RESPONSIBLE INVESTMENT DECISIONS IN THE SHARE MARKET BY BROKERAGE HOUSES IN KATHMANDU

A Dissertation submitted to the Office of the Dean, Faculty of Management in partial fulfillment of the requirements for the Masters of Business Studies (MBS)

By

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CERTIFICATION OF AUTHORSHIP

I hereby corroborate that I have researched and submitted the final draft of dissertation entitled **"Responsible Investment Decisions in the Share Market by Brokerage Houses in Kathmandu"**. The work of this dissertation has not been submitted previously for the purpose of conferral of any degrees nor it has been proposed and presented as part of requirements for any other academic purposes.

The assistance and cooperation that I have received during this research work has been acknowledged. In addition, I declare that all information sources and literature used are cited in the reference section of the dissertation.

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REPORT OF RESEARCH COMMITTEE

Ms. Khima Rokaya has defended research proposal entitled **"Responsible Investment Decisions in the Share Market by Brokerage Houses in Kathmandu"** successfully. The research committee has registered the dissertation for further progress. It is recommended to carry out the work as per suggestions and guidance of supervisor Asst. Prof. Durga Datt Pathak and submit the thesis for evaluation and viva voce examination.

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APPROVAL SHEET

We, the undersigned, have examined the dissertation entitled **"Responsible Investment Decisions in the Share Market by Brokerage Houses in Kathmandu"** presented by Ms. Khima Rokaya for the degree of Master of Business Studies (MBS Semester) and conducted the Viva voce examination of the candidate. We hereby certify that the dissertation is worthy of acceptance.

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Khima Rokaya

TABLE OF CONTENTS

LIST OF TABLES

LIST OF FIGURE

ABBREVIATIONS

EF	:	Environmental Factors
ESG	:	Environmental, Social and Governance
GF	:	Governance Factors
ID	:	Investment Decisions
MS	:	Microsoft Excel
RI	:	Responsible Investment
SAQ	:	Self-Administered Questionnaire
SF	:	Social Factors
SM	:	Share Market
SPSS	:	Statistical Package for the Social Sciences
SRI	:	Socially Responsible Investment

ABSTRACT

This study investigates responsible investment decisions among individual investors in the share market through brokerage houses in Kathmandu focusing on the influence of Environmental factors, Social factors and Governance factors. Using a descriptive and exploratory research design, data were collected through a field survey conducted in 2024 with a sample of 385 respondents who participated in responsible investment education programs. The research examined the demographic characteristics of investors, such as gender, age, marital status, education, occupation, monthly income status and investment duration. A structured self-administered questionnaire was employed, and the data were analyzed using descriptive statistics analysis, correlation analysis and regression analyses. Descriptive findings indicated that Environmental Factors slightly outweighed Governance and Social Factors in influencing investment decisions, with a general preference for responsible investing. Correlation analysis revealed significant positive relationships between all ESG factors and responsible investment decisions, with Social and Governance Factors showing stronger correlations than Environmental Factors. The regression analysis revealed that Social and Governance Factors significantly influence investment decisions, whereas Environmental Factors have a comparatively limited impact. This underscores the critical role of ESG factors, particularly Social and Governance, in driving responsible investment behavior. The findings highlight the need for targeted educational initiatives to enhance investor understanding and encourage informed decision-making aligned with sustainable practices.

Keywords: *Investment Decision, Environmental Factors, Social Factors, Governance Factors, Share Market, Brokerage Houses*

CHAPTER – I
INTRODUCTION

1.1 Background of the Study

Responsible investment (RI) also known as sustainable, socially responsible or ethical investment refers to investment practices that consider not only financial returns but also environmental, social, and governance (ESG) factors. Over the past few decades, responsible investment has gained considerable traction as investors recognize the need for sustainable development and corporate responsibility in the wake of global challenges like climate change, income inequality, and corporate governance failures. This shift in investment priorities reflects broader societal and economic trends toward sustainability, driving changes in how capital markets and corporations operate.

The history of responsible investment can be traced back to religious and ethical concerns. Early examples include the Quaker and Methodist movements, which in the 18th and 19th centuries advocated for investments that aligned with moral principles, avoiding companies involved in alcohol, tobacco, or slavery (Sandberg, 2013). In the mid-20th century, the civil rights movement and anti-apartheid activism further propelled RI by pressuring institutional investors to divest from firms operating in South Africa. This development is a pivotal example of how ethical concerns can influence global investment flows (Renneboog et al., 2008).

The evolution of RI has seen a growing emphasis on incorporating ESG criteria into the investment decision-making process. Environmental concerns, particularly climate change, have become a major driver for responsible investment. The Paris Agreement of 2015 which committed countries to limit global warming to below 2°C marked a significant milestone leading to increased pressure on corporations and investors to adopt climate-conscious practices (Bauer & Hann, 2010). In response, institutional investors have increasingly factored in risks related to environmental degradation, fossil fuel dependency, and carbon emissions in their portfolios (Clark & Hebb, 2005).

On the social front, issues like labor standards, gender equality, and community relations have gained attention in investment decisions. The growing awareness of social justice issues, such as the gender pay gap and racial inequality, has prompted many investors to adopt socially responsible strategies. For example, companies with strong labor practices and diverse leadership are increasingly seen as lower-risk, long-term investments (Eccles & Serafeim, 2013). Furthermore, the rise of impact investing, which seeks to generate positive social or environmental outcomes alongside financial returns, underscores the increasing alignment of investment with societal values (Friede et al., 2015).

Governance is another critical pillar of responsible investment, encompassing factors like executive compensation, board diversity, shareholder rights, and transparency. Poor corporate governance can lead to significant financial losses, as evidenced by scandals like Enron and Lehman Brothers, which shook investor confidence in the early 2000s. Such cases highlight the importance of governance practices in safeguarding long-term shareholder value and maintaining the integrity of financial markets (Gompers et al., 2003). Consequently, investors have increasingly adopted governance-focused criteria to ensure accountability and responsible business practices.

In the context of Nepal, responsible investment is still a developing concept but has the potential to play a crucial role in addressing the country's economic and environmental challenges. Nepal is highly vulnerable to the impacts of climate change, with its economy heavily dependent on sectors like agriculture, hydropower, and tourism industries that are all sensitive to environmental changes. RI strategies could support Nepal's goals of sustainable development by channeling investment into sectors like renewable energy, eco-tourism, and sustainable agriculture, which align with both national priorities and global sustainability trends (Paudel, 2020).

The Government of Nepal has also emphasized the importance of sustainability in its policies, such as the Climate Change Policy of 2019 and its commitment to the United Nations Sustainable Development Goals (SDGs). With financial markets in Nepal still emerging, there is a growing interest among investors, both domestic and international, to align their portfolios with ESG principles. The role of microfinance

institutions and cooperatives, which are prominent in Nepal's financial landscape, can further aid in promoting responsible investment by supporting socially and environmentally responsible projects at the grassroots level (Shrestha, 2018).

Despite these developments, RI in Nepal faces challenges such as the lack of a robust regulatory framework, limited awareness among local investors, and the absence of standardized ESG metrics. However, as global trends continue to influence Nepal's financial sector, there is potential for responsible investment to grow, particularly in areas like green bonds, social impact bonds, and other innovative financial instruments that focus on sustainability (Nepal Rastra Bank, 2021).

The rise of responsible investment can also be attributed to changing investor demographics and the role of institutional investors globally. Millennials and Generation Z, who are now entering the investment space, tend to prioritize social and environmental concerns more than previous generations (Baker & Nofsinger, 2012). Institutional investors, such as pension funds, sovereign wealth funds, and university endowments, have similarly begun to integrate ESG criteria into their investment mandates. This shift reflects a broader understanding that long-term financial performance is increasingly linked to sustainable and responsible business practices (Richardson, 2009).

A growing body of academic research supports the notion that responsible investment can deliver competitive financial returns. Meta-analyses of ESG-focused investment strategies reveal that they perform comparably or even better than traditional investments, challenging the outdated view that ethical investing requires a trade-off in profitability (Friede et al., 2015). Additionally, regulatory frameworks, such as the European Union’s Sustainable Finance Disclosure Regulation (SFDR), have further institutionalized responsible investment, mandating greater transparency on ESG factors for asset managers and financial advisors (Eurosif, 2020).

Moreover, the integration of technology into the investment space has facilitated the rise of RI. The development of advanced data analytics, machine learning, and artificial intelligence has enabled investors to assess companies' ESG performance more effectively. Tools like ESG ratings and green bond indices provide transparency

and comparability, making it easier for investors to identify and invest in firms that demonstrate sustainable business practices (Cheng et al., 2014).

Critics of responsible investment argue that there are still challenges to be addressed, particularly regarding the standardization of ESG metrics. Currently, there is no universally accepted framework for measuring ESG performance, leading to inconsistencies across rating agencies and making it difficult for investors to compare companies on a like-for-like basis. Furthermore, concerns over "greenwashing," where companies exaggerate or misrepresent their ESG credentials, have cast doubt on the authenticity of some responsible investment claims (Delmas & Burbano, 2011). These challenges highlight the need for greater transparency, standardization, and regulatory oversight in the RI sector.

In conclusion, responsible investment has evolved from a niche concern into a mainstream investment strategy that addresses some of the most pressing global and national challenges. By integrating ESG factors into their decision-making processes, investors can promote sustainable business practices, reduce financial risks, and contribute to a more equitable and environmentally conscious global economy. While challenges remain, particularly in terms of standardizing ESG metrics and combating greenwashing, the future of responsible investment appears bright, driven by growing awareness of sustainability issues and the financial benefits of long-term, responsible investment strategies.

1.2 Problem Statement

Responsible investment (RI) has emerged as a vital approach for aligning financial objectives with environmental, social, and governance (ESG) considerations, particularly in light of global challenges such as climate change, social inequality, and corporate governance failures (Clark & Hebb, 2005). In Nepal, however, the adoption and implementation of RI principles are still in their infancy, resulting in significant challenges for the financial markets and the overall development of sustainable practices.

Despite the increasing global emphasis on RI, Nepal faces several barriers that hinder its integration into investment strategies. One of the primary issues is the lack of

regulatory frameworks and guidelines from key institutions, such as Nepal Rastra Bank and the Securities Board of Nepal (SEBON). This absence of a robust framework leaves investors without clear standards for assessing ESG risks and opportunities, contributing to inconsistent application of responsible investment principles across various sectors (Paudel, 2020). Consequently, the financial sector in Nepal struggles to establish accountability, leading to phenomena such as "greenwashing," where companies may exaggerate their commitment to ESG practices without genuine efforts (Delmas & Burbano, 2011).

Moreover, limited awareness and understanding of responsible investment among local investors pose another significant challenge. Many investors in Nepal prioritize short-term financial returns over long-term sustainability, often viewing RI as a potential detriment to profitability or an overly complex concept (Baker & Nofsinger, 2012). This lack of awareness not only hampers the growth of RI in Nepal but also prevents the financial sector from effectively addressing critical environmental and social challenges facing the nation.

Furthermore, the unavailability of reliable ESG data and transparency among Nepalese companies complicates the decision-making process for potential investors. Without access to standardized metrics for evaluating ESG performance, investors may find it difficult to identify viable responsible investment opportunities. This issue stifles investor confidence and limits the ability of companies to attract investment that prioritizes sustainability (Shrestha, 2018).

Although some efforts have been made to promote responsible investment through microfinance and cooperative institutions, these initiatives remain fragmented and lack integration into the broader financial system. Without a cohesive strategy to build a robust RI ecosystem, Nepal risks missing out on the potential benefits of responsible investment, including attracting foreign capital increasingly focused on sustainable development (Nepal Rastra Bank, 2021).

Review of previous literature reveals that numerous studies have been conducted regarding responsible investment. However, in the context of Nepal especially in Kathmandu, insufficient research has been found. Therefore, the researcher has

formulated the following research questions to meet the objectives of the study on responsible investment decision of individual investors in the share market through brokerage houses in Kathmandu.

i. What is the current situation of responsible investment practices concerning environmental, social and governance (ESG) factors in Nepal?
ii. Is there any relationship between environmental factors, social factors and governance factors with investment decision of individual investors in the share market through brokerage houses in Kathmandu?
iii. How do environmental factors, social factors and governance factors influence on investment decision of individual investors in the share market through brokerage houses in Kathmandu?

1.3 Objectives of the Study

As responsible investment gains traction globally, understanding its implications in Nepal is essential for promoting sustainable development. This study aims to investigate responsible investment decisions. The specific objectives of this study are as follows:

i. To assess the current state of responsible investment practices in relation to environmental, social and governance (ESG) factors in Nepal.
ii. To examine the relationship between environmental factors, social factors and governance factors with investment decision of individual investors in the share market through brokerage houses in Kathmandu.
iii. To analyze the effect of environmental factors, social factors and governance factors on investment decision in of individual investors in the share market through brokerage houses in Kathmandu.

1.4 Rationale of this Study

The rationale for this study stems from the increasing recognition of responsible investment as a crucial strategy for promoting sustainable development, particularly in emerging economies like Nepal. With the global investment landscape undergoing significant transformation, investors are increasingly prioritizing environmental, social, and governance (ESG) factors alongside traditional financial metrics. In this context, Nepal stands at a pivotal juncture where integrating responsible investment

practices can play a vital role in addressing its unique socio-economic challenges, such as poverty alleviation, environmental degradation, and social inequality. Despite the clear advantages of adopting responsible investment strategies, there exists a substantial gap in empirical research regarding their implementation and impact within Nepal's financial ecosystem. By examining the relationship between ESG factors and investment decisions, this study aims to provide a comprehensive understanding of how these elements influence investor behavior and market dynamics. Moreover, the findings can inform policymakers and financial institutions about the necessity of developing regulatory frameworks and educational initiatives that encourage responsible investment practices. Ultimately, this research aspires to contribute to a more sustainable investment climate in Nepal, aligning capital flows with the country's developmental goals and enhancing the potential for long-term socio-economic growth.

1.5 Limitations of this Study

Like other researches, this study has also some limitations which can be highlighted as follows:

i. The focus of this study is specifically on the topic Responsible Investment Decisions in the Share Market by Brokerage Houses in Kathmandu which may limit its generalizability to other areas.
ii. The findings may not be applicable to regions or contexts outside the scope of this research.
iii. The study relies on primary data, which may introduce certain biases or limitations inherent in the data collection process.
iv. This study is based on 385 respondents as sample size.
v. This study has employed descriptive and causal comparative research design.
vi. The analysis is based on results obtained from correlation analysis and regression analysis models which may have constraints related to model assumptions and data interpretation.

CHAPTER – II
LITERATURE REVIEW

The literature review involves examining research studies related to responsible investment, establishing a knowledge foundation by highlighting current literature on this topic. It provides a comprehensive analysis of existing work in the field. This chapter has been organized into two sections: the theoretical review, which discusses the theories that underpin the relationship between environmental, social and governance (ESG) factors and responsible investment; and the empirical review, which summarizes and evaluates findings from research studies conducted in the last five years that have investigated the impact of ESG factors on investment decisions.

2.1 Theoretical Review

The theoretical review focuses on analyzing theories, concepts, and models pertinent to responsible investment. This involves evaluating the foundational theories and frameworks that explain how environmental, social, and governance (ESG) factors influence responsible investment practices and decision-making. By examining these theoretical underpinnings, we can understand their development, current relevance, and identify gaps or inconsistencies. This review aids in refining existing theories and suggesting new research directions. Key theoretical frameworks relevant to responsible investment include:

2.1.1 Stakeholder Theory

Stakeholder Theory, introduced by Freeman in 1984, emphasizes that corporations have responsibilities to a wider range of stakeholders beyond just shareholders, such as employees, customers, suppliers, and communities. This theory suggests that corporate decision-making should account for the interests and welfare of all stakeholders, not just the financial returns to investors. In the context of responsible investment, the theory asserts that companies should incorporate environmental, social, and governance (ESG) factors into their operations and reporting to create long-term value. The key factors that influence responsible investment decisions, according to this theory, include stakeholder engagement, sustainability, corporate transparency, and ethical practices. By prioritizing these factors, companies can

enhance their reputations, build trust with stakeholders, and ultimately achieve more sustainable and profitable outcomes. Investors increasingly favor companies that align their business practices with the values of their stakeholders, reflecting a growing preference for socially responsible investments. This approach to decision-making in responsible investment is tested through its impact on long-term financial performance, as well as the social and environmental contributions made by corporations (Freeman, 19984).

2.1.2 Social Contract Theory

Social Contract Theory, as proposed by Donaldson and Dunfee in 1994, posits that businesses operate within an implicit contract with society, where they are expected to act in ways that promote the public good, rather than solely focusing on profit maximization. This theory asserts that companies have ethical obligations to contribute positively to society by adhering to moral standards and societal expectations. In the context of responsible investment, this theory emphasizes that investors should prioritize companies that not only pursue profits but also engage in ethical practices and contribute to social well-being. Key factors influencing responsible investment decisions under this theory include ethical behavior, corporate social responsibility, compliance with regulations, and long-term societal impact. Companies that fail to honor this social contract risk facing reputational damage, regulatory challenges, and financial penalties. Responsible investment practices, therefore, seek to align investments with firms that fulfill their social contracts, promoting a sustainable, ethical, and equitable business environment. This approach is tested by examining the alignment of corporate actions with societal expectations and the long-term value these actions bring to both investors and the community (Dunfee, 1994).

2.1.3 Institutional Theory

Institutional Theory, introduced by DiMaggio and Powell in 1983, explores how organizational behavior is influenced by structures, norms, and rules within a given field. It emphasizes that regulatory frameworks, industry standards, and societal expectations play a critical role in shaping corporate behavior, particularly regarding environmental, social, and governance (ESG) issues. According to this theory, institutional pressures encourage companies to adopt responsible practices in their

investment decisions, ensuring compliance with societal and regulatory expectations. For example, frameworks such as the United Nations Principles for Responsible Investment (UNPRI) promote practices aligned with sustainability and ethical standards. Key factors affecting responsible investment decisions under this theory include adherence to regulatory standards, industry norms, and societal pressures. Companies that conform to these institutional expectations are more likely to attract responsible investment, mitigate reputational risks, and sustain a competitive advantage. The effectiveness of these practices is tested by evaluating the extent to which companies comply with institutional pressures and how such adherence influences their long-term financial and social performance (DiMaggio & Powell, 1993).

2.1.4 Resource-Based View (RBV)

The Resource-Based View (RBV), introduced by Barney in 1991, argues that a firm's resources and capabilities are central to achieving a competitive advantage and superior performance. In the context of responsible investment, this theory suggests that firms that develop and effectively utilize ESG-related resources such as sustainable business practices, ethical governance, and strong community relationships are better positioned to enhance their long-term viability and profitability. Key factors influencing responsible investment decisions under this theory include a firm’s ability to leverage intangible assets, such as reputation, organizational culture, and stakeholder trust, which contribute to long-term value creation. By incorporating ESG factors into their business models, companies can mitigate risks, enhance operational efficiency, and deliver greater value to stakeholders. As a result, responsible investment becomes a strategic approach for investors who aim to identify firms with valuable intangible resources that are likely to drive sustainable financial performance. This approach is tested by evaluating the long-term impact of ESG initiatives on a company’s competitive position and financial outcomes (Barney, 1991).

2.1.5 Modern Portfolio Theory (MPT)

Modern Portfolio Theory (MPT), developed by Markowitz in 1952, asserts that investors can optimize their portfolios by diversifying investments across various assets to maximize returns for a given level of risk. While traditionally focused on

financial metrics, MPT's principles can be extended to responsible investment by integrating ESG factors into the risk-return equation. By considering ESG factors such as corporate governance, environmental impact, and social responsibility alongside traditional financial metrics, investors can mitigate risks associated with poor governance, environmental liabilities, and social controversies. Key factors influencing responsible investment decisions under MPT include risk management, diversification, and the inclusion of ESG criteria to enhance portfolio resilience. Research has demonstrated that companies with strong ESG performance tend to exhibit lower volatility and reduced risks, making them more attractive to responsible investors who seek to improve their portfolio's stability and long-term returns. This approach is tested by examining how ESG factors impact the risk and return profiles of investments, particularly in volatile or high-risk sectors (Markowitz, 1952).

2.1.6 Legitimacy Theory

Legitimacy Theory, proposed by Suchman in 1995, suggests that organizations must operate within the societal norms and expectations to gain legitimacy and support from stakeholders. This theory is particularly relevant to responsible investment, as companies that adopt and demonstrate commitment to ESG practices are more likely to enhance their legitimacy in the eyes of investors and the public. By incorporating responsible investment strategies, firms can signal their alignment with societal values, improving their reputation and building trust with stakeholders. Key factors influencing responsible investment decisions under this theory include corporate transparency, alignment with social values, and adherence to ethical practices. Legitimacy plays a crucial role in shaping investment choices, as investors are more likely to allocate capital to companies that are perceived as socially responsible and legitimate. The effectiveness of this approach is tested by evaluating how adherence to societal norms and values impacts investor confidence, trust, and long-term investment outcomes (Suchman, 1995).

2.1.7 Triple Bottom Line (TBL)

The Triple Bottom Line (TBL) framework, introduced by Elkington in 1997, broadens the traditional measure of corporate success by incorporating social and environmental impacts alongside financial performance. This theory advocates for a holistic approach to assessing a company's performance, focusing on the three "P's":

People, Planet, and Profit. In the context of responsible investment, the TBL framework encourages investors to evaluate potential investments not only for their financial returns but also for their contributions to social equity, environmental sustainability, and long-term viability. Key factors influencing responsible investment decisions under the TBL framework include a company's social responsibility, environmental stewardship, and its ability to generate sustainable profits. By adopting the TBL perspective, investors can align their financial goals with broader societal and environmental objectives, fostering investments that contribute to sustainable development and responsible business practices. This approach is tested by examining the long-term impact of investments on all three dimensions people, planet, and profit demonstrating how such a balanced approach can drive positive change and long-term value creation (Elkington, 1997).

2.1.8 Behavioral Finance Theory

Behavioral Finance Theory, originating from the groundbreaking work of Daniel Kahneman and Amos Tversky in the 1970s, challenges the traditional notion of fully rational decision-making in finance. It emphasizes that psychological factors and cognitive biases significantly influence investors' choices. Over time, scholars like Richard Thaler (1980s) expanded the theory, introducing concepts like prospect theory, which explains how people make decisions involving risk and uncertainty. In the context of responsible investment, this theory suggests that investors are not purely driven by financial metrics; instead, factors like social responsibility, ethics, and environmental concerns often play a role in shaping their investment decisions. Key factors influencing responsible investment under Behavioral Finance include emotional biases (such as overconfidence), cognitive biases (such as loss aversion), and social influences (such as herd behavior). These biases can cause investors to favor companies that align with their personal values, even if it means accepting potentially lower financial returns in the short term. This approach is tested by evaluating the impact of these psychological factors on the demand for socially responsible investments. Research has shown that investors' emotions and biases can drive the rise of ESG-focused investing, even when financial performance may not be the primary driver of decision-making (Shefrin, 2000).

2.3 Empirical Review

Oehmke and Opp (2024) developed a theoretical framework for socially responsible (SR) investment, focusing on the conditions that enable SR funds to induce firms to minimize externalities despite the profit-seeking nature of capital. The study aimed to determine how an SR fund's investment mandate can allow for a trade-off between financial performance and social cost reductions compared to scenarios where the fund does not invest in a firm. The researchers introduced the concept of the social profitability index, which serves as an investment criterion to optimally rank impact investments when SR capital is limited. The findings indicated that when firms face financial constraints, the most effective way to achieve social impact is by scaling up clean production methods. In such situations, SR and profit-seeking capital are complementary, leading to higher overall surplus when both types of investors are involved. The study concluded that establishing a clear impact mandate for SR funds is essential for achieving desired social outcomes while balancing financial returns, highlighting the significance of integrating social responsibility into investment strategies.

Karmacharya (2023) investigated the impact of Environmental, Social, and Governance (ESG) factors on the investment decisions of individual investors in Pokhara, Nepal. The study aimed to explore the relationship between these ESG factors and investment choices among 392 participants. A survey-based research design was employed, utilizing Confirmatory Factor Analysis and path analysis to analyze the collected data. The independent variables included social and governance factors, while the dependent variable was the investment decision. The findings revealed a significant positive impact of social and governance variables on investment decisions, while environmental factors did not show a significant influence. Additionally, investor awareness moderated the relationship between governance factors and investment decisions, highlighting its importance. Overall, the independent variables accounted for approximately 69 percent of the variation in investment decisions. The study concluded that ESG factors play a crucial role in guiding investment decisions, providing valuable insights for brokerage houses and companies to develop investment products that cater to individual investors' ESG preferences, thereby promoting sustainable investment practices in Nepal.

Kim and Yoon (2023) investigated the commitment of active U.S. mutual funds to environmental, social, and governance (ESG) principles after signing the United Nations Principles for Responsible Investment (PRI). The study aimed to assess the impact of PRI affiliation on ESG implementation and fund performance. Utilizing a quantitative research methodology, the researchers analyzed fund inflows, ESG scores, and returns following PRI signatory status. Independent variables included fund inflow, ESG incorporation methods (such as screening, engagement, and voting), and fund characteristics, while the dependent variable was fund-level ESG performance and returns. Findings revealed that while PRI signatories attracted significant fund inflows, no notable improvements in fund-level ESG scores or returns were observed. The study found that only quantitative funds showed slight enhancements in ESG performance by investing in high-ESG-performing stocks. Furthermore, it highlighted that PRI signatories were not superior in ESG issues before joining the PRI and that the affiliation was often prominently advertised. Overall, the findings suggested a potential for "greenwashing" among PRI funds, although the authors acknowledged that outcome-based measures may overlook genuine efforts made by signatories to implement ESG practices.

Sherwood and Pollard (2023) provided a comprehensive introduction to responsible investing, focusing on Environmental, Social, and Governance (ESG) investments, with the aim of equipping undergraduate and graduate students with a thorough understanding of the field. Their study's objective was to present both a historical context and current developments within ESG investing, essential for future practitioners. The methodology involved a detailed literature review and analysis of emerging industry standards and metrics related to ESG investments. In this context, the independent variables included various ESG risks, rating systems, and investor concerns, while the dependent variables were the performance outcomes of ESG investments and evolving attitudes towards them. The findings revealed a significant shift towards standardization in ESG investing, along with updated statistics that reflect the current landscape, including new regulatory frameworks and case studies. The authors concluded that there is a pressing need for ongoing education and specialization in ESG investment and sustainable finance, emphasizing its crucial role in portfolio management and the overall investment decision-making process.

Jonwall et al. (2022) examined socially responsible investment (SRI) behavior among individual investors in India, addressing a gap in the literature regarding SRI awareness and its impact on investment decisions. The study aimed to identify the levels of SRI awareness, attitudes towards the importance of environmental, social, and governance (ESG) issues, willingness to invest in SRI avenues, and obstacles faced by Indian retail investors. Data were collected using a self-structured questionnaire, with descriptive statistics employed to assess the significance of various factors affecting individual investors. The theoretical framework was based on the Theory of Planned Behavior (TPB), and binary logistic regression analysis was utilized to identify variables influencing SRI decisions. The findings revealed a low level of SRI awareness among investors, although most acknowledged the significance of ESG issues and expressed a willingness to invest in SRI avenues. However, they were reluctant to accept lower returns associated with SRI. Key obstacles included lower returns on SRIs, lack of tax benefits, insufficient information, and low liquidity. The binary logistic regression results indicated that awareness of SRI/ESG indices and funds, as well as willingness to invest in SRI avenues, significantly impacted investment decisions, while demographic variables did not show a significant effect. The study concluded that enhancing awareness about SRI is crucial for individual investors in India, recommending that fund issuers provide adequate information on SRI options and that regulators implement educational initiatives to inform investors about the associated risks and returns.

Dos Santos and Pereira (2022) explored the development of an ESG (environmental, social, and governance) performance scoring method aimed at supporting responsible investments in port operations. The study highlighted the significance of ESG in evaluating corporate risk, noting that half of the assets in the European market and approximately 30% in the American market are allocated through ESG-focused strategies. Given that the topic is still nascent in advanced industries, especially within the port sector, the authors identified a significant gap in the literature regarding ESG performance assessments in port authorities and terminals. Through a case study involving three global hub ports Santos, Bremen/Bremerhaven, and Barcelona the research employed a quantitative approach to develop a method for scoring ESG performance. The independent variables included specific ESG criteria relevant to port operations, while the dependent variable was the overall ESG score of the ports.

The findings revealed that clustering the ports into grades based on their ESG scores could facilitate responsible investments in port operations. However, the study concluded that the adoption of this scoring method faces challenges related to the development level of the host country, indicating a need for tailored strategies in different regional contexts to enhance ESG integration in port operations.

Sládková et al. (2022) aimed to map and evaluate the performance of active sustainable and responsible investment (SRI) mutual funds in Europe, while also exploring their correlation with national identity. The research employed descriptive statistics, including frequency analysis, mean calculations, and correlation analysis, using the synthetic risk and reward indicator (SRRI) to measure volatility. Additionally, the study analyzed the distribution of ESG fund scores and letter ratings. The findings suggested that SRI funds tend to perform better than those focused on different investment strategies, indicating a growth trend for the SRI segment over the next decade. However, the study highlighted limitations such as the lack of standardized definitions and metrics for sustainable investing, recommending country-specific analyses for improved performance insights. The practical implications of this research include the development of a model for evaluating SRI that integrates ESG factors and profitability, aimed at enhancing investor decision-making. The social implications emphasize the importance of selecting investments that adhere to ESG criteria, aligning with the principles of social responsibility and sustainability.

Sciarelli et al. (2021) conducted an exploratory study to investigate the role of integrating environmental, social, and governance (ESG) criteria into socially responsible investment (SRI) strategies and its potential to facilitate the transition toward sustainable development. The research employed a multiple case study approach, utilizing content analysis of Key Investor Information Documents (KIIDs) published by various asset management companies for the year 2020. The findings revealed a varied level of ESG integration among the case companies, with some demonstrating a near-complete incorporation of ESG criteria into their SRI strategies, while others showed a lesser degree of commitment. The differences were attributed to the diverse approaches adopted by asset management companies and their managers regarding ESG integration. Although the study provided valuable insights

for asset managers, it acknowledged limitations due to its exploratory and qualitative nature, as well as the small sample size. The authors concluded that asset management companies, consultants, and managers should prioritize ESG integration in their SRI strategies, as it is crucial for both responsible finance and broader sustainable development goals.

Pedersen et al. (2021) proposed a theory regarding responsible investing by introducing the concept of the ESG-efficient frontier, which defines the highest attainable Sharpe ratio for various ESG levels in investment portfolios. The study emphasized that a stock's environmental, social, and governance (ESG) score serves dual purposes: it provides insights into firm fundamentals and influences investor preferences. The research characterized the portfolio solution through four-fund separation, indicating that investor preferences significantly shape portfolio selection. Furthermore, equilibrium asset prices were analyzed using an ESG-adjusted capital asset pricing model to illustrate how ESG considerations can raise or lower the required returns. By employing multiple large datasets, the authors computed the empirical ESG-efficient frontier, elucidating the associated costs and benefits of responsible investing. Their findings confirmed the theoretical predictions regarding the impact of ESG factors represented through proxies for environmental (carbon emissions), social, governance, and overall ESG metrics on investment decision-making.

Alda (2021) investigated whether mainstream socially responsible investment (SRI) leads to similar investment decisions in conventional and SRI pension funds, focusing on the integration of environmental, social, and governance (ESG) criteria. The study aimed to explore if there is a convergence between SRI and conventional portfolios while assessing whether SRI funds retain their ethical essence. Using fund holdings and ESG-stock scores, the research examined the inclusion level of ESG firms by UK conventional and SRI domestic equity pension funds, particularly considering investments in controversial firms related to industries like tobacco, alcohol, and gambling. The methodology involved quantitative analysis of fund holdings and ESG scores to assess differences in investment behaviors. The independent variables included the types of funds (SRI vs. conventional) and their ESG criteria, while the dependent variable was the inclusion of ESG firms in their portfolios. The findings

revealed that while conventional funds are increasingly integrating firms that meet certain ESG criteria, SRI funds maintain higher ESG standards, thereby preserving their ethical intent. Notably, the study concluded that the larger ESG standards in SRI funds do not adversely affect their performance, and it observed a gradual evolution in the ESG integration within conventional funds over time.

Leins (2020) examined the evolving concept of responsible investment, focusing on the application of environmental, social, and governance (ESG) criteria within a large global bank. Utilizing ethnographic data, the study explored how ESG has become an integral valuation technique among financial analysts, influencing their everyday investment calculations. The research highlighted that analysts increasingly interpret corporate responsibility factors as market signals, which they leverage to craft persuasive investment narratives. The findings suggested that the integration of ESG criteria has shifted the nature of responsible investment from a normative approach aimed at enhancing the morality of investing to a more speculative practice of valuation. This transformation enables analysts to derive profit from prevailing social tensions and the crises inherent in capitalism. Ultimately, the paper concluded that ESG's adoption has redefined the landscape of responsible investment, blending ethical considerations with market-driven motives.

Townsend (2020) explored the historical evolution of socially responsible investing (SRI), tracing its origins over two millennia and its prominence in the 1980s and 1990s. The study identified three fundamental pillars of the modern SRI process: values-based avoidance screens, proactive sustainability-focused analytics commonly known as ESG investing and corporate engagement and impact investing. The research focused on the first two pillars, highlighting the traditional North American model of SRI and the European emergence of ESG investing. The findings emphasized that SRI's evolution has been shaped by various societal influences, including civil rights movements, faith-based organizations, and women's contributions. By examining these historical contexts, Townsend's article provided insights into the ongoing development of responsible investment practices and the significance of ESG criteria in shaping contemporary investment strategies.

Kurtz (2020) outlined three pillars of modern responsible investment: aligning investment portfolios with client values through exclusionary practices, integrating environmental, social, and governance (ESG) factors into the investment decision-making process, and seeking impact primarily through engagement with corporate management in public markets. The study aimed to analyze advancements in these three areas and their implications for investment practices. A qualitative research methodology was employed, utilizing literature reviews and case studies to gather insights into the evolution and application of these pillars in the investment community. The independent variables included exclusionary practices, ESG integration, and engagement strategies, while the dependent variable was the overall effectiveness of responsible investment. Findings indicated that while the performance effects of exclusion policies are generally benign, emerging research reveals that ESG performance information significantly influences portfolio risk. Additionally, evidence suggested that engagement strategies could positively impact financial performance and corporate management behavior. The study concluded that investment professionals must adapt to rapidly evolving practices and maintain high standards of responsible investment in an increasingly competitive landscape.

Widyawati (2020) conducted a systematic literature review to explore the relationship between socially responsible investment (SRI) and environmental, social, and governance (ESG) metrics. The objective was to identify key research themes within the SRI literature, revealing a disconnect between themes and a strong emphasis on financial aspects over ethical considerations. The study examined ESG metrics as independent variables, highlighting their roles as proxies for sustainability performance and enablers of the SRI market. The findings indicated that while ESG metrics are crucial for guiding investment decisions, their reliability is undermined by issues of transparency and convergence. The conclusion emphasized the necessity for improved standardization and transparency in ESG metrics to bolster their credibility and effectiveness in the investment landscape.

Ching (2020) aimed to assess the extent of environmental, social and governance (ESG) information disclosure in the integrated reports of companies across three industry sectors: automotive, consumer goods, and healthcare. The research employed a disclosure reference model proposed by Ching, Toste, and Tardelli to evaluate the

presence of ESG information within the reports, using a sample of 15 companies. The findings revealed varying levels of ESG information disclosure among the sectors, with the corporate governance dimension and the consumer goods sector showing particularly low reporting levels. The study concluded that companies still have significant progress to make in disclosing ESG information, raising questions about whether the lack of governance disclosure stems from insufficient knowledge or neglect. Additionally, it highlighted that integrated reporting is still not widely adopted, despite its framework being released in 2012. There are concerns regarding how socially responsible fund managers and investors are making decisions, as their main source of ESG information is expected to come from integrated or sustainability reports.

Jain et al. (2019) examined whether sustainable investment can yield better financial returns compared to conventional indices, focusing on the performance of environmental, social, and governance (ESG) indices versus MSCI indices. The study aimed to analyze the financial returns of various ESG indices, including the Thomson Reuters/S-Network global indices across developed and emerging markets, from January 2013 to December 2017. The research methodology involved the collection of daily closing prices for benchmark indices and utilized statistical techniques such as line charts, unit-root tests for stationarity, Granger's causality model, and auto-regressive conditional heteroskedasticity (ARCH)-GARCH modeling to assess the linkages between the indices. The independent variables included different ESG indices and MSCI indices, while the dependent variable was the financial performance of these indices. The findings revealed that sustainable indices and conventional indices are integrated and exhibit information flow between them. However, the results indicated no significant performance difference between sustainable and traditional indices, suggesting that sustainable indices can serve as a good alternative to conventional options. The study concluded that financial managers could enhance their investment decisions by considering both types of indices for risk diversification and hedging benefits, while corporate executives could utilize the findings to benchmark their performance against industry peers.

Table 1

Summary of Empirical Review

Authors	Objectives	Variables	Methodology	Findings
Oehmke and Opp (2024)	To develop a framework for socially responsible investment.	Dependent: Social impact; Independent: SR fund's investment mandate, financial performance.	Theoretical framework analysis	SR funds can balance financial returns with social cost reductions, emphasizing the need for a clear impact mandate.
Karmacharya (2023)	To explore the impact of ESG factors on investment decisions.	Dependent: Investment decision; Independent: ESG factors (social, governance).	Survey-based design, CFA, path analysis	Social and governance factors positively influence investment decisions; environmental factors do not significantly affect them.
Kim and Yoon (2023)	To assess the impact of PRI affiliation on ESG performance.	Dependent: Fund-level ESG performance; Independent: Fund inflow, ESG incorporation methods.	Quantitative analysis of fund inflows and returns	PRI affiliation attracted inflows but did not significantly improve ESG scores or returns, suggesting potential greenwashing.
Sherwood and Pollard (2023)	To provide an introduction to responsible investing.	Dependent: Performance outcomes of ESG investments; Independent: ESG risks, rating systems.	Literature review and analysis	Shift towards standardization in ESG investing; ongoing education in sustainable finance is essential.

Jonwall et al. (2022)	To examine SRI behavior among investors in India.	Dependent: SRI investment decisions; Independent: SRI awareness, ESG attitudes.	Self-structured questionnaire, binary logistic regression	Low SRI awareness among investors; willingness to invest exists but is hindered by concerns over returns and lack of information.
Dos Santos and Pereira (2022)	To develop an ESG performance scoring method for ports.	Dependent: Overall ESG score; Independent: Specific ESG criteria for ports.	Quantitative case study of global hub ports	The scoring method could significantly enhance responsible investments in ports; however, adoption challenges depend largely on the development levels of the host country.
Sládková et al. (2022)	To evaluate the performance of SRI mutual funds in Europe.	Dependent: SRI fund performance; Independent: ESG fund scores, national identity.	Descriptive statistics, correlation analysis	SRI funds significantly outperform others; this highlights the need for standardized definitions and country-specific analyses for insights.
Sciarelli et al. (2021)	To investigate ESG integration in SRI strategies.	Dependent: Level of ESG integration; Independent: Asset management company practices.	Multiple case study, content analysis	Varied ESG integration among companies; emphasis on prioritizing ESG in SRI strategies for sustainable development.

Pedersen et al. (2021)	To introduce the concept of the ESG-efficient frontier.	Dependent: Portfolio selection; Independent: ESG scores.	Multiple datasets, theoretical analysis	ESG scores influence investment preferences and portfolio selection; confirmed theoretical predictions on ESG's impact.
Alda (2021)	To explore convergence between SRI and conventional funds.	Dependent: Inclusion of ESG firms; Independent: Fund type (SRI vs. conventional).	Quantitative analysis of fund holdings and ESG scores	SRI funds maintain higher ESG standards; conventional funds are increasingly integrating ESG criteria without compromising performance.
Leins (2020)	To examine the application of ESG criteria in a global bank.	Dependent: Investment narratives; Independent: ESG criteria, market signals.	Ethnographic data analysis	ESG integration has significantly shifted responsible investment from a normative approach to a more speculative and market-driven financial valuation practice overall.
Townsend (2020)	To trace the historical evolution of socially responsible investing (SRI).	Dependent: Modern SRI practices; Independent: Historical influences on SRI.	Historical analysis	SRI's evolution is shaped by societal influences, with ESG criteria significantly impacting contemporary strategies.

Kurtz (2020)	To analyze advancements in responsible investment pillars.	Dependent: Overall effectiveness of responsible investment; Independent: Exclusionary practices, ESG integration, engagement.	Qualitative research, literature reviews, case studies	ESG performance information significantly affects portfolio risk; engagement strategies can positively influence financial performance.
Widyawati (2020)	To explore the relationship between SRI and ESG metrics.	Dependent: SRI market effectiveness; Independent: ESG metrics.	Systematic literature review	ESG metrics are essential but lack reliability due to transparency issues; calls for improved standardization.
Ching (2020)	To assess ESG information disclosure in integrated reports.	Dependent: Level of ESG disclosure; Independent: Industry sector.	Disclosure reference model analysis of reports	There is significant variation in ESG disclosure levels across different sectors; corporate governance dimensions consistently show particularly low reporting levels compared to other areas.
Jain et al. (2019)	To compare financial returns of sustainable and conventional indices.	Dependent: Financial performance of indices; Independent: ESG indices vs. MSCI indices.	Statistical analysis of index performance	No significant performance difference between sustainable and traditional indices; both serve as good alternatives for investment decisions.

2.4 Research Gap

The research gap has been addressed by examining the impact of responsible investment on investment decisions, focusing on independent variables such as Environmental, Social, and Governance (ESG) factors and the dependent variable of investment decisions. Previous studies, such as Karmacharya (2023), explored the relationship between ESG factors and individual investment choices in Nepal, identifying a significant positive impact of social and governance variables on investment decisions. However, the study did not comprehensively analyze how specific dimensions of ESG influence investment decisions directly. Researchers like Kim and Yoon (2023) assessed the commitment of U.S. mutual funds to ESG principles but lacked an in-depth exploration of how these principles translate into individual investors' decision-making processes. Additionally, Sherwood and Pollard (2023) provided an overview of responsible investing but did not specifically address how ESG factors impact the investment decisions of individual investors. Furthermore, Jain et al. (2019) examined the performance of ESG indices but offered limited insights into how individual investors perceive and utilize ESG factors in their investment decisions. This study successfully addresses these gaps by conducting a survey utilizing a structured questionnaire administered to individual investors in the share market through brokerage houses in Kathmandu, providing a more refined understanding of how ESG dimensions specifically impact investment decisions in this context.

CHAPTER – III
RESEARCH METHODOLOGY

The research methodology segment has detailed the strategies, instruments, and techniques used to examine data and compile findings related to responsible investment. It has involved a thorough exploration to identify the most suitable research method for uncovering new information on this topic. To achieve the study's objectives, the researcher has employed the following methodology.

3.1 Research Design

The research design has employed both descriptive and exploratory research design to explore the "Impact of ESG Factors on Investment Decisions in the Share Market through Brokerage Houses in Kathmandu." The descriptive design has examined patterns and determinants of investment decisions focusing on the dimensions of Environmental, Social and Governance (ESG) factors. The causal comparative design has assessed the relationships between the dependent variable (investment decisions) and the independent variables (ESG factors). This methodology has enabled a comprehensive analysis of how these dimensions of responsible investment have influenced investment decisions, utilizing data from individual investors and offering insights into diverse contexts.

3.2 Population and Sample, and Sampling Design

This study has been conducted within the context of the stock market in Nepal, specifically focusing on individual investors from brokerage houses in Kathmandu. These investors have been exposed to responsible investment education programs aimed at improving their understanding and engagement in investment practices. The study has centered on 385 respondents, selected through purposive sampling to ensure that all participants have some familiarity with responsible investment. The sample has comprised 385 valid questionnaires, with each respondent answering questions related to three independent variables ESG Factors and one dependent variable (responsible investment decisions). For each variable, five questions have been included in the questionnaire, and data have been collected using a Likert scale with response options ranging from Strongly Agree, Agree, Neutral, Disagree, to Strongly

Disagree. The sample size has been determined for calculating a representative sample size when the population is unknown, utilizing Cochran's 1977 formula.

3.3 Nature and Sources of Data, and the Instrument of Data Collection

This study has focused on responsible investment and its impact on investment decisions in Nepal, with primary data collected through structured surveys and questionnaires administered to individual investors from brokerage houses in the stock market of Kathmandu. The sources of data have consisted of these investors, ensuring that participants have had a direct interest in investment practices, which has allowed for relevant insights into their decision-making processes regarding responsible investment. The structured questionnaire has been designed to gather information on the independent variables such as Environmental, Social and Governance (ESG) factors and the dependent variable of responsible investment decisions. It has included multiple-choice and Likert scale questions for each independent variable with five questions per variable to ensure comprehensive coverage. This methodology has aimed to provide insights into the relationship between responsible investment and decision-making among individual investors, ultimately guiding them in making informed investment choices.

3.4 Method of Analysis

To investigate the responsible investment, the study has utilized demographic data analysis alongside descriptive and inferential statistical methods. Data has been processed using SPSS Version 29. Descriptive statistics have summarized key characteristics of the data, including minimum (Min), maximum (Max), mean and standard deviation (SD), providing insights into the distribution and variability of the variables. Inferential statistics such as correlation and regression analyses have explored the relationships and impacts between the independent variables such as Environmental, Social and Governance (ESG) factors and the dependent variable of responsible investment decisions. This methodology has enabled a comprehensive examination of how these ESG dimensions influence investment decision-making, offering valuable insights into the effectiveness of responsible investment education programs in various contexts. The tools under the method of analysis are as follows:

3.4.1 Demographic analysis

This study has included demographic data from individual investors in the stock market of Kathmandu, focusing on their investment decisions. It has spanned various backgrounds, detailing the number of participants and their demographic information, including gender, age, marital status, educational qualification, work experience, monthly income and duration of investment. The research has provided insights into how these demographic factors influence investment decision-making. Additionally, the survey response rates have been reported, showing the number of questionnaires issued and returned, along with the overall response rate.

3.4.2 Descriptive statistics

Descriptive statistics have been fundamental in analyzing key variables related to responsible investment decisions and their influencing factors. Specifically, the independent variables, which include Environmental, Social and Governance (ESG) factors, have been examined alongside responsible investment decisions as the dependent variable. This analysis has provided insights into the average values, spread and distribution of these independent variables aiding in the understanding of their impact on investment decisions. This initial examination sets the stage for a more detailed study of how these factors influence investor behavior in Nepal. The following are the findings from the descriptive statistics:

Arithmetic mean

The arithmetic mean, or average, represents the central value of a dataset. It is calculated by adding all the values together and dividing by the number of values. This measure helps summarize data by indicating the typical value within a dataset, making it a common and useful descriptive statistic for understanding overall trends. It provides a straightforward way to gauge the general level of data, though it may be influenced by outliers or extreme values.

The formula for the arithmetic mean is as follows:

$$\text{Arithmetic mean } (\bar{x}) = \frac{\sum x}{n}$$

Where,

n = Total number of values in the dataset

$\sum x$= Sum of all values in the dataset

Standard deviation

Standard deviation measures the spread or variability of data within a dataset, showing how much the values differ from the mean. It provides an indication of the extent to which the data points deviate from the average value.

The formula for the Standard deviation is as follows:

Standard deviation (σ) = $\sqrt{\frac{\sum(x-\bar{x})^2}{N-1}}$

Where,

x Represents each individual data point in the dataset

$\bar{x}$ Represents the mean (average) of the dataset

N is the total number of data points in the dataset

3.4.2 Inferential statistics

Inferential statistics assess relationship and impact between independent variables, specifically ESG factors and the dependent variable responsible investment decisions. Techniques such as correlation and regression analysis evaluate the strength and significance of these relationships, highlighting the role of ESG integration in influencing investment behavior in Nepal. The following are the findings from the inferential statistics:

Correlation analysis

Correlation analysis evaluates the strength and direction of relationships between variables. A positive correlation means that as one variable changes, the other follows, while a negative correlation indicates opposite movement. The correlation coefficient ranges from +1 (perfect positive correlation) to -1 (perfect negative correlation) with 0 signifying no correlation.

The Pearson correlation coefficient (r) is calculated using the formula:

$$r = \frac{n\,(\sum XY) - (\sum X)\,(\sum Y)}{\sqrt{[n\,(\sum X^2) - (\sum X)^2]\,[n\,(\sum Y^2) - (\sum Y)^2]}}$$

Where;

n = the number of data pairs

$\sum XY$ = the sum of the product of each pair of scores

$\sum X$ And $\sum Y$ = the sums of X and Y scores respectively

Regression analysis

Regression analysis is a statistical method used to examine the relationship between independent variables and a dependent variable. It predicts the dependent variable based on the known values of the independent variables. In simple linear regression, the relationship is expressed through a linear equation, while multiple regression involves multiple predictors. Each regression coefficient (β) shows the impact of an independent variable on the dependent variable, controlling for others. R-squared measures the model's fit, indicating how well the independent variables explain the dependent variable's variation. Widely used in economics, finance, and social sciences, regression helps identify significant predictors, understand causal relationships, and make forecasts.

Model specification

In this model, the dependent variable is responsible investment decisions which have been influenced by several independent variables ESG factors.

The model is represented as:

$ID = \beta_0 + \beta_1 EF + \beta_2 SF + \beta_3 GF + \varepsilon it$

Where:

β_0 = Intercept/ constant term

ID = Investment Decision

EF = Environmental Factors

SF = Social Factors

GF = Governance Factors

εit = error term of the stochastic model

Betas (β_1, β_2, β_3) are the parameters of the model

3.5 Research Framework and Definition of Variables

In the section on research framework and definition of variables, the dependent and independent variables of the study have been clarified through the research framework. Each variable has been defined clearly. The independent variables have been identified as ESG factors while the dependent variable has been defined as responsible investment decisions. The topic has focused on the "Responsible Investment Decisions in the Share Market through Brokerage Houses in Kathmandu".

The research framework of this study has been presented in the following figure:

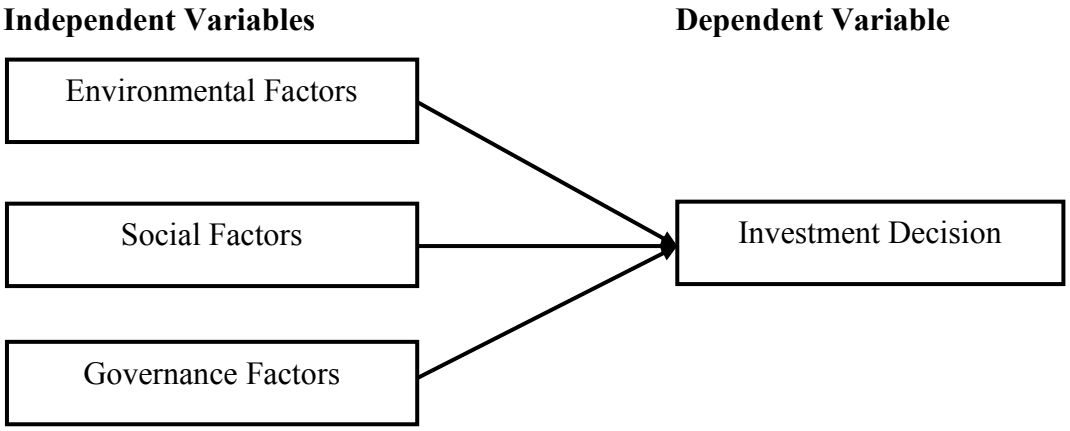

Figure 1

Research Framework

Modified From

(Source: Karmacharya, 2023; Jonwall et al., 2022; Sultana et al., 2017)

Dependent Variable

Investment Decision

Investment decisions refer to the choices made by investors regarding the allocation of capital across various financial instruments, such as stocks, bonds, and real estate. These decisions are influenced by numerous factors, including financial performance metrics, market conditions, and increasingly, Environmental, Social, and Governance (ESG) considerations. Investors aim to maximize returns while managing risks, and sound investment decisions often rely on a comprehensive analysis of both quantitative and qualitative data (Hirshleifer, 2001). In the context of responsible investment, understanding investor behavior and preferences becomes crucial, as these factors significantly impact the effectiveness of investment strategies. By recognizing the pivotal role of investment decisions within the framework of ESG, stakeholders can navigate the complexities of capital markets more effectively, leading to improved portfolio performance and alignment with sustainability goals.

Independent Variables

Environmental Factors

Environmental factors within the ESG framework assess how a company interacts with the natural environment and manages its ecological footprint. These criteria

evaluate a range of issues, including carbon emissions, waste management, energy efficiency, and resource conservation. Companies that proactively address environmental concerns often implement strategies aimed at reducing their negative impact on the planet, which may include adopting renewable energy sources and optimizing supply chains (Gibson, 2016). Research has demonstrated that firms with robust environmental practices not only contribute to ecological preservation but also mitigate risks associated with regulatory compliance and reputational damage. As investors increasingly incorporate environmental performance into their investment decisions, they recognize that companies committed to environmental responsibility are better positioned for long-term success and resilience against ecological challenges (Bennett et al., 2020).

Social Factors

Social factors in the ESG framework evaluate a company's relationships with various stakeholders, including employees, customers, suppliers, and the broader community, encompassing issues such as labor practices, diversity and inclusion, human rights, and community engagement. By prioritizing social responsibility, companies cultivate a positive corporate culture that enhances employee satisfaction and attracts top talent; for instance, promoting diversity leads to innovation and improved problem-solving (Gonzalez et al., 2021). Additionally, businesses engaging with their communities through philanthropy and volunteerism strengthen their brand loyalty and public image, translating into increased sales and customer retention (Porter & Kramer, 2011). Research indicates that strong social performance correlates with improved financial outcomes, as socially responsible companies often enjoy a competitive advantage in today's market, where consumers and investors prioritize ethical practices (Goyal et al., 2021). Ultimately, social factors are essential for sustainable investment decisions, as the integration of social responsibility into business strategies not only enhances reputation but also contributes to long-term financial success.

Governance Factors

Governance factors within the ESG framework assess the quality of a company's leadership, management structures, and shareholder rights. This dimension evaluates issues such as board composition, executive compensation, transparency, and ethical

conduct. Strong governance practices are essential for maintaining investor trust and ensuring accountability within organizations (Larcker et al., 2016). Companies that adhere to high governance standards are more likely to avoid scandals and conflicts of interest, ultimately resulting in greater stability and performance. Furthermore, research has shown that firms with effective governance mechanisms often achieve better financial performance and lower capital costs, making them attractive options for investors (Bebchuk et al., 2009). As such, governance has emerged as a critical factor influencing investment decisions, as strong governance frameworks contribute to long-term value creation and risk mitigation.

CHAPTER – IV
RESULTS AND DISSCUSSION

This chapter has presented the results and discussion of primary data collected through a questionnaire to analyze key research questions. It has profiled respondents with demographic details such as Gender, Age, Marital Status, Education Qualification, Occupation, Monthly Income Status and Duration of Investment. The chapter has shown descriptive statistics for the independent variables; Environmental Factors, Social Factors and Governance Factors and the dependent variable, Responsible Investment Decision offering insights into data trends. Inferential statistics including correlation and regression analyses using SPSS version 29, have explored the relationships between variables and the impact of ESG Factors on Investment Decision. The chapter has concluded by discussing the findings and interpreting the results in the context of the research objectives and their implications.

4.1 Results

In this section, the study has examined the "Responsible Investment" decision of individual investors in the share market through brokerage houses in Kathmandu using qualitative data analysis, which includes the respondents' profiles and statistical tools such as descriptive and inferential statistics. Descriptive statistics have encompassed measures like the arithmetic mean and standard deviation, providing an overview of the dataset. Inferential statistics have involved analyses such as Karl Pearson's correlation analysis and regression analysis to explore relationships between independent variables ESG Factors and the dependent variable Responsible Investment decision and to determine their impact on Responsible Investment.

A. Respondent’s demographic profile

This section has discussed the respondents' demographic profile, as well as the analysis and interpretation of primary data acquired through questionnaires. It has provided information about the demographic features of the respondents being studied. The respondents' profile has included details on Gender, Age, Marital Status, Education Qualification, Occupation, Monthly Income Status, and Duration of Investment.

Table 2

Gender Specification of Respondents

Options	Frequency	Percent
Male	202	52.5
Female	183	47.5
Total	385	100.0

(Sources: Field Survey, 2024)

Table 2 presents the gender distribution of the respondents in the study. Out of a total of 385 respondents, 202 (52.5%) identified as male, while 183 (47.5%) identified as female. This indicates a slightly higher representation of male respondents compared to female respondents, with males constituting just over half of the sample. The relatively balanced gender distribution suggests that the study captures diverse perspectives on the "Responsible Investment" decision among individual investors in the share market through brokerage houses in Kathmandu.

Table 3

Age Description of Respondents

Options	Frequency	Percent
Below 20	39	10.1
21 years to 30 years	145	37.7
31 years to 40 years	99	25.7
41 years to 50 years	64	16.6
Above 50 years	38	9.9
Total	385	100.0

(Sources: Field Survey, 2024)

Table 3 shows the age distribution of the respondents. Among the 385 participants, the largest group is aged 21 to 30 years (145 respondents, 37.7%), followed by those 31 years to 40 years (99 respondents, 25.7%). Other age groups include individuals below 20 years (39 respondents, 10.1%), those 41 years to 50 years (64 respondents, 16.6%), and those above 50 years (38 respondents, 9.9%). This distribution highlights a predominance of younger investors, particularly in their twenties and thirties, suggesting that their perspectives on "Responsible Investment" decisions may be shaped by their priorities and experiences.

Table 4

Marital Status of Respondents

Options	Frequency	Percent
Married	229	59.5
Unmarried	156	40.5
Total	385	100.0

(Sources: Field Survey, 2024)

Table 4 presents the marital status of the respondents. Of the 385 participants, 229 (59.5%) are married, while 156 (40.5%) are unmarried. This indicates a higher representation of married individuals, suggesting that their experiences and responsibilities may influence their perspectives on "Responsible Investment" decisions. The significant number of married respondents could provide insights into investment behaviors and risk tolerance compared to their unmarried counterparts.

Table 5

Educational Qualification of Respondents

Options	Frequency	Percent
SEE/SLC	18	4.7
Plus Two	62	16.1
Bachelor	148	38.4
Masters	124	32.2
Others	33	8.6
Total	385	100.0

(Sources: Field Survey, 2024)

Table 5 summarizes the educational qualifications of the respondents. Among the 385 participants, 18 individuals (4.7%) completed their Secondary Education Examination (SEE) or School Leaving Certificate (SLC), while 62 (16.1%) have finished Plus Two. The largest group consists of 148 respondents (38.4%) with a Bachelor's degree, followed by 124 (32.2%) who hold a Master's degree. Additionally, 33 respondents (8.6%) fall into the "Others" category. This distribution reflects a well-educated sample, with a significant number holding at least a Bachelor's degree, likely influencing their views on "Responsible Investment."

Table 6

Occupation Description of Respondents

Options	Frequency	Percent
Employed	137	35.6
Self-employed	111	28.8
Student	104	27.0
Unemployed	33	8.6
Total	385	100.0

(Sources: Field Survey, 2024)

Table 6 details the occupational status of the respondents in the study. Of the 385 participants, 137 (35.6%) are employed, while 111 (28.8%) are self-employed. Additionally, 104 respondents (27.0%) are students, and 33 individuals (8.6%) are unemployed. This information reveals a diverse range of occupational backgrounds among the respondents, with a significant number actively engaged in employment or self-employment. The inclusion of students may also highlight the perspectives of younger investors. The variety in occupational statuses can offer valuable insights into how different employment situations impact "Responsible Investment" decisions.

Table 7

Monthly Income Status of Respondents

Options	Frequency	Percent
Below Rs. 10,000	76	19.7
Rs. 10,001 to Rs. 20,000	59	15.3
Rs. 20,001 to Rs. 30,000	53	13.8
Rs. 30,001 to Rs. 40,000	69	17.9
Rs. 40,001 to Rs. 50,000	58	15.1
Above Rs. 50,000	70	18.2
Total	385	100.0

(Sources: Field Survey, 2024)

Table 7 shows the monthly income status of the respondents. Among the 385 participants, 76 individuals (19.7%) earn below Rs. 10,000, while 59 (15.3%) fall Rs. 10,001 to Rs. 20,000. Those earning Rs. 20,001 to Rs. 30,000 comprise 53 respondents (13.8%), and 69 individuals (17.9%) earn Rs. 30,001 to Rs. 40,000.

Additionally, 58 respondents (15.1%) earn Rs. 40,001 to Rs. 50,000, while 70 individuals (18.2%) earn above Rs. 50,000. This distribution highlights a diverse range of income levels among the respondents, which may influence their perspectives on "Responsible Investment."

Table 8

Investment Duration of Respondents

Options	Frequency	Percent
Less than 1 year	85	22.1
1 to 3 years	90	23.4
4 to 5 years	107	27.8
6 to 10 years	68	17.7
Over 10 Years	35	9.1
Total	385	100.0

(Sources: Field Survey, 2024)

Table 8 illustrates the investment duration of the respondents. Out of 385 participants, 85 individuals (22.1%) have invested for less than 1 year, while 90 respondents (23.4%) have invested for 1 to 3 years. Those with an investment duration of 4 to 5 years total 107 (27.8%), and 68 individuals (17.7%) have invested for 6 to 10 years. Finally, 35 respondents (9.1%) have invested for over 10 years. This distribution indicates a varied range of investment experiences among the respondents, which may influence their perspectives on "Responsible Investment."

B. Descriptive Analysis

This section has focused on the descriptive analysis derived from the data collected through questionnaires during the research process. It has included the computation of statistical metrics such as the mean and standard deviation, reflecting the characteristics of the independent variables such as Environmental Factors, Social Factors and Governance Factors while the dependent variable is Responsible Investment Decision. This analysis provides valuable insights into how these independent variables influence individuals' investment choices and highlights the trends and patterns within the data that can inform future research and investment strategies.

Table 9

Descriptive Analysis of Environmental Factors

Scale Items of Environmental Factors	Mean	S.D.
Environmental considerations significantly influence my investment decisions.	4.2675	0.76961
I prefer to invest in companies that demonstrate environmental responsibility.	3.9818	0.72685
The environmental impact of a company affects my perception of its investment potential.	3.8364	0.94743
I am willing to sacrifice some financial returns for better environmental practices.	3.8208	1.03912
Information about a company's environmental policies affects my investment choices.	3.8649	1.01676

Table 9 presents descriptive analysis for the scale items related to Environmental Factors, reflecting how individual investors perceive and consider environmental issues in their investment decisions. The highest mean score, 4.2675, indicates that respondents strongly agree that environmental considerations significantly influence their investment decisions, suggesting a high level of awareness regarding environmental issues. The second-highest mean of 3.9818 shows a preference for investing in companies that demonstrate environmental responsibility, indicating that many investors value corporate environmental ethics. The mean score of 3.8364 suggests that the environmental impact of a company moderately affects investors' perception of its investment potential. Similarly, the mean of 3.8208 indicates that respondents are somewhat willing to sacrifice financial returns for better environmental practices, reflecting a balance between profit and ethical concerns. Lastly, with a mean of 3.8649, respondents agree that information about a company's environmental policies influences their investment choices. Overall, the standard deviations, ranging from 0.72685 to 1.03912, indicate varying degrees of agreement, with some items showing more consistency in responses than others. These results highlight the growing importance of environmental factors in responsible investment decisions.

Table 10

Descriptive Analysis of Social Factors

Scale Items of Social Factors	Mean	S.D.
I consider a company's social responsibility when making investment decisions.	4.0234	1.01138
My investment choices are influenced by a company's treatment of its employees and community.	3.6961	0.99143
I am more likely to invest in firms that contribute positively to society.	3.6597	1.05380
Social factors play a significant role in my overall investment strategy.	3.7117	1.00390
I trust companies that are socially responsible with my investments.	3.8078	1.07744

Table 10 presents the descriptive statistics analysis for scale items related to Social Factors, providing insight into how social considerations influence investment decisions among individual investors. The highest mean score, 4.0234, indicates that respondents agree that a company's social responsibility plays a significant role in their investment decisions, reflecting a strong awareness of social ethics. The mean of 3.8078 shows that many investors trust companies that demonstrate social responsibility, emphasizing the importance of ethical conduct in earning investor confidence. The mean score of 3.7117 suggests that social factors moderately influence investors' overall strategy, indicating that social issues are an essential component but not the sole focus of investment planning. A mean of 3.6961 indicates that a company's treatment of employees and the community also plays a role in investment choices, highlighting the importance of corporate behavior toward stakeholders. Finally, the mean of 3.6597 shows that respondents are more likely to invest in companies that contribute positively to society, although there is some variation in opinions, as reflected by the higher standard deviations ranging from 0.99143 to 1.07744. These results suggest that social factors are influential, though investors exhibit varying levels of emphasis on these considerations in their decision-making.

Table 11

Descriptive Analysis of Governance Factors

Scale Items of Governance Factors	Mean	S.D.
Corporate governance practices are important in my investment decisions.	4.2182	0.81916
I prefer to invest in companies with transparent governance structures.	3.8104	0.89145
The integrity of a company's management influences my investment choices.	3.7740	1.00434
Good governance practices increase my confidence in a company's investment potential.	3.7351	1.05200
I am likely to avoid investing in companies with poor governance records.	3.8182	1.01457

Table 11 provides a detailed descriptive analysis of how Governance Factors significantly influence investors' decisions, with corporate governance practices standing out as a critical consideration. The highest mean score of 4.2182 indicates that respondents place substantial importance on governance when making investment decisions, likely viewing it as a marker of a company's long-term stability and reliability. Investors also show a clear preference for companies with transparent governance structures, reflected in a mean score of 3.8104, suggesting that clarity in operations and decision-making processes is key to earning investor trust. The integrity of management, with a mean of 3.7740, plays an important role, indicating that ethical and competent leadership directly impacts investment choices. Furthermore, a mean of 3.8182 highlights that investors actively avoid companies with poor governance records, likely to minimize exposure to risks such as mismanagement or unethical practices. Good governance practices, with a mean of 3.7351, are also shown to enhance investor confidence in a company's investment potential. The moderate variability in responses, as reflected by standard deviations ranging from 0.81916 to 1.05200, suggests that while governance is universally recognized as important, individual perceptions of its significance may differ. Overall, the findings emphasize that governance factors are a crucial component in shaping responsible investment decisions.

Table 12

Descriptive Analysis of Investment Decision

Scale Items of Investment Decision	Mean	S.D.
My investment decisions are significantly influenced by environmental factors.	4.1247	.86605
I feel confident in my investment decisions when considering social factors.	3.7688	.86366
Governance factors have a direct impact on my investment choices.	3.6364	1.03467
I prioritize responsible investments over higher returns.	3.7195	1.10598
My overall investment strategy reflects my commitment to responsible investment.	3.7688	1.01348

Table 12 provides insights into how environmental, social, and governance (ESG) factors influence investment decisions, focusing on responsible investment strategies. The highest mean score of 4.1247 reflects the strong influence of environmental factors on respondents' investment decisions, suggesting that sustainable practices play a crucial role in shaping their choices. Social factors also contribute to investor confidence, with a mean of 3.7688, indicating that many consider a company's societal impact when making financial decisions. Governance factors, with a mean score of 3.6364, directly affect investment choices, showing that ethical leadership and transparent management are important to a considerable portion of investors. The mean score of 3.7195 demonstrates that many respondents prioritize responsible investments over higher returns, highlighting a growing preference for ethical considerations over pure financial gain. Lastly, the mean of 3.7688 for commitment to responsible investment suggests that a significant number of respondents align their overall investment strategies with ESG principles. The standard deviations, ranging from 0.86605 to 1.10598, indicate some variability in the extent to which these factors influence different investors, but overall, the data emphasizes a strong inclination towards responsible investment decisions based on ESG factors.

Table 13

Summary of Descriptive Analysis for All Variables

Variables	Minimum	Maximum	Mean	S.D.
Environmental Factors	1.00	5.00	3.9543	0.92324
Social Factors	1.00	5.00	3.7797	1.03539
Governance Factors	1.00	5.00	3.8712	0.97528
Investment Decision	1.00	5.00	3.8036	0.99473

Table 13 summarizes the descriptive analysis for the key variables influencing responsible investment decisions. The mean scores indicate that Environmental Factors (3.9543) have a slightly greater influence than Governance Factors (3.8712) and Social Factors (3.7797) on respondents' choices. The mean for the Investment Decision variable is 3.8036, suggesting a general inclination toward responsible investing. The standard deviations, which range from 0.92324 to 1.03539, reflect some variability in the responses, highlighting diverse opinions on the significance of these factors. The minimum and maximum values (1.00 to 5.00) show that participants expressed a full spectrum of views, from minimal to strong influence, indicating that different individuals prioritize these factors differently in their investment decisions. This variation underscores the complexity of investor preferences regarding environmental, social, and governance considerations.

C. Inferential Statistics

Inferential statistics, including correlation and regression analysis, have been utilized to understand the relationships among variables in the context of "Responsible Investment" decisions of individual investors in the share market through brokerage houses in Kathmandu. Correlation assesses the strength and direction of relationships between the independent variables such as Environmental Factors, Social Factors and Governance Factors and the dependent variable Responsible Investment Decision. This analysis reveals how changes in the independent variables relate to changes in Responsible Investment Decision. Regression analysis examines how these independent variables ESG Factors collectively influence Responsible Investment Decision, determining their predictive impact on individuals' investment choices.

Correlation Analysis

Correlation analysis, which has evaluated the relationships between Environmental Factors, Social Factors and Governance Factors with Responsible Investment Decision, has been performed. This technique aims to uncover the inherent relationships among these variables in the context of responsible investment. Karl Pearson's correlation method has been applied using SPSS version 29, and the results have presented in Table 14.

Table 14

Correlation Analysis of All Study Variables

Variables	Environmental Factors	Social Factors	Governance Factors	Investment Decision
Environmental Factors	1			
Social Factors	0.217**	1		
Governance Factors	0.319**	0.239**	1	
Investment Decision	0.244**	0.324**	0.292**	1

**. Correlation is significant at the 0.01 level (2-tailed).

Table 14 presents correlation analysis which reveals significant relationships between the independent variables such as Environmental Factors, Social Factors and Governance Factors with the dependent variable Investment Decision. Environmental Factors correlate with Investment Decision at 0.244, indicating a moderate positive relationship suggesting that greater emphasis on environmental considerations leads to more responsible investment choices. Social Factors show a stronger correlation of 0.324, implying that individuals who prioritize social responsibility are more inclined to make responsible investment decisions. Governance Factors also demonstrate a notable correlation of 0.292 with Investment Decision, indicating that perceptions of corporate governance influence investors' choices toward responsible investments. Collectively, all three independent variables significantly impact Investment Decision at the 0.01 level, highlighting the importance of Environmental, Social and Governance Factors in shaping individual investors' responsible investment decisions in the share market.

Regression Analysis

Regression analysis is a statistical method used to examine how changes in independent variables affect a dependent variable. In this study, multiple regression analysis evaluates the impact of ESG Factors on Responsible Investment Decision among individual investors in Kathmandu's share market through brokerage houses. The results are presented below.

Table 15

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.562[a]	0.3164	0.3100	0.9001

a. Predictors: (Constant),), EF, SF, GF

b. Dependent variable: Investment Decision (ID)

Table 15 shows the Model Summary, indicating an R Square (R^2) value of 0.3164. This means that about 31.64% of the variance in the dependent variable, Investment Decision, is explained by the independent variables ESG Factors. While this suggests a moderate explanatory power, it also indicates that approximately 68.36% of the variance remains unexplained, implying that other factors not included in the model may significantly influence investment decisions.

Table 16

Analysis of Variance (ANOVA[a])

	Model	Sum of Squares	df	Mean Square	F	Sig.
1	Regression	320.258	3	106.753	129.504	0.001[b]
	Residual	1583.516	1921	0.824		
	Total	1903.775	1924			

a. Dependent variable: Investment Decision (ID)

b. Predictors: (Constant), EF, SF, GF

Table 16 provides the Analysis of Variance (ANOVA) for the regression model evaluating the impact of Environmental Factors, Social Factors and Governance Factors on Investment Decision. The model shows a significant F value of 129.504 and a p-value of less than 0.001, indicating that the independent variables collectively

have a significant effect on investment decisions. The regression explains 320.258 of the variance, while the residual variance remains at 1583.516, confirming the model's effectiveness in predicting investment decisions based on the specified factors.

Table 17

Regression Analysis for Dependent Variable Investment Decision

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Sd. error	Beta		
(Constant)	1.592	0.118		13.533	0.001
Environmental Factors	0.139	0.024	0.129	5.810	0.001
Social Factors	0.240	0.021	0.250	11.544	0.001
Governance Factors	0.195	0.023	0.191	8.540	0.001

(Source: SPSS Version 29)

$ID = 1.592 + 0.139EF + 0.240SF + 0.195GF + \varepsilon it$

Table 17 presents the results of the regression analysis for the dependent variable, Investment Decision, with three independent variables: Environmental Factors, Social Factors, and Governance Factors. Environmental Factors have a coefficient of 0.139 and a p-value of 0.001 ($p < 0.05$), indicating a statistically significant positive effect on investment decisions at the 5% significance level. Social Factors show a stronger positive relationship, with a coefficient of 0.240 and a p-value of 0.001 ($p < 0.001$), highlighting a highly significant impact on investment decisions at the 5% significance level, which underscores the importance of social responsibility in attracting investment. Governance Factors also exhibit a significant positive effect, with a coefficient of 0.195 and a p-value of 0.001 ($p < 0.001$), suggesting that effective governance practices foster investor confidence at the 5% significance level. These findings suggest that while Environmental Factors contribute to investment decisions, Social and Governance Factors have a more substantial impact. Therefore, companies should prioritize enhancing their social responsibility initiatives, governance practices, and transparency in their operations to attract investment, build long-term investor trust, and improve overall performance.

4.2 Discussion

The main objective of this study is to analyze Responsible Investment decision of individual investors in the share market through brokerage houses in Kathmandu. The research has considered demographic aspects such as Gender, Age, Marital Status, Education Qualification, Occupation, Monthly Income Status and Duration of Investment and evaluates how independent variables like Environmental Factors, Social Factors and Governance Factors impact Investment Decision. Data have been collected using a structured questionnaire distributed among 384 individual investors in the share market through brokerage houses in Kathmandu. Data have analyzed through descriptive and inferential statistics to assess the relationships between these variables and their effect on Investment Decision.

The descriptive analysis has shown that Environmental Factors (mean = 3.9543) slightly outweigh Governance (mean = 3.8712) and Social Factors (mean = 3.7797) in influencing investment decisions, indicating a marginal emphasis on environmental considerations. The mean score for Investment Decision (3.8036) suggests a general tendency toward responsible investing. Standard deviations (0.92324 to 1.03539) reflect some variability, indicating diverse views on the importance of these factors. The full range of responses (1.00 to 5.00) highlights varying investor priorities, with all three factors playing significant roles in decision-making.

The correlation analysis has shown significant relationships between Environmental, Social, and Governance Factors and Investment Decision. Environmental Factors have a moderate positive correlation of 0.244, suggesting that greater emphasis on environmental considerations leads to more responsible investments. Social Factors have a stronger correlation of 0.324, indicating that prioritizing social responsibility influences investment decisions. Governance Factors also show a notable correlation of 0.292, highlighting the impact of corporate governance. All three factors significantly influence Investment Decision at the 0.01 level, emphasizing their importance in responsible investing decisions.

The regression analysis shows that Environmental Factors (coefficient = 0.139, p = 0.001) significantly influence investment decisions at the 5% significance level. In contrast, Social Factors (coefficient = 0.240, p = 0.001) have a stronger positive

impact, highlighting the critical role of social responsibility in attracting investment. Governance Factors (coefficient = 0.195, p = 0.001) also show a significant positive effect, suggesting that effective governance practices enhance investor confidence. Overall, Social and Governance Factors have a greater impact on investment decisions, and companies should prioritize them for sustainable growth.

The correlation analysis shows that Environmental Factors have a moderate positive relationship with Investment Decision aligning with Dos Santos and Pereira (2022) who emphasize the importance of ESG criteria in investment choices but differing from Karmacharya (2023) who found that environmental considerations do not significantly impact investment decisions. Social Factors exhibit a stronger positive correlation with Investment Decision consistent with Karmacharya (2023); Sherwood and Pollard (2023) both highlighting social responsibility's critical role yet contrasting with Leins (2020) who suggests that the market-driven approach to ESG may downplay social concerns. Conversely, Governance Factors also show a notable positive correlation with Investment Decision aligning with Kim and Yoon (2023); Alda (2021) who indicate that effective governance practices enhance investor confidence and attract investments. However, this finding differs from Leins (2020) which presents a more speculative view on governance's role in investment decisions

The regression analysis reveals that Environmental Factors significantly influence Investment Decision, aligning with Karmacharya (2023), but differing from Dos Santos and Pereira (2022), who emphasize the importance of specific ESG criteria. In contrast, Social Factors have a strong positive impact, consistent with Karmacharya (2023); Sherwood and Pollard (2023), highlighting the significant role of social responsibility in shaping investment choices. Governance Factors also show a significant positive effect, similar to the findings of Kim and Yoon (2023); Alda (2021), who argue that effective governance practices foster investor confidence. However, this contrasts with Leins (2020), where ESG integration was seen as more speculative. Overall, while Social and Governance Factors significantly influence investment decisions, Environmental Factors require more focus, as suggested by Jonwall et al. (2022), who observed low awareness of socially responsible investing (SRI) among investors.

CHAPTER – V
SUMMARY AND CONCLUSION

This chapter has consisted of three parts. The first part has summarized the study, while the second part has presented the conclusions drawn from the research. The third part has discussed the implications derived from both the summary and the conclusions.

5.1 Summary

This study has conducted an in-depth analysis of responsible investment decisions among individual investors in the share market through brokerage houses in Kathmandu. The research has aimed to understand how various dimensions of responsible investment specifically Environmental, Social and Governance (ESG) factors affect overall investment decisions. Employing a descriptive and exploratory research design, the study has gathered and analyzed data from a sample of 385 respondents who participated in responsible investment education programs. Additionally, the study has examined the demographic profiles of respondents, including gender, age, marital status, educational qualifications, occupation, monthly income, and duration of investment. Data collection has involved a structured self-administered questionnaire designed to capture a diverse range of responses. Statistical analysis has been conducted using Microsoft Excel and SPSS Version 29, applying various statistical techniques, including descriptive statistics, correlation analysis, and regression analysis, to interpret the data and explore the relationships and impacts between the independent variables (ESG factors) and responsible investment decisions.

The descriptive analysis has shown that Environmental Factors slightly influence investment decisions more than Governance and Social Factors, indicating a marginal preference for environmental considerations among individual investors. The overall mean score for Investment Decision reflects a general inclination toward responsible investing, suggesting that investors are becoming more aware of the ethical implications of their choices. Variability in responses reveals diverse opinions on the significance of these factors, highlighting that different investors prioritize

Environmental, Social, and Governance Factors to varying degrees. The full response range underscores differing investor priorities, with all three factors being important in the decision-making process. This finding emphasizes the need for investment education programs that address these varying priorities.

The correlation analysis has revealed significant relationships between Environmental, Social, and Governance Factors with Investment Decisions among individual investors. Environmental Factors show a moderate positive correlation, suggesting that greater emphasis on these considerations can promote responsible investment practices. Social Factors exhibit a stronger correlation, indicating that prioritizing social responsibility is crucial for influencing investment choices, as investors seek to align their portfolios with their values. Governance Factors also demonstrate a notable correlation, highlighting the importance of corporate governance in building investor confidence. Overall, all three factors significantly impact Investment Decisions, emphasizing their relevance in fostering responsible investing practices among individual investors in the share market. This underscores the need for greater awareness and understanding of ESG factors to support informed investment choices.

The regression analysis indicates that Environmental Factors significantly influence investment decisions, suggesting that investors consider these aspects in their decision-making. In contrast, Social Factors have a stronger positive impact, highlighting the growing importance of social responsibility for investors seeking ethical alignment. Governance Factors also show a significant positive effect, demonstrating that effective governance enhances investor confidence and supports informed decisions. These findings suggest that investors increasingly value companies with strong social and governance practices. Overall, while Environmental Factors have a positive influence, Social and Governance Factors play a more significant role, emphasizing the need for companies to invest in social responsibility and governance practices to attract responsible investors and promote a sustainable investment environment. This focus on ethical practices will help companies build long-term trust and secure investor commitment.

5.2 Conclusion

The first objective of this study is to assess the current state of responsible investment practices regarding Environmental, Social, and Governance (ESG) factors in Nepal. The study has evaluated the integration of ESG considerations among individual investors, revealing insights into their investment behaviors and preferences. It highlights the varying emphasis on these factors, indicating a general inclination toward responsible investing, while emphasizing the need for more focus on Environmental Factors. Overall, the findings underscore strengths and opportunities for improvement in promoting responsible investment practices, guiding stakeholders in enhancing ESG integration in Nepal's investment landscape.

The second objective of this study is to examine the relationship between Environmental Factors, Social Factors, and Governance Factors with the investment decisions of individual investors in Kathmandu's share market. The analysis has identified significant correlations with Social Factors showing the strongest influence, indicating that investors' choices are shaped by perceptions of social responsibility. Governance Factors also demonstrate a positive correlation, emphasizing the importance of effective corporate governance. Environmental Factors show a moderate correlation, suggesting they may need more emphasis to impact investor choices fully. Overall, the study highlights the importance of understanding these relationships to promote responsible investment practices in Nepal.

The third objective of this study is to evaluate the effect of Environmental Factors, Social Factors, and Governance Factors on individual investors' decisions in the share market via brokerage houses in Kathmandu. The analysis indicates that all three factors significantly impact investment decisions. Social Factors emerge as the most influential, reflecting that individual investors prioritize social responsibility when making investment choices. Governance Factors also show a strong positive effect, emphasizing the importance of robust corporate governance in enhancing investor confidence. Environmental Factors, while having a comparatively smaller impact, still significantly influence investment decisions. These findings underscore the need for investment firms and policymakers to strengthen social responsibility initiatives, corporate governance practices, and environmental awareness to foster responsible investment behaviors among individual investors in Nepal.

5.3 Implications

Implications for the Study on Responsible Investment Decision of Individual Investors in Kathmandu's Share Market are as follows:

a) Enhanced Understanding of ESG Factors

The study's findings emphasize the need for individual investors to deepen their understanding of Environmental, Social, and Governance (ESG) factors. Investment firms and financial advisors should focus on educating clients about the importance of these factors, fostering informed decision-making that aligns with responsible investing principles.

b) Policy Recommendations

Policymakers should consider developing regulations that promote transparency and accountability in investment practices related to ESG factors. This includes creating frameworks that encourage companies to disclose their ESG performance, thereby helping individual investors make informed choices based on reliable data.

c) Investment Firm Strategies

Investment firms should integrate ESG considerations into their product offerings and marketing strategies. By highlighting the benefits of responsible investment and showcasing their commitment to sustainable practices, firms can attract socially conscious investors and differentiate themselves in a competitive market.

d) Promotion of Responsible Investment Education

There is a critical need for targeted educational programs aimed at individual investors to raise awareness of responsible investing. Workshops, seminars, and online courses focusing on the implications of ESG factors can empower investors to make choices that align with their values and promote sustainability.

e) Encouraging Collaborative Efforts

Stakeholders in the investment community, including government agencies, NGOs, and private sector actors, should collaborate to promote responsible investment initiatives. Joint efforts can amplify the message of sustainable investing and facilitate the development of a supportive ecosystem for responsible investors.

f) Highlighting Social Responsibility

The significant correlation identified between social factors and investment decisions implies that companies should enhance their social responsibility initiatives. By actively engaging in community development and social impact projects, businesses can boost their attractiveness to socially responsible investors.

g) Sector-Specific Initiatives

Different sectors may have varying levels of importance regarding ESG factors. The study suggests that sector-specific initiatives to promote responsible investment can be effective. For instance, sectors like renewable energy and sustainable agriculture can be emphasized to align with the growing interest in environmental considerations.

h) Monitoring and Evaluation Frameworks

Establishing monitoring and evaluation frameworks for responsible investment practices can help track progress over time. Regular assessments of how well individual investors are integrating ESG factors into their decision-making can inform adjustments to strategies and educational efforts.

i) Encouragement of Long-Term Thinking

The study highlights the need for individual investors to adopt a long-term perspective when making investment decisions. Investment firms should encourage this mindset by promoting the benefits of sustainable investing, which can lead to more resilient portfolios over time.

j) Future Research and Continuous Improvement

The implications of this study underscore the importance of ongoing research into responsible investment practices. Continuous improvement in understanding investor behavior and the evolving landscape of ESG factors will be essential for promoting responsible investment in the future.

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APPENDIX

Questionnaire

Dear Respondent,

I am Khima Rokaya, an MBS student at Shanker Dev Campus, Putalisadak, Kathmandu. As part of my research project, I am conducting a survey on "Responsible Investment Decisions in the Share Market by Brokerage Houses in Kathmandu". The information collected will be used solely for academic purposes, and strict confidentiality is assured. You are kindly requested to fill out the following questionnaire to help me gather the necessary information.

Thank you for your cooperation.

Section A: Demographic Information

1. What is your gender?

a) Male
b) Female

2. What is your age?

a) Below 20
b) 21 years to 30 years
c) 31 years to 40 years
d) 41 years to 50 years
e) Above 50 years

3. What is you marital status?

a) Married
b) Unmarried

4. What is your educational qualification?

a) SEE/SLC
b) Plus Two
c) Bachelor
d) Masters
e) Others

5. What is your occupation?

a) Employed
b) Self-employed
c) Student
d) Unemployed

6. What is your monthly income?

a) Below Rs. 10,000
b) Rs. 10,001 to Rs. 20,000
c) Rs. 20,001 to Rs. 30,000
d) Rs. 30,001 to Rs. 40,000
e) Rs. 40,001 to Rs. 50,000
f) Above Rs. 50,000

7. What is the duration of your investment?

a) Less than 1 year
b) 1 to 3 years
c) 4 to 5 years
d) 6 to 10 years
e) Over 10 Years

Section B: Questionnaires for Study Variables

Following are questionnaires for the variables of study topic "Responsible Investment". Please select your option that shows your level of agreement or disagreement. The answer will be measured on a five-point Likert scale, explained as follows:

5 - Strongly Agree

4 - Agree

3 - Neutral

2 - Disagree

1 - Strongly Disagree

Environmental Factors

S.N.	Statement	Response				
		5	4	3	2	1
EF1	Environmental considerations significantly influence my investment decisions.					
EF2	I prefer to invest in companies that demonstrate environmental responsibility.					
EF3	The environmental impact of a company affects my perception of its investment potential.					
EF4	I am willing to sacrifice some financial returns for better environmental practices.					
EF5	Information about a company's environmental policies affects my investment choices.					

(Source: Field Survey, 2024 and author's calculation)

Social Factors

S.N.	Statement	Response				
		5	4	3	2	1
SF1	I consider a company's social responsibility when making investment decisions.					
SF2	My investment choices are influenced by a company's treatment of its employees and community.					
SF3	I am more likely to invest in firms that contribute positively to society.					
SF4	Social factors play a significant role in my overall investment strategy.					
SF5	I trust companies that are socially responsible with my investments.					

(Source: Field Survey, 2024 and author's calculation)

Governance Factors

S.N.	Statement	Response				
		5	4	3	2	1
GF1	Corporate governance practices are important in my investment decisions.					
GF2	I prefer to invest in companies with transparent governance structures.					
GF3	The integrity of a company's management influences my investment choices.					
GF4	Good governance practices increase my confidence in a company's investment potential.					
GF5	I am likely to avoid investing in companies with poor governance records.					

(Source: Field Survey, 2024 and author's calculation)

Investment Decision

S.N.	Statement	Response				
		5	4	3	2	1
ID1	My investment decisions are significantly influenced by environmental factors.					
ID2	I feel confident in my investment decisions when considering social factors.					
ID3	Governance factors have a direct impact on my investment choices.					
ID4	I prioritize responsible investments over higher returns.					
ID5	My overall investment strategy reflects my commitment to responsible investment.					

(Source: Field Survey, 2024 and author's calculation)

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ABSTRACT This study investigates responsible investment decisions among

individual investors in the share market through brokerage houses in 1

Kathmandu focusing on the influence of Environmental factors, Social factors and Governance factors. Using a descriptive and explanatory research design, data were collected through a field survey conducted in 2024 with a sample of 385 respondents who participated in responsible investment education programs. The research examined the demographic characteristics of investors, such

as gender, age, marital status, education , occupation, **monthly income** status **and** investment **duration** 1

. A structured self-administered questionnaire was employed, and the data were analyzed using descriptive statistics analysis, correlation analysis and regression analyses. Descriptive findings indicated that Environmental Factors slightly outweighed Governance and Social Factors in influencing investment decisions, with a general preference for responsible investing. Correlation analysis revealed significant positive relationships between all ESG factors and responsible investment decisions, with Social and Governance Factors showing stronger correlations than Environmental Factors. The regression analysis revealed

that Social and Governance Factors significantly influence **investment decisions** , whereas **Environmental Factors have a** comparatively limited **impact** . This underscores **the** 1

critical role of ESG factors, particularly Social and Governance, in driving responsible investment behavior. The findings highlight the need for targeted educational initiatives to enhance investor understanding and encourage informed decision-making aligned with sustainable practices. Keywords: Investment Decision, Environmental Factors, Social Factors, Governance Factors, Share Market, Brokerage Houses

CHAPTER – I INTRODUCTION 1.1 Background of the Study Responsible investment (RI) also known as sustainable, socially responsible or ethical investment refers to investment practices that consider not only financial returns but also environmental, social, and governance (ESG) factors. Over the past few decades, responsible investment has gained considerable traction as investors recognize the need for sustainable development and corporate responsibility in the wake of global challenges like climate change, income inequality, and corporate governance failures. This shift in investment priorities reflects broader societal and economic trends toward sustainability, driving changes in how capital markets and corporations operate. The history of responsible investment can be traced back to religious and ethical concerns. Early examples include the Quaker and Methodist movements, which in the 18th and 19th centuries advocated for investments that aligned with moral principles, avoiding companies involved in alcohol, tobacco, or slavery (Sandberg, 2013). In the mid-

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