

# Volatility in Sustainability Indices : Evidence From BSE as a Sustainable Stock Exchange

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## Abstract

Paradigm shifts in investment strategies resulted into various investment strategies which deem non-financial or material sustainable issues in capital allocation. Institutional investors, the most influential participants in capital markets across the world, are the leading factor for the emergence of sustainable practices in companies. Investment by firms in material sustainable issues enhances firm value and financial performance. Strong financials and value driven sustainable practices catch the attention of investors as they lead to long term efficiency of the firm in creating value not only for shareholders, also for stakeholders as well. The United Nations has initiated sustainable stock exchange in the year 2015. The concept of sustainable stock exchanges is an outcome of combined efforts of UNCTAD, UN Global Compact, UNEP-Finance Initiative and PRI. The study analyses the performance of sustainable indices of BSE and volatility in returns of the indices by applying GARCH model and compared with the benchmark index S and P BSE Sensex.

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**JEL Code :** G0, G1, G10, G11

**Keywords :** Investment, Stock Exchange, UN-SSE, ESG, SDG's, GARCH, Capital Market, BSE, India.

## I. Introduction

STOCK EXCHANGES AS regulators of capital markets impose statutory requirements on listed on the exchange in terms of various aspects, among which sustainable practices have become more vital and popular in recent times. Stock exchanges are also making changes in their requirements as to sustainable disclosure practices. Based on the United Nation's call for sustainable development goals (SDGs), a joint initiative towards Sustainable Stock Exchange (SSE) to adopt sustainable practices by stakeholders in corporate- diaspora was taken up by UNCTAD, UNEP-FI, UN-PRI, United

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## V. Conclusion

The study reveals that the major stock exchanges from developed and developing countries have taken essential steps towards to meet the sustainability practices guided by UN SSE Initiative. Around fifty percent of UN SSE member stock exchanges are reporting sustainability information, 44% of stock exchanges running sustainability indices and 22% of stock exchanges listed sustainability bond platforms into their practices. In India the BSE and NSE were joined with SSE Initiative and adopted all the sustainability dimensions into practices except sustainability bond listing by NSE.

The study concludes that there is a significant presence of volatility clustering in the BSE sustainability Indices. The index S&P BSE 100 ESG shows much volatility as parity with benchmark S&P BSE SENSEX than the other sustainability indices i.e., CARBONEX and GREENEX. The mother index i.e., BSE sustainability index i.e., S and P BSE 100 index shows less volatility than the other sustainability indices.

The return performance of Sustainability indices shows lower than the benchmark index of BSE. The SEBI, BSE has to take more initiatives to create awareness among investors to make them invest in sustainability stocks. Such actions lead to meet the climate change and global warming solution targets of United Nations sustainable stock exchanges.

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