SOCIALLY RESPONSIBLE INVESTMENT AND SUSTAINABILITY IN NEPAL

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By

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CERTIFICATION OF AUTHORSHIP

I hereby corroborate that I have researched and submitted the final draft of dissertation entitled "**Socially Responsible Investment and Sustainability in Nepal**". 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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ABBREVIATIONS

ANOVA	:	Analysis of Variances
AW	:	Awareness
CSR	:	Corporate Social Responsibility
E	:	Error Term
EC	:	Environmental Concern
ESG	:	Environmental, Social, and Governance
IO	:	Investment Objective
MCDM	:	Multi-Criteria Decision-Making
N	:	Number of Responses
RA	:	Risk Return Attitude
S.D.	:	Standard Deviation
SB	:	Social Behavior
SDGs	:	Sustainable Development Goals
SEM	:	Structural Equation Modeling
SI	:	Sustainable Investment Decision
SRI	:	Socially Responsible Investment
TPB	:	Theory of Planned Behavior
VIF	:	Variance Inflation Factor

ABSTRACT

Sustainable investment has emerged as a significant area of interest among individual investors globally and in Nepal, driven by a growing concern for ethical, environmental, and social issues. This study has aimed to evaluate the impact of investor awareness, risk return attitude, social behavior, investment objectives, and environmental concerns on sustainable investment decision-making in Nepal.

To achieve the research objectives, both descriptive and causal-comparative research designs have been employed. The study has targeted individual and corporate investors in Kathmandu Valley, with a sample size of 385 respondents selected through convenience sampling. A quantitative approach has been adopted using primary data collected through a structured questionnaire based on a five-point Likert scale. The instrument has measured six variables, and the data collection tool was adapted from previous validated studies.

For analysis, the study has used statistical software such as Microsoft Excel and SPSS. Key statistical techniques include descriptive analysis, correlation analysis, and multivariate regression. The research framework has categorized awareness, risk return attitude, social behavior, investment objective, and environmental concern as independent variables, while sustainable investment decision served as the dependent variable.

The findings have revealed a significant and positive relationship between all independent variables and sustainable investment decision. Among them, investment objective has shown the strongest impact, followed by social behavior and awareness. Environmental concern, though slightly weaker in effect, has also significantly contributed to influencing investors' sustainable decisions.

The study offers meaningful insights for policymakers, financial institutions, and investors. It recommends promoting educational and awareness programs to foster responsible investment behavior and integrating sustainability considerations into investment planning and practices to ensure better long-term outcomes.

Keywords: *awareness, risk return attitude, social behavior, investment objective, sustainable investment decision*

CHAPTER I
INTRODUCTION

1.1 Background of the Study

Over the years, socially responsible investment (SRI) has undergone a notable transformation, expanding beyond its original focus on corporate social responsibility (CSR) to embrace a more comprehensive vision centered on sustainability (Shabbir & Wisdom, 2020). The academic discourse suggests that organizations increasingly perceive sustainability not as a peripheral concern but as a core component of long-term business resilience. This broader outlook is evident in the evolving terminology, as numerous firms now incorporate environmental, social, and governance (ESG) elements under the umbrella of sustainability. According to Cook et al. (2019), the momentum behind SRI has accelerated, demonstrated by a marked rise in funds allocated to sustainable portfolios. This trend highlights a shift in investor preferences toward financial strategies that also generate positive social and ecological outcomes.

In tandem with the rising emphasis on sustainable practices, the importance of non-financial disclosures has also gained traction. Unlike the standardized nature of traditional financial statements, sustainability disclosures often lack a consistent reporting framework (Lin et al., 2021). Many organizations have begun allocating significant resources to prepare sustainability documents; however, there remains considerable uncertainty regarding the scope and relevance of the content to be included. This lack of clarity is further exacerbated by varying organizational interpretations, some limit their focus to ecological issues, while others encompass broader themes, including economic and social concerns (Ioannou & Serafeim, 2015).

Although obstacles remain in developing robust sustainability reporting systems, initiatives like those from the Global Reporting Initiative (GRI) have played a pivotal role in guiding companies in their transparency efforts (Cook et al., 2019). The GRI's disclosure platform compiles voluntarily submitted data that spans multiple categories such as workforce practices, ecological impacts, human rights, and accountability in product offerings. Nevertheless, the optional nature of these reports and the absence of universally accepted metrics pose challenges to consistency and comparability across firms (Shabbir & Wisdom, 2020). Despite these limitations, the rising relevance of sustainable development is expected to promote the adoption of globally harmonized disclosure systems, such as

integrated reporting, and to stimulate interest in independent verification mechanisms to enhance the trustworthiness of these reports.

According to Koirala and Thapa (2023), corporate social responsibility (CSR) has transitioned from a voluntary initiative to a compulsory obligation for financial institutions in Nepal, following the directive issued by Nepal Rastra Bank (NRB), the nation's central banking authority. This mandate signifies a broader movement encouraging businesses to engage meaningfully with society. At its core, CSR is rooted in the principle that companies must acknowledge their duties toward the broader community. It involves integrating ethical and societal factors into business operations and strategic decisions, aiming to serve a wide range of stakeholders, such as employees, customers, local communities, and the natural environment. This notion aligns with a larger framework that promotes ethical business conduct and reinforces the role of enterprises in contributing positively to society. By embracing socially responsible behavior, organizations not only benefit the public and the planet but also enhance stakeholder trust and overall goodwill (Koirala & Thapa, 2023). The increasing academic and professional focus on CSR illustrates its growing relevance in modern business discourse.

In Nepal's financial industry, the incorporation of CSR represents a calculated effort to meet both regulatory mandates and public expectations. Institutions that adopt socially responsible strategies show a clear intent to address pressing societal and environmental issues while simultaneously elevating their public image and stakeholder trust. Engaging in such efforts can lead to long-term success by strengthening connections with clients, staff, and other key actors. This forward-thinking attitude demonstrates a managerial understanding that CSR aligns well with profitability and shareholder interests, supporting the development of resilient, purpose-driven business models (Koirala & Thapa, 2023). The emphasis on responsible practices reflects a wider transformation in the corporate landscape, one driven by heightened awareness of sustainability challenges and increasing demands for ethical accountability and openness (Bajracharya & Samdani, 2021).

The growing significance of CSR within Nepal's banking and financial sector mirrors global developments emphasizing responsible and accountable corporate conduct. Through the adoption of CSR, these institutions are well-positioned to tackle critical social issues and actively contribute to sustainable development goals. These efforts often lead to community empowerment and the promotion of equitable economic progress. As firms increasingly acknowledge that social responsibility can enhance public trust, customer

loyalty, and long-term growth, embedding CSR into strategic planning and daily operations is becoming an essential practice (Koirala & Thapa, 2023).

This research has focused on the perceptions and actions of individual investors in Nepal concerning socially responsible investment (SRI), with a particular emphasis on how environmental considerations have influenced their investment choices. It has aimed to assess the degree to which these investors have prioritized ecological and social factors when allocating their financial resources. By analyzing the underlying motivations, investment preferences, and decision-making patterns, the study has intended to uncover the key elements driving the increased interest in SRI within the Nepalese investment landscape. In particular, it has investigated whether environmental sustainability has been regarded as a crucial factor in assessing potential investment avenues and how this awareness has shaped their investme

1.2 Problem Statement

One of the key challenges in sustainable investment lies in the long-term nature of such projects, which often involve substantial capital outlays and elevated investment risk. These characteristics make it essential to incorporate mechanisms that enhance adaptability and responsiveness to changing external conditions. As highlighted by Grzeszczyk and Waszkiewicz (2016), integrating flexibility into the project evaluation process, such as through the use of the Real Options Method (ROM), allows investors to better navigate environmental uncertainties. This approach provides strategic options that support decision-making over the project's lifespan, ensuring that investors can adjust or even abandon initiatives if conditions become unfavorable. Bauer (2009) has emphasized that real options offer a valuable means of managing risks in property development, while Lucius (2001) has associated flexibility with the range of actionable choices available to an investor. Among these, the exit option stands out as particularly important, as it permits investors to reassess and potentially withdraw from a project, including re-selling any outcomes from earlier phases. This underscores the need for continuous evaluation and adaptive strategies in sustainable investment to ensure long-term viability amid uncertainty.

A key issue in sustainable investment is the lack of a universally agreed-upon definition and standardized approach, despite growing global recognition. Although organizations like the Principles for Responsible Investment (Beisenbina et al., 2023) and the Global Sustainable Investment Alliance emphasize the integration of environmental, social, and

governance (ESG) factors in investment decisions, interpretations and applications vary widely. This inconsistency creates challenges in measuring impact, comparing performance, and ensuring transparency across portfolios, ultimately hindering the effective advancement of responsible investment practices (Beisenbina et al., 2023).

A significant obstacle in advancing socially responsible investment and sustainability in Nepal is motivating individual investors to factor in environmental issues during their financial decision-making. Although the government has promoted support for eco-conscious enterprises, many retail investors may still lack sufficient awareness or motivation to allocate their funds toward mutual funds or companies committed to environmentally sustainable practices (Bajrachrya & Samdani, 2021).

Another pressing concern involves the integration of social justice principles into investment behavior. Despite rising recognition of the value in backing organizations that uphold fairness, such as those providing essential goods at affordable prices, many investors find it difficult to pinpoint such companies within Nepal's financial landscape (Koirala & Thapa, 2023). Furthermore, ensuring that investment choices are ethically sound and contribute to the broader good of society remains a persistent challenge.

Given the global emphasis on public health, there is an increasing demand for investments in the healthcare and pharmaceutical industries, particularly those involved in innovation related to vaccines and medical treatments. Nonetheless, retail investors in Nepal often encounter difficulties in locating and engaging with viable opportunities in these fields, which restricts their capacity to support health-related advancements while also aiming for profitable investment outcomes. This study has following research questions:

i. To what extent do investors in Nepal consider social responsibility when making sustainable investment decisions?
ii. Is there a relationship between investor awareness, perceived risk, expected return, attitude, social behavior, investment objectives, environmental concerns, and their sustainable investment decision-making?
iii. What is the impact of investor awareness, risk return attitude, social behavior, investment objectives, and environmental concerns influence sustainable investment decision-making among individual investors in Nepal?

1.3 Objectives of the Study

The objective of this study are as follows:

i. To assess the extent to which investors in Nepal consider social responsibility when making sustainable investment decisions.

ii. To analyze the relationship between investor awareness, risk return, attitude, social behavior, investment objectives, environmental concerns, and their sustainable investment decision-making.

iii. To evaluate the impact of investor awareness, risk return attitude, social behavior, investment objectives, and environmental concerns on sustainable investment decision-making among individual investors in Nepal.

1.4 Research Hypothesis

H_1 : There is a significant impact of awareness on sustainable investment decision in Nepal.

H_2 : There is a significant impact of risk return attitude on sustainable investment decision in Nepal.

H_3 : There is a significant impact of social behavior on sustainable investment decision in Nepal.

H_4 : There is a significant impact of investment objective on sustainable investment decision in Nepal.

H_5 : There is a significant impact of environmental concern on sustainable investment decision in Nepal.

1.5 Rationale of the Study

The presents a range of justifications for its significance, making it highly relevant to diverse stakeholders such as government bodies, policymakers, investors, scholars, and students. In light of the growing international emphasis on sustainable finance, it becomes essential to understand how SRI concepts are interpreted and applied within the Nepalese context. This study investigates how individual investors integrate social and environmental elements into their financial choices, identifies constraints to ethical investing, and assesses the role of factors such as awareness, attitude, and behavior. The outcomes aim to close the divide between theoretical discourse and real-world financial practices, ultimately fostering sustainable growth in Nepal's investment sector.

From the government's standpoint, the study underscores the need to support investments that reflect ecological responsibility and social consciousness. As Nepal moves forward with its commitment to the Sustainable Development Goals (SDGs), the insights gained can serve as a foundation for designing effective financial incentives, regulatory policies, and other supportive mechanisms that drive responsible investing. Moreover, the research helps gauge the public's involvement in sustainable financial activities, enabling policymakers to assess the impact of existing policies and develop strategies to enhance the green finance ecosystem.

For policymakers, the study provides critical understanding of how individuals engage with sustainability-focused investment opportunities. It highlights deficiencies in regulatory awareness and support that may hinder the expansion of ethical investment practices. Using the empirical data, decision-makers can craft more efficient policy tools and financial products, like ethical investment funds or green bonds, that align with both national goals and evolving global standards for sustainable development.

Investors, whether retail or institutional, can leverage the findings to gain better insight into the variables that shape investment choices with respect to social and environmental responsibility. As ethical investing becomes increasingly prominent across global markets, this research offers context-specific knowledge about investor attitudes in Nepal. These insights can assist portfolio managers and financial advisors in designing and promoting investment products that align with responsible investment principles and the changing expectations of clients.

For the research community, this work lays a strong foundation for further studies into SRI practices in emerging economies like Nepal. Its methodological approach, emphasizing investor awareness, risk evaluation, and concern for sustainability, provides a model for subsequent research. In addition, it encourages interdisciplinary exploration, integrating perspectives from finance, behavioral economics, and environmental studies to deepen understanding of responsible investment behavior.

Students and academic professionals will also benefit greatly from the study, which serves as a valuable resource for academic projects, classroom learning, and scholarly debates on ethical finance and sustainability. By examining contemporary issues and investor attitudes toward SRI in Nepal, the study enriches academic literature and offers a local perspective on global financial ethics. It promotes critical thinking and enhances students'

understanding of how responsible finance contributes to broader societal and environmental goals.

1.6 Limitations of the Study

The limitation of study are as follows:

i. The study relies on primary data, which may involve biases and inaccuracies inherent to self-reported responses.

ii. Only descriptive and causal-comparative research designs have been used, limiting the ability to establish causality.

iii. The sample size is restricted to 385 respondents, which may not fully represent the broader investor population.

iv. The study focuses solely on individual investors' perspectives on socially responsible investment.

v. Data has been collected using convenience sampling within the Kathmandu Valley, limiting the generalizability of findings.

CHAPTER II
LITERATURE REVIEW

A literature review is a critical examination and synthesis of existing knowledge relevant to a particular research topic. It involves the exploration of key concepts, definitions, theories, and previously published scholarly works, such as journal articles, research papers, and academic reports. The main objective of a literature review is to understand the current state of research on the subject, identify gaps, and provide a foundation for the present study. Essential components include the clarification of important terms, discussion of theoretical frameworks, evaluation of past empirical findings, and identification of the research gap that justifies the need for further investigation.

2.1 Conceptual Review

2.1.1 History of Socially Responsible Investing

The roots of socially responsible investing (SRI) stretch back thousands of years. Ethical investment principles were already embedded in religious teachings such as the Jewish Torah over 2400 years ago. During the medieval period, the Catholic Church enforced strict moral guidelines on financial activities, particularly condemning interest-based lending, known as usury (Koenigsmarck & Geissdoerfer, 2023). Notably, after the First Council of Nicaea, clerics were banned from charging interest, and the Third Council of the Lateran even excommunicated individuals involved in such practices, including those who merely facilitated the burial of usurers (von Wallis & Klein, 2015).

In the 18th century, John Wesley, founder of Methodism, emphasized ethical financial behavior, highlighting money management as a central Christian duty. For more than two centuries, Methodists applied moral screening when making investment decisions. The modern form of SRI began to take shape during the 1960s, inspired by various political and social movements in Europe and the US. These movements encouraged the public to think critically about the ethical implications of their financial choices. For example, concerns about funding the Vietnam War led to the first shareholder resolutions addressing social issues (Renneboog et al., 2008). A prominent case of early SRI practice emerged in the 1980s, when many investors and institutions withdrew funds from companies linked to South Africa’s apartheid regime, marking a significant ethical stand in the investment world.

From the 1990s onward, socially responsible investing started to gain widespread global attention (Lewison, 1999). Traditional investment strategies primarily focused on the trade-off between return, risk, and liquidity. However, sustainability has increasingly been acknowledged as a crucial additional consideration. Initially, only a small share of US investment capital adhered to SRI principles, but by the close of the 20th century, around 10% of assets followed such criteria (Ghysels et al., 2005). Today, that figure has risen to approximately 25%. This shift can largely be attributed to evolving consumer preferences, where individuals increasingly align their financial decisions with personal ethical and environmental values. The growing interest in sustainable living, reflected in trends like organic food consumption, has fueled the rapid expansion of sustainability-focused investments (Schueth, 2003).

2.1.2 Current Trends

The landscape of sustainable investing has been swiftly progressing. Research areas that were considered central just a few years back have already been addressed, at least in part, and fresh directions in scientific inquiry have emerged (Barroso & Araújo, 2020). Although not exhaustive, recent studies since the early 2020s have identified several prominent research clusters. These developments can be grouped into three broad categories.

Firstly, some scholars have concentrated more on how to quantify sustainability, including specific areas like social dimensions. Secondly, there has been a continued effort to build on the widely explored issue of whether adopting environmentally conscious practices leads to financial benefits (Koenigsmarck & Geissdoerfer, 2023). Lastly, academic interest has begun shifting beyond the traditional scope, moving away from Western-centric perspectives, historically at the forefront of climate finance, towards subjects specific to developing economies. Additionally, attention has expanded beyond standard stock investments to include alternative financing tools, such as green bonds and broader aspects of eco-finance (Capelle-Blancard & Monjon, 2012).

A bibliometric review spanning the last 31 years shows a dramatic rise in published research within this domain. For example, by 2022, the number of related studies had multiplied fivefold compared to 2015. This trend mirrored increases across related themes, sustainability-related work tripled, corporate responsibility articles doubled, and research aligned with the sustainable development goals (SDGs) rose by a factor of sixteen during the same period (Koenigsmarck & Geissdoerfer, 2021).

However, despite the growing academic interest, socially responsible investing (SRI) remains relatively underrepresented. While SRI generated 1,854 search results, studies focused on broader concepts like corporate social responsibility reached over 20,000. Similarly, publications aligned with SDGs exceeded 21,000 entries, showing that SRI research still holds ample opportunity for further exploration (Koenigsmarck & Geissdoerfer, 2023).

2.1.3 General goals of Socially Responsible Investors

Investors today are increasingly driven by the desire to support a cleaner and healthier environment. In Nepal, the government encourages businesses that adopt eco-friendly practices, discouraging environmental pollution. Consequently, individuals can contribute to environmental protection by directing their savings into mutual funds that, in turn, invest in companies producing sustainable goods (Maji et al., 2021; Huberty & Zysman, 2013).

Beyond environmental concerns, investors with a sense of social duty also prioritize fairness and equity. Social justice, for example, may be reflected in fair pricing strategies that make products affordable to people across all income groups. By supporting companies that uphold such inclusive practices, investors play a vital role in promoting social equity (Heinkel et al., 2001). A harmonious society has greater potential for progress, and financial backers can help maintain peace by avoiding investments in businesses involved in producing harmful or socially detrimental products, such as tobacco and alcohol.

Health consciousness is on the rise globally. Many individuals now allocate a significant portion of their income toward safeguarding their well-being. With the ongoing COVID-19 crisis, it is essential that capital flows toward firms engaged in vaccine development and disease prevention. Additionally, there are numerous public health challenges currently affecting communities. Thus, allocating funds to pharmaceutical firms can both generate stable returns and support the public good (Bajrachrya & Samdani, 2021).

Socially responsible investing (SRI) further advances ethical business conduct (Leins, 2020). Ethics extend beyond pricing fairness (Alsartawi, 2020) to encompass all aspects of product and service delivery, including how they are marketed. Investors who are committed to responsible investing consistently seek out funds and enterprises that demonstrate moral responsibility throughout their operations.

2.1.4 Role of an Investor Participating in SRI

An investor aiming to balance financial returns with positive societal contributions must carefully assess the social and ethical implications of potential investment options. This involves evaluating companies and funds not just based on profitability, but also on their broader impact, both beneficial and harmful, on society. It is essential for such investors to distinguish clearly between conventional investing, which focuses purely on financial gain, and socially conscious investing, which integrates ethical considerations (Siddiqui, 2018). If profitability is the sole priority, SRI options may not align with the investor's objectives, as returns from responsible investments may differ from traditional financial products (K.A. & K.V., 2021).

Before making any financial decisions, individuals should adopt a research-oriented approach. They need to analyze the market landscape to identify which businesses uphold social values and which do not. If it becomes apparent that one's funds are allocated to an enterprise lacking in ethical practices or social commitment, it is wise to reallocate those resources to organizations that promote responsibility and integrity in their operations (K.A. & K.V., 2021).

Moreover, investors should use their influence to guide companies toward socially conscious initiatives. As stakeholders, they have the right, and responsibility, to voice recommendations that encourage responsible business conduct. Providing feedback to management helps ensure that companies remain committed to ethical practices (Bivainis & Volodzkiene., 2008).

To meaningfully participate in the SRI movement, investors must carefully choose the most suitable ethical funds or organizations. This allows them to achieve both their financial goals and their desire to contribute positively to the community and environment (K.A. & K.V., 2021).

2.1.5 Sustainability and Sustainable Investment

Sustainable investment attracted significant attention from both scholars and practitioners who aimed to analyze investor preferences regarding socially responsible investing (SRI) and its value for environmental, social, and governance (ESG) criteria in the volatile and uncertain global market (Ortas et al., 2012). Institutional investors were identified as the primary drivers behind the expansion of sustainable investment, while retail investors represented a smaller share of total investments. The selection of stock portfolios by

investors was considered crucial for the future development of sustainable investing. Studies demonstrated that attitudes, as well as moral and subjective norms, positively influenced investors' intentions, which in turn affected their actual behavior toward SRI (Ref. 24). Additionally, Erragragui et al. (Ref. 25) found that highly integrated SRI markets, although more exposed to systemic risks, yielded better portfolio performance over time. Earlier research emphasized the role of subjective judgment and investor preferences in decision-making processes (Paramati et al., 2018).

Overall, sustainable investments were shown to benefit society, promote environmental protection, and enhance firms' economic performance. These studies highlighted that certain prohibited sectors conflicted with established SRI norms and standards (Martí-Ballester, 2015). Investors were encouraged to apply screening techniques based on companies' ESG performance when selecting investment opportunities (Ortas et al., 2012)). It was also observed that ethical pension plans investing in socially responsible firms generated risk-adjusted returns comparable to traditional pension schemes (Martí-Ballester, 2015). This outcome was attributed to companies adopting green investments, leading to more efficient and cost-effective production methods, which in turn helped maintain competitive financial returns (Refs. 27, 28).

Market conditions, including fluctuations in oil and gold prices, as well as dynamics in the energy and financial sectors, were found to be net recipients of risk spillovers, while stock indices acted as net contributors (Mollet & Ziegler, 2014)). Previous analyses examined risks and returns associated with sustainable investments relative to conventional investments (Mensi et al., 2017)). Corporate ESG performance was positively linked to social and economic outcomes, although firms with stronger environmental practices tended to report lower profits from an investor's perspective (Escrig-Olmedo et al., 2017). Nonetheless, earlier studies often overlooked the interrelationships among social impact, environmental management, economic performance, and corporate governance, and did not incorporate market conditions into their assessments.

Moreover, prior research failed to address the interconnectedness of these attributes and frequently neglected linguistic preferences or qualitative data (Escrig-Olmedo et al., 2017). Some studies used panel data and statistical techniques to explore the integration of ESG policies into pension investment strategies focused on green production (Escrig-Olmedo et al., 2017). Other research applied fuzzy multi-criteria decision-making methods, such as the TOPSIS approach, to evaluate ESG attributes among socially responsible investors.

Linear regression models on panel data were employed to analyze listed firms' ESG performance while controlling for firm size (Egozcue et al., 2011). Additionally, descriptive statistical analyses were used to investigate how corporate sustainability strategies influenced business models aimed at improving economic profitability (Karlsson. 2019).

2.2 Theoretical Review

2.2.1 Theory of Planned Behavior

The theory of planned behavior (TPB), introduced by Icek Ajzen in 1985, is an extension of the theory of reasoned action (TRA). This model offers a framework for understanding the motivational influences that drive an individual's intention to perform a specific action. According to TPB, intention reflects the degree of determination a person has to carry out a particular behavior, with stronger intentions increasing the likelihood of the behavior being executed. The theory identifies three core components that influence intention: attitude toward the behavior, subjective norm, and perceived behavioral control (Ajzen, 1991).

Among these, perceived behavioral control is particularly important, distinguishing TPB from its predecessor TRA. It can impact behavior both directly and indirectly, by shaping one's intention. Essentially, if two individuals express the same level of intention to invest in sustainable or green funds, the one who feels more confident in their ability to do so is more likely to follow through than the one who feels uncertain (Ajzen, 1991). This component emphasizes the role of self-efficacy in behavioral outcomes.

In addition, attitudes and subjective norms also play a vital role in forming intention. Attitude refers to how positively or negatively an individual evaluates the likely outcomes of performing a behavior. For instance, if a person believes that supporting socially responsible investment (SRI) yields beneficial outcomes, they are likely to hold a positive view toward such investments. On the other hand, if the perceived benefits are low, their attitude may be negative. Subjective norm, meanwhile, relates to perceived social expectations or pressure, how much an individual feels influenced by others to engage or not engage in a certain behavior.

The TPB framework has been widely used in empirical research to examine behavior related to SRI. Studies by Agyapong and Ewusi (2017), Chitral and Pawan (2015), Dagher and Itani (2014), and Ng et al. (2017) have applied this theory to explore consumer behavior

in the context of responsible investment, consistently demonstrating its predictive strength. Similarly, Adam and Shauki (2014) analyzed how TPB influences investor behavior in Malaysia and found that attitude and subjective norm significantly affected investment decisions in SRI, although perceived behavioral control did not show a significant influence in that context.

However, TPB has its limitations, especially when applied to investment behavior. The theory focuses solely on behavioral determinants, neglecting other key external influences such as risk and return, which are often critical to financial decision-making. Since these financial factors play a central role in investor choices, especially in volatile markets, relying solely on TPB may not fully capture the complexity of investment behavior.

To address this limitation, the present study incorporates an additional variable, expected return, into the TPB model. By doing so, it seeks to provide a more comprehensive understanding of the factors that influence individual investor intentions toward SRI, acknowledging both psychological and financial dimensions.

2.2.2 Modern Portfolio Theory

The inclusion of financial factors as new variables in the model can be supported by Modern Portfolio Theory (MPT). Developed by Harry Markowitz in 1991, MPT represents an advancement over traditional investment models. It is also known as mean-variance analysis because it evaluates investments based on their average return (mean) and the associated risk (variance).

According to Omisore et al. (2012), MPT is an investment framework designed to maximize the expected return of a portfolio for a given level of risk, or alternatively, to minimize risk for a specific expected return by selecting suitable assets for inclusion. This theory has revolutionized investment management by enabling both managers and investors to quantify the risk and expected return of portfolios effectively (James & Frank, 2001). Kierkegaard, Lejon, and Persson (2006) further explain that MPT advocates asset diversification to potentially enhance returns for a given risk exposure or achieve the same returns with reduced risk. Through diversification, investors can reduce portfolio volatility and construct what is known as the efficient frontier, a graphical representation of portfolios that offer the highest expected return for each level of risk.

Portfolios positioned above this curve are unattainable, while those below it are deemed inefficient. Optimal or efficient portfolios lie precisely on the curve, representing the best

trade-off between risk and return. This concept helps determine whether returns are meaningful and can be applied in this study to better understand investors' motivations in socially responsible investing.

Moreover, research by Riedl and Smeets (2017) suggests that from a financial perspective, investors may have confidence in the risk-return profile of socially responsible investments or may seek these investments as a way to diversify their portfolio risk. Additionally, there is interest in exploring whether investors are willing to commit to socially responsible investments regardless of the financial returns. This study aims to shed light on such investor behaviors and intentions.

2.2.3 Sustainable Investment Theory

Sustainable Investment Theory (SIT) emphasizes integrating environmental, social, governance, and economic (EESG) dimensions into the investment decision-making process to ensure long-term financial performance and societal benefit. This theoretical lens aligns with the growing interest of individual investors in socially responsible investment (SRI) and encourages ethical allocation of financial resources. Elahi et al. (2023) explained that the incorporation of behavioral risk biases, such as overconfidence and herd behavior, affects sustainable investment decisions, revealing the importance of aligning psychological traits with SIT principles to promote consistent ethical investing. The theory suggests that investors who are aware of these biases can make better-aligned decisions that support both personal and societal goals through responsible financial behavior.

Moreover, Sustainable Investment Theory is especially pertinent in the context of increasing ESG awareness among private investors. As individuals begin to value long-term societal outcomes over short-term profits, the theory provides a strategic foundation for evaluating and selecting investments that reflect personal ethics and social concerns. According to Semenova and Hassel (2019), Nordic institutional investors have engaged proactively with global companies to mitigate ESG-related risks, demonstrating how SIT influences both private and institutional engagement in sustainable finance. This reveals the theory's capacity to drive investor activism and corporate accountability, ultimately shaping market behaviors toward sustainability.

Furthermore, SIT recognizes that investor psychology and risk perception critically influence sustainable investment behavior. Studies by Simon et al. (2000) and Sindhu and Kumar (2014) highlighted that individual investment choices are often guided by perceived

risks and subjective interpretations of market information. When these psychological patterns are coupled with SIT, investors may develop more resilient and ethically consistent investment habits. Sharma and Kumar (2019) also noted that behavioral finance trends, such as loss aversion and mental accounting, can be moderated through value-based investment frameworks like SIT. As a result, Sustainable Investment Theory not only provides a structural approach to investment but also addresses behavioral inconsistencies by promoting awareness of ESG implications in financial choices.

2.3 Empirical Review

Oehmke and Opp (2025) examined the mechanisms through which socially responsible (SR) investment could incentivize firms to minimize externalities even in a market with perfectly elastic capital supply. The study introduced the concept of a social profitability index, an evaluative metric aimed at prioritizing investments when SR capital is limited. By developing a theoretical model, the researchers assessed conditions under which SR funds, willing to accept trade-offs between financial return and social benefit, could exert a meaningful impact. Their findings indicated that effective influence necessitated an explicit mandate allowing SR funds to sacrifice some financial performance to achieve social outcomes. Additionally, the study demonstrated that when firms encountered financial constraints, SR capital could be optimally deployed to support clean production scaling, thereby increasing overall surplus in conjunction with profit-driven investors. This revealed a complementary relationship between SR and traditional capital in achieving social objectives. The proposed model provided a structured framework for prioritizing impactful investments and offered theoretical support for SR investment mandates as viable tools for sustainable development.

Mohy-ud-Din et al. (2025) explored the strategic role of corporate social responsibility (CSR) in mitigating the adverse effects of climate change and uncertainties associated with climate policies. Using panel data from 451 US-based firms covering the period from 2012 to 2023, they compiled a total of 5,412 firm-year observations. Their empirical strategy examined whether CSR practices could enhance firm resilience and promote sustainable value creation. The study further investigated the interaction effects of sustainability committees and green audits in reinforcing the influence of CSR on environmental outcomes. Findings revealed that CSR significantly reduced climate-related risks and policy uncertainties. Moreover, sustainability committees were found to amplify the relationship between CSR efforts and effective climate mitigation strategies, while green

audits enhanced firms' capabilities in responding to climate-related regulatory changes. The authors concluded that integrating sustainability governance structures with CSR initiatives could strengthen corporate adaptability in the face of environmental challenges, contributing to long-term value generation.

Oehmke and Opp (2025) examined the mechanisms through which socially responsible (SR) investment could incentivize firms to minimize externalities even in a market with perfectly elastic capital supply. The study introduced the concept of a social profitability index, an evaluative metric aimed at prioritizing investments when SR capital is limited. By developing a theoretical model, the researchers assessed conditions under which SR funds, willing to accept trade-offs between financial return and social benefit, could exert a meaningful impact. Their findings indicated that effective influence necessitated an explicit mandate allowing SR funds to sacrifice some financial performance to achieve social outcomes. Additionally, the study demonstrated that when firms encountered financial constraints, SR capital could be optimally deployed to support clean production scaling, thereby increasing overall surplus in conjunction with profit-driven investors. This revealed a complementary relationship between SR and traditional capital in achieving social objectives. The proposed model provided a structured framework for prioritizing impactful investments and offered theoretical support for SR investment mandates as viable tools for sustainable development.

Attarit et al. (2025) analyzed how corporate governance influences both corporate social responsibility (CSR) and the financial performance of firms listed under Thailand's sustainable investment index. Drawing on secondary data extracted from 56-1 reports, the study assessed 149 listed companies and applied structural equation modeling (SEM) to validate the relationships among variables. Governance indicators, including board independence, board size, and frequency of board meetings, were examined for their effects on firm performance. The model demonstrated high goodness-of-fit values (CMIN/df = 1.504, CFI = 0.990, RMSEA = 0.058), confirming the robustness of the proposed framework. Findings indicated that frequent board meetings had the strongest positive influence on market performance at a 5% significance level. The study concluded that sound governance mechanisms, particularly in terms of board structure and activity, were critical for maximizing financial outcomes in sustainability-driven firms. Effective oversight was deemed a key driver in aligning CSR efforts with firm value creation, reinforcing the importance of governance quality in sustainability integration.

Daugaard et al. (2024) analyzed corporate sustainability information is used within socially responsible investing (SRI). Motivated by the lack of a structured knowledge base, the authors reviewed 67 empirical studies through a systematic literature review, using Web of Science searches and HistCite to capture the most cited works. Their analysis focused on two dimensions: the sources of sustainability data and their application in SRI practices. The study identified five key information sources, corporate sustainability reports, ESG ratings, industry classification, news media, and direct firm communication. These data points were shown to influence various SRI strategies such as positive/negative screening, integration, and shareholder activism. The authors found substantial variation in how investors utilize this data and pointed out challenges related to data quality, transparency, and methodological consistency. The study emphasized the need for improved analytical methods and greater clarity in data usage for enhancing the impact of SRI. Furthermore, it proposed a research agenda addressing data reliability, investor behavior, and strategy expansion in socially responsible investing.

Hlophe and Ellis (2024) investigated consumer attitudes toward Corporate Social Responsibility (CSR) investments in sustainable fish production in South Africa, aiming to understand factors influencing consumers' intentions to purchase sustainable fish products. Utilizing a causal research design with a quantitative methodology, the study surveyed fish consumers within the South African LinkedIn community through an online questionnaire grounded in the Theory of Planned Behavior. The researchers applied univariate, regression, and mediation analyses to examine the data. Results showed that consumers' attitudes toward sustainable fish products were the strongest predictors of purchase intentions, mediating the influence of health consciousness and environmental concern. The study emphasized the critical role of attitudes in shaping sustainable consumption behaviors and provided valuable insights for enhancing the effectiveness of CSR initiatives in the fisheries sector. By clarifying the determinants of consumer response, the research aimed to support corporations in aligning their CSR investments with consumer expectations, ultimately contributing to sustainable fish production efforts. The findings offered practical guidance for improving the acceptance and impact of sustainability-focused CSR campaigns in South Africa.

Koenigsmarck and Geissdoerfer (2023) examined the growing integration of sustainability metrics into socially responsible investing (SRI) and addressed the conceptual ambiguities surrounding its measurement. Through a structured literature review utilizing database

searches and snowball referencing, the study synthesized key terms and measurement indicators used across academic and industry SRI practices. The researchers identified the absence of a unified definition of SRI as a critical barrier to both academic clarity and practical application. They introduced the Cambridge SRI indicator framework, a trinomial model designed to provide a clearer understanding of sustainability indicators and their roles in evaluating investments. By classifying SRI practices and associated metrics, the study aimed to clarify overlapping terms and standardize approaches to sustainability measurement. Their review concluded that inconsistencies in defining and quantifying SRI hampered its effectiveness and recommended standardized frameworks to guide future research and investment practice. The proposed model offered a structured pathway to enhance transparency and coherence in SRI implementation.

Xue et al. (2022) investigated the influence of corporate social responsibility (CSR) on high-quality development among Chinese listed firms from 2010 to 2019, particularly under the dynamics of public opinion in the omnichannel media environment. Using panel data and empirical regression techniques, the researchers assessed how CSR efforts affected development quality. They incorporated control variables at urban and corporate levels and addressed potential endogeneity issues to ensure robustness. The results confirmed that CSR significantly enhanced firms' development quality, with green innovation, environmental investment, and corporate governance acting as mediating mechanisms. Furthermore, the incentive effect of CSR was found to be more substantial in non-state-owned firms and during bullish market periods. The study provided practical implications for firms to align operational behavior with CSR to improve development outcomes and suggested policy guidelines for the Chinese government. The research offered a comprehensive understanding of how internal CSR practices interact with external market and governance dynamics to promote sustainable growth.

Fallah Shayan et al. (2022) examined the integration of sustainable development goals (SDGs) into corporate social responsibility (CSR) frameworks to enhance strategic impact during times of global crisis such as the COVID-19 pandemic. Adopting a conceptual design, the study proposed a novel CSR drivers model and an integrated CSR–SDG framework. The objective was to establish a more effective and measurable system for businesses to align their social responsibility initiatives with global development goals. The researchers argued that SDGs offer a comprehensive structure that encompasses CSR categories, making them a more universal and strategic tool for companies aiming for long-

term impact. Their proposed model emphasized responsiveness to current and future demands while fostering balanced outcomes across environmental, social, and economic domains. The findings highlighted that merging CSR with SDGs could result in better decision-making, stakeholder engagement, and sustainability reporting. Ultimately, the study contributed to filling gaps in strategic CSR implementation by offering a framework that combined ethical, social, and environmental dimensions into a unified vision.

Camilleri (2022) evaluated the strategic implications of corporate social responsibility (CSR) and environmentally responsible practices within the tourism and hospitality sectors during the COVID-19 pandemic. The study focused on how stakeholders influenced companies to adopt ethical business conduct and sustainable initiatives. Based on survey data collected from 462 participants employed in hospitality and tourism, the study applied quantitative analysis to assess stakeholder perceptions. Results indicated that external stakeholder expectations led firms to engage in socially responsible behaviors, such as ethical management and environmental stewardship. These practices were shown to contribute positively to organizational reputation, stakeholder trust, and long-term business performance. Camilleri concluded that CSR and sustainability initiatives not only benefited society and the environment but also created strategic advantages for firms, enhancing competitiveness and growth prospects. The findings supported the business case for integrating CSR as a core component of corporate strategy, particularly in times of global disruption and stakeholder scrutiny.

Brunen and Laubach (2022) investigated whether sustainable consumer behavior translated into actual socially responsible investment (SRI) choices among clients of German robo-advisors. The study addressed the gap between self-reported environmental consciousness and real investment behavior. Utilizing a financially incentivized choice experiment, the researchers analyzed user data from clients of three digital wealth management platforms offering both conventional and sustainable portfolios. The analysis showed that individuals who actively practiced sustainable consumption were more inclined to opt for SRI strategies, especially when these options were visibly offered. However, the study also revealed a disconnect between stated values and actual decisions among individuals who merely identified as sustainable consumers without acting accordingly. The results emphasized the importance of observing real choices over relying solely on survey responses. The findings suggested that wealth managers could benefit from promoting SRI

options to clients who demonstrated tangible sustainability behaviors, reinforcing the role of behavioral evidence in investment marketing.

Vyas et al. (2022) examined the influence of individual investors' non-economic characteristics on their socially responsible investing behavior in India. The study adopted a conclusive research design, collecting data via structured questionnaires and analyzed through second-order structural equation modeling with mediation tests. Key investor attributes included collectivism, environmental attitude, religiosity, materialism, risk tolerance, and social investing efficacy. The analysis found that most individual characteristics positively influenced non-economic investment goals, except materialism and risk tolerance, which showed negative associations. The research highlighted the importance of personal values and beliefs in shaping responsible investment decisions. Findings provided implications for investors, fund managers, and corporations by confirming that socially responsible behavior is a significant factor in investment choices. The study advanced understanding of the psychological and social factors driving responsible investing among Indian individual investors, offering insights to enhance SRI market development and investor engagement.

Indriastuti and Chariri (2021) explored the combined effects of green investment and corporate social responsibility (CSR) investment on sustainable performance among manufacturing firms in Indonesia. The study utilized panel data from 132 listed companies on the Indonesia Stock Exchange between 2016 and 2019. It adopted the triple bottom line approach, focusing on people, planet, and profit, as the framework for assessing sustainable performance. Employing regression analysis, the authors investigated whether financial outcomes mediated the relationship between green and CSR investments and sustainability. The findings revealed that both green investment and CSR investment positively influenced financial and sustainable performance. However, financial performance did not significantly affect sustainability and failed to mediate the relationship between the two types of investment and long-term outcomes. The results suggested that direct investments in green and CSR initiatives were more effective in promoting sustainability than relying solely on financial gains. These insights underscored the importance of aligning sustainability strategies with core operational priorities rather than treating them as byproducts of financial performance.

Sheehy and Farneti (2021) analyzed the conceptual distinctions among four widely used terms, corporate social responsibility (CSR), sustainability, sustainable development, and

corporate sustainability, by tracing their historical and disciplinary origins. The study aimed to clarify these overlapping constructs and their implications for both policy-making and corporate strategy. Employing a conceptual and analytical approach, the researchers examined how these terms have been used interchangeably, leading to confusion among stakeholders including managers, regulators, and the public. They argued that CSR is most suitable for describing firm-level responsibilities, corporate sustainability aligns with organizational environmental strategies, sustainable development reflects broader public policy goals, and sustainability represents the most expansive term covering local, corporate, and global dimensions. Their findings underscored the importance of using accurate terminology to align strategic decisions and policy directives. By delineating the scope and application of each term, the study offered a refined framework for academic discourse and practical decision-making, reducing ambiguity in the implementation of responsible business practices.

Sciarelli et al. (2021) explored how environmental, social, and governance (ESG) criteria were incorporated into socially responsible investment (SRI) strategies, focusing on their role in fostering sustainable financial systems. The study aimed to evaluate whether ESG integration supported the transition toward sustainable finance. Utilizing an exploratory research design, the authors conducted a content analysis on the Key Investor Information Documents (KIIDs) from a selected sample of companies in 2020. Findings revealed that ESG integration varied significantly among asset management companies. Some firms demonstrated a deep commitment to ESG principles, while others applied them superficially. The variation was attributed to differences in managerial perspectives and investment approaches. Despite the study's qualitative nature and limited sample, it provided meaningful insights for asset managers and policymakers. The authors concluded that full ESG integration was essential for authentic SRI, and that transparent communication about sustainability efforts was critical for investor confidence and long-term performance.

Martini (2021) examined the evolution of socially responsible investing (SRI) from its ethical and religious roots to its present-day position within the sustainable development framework, particularly in the European Union. The study aimed to evaluate how SRI has shifted from a niche activity to a central investment strategy and assess regulatory advancements and shortcomings. Using a qualitative analytical approach, Martini explored international developments and focused on the challenges hindering global adoption of

SRI, such as the absence of a standardized taxonomy, lack of regulatory clarity, poor data quality, and complex behavioral factors. The findings revealed that despite notable progress in regulatory alignment, these persistent issues continue to deter global investor participation in the SRI space. The research emphasized the need for a unified definition of sustainable activities and improved data infrastructure to support cross-border comparisons and decision-making in sustainable finance.

Bajracharya and Samdani (2021) analyzed the impact of demographic variables on Nepalese mutual fund investors' attitudes toward Socially Responsible Investment (SRI). The study used a descriptive research design and collected primary data through structured questionnaires from 109 mutual fund investors in Kathmandu, employing non-probability convenience sampling. Statistical analysis revealed a significant relationship between investors' age and the factors influencing their investment decisions, while no significant associations were found for gender, educational qualification, or monthly income. The results suggested that age played a crucial role in shaping attitudes toward SRI, indicating varying levels of awareness and prioritization of socially responsible criteria across age groups. The study contributed to a deeper understanding of the demographic determinants of SRI attitudes in Nepal, offering valuable information for policymakers, financial institutions, and investors aiming to promote socially responsible investment practices. The findings emphasized the need for targeted strategies to enhance SRI awareness and acceptance among specific demographic segments within Nepal's investment community.

Farish and Karim (2021) explored factors influencing Malaysian investors' intentions to participate in Islamic Socially Responsible Investment (SRI). Employing a correlational research design, the study gathered primary data via online surveys targeting private investors in Kuala Lumpur and Selangor. Using multiple regression analysis, the research examined variables including attitude, subjective norms, perceived behavioral control, environmental and social concerns, knowledge, and religiosity. The findings indicated that these factors significantly affected investors' intentions to invest in Islamic SRI products, highlighting strong potential for growth within Malaysia's Islamic finance sector. The study concluded that Islamic SRI represented an innovative financial instrument combining ethical values with financial returns, supported by growing investor interest. It underscored the importance of understanding behavioral and attitudinal determinants to foster the development and adoption of Islamic SRI, thereby advancing both sustainable finance and Shariah-compliant investment frameworks in Malaysia.

Camilleri (2020) investigated the development and expansion of the market for socially responsible investing (SRI), aiming to present an overview of its evolution and contemporary practices. The study employed a descriptive research design through an extensive review of secondary literature, focusing on the proliferation of SRI strategies, such as positive and negative screening techniques. The research outlined how financial institutions and capital providers increasingly favored sustainable investments that produced measurable societal impact. Camilleri emphasized the growing presence of multiple stakeholders, including NGOs, auditors, and advocacy groups, in shaping corporate environmental, social, and governance (ESG) behavior. The study found that SRI had evolved from a niche concept to a mainstream practice, driven by the rising demand for ethical accountability and transparency. It also revealed that the market had matured, with a diversified set of investment products designed to reflect investors' ethical concerns. Overall, the research highlighted the opportunities and challenges of embedding sustainability into investment decisions, asserting that the SRI market had become a significant force within global financial systems.

Widyawati (2020) examined key themes and challenges in socially responsible investment (SRI), with a focus on environmental, social, and governance (ESG) metrics. The objective was to assess the coherence and alignment of SRI practices within the broader context of ethical investing. Using a structured review methodology, the study identified three dominant themes in the literature and highlighted a prevalent bias toward financial performance over ethical objectives. The analysis demonstrated that although ESG metrics served as critical tools for assessing sustainability performance and enabling SRI, they faced major issues such as lack of standardization and transparency. These inconsistencies undermined the reliability of ESG-based assessments, posing difficulties for investors aiming to align portfolios with social responsibility goals. The review also emphasized the need for convergence in ESG metrics to improve their effectiveness in guiding ethical investment decisions. Widyawati concluded that while ESG frameworks remained central to SRI, they required significant refinement to fully support sustainable and responsible financial practices.

Bodhanwala and Bodhanwala (2020) examined the comparative performance of sustainable and responsible investing (SRI) across various global markets to determine whether such investments could outperform conventional benchmark indices. Their study adopted quantitative methods, utilizing environmental, social, and governance (ESG)

ratings from Thomson Reuters Asset4 and employing the Jensen's alpha model and the Fama-French three-factor model to assess investment returns and risks. The analysis was conducted on SRI portfolios from seven countries, representing both developed and developing economies. The findings revealed that SRI portfolios in developing countries tended to underperform their benchmarks but had relatively lower risk levels. In contrast, SRI portfolios in developed nations, especially the United States, showed superior or equivalent performance compared to market indices. The study underscored the differentiated impact of SRI across economic contexts and provided critical insights for investors, practitioners, and regulators. It concluded that while the performance of SRI varied by region, the approach could offer a favorable risk-return balance, particularly when supported by strong ESG compliance. The results suggested that SRI strategies held promise, though their outcomes were contingent on market maturity and regional investment climates.

Hussain et al. (2019) examined how firms adjust their leverage in response to shocks in equity prices, focusing on socially responsible investment within Islamic finance. Using a sample of Malaysian firms from 2003 to 2018, the study analyzed the relationship between market and book debt ratios under a social classification distinguishing Shari'ah-compliant and non-compliant companies. The research employed quantitative methods based on theoretical expectations that managers adjust book debt ratios to align with market debt changes caused by equity price fluctuations. Findings revealed asymmetric behavior between compliant and non-compliant firms: both categories decreased book debt ratios as equity values increased, but only Shari'ah-compliant firms significantly raised debt levels during periods of equity decline, while non-compliant firms did not adjust their debt in such periods. This asymmetry suggested that compliant firms better manage leverage in response to adverse market conditions, reflecting a long-term sustainability orientation. The study concluded that screening firms by compliance status enables investors to identify sustainable firms, enhancing portfolio diversification within socially responsible investing. The findings have broader implications for developing sustainable capital markets globally by integrating social responsibility considerations into financial decisions.

Chatzitheodorou et al. (2019) explored various perspectives of socially responsible investment (SRI) through a narrative literature review and investor classification framework. The study's aim was to map SRI terminology, categorize investor motivations, and connect SRI behavior to broader sustainability principles. Using the triple-bottom-line

framework, the authors identified seven categories of investor motivations and ten distinct types of SRI behaviors. Their analysis revealed a divide between profit-oriented investors who use SRI as a risk management tool and value-driven investors motivated by ethical and environmental concerns. The study also discussed the relationship between SRI and cleaner production, underscoring the diversity and complexity in investor expectations. It concluded that despite the growing popularity of SRI, inconsistencies in conceptual understanding hinder its effective evaluation and implementation.

Bilbao-Terol et al. (2018) analyzed corporate social responsibility (CSR) reports using a multi-criteria decision-making framework to facilitate socially responsible investment (SRI). The objective was to build a structured model that supports investment decisions based on sustainability disclosures aligned with the Global Reporting Initiative (GRI) standards. The researchers developed a hierarchical two-level decision-making model that assessed CSR performance using normalized scoring systems across various sustainability aspects. They incorporated tools such as preference modeling and information aggregation to evaluate company data. An extended goal programming model was then used to construct investment portfolios that balanced financial returns with CSR performance. Their methodology was applied to eight prominent Spanish companies listed on the national stock exchange. The findings revealed that their approach enabled investors to make informed decisions that aligned with ethical preferences, as it allowed a detailed and comparative analysis of firms' social and environmental performances. The study demonstrated that integrating CSR data through multi-criteria models could enhance the transparency and effectiveness of SRI, offering stakeholders a systematic way to evaluate sustainability as part of financial decision-making.

Bradford et al. (2017) investigated how sustainability activities disclosed in corporate sustainability reports are perceived by external stakeholders in terms of their alignment with actual sustainability objectives. The study utilized content analysis of Global Reporting Initiative (GRI)-based sustainability reports and developed a survey instrument based on identified activities. This survey was administered to respondents familiar with business and investment practices. Factor analysis was employed to assess how participants related reported activities to sustainability performance. Findings indicated that respondents evaluated sustainability initiatives more as indicators of corporate citizenship and intrinsic values than as tools for achieving profit-driven outcomes. Moreover, participants' interpretations often diverged from the intended categories set by the GRI. The

study highlighted a misalignment between reporting frameworks and stakeholder perceptions, calling for better communication and clarity in sustainability disclosures.

Camilleri and Camilleri (2017) explored the integration of environmental and social considerations into investment decision-making through the concept of socially responsible investment (SRI). The main objective of their study was to highlight how SRI could support responsible business conduct, particularly through initiatives like impact investing, shareholder activism, and community engagement. Their analysis adopted a conceptual approach supported by prior empirical literature to assess the evolution and purpose of SRI. They emphasized that SRI strategies aimed not only to generate financial returns but also to encourage ethical and sustainable business practices. Their findings suggested that SRI was grounded in values related to human rights, environmental protection, labor practices, and community development, aligning investor priorities with broader societal outcomes.

Barom (2015) explored the extent to which Malaysian investors valued the social responsibility dimension in Islamic investment. The study aimed to assess investors' support for social, ethical, and environmental aspects, which are often underrepresented in Islamic finance compared to the growing socially responsible investment (SRI) market in developed economies. Employing a survey of investors in Islamic funds from three leading Malaysian fund managers, the research used descriptive statistics and exploratory factor analysis to identify key dimensions influencing investment decisions. Results indicated that adherence to fiqh principles was prioritized, followed by economic and social responsibility factors. Although economic considerations dominated, a significant portion of respondents regarded social responsibility criteria as equally or more important than financial returns. Additional analyses showed that ethnicity, religion, religiosity, income, age, SRI awareness, gender, marital status, and participation in prosocial activities influenced the importance attached to social responsibility. The study highlighted that investor attitudes toward social responsibility could promote its integration into Islamic finance, supporting the incorporation of ethical and social values alongside financial goals. These findings underscored the potential for Islamic finance to expand socially responsible practices within Malaysia's investment landscape.

Escrig-Olmedo et al. (2013) evaluated public perceptions and investor preferences regarding socially responsible investing (SRI) in Spain. The main objective was to identify how society views environmental, social, and governance (ESG) criteria and to determine the types of financial products investors prioritize. Conducting a field survey among

Spanish investors, the study employed descriptive statistical analysis to assess responses. The findings revealed that SRI remained underdeveloped in Spain, with many investors lacking adequate information about ESG components. The research suggested that increasing awareness and education could foster the growth of responsible financial products. The study concluded by recommending strategic actions for policymakers and financial institutions to bridge the information gap and enhance the adoption of sustainable investment practices.

Richardson (2013) evaluated the foundational arguments supporting socially responsible investing (SRI), aiming to identify their limitations in promoting sustainability within global financial systems. This doctrinal and theoretical study reviewed dominant rationales such as complicity-based responsibility, leverage-based approaches, and the universal owner thesis. Richardson critiqued these frameworks, arguing that while each offered value, they also exhibited theoretical and practical shortcomings, particularly in aligning with fiduciary duties imposed by legal frameworks. The study emphasized that conflicting interpretations of investor responsibility hindered the coherence and effectiveness of SRI in advancing environmental goals. As a remedy, Richardson proposed a temporally extended investment approach that considered long-term impacts, offering a more viable rationale for sustainable investing practices. Through critical analysis of legal and ethical discourses, the research demonstrated that a long-term investment horizon could reconcile fiduciary obligations with environmental objectives. The findings highlighted that the evolution of SRI required rethinking investor responsibilities and sustainability frameworks to overcome existing conceptual conflicts. Thus, the study contributed to redefining how institutional investors could engage with sustainability in a legally and ethically consistent manner.

Tsai et al. (2009) analyzed a multi-criteria decision-making (MCDM) model for selecting socially responsible investment (SRI) portfolios using the sustainability balanced scorecard. The research aimed to integrate sustainability into investment decisions by accounting for non-financial criteria. Through a case study approach, the authors applied DEMATEL to identify interdependencies among criteria, combined it with analytic network process (ANP), and employed zero-one goal programming to optimize the portfolio. The model was tested to select an appropriate mix of SRI stocks. The results showed that the proposed model effectively captured both financial and sustainability dimensions, offering a practical decision framework for investors seeking ethical and

environmentally conscious investments. The study concluded that aligning investment decisions with social responsibility goals could fulfill both performance and value-based objectives.

Table 1
Summary of Empirical Review

S.N.	Researcher	Title	Objective	Methodology	Findings
1	Oehmke and Opp (2025)	A theory of socially responsible investment	To develop a theoretical framework showing how SR funds influence firms	Descriptive and Analytical research design	SR funds can induce positive impact when they trade off financial return for social value. SR and profit-seeking capital are complementary under binding financial constraints.
2	Mohy-ud-Din et al. (2025)	Corporate social responsibility and climate change mitigation: Discovering the interaction role of green audit and sustainability committee	To explore the role of CSR in reducing the negative effects of climate change	Panel data analysis using 5412 firm-year observations from 451 US firms (2012–2023)	CSR mitigates adverse climate change effects. Sustainability committees enhance CSR's impact on mitigation strategies, while green audits help firms navigate policy uncertainty.
3	Oehmke and Opp (2025)	A theory of socially responsible investment	To develop a theoretical framework showing how SR funds influence firms to reduce externalities under various capital supply conditions	Theoretical modeling and development of the Social Profitability Index	SR funds can induce positive impact when they trade off financial return for social value. SR and profit-seeking capital are complementary under binding financial constraints.
4	Attarit et al. (2025)	The influences of corporate governance on corporate social responsibility and firm performance of the listed	To examine how corporate governance and CSR influence financial performance of sustainability-listed firms	Structural Equation Modeling (SEM) on data from 149 firms using 56-1 reports	Board meeting frequency and governance structure significantly impact firm performance. CSR also positively relates to market value.

S.N.	Researcher	Title	Objective	Methodology	Findings
		companies in Thailand sustainability investment			
5	Daugaard et al. (2024)	Implementing corporate sustainability information in socially responsible investing: a systematic review of empirical research	To review how corporate sustainability information is used in socially responsible investing and outline research gaps	Systematic literature review of 67 empirical studies using Web of Science and HistCite	Five sources of sustainability information were identified. Each source plays a different role in SRI strategies. Practical and academic implications provided.
6	Hlophe & Ellis (2024)	Changing consumer attitudes to make the Corporate Social Responsibility investment in sustainable fish production, a worthwhile investment to corporates	To analyze consumer attitudes towards CSR initiatives in sustainable fish consumption and their effect on purchase intention	Causal research design; quantitative analysis using regression and mediation analysis (Theory of Planned Behavior)	Attitude towards sustainable fish products mediates effects of health and environmental concerns on purchase intention, aiding CSR effectiveness in fish sector.
7	Koenigsmarck and Geissdoerfer (2023)	Shifting the focus to measurement: A review of socially responsible investing and sustainability indicators	To clarify definitions of SRI and propose a structured framework for sustainability indicators	Structured literature review using database searches and snowballing	Introduced Cambridge SRI Indicator Framework; defined key terms and highlighted measurement challenges in SRI implementation.
8	Xue et al. (2022)	Corporate social responsibility and high-quality development: do green innovation, environmental investment and corporate	To examine the impact of CSR on high-quality development and assess the mediating role of green innovation, environmental investment, and corporate governance	Panel data analysis of Chinese listed firms (2010–2019)	CSR significantly improves high-quality development; green innovation, environmental investment, and governance mediate the relationship. Effects are more prominent in bull

S.N.	Researcher	Title	Objective	Methodology	Findings
		governance matter?			markets and non-state firms.
9	Fallah Shayan et al. (2022)	Sustainable development goals (SDGs) as a framework for corporate social responsibility (CSR)	To develop a strategic framework by integrating CSR with SDGs to improve corporate responsibility practices	Conceptual framework/model development	Integrating SDGs into CSR provides a strategic and measurable roadmap for corporations, especially post-COVID-19, enhancing the relevance and effectiveness of CSR.
10	Camilleri (2022)	Strategic attributions of corporate social responsibility and environmental management: The business case for doing well by doing good!	To assess stakeholder perceptions on CSR and environmental practices in the tourism industry during the pandemic	Quantitative survey of 462 hospitality industry participants	Stakeholders influenced firms to adopt ethical and sustainable practices, which enhanced company value, societal impact, and environmental outcomes.
11	Brunen and Laubach (2022)	Do sustainable consumers prefer socially responsible investments? A study among the users of robo advisors	To examine the link between sustainable consumer behavior and the choice of SRI portfolios	Experimental design using incentivized investment choices among robo-advisor clients	Sustainable consumption correlates with SRI choices, but self-reported behavior does not always match investment actions; real choices matter more than stated preferences.
12	Vyas et al. (2022)	Investigating socially responsible investing behaviour of Indian investors using structural equation modelling	To explore how investor characteristics affect socially responsible investing behavior	Structural Equation Modelling (SEM)	Most personal attributes positively influence SRI behavior; materialism and risk affinity showed inverse relationships with non-economic investment goals.

S.N.	Researcher	Title	Objective	Methodology	Findings
13	Indriastuti and Chariri (2021)	The role of green investment and corporate social responsibility investment on sustainable performance	To analyze how green and CSR investment affect sustainable performance and financial performance	Sample of 132 Indonesian manufacturing firms (2016–2019); panel regression	Green and CSR investment positively affect sustainable performance. Financial performance does not mediate their relationship with sustainability.
14	Sheehy and Farneti (2021)	Corporate social responsibility, sustainability, sustainable development and corporate sustainability: What is the difference, and does it matter?	To clarify the distinctions and overlaps among CSR, sustainability, sustainable development, and corporate sustainability	Conceptual/theoretical review	CSR is most applicable at the business level, corporate sustainability applies to organizational environmental policy, sustainable development is for public policy, and sustainability spans all levels.
15	Sciarelli et al. (2021)	Socially responsible investment strategies for the transition towards sustainable development: The importance of integrating and communicating ESG	To examine how ESG integration in SRI supports sustainable financial growth	Multiple case study using content analysis of Key Investor Information Documents (KIIDs)	ESG integration varied among firms; some approached full ESG integration while others lagged due to different AMC strategies. Provides insights but is limited by small sample.
16	Martini (2021)	Socially responsible investing: from the ethical origins to the sustainable development framework of the European Union	To examine the historical evolution of SRI and assess regulatory developments and limitations in the EU context	Historical and regulatory review	SRI evolved from a religious-based exclusionary approach to a mainstream risk-analysis strategy. However, global challenges include lack of taxonomy, poor data, and regulatory gaps discouraging global adoption.

S.N.	Researcher	Title	Objective	Methodology	Findings
17	Bajracharya & Samdani (2021)	Socially Responsible Investment (SRI) Attitude of Mutual Fund Investors in Nepal	To examine the influence of demographic factors on attitudes towards SRI among Nepalese mutual fund investors	Descriptive research design; structured questionnaire; non-probability sampling	Age significantly influences SRI attitudes; no significant relationship found with gender, income, or education. Insightful for SRI promotion in Nepal.
18	Farish & Karim (2021)	A Study on the Factors Affecting the Intention to Invest in Islamic Social Responsible Investment in Malaysia	To identify factors influencing the intention to invest in Islamic SRI	Correlational design; quantitative survey; multiple regression analysis	Islamic SRI has strong potential; factors like religiosity, knowledge, and perceived control significantly influence investment intentions.
19	Camilleri (2020)	The market for socially responsible investing: A review of the developments	To review the evolution and current trends in SRI markets	Descriptive literature review	SRI products are increasingly adopted by diverse stakeholders; ESG behavior scrutiny is becoming central in investment decisions.
20	Widyawati (2020)	A systematic literature review of socially responsible investment and environmental social governance metrics	To review the role of ESG metrics in SRI and identify major research themes	Systematic literature review	ESG metrics are essential for SRI but face challenges like lack of transparency and inconsistency; ethical paradigm is underexplored.
21	Bodhanwala and Bodhanwala (2020)	Relationship between sustainable and responsible investing and returns: a global evidence	To compare SRI portfolio returns with benchmark indices across countries	Quantitative analysis using CAPM, Fama-French model	SRI underperforms in developing countries but lowers risk; in developed markets, especially the US, SRI outperforms or matches benchmarks.
22	Hussain et al. (2019)	Sustainability of leverage levels in response to shocks in equity prices:	To analyze how leverage responds to equity shocks in Shari'ah and non-Shari'ah firms	Empirical analysis of Malaysian firms (2003–2018)	Shari'ah-compliant firms adjust debt levels more responsibly during market fluctuations, supporting their

S.N.	Researcher	Title	Objective	Methodology	Findings
		Islamic finance as a socially responsible investment			suitability for SRI portfolios.
23	Chatzitheodorou et al. (2019)	Exploring socially responsible investment perspectives: A literature mapping and an investor classification	To classify types of SRIs and investors and review the terminology and motivations behind SRIs	Narrative literature review based on triple bottom line	Identified seven investor motivations and ten SRI types. Found a dichotomy between risk-averse and value-based investors in the SRI space.
24	Bilbao-Terol et al. (2018)	Multi-criteria analysis of the GRI sustainability reports: an application to Socially Responsible Investment	To create a decision-support model for evaluating CSR through GRI indicators	Multi-Criteria Decision Making (MCDM), Extended Goal Programming	Developed a model integrating sustainability with financial goals; applied to 8 Spanish firms to assist socially conscious investors.
25	Bradford et al. (2017)	Understanding sustainability for socially responsible investing and reporting	To explore how external stakeholders interpret sustainability activities reported by firms	Survey-based factor analysis using GRI reports	Stakeholders interpreted sustainability primarily as ethical behavior, not merely a constraint for profitability. Their evaluation often diverged from standard GRI reporting dimensions.
26	Camilleri and Camilleri (2017)	Socially responsible and sustainable investing	To define SRI and its strategic role in promoting social, environmental, and economic goals	Theoretical discussion with literature support	SRI includes strategies like impact investing and shareholder advocacy, aiming at both financial returns and social development in areas like human rights and environmental concerns.

S.N.	Researcher	Title	Objective	Methodology	Findings
27	Barom (2015)	Social responsibility dimension in Islamic investment: A survey of investors' perspective in Malaysia	To explore investors' support for the social responsibility dimension in Islamic investment	Descriptive and Exploratory Factor Analysis (survey-based)	Investors prioritize fiqh injunctions, but also consider social responsibility important; factors like ethnicity, religiosity, income, age, and awareness influence these perceptions.
28	Escrig-Olmedo et al. (2013)	Sustainable development and the financial system: Society's perceptions about socially responsible investing	To investigate societal perceptions and investor preferences for SRI in Spain	Field survey of Spanish investors	SRI is in early stages in Spain. Investors lack information about ESG criteria, indicating a need for education and promotion of responsible financial products.
29	Richardson (2013)	Socially responsible investing for sustainability: overcoming its incomplete and conflicting rationales	To critique existing rationales of SRI and propose a long-term investment perspective	Conceptual analysis of legal and financial theories	Existing SRI rationales are incomplete and conflicting; a long-term investment approach is proposed to align SRI with global sustainability goals.
30	Tsai et al. (2009)	The sustainability balanced scorecard as a framework for selecting socially responsible investment: an effective MCDM model	To develop an MCDM-based framework using sustainability metrics for selecting SRI portfolios	Descriptive and Analytical research design	Developed an integrated decision-making model to select SRI portfolios based on interdependent sustainability criteria. Demonstrated application through a practical case study.

2.4 Research Gap

Several recent studies have explored various aspects of socially responsible investment (SRI) and sustainability, including the strategic role of corporate social responsibility (Mohy-ud-Din et al., 2025), governance impacts on CSR and financial performance (Attarit et al., 2025), and investor behavior towards sustainable investing (Vyas et al., 2022). Furthermore, research has examined the integration of environmental, social, and

governance (ESG) factors into investment decisions (Sciarelli et al., 2021), consumer attitudes towards CSR products (Hlophe & Ellis, 2024), and the evolving frameworks for measuring SRI (Koenigsmarck & Geissdoerfer, 2023). These studies have contributed valuable insights; however, certain gaps remain unaddressed, especially in the context of emerging economies like Nepal.

Despite the growing global interest, research focusing specifically on socially responsible investment and sustainability within the Nepalese context remains limited. While international studies have extensively covered developed markets and some emerging economies (Indriastuti & Chariri, 2021; Siddiqui, 2018), no comprehensive study has been conducted to examine SRI practices and their sustainability impact in Nepal. This gap limits the understanding of localized factors influencing socially responsible investment decisions in Nepalese financial markets and the unique socio-economic environment of the country.

Many existing studies rely on data collected prior to 2020 or early 2020s (Camilleri, 2022; Martini, 2021), whereas this study incorporates the most recent data up to 2025, reflecting the latest developments and trends in SRI and sustainability. The dynamic nature of the investment landscape, influenced by recent global crises such as the COVID-19 pandemic and increasing environmental concerns, calls for updated empirical evidence that captures these evolving conditions and investor attitudes.

Previous research has often focused on broad determinants such as CSR, governance, and ESG metrics (Mohy-ud-Din et al., 2025; Vyas et al., 2022), but there has been less emphasis on a comprehensive set of behavioral and attitudinal factors influencing sustainable investment decisions. This study addresses this gap by including variables like investor awareness, risk-return attitude, social behavior, investment objectives, and environmental concern, which have not been collectively analyzed as determinants of sustainable investment decision-making in prior research.

Methodologically, prior studies have frequently applied either descriptive or purely causal research designs (Camilleri, 2020; Bajracharya & Samdani, 2021). This study bridges this gap by employing a mixed methodological approach, integrating descriptive statistics with causal comparative research design to provide a more holistic and rigorous analysis of the factors influencing socially responsible investment and sustainability. This enhances the robustness and applicability of findings for both academic and practical purposes.

CHAPTER III
RESEARCH METHODOLOGY

This chapter outlines the overall research methodology, covering the research approach, target population, sample size, sampling technique, data type and sources, tools used for data collection, methods of analysis, research framework, and variable definitions.

3.1 Research Design

This study has employed both descriptive and causal-comparative research designs. The descriptive design has been applied to examine the extent to which individual investors in Nepal have considered social responsibility in their sustainable investment decisions. Meanwhile, the causal-comparative approach has been used to evaluate the influence of awareness, risk-return attitude, social behavior, investment objectives, and environmental concerns on their decision-making process.

3.2 Population and Sample, and Sampling Design

The study has considered the entire population of Kathmandu Valley as its target group. A sample of 385 investors, comprising both corporate and individual investors, has been selected using a convenience sampling method. This approach has been chosen for its practicality and ease of data collection, enabling efficient access to respondents and timely completion of the research.

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

The study has adopted a quantitative approach and has relied on primary data collected directly from respondents through a structured questionnaire. A five-point Likert scale has been used to measure responses, ranging from "strongly disagree" (1) to "strongly agree" (5). The questionnaire has covered six variables, awareness, risk return attitude, social behavior, investment objective, environmental concern, and sustainable investment decision making, each measured using six items adapted from previous studies such as Chai et al. (2019), Cui et al. (2023), and Berry and Junkus (2013).

Table 2
Instrument of Data Collection

Variables	Source	Type of Questionnaire	N of Questions
Awareness	Chai et al. (2019); Cui et al. (2023)	5 Point Likert Scale	6
Risk Return Attitude	Chai et al. (2019) ; Berry and Junkus (2013)	5 Point Likert Scale	6
Social Behavior	Chai et al. (2019); Cui et al. (2023)	5 Point Likert Scale	6
Investment Objective	Chai et al. (2019)	5 Point Likert Scale	6
Environmental Concern	Chai et al. (2019); Berry and Junkus (2013)	5 Point Likert Scale	6
Sustainable investment decision	Chai et al. (2019); Cui et al. (2023); Berry and Junkus (2013)	5 Point Likert Scale	6

3.4 Method of Analysis

Following the completion of data collection, the information has been organized using software like Microsoft Excel and SPSS. For analysis, several statistical techniques including descriptive analysis, correlation, and multivariate regression have been applied to interpret the findings.

3.4.1 Descriptive Statistics

In this study, descriptive tools such as mean and standard deviation have been employed to examine the level to which Nepalese investors take social responsibility into account when making sustainable investment decisions.

A. Mean

In this research, the mean has been applied to evaluate how much importance investors in Nepal place on social responsibility when making their investment choices. It can be presented as:

$$\text{Mean} = \frac{\sum x}{n}$$

Where,

X = Value of responses of each independent or dependent variable

n = Number of responses

3.4.1.2 Standard Deviation

In this study, it has been used to examine the degree of variability in how investors in Nepal factor social responsibility into their sustainable investment decisions. It can be presented as:

$$\text{Standard Deviation}(\sigma) = \sqrt{\frac{\sum(X - \overline{X})^2}{n}}$$

Where,

X = Value of responses of each dependent or independent variable

$\overline{X}$ = Mean value of responses of each dependent or independent variable

n= Number of responses

3.4.3 Correlation Analysis

In this research, it has been utilized to explore the connection between investor awareness, risk-return attitude, social behavior, investment goals, environmental concerns, and their overall decision-making regarding investments. It can be presented as:

$$\text{Correlation Coefficient}(r) = \frac{n\sum XY - \sum X \sum Y}{\sqrt{n\sum X^2 - (\sum X)^2}\sqrt{n\sum Y^2 - (\sum Y)^2}}$$

Where,

n = Number of responses

X = Value of independent variable

Y= Value of dependent variable

3.4.4 Regression Analysis

In this study, multivariate regression has been applied to examine how investor awareness, risk-return attitude, social behavior, investment goals, and environmental concerns influence the sustainable investment decisions of individual investors in Nepal. The regression model of this study are as follows.

$Y_{SI} = \alpha + \beta_1 AW + \beta_2 RR + \beta_3 SS + \beta_4 IO + \beta_5 EC + E$ …… Eq (1)

Where,

SI = Sustainable Investment Decision

AW = Awareness

RA = Risk Return Attitude

SB = Social Behavior

IO = Investment Objective

EC = Environmental Concern

E = Error term

$\beta_1, \beta_2, \beta_{3,} \beta_4 , \beta_5$ are partial Beta Coefficients

α = Intercept Term

3.4.5 Reliability Test

In this study, the reliability test has been conducted using Cronbach's alpha to assess the consistency and dependability of the collected data. This ensures that the measurement instruments used are reliable for analysis.

Table 3

Reliability Test

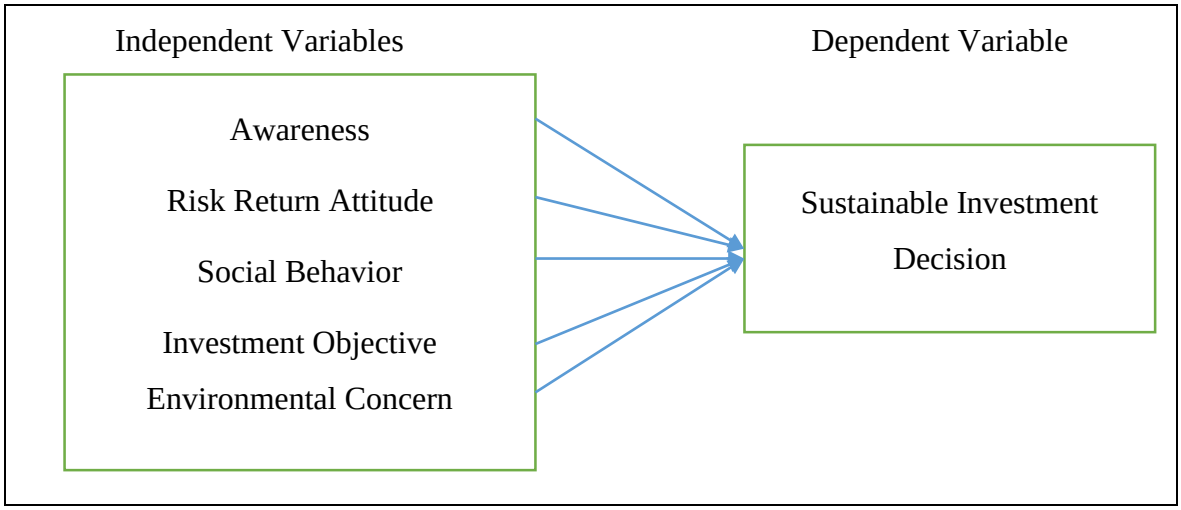
Code	Variable	Cronbach's Alpha	N of Items
AW	Awareness	0.708	6
RR	Risk Return Attitude	0.727	6
SS	Social Behavior	0.793	6
IO	Investment Objective	0.747	6
EC	Environmental Concern	0.750	6
SI	Sustainable Investment Decision	0.756	6
Overall		0.950	36

Source: Opinion Survey, 2025

Table 3 presents the reliability test results for the data collected in this study. The Cronbach's alpha values for all variables, AW at 0.708, RR at 0.727, SS at 0.793, IO at 0.747, EC at 0.750, and SI at 0.756, have all exceeded the acceptable threshold of 0.70. Additionally, the overall Cronbach's alpha for all 36 items is 0.950, indicating excellent reliability. Therefore, the data used in this study can be considered reliable for further analysis.

3.5 Research Framework and Definition of Variables

This study has developed its research framework based on Barom (2023), identifying awareness, risk-return attitude, social behavior, investment objective, and environmental concern as independent variables, while Sustainable investment decision making serves as the dependent variable.



Source: Barom (2023)

Figure 1. Research Framework of this Study

The operational definition of variables used in this study are as follows.

Awareness

Awareness refers to the degree of understanding and knowledge that individuals or organizations possess about socially responsible investment (SRI). This variable gauges how well investors comprehend environmental, social, and governance (ESG) factors influencing their investment choices. A high level of awareness reflects a solid grasp of SRI principles, whereas a low level indicates limited familiarity or understanding of these concepts (Barom, 2023).

Risk Return Attitude

Risk return attitude is a combined measure that reflects investors' perceptions and beliefs about the connection between risk and return, as well as their general stance toward socially responsible investing. It evaluates investors' readiness to accept different levels of financial risk while pursuing both monetary gains and social or environmental objectives. This variable captures the compromises investors are willing to make between financial returns and social responsibility, showing their approach to balancing these priorities. Higher

scores suggest a favorable view of SRI, where both financial and non-financial outcomes are valued, while lower scores imply a cautious approach focused mainly on financial gain, with less emphasis on social or environmental factors (Chai et al., 2019).

Social Behavior

Social behavior relates to the actions investors take concerning socially responsible investment. This variable looks at whether investors participate in activities such as screening investments using ESG criteria, voting on shareholder proposals, or supporting corporate social responsibility efforts. It indicates the level of commitment investors demonstrate toward advancing social and environmental goals through their investment decisions (Barom, 2023).

Investment Objective

Investment objective refers to the aims or purposes investors seek to fulfill through their investment activities. Within the context of SRI, this variable highlights whether investors focus primarily on financial returns, social impact, environmental sustainability, or a combination of these factors. It reveals the guiding goals behind investors' decision-making in socially responsible investing (Barom, 2023).

Environmental Concern

Environmental concern measures the importance investors place on environmental issues during investment decision-making. This variable reflects investors' awareness of ecological challenges like climate change, pollution, and resource scarcity, as well as their willingness to support investments aimed at addressing or alleviating these problems. A high degree of environmental concern signals a strong prioritization of sustainability in investment choices (Chai et al., 2019).

Sustainable Investment Decision

Sustainable Investment decision describes the process investors use to assess opportunities and select investments based on criteria such as financial returns, risk, and social responsibility factors for long term. This variable evaluates how investors incorporate ESG considerations into their decision process and examines the influence of socially responsible investment principles on their portfolio choices. It represents the strategic methods investors use to align their investments with their values and social responsibility goals (Chai et al., 2019).

CHAPTER IV

RESULTS AND DISCUSSION

This chapter presents the findings followed by their interpretation. Initially, the results are outlined and examined, and subsequently, they are discussed in relation to conclusions drawn in previous studies for comparison and contrast.

4.1 Results

This section presents the outcomes of the descriptive analysis, correlation, and regression tests in tabular form, followed by a detailed interpretation of the findings.

4.1.1 Demographic Profile of Respondents

This section examined the demographic characteristics of the respondents, including gender, age, education level, marital status, and annual family income.

Table 4
Demographic Profile of Respondents

Demographic Profile		Frequency	Percent
Gender	Male	231	60.00
	Female	154	40.00
Age	Less than 21	40	10.39
	21 to 25	100	25.97
	25 to 30	137	35.58
	Above 30	108	28.05
Education Level	Below Bachelor's Degree	124	32.21
	Bachelor's Degree	189	49.09
	Master's Degree	72	18.70
Marital Status	Single	177	45.97
	Married	208	54.03
Family Income (Yearly)	Less than Rs. 500,000/-	26	6.75
	Between Rs. 500,000/- and Rs. 10,00,000/-	299	77.66
	More than Rs. 10,00,000/-	60	15.58

Source: Opinion Survey, 2025

Table 4 presents the demographic profile of the respondents. Among the 385 participants, 231 (60%) were male, while 154 (40%) were female. Regarding age, 40 respondents (10.39%) were below 21 years, 100 (25.97%) were between 21 and 25 years, 137 (35.58%) fell within the 25 to 30 years range, and 108 (28.05%) were above 30 years old. In terms of education, 124 respondents (32.21%) had below a bachelor’s degree, 189 (49.09%) held

a bachelor's degree, and 72 (18.70%) had completed a master's degree. For marital status, 177 individuals (45.97%) were single, while 208 (54.03%) were married. Finally, considering yearly family income, 26 respondents (6.75%) earned less than Rs. 500,000, 299 (77.66%) had an income between Rs. 500,000 and Rs. 1,000,000, and 60 (15.58%) earned more than Rs. 1,000,000.

4.1.2 Descriptive Statistics

In this study, descriptive statistics have been used to evaluate the degree to which investors in Nepal take social responsibility into account when making sustainable investment decisions.

A. Descriptive Result of Awareness

This part outlined the descriptive findings related to the role of awareness in influencing sustainable investment decision making, with careful analysis of respondent perceptions.

Table 5
Descriptive Result of Awareness

Statements	Mean	S.D.
I am aware of socially responsible investment (SRI).	3.657	1.119
I understand the impact of environmental investing.	3.652	1.096
I know the benefits of considering ESG factors.	3.665	1.125
I am aware of risks in socially responsible investing.	3.709	1.129
I check companies' social and environmental records.	3.696	1.058
Sustainability matters to me when I invest.	3.649	1.122

Source: Opinion Survey, 2025

Table 5 presents the descriptive study of the perception of 385 respondents toward sustainable investment decision making in Nepal. The statement "I am aware of risks in socially responsible investing" recorded the highest mean of 3.709 with a standard deviation of 1.129, indicating that respondents generally have a strong awareness of the potential risks involved in socially responsible investments.

Conversely, the statement "Sustainability matters to me when I invest" showed the lowest mean of 3.649 with a standard deviation of 1.122, suggesting that while sustainability is important to investors, it may not be the top priority for all respondents when making investment decisions.

Overall, the descriptive results reflect a moderate to high level of awareness among respondents regarding various aspects of socially responsible investing, including environmental impact, benefits of ESG factors, and company records, demonstrating a positive inclination toward sustainable investment considerations.

B. Descriptive Result of Risk Return Attitude

This section presented the summary of findings concerning the influence of risk return attitude on sustainable investment decision making, highlighting how respondents perceive its role in shaping their choices.

Table 6
Descriptive Result of Risk Return Attitude

Statements	Mean	S.D.
I have a positive attitude toward investing in socially responsible companies while making investment decisions.	3.608	1.070
I prefer to invest in environmentally friendly companies when making investment decisions.	3.623	1.111
I believe companies should take greater responsibility for their impact on society when I make investment choices.	3.525	1.134
I feel good about investing in companies that contribute positively to the environment during my investment decision process.	3.727	1.066
I actively support environmental issues through the investments I choose to make.	3.683	1.113
I avoid supporting businesses that engage in unethical practices when selecting investments.	3.634	1.108

Source: Opinion Survey, 2025

Table 6 presents the descriptive study of the perception of 385 respondents toward risk return attitude in sustainable investment decision making in Nepal. The statement "I feel good about investing in companies that contribute positively to the environment during my investment decision process" recorded the highest mean of 3.727 with a standard deviation of 1.066, indicating that respondents generally have a strong positive feeling about supporting environmentally responsible companies when making investment choices.

On the other hand, the statement "I believe companies should take greater responsibility for their impact on society when I make investment choices" showed the lowest mean of 3.525 with a standard deviation of 1.134, suggesting that while respondents expect

companies to be socially responsible, this belief is somewhat less strong compared to other attitudes related to risk and return in sustainable investing.

Overall, the descriptive results demonstrate a generally favorable risk return attitude among respondents, reflecting their preference for investing in socially and environmentally responsible companies while avoiding unethical practices.

C. Descriptive Result of Social Behavior

This part highlighted the descriptive outcomes regarding the impact of social behavior on sustainable investment decision making, focusing on respondents' views about its significance in their investment preferences.

Table 7
Descriptive Result of Social Behavior

Statements	Mean	S.D.
I consider ESG criteria before making investment decisions.	3.470	1.233
I talk with others about investing in socially responsible companies.	3.683	1.117
I avoid investing in companies that harm society or the environment.	3.675	1.081
I support companies that are socially and environmentally responsible.	3.701	1.102
I believe my investments should reflect my social and environmental values.	3.730	1.073
I influence others to invest in socially responsible companies.	3.694	1.111

Source: Opinion Survey, 2025

Table 7 presents the descriptive study of the perception of 385 respondents toward social behavior in sustainable investment decision making in Nepal. The statement "I believe my investments should reflect my social and environmental values" recorded the highest mean of 3.730 with a standard deviation of 1.073, indicating that respondents strongly feel their investment choices should align with their personal social and environmental beliefs.

In contrast, the statement "I consider ESG criteria before making investment decisions" showed the lowest mean of 3.470 with a standard deviation of 1.233, suggesting that while esg factors are considered, they may not be the primary factor influencing all respondents' investment decisions.

Overall, the descriptive findings reveal a positive social behavior among respondents, highlighting their tendency to support responsible companies, avoid harmful businesses, and encourage others to invest in socially responsible options.

D. Descriptive Result of Investment Objective

This section presented the summarized findings on how investment objective influences sustainable investment decision making, emphasizing participants' perspectives on its relevance in guiding their financial choices.

Table 8
Descriptive Result of Investment Objective

Statements	Mean	S.D.
My investment goal includes supporting social and environmental causes.	3.626	1.123
I aim to achieve both financial returns and positive social impact.	3.709	1.131
I invest to support long-term sustainable development in Nepal.	3.699	1.072
Social responsibility is part of my investment purpose.	3.686	1.112
I aim to invest in sectors that contribute to environmental sustainability.	3.571	1.107
I set clear goals to align my investments with my ethical values.	3.584	1.156

Source: Opinion Survey, 2025

Table 8 presents the descriptive study of the perception of 385 respondents toward investment objective in sustainable investment decision making in Nepal. The statement "I aim to achieve both financial returns and positive social impact" recorded the highest mean of 3.709 with a standard deviation of 1.131, indicating that respondents generally seek a balance between profit and social responsibility in their investment goals.

Conversely, the statement "I aim to invest in sectors that contribute to environmental sustainability" showed the lowest mean of 3.571 with a standard deviation of 1.107, suggesting that while environmental sustainability is important, it may be a slightly lesser focus compared to other investment objectives among respondents.

Overall, the descriptive results reveal that respondents prioritize combining financial returns with social and environmental considerations, demonstrating a commitment to ethical and sustainable investment goals.

E. Descriptive Result of Environmental Concern

This part summarized the descriptive analysis of the role of environmental concern in shaping sustainable investment decision making, reflecting respondents' attitudes toward ecological considerations in their financial decisions.

Table 9
Descriptive Result of Environmental Concern

Statements	Mean	S.D.
I care deeply about pollution issues when making investment decisions.	3.571	1.114
Air pollution and ozone depletion worry me when I choose investments.	3.688	1.021
I feel upset thinking about the harm pollution causes to life when investing.	3.564	1.119
It frustrates me to know companies cause pollution when I decide where to invest.	3.834	1.010
I prefer investing in companies with strong environmental policies and practices.	3.686	1.124
Environmental sustainability is an important factor I consider when selecting investments.	3.577	1.164

Source: Opinion Survey, 2025

Table 9 presents the descriptive study of the perception of 385 respondents toward environmental concern in sustainable investment decision making in Nepal. The statement "It frustrates me to know companies cause pollution when I decide where to invest" recorded the highest mean of 3.834 with a standard deviation of 1.010, indicating that respondents strongly dislike supporting companies that contribute to environmental harm.

In contrast, the statement "I feel upset thinking about the harm pollution causes to life when investing" showed the lowest mean of 3.564 with a standard deviation of 1.119, suggesting that while concern about pollution’s impact on life is present, it is slightly less intense compared to other environmental worries.

Overall, the descriptive findings indicate that environmental concern plays a significant role in guiding respondents’ investment decisions, with a clear preference for companies that follow strong environmental policies and practices.

F. Descriptive Result of Sustainable Investment Decision

This section outlined the descriptive analysis of investment decision making in the context of sustainability, focusing on how individuals approach and prioritize sustainable aspects in their financial decisions.

Table 10
Descriptive Result of Investment Decision Making

Statements	Mean	S.D.
I consider ESG factors in my investment decisions.	3.644	1.144
I make investment decisions based on both financial and ethical criteria.	3.694	1.172
I research a company's sustainability practices before investing.	3.714	1.088
My investment decisions are influenced by environmental and social issues.	3.686	1.128
I use responsible investing guidelines when making financial choices.	3.636	1.105
Sustainability is a key factor in my investment decision-making process.	3.496	1.097

Source: Opinion Survey, 2025

Table 10 presents the descriptive study of the perception of 385 respondents toward investment decision making in sustainable investment in Nepal. The statement "I research a company's sustainability practices before investing" recorded the highest mean of 3.714 with a standard deviation of 1.088, indicating that respondents generally prioritize investigating a company's sustainability efforts when making investment choices.

On the other hand, the statement "Sustainability is a key factor in my investment decision-making process" showed the lowest mean of 3.496 with a standard deviation of 1.097, suggesting that while sustainability is considered important, it may not be the primary deciding factor for all respondents.

Overall, the descriptive results highlight that respondents tend to balance financial and ethical considerations in their investment decisions, with a notable emphasis on responsible investing and awareness of environmental and social issues.

G. Summary of Descriptive Results

This section provides a summary of descriptive statistics using mean and standard deviation to analyze the overall factors influencing the extent to which investors in Nepal consider social responsibility in their sustainable investment decisions.

Table 11
Summary of Descriptive Results

Code	Variable	Mean	S.D.
AW	Awareness	3.671	0.707
RR	Risk Return Attitude	3.633	0.715
SS	Social Behavior	3.659	0.786
IO	Investment Objective	3.646	0.742
EC	Environmental Concern	3.653	0.729
SI	Sustainable Investment Decision	3.645	0.753

Source: Opinion Survey, 2025

Table 11 summarized the descriptive statistics reflecting investors' perceptions toward sustainable investment in Nepal. The mean score for AW has been 3.671 with a standard deviation of 0.707, indicating that investors have generally held a positive perception and good understanding of sustainable investment concepts.

For RR, the mean has been 3.633 with a standard deviation of 0.715, suggesting that investors have tended to hold favorable views about balancing risk and return when considering sustainable investments.

The SS variable has shown a mean of 3.659 with a standard deviation of 0.786, reflecting that investors have positively perceived the influence of social factors on their investment decisions.

IO has had a mean score of 3.646 with a standard deviation of 0.742, indicating that investors have considered social and environmental goals important in their investment planning.

EC has had a mean of 3.653 with a standard deviation of 0.729, revealing that investors have generally recognized and valued ecological issues in their decision-making process.

Finally, SI has shown a mean of 3.645 with a standard deviation of 0.753, demonstrating a moderately positive attitude among investors toward making investment choices that support sustainability.

4.1.3 Correlation Analysis

This section employed correlation analysis to examine the relationships between investor awareness, risk return attitude, social behavior, investment objectives, environmental concerns, and their impact on sustainable investment decision making.

Table 12

Result of Correlation Analysis

Variables		AW	RR	SS	IO	EC	SI
AW	Pearson Correlation	1					
	Sig. (2-tailed)						
RR	Pearson Correlation	.738**	1				
	Sig. (2-tailed)	0.000					
SS	Pearson Correlation	.833**	.822**	1			
	Sig. (2-tailed)	0.000	0.000				
IO	Pearson Correlation	.824**	.783**	.858**	1		
	Sig. (2-tailed)	0.000	0.000	0.000			
EC	Pearson Correlation	.719**	.654**	.705**	.721**	1	
	Sig. (2-tailed)	0.000	0.000	0.000	0.000		
SI	Pearson Correlation	.847**	.819**	.874**	.866**	.745**	1
	Sig. (2-tailed)	0.000	0.000	0.000	0.000	0.000	

Source: Opinion Survey, 2025

Table 12 presents the correlation between the independent variables, awareness (AW), risk return attitude (RR), social behavior (SB), investment objective (IO), environmental concern (EC), and the dependent variable, sustainable investment decision (SI).

The correlation between AW and SI has been strong and positive, with a Pearson correlation coefficient of 0.847. This relationship has been significant at the 5 percent level, showing that greater AW has consistently influenced SI positively.

RR has shown a strong positive correlation of 0.819 with SI, which has been significant at the 5 percent level. This indicates that a favorable RR has had a meaningful effect on SI.

SB has exhibited the strongest positive correlation with SI at 0.874, and this association has been statistically significant. This suggests SB has played a key role in shaping SI.

IO has demonstrated a strong positive correlation of 0.866 with SI, significant at the 5 percent level, indicating that clear IO has strongly influenced decision making.

EC has shown a moderately strong positive correlation of 0.745 with SI, also significant at the 5 percent level, reflecting that EC has been important in SI.

4.1.4 Regression Analysis

This section applied multivariate regression analysis to evaluate how investor awareness, risk return attitude, social behavior, investment objectives, and environmental concerns influenced sustainable investment decision making among individual investors in Nepal.

Table 13

Model Summary of Regression Model

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.923	0.852	0.850	0.292

Source: Opinion Survey, 2025

Table 13 presents the model summary of the regression analysis with an R value of 0.923. The R square value of 0.852 indicates that 85.2% of the variation in SI has been explained by these independent variables. The adjusted R square of 0.850 confirms the model's reliability, while the standard error of estimate is 0.292, reflecting the average distance between the observed and predicted values.

Table 14

ANOVA Table of Regression Model

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	185.667	5	37.133	436.628	0.000
	Residual	32.232	379	0.085		
	Total	217.900	384			

Source: Opinion Survey, 2025

Table 14 presents the ANOVA of the regression model. The model has been found to be statistically significant with an F-value of 436.628 and a significance level of 0.000, which is less than 0.05. This indicates that the regression model is fit for analysis and that the predictors, awareness (AW), risk return attitude (RR), social behavior (SB), investment objective (IO), and environmental concern (EC), have a meaningful combined effect on sustainable investment decision (SI)

Table 15

Beta Coefficient of Regression Model

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	-0.136	0.087		-1.563	0.119		
	AW	0.235	0.043	0.220	5.510	0.000	0.245	4.084
	RR	0.200	0.038	0.190	5.252	0.000	0.297	3.365
	SS	0.233	0.045	0.243	5.184	0.000	0.178	5.628
	IO	0.249	0.044	0.245	5.624	0.000	0.206	4.865
	EC	0.118	0.031	0.114	3.760	0.000	0.421	2.374

Source: Opinion Survey, 2025

Table 15 presents the unstandardized beta, standardized beta coefficient, significance, and VIF of independent variables on the dependent variable sustainable investment decision (SI).

The unstandardized beta for awareness (AW) is 0.235, with a standardized beta of 0.220, and a significance level of 0.000, which is below the 0.05 threshold. The variance inflation factor (VIF) is 4.084, indicating no multicollinearity concern. This suggests that AW has a positive and significant impact on SI, meaning that an increase in awareness is likely to improve sustainable investment decisions.

For risk return attitude (RR), the unstandardized beta is 0.200, standardized beta is 0.190, and significance is 0.000, indicating a significant effect at the 5 percent level. The VIF of 3.365 confirms no multicollinearity issue. RR positively influences SI, implying that investors' risk-return perceptions play an important role in guiding sustainable investment choices.

Social behavior (SB) shows an unstandardized beta of 0.233, standardized beta of 0.243, and a significance of 0.000. The VIF value is 5.628, which is below the critical value of 10, indicating no multicollinearity. SB has a strong and positive effect on SI, suggesting that investors' social influences and behaviors significantly affect their sustainable investment decisions.

Investment objective (IO) has an unstandardized beta of 0.249, standardized beta of 0.245, with a significance of 0.000. Its VIF is 4.865, confirming no multicollinearity. IO has the

highest standardized beta among the variables, indicating it is the most influential predictor of SI. This means that clear investment goals aligned with sustainability strongly drive investment decisions.

Environmental concern (EC) has an unstandardized beta of 0.118, standardized beta of 0.114, and a significance level of 0.000. The VIF is 2.374, showing no multicollinearity. Although EC has the smallest beta values, it still positively and significantly impacts SI, indicating that concern for the environment plays a meaningful but comparatively smaller role in sustainable investment decisions.

4.1.5 Hypothesis Testing

Table 16
Hypothesis Testing

S. N.	Hypothesis	p-Value	Remarks
1	There is a significant impact of awareness on sustainable investment decision in Nepal.	0.000	Accept
2	There is a significant impact of risk return attitude on sustainable investment decision in Nepal.	0.000	Accept
3	There is a significant impact of social behavior on sustainable investment decision in Nepal.	0.000	Accept
4	There is a significant impact of investment objective on sustainable investment decision in Nepal.	0.000	Accept
5	There is a significant impact of environmental concern on sustainable investment decision. in Nepal.	0.000	Accept

Hypothesis 1

There is a significant impact of awareness on sustainable investment decision in Nepal.

Table 16 presents the hypothesis testing for the impact of awareness on sustainable investment decision. The analysis reveals a p-value of 0.000. Since the p-value is less than the significance level of 5 percent, the result indicates that awareness has a significant impact on sustainable investment decision, and the hypothesis is accepted.

Hypothesis 2

There is a significant impact of risk return attitude on sustainable investment decision in Nepal.

Table 16 shows the hypothesis testing result for the impact of risk return attitude on sustainable investment decision. The p-value obtained is 0.000, which is below the 5 percent significance threshold. This implies a significant effect of risk return attitude on sustainable investment decision, hence the hypothesis is accepted.

Hypothesis 3

There is a significant impact of social behavior on sustainable investment decision in Nepal.

According to Table 16, the p-value for testing the impact of social behavior on sustainable investment decision is 0.000. As this value is less than 0.05, it confirms a statistically significant relationship, leading to the acceptance of the hypothesis.

Hypothesis 4

There is a significant impact of investment objective on sustainable investment decision in Nepal.

Table 16 displays a p-value of 0.000 for the hypothesis concerning investment objective and sustainable investment decision. Since this p-value is well below the 5 percent level, the hypothesis is accepted, indicating a significant impact of investment objective on sustainable investment decision.

Hypothesis 5

There is a significant impact of environmental concern on sustainable investment decision in Nepal.

As shown in Table 16, the p-value calculated for the effect of environmental concern on sustainable investment decision is 0.000. Given that this is below the standard 5 percent level of significance, the result supports the hypothesis and confirms a significant impact.

4.2 Discussion

The findings of this study indicated that investors in Nepal had generally demonstrated a favorable perception and satisfactory understanding of socially responsible investing. Their investment decisions appeared to be meaningfully influenced by awareness and concern

for social and environmental factors, reflecting a consistent inclination toward incorporating responsibility into their financial choices. Oehmke and Opp (2025) emphasized that SR investments could meaningfully influence firm behavior when investors were willing to prioritize social impact, echoing this study's finding that awareness and concern for social issues have guided investment decisions. Similarly, Mohy-ud-Din et al. (2025) demonstrated that CSR enhances resilience and sustainable value creation, supporting the notion that socially conscious practices have practical value, as confirmed in this study. Hlophe and Ellis (2024) found that attitudes rooted in environmental concern shaped consumer purchasing behavior, aligning with this study's conclusion that environmental and social considerations influence investment preferences. Daugaard et al. (2024), through a systematic review, highlighted the importance of sustainability data in SRI decisions, which resonates with this study's observation that investors are mindful of such non-financial metrics. Likewise, Vyas et al. (2022) showed that personal values like collectivism and environmental attitudes significantly shaped socially responsible investment behavior in India, reinforcing this study's findings that individual awareness and values play a vital role in investment decision-making.

The results revealed that awareness (AW), risk return attitude (RR), social behavior (SB), and investment objective (IO) all had strong, positive, and significant relationships with SI, while environmental concern (EC) maintained a moderately strong, yet still positive and significant relationship. These findings underscored the influential roles of psychological, behavioral, and environmental factors in shaping individual investors' sustainable decisions. Vyas et al. (2022) similarly found that individual values such as environmental attitude and social investing efficacy positively influenced sustainable investment behavior, consistent with the present study's findings on awareness, social behavior, and investment objectives. Hlophe and Ellis (2024) demonstrated that attitudes and environmental concerns were key predictors of sustainable consumer decisions in South Africa, which supports the current study's emphasis on risk-return attitude and environmental concern. Likewise, Brunen and Laubach (2022) confirmed that socially conscious behaviors translated into actual SRI actions when options were available, echoing the role of social behavior and awareness as shown in this study. Indriastuti and Chariri (2021) found that direct investments in green and CSR initiatives led to better sustainability outcomes in Indonesia, reinforcing this study's conclusion that investment objectives and awareness significantly drive SI. Similarly, Farish and Karim (2021) showed that environmental and

social concerns, along with behavioral control and religiosity, significantly shaped Islamic SRI intentions in Malaysia, which parallels this study's finding that multiple non-financial factors meaningfully impact investment decisions.

The results revealed that awareness (AW), risk return attitude (RR), social behavior (SB), investment objective (IO), and environmental concern (EC) all had significant positive effects on SI. Among them, IO exerted the strongest influence, followed by SB and AW, while EC showed the weakest, though still meaningful, impact. Barom (2015) found that while Malaysian Islamic investors prioritized economic motives, a significant number also valued social and ethical responsibility, supporting this study's finding that IO and SB significantly affect SI. Similarly, Vyas et al. (2022) concluded that non-economic traits like environmental attitude and social investing efficacy strongly influenced responsible investment behavior, consistent with the positive roles of EC, SB, and AW in this study. Tsai et al. (2009) developed a multi-criteria SRI portfolio model integrating financial and non-financial metrics, which aligns with the current study's holistic view of IO, RR, and EC as influential factors. Escrig-Olmedo et al. (2013) highlighted the need for awareness and ESG knowledge to improve SRI adoption, directly reinforcing this study's finding of awareness as a strong influencer. Daugaard et al. (2024) emphasized challenges in using sustainability data and investor behavior variation, which complements the current study's findings by underscoring the need for clearer behavioral determinants like RR and SB. In contrast, Richardson (2013) argued that theoretical limitations and fiduciary constraints undermine SRI's effectiveness, partially deviating from this study's optimistic conclusion that behavioral and attitudinal variables robustly shape SI.

CHAPTER V
SUMMARY AND CONCLUSION

This chapter has provided the overall summary, key conclusions, and practical implications of the study. It has brought together the main findings, highlighted their significance, and outlined recommendations based on the results. As the final chapter, it has aimed to present a comprehensive overview and draw meaningful insights from the research conducted.

5.1 Summary

This study has focused on understanding how investors in Nepal have considered social responsibility in their sustainable investment decisions. It has examined the relationships between investor awareness, risk return attitude, social behavior, investment objectives, environmental concerns, and their influence on sustainable investment decision-making. The main objective has been to evaluate the impact of these factors on the decision-making process of individual investors, highlighting the growing importance of ethical and responsible investing in the Nepalese context.

The literature review of this study has been organized into four main sections: conceptual review, theoretical review, empirical review, and research gap. It has explored key concepts relevant to sustainable investment, examined important theories such as the theory of planned behavior and modern portfolio theory, and analyzed previous empirical studies related to investor behavior and sustainable decision-making. Finally, the review has identified existing research gaps that this study aims to address, providing a foundation for the investigation.

This study has employed both descriptive and causal-comparative research designs to examine how individual investors in Kathmandu Valley have considered social responsibility in their sustainable investment decisions and to evaluate the impact of awareness, risk return attitude, social behavior, investment objectives, and environmental concerns on their decision-making process. The entire population of Kathmandu Valley has been targeted, and a sample of 385 investors, including both corporate and individual investors, has been selected through convenience sampling to facilitate efficient data collection. A quantitative approach has been adopted, relying on primary data gathered via a structured questionnaire using a five-point Likert scale ranging from strongly disagree (1) to strongly agree (5). The questionnaire has measured six variables, awareness, risk return

attitude, social behavior, investment objective, environmental concern, and sustainable investment decision, each assessed through six items adapted from prior studies such as Chai et al. (2019), Cui et al. (2023), and Berry and Junkus (2013).

After completing data collection, the information has been organized using software such as Microsoft Excel and SPSS. The study has applied various statistical techniques, including descriptive analysis, correlation, and multivariate regression, to analyze the data. The research framework, developed based on Barom (2023), identifies awareness, risk return attitude, social behavior, investment objective, and environmental concern as the independent variables, with sustainable investment decision making as the dependent variable.

This study has found that awareness, risk return attitude, social behavior, investment objective, and environmental concern have all been significant determinants of sustainable investment decision-making. The relationships between these independent variables and the dependent variable have consistently been positive and strong, with investment objective showing the greatest impact, followed by social behavior and awareness. Environmental concern, while having a somewhat smaller effect, has still played a meaningful role. Overall, these factors have collectively influenced investors' sustainable investment choices in a significant and positive manner.

Overall, this study has offered valuable practical and theoretical implications. It highlights the importance of enhancing investor awareness and promoting social and environmental responsibility to encourage sustainable investment. It is recommended that policymakers and financial institutions develop targeted programs to educate investors and integrate sustainability principles into investment practices for better decision-making outcomes.

5.2 Conclusion

The first objective of this study has been to assess the extent to which investors in Nepal consider social responsibility when making sustainable investment decisions. The findings have shown that investors have generally maintained a positive perception and a good understanding of socially responsible investing. Their attitudes indicate a satisfactory level of awareness and concern for social and environmental factors, which have influenced their investment choices in a meaningful way. Overall, investors have demonstrated a consistent and favorable approach toward integrating social responsibility into their decision-making processes.

The second objective of this study has been to analyze the relationships between the independent variables and sustainable investment decision (SI). The results have shown that awareness (AW) has maintained a strong, positive, and significant relationship with SI, indicating its consistent influence on investors' decisions. Risk return attitude (RR) has also exhibited a strong, positive, and significant association with SI, demonstrating its important role in shaping investment choices. Social behavior (SB) has had the strongest positive and significant correlation with SI, highlighting its critical impact on decision making. Investment objective (IO) has shown a strong, positive, and significant connection with SI, reflecting its considerable influence on investors' sustainable choices. Finally, environmental concern (EC) has presented a moderately strong, positive, and significant relationship with SI, suggesting it remains a meaningful factor in sustainable investment decisions.

The third objective of this study has been to evaluate the impact of various factors on sustainable investment decision (SI). The findings have shown that awareness (AW), risk return attitude (RR), social behavior (SB), investment objective (IO), and environmental concern (EC) have all had positive and significant effects on SI. Among these, IO has had the strongest influence, followed closely by SB and AW, while EC has had a comparatively weaker but still meaningful impact. Overall, each variable has contributed significantly to shaping investors' sustainable investment choices.

5.3 Implications

5.3.1 Managerial Implications

- Investors' awareness, social behavior, and investment objectives significantly influence sustainable investment decisions, so managers should prioritize educating investors about social responsibility and sustainability.
- Financial institutions and policymakers need to develop clear guidelines and frameworks that incorporate environmental and social criteria to support sustainable investment practices.
- Promoting positive risk return attitudes can encourage investors to balance financial gains with ethical considerations, enhancing responsible investment behaviors.
- Encouraging social influences and community engagement can strengthen investors' commitment to sustainable investment choices.

- Emphasizing the importance of environmental concerns in investment strategies can help firms align with growing ecological expectations and attract responsible investors.

5.3.2 Implications to Future Researchers

- Future studies could explore additional factors influencing sustainable investment decisions, such as cultural or psychological variables, to expand understanding.
- Researchers may investigate the long-term effects of investor education programs on sustainable investment behavior.
- Comparative studies across different regions or countries could provide insights into how socio-economic contexts affect sustainable investment decisions.
- Further research could apply qualitative methods to gain deeper insights into investors' motivations and barriers regarding sustainability.
- Future work could examine the impact of emerging technologies, such as fintech and blockchain, on promoting sustainable investment practices.

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APPENDICES

Appendix I

Questionnaire

Dear Sir/Mam

I am Resham Bayalkoti, a student at Shanker Dev Campus, conducting a survey for my research titled "**Socially Responsible Investment and Sustainability in Nepal**."

Your valuable participation will help explore key insights for this study. The survey is short, taking just 10–15 minutes, and all responses will be kept strictly confidential and used only for academic purposes. Thank you for your support!

Thank you for your time and valuable input!

Sincerely,

Resham Bayalkoti

Shanker Dev Campus

Part I: Profile of Respondents

Please put a tick mark (✓) in the box in an appropriate option for each of the following.

1 Gender
- ☐ Male
- ☐ Female

2 Age
- Less than 21
- ☐ 21 to 25
- ☐ 25 to 30
- ☐ Above 30

3 Education Level
- ☐ Below Bachelor's Degree
- ☐ Bachelor's Degree
- ☐ Master's Degree

4 Marital Status
- ☐ Single
- ☐ Married

5 Family Income (Yearly)
- ☐ Less than Rs. 500,000/-

- ☐ Between Rs. 500,000/- and Rs. 10,00,000/-
- ☐ More than Rs. 10,00,000/-

Part II: Core Questions

Please put a tick mark (✓) in the box in an appropriate option for each of the following.

S.N.	Awareness	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
AW1	I am aware of socially responsible investment (SRI).					
AW2	I understand the impact of environmental investing.					
AW3	I know the benefits of considering ESG factors.					
AW4	I am aware of risks in socially responsible investing.					
AW5	I check companies' social and environmental records.					
AW6	Sustainability matters to me when I invest.					
S.N.	**Risk Return Attitude**	**Strongly Disagree**	**Disagree**	**Neutral**	**Agree**	**Strongly Agree**
RA1	I have a positive attitude toward investing in socially responsible companies while making investment decisions.					
RA2	I prefer to invest in environmentally friendly companies when making investment decisions.					
RA3	I believe companies should take greater responsibility for their impact on society when I make investment choices.					
RA4	I feel good about investing in companies that contribute positively to the environment during my investment decision process.					

RA5	I actively support environmental issues through the investments I choose to make.					
RA6	I avoid supporting businesses that engage in unethical practices when selecting investments.					
S.N.	**Social Behavior**	**Strongly Disagree**	**Disagree**	**Neutral**	**Agree**	**Strongly Agree**
SB1	I consider ESG criteria before making investment decisions.					
SB2	I talk with others about investing in socially responsible companies.					
SB3	I avoid investing in companies that harm society or the environment.					
SB4	I support companies that are socially and environmentally responsible.					
SB5	I believe my investments should reflect my social and environmental values.					
SB6	I influence others to invest in socially responsible companies.					
S.N.	**Investment Objective**	**Strongly Disagree**	**Disagree**	**Neutral**	**Agree**	**Strongly Agree**
IO1	My investment goal includes supporting social and environmental causes.					
IO2	I aim to achieve both financial returns and positive social impact.					
IO3	I invest to support long-term sustainable development in Nepal.					
IO4	Social responsibility is part of my investment purpose.					
IO5	I aim to invest in sectors that contribute to environmental sustainability.					

IO6	I set clear goals to align my investments with my ethical values.					
S.N.	**Environmental Concern**	**Strongly Disagree**	**Disagree**	**Neutral**	**Agree**	**Strongly Agree**
EC1	I care deeply about pollution issues when making investment decisions.					
EC2	Air pollution and ozone depletion worry me when I choose investments.					
EC3	I feel upset thinking about the harm pollution causes to life when investing.					
EC4	It frustrates me to know companies cause pollution when I decide where to invest.					
EC5	I prefer investing in companies with strong environmental policies and practices.					
EC6	Environmental sustainability is an important factor I consider when selecting investments.					
S.N.	**Sustainable Investment Decision**	**Strongly Disagree**	**Disagree**	**Neutral**	**Agree**	**Strongly Agree**
SI1	I consider ESG factors in my investment decisions.					
SI2	I make investment decisions based on both financial and ethical criteria.					
SI3	I research a company's sustainability practices before investing.					
SI4	My investment decisions are influenced by environmental and social issues.					
SI5	I use responsible investing guidelines when making financial choices.					
SI6	Sustainability is a key factor in my investment decision-making process.					

Appendix II

Frequency Table

Gender

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Male	231	60.0	60.0	60.0
	Female	154	40.0	40.0	100.0
	Total	385	100.0	100.0	

Age

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Less than 21	40	10.4	10.4	10.4
	21 to 25	100	26.0	26.0	36.4
	25 to 30	137	35.6	35.6	71.9
	Above 30	108	28.1	28.1	100.0
	Total	385	100.0	100.0	

Education Level

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Below Bachelor's Degree	124	32.2	32.2	32.2
	Bachelor's Degree	189	49.1	49.1	81.3
	Master's Degree	72	18.7	18.7	100.0
	Total	385	100.0	100.0	

Marital Status

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Single	177	46.0	46.0	46.0
	Married	208	54.0	54.0	100.0
	Total	385	100.0	100.0	

Family Income (Yearly)

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Less than Rs. 500,000/-	26	6.8	6.8	6.8
	Between Rs. 500,000/- and Rs. 10,00,000/-	299	77.7	77.7	84.4
	More than Rs. 10,00,000/-	60	15.6	15.6	100.0
	Total	385	100.0	100.0	

Appendix III

Reliability Test

Reliability Statistics of Awareness

Cronbach's Alpha	N of Items
0.708	6

Reliability Statistics of Risk Return Attitude

Cronbach's Alpha	N of Items
0.727	6

Reliability Statistics of Social Behavior

Cronbach's Alpha	N of Items
0.793	6

Reliability Statistics of Investment Objective

Cronbach's Alpha	N of Items
0.747	6

Reliability Statistics of Environmental Concern

Cronbach's Alpha	N of Items
0.750	6

Reliability Statistics Investment Decision Making

Cronbach's Alpha	N of Items
0.756	6

Overall Reliability Statistics

Cronbach's Alpha	N of Items
0.950	36

Appendix IV

Descriptive Statistics

	N	Mean	Std. Deviation
I am aware of socially responsible investment (SRI).	385	3.657	1.119
I understand the impact of environmental investing.	385	3.652	1.096
I know the benefits of considering ESG factors.	385	3.665	1.125
I am aware of risks in socially responsible investing.	385	3.709	1.129
I check companies' social and environmental records.	385	3.696	1.058
Sustainability matters to me when I invest.	385	3.649	1.122
I have a positive attitude toward investing in socially responsible companies while making investment decisions.	385	3.608	1.070
I prefer to invest in environmentally friendly companies when making investment decisions.	385	3.623	1.111
I believe companies should take greater responsibility for their impact on society when I make investment choices.	385	3.525	1.134
I feel good about investing in companies that contribute positively to the environment during my investment decision process.	385	3.727	1.066
I actively support environmental issues through the investments I choose to make.	385	3.683	1.113
I avoid supporting businesses that engage in unethical practices when selecting investments.	385	3.634	1.108
I consider ESG criteria before making investment decisions.	385	3.470	1.233
I talk with others about investing in socially responsible companies.	385	3.683	1.117
I avoid investing in companies that harm society or the environment.	385	3.675	1.081
I support companies that are socially and environmentally responsible.	385	3.701	1.102
I believe my investments should reflect my social and environmental values.	385	3.730	1.073
I influence others to invest in socially responsible companies.	385	3.694	1.111
My investment goal includes supporting social and environmental causes.	385	3.626	1.123
I aim to achieve both financial returns and positive social impact.	385	3.709	1.131

I invest to support long-term sustainable development in Nepal.	385	3.699	1.072
Social responsibility is part of my investment purpose.	385	3.686	1.112
I aim to invest in sectors that contribute to environmental sustainability.	385	3.571	1.107
I set clear goals to align my investments with my ethical values.	385	3.584	1.156
I care deeply about pollution issues when making investment decisions.	385	3.571	1.114
Air pollution and ozone depletion worry me when I choose investments.	385	3.688	1.021
I feel upset thinking about the harm pollution causes to life when investing.	385	3.564	1.119
It frustrates me to know companies cause pollution when I decide where to invest.	385	3.834	1.010
I prefer investing in companies with strong environmental policies and practices.	385	3.686	1.124
Environmental sustainability is an important factor I consider when selecting investments.	385	3.577	1.164
I consider ESG factors in my investment decisions.	385	3.644	1.144
I make investment decisions based on both financial and ethical criteria.	385	3.694	1.172
I research a company's sustainability practices before investing.	385	3.714	1.088
My investment decisions are influenced by environmental and social issues.	385	3.686	1.128
I use responsible investing guidelines when making financial choices.	385	3.636	1.105
Sustainability is a key factor in my investment decision-making process.	385	3.496	1.097
AW	385	3.671	0.707
RR	385	3.633	0.715
SS	385	3.659	0.786
IO	385	3.646	0.742
EC	385	3.653	0.729
SI	385	3.645	0.753
Valid N (listwise)	385		

Appendix V

Correlation Analysis

Correlations[b]

		AW	RR	SS	IO	EC	SI
AW	Pearson Correlation	1	.738**	.833**	.824**	.719**	.847**
	Sig. (2-tailed)		0.000	0.000	0.000	0.000	0.000
RR	Pearson Correlation	.738**	1	.822**	.783**	.654**	.819**
	Sig. (2-tailed)	0.000		0.000	0.000	0.000	0.000
SS	Pearson Correlation	.833**	.822**	1	.858**	.705**	.874**
	Sig. (2-tailed)	0.000	0.000		0.000	0.000	0.000
IO	Pearson Correlation	.824**	.783**	.858**	1	.721**	.866**
	Sig. (2-tailed)	0.000	0.000	0.000		0.000	0.000
EC	Pearson Correlation	.719**	.654**	.705**	.721**	1	.745**
	Sig. (2-tailed)	0.000	0.000	0.000	0.000		0.000
SI	Pearson Correlation	.847**	.819**	.874**	.866**	.745**	1
	Sig. (2-tailed)	0.000	0.000	0.000	0.000	0.000	

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

b. Listwise N=385

Appendix VI

Regression Analysis

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.923[a]	0.852	0.850	0.29163

a. Predictors: (Constant), EC, RR, AW, IO, SS

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	185.667	5	37.133	436.628	.000[b]
	Residual	32.232	379	0.085		
	Total	217.900	384			

a. Dependent Variable: SI

b. Predictors: (Constant), EC, RR, AW, IO, SS

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	-0.136	0.087		-1.563	0.119		
	AW	0.235	0.043	0.220	5.510	0.000	0.245	4.084
	RR	0.200	0.038	0.190	5.252	0.000	0.297	3.365
	SS	0.233	0.045	0.243	5.184	0.000	0.178	5.628
	IO	0.249	0.044	0.245	5.624	0.000	0.206	4.865
	EC	0.118	0.031	0.114	3.760	0.000	0.421	2.374

a. Dependent Variable: SI

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