SUSTAINABLE FINANCE AND ITS IMPLICATIONS FOR INVESTORS

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

by

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May, 2025

CERTIFICATION OF AUTHORSHIP

I hereby corroborate that I have researched and submitted the dissertation entitled **“Sustainable Finance and Its Implications for Investors"**. 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 this dissertation.

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REPORT OF RESEARCH COMMITTEE

Ms. Shreya Basnet has defended research proposal entitled **"Sustainable Finance and Its Implications for Investors"** successfully. The research committee has registered the dissertation for further progress. It is recommended to carry out the work as per suggestions and guidance of supervisor Dr. Pitri Raj Adhikari submit the dissertation for evaluation and viva-voce examination.

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APPROVAL SHEET

We, the undersigned, have examined the dissertation entitled **"Sustainable Finance and Its Implications for Investors"** presented by Shreya Basnet a candidate for the degree of Master of Business Studies (MBS Semester) and conducted the viva voce examination of the candidate. We hereby certify that the dissertation is worthy of acceptance.

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ACKNOWLEDGMENT

I would like to forward my deepest gratitude to Dr. Pitri Raj Adhikari of Shanker Dev Campus who supports me with their invaluable scholarly supervision, constructive comments and suggestions that allow me to furnish this thesis report in this final format.

I would like to pay my sincere thanks to Asso. Prof. Dr. Sajeeb Kumar Shrestha of Shanker Dev Campus. Besides, I would also like to thank to other respected teachers of Shanker Dev Campus and all the staff of this campus for their help in providing me various kinds of suggestions, information and comments.

Further, my deep regard to known and unknown individual who helped to collect the data at preliminary stage of this dissertation writing.

It is the matter of my immense pleasure to express my deep sense of gratitude and heartfelt respect to my parents for their affection, inspiration and incredible support to precede my academic career.

Shreya Basnet

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ABBREVIATIONS

AI	:	Artificial Intelligence
CAPM	:	Capital Asset Pricing Model
CSR	:	Corporate Social Responsibility
EF	:	Environment Factors
EFA	:	Exploratory Factor Analysis
ESG	:	Environmental, Social, and Governance
FMFG	:	Financial Maximally Filtered Graph
GF	;	Governance Factors
GSIA	:	Global Sustainable Investing Alliance
IDM	:	Investment Decision
JSFI	:	Journal of Sustainable Finance and Investment
MSME	:	Micro, Small, and Medium Enterprises
N	:	Number of Responses
PES	:	Payment for Ecosystem Service
S.D.	:	Standard Deviation
SAIF	:	Softbank Asia Infrastructure Fund
SDGs	:	Sustainable Development Goals
SF	;	Social Factors
SFI	:	Sustainable Finance and Investment
SFL	:	Sustainable Finance Literacy
SI	:	Sustainable Investing
SMEs	:	Small and Medium Businesses
SRI	:	Socially Responsible Investing
VIF	:	Variance Inflation Factor

ABSTRACT

This study explores sustainable finance and its implications for investors in Kritipur municipality, Nepal. The study aims to analyze investor views, investigate the relationships between sustainable finance and its investors, and evaluate the overall impact of sustainable finance practices in order to fill the gap in empirical research in this area.

The research design incorporates descriptive and casual-comparative methodologies focusing on a sample of 390 investors selected through convenience sampling. Data collection involves a structured questionnaire survey method, adopted to the Nepalese context, using a Likert scale to measure attitudes and perceptions towards sustainable finance.

Statistical tools such as Microsoft Excel and SPSS are used for data analysis, employing descriptive statistics, correlation analysis, and multiple regression analysis. The research framework incorporates independent variables including environmental factors, social factors and governance factors influencing sustainable financing, while investment decision serve as dependent variables.

The findings indicate a significant positive correlation between sustainable finance variables and its implications for investors. Environment factors demonstrates a weaker impact compared to social factors and governance factors all of which show statistically significant effects on investment decision. Therefore, the factors of sustainable finance as a whole serves as the main determinants of investment choices.

Practical implications suggest raising awareness and educating people about sustainable finance, integrating sustainability factors into investment strategies, and improving reporting and transparency standards. Incorporating different theories into the study of sustainable finance is crucial, as evidenced by the theoretical implications. One of the recommendations is to develop targeted educational initiatives and encourage cooperation among investors.

Keywords: *Sustainable finance, Investment decision, Environmental factors, Social factors, Governance factors.*

CHAPTER I

INTRODUCTION

1.1 Background of the Study

Sustainable finance is becoming increasingly important globally because it is one of the most innovative growth trends in the financial sector (Sharma et al., 2023). Sustainable finance can be understood as "finance for sustainability," signifying a substantial shift from merely integrating sustainability considerations into investment decisions. The European Commission (2021) defines sustainable finance as an evolving process of considering environmental, social, and governance (ESG) factors in financial and investment decisions. Sustainable finance is a developing concept and new paradigm of finance. It is well defined in the literature. The general definition of sustainable finance explains this kind of finance as finance that makes into consideration ESG factors into financial decision making (Schoenmaker, 2017). This means assessing the long-term effects of investments on sustainability by considering elements like biodiversity conservation, pollution avoidance, climate change adaptation and mitigation, and the circular economy.

Environmental factors pertain to a company's impact on the natural environment, including its resource usage, emissions, waste, and energy efficiency. In today's world, businesses must be mindful of their carbon footprint, water usage, and the impact of their actions on natural habitats (Chouaibi et al., 2022). Furthermore, in addition to environmental concerns, sustainable finance also involves addressing social and governance aspects. Social factors relate to a company's impact on society, encompassing its relationships with employees, customers, suppliers, and local societies. Social responsibility has become a pivotal factor in investors' decision-making processes (Zhang & Liu, 2022). Investors now seek companies that prioritize diversity, inclusion, employee welfare, and have a positive impact on the communities they operate (Sultana et al., 2017). Governance factors, on the other hand include a company's management practices, board structure, and ethical standards, which are essential for a company's long-term sustainability and financial performance (Chouaibi et al., 2022).

The emergence of sustainable finance approach is gaining momentum as it aligns with global efforts to address pressing challenges such as climate change, social inequality and governance shortcomings. By embedding ESG factors into financial processes,

sustainable finance seeks to promote economic development that is not only profitable but also responsible, ensuring that today's growth does not compromise the needs of future generations. According to the study of (Cunha et al., 2021), sustainable finance and investment play a role in advancing long-term global and economic development. The study's results indicate that actors engaged in sustainable finance and investment work together to produce favorable social and environmental outcomes through financial and investment activities. Through creative investment opportunities and holding companies responsible for their effects, sustainable finance instruments seek to achieve a balance between economic growth, environmental preservation, and societal well-being. In order to protect the quality of life for future generations, there is a concentrated effort to match financial goals with sustainability objectives as investors, institutions, and businesses become more conscious of the long-term effects of their choices.

Research demonstrated by investigations were out by researcher Filippini et al. (2021) introduces sustainable finance literacy as an enhanced version of financial literacy that considers the promotion of sustainability and the achievement of sustainable development goals as integral factors in financial decision making. Likewise, Bethlendi et al.(2022) illustrated positive relationship between knowledge of environmental issues and sustainable financial literacy, revealing that these factors are linked to individual's sustainable investment attitudes in their study. When Strauß et al. (2023) investigate the factors that influence sustainable finance literacy; they discover that investors who show an interest in sustainable finance and economic news typically possess greater levels of sustainable finance literacy. Additionally, a study by Degryse et al. (2023) found a favorable relationship between the willingness to make sustainable investments and sustainable financial literacy. Although the majority of this study has been carried out in rich countries, there is an increasing need to investigate comparable dynamics in the setting of developing countries. The purpose of this research is to determine whether investors' views toward sustainable investments in the developing nation of Ankara, Turkey, are significantly influenced by their knowledge of sustainable finance and the perceived environmental impact of sustainable finance instruments.

Following Anderson and Robinson (2022) and Filippini et al. (2021), this study attempts to examine whether investors' attitudes toward sustainable investment in developing nations differ significantly based on their perceptions of the environmental impact of sustainable finance instruments and their level of literacy in sustainable finance: Turkey's

Ankara. This research endeavors to examine whether sustainable finance literacy and perceptions of the environmental impact of sustainable finance instruments influence sustainable investing attitudes among investors in Ankara, Turkey, by drawing on Vroom's expectancy theory and Bandura's self-efficacy theory. Building on previous research and theoretical frameworks, the study aims to clarify the ways in which sustainable finance might encourage attitudes toward sustainable investment in developing nations.

The study of sustainable finance and its implications on investors is driven by the possible advantages of incorporating ESG considerations into investment choices. Such integration has shown to boost long-term value generation, risk mitigation, and financial performance. Furthermore, by coordinating financial goals with sustainability objectives, sustainable finance methods make it easier to provide funds to socially conscious businesses and ecologically friendly projects.

A conceptual foundation for comprehending the financial, environmental, and social aspects of sustainable finance and investments is offered by theoretical frameworks such as the Triple Bottom Line, Capital Asset Pricing Model (CAPM), and Theory of Stakeholder Engagement (Bennett et al., 2021). Researchers and practitioners may assess and analyze the effects of sustainable financial practices. Anderson and Robinson (2022) discover that a major obstacle for investors with strong environmental beliefs is financial knowledge. These investors want to match their investments to their environmental ideals, but they frequently lack the financial literacy needed to participate in the financial markets. Green investors do spend more on ESG products, but only if they are well versed in finance. Analyzing investors' sustainability preferences and financial literacy, (Bethlendi et al., 2022) conclude that there is still room for green investors to grow their investments.

The research offers a different viewpoint: rather than measuring investor attributes for sustainability and finance independently and examining how they overlap, we use Sustainable Finance Literacy (SFL) to quantify how the two domains cross and influence decision-making. We demonstrate that more is required than these, even in an environment with high financial literacy. To make wise investing decisions, investors still require a second layer of literacy, or SFL.

This study aims to identify the fundamental mechanisms that influence investors' attitudes, perceptions, and actions regarding sustainable investment possibilities by closely examining these elements in the context of sustainable finance. The complex dynamics of sustainable finance are the subject of this study, with a focus on the complex interactions among perceived behavioral control, trust, subjective attitude, and personal attitude as key determinants of investor's investment decision-making processes. Through careful examination and empirical research, the study seeks to clarify how these factors affect investor's investment choices, providing important new information about the complex interplay among personal convictions, subjective assessments, perceived control, and trust in the field of sustainable finance.

1.2 Problem Statement

In today's financial environments, sustainable finance poses a number of complex issues. The absence of established frameworks and procedures for incorporating sustainability considerations into investment choices is one major problem. The lack of generally recognized standards for assessing environmental, social, and governance (ESG) factors makes decision-making more difficult, as (Singhania et al., 2024)point out. This issue raises questions about the long-term performance and impact of sustainable investment options in addition to making it more difficult for investors to compare and evaluate them properly.

The dynamic and changing nature of sustainability issues and laws is another urgent issue in the field of sustainable finance. According to Ye and Dela (2023), investors who want to match their investment strategies with sustainability goals face substantial obstacles due to the quick changes in environmental regulations, social dynamics, and governance norms. The absence of clarity and predictability in market dynamics and regulatory frameworks makes it difficult for investors to create resilient and flexible investment plans that can endure changing sustainability standards.

Furthermore, information asymmetry and market opacity exacerbate the complexity of sustainable finance and its consequences for investment decision-making (Simon, 2023). According to Li et al. (2023), investors experience informational inefficiencies and ambiguity when there are no clear and consistent standards for evaluating sustainable investment possibilities for investors. This ambiguity and lack of transparency not only raises the perceived risks of sustainable investments but also erodes investor faith in the

long-term viability of financial instruments and products. For this study, the following research questions has been asked:

i. What is the investors view on sustainable finance in investment decision making?

ii. Do investment decisions making and sustainable finance have any relation?

iii. What effect does sustainable financing have on the process of choosing investments?

1.3 Objectives of the Study

The main goal of this research is to investigate the influence of sustainable financing on the investors. The research aims to reveal the complex relationship between investors' actions and sustainable financial practices through thorough investigation and analysis. By clarifying this relationship, the study hopes to make a significant contribution to the finance industry by illuminating how sustainability factors influence investing strategies and results. The objective set for this study is as follows:

i. To evaluate investors' attitudes on sustainable finance when making investment choices.

ii. To investigate the relationship between investment decision-making and sustainable financing.

iii. To analyze the impact of sustainable finance on the choice of investments.

1.4 Rationale of the Study

There are important ramifications for all parties involved in this study, including investors, governments, legislators, researchers, academics, and students. First off, this study offers insightful information about how sustainable financing affects investment decision-making for investors, especially those who are giving sustainable investments more importance. It provides evidence-based advice on how to incorporate environmental, social, and governance (ESG) considerations into investing strategies in order to possibly improve portfolio performance and meet sustainability goals. Secondly, the study's findings can also help governments and policymakers have better understanding how sustainable finance affects investment choices. These kinds of information can guide the creation of incentives and regulatory frameworks that support sustainable investing and financial stability. Thirdly, by adding to the body of knowledge

on sustainable finance, the study will benefit scholars and researchers. This study contributes to scholarly debate and encourages more research in the topic by filling in the gaps in the literature and developing theoretical frameworks. Furthermore, the study offers a useful instructional resource for students interested in studying sustainability, economics, finance, or related fields. It provides a practical framework for comprehending how finance and sustainability interact, giving aspiring professionals the knowledge to responsibly traverse changing financial environments. Thus, this study's multidimensional importance goes beyond specific stakeholders to include more general societal and environmental goals, encouraging sustainable growth and ethical financial practices.

1.5 Limitation of the Study

This study has following limitations:

- The breadth of theoretical frameworks and previous research that can be analyzed may be limited by the paucity of thorough literature that focuses on the relationship between sustainable finance and investor’s investment decision-making.
- The results of this study may not be as applicable to different settings and geographical areas because it only focuses at Kritipur Municipality.
- A relatively small sample size may be used in the study due to budget constraints, which could affect the findings' statistical power and representativeness.
- Data analysis and interpretation may be limited because of difficulties the study faces in measuring and operationalizing factors including investor perception, sustainable finance practices, and investment decision results.
- Comparing studies that use numerous data sources or secondary data analysis versus those that only use primary data gathering methods may reveal biases or limitations in the quality of the data, which could compromise the robustness and reliability of the study conclusions.

CHAPTER II

LITERATURE REVIEW

In conducting the literature review for this study, a comprehensive approach was undertaken to explore existing research in the field of sustainable finance and its implications for investors in investment decision. The literature comprised of four major sections: conceptual review, theoretical review, empirical review and research gap analysis. Conceptual overview entails discussion and examination of the basic principles, concepts, and frameworks of sustainable finance and their implications for investment. This type of overview integrates prevailing theories, definitions, and opinions without emphasis on empirical evidence or case studies. The theoretical review examined various theoretical models and frameworks used to explain the relationship between sustainable finance and investment decision-making, such as behavioral finance theories, agency theory, and stakeholder theory. The empirical review examined empirical evidence and studies that investigated the sustainable finance and its implications for investors, including what drives investor actions, trends in the market, and outcomes of performance. From this comprehensive review, research gaps in the current body of literature were identified, specifically the need for further empirical work to identify real-world implications of sustainable finance on investors.

2.1 Theoretical Review

This section introduces some sustainable finance theories. The theories are the priority theory of sustainable finance, the peer emulation theory of sustainable finance, the life span theory of sustainable finance, the positive signaling theory of sustainable finance, and the system disruption theory of sustainable finance.

Priority Theory of Sustainable Finance

The priority theory of sustainable finance claims that the velocity at which economic agents do their utmost to achieve sustainable finance goals in a nation or region is a true reflection of the priority given to the sustainable finance agenda. It accepts that economic agents have different significant priorities with the possibility of including the attainment of sustainable finance goals as an additional priority. It gives economic agents an opportunity to articulate the importance or priority they give to sustainable finance goals. The priority can be assessed from three dimensions: (i) the coordinated, independent and

collaborative efforts put together by economic agents towards achieving sustainable finance goals, (ii) how quickly or slowly a consensus is reached, and (iii) how quickly or slowly actions are taken towards achieving sustainable finance goals.

In general, economic agents hold different priorities. Such priorities may be listed in order from least to most important. Classification of sustainable finance goals in a set of priorities by economic agents effectively indicates the priority given to sustainable finance goals by economic agents. Such priorities are, however, subject to alteration with time based on changing realities within the world or within a country. If sustainable finance agenda is among the priorities of economic agents at a point in time, it means that economic agents will take seriously the sustainable finance agenda and will exert themselves very much to achieve sustainable finance goals (Kuhn, 2022).

The priority strategy for sustainable finance has two advantages. Firstly, it recognizes that economic actors have several important priorities with the potential of making it another priority to meet sustainable finance goals. Secondly, it offers economic actors an opportunity to communicate the importance or priority given to sustainable finance goals (Wilson, 2010). Likewise, the priority theory of sustainable finance has two disadvantages. One demerit of the theory is the achievement of sustainable finance goals is not always guaranteed when they are prioritized. Another demerit is that sustainable finance goals can still be accomplished without prioritization.

Peer Emulation Theory

The peer emulation theory of sustainable finance claims that in order to achieve sustainable financial goals, economic agents follow the same actions, or adopt comparable policies and methods, of their peers. The peer emulation theory of sustainable finance would take for granted that, in the absence of shared norms to inform action toward sustainable financing, economic agents fall back on emulating similar policies or actions by the peers they admire or emulate. The theory would therefore expect economic agents to seek after some sustainable finance objectives because their emulated peers are doing so or have done so in the past. For instance, nations with aligned perspectives on climate change are likely to adopt analogous sustainable finance policies (Ozili, 2023).

The theory offers several merits. Firstly, it allows economic agents to have the same social, economic and political values on sustainable finance as like-minded peers they respect. Secondly, it becomes simpler to adopt the sustainable finance policies and actions

already adopted by peers as only few adjustments need to be made before adopting it. Thirdly, it is cheaper to adopt the policies and actions taken by peers as the copying economic agent does not have to put a lot of its own capital to develop completely new strategy, policy or course of action in order to realize its sustainable finance objectives. Lastly, a lot of improvement can be done to the sustainable finance measures and policies that peers have implemented.

However, the peer emulation theory also has demerits. First, adopting the sustainable finance policies and practices that others have already implemented avoids both the unique creativity required to create a new course of action, policy, or strategy from the ground up and the important insights that could be discovered along the way. Second, due to variations in financial markets, financial regulation, governance systems, and political will to accomplish sustainable finance goals, implementing the same or comparable sustainable finance policies and initiatives that peers in other nations have adopted may not produce the anticipated outcomes.

The Life Span Theory of Sustainable Finance

The life span theory of sustainable finance explains how the duration of sustainable finance schemes, regulations, events, products, services, and instruments influences economic actors' interest in sustainable finance. This theory states that economic agents are aware that sustainable finance products go through a life cycle, starting with their launch as a new idea and continuing through expansion, maturity, and decline. With the use of this information, economic agents can forecast how long certain sustainable finance products will last, which affects their choice to commit to sustainable financing in the short, long, or no term (Vernon, 1979).

This theory offers two main merits. Firstly, it offers a clear explanation of the reasons behind the rise (or fall) in demand or support for particular sustainable financial products, services, or instruments, such green bonds. Secondly, it acknowledges the part information or prediction about the life span stages of sustainable financing products, services, tools, programs, policies or activities play. However, the theory also has two drawbacks. First, it could be difficult to get information regarding the phases of a sustainable financing product, service, instrument, scheme, policy, or activity. Second, it may not be possible to estimate with precision the life span stages of a particular sustainable financing product, service, instrument, scheme, policy, or activity.

Positive Signaling Theory

According to the positive signaling hypothesis, economic agents are motivated to provide positive information about their intention to pursue one or more sustainable financial goals in order to let others know that they are committed to achieving these goals. Through direct public statements in the media or the voluntary inclusion of extra financial and non-financial information in their published annual reports, economic agents can reveal positive information about their objectives for sustainable financing. Businesses for instance, release details about their most recent green bonds or sustainable financing products to draw in investors who wish to put their money into companies with a sustainability focus. It is simpler to draw in investors interested in green bonds with this kind of disclosure. Similar to this, a government can declare in public that it will release a national policy on sustainable finance. First, disclosure does not guarantee action, and second, firms may strategically disclose positive sustainable finance information to divert attention from negative aspects, such as losses in fossil fuel-related investments(Yasar et al., 2020).

The positive signaling hypothesis of sustainable finance has the advantage of reducing information asymmetry between enterprises and investors through information sharing. However, some drawbacks exist with the positive signaling theory. The first is that economic agents are not guaranteed to act after learning about sustainable finance. Second, companies that frequently reveal positive information about sustainable financing may be using this as a means of concealing or suppressing negative information. For example, a company may recently report significant losses in its fossil fuel-related investment portfolio before announcing its intentions to make sustainable investments.

System Disruption Theory of Sustainable Finance

According to the system disruption theory of sustainable finance, pursuing sustainable finance objectives may cause firms that mostly depend on traditional/mainstream financing to be disrupted as well as the structure of the traditional/mainstream financial system. According to its degree, the disruption brought about by the shift to sustainable finance could result in opposition from impacted economic actors or a general lack of public support for the sustainable finance objective could result in opposition from impacted economic actors or a general lack of public support for the sustainable finance objective. The system disruption theory of sustainable finance has some merits. First, it

recognizes that the current traditional/mainstream financial system may be disrupted by the shift to sustainable finance. Second, according to the theory, economic agents should be fully informed about the processes involved in the transition to sustainable finance and how it will affect them. This will enable them to comprehend the rationale behind the change and lessen their opposition to it.

One drawback of the system disruption theory of sustainable finance is that it may not be necessary to restructure the conventional/mainstream financial system in order to make the shift to sustainable finance. Instead, economic agents can choose voluntarily whether they want financing that considers ESG factors (Ozili, 2021).

2.2 Conceptual Review

In conceptual review, the concept of sustainable investment financing and its implications for investors and their investment decisions was briefly studied. This involved explaining the principles and procedures that underpin finance for sustainable investments, such as the integration of environmental, social, and governance (ESG) standards into investment plans. Furthermore, the review examined the theoretical underpinnings of investor's investment decision-making, examining the ways in which sustainable finance principles interact with elements including risk assessment, return expectations, and ethical considerations. Through an examination of extant literature and conceptual frameworks, the review sought to offer a thorough comprehension of the theoretical foundations of sustainable investment finance and its consequences for the processes involved in making investment decisions by investors.

Sustainable Investing

The term "sustainable finance" refers to a wide range of goods, approaches, and players that aim to incorporate non-financial issues mostly ESG factors into the capital markets' historically financially driven operations. In this paradigm, sustainable investing (SI) is defined as a long-term investment strategy that integrates environmental, social, and governance (ESG) considerations into the investigation, evaluation, and choice of securities for investment portfolios. Often impacted by historical and geographic circumstances, the definition seeks to capture the different terms and practices that make up sustainable investing. The Global Sustainable Investing Alliance (GSIA) lists seven typical sustainable investing techniques, such as corporate engagement, norm-based, screening, and ESG integration. Both the financial and non-financial goals of these

initiatives vary, as do the levels of ESG integration. For example, impact investing specifically aims for both financial returns and favorable social and environmental results, whereas ESG integration incorporates ESG elements into risk assessment similar to standard financial analysis.

From the ethical avoidance of "sin-stocks" by religious communities in North America to the introduction of notions related to Corporate Social Responsibility in the late 1960s, the variety of SI techniques demonstrates a historical evolution. With the Global Financial Crisis of 2008, in particular, scholarly interest in the financial effects of ESG management in businesses increased. During this time, the influence of financial markets on international issues came under closer study, and groups and principles calling for a more responsible approach to finance were formed. Examples of these include the Global Impact Investing Network in 2009 and the Principles for Responsible Investment in 2006. The emergence of sustainable finance generated lively discussions about the significance of sustainability in financial matters in both academic and financial circles (Mudra et al., 2024).

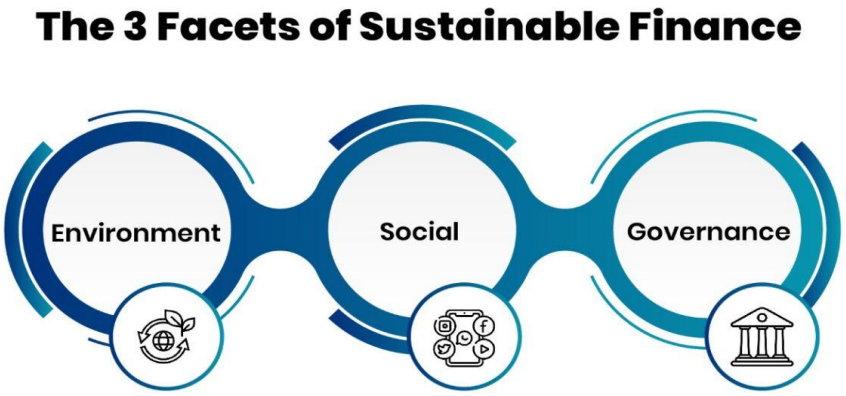
Financial markets now widely recognize and incorporate ESG factors, even though the debate over "doing well while doing good" is still continuing strong. Important indicators that support this include the assets managed in sustainable investing and the amount of capital flowing into sustainable asset classes (Knoll, 2002). The increasing adoption and use of sustainable finance concepts, in spite of continuous debates, highlight a fundamental change in the direction of integrating environmental, social, and governance considerations into financial decision-making processes globally (Sandberg et al., 2009).

Factors of Sustainable Investment

When making investment decisions, a variety of environmental, social, and governance (ESG) considerations must be examined, according to (Aich et al., 2021). The main objective is to match monetary advantages with favorable social and environmental consequences. This strategy shows how investors are beginning to incorporate non-financial factors into their investment plans, realizing how crucial sustainability is to the long-term sustainability of investments. Investors' ambition to successfully manage risk, generate competitive financial returns, and have a beneficial impact on society and the environment is the reason behind the growing popularity of sustainable investments, as highlighted.

Environmental, social, and governance factors are the three main categories into which the elements of sustainable investment are divided. In their scientific work, (Lingnau et al., 2022) explore these elements, illuminating the complex nature of sustainable investment. Environmental variables include things like pollution control, resource conservation, and climate change mitigation that are related to ecological sustainability. Social aspects cover topics like community involvement, diversity and inclusion, and labor rights that are important to human well-being and societal equality. The management practices and structures of businesses are referred to as governance considerations, with an emphasis on elements such as accountability, ethical conduct and transparency.

Investors can contribute to larger societal and environmental objectives in addition to generating financial rewards by including ESG considerations into their decision-making process. Investors can make better selections that are consistent with their principles and long-term goals by taking into account the governance procedures, social ramifications, and environmental impact of possible investments. In order to create a more just, resilient, and ecologically sustainable future, this investment strategy encourages sustainability across a range of sectors and businesses (Townsend, 2020).



Source: Leverage Investment Banking for Sustainable Finance

Figure 1. Factors of Sustainable Finance

Environmental Factors

In order to help reduce the consequences of climate change, safeguard natural resources, and promote sustainable land use, businesses must assume responsibility and allocate funds to ecologically focused programs and initiatives. They should not exacerbate pre-existing problems with climate change, waste management, pollution, energy consumption, mistreating wildlife, inappropriate use of natural resources, and so forth. Analysis of business activities' dangers and their contribution to a healthy world for present and future generations must be actively considered.

ESG criteria are essential for integrating environmental considerations into investing choices, making it possible to find financially feasible and environmentally beneficial ventures. According to Gärling and Jansson (2021), possible investment opportunities could be related to supporting sustainable development, reducing waste and pollution, or developing renewable energy. Environmental factors are important because they can have a big impact on both the long-term financial performance of a corporation and the state of the global economy as a whole.

Investors evaluate possible investments' effects on the environment using a variety of instruments, such as sustainability indexes and environmental ratings. Investors exposed to environmental risks or those having positive environmental benefits can be identified with the aid of these instruments. According to (Lingnau et al., 2022), these methods can help investors find investment alternatives that have the potential to yield favorable financial returns, including renewable energy projects that have positive long-term financial prospects and lower carbon emissions.

The two primary categories of environmental influences are regulatory and physical. Natural disasters, climate change, resource availability, and water scarcity are examples of physical elements that have a direct impact on a company's financial performance by raising expenses, decreasing income, and upsetting supply chains (Khalid et al., 2022). Regulations and policies put in place by governments and organizations to control bank activities, such lowering carbon emissions and promoting sustainable development, are examples of regulatory environmental factors (Moya-Clemente et al., 2020).

In conclusion, environmental considerations are very important when making sustainable investment choices. In order to manage assets with favorable environmental effects and find investments with positive environmental implications, investors take these aspects

into account. Sustainability indices and environmental ratings are useful instruments for assessing possible investments and locating chances for profitable returns while taking the environment into account.

Social Factors

The social component is primarily concerned with general social responsibility through funding initiatives and companies that deal with social issues such as poverty, inequality, and access to healthcare and education. Additionally, this is in line with the Sustainable Development Goals (SDGs) of the UN, which aim to improve the welfare of societies and communities. Many firms these days are working to invest in socially conscious organizations, such as addressing stigmas like sex, caste, and race discrimination and fostering values of diversity, social justice, and inclusion.

The significance of making sure that investments do not encourage or carry out human rights violations is emphasized by the fact that human rights constitute a crucial component of social considerations in sustainable investment. According to Gomes (2020), this entails refraining from funding initiatives that can support repressive governments or enable labor violations such as child labor and forced labor. Likewise, labor standards are important, requiring banks and projects to follow fundamental labor standards, treat employees fairly, and ensure safe working conditions (Townsend, 2020). Ensuring workers' rights to a living wage, access to basic benefits like paid time off and healthcare, and protection from discrimination are all part of this.

With a greater focus on advancing social justice and making sure investments benefit both local communities and workers, the consideration of social elements in sustainable investment has grown dramatically (Ahmed & Scott, 2020). By incorporating social factors into investing choices, investors can promote social justice, sustainable growth, and beneficial outcomes for society.

Governance Factors

Many governments around the world are enacting stricter ESG laws and reporting requirements in an effort to assist businesses in adhering to these laws and lowering their legal and reputational risks. By attracting like-minded clients and investors, building a strong company brand, and avoiding legal issues, this strategy will help create value. In sustainable investment, responsible use of investments and accountability for organizational decisions are greatly aided by effective governance. There are internal and

external components to governance. Adoption of corporate policies, codes of ethics, and internal control systems are examples of the systematic procedures that are used within an organization to ensure ethical conduct (Dahle & Lütz, 2020). The supervision of external stakeholders, including shareholders, regulators, and civil society organizations, is known as external governance. Additionally, many investors seek out companies that adhere to ethical standards including integrity, shareholder accountability, and openness in accounting procedures.

In general, because governance elements encourage accountability, transparency, and responsible investing, they are essential to sustainable investment practices. By following good governance principles, businesses may make sure that their investment choices support ethical standards and sustainability goals, resulting in beneficial social, environmental, and financial effects.

Why Investors Invest?

Numerous studies have examined the factors that influence investors' choices to make investments, both generally and in relation to sustainable investing. Broadly speaking, Statman (2004) suggested that investors invest for three primary reasons: emotional, expressive, and utilitarian. Investors pursue expressive benefits in addition to utilitarian ones, such as minimal risk and high returns, since these enable them to connect their investments with their beliefs and communicate those values to others and to themselves, giving their choices more meaning.

Scholars have discovered a variety of non-financial and financial factors that impact investors' choices in the field of sustainable investment. According to (Beal et al., 2015), decisions to hold sustainable assets are influenced by cognitive, psychological, and emotional aspects. Focused research like this one, which shows the substantial influence of psychological, demographic, and sociological characteristics on investment strategies among Chinese individual investors, further investigate these general tendencies. Furthermore, it is determined that client demand, legislative influence, and social pressure are the main forces behind sustainable investing.

In conclusion, researchers have discovered a wide range of factors, such as cognitive, social, psychological, and motivational elements, that influence investor behavior in sustainable investment. The conventional view of sustainable investment as an "irrational" strategy is challenged when these aspects are taken into account and empirical

evidence is explained via the lens of behavioral finance. Although behavioral finance takes into account non-traditional financial aspects of sustainable investing, research on these aspects' characteristics, how they interact with traditional financial aspects, and how they relate to actualized sustainable investing strategies has not yet produced definitive results.

Analyzing sustainable investing from a behavioral standpoint entails two levels of analysis: first, comprehending how investors use cognitive models of decision-making to interact with information; and second, investigating the different inclinations and incentives that influence investors to engage in sustainable investing, including expressive, social, and emotional factors. To comprehend the financial and non-financial variables influencing the phenomena, a thorough examination of the factors influencing sustainable investing should take into account both levels. By carrying out exploratory research to find possible motivators of sustainable investing at both the general and specialized levels, this analysis seeks to add to the current discussion.

2.3 Empirical Review

Raza et al. (2025) examined how artificial intelligence (AI) might be used to improve sustainable finance by transforming financial operations to comply with Environmental, Social, and Governance (ESG) guidelines. The study shows how AI may improve the accuracy, efficiency, and sustainability of financial operations by conducting a thorough assessment and analysis of AI applications, difficulties, and methods. Key findings emphasize AI tools that significantly simplify data processing and analysis for sustainable investment choices, such as the Financial Maximally Filtered Graph (FMFG) algorithm. However, there are technological, ethical, and regulatory obstacles to integrating AI into sustainable finance. The report makes strategic recommendations to overcome these challenges, emphasizing the value of strong regulatory frameworks, industry norms, and a well-rounded strategy to AI adoption.

Filippini et al. (2024) examined the idea of sustainable financial literacy and how it affected Swiss households' determinants of sustainable investing. Assessing retail investors' awareness of rules, standards, and guidelines pertaining to sustainable financial products was the goal of the study, which was carried out using Swiss Finance Institute Research Paper No. 22-02. In order to survey a wide sample of Swiss households, the researchers used both conventional multiple-choice questions and a new method based on

open-ended questions. Although Switzerland has a high degree of financial literacy by global standards, the study found that Swiss families have a poor level of sustainable finance literacy. It is interesting to note that open-ended questions eliminated the gender gap that resulted from women performing worse than males on multiple-choice questions. The study also discovered that ownership of sustainable financial goods was strongly impacted by sustainable finance literacy. As a result, the findings highlighted the pressing need for clear regulatory guidelines and improved education initiatives about sustainable financial solutions.

Karmacharya (2023) conducted empirical analysis on investor behavior and regression models to determine the effect of ESG factors on investment choices. The study revealed that ESG factors increasingly influence investor's decisions especially in sustainable sectors like renewable energy. Investors perceive strong ESG performance along with growing awareness of ethical and social responsibility among Nepali investors. Furthermore, ESG factors (Environmental, Social and Governance criteria) along with investment decisions are listed as the variables from the study.

Simon (2023) contributed an introduction chapter on sustainable investing and finance as part of a wider effort that focused on how sustainability affects investments. The chapter starts off by providing an overview of finance and its many uses in private, business, and governmental settings. It emphasizes how finance can give access to resources that would not be possible with just cash. After discussing the history of sustainable finance, Simon goes on to describe several sustainable investing strategies and discuss issues facing the industry, like the absence of a common language and the possibility of "greenwashing." Investor profiles and the connection between sustainable investment methods, risk, return, and impacts are covered in the chapter's conclusion. Simon sought to clarify sustainable finance ideas and tactics through a thorough analysis, setting the groundwork for future research on the subject in relation to health funding and investment.

Kumar et al. (2023) conducted major findings as green finance plays a critical role in supporting the circular economy by funding sustainable business models focused on reducing waste, reusing resources and promoting resource efficiency. The author has identified green finance instruments, regulatory frameworks, innovations, circular economy performance, sustainability outcomes as the major variables. These findings highlight the significance of concentrating resources and efforts on important ESG elements and policies to improve sustainability and resilience in the nation, offering

insightful information to investors and decision-makers looking to advance sustainable development and green financing in China.

Mishra and Aithal (2022) carried out a descriptive and exploratory literature study with an emphasis on the necessity of green financing in the context of Nepal. The study's primary goal was to evaluate the role of green financing in attaining economic stability and sustainable growth, as well as to examine the prospects for global funding in the future with regard to Nepal. Key informants and experts were personally consulted as part of the study strategy, which included a literature-based review that was primarily conceptual in nature. The researchers to record experts' views on the benefits, drawbacks, situation used grounded theory procedures, and necessary initiatives associated with green funding. In order to validate the research findings, professional focus groups were also conducted. A case study of ecotourism was also included in the study to demonstrate the applicability of green funding in a variety of sectors. The results showed that the adverse environmental effects of globalization have made green growth essential for industries all around the world. Green finance has become a key tactic for fostering economic growth and creating futures that are climate resilient. Despite being a specialized idea, the study discovered that green finance was very advantageous in many different industries, highlighting how crucial it is to promoting sustainable development initiatives.

Tobisova et al. (2022) addressed financial decision-making processes utilizing sophisticated software tools, with a focus on finance and investment planning. In light of Slovakian businesses' struggles, such as the COVID-19 pandemic and other problems, the study is quite pertinent. In order to improve sustainability and competitiveness, the study aimed to suggest a methodology for streamlining businesses' investment operations by fusing conventional and contemporary economic approaches. Both stochastic modeling, which uses the Monte Carlo approach to simulate financial risks, and deterministic modeling, which uses conventional software tools, were used to simulate three different investment decision scenarios. The study's conclusions led to the creation of an algorithmic graphical management model that offers businesses insights into sound financial and investment strategies. By using this methodology, the researchers hoped to improve the resilience of businesses in unpredictable economic circumstances and aid in the optimization of investment operations.

Al-Sartawi et al. (2022) reviewed the literature in order to investigate artificial intelligence's (AI) function in sustainable finance. In order to make the best judgments for

long-term financial sustainability, the primary goal was to investigate how AI can help creditors, investors, and company managers. In addition to highlighting the significance of AI models and applications for sustainable investments, the academics talked about the opportunities and problems that AI presents in tackling sustainability issues. They synthesized findings from the literature and offered fresh viewpoints on the usefulness of AI beyond its traditional use as a tool for problem solving by employing a qualitative approach. The results emphasized how important it is to incorporate AI into decision-making procedures in order to improve sustainable standards in the financial industry.

Gutsche et al. (2021) examined an empirical study with the goal of examining the factors that influence decision-makers in Japanese families' individual sustainable investment behavior. The researchers examined three main viewpoints using information from a representative online survey: the degree, to which individual investors are aware of sustainable investments, the proportion of sustainable investments in their portfolios at the moment, and their intention to make future sustainable investments. The results showed that Japanese private investors had serious information gaps, suggesting that sustainable investment in Japan is still in its infancy. The most significant drivers of current individual sustainable investments were found to be risk choices, perceived financial performance, social signaling or word-of-mouth learning, and financial literacy. Fascinatingly, in contrast to Western nations, non-financial elements like individual attitudes and ideals seemed to be less important. However, it was discovered that personal environmental values and ecological political affiliation had an impact on the desire to make sustainable investments in the future.

Cunha et al. (2021) investigated the topic of Sustainable Finance and Investment (SFI) and offered insights into its essential components and future research objectives through a systematic literature assessment. Their study sought to define the discipline and draw distinctions between it and traditional finance and investment in order to address the fragmentation in the SFI literature. By examining 166 publications, they were able to identify the key actors in the SFI space as well as their characteristics, tactics, and results. Because of the study, a thorough framework for comprehending SFI and a research plan were developed. With this agenda, they arranged the main research topics in the subject of SFI and proposed suitable approaches to address them. The under-theorization of SFI, the short-term nature of financial logic, and the paucity of evidence regarding SFI's effects on society and the environment continue to be major obstacles, the authors

concluded, even though SFI players are actively working together to promote positive social and environmental impacts through their financial activities.

Alshater et al. (2021) conducted a bibliometric analysis of the Journal of Sustainable Finance and Investment (JSFI) from 2011 to 2020. An analysis of JSFI's publication and citation patterns, together with its topical organization, was the goal of the study. The researchers used Microsoft Excel, VOSviewer, and RStudio to analyze 263 documents from the Scopus database. Bibliographic coupling, keyword analysis, content analysis, and bibliometric indicators were all part of the analysis. The results showed that, although citations had decreased during the previous four years, JSFI's publication performance remained consistent until 2019. Topics like "sustainable finance" and "ESG" gained prominence, whereas "corporate governance" and "socially responsible investment" lost ground. Four major subject clusters were found by the bibliographic coupling analysis: "Responsible investment and pension funds," "Corporate governance and ESG," "Corporate social responsibility and sustainable development," and "Sustainable finance and green bonds." This study offers insightful information about how the publication landscape and topic focus of JSFI have changed over the last ten years.

Azmat et al. (2021) addressed a conceptual study with the goal of enhancing effect integrity in sustainable development investment decision-making. For their analysis, the researchers used a two-phase methodology. In order to maximize sustainable development results, including the accomplishment of the Sustainable Development Goals (SDGs), they first examined current responsible investing techniques and products, pointing out their weaknesses. Second, they investigated how new impact management techniques could improve impact integrity in investment decision-making and rectify the shortcomings of the current responsible investing methodologies, building on the minimal standards theory. According to the findings, current responsible investing strategies frequently fall short of optimizing sustainable development outcomes and may unintentionally facilitate "impact washing." With a focus on a limited flexibility approach that can be tailored to various settings and is backed by common language, norms, and suitable accountability mechanisms, the researchers put forth a theoretically based framework for standardizing impact management techniques.

Popescu et al. (2021) explored a critical analysis with the goal of assessing the industry's and academia's current sustainability measuring techniques for investment funds in light of the growing need for non-financial performance evaluation in investment portfolios.

The researchers evaluated 12 implementation tools from academia and 25 from industry using a seven-criteria matrix that was created based on gaps found in influential academic works and reports from international organizations. They discovered that widely used techniques including exposure measures, carbon footprints, and environmental, social, and governance (ESG) evaluations are not very good at capturing the sustainability impact of investments in the actual world. In addition to adding a life cycle view and measuring positive effect production to current approaches, the study recommends giving priority to open-source, science-based, and sustainability-driven assessment techniques. They also stress how crucial it is to ground sustainability assessments in reality by matching investment goods to sustainable development goals based on science.

Tran et al. (2020) examined a study with the goal of determining and quantifying the variables influencing green investment. They examined data from 208 companies in various industries in 2018 using the Exploratory Factor Analysis (EFA) methodology. The research identified a number of important factors that impact green investment, such as green investment infrastructure, funding challenges for green initiatives, incentives for green investment, enterprise comprehension of green investment, government assistance in obtaining funds, capital available for green investment, active plans for green investment projects, and special incentives for green investment. Aspects pertaining to green capital mobilization techniques, government engagement, understanding of green investment, and access to green capital, significantly impacted the implementation of green investment by Vietnamese enterprises. Based on these conclusions, the report made recommendations that emphasized the government's pivotal role, legal framework enhancements, green financing diversification, and the development of green capital mobilization instruments.

Liang and Renneboog (2020) underwent an extensive analysis of the literature on sustainable finance and corporate social responsibility (CSR). The researchers looked at how investors' portfolio decisions, company management, and financial decision-making all incorporate Environmental, Social, and Governance (ESG) factors. They emphasized how socially conscious businesses are expected to integrate externalities and answer to stakeholders, including shareholders. The study examined how rating agencies developed firm-level metrics of ESG performance and found discrepancies across these ratings because of variations in rating techniques, factor weighting, and preference. The study also looked at issues like the success of Socially Responsible Investing (SRI) funds, the

return implications of investing in socially conscious companies, and the rise of green finance through products like green bonds.

Tripathy et al. (2020) conducted the evolution of the sustainable finance taxonomy with a particular emphasis on identifying climate-aligned investment. Based on their background as scholars and practitioners who worked on the creation of the EU's Sustainable Finance Taxonomy and the Climate Bonds Standard, the authors looked at the methodological factors that were important to both taxonomy schemes. Their research examines the variables affecting the creation of the Climate Bonds Standard's criteria and places the function of standards development within the framework of the green bond market. Key conclusions and recommendations for further study on the creation of climate-aligned standards are presented in the paper's conclusion.

Mahat et al. (2019) investigated a thorough literature assessment with an emphasis on Nepal's susceptibility to climate change and the funding trends needed for mitigation and adaptation measures. In order to create long-term adaptation and impact mitigation plans, the researchers examined current financial circumstances, talked about potential future events, and made policy recommendations. The report stressed the necessity of integrating climate change initiatives into national development goals and diversifying the financial basis for them by utilizing the data and information that is now available. The study's primary goal was to suggest a number of long-term adaptation and damage reduction techniques, with an emphasis on environmental changes. In addition to looking at global financial trends, the research approach included a detailed investigation of current institutional systems, frameworks, and regulations. Major findings showed that, with assistance from donor nations, UN agencies, and multilateral organizations, Nepal had made considerable strides in the creation and application of policies.

Lagoarde-Segot (2019) examined a study with the goal of tackling the epistemological problems that the rise of sustainable finance has presented to conventional finance inquiry techniques. The main goal was to examine the qualitative changes in the finance function that the demands of sustainable finance have brought about and to examine these changes from a critical realism perspective. The researcher pointed out a conflict in academic finance that results from a misunderstanding of social ontology and suggested methodological solutions to address these issues. The study underlined the significance of incorporating sustainability factors into financial inquiry methodologies and the necessity for a more pluralist and realist approach to finance research in the twenty-first century.

Rotaru and Ferrua (2019) discussed the prospects and problems related to sustainable financing in the Journal of Contemporary Issues in Business & Government. Examining how businesses incorporate Environmental, Social, and Governance (ESG) considerations into their plans to generate long-term financial gains and have a beneficial social impact was their goal. The researchers pointed out that the current business environment places too much attention on short-term performance and discloses too little about ESG issues, which prevents capital from being reallocated toward sustainability objectives. They highlighted how boards of directors play a key role in creating and carrying out long-term corporate plans that give ESG considerations top priority and match present performance with sustainable finance goals.

Ferri and Acosta (2019) conducted a thorough investigation into the ways in which ethical and sustainable finance is essential to accomplishing sustainable development goals, namely in tackling environmental hazards through green finance and looking at the empirical connection between inequality and finance. The study highlights the advantages that markets, intermediaries, and instruments provide for sustainable development while providing theoretical insights on how to examine them from a sustainable perspective. The benefits of cooperative banks are highlighted, particularly their strong customer relationships and their function in giving Small and Medium Businesses (SMEs) resilience in trying times. It talks about different intermediaries. The study also examines other investing approaches, including the development of Sustainable and Responsible Investing (SRI) funds and the use of Environmental, Social, and Governance (ESG) analysis as a criterion for allocating investments. It also covers the role of Fintech and Islamic finance in sustainable finance, as well as the importance of microfinance in reaching underserved groups and fostering financial inclusion. It concludes by outlining five policy suggestions to enhance and encourage sustainable development, emphasizing the importance of advancing sustainable footprint certification.

Aryal et al. (2019) evaluated the viability of payment for ecosystem services (PES) as a long-term funding source for watershed services in Nepal. The primary goal was to study prototype PES programs that were put into place in four distinct locations across Nepal and analyze the national financial mechanisms currently in place for watershed services. The study included a range of qualitative and participatory research techniques to examine the operational protocols, institutional structures, and implementation strategies in the study locations. According to the results, the pilot PES programs managed

watersheds with satisfactory results. The study contended that the PES mechanism might be a viable strategy for funding sustainable watershed management in Nepal in light of these findings. The study also emphasized the vital role that local government plays as a mediator in formalizing the PES mechanism as a long-term funding strategy for guaranteeing watershed services in Nepal.

Volz (2018) sought to promote green finance for Asia's sustainable development. The primary goal was to examine the necessity of moving investments from environmentally demanding industries to more resource-efficient technology and business models in order to transition Asian countries towards sustainable development. The researcher stressed the significance of financial governance and examined how the financial industry supports this green transformation using a review methodology. In addition to giving an overview of green financial governance initiatives in the region, the study looked at the status of green lending and investment in Asia. In addition, it pointed out obstacles to green investments, listed financial policies that governments should prioritize, and recommended market innovations to support green financing.

Aggarwal and Elembilassery (2018) presented case study to sheds light on the dilemma that two senior executives at Softbank Asia Infrastructure Fund (SAIF) Partners were facing. The case explores their considerations of an impact investment opportunity while taking into account the uncertainty introduced by the Indian government's regulatory regulations. Commercial funds' capacity to precisely evaluate the ramifications of impact investments is hampered by the absence of standardized instruments for calculating returns on such investments. One way to help clients and society is through sustainable finance, which aims to incorporate environmental, social, and governance (ESG) factors into business operations or investment choices. The case centers on SAIF Partners' assessment of a potential investment opportunity in an Indian MSME (Micro, Small, and Medium Enterprises) loan company. This raises the question of whether impact investments can yield returns comparable to those of commercial funds like SAIF Partners.

Tseng et al. (2018) sought to fill in the management and theoretical gaps in the application of supply chain financing and sustainable development principles. They created a decision-making model for financing a sustainable supply chain in the face of uncertainty by using the fuzzy Technique for Order of Preference by Similarity to Ideal Solution (fuzzy TOPSIS). In order to determine the current issues and shortcomings in

finance patterns, expert evaluations were carried out. The results showed that other components were greatly impacted by economic concerns, and that the best instruments for promoting sustainable supply chain financing practices were delivery management regulations. This study presents management implications for businesses to improve their performance as well as a theoretical basis to deepen understanding of sustainable supply chain finance.

Beerbaum and Puaschunder's (2018) conducted a study with a goal to use behavioral economics to create a sustainable finance architecture. In order to comprehend the lessons gained, advancements made, and areas that need more attention to avoid future crises, the researchers looked at the aftermath of the global financial crisis of 2008–2009. In order to attain sustainability, they stressed the significance of incorporating non-financial elements into financial markets, such as governance, inequality, and environmental sustainability. In order to build a sustainability taxonomy for investor decision-making that takes environmental, social, and governance (ESG) factors into account, the study drew on views from the EU-led High-Level Expert Group on Sustainability. The researchers emphasized the necessity of reaching a consensus about climate-friendly investments and the significance of transparency laws to guarantee that institutional investors consider ESG considerations when making decisions.

Ryszawska (2016) addressed to highlight the critical role that sustainable finance plays in the sustainability transition process. The primary goal was to demonstrate how finance is changing from a traditional viewpoint based on neoclassical economic theory, which emphasizes shareholder wealth and profit maximization, to one that promotes green economy, sustainable development, and climate change mitigation. The study analyzed the sustainability transition using the multidimensional viewpoint paradigm created by F.W. Geels. According to the results, the conventional financial regime is becoming unstable, and although there is evidence that it is responding slowly to the needs of a sustainable economy, finance is progressively adjusting to meet these new standards. This research advances knowledge of how finance is evolving to promote sustainability and offers insights into the potential and difficulties involved in the shift to a more sustainable financial system.

Ferreira et al. (2016) conducted a thorough analysis of the literature with an emphasis on the connection between sustainability and finance. Their aim was to compile and organize the body of knowledge on financial management and how it relates to sustainable

development. The researchers examined papers from 2011 to 2015 in the Journal of Sustainable Finance & Investment, modifying techniques from earlier study. They discovered gaps in the literature through their study, including a dearth of empirical studies using a quantitative methodology and a lack of attention to developing nations. The study offered insightful information about the present status of the field's research, pointing up prospective directions for further study and ways to improve knowledge of the connection between sustainability and finance.

Paetzold and Busch (2014) examined a theory-building study to comprehend how affluent private investors make decisions about sustainable investing. The researchers investigated why private investors seemed to be disinterested in sustainable investing, a subject that has not gotten much scholarly attention, by using the idea of planned behavior. Although the results of previous research offered some useful information, they fell short of providing a thorough grasp of the reasons why private investors are reluctant to participate in sustainable investing. Through interviews with affluent private investors, the study found that while this group has a strong interest in sustainable investing, there are significant obstacles standing in the way of real participation. These obstacles were recent financial losses, a limited investing time horizon, and the perception of excessive volatility in sustainable investments.

Table 1

Review Table

S.N.	Author(s)	Variables	Methodology	Findings
1	Raza et al. (2025)	Artificial intelligence (AI), decision-making, financial sustainability	Systematic literature review.	AI's potential to advance sustainable finance, providing guidance for stakeholders navigating this complex integration for a more sustainable and resilient financial system.
2	Filippini et al. (2024)	Swiss households, financial goods, and sustainable finance literacy	Survey	Sustainable finance literacy significantly influenced the ownership of

				sustainable finance goods.
3	Karmacharya (2023)	ESG factors & Investment decisions	Empirical analysis on investor behavior and Regression models to determine the effect of ESG factors on investment choices.	ESG factors increasing influence on investor's decision especially in sustainable sectors like renewable energy. Investors perceive strong ESG performance. Growing awareness of ethical and social responsibility among Nepali investors.
4	Simon (2023)	Sustainable finance concepts, strategies, risk, return, impacts	Descriptive overview	Defined finance, discussed sustainable investment strategies, addressed challenges within the field, and discussed the relationship between sustainable investment strategies, risk, return, and impacts.
5	Kumar et al. (2023)	Green finance instruments, regulatory framework, sustainability outcomes.	Literature review of academic articles, reports, and case studies focusing on the intersection of green finance and circular economy practices	Green finance plays a critical role in supporting the circular economy by funding sustainable business models focused on reducing waste, reusing resources, and promoting resource efficiency.
6	Mishra and Aithal (2022)	Green financing, economic stability, sustainable growth	Descriptive and exploratory literature review	Globalization's negative impact on the environment has made green growth imperative for industries worldwide.

7	Tobisova et al. (2022)	Investment activities, sustainability, competitiveness	Simulation of investment decisions	Developed a graphical management model providing insights into effective investment and financial policy for enterprises.
8	Al-Sartawi et al. (2022)	Artificial intelligence (AI), decision-making, financial sustainability	Literature review	Highlighted the significance of integrating AI into decision-making processes to enhance sustainability practices in finance.
9	Gutsche et al. (2021)	Individual sustainable investment behavior, financial literacy, personal attitudes	Empirical study with online survey	Financial literacy, social signaling, perceived financial performance, risk preferences, personal attitudes, values, environmental values, ecological political identification.
10	Cunha et al. (2021)	Sustainable finance and investment, traditional finance, research agenda	Systematic literature review	Developed a comprehensive framework for understanding SFI and proposed a research agenda. Identified challenges and opportunities in the SFI field.
11	Alshater et al. (2021)	Journal of Sustainable Finance and Investment (JSFI), publication trends, thematic structure	Bibliometric analysis	Identified stable publication performance, thematic focus, and clusters in JSFI's publication landscape.
12	Azmat et al. (2021)	Impact integrity, investment decision-making, sustainable development	Conceptual analysis	Proposed a framework for standardizing impact management practices to strengthen impact integrity in

				investment decision making.
13	Popescu et al. (2021)	Sustainability measurement methods, investment funds, science-based targets	Critical review with assessment matrix	Found limitations in commonly used methods for capturing real-world sustainability impact of investments. Suggested prioritizing open-source, science-based, and forward- looking methods.
14	Tran et al. (2020)	Infrastructure for green investment, difficulties in accessing funding, incentives for accessing capital, understanding of green investment by enterprises, government support, available capital, active plans for green investment, special incentives	Exploratory Factor Analysis (EFA)	Identified several significant factors influencing green investment, proposed recommendations for improving green investment implementation.
15	Liang and Renneboog (2020)	Environmental, Social, and Governance (ESG) considerations, corporate management, financial decision making, investor portfolios	Literature review	Identified inconsistencies in ESG performance measures, discussed return implications of investing in socially responsible firms, explored topics such as SRI funds and green financing.
16	Tripathy et al. (2020)	Climate-aligned investment, taxonomy development, standards	Analysis of taxonomy development	Examined factors influencing criteria development for climate-aligned investment standards, provided key takeaways and suggestions for future research.

17	Mahat et al. (2019)	Climate change vulnerability, financing patterns, adaptation strategies	Comprehensive literature review	Proposed long-term adaptation and impact mitigation strategies, emphasized diversifying funding base, integrating climate actions in national development plans.
18	Lagoarde-Segot (2019)	Sustainable finance, epistemological challenges, critical realism	Theoretical analysis	Proposed methodological avenues to overcome challenges, emphasized realist and pluralist approach to finance research.
19	Rotaru and Ferrua (2019)	Environmental, Social, and Governance (ESG) factors, corporate strategies, financial returns	Analysis of corporate strategies	Highlighted limited ESG disclosure, emphasized role of boards in aligning performance with sustainable finance objectives.
20	Ferri and Acosta (2019)	Ethical finance, sustainable development goals, intermediaries, investment strategies	Theoretical analysis	Discussed various intermediaries, investment strategies, and financial instruments for sustainable development, presented policy recommendations.
21	Aryal et al. (2019)	Payment for ecosystem Services (PES), watershed services, Nepal	Participatory and qualitative research methods	Found satisfactory outcomes of pilot PES programs in watershed management, emphasized need for flexible institutional arrangements.
22	Volz (2018)	Green finance, sustainable development, financial	Review approach	Emphasized critical role of financial sector, outlined key areas for

		governance		policy intervention in promoting green finance.
23	Aggarwal and Elembilassery (2018)	Sustainable finance, impact investment, commercial funds, ESG criteria	Case study	Highlighted challenges in measuring returns on impact investments, emphasized the role of sustainable finance in benefiting society.
24	Tseng et al. (2018)	Sustainable supply chain finance, decision-making model, uncertainties	Fuzzy Technique for Order of Preference by Similarity to Ideal Solution (fuzzy TOPSIS), expert assessments	Economic factors significantly influenced other aspects, delivery management policies emerged as most effective tools.
25	Beerbaum and Puaschunder's (2018)	Sustainable finance architecture, behavioral economics, ESG factors	Behavioral economics approach	Proposed strategies to integrate ESG factors into financial decision-making processes, emphasized transparency and disclosure regulations.
26	Ryszawska (2016)	Sustainable finance, sustainability transition, climate change	Multilevel perspective framework	Traditional finance regime destabilizing, finance gradually aligning with sustainable economy.
27	Ferreira et al. (2016)	Finance, sustainability, systematic review	Systematic review	Identified gaps in literature, highlighted need for more empirical studies in developing countries.
28	Paetzold and Busch (2014)	Wealthy private investors, sustainable investing, decision-making process	Theory of planned behavior, interviews with investors	Identified barriers to engagement in sustainable investing, proposed decision-making framework.

2.4 Research Gap

There is a significant gap in the literature despite the wealth of research on sustainable finance and its implications for investors, as many studies rely on data from prior years. There is a knowledge vacuum on how recent advancements and trends may have impacted the relationship between sustainable finance and investment decision-making because there aren't any studies using the most recent data, such that from 2024. In order to understand the present dynamics and implications of sustainable finance on investors' investment decisions in the modern setting, it is imperative that this time gap be addressed.

There is a noticeable variable gap in the literature regarding sustainable finance and investment decision-making. Research specifically addressing variables like Environmental factors, Social factors, Governance factors and Investment Decision in the context of sustainable finance is lacking, despite the fact that numerous studies have looked at factors that influence investment decisions, such as risk tolerance and financial literacy.

Similarly, the behavioral aspects influencing sustainable investment decisions remain largely unexplored. Understanding the psychological factors shaping investors' attitudes and decision-making processes regarding ESG integration is crucial for developing effective strategies to promote sustainable finance. Another gap lies in the comprehensive assessment of long-term performance and risk management implications of sustainable financial strategies. While initial evidence suggests that sustainable investments demonstrate resilience and outperformance over the long term, further investigation is needed to examine their performance across different market conditions and economic cycles.

Moreover, the integration of climate- related financial risks into investment decision making requires more attention. Research should focus on developing methodologies for assessing and quantifying climate risks, as well as identifying effective strategies for incorporating climate considerations into investment frameworks. Additionally, understanding the impact of policy and regulatory changes on investment strategies is essential for navigating the evolving landscape of sustainable finance. In the context of Nepal there is very limited research on this topic moreover the previous work done in long ago.

CHAPTER III

RESEARCH METHODOLOGY

The chapter on research methodology gives a thorough overview of the study's methodology and essential elements, such as the research design, population and sample selection, sampling design, data sources and nature, data collection tools, analysis techniques, research framework, and variable definitions. Each component is essential for ensuring the reliability and validity of the study's findings. The research design describes the general methodology, while population and sample selection specify the target demographic and subgroup selected for study. The process for choosing participants or data points is explained by sampling design. Sources and type of data define the devices used to collect data, while data collection instruments explain the kinds and sources of data used. The research framework provides a conceptual direction, whereas analysis methods describe how to analyze the data that has been gathered. Finally, variable definitions provide precise definitions and operationalization of the main ideas being studied, providing a strong basis for the implementation and interpretation of the study.

3.1 Research Design

The research design used in this investigation includes both descriptive and casual- comparative. Descriptive statistics have been used to give a summary and evaluate how investment decision-making processes are currently going. This design allows data collection from a diverse group of individual investors and provides valuable insights into their investment decision-making process. Furthermore, a causal-comparative research methodology has been used to examine the effect of sustainable finance on investors' investment decision-making process. This design makes it possible to compare various groups or situations in order to evaluate causal relationships. In particular, it looks at how investment decisions are influenced by sustainable finance practices in comparison to traditional methods. Through the integration of these two research methodologies, the study seeks to provide a thorough knowledge of the relationship between sustainable finance and implications for investors, offering useful insights for financial sector practitioners and policymakers.

3.2 Population and Sample, and Sampling Design

This study is centered on the Kritipur municipality, so all investors who live within the regions are included in the total population under investigation, with 81578 people (CBS, 2025). For the study, a sample size of 390 respondents has been selected from this group. The selection of the sample size was facilitated by employing a convenience sampling method. According to the requirements of the study, this approach was selected to streamline the data collection procedure. The researchers aimed to ensure practicality and expediency in data collection by employing

convenience sampling to effectively collect data from easily accessible participants within the designated geographic area.

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

Quantitative data served as the foundation for our investigation. The information gathered for this study came from primary sources, or first-hand accounts. In collecting the data, the structured questionnaire survey method was used. The questionnaire was crafted based on special attention taken from (Karmacharya, 2023) which was modified to make it relevant to the Nepalese context with the assistance of supervisors, seniors, etc. A five- point Likert scale was utilized, ranging from "strongly disagree" to "strongly agree", with each point scored from 1 to 5: strongly disagree as 1, disagree as 2, neutral as 3, agree as 4, and strongly agree as 5.

3.4 Method of Analysis

After the completion of data collection, it was thoroughly analyzed using statistical software such as SPSS and Microsoft Excel. The gathered data was examined using a variety of statistical methods, such as multiple regression analysis, correlation analysis, descriptive statistics and Cronbach's Alpha, in order to identify significant trends and insights. In the context of Kritipur municipality, the researchers were able to make strong conclusions on the relationship between sustainable financing and investment decision-making because to this thorough study process.

Descriptive Statistics

Howell (2012) defines descriptive statistics as the process of summarizing and characterizing a dataset's features using numerical and graphical methods. It offers a succinct overview of the primary features of the data, including measures of variability (like standard deviation and range) and central tendency (like mean, median, and mode). In this study, investor attitudes regarding sustainable finance in investment decision-making were examined using descriptive statistics. Specifically, the researchers aimed to know if investors were encouraged to include sustainability criteria in their investment decisions and if they were inclined toward or satisfied with sustainable financing techniques. Mean and standard deviation were employed as descriptive statistical tools to quantify and analyze the perceptions of investors.

Correlation Analysis

A statistical method for determining the direction and degree of a relationship between two or more variables is correlation analysis (Hair et al., 2017). The correlation coefficient, denoted as "r", ranges from -1 to 1. A value of 1 indicates a perfect positive correlation, meaning both variables increase at the same rate. A value of -1 indicates a perfect negative correlation, meaning one variable increase while the other decreases equally. A value of 0 indicates no correlation, meaning there is no consistent relationship between the variables.

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

Where,

n = Number of responses

X = Value of independent variable

Y= Value of dependent variable

Multiple Regression Analysis

According to Gujarati and Porter (2009), multiple regression analysis is a statistical technique used to investigate the relationship between one dependent variable and one or more independent variables. Based on the values of the independent variables, it seeks to forecast the value of the dependent variable. The impact of sustainable finance on investment decision-making was evaluated in this study using multivariate regression analysis. Additionally, it can be understood as the percentage of variation in the dependent variables that the regression equation can explain. The multiple regression equation is as follows:

$$Y_{ID} = \alpha + \beta_1 EF + \beta_2 SF + \beta_3 GF + E \quad \text{Eq (1)}$$

Where,

ID = Investment Decision

EF = Environment Factor

SF = Social Factor

GF = Governance Factor

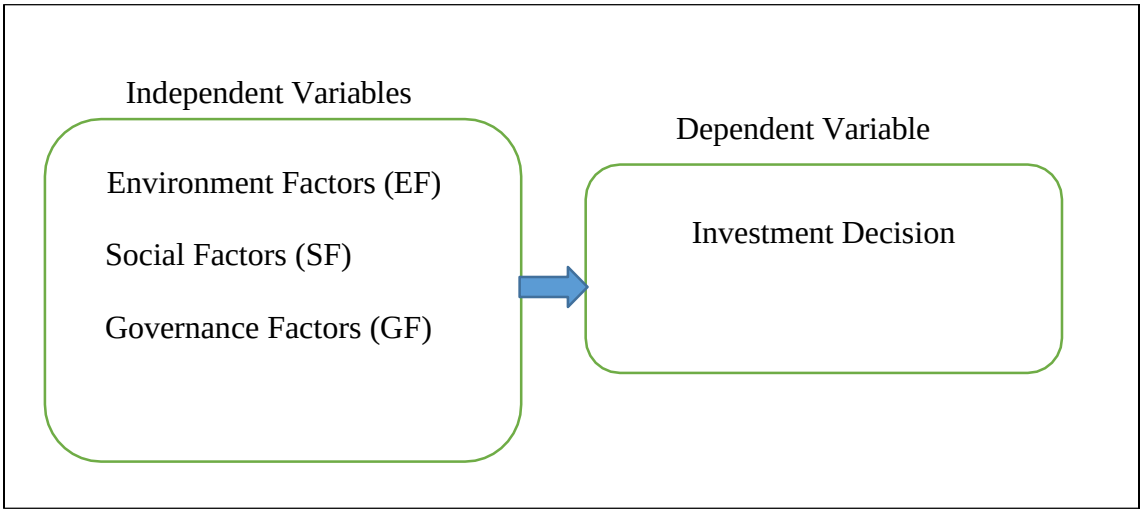
α = Intercept Term

E = Error Term

β_1, β_2, β_3, = Regression Coefficients

3.5 Research Framework and Definition of Variables

According to Heyvaert et al. (2013), a research framework directs the development of research questions, hypotheses, and data analysis techniques while acting as a road map for investigators to methodically examine and evaluate the phenomenon being studied. In this study, the research framework has been developed based on the theory proposed by (Karmacharya, 2023), which incorporates Environmental Factors, Social Factors, Governance Factors as independent variables influencing sustainable financing and investment decision as dependent variables.



Source: (Karmacharya, 2023)

Figure 2. Research Framework

Operational Definitions of Variables

- Environmental Factors

Environmental factors are critical components of ESG investing that assess a company's impact on the natural environment (Senadheera et al., 2021). Studies from different countries have shown that investors consider environmental issues as influential factors when deciding where to invest. For instance, Indian investors prioritize environmental issues, while shareholders in Japan and superannuation fund members in Australia also care about a company's environmental policies. Conversely, companies with poor environmental practices or policies are less likely to attract investments, as seen in studies conducted in France.

- Social Factors

Social factors in ESG relate to how a company affects society and its stakeholders, covering aspects like workplace safety, human rights, labor standards, diversity, and access to healthcare. Studies in advanced economies have demonstrated that these social considerations are crucial for investors when assessing ESG performance (Huang, 2019).Studies in developed countries have shown that social factors play a dominant role in ESG consideration for investors. However, it remains unclear whether investors in developing countries like Nepal consider social factors in their investment decision.

- Governance Factors

Governance factors in ESG evaluate a company's management and oversight practices, together with board composition, executive compensation, shareholder rights, and transparency (Odell & Ali, 2016). Robust corporate governance practices are vital for investors, who tend to avoid

companies with weak governance and prefer those with good governance. Effective governance is crucial for maintaining trust and ensuring that investments are executed ethically and transparently.

- Investment Decision

Investment decision-making involves assessing various opportunities and selecting specific stocks or portfolios (Singh, 2012).Investors analyze investment options using fundamental and technical analysis, as well as their judgement. ESG investing has gained importance, considering non- financial dimensions like environmental, social and governance practices. Contrarily, studies indicate that companies with strong ESG performance can outperform competitors in the long-run (Kotsantonis et al., 2016).

CHAPTER IV

RESULTS AND DISCUSSION

In this chapter, the results of the study are meticulously presented and analyzed, providing insights into the intricate relationships between sustainable finance and investment decision-making. After then, the results are critically examined, with comparisons and contrasts made with findings from earlier studies. This comprehensive methodology not only emphasizes the importance of the study's findings but also enriches our understanding of the broader implications in the field of sustainable finance.

4.1 Results

In this section, the findings from a descriptive research, regression analysis, and correlation analysis are presented in tabular form for ease of understanding and accessibility. The results are rigorously examined, offering insightful information about the relationships between factors and illuminating the nuances of sustainable finance and its implications for investment decision. This study adds significantly to the body of knowledge already available in the field and improves our understanding of the complex interactions between numerous variables through meticulous investigation and interpretation.

4.1.1 Demographic Profile of Respondents

This section explores the respondents' demographic profile, focusing on important variables including gender, marital status, age in years, education level, and monthly pay. By examining these demographic traits, the study gains valuable insight about the individuals' varied backgrounds and viewpoints. Comprehending the demographic composition of the sample population is essential for placing the results in perspective and identifying any possible trends or correlation within the data. This part provides a comprehensive examination of demographic variables, which enhances the overall understanding of the research context and establishes a solid basis for further analyses and interpretations

Table 2

Demographic Profile of Respondents

Variables		Frequency	Percent
Gender	Male	288	73.85
	Female	102	26.15
Marital Status	Single	200	51.28
	Married	190	48.72
	21 to 30	93	23.85
Age in Years	31 to 40	109	27.95
	41 to 50	140	35.90
	51 and above	48	12.30
	SLC/SEE	18	4.62
Education Level	Plus Two	74	18.97
	Bachelors	222	56.92
	Masters or above	76	19.49
	Below Rs. 20,000	45	11.54
Salary (Monthly)	Rs. 20,001 – Rs. 50,000	144	36.92
	Rs. 50,001 – Rs. 80,000	140	35.90
	Above Rs. 80,001	61	15.64

Source: Field Survey, 2025

In Table 2, the demographic profile of research participants is displayed. The table shows the distribution of respondents according to a number of factors, such as gender, marital status, age in years, education level, and monthly wage**.** In terms of gender, 288 respondents (73.85%) identified as male, while 102 respondents (26.15%) identified as female. Regarding, marital status, 200 repondents (51.28%) reported being single, whereas 190 repondents (48.72%) indicated being married. Age distribution shows that 93 respondents (23.85%) were aged between 21 to 30 years, followed by 109 respondents (27.95%) were aged between 31 to 40 years, 140 respondents (35.90%) aged between 41 to 50 years, and 48 respondents (12.30%) aged 51 years and above. Regarding education level, 18 respondents (4.62%) had completed SLC/SEE, 74 respondents (18.97%) had completed Plus two, 222 respondents (56.92%) held a bachelor's degree, and 76 respondents (19.49%) had a master's degree or above. In terms of monthly salary, 45 respondents (11.54%) reported earnings below Rs. 20,000, 144 respondents (36.91%) earned between Rs. 20,001 to Rs. 50,000, 140 respondents (35.90%) earned between Rs. 50,001 to Rs.80,000, and 61 respondents (15.64%) earning above Rs.80001.

4.1.2 Reliability Test

In order to ensure the accuracy of the data and the conclusions, SPSS software was used in this study This evaluation assigns a score between 0 and 1, which represents the consistency of the results. A score less than 0.60 indicate low reliability, and a score between 0.90 and 0.99 indicates extraordinary reliability. A score of more than 0.7 is generally regarded as acceptable (Nunnally, 1978).

Table 3

Reliability Test

Code	Variables	Cronbach's Alpha	No of Items
EF	Environment Factors	0.892	7
SF	Social Factors	0.743	7
GF	Governance Factors	0.815	7
ID	Investment Decision	0.826	7

Source: Field Survey, 2025

Table 3 presents the reliability test results for the data collected in this study. The reliability or internal consistency of the variables is evaluated using the Cronbach's Alpha coefficient. For Environment Factor (EF), the Cronbach's Alpha coefficient 0.892, indicating a high level of internal consistency among the items measuring environment factors. Similarly, Social Factor (SF) exhibits a Cronbach's Alpha of 0.743, Governance Factor (GF) has a Cronbach's Alpha of 0.815, and Investment Decision Making (IDM) has a Cronbach's Alpha of 0.826. All of these Cronbach's Alpha coefficients exceed the commonly accepted threshold of 0.70, suggesting that the data for each variable is reliable. Therefore, based on the Cronbach's Alpha values, it can be concluded that the data collected for this study is reliable.

4.1.3 Descriptive Statistics

The term descriptive statistics describes the numerical summaries that are used to characterize a dataset's fundamental characteristics. These statistics offer concise overviews of the sample and its observations. Descriptive statistics are used in this study to examine and compile the features of investor attitudes on sustainable finance in the context of making investment decisions. This comprises metrics like mean and standard deviation that aid in comprehending the data's core tendency and variability. In particular, the mean gives the average value of the responses, and the standard deviation shows how far each response deviates from the mean. This study attempts to give a clear picture of investor perceptions and their variability with regard to sustainable financing by using descriptive statistics.

Table 4

Summary of Descriptive Statistics

Code	Variables	N	Mean	S.D.
EF	Environment Factors	390	3.697	0.703
SF	Social Factors	390	3.875	0.717
GF	Governance Factors	390	3.935	0.668
ID	Investment Decision	390	3.958	0.651

Source: Field Survey, 2025

A overview of descriptive statistics about how investors view sustainable financing and how they make investment decisions is shown in Table 4. Environment Factors (EF) had a mean score of 3.697 and a standard deviation of 0.703. This indicates that investors generally had a rather favorable opinion of sustainable finance. This suggests that, despite some variation in their opinions, respondents generally thought it was advantageous or favorable to choose companies that make things that are good for the environment and last a long time.

The mean score for Social Factors (SF) was 3.875, with a standard deviation of 0.717. When compared to environment factors, this suggests a somewhat higher degree of social perspective toward sustainable finance. It implies that respondents believed peers and significant others supported investing in businesses that considers social practices.

The mean score for Governance Factors (GF) was 3.935, with a standard deviation of 0.668. This implies that most respondents felt secure and in charge of their sustainable finance-related investing choices. It shows that they think they can choose businesses that considers government policies and make investments in line with their choices.

The highest mean score was 3.958 with a standard deviation of 0.651 for Investment Decision Making (ID). This suggests that investors had a favorable impression of sustainable finance's influence on their choice of investments. They took into account environmental aspects, gave preference to investments in businesses with robust sustainability policies, and held the view that long-term financial success is a direct result of sustainable investment choices.

4.1.4 Correlation Analysis

Correlation analysis is a crucial tool in this study for examining the relationships between sustainable finance and its implications for investors. Researchers can evaluate the direction and degree of the relationship between factors pertaining to sustainable finance practices and investment choices by using correlation analysis.

Table 5

Correlation Matrix

Variables		EF	SF	GF	ID
EF	Pearson Correlation	1			
	Sig. (2-tailed)				
SF	Pearson Correlation	.691**	1		
	Sig. (2-tailed)	0.000			
GF	Pearson Correlation	.514**	.603**	1	
	Sig. (2-tailed)	0.000	0.000		
ID	Pearson Correlation	.492**	.580**	.630**	1
	Sig. (2-tailed)	0.000	0.000	0.000	

Source: Field Survey, 2025

The relationship among the dependent variable, Investment Decision (ID), and the independent factors, Environment Factors, Social Factors and Governance Factors is shown in Table 5. ID & EF have a moderate positive correlation, as seen by their correlation coefficient of 0.492. A significant positive relationship between EF and ID is suggested by this correlation, which is statistically significant at the five percent level ($p < 0.05$).

ID and SF have a high positive correlation, as indicated by their correlation coefficient of 0.580. At the 5 percent level, this correlation is statistically significant ($p < 0.05$), suggesting a strong positive association between SF and ID.

There is a strong positive correlation between ID and GF, as indicated by the correlation coefficient of 0.630. At the five percent level, this correlation is statistically significant ($p < 0.05$), indicating a significant positive relationship between GF and ID.

All of the independent variables (EF, SF, GF) have a positive and statistically significant association with the dependent variable ID, according to these correlations, which suggests that they are important for forecasting investment decision-making in the context of sustainable finance.

4.1.5 Regression Analysis

In this study regression analysis plays a critical role in examining the relationship between sustainable finance and investment decision. Researchers can determine the extent to which sustainable finance practices influence investment decisions and results by employing regression analysis. Regression models make it possible to investigate intricate relationships between a number of variables, offering valuable information about how well sustainable finance characteristics predict investment behavior. The study intends to measure the impact of different

sustainability indices, including environmental, social, and governance (ESG) criteria, on financial returns, portfolio performance, and investment decisions using regression analysis. Researchers can find patterns, trends, and possible causal relationships between sustainable finance practices and investment decision-making by using regression analysis. This information can then be used to inform policymakers, financial institutions, and investors who want to support sustainable investment strategies.

Table 6

Model Summary of Regression Model

Model	R	R Square	Adjusted R Square	Std. Error of Estimate
0	0.665	0.443	0.438	0.548

Source: Field Survey, 2025

The model summary of regression analysis for Investment decision (ID) using Environment Factors (EF), Social Factors (SF) and Governance Factors (GF) as predictors is shown in Table 11. The predictors and ID have a good association, as indicated by the model's R value of 0.665. The combined impacts of EF, SF and GF can account for around 44.3% of the variance in ID, according to the R Square value of 0.443. The model's explanatory power is strengthened by the adjusted R Square value of 0.438, which takes into consideration the number of predictors in the model. The average difference between the actual and anticipated values of ID is represented by the standard error of the estimate, which is 0.548.

Table 7

ANOVA Table of Regression Model

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	94.508	3	31.503	104.835	0.00
	Residual	118.998	386	0.300		
	Total	213.506	389			

Source: Field Survey, 2025

The ANOVA findings for the regression model are shown in Table 7. With a significance level of 0.00 and an F-statistic of 104.835, the value is below the 0.05 threshold. This suggests that the regression model fits the data well and is statistically significant. Thus, using Environment Factors (EF), Social Factors (SF) and Governance Factors (GF) predictors, the model well predicts the variance in Investment Decisions (ID).

Table 8

Beta Coefficient of Regression Model

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	0.772	0.189		4.082	0.000		
	EF	0.124	0.054	0.112	2.289	0.023	0.590	1.696
	SF	0.203	0.048	0.194	4.229	0.000	0.665	1.503
	GF	0.492	0.054	0.460	9.098	0.000	0.551	1.815

Source: Field Survey, 2025

Table 8 presents the beta coefficients, including both standardized and unstandardized values, as well as significance and variance inflation factor (VIF) for the independent variables in the regression model. The standardized beta coefficient for Environment Factor (EF) is 0.112, with a significance threshold of 0.023, and the unstandardized beta coefficient is 0.124. The statistically significant positive impact of environmental factors on investment decisions is demonstrated by the significance value being below the 0.05 threshold. The EF's VIF of 1.696 indicates that there are no multicollinearity problems because it is much below the 10 threshold. This suggests that environment factors has a good impact on ID, and that this effect is strong and unaffected by multicollinearity.

The standardized beta coefficient for Social Factors (SF) is 0.194, with a significance level of 0.000, while the unstandardized beta coefficient is 0.203. A strong and statistically significant positive impact of social factors on investment decisions is indicated by this p-value, which is significantly less than 0.05. There are no multicollinearity problems, as indicated by the SF's VIF of 1.503. The outcome indicates that social factors plays a significant role in raising investment decision and the positive correlation is evident and undetectable.

At a significance threshold of 0.000, the standardized beta coefficient for Governance Factors (GF) is 0.46 while the unstandardized beta coefficient is 0.492. GF has a highly significant favorable impact on ID, as evidenced by the significance threshold being significantly lower than 0.05. Indicating no multicollinearity, the VIF for GF is 1.815, which is likewise below the cutoff of 10. This suggests that GF significantly raises ID, and the findings are trustworthy and unaffected by multicollinearity.

4.2 Discussion

Descriptive statistics were used to analyze the first objective and the results showed that investors' attitudes toward sustainable finance are moderately positive when making investment decisions. Key findings from mean scores show a favorable attitude toward choosing green company while considering environmental factors and a positive perception of sustainable finance's impact on investment decision. The mean score of Environment Factors (EF) towards sustainable finance have a moderately positive attitude towards investors. With slightly higher mean score of Social Factors (SF) indicates a favourable perception of social factors towards sustainable finance. Accordingly, Governance Factors (GF) demonstrated with a mean score reflecting that investors are more interested to invest in companies that have a board of directors that does a good job and knows what they are supposed to do. Li et al. (2023), Ye and Dela (2023), and Singhania et al. (2024) all support the findings of this study. However, the favorable perception found in this study is in contradiction to the data presented by Gutsche et al. (2021) and Filippini et al. (2022). Investment Decision (ID) showed the highest mean score implying a positive perception of sustainable finance's impact on investment decisions, with investors considering environmental factors and prioritizing investments in sustainable companies.

The correlation analysis presented a strong and significant positive relationship indicated Investment Decision (ID) and sustainable finance variables. A moderately positive correlation between Investment Decision (ID) and Environment Factors (EF) indicates that investors' attitude regarding sustainable finance have a positive impact on their investing choices. Social Factors (SF) and ID show a strong positive correlation, suggesting that investors invest in companies that care about what people think about their social practices while making investment choices. Investment Decision (ID) and Governance Factors (GF) have a strong positive correlation, suggesting that investors' are aware about investment in companies that follow the rules about financial reporting yearly. The study's conclusions about the positive impact of sustainable financing on investment decision-making are consistent with those of Ye and Dela (2023) and Li et al. (2023). Gutsche et al. (2021) and Filippini et al. (2022), however, the results that contrast to the positive perception found in this study.

The study related to regression analysis revealed that Investment Decision (ID) is positively impacted by each of the following predictors: Environmental Factors (EF), Social Factors (SF), Governance Factors (GF). While EF and SF demonstrated significant positive impact on ID, GF demonstrated highly positive impact. This finding is consistent with that of Singhania et al. (2024) and Li et al. (2023), who also discovered positive association between responsible investing and sustainable financing. The results of Gutsche et al. (2021) and Filippini et al. (2022), however, are in conflict with the positive relationships found in this investigation.

CHAPTER V

SUMMARY AND CONCLUSION

This chapter summarizes the research on sustainable finance and its implications for investors, including its findings, conclusions, and implications. The study found important relationship between a number of variables, including environment factors, social factors, governance factors and investment decisions, after conducting a systematic examination. The study emphasizes the importance of considering ESG factors in investment decision-making and recommends that investors focus on social and governance factors when making investment choices. This study has implications for researchers, policymakers, and financial practitioners indicating the potential for incorporating sustainable finance concepts to support environmental and financial sustainability. In the end, this study adds to the expanding body of knowledge in sustainable finance and provides insightful information for directing future investment strategies toward more sustainable results.

5.1 Summary

This study explores into the different field of sustainable finance, which encompases incorporating environmental, social, and governance (ESG) factors into the investment decision process. The study tackles important topics such the absence of standardized frameworks, changing environmental legislation, and information opacity in the market against the backdrop of urgent global issues like social injustice and climate change. These challenges make it difficult to assess and apply sustainable investment methods effectively, which calls for further investigation. The primary objective of the study is to examine whether investors' perceptions are affected by sustainable finance, investigating the relationships between sustainable finance and investment decisions and evaluate the overall effects of sustainable finance practices.

The study of literature review adopts a comprehensive approach, organized into four primary sections: research gap analysis, conceptual review, theoretical review, and empirical review. The conceptual review outlines the main ideas and frameworks of sustainable finance, such as green financing methods, sustainable investment strategies, and environmental, social, and governance (ESG) considerations. The theoretical review analyzes the relationships between sustainable finance and investment decision-making by looking at a variety of theoretical models and frameworks, including agency theory, stakeholder theory, and behavioral finance theories. The empirical review examines how sustainable finance affects investment choices by examining the variables that affect investor behavior, market trends, and performance results. It does this by closely examining previous empirical studies and research findings. This comprehensive review highlights important research gaps, including the need for additional empirical studies to clarify the practical implications of sustainable financing on investment decision-making procedures.

In order to comprehensively explore the relationships between sustainable finance and investment decision-making processes, the research design for this study includes descriptive and causal-comparative methodologies. Descriptive statistics are assigned to analyze the status of investment decision, identifying patterns and trends within the data. At the same time, a causal-comparative study design is used to compare various groups or conditions in order to examine the impact of sustainable finance on investment decision. The study focuses on the investors residing in Kritipur municipality. For practical data collection, a sample size of 390 respondents were selected using convenience sampling. Data collection method involves the use of a structured questionnaire survey method, adapted from previous research and tailored to the Nepalese context, employing a five-point Likert scale to measure repondents' perceptions towards sustainable finance and investment decision-making.

The data collected for this study underwent comprehensive analysis using statistical tools such as Microsoft Excel and SPSS. Descriptive statistics, correlation analysis, and multiple regression models were among the statistical methods used to examine the data and derive significant conclusions about the relationships between sustainable finance and investment decision-making in Kritipur Municipality. Further, the research framework also outlines the conceptual framework of the study. It incorporates investment decision-making as dependent variables and environmental factor, social factor, and governance factor as independent factors affecting sustainable financing. This framework directs the development of research questions, hypotheses, and data analysis techniques by providing a theoretical foundation for methodically investigating and evaluating the phenomenon being inestigated.

The findings from both the correlation analysis and regression analysis provide strong evidence supporting the notion that sustainable finance variables significantly influence investment decision (ID). Positive correlations between Investment Decision (ID) and Environment Factors (EF), Social Factors (SF) and Governance Factors(GF)show that investors' positive perceptions towards environmental, social and governance factors in sustainable finance are crucial in determining their investment choices. Therefore, it can be concluded that the variables related to sustainable finance as a whole are the primary elements that influence investment decisions. This highlights the necessity to take these factors into account when analyzing and forecasting investor behavior in the context of sustainable finance.

The practical implications of the study suggest that investing decisions can be greatly influenced by cultivating positive environmental, social and govenance factors in sustainable finance. Policymakers and financial institutions should concentrate on raising awareness and educating the public about sustainable finance practices so that investors may make well-informed choices that support sustainability objectives. Furthermore, adding sustainable finance factors to investment plans and decision-making procedures can improve long-term value generation and

help create a more sustainable future. In order to understand the underlying mechanisms influencing investors' attitudes and perceptions, it is crucial to incorporate behavioral theories and frameworks into the study of sustainable finance, as highlighted by theoretical implications. The suggestions include creating focused educational programs, raising reporting and transparency requirements in sustainable finance, and encouraging cooperation amongst stakeholders to promote sustainable investment methods around the world.

5.2 Conclusion

The first objective of this study has been analyzed with the help of descriptive statistics which revealed several key points regarding investors' perception towards sustainable finance in investment decision making. The mean scores for Environment Factor (EF), Social Factors (SF), Governance Factors (GF) and Investment Decision (ID) exhibit that investors generally have a relatively positive attitude toward sustainable finance. This suggests that investors generally have a positive perception of sustainable finance and its influence on investing choices as they support choosing companies that care about climate change and global warming. However, the standard deviations for each measure show that perception of investors vary widely. Although respondents express confidence and trust in businesses that use sustainable finance, their level of positive perception differs. Thus, even though the general trend is positive, stakeholders must address this unpredictability and further increase investors' knowledge in sustainable finance methods in order to guarantee wider adoption and effect.

The results of the correlation study showed a strong and significant positive relationship between investment decision (ID) and sustainable finance factors. A moderately positive correlation between ID and Environment Factors (EF) indicates that investors' personal views regarding sustainable finance have a positive impact on their investing choices. Social Factors (SF) and Investment Decision (ID) show a strong positive correlation, suggesting that social norms and practices have a big impact on investors' choices. Investment Decision (ID) and Governance Factors (GF) have a strong positive correlation, suggesting that investors' are aware about government policies and practices and incorporate these factors in their sustainable finance investment choices influence their real investing attitude. These finding highlight the significance of taking environmental, social and governance factors in sustainable finance into account and analyzing the affect on investment decision-making.

The regression analysis confirmed that all of the predictors: Environment Factor (EF), Social Factor (SF) and Governance Factor (GF) have a substantial positive influence on Investment Decision (ID).While EF and SF demonstrated significant positive impact on ID whereas GF demonstrated highly positive impact. Overall, these finding demonstrate the significant and positive impact of sustainable finance factors on investment choices, emphasizing the role that

environment, society and government play in influencing investors' decision in the context of sustainable finance.

5.3 Implications

5.3.1 Theoretical Implications

This study has significant theoretical implications, especially in terms of enhancing exisiting behavioral finance theories with knowledge from sustainable financing contexts. This research contributes to the development of theoretical frameworks by exploring the complex interaction between environmental factor, social factor and governance factor in sustainable finance. It provides valuable information about the psychological forces influencing investor choices, illuminating the ways in which personal convictions combine with external factors to influence investing behavior. A deeper comprehension of sustainable finance dynamics within the larger financial landscape is made possible by incorporating these insights into behavioral finance models, which improves their explanatory power.

5.3.2 Practical Implications

Practical implications of this study highlight how important it is to encourage investors' favorable choices of environmental, social and governance factors in sustainable financing**.** Policymakers, regulatory agencies, and financial institutions can use these insights to create focused interventions meant to raise knowledge and literacy about sustainable finance. Projects like awareness campaigns, workshops, and educational programs help empower investors with the information and resources they need to properly assess sustainability factors while making investment decisions. Stakeholders can improve financial performance and further sustainability objectives by incorporating sustainable finance criteria into investment strategies, which will create a more robust and accountable financial ecosystem.

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APPENDICES

Appendix I Questionnaire

Dear Sir/ Mam,

We kindly request your participation in a study examining the complex dynamics of sustainable finance and its implications for investors. Your insights are invaluable in shedding light on the evolving landscape of investment practices and their alignment with sustainability goals. By sharing your preceptives, you contribute to advancing our understanding of how financial decisions impact environmental and social outcomes. Your participation is greatly appreciated, and we assure you that all responses will be handled confidentially. Thank you for your time and valuable contribution to this research endeavor.

Shreya Basnet
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
    a. Male
    b. Female
2. Marital Status
    a. Single
    b. Married
3. Age
    a. 21 to 30
    b. 31 to 40
    c. 41 to 50
    d. 51 and above
4. Education Level
    a. SLC/SEE
    b. 10+2
    c. Bachelors

d. Masters or Above

5. Your salary range (monthly)

a. Below Rs. 20,000

b. Rs. 20,001 – Rs. 50,000

c. Rs. 50,001 – Rs. 80,000

d. Above Rs. 80,001

Part II: Core Questions of Investment Decision Making [(Source: (Karmacharya, 2023)]

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

S.N.	Environment Factors	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
1	I want to invest in companies that care about climate change and global warming.					
2	I want to invest in companies that manage waste from making things safely.					
3	I want to invest in companies that use materials, energy, and water in a good way and find new ways to be friendly to the environment.					
4	I want to invest in companies that make things that are good for the environment and last a long time.					
5	I want to invest in companies that make new things to help the environment and create jobs.					
6	I want to invest in companies that reduce gases that are bad for the					

	environment.					
7	I want to invest in companies that care about what people think about their environmental practices.					
S.N.	**Social Factors**	**Strongly Disagree**	**Disagree**	**Neutral**	**Agree**	**Strongly Agree**
1	I want to invest in companies that give good benefits to their employees.					
2	I want to invest in companies that get along with the government and the community by donating money or goods.					
3	I want to invest in companies that follow the rules about human rights, like not using child or forced labor.					
4	I want to invest in companies that help their employees learn new things and get better jobs by giving them training and education.					
5	I want to invest in companies that make their employees happy and work well by giving them a good balance between work and life, family-friendly policies, and equal opportunities.					
6	I want to invest in companies that make good things and tell customers what's in them and if they are safe.					
7	I want to invest in					

	companies that care about what people think about their social practices.					
S.N.	**Governance Factors**	**Strongly Disagree**	**Disagree**	**Neutral**	**Agree**	**Strongly Agree**
1	I want to invest in companies that have a board of directors that does a good job and knows what they are supposed to do.					
2	I want to invest in companies that follow the rules about financial reporting.					
3	I want to invest in companies that have a committee that checks on how the company is doing financially.					
4	I want to invest in companies that use auditors who are independent.					
5	I want to invest in companies that pay their executives well and tie their pay to how well they do their job.					
6	I want to invest in companies that have a good plan for what they want to do and follow it when they make decisions.					
7	I want to invest in companies that treat all shareholders fairly, including ones who own less of the company.					
S.N.	**Investment Decision**	**Strongly Disagree**	**Disagree**	**Neutral**	**Agree**	**Strongly Agree**
1	I carefully consider all available investment					

	options before making a decision.					
2	I am comfortable taking calculated risks when making investment decisions.					
3	I prefer to invest in companies with high returns, even if they are riskier.					
4	I believe that a company's ESG performance is an important factor to consider when making investment decisions.					
5	I regularly review and adjust my investment portfolio based on changes in the market and my personal financial goals.					
6	I consider government policies promote for short-term and long-term investment decision making.					
7	I believe work place safety, labor standard impacts the investment decision.					

Appendix II Frequency Table

Gender

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Male	288	73.85	73.85	73.85
	Female	102	26.15	26.15	100.0
	Total	390	100.0	100.0	

Marital Status

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Single	200	51.28	51.28	51.28
	Married	190	48.72	48.72	100.0
	Total	390	100.0	100.0	

Age in Years

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	21 to 30	93	23.85	23.85	23.85
	31 to 40	109	27.95	27.95	51.8
	41 to 50	140	35.90	35.90	87.7
	51 and above	48	12.30	12.30	100.0
	Total	390	100.0	100.0	

Education Level

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	SLC/SEE	18	4.62	4.62	4.62
	10+2	74	18.97	18.97	23.59
	Bachelors	222	56.92	56.92	80.51
	Masters or Above	76	19.49	19.49	100.0

	Total	390	100.0	100.0	

Salary (Monthly)

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Below Rs. 20,000	45	11.54	11.54	11.54
	Rs. 20,001 – Rs. 50,000	144	36.92	36.92	48.46
	Rs. 50,001 – Rs. 80,000	140	35.90	35.90	84.36
	Above Rs. 80,001	61	15.64	15.64	100.0
	Total	390	100.0	100.0	

Appendix III Reliability Test

Environment Factors

Reliability Statistics

Cronbach's Alpha	N of Items
0.824	7

Social Factors

Reliability Statistics

Cronbach's Alpha	N of Items
0.743	7

Governance Factors

Reliability Statistics

Cronbach's Alpha	N of Items
0.815	7

Investment Decision Making

Reliability Statistics

Cronbach's Alpha	N of Items
0.826	7

Appendix IV Descriptive Statistics

Descriptive Statistics

	N	Mean	Std. Deviation
I want to invest in companies that care about climate change and global warming.	390	3.51	1.123
I want to invest in companies that manage waste from making things safely.	390	3.59	1.055
I want to invest in companies that use materials, energy and water in a good way and find new ways to be friendly to the environment.	390	3.65	1.023
I want to invest in companies that reduces gases that are bad for the environment.	390	3.88	0.954
I want to invest in companies that make things that are good for the environment and last a long time.	390	3.79	0.966
I want to invest in companies that make new things to help the environment and create jobs.	390	3.70	1.019
I want to invest in companies that care about what people think about their environmental practices.	390	3.80	0.927
I want to invest in companies that give good benefits to their employees.	390	3.85	0.928
I want to invest in companies that get along with the government and the community by donating money or goods.	390	3.90	0.940
I want to invest in companies that follow the rules about human rights, like not using child or forced labor.	390	3.85	0.938
I want to invest in companies that help their employees learn new things and get better jobs by giving them training and education.	390	3.90	0.895
I want to invest in companies that make their employees happy and work well by giving them a good balance between work and life, family-friendly policies, and equal opportunities.	390	3.88	0.954
I want to invest in companies that make good things and tell customers what's in them and if they are safe.	390	3.94	0.871

I want to invest in companies that care about what people think about their social practices.	390	3.85	0.890
I want to invest in companies that have a board of directors that does a good job and knows what they are supposed to do.	390	3.80	0.928
I want to invest in companies that follow the rules about financial reporting.	390	3.82	0.950
I want to invest in companies that have a committee that checks on how the company is doing financially.	390	3.86	0.840
I want to invest in companies that use auditors who are independent.	390	3.95	0.837
I want to invest in companies that pay their executives well and tie their pay to how well they do their job.	390	4.01	0.851
I want to invest in companies that have a good plan for what they want to do and follow it when they make decisions.	390	3.96	0.842
I want to invest in companies that treat all shareholders fairly, including ones who own less of the company.	390	3.98	0.821
I carefully consider all available investment options before making a decision.	390	3.96	0.812
I am comfortable taking calculated risks when making investment decisions.	390	3.83	0.963
I prefer to invest in companies with high returns, even if they are riskier.	390	3.85	0.963
I believe that a company's ESG performance is an important factor to consider when making investment decisions.	390	3.89	0.857
I regularly review and adjust my investment portfolio based on changes in the market and my personal financial goals.	390	3.84	0.921
I consider government policies promote for short-term and long-term investment decision making.	390	4.00	0.821

I believe work place safety, labor standard impacts the investment decision.	390	4.04	0.831
EF	390	3.69686	0.703449
SF	390	3.87478	0.716870
GF	390	3.93512	0.668268
IDM	390	3.95753	0.650651
Valid N (listwise)	390		

Appendix V Correlation Analysis

Correlations[b]

		EF	SF	GF	IDM
EF	Pearson Correlation	1	.691**	.514**	.492**
	Sig. (2-tailed)		0.000	0.000	0.000
SF	Pearson Correlation	.691**	1	.603**	.580**
	Sig. (2-tailed)	0.000		0.000	0.000
GF	Pearson Correlation	.514**	.603**	1	.630**
	Sig. (2-tailed)	0.000	0.000		0.000
IDM	Pearson Correlation	.492**	.580**	.630**	1
	Sig. (2-tailed)	0.000	0.000	0.000	

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

b. Listwise N=390

Appendix VI Regression Analysis Model

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
0	.665	0.443	0.438	0.548

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

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	94.508	3	31.503	104.835	.000
	Residual	118.998	386	0.300		
	Total	213.506	389			

a. Dependent Variable: ID

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

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	0.772	0.189		4.082	0.000		
	EF	0.124	0.054	0.112	2.289	0.023	0.590	1.696
	SF	0.203	0.048	0.194	4.229	0.000	0.439	1.503
	GF	0.492	0.054	0.460	9.098	0.000	0.618	1.815

a. Dependent Variable: IDM

PAPER NAME

SUSTAINABLE FINANCE AND ITS IMPLI CATIONS FOR INVESTORS

AUTHOR

Shreya Basnet

WORD COUNT

16349 Words

CHARACTER COUNT

102493 Characters

PAGE COUNT

52 Pages

FILE SIZE

194.1KB

SUBMISSION DATE

May 19, 2025 12:23 PM GMT+5:30

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May 19, 2025 12:24 PM GMT+5:30

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