESG hype"). Thus, ensuring credibility in ESG claims is crucial: the media will amplify whatever message they perceive, so accurate disclosure helps keep the narrative grounded in truth.

There is ample scope to expand this research. Future studies could encompass a wider range of countries to quantify how media sentiment impacts ESG investing across different cultures and stages of development. It would also be insightful to examine the role of social media sentiment (e.g., on Twitter or online forums) alongside traditional media. Given the speed at which news spreads on social platforms, a viral ESG story could influence investors even faster than a newspaper headline, especially among younger investors in high social-media markets. As ESG investing evolves (perhaps toward more impact-oriented or thematic approaches), the media's focus and influence may also shift. Longitudinal studies could observe whether an emerging market like India sees a strengthening of media impact over the next decade as sustainable finance grows.

In conclusion, the intersection of sentiment, sustainability, and media is an increasingly important frontier in finance. This study shows that media can serve as either a catalyst or a barrier for ESG investments, depending on the audience and context. The old adage "markets are driven by fear and greed" might well extend to "fear, greed, and values," with media shaping all three. As ESG issues, from climate change to social justice to corporate governance failures, continue to capture global attention, the media's portrayal of these issues will help steer capital. Stakeholders in the ESG ecosystem would do well to engage proactively with media channels to foster an informed, constructive dialogue on sustainable investing. By doing so, they can help ensure that the growing momentum toward aligning finance with sustainability is guided by facts and positive sentiment rather than misinformation or fleeting trends.

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