

**SUSTAINABLE INVESTMENT PERCEPTION AND ITS
INFLUENCE ON INVESTMENT DECISIONS**

**A Dissertation Submitted to the office of the Dean, Faculty of Management in partial
fulfillment of the requirements for the Master's Degree of Business Studies(MBS)**

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Certification of Authorship

I hereby corroborate that I have researched and submitted the final draft of dissertation entitled “**Sustainable Investment Perception and Its Influence on Investment Decisions**”. The work of this dissertation has not been submitted previously for the purpose of conferral of any degrees nor has it been proposed and presented as part of requirements for any other academic purpose.

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

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Table of Contents

<i>Certification of Authorship</i>	<i>ii</i>
<i>Report of Research Committee</i>	<i>iii</i>
<i>Approval Sheet</i>	<i>iv</i>
<i>Acknowledgements</i>	<i>v</i>
<i>Table of Contents</i>	<i>vii</i>
<i>List of Tables</i>	<i>x</i>
<i>List of Figure</i>	<i>xi</i>
<i>Abbreviations</i>	<i>xii</i>
<i>Abstract</i>	<i>xii</i>
CHAPTER I	14
INTRODUCTION	14
1.1 Background of the study	14
1.2 Problem Statement	16
1.3 Objective of the study	18
1.4 Hypothesis of e study	18
1.5 Rationale of the Study	19
1.6 Limitation of the study	20
CHAPTER II	22
LITERATURE REVIEW	22
2.1 Theoretical Review	22
2.1.1 Modern Portfolio Theory (MPT)	22
2.1.2 Stakeholder Theory	22
2.1.3 Behavioral Finance Theory	25
2.1.4 Triple Bottom Line (TBL) Theory	26
2.1.5 Agency Theory	28
2.2 Conceptual Review	29
2.2.1 Concept of Sustainable Investment	29
2.2.2 Social factors	31
2.2.3 Governance	31

2.2.4 Exclusionary screening	32
2.3 Review of Previous Studies	33
2.4 Research Gap	42
CHAPTER III	44
RESEARCH METHODOLOGY	44
3.1 Research Design.....	44
3.2 Population and Sample, and Sampling Design	44
3.4 Nature and Sources of Data, and Instrument of Data Collection.....	45
3.5 Instrumentation of Data	45
3.5.1 Reliability and Validity	46
3.6 Data Analysis Method.....	46
3.6.1 Descriptive Statistics	46
3.6.2 Correlation Analysis	47
3.6.3 Regression Model.....	47
3.7 Methods of Analysis:	48
3.8 Research Framework and Definition of Variables:	49
CHAPTER IV	52
RESULTS AD DISCUSSION	52
4.1 Characteristics of Respondents	52
4.1.1 Demographic Profile of Respondents.....	52
4.2 Descriptive Analysis	53
4.2.1 Sustainable Investments	53
4.2.2 Governance and Transparency	55
4.2.3 Environmental Awareness	56
4.2.4 Personal Values	57
4.2.5 Ethical Beliefs.....	58
4.2.6 Investment Decision	59
4.3 Inferential Analysis.....	61
4.3.1 Descriptive Statistics	61
4.3.2 Correlation Analysis	63
4.3.3 Regression Analysis	64

4.4 Discussion	68
CHAPTER V	70
SUMMARY AND CONCLUSION	70
5.1 Summary	70
5.2 Conclusion	72
5.3 Implication	73
REFERENCES	76
APPENDIX.....	82

List of Tables

Table No	Title	Page No.
Table 1	Meta table of Empirical study	37
Table 2	Demographic Profile of Respondents	51
Table 3	Descriptive Statistic of Sustainable Investments	53
Table 4	Descriptive Statistic of Governance and Transparency	54
Table 5	Descriptive Statistic of Environmental Awareness	55
Table 6	Descriptive Statistic of Personal Values	56
Table 7	Descriptive Statistic of Ethical Beliefs	57
Table 8	Descriptive Statistic of Investment Decision	59
Table 9	Descriptive Statistic of Variables	61
Table 10	Correlation Analysis of Variables	62
Table 12	ANOVA Test of Variables	64
Table 13	Model Summary of Variables	65
Table 14	Regression Analysis of Variables	66

Figure No	Title	List of Figure	Page No.
Figure 1	Conceptual Framework		48

Abbreviations

ANOVA	: Analysis of Variance
CFA	: Chartered Financial Analyst
ESG	: Environmental, Social, and Governance
ETFs	: Exchange-Traded Funds
EU	: European Union
GRI	: Global Reporting Initiative
MPT	: Modern Portfolio Theory
NEPSE	: Nepal Stock Exchange
SASB	: Sustainability Accounting Standards Board
SDGs	: Sustainable Development Goals
SFDR	: Sustainable Finance Disclosure Regulation
SRI	: Socially Responsible Investment
TBL	: Triple Bottom Line
UNEP	: United Nations Environment Programme

Abstract

This study investigates the perception of sustainable investments and its influence on investment decisions among individuals. With growing awareness of environmental, social, and governance (ESG) factors, investors are increasingly considering the sustainability of companies when making investment choices. The research examines the relationship between key variables such as sustainable investments, governance and transparency, environmental awareness, personal values, and ethical beliefs, and their collective impact on investment decisions. Data was collected through a survey of 384 respondents, with descriptive statistics, correlation analysis, ANOVA, and regression analysis used to assess the relationships between these factors. Findings reveal that sustainable investments are perceived as important by a significant proportion of investors, with governance and transparency, environmental awareness, and personal values being key factors influencing investment decisions. Furthermore, investors demonstrated a preference for companies that align with their ethical values, and sustainable investments were seen as contributing to long-term profitability despite potential financial risks. The study highlights the growing importance of sustainability in investment decision-making and emphasizes the need for greater awareness and education on sustainable investment practices. These insights can guide investors and policymakers in promoting sustainable financial practices and fostering a more responsible investment landscape.

Keywords: *Sustainable Investments, Environmental Awareness, Governance and Transparency, Personal Values, Ethical Beliefs, Investment Decision*

CHAPTER I

INTRODUCTION

1.1 Background of the study

Sustainable investment, often referred to as socially responsible investing (SRI) or investments focusing on environmental, social, and governance (ESG) factors, is becoming increasingly popular as investors align their financial objectives with ethical considerations. The perception of sustainable investment significantly influences decision-making, with investors who value sustainability being more inclined to incorporate ESG principles into their portfolios. According to Eurosif (2022), a positive perception of sustainable investments arises from growing awareness of global challenges such as climate change, corporate accountability, and social equity. Research by Friede et al. (2015) further underscores that over 90% of studies indicate a positive correlation between ESG integration and financial performance, enhancing the appeal of sustainable investments.

The perception of sustainable investments is shaped by several factors, including awareness of environmental and social impacts, corporate transparency, financial performance, and regulatory frameworks. Public awareness of issues like climate change and pollution has heightened the relevance of ESG factors. Khan et al. (2021) found that environmentally conscious investors view sustainable investments as a way to contribute positively to the planet while securing financial returns. Corporate transparency and ESG reporting further enhance these perceptions, with the Global Reporting Initiative (GRI) emphasizing that clear and reliable reporting builds investor trust (GRI, 2021). Additionally, the financial performance of ESG investments is a critical driver of perception. The Morgan Stanley Institute for Sustainable Investing (2020) revealed that sustainable funds often outperform traditional funds, particularly during economic downturns, which bolsters investor confidence in the viability of such investments.

Government regulations and market trends also play a crucial role in shaping perceptions. Policies such as the European Union's Sustainable Finance Disclosure Regulation (SFDR)

require firms to disclose their ESG practices, encouraging investors to prioritize sustainability (EU, 2021). These trends highlight a growing acknowledgment that sustainable investments are not only ethical but also financially prudent. Moreover, demographic factors influence sustainable investment perceptions. Younger investors and women are particularly drawn to ESG investments, driven by heightened environmental awareness and ethical considerations (Fidelity International, 2020). Institutional investors further shape the market, with BlackRock (2022) reporting that 76% of institutional players believe ESG integration aligns with fiduciary responsibilities, thereby reinforcing sustainable investment practices.

Behavioral finance also highlights the role of perception in decision-making. Cognitive biases and social influence shape investment behavior, with phenomena such as the bandwagon effect prompting individuals to follow peers who prioritize ESG investments (Barber et al., 2021). Sustainable investments are often perceived as less risky, leading investors to favor these products in their portfolios. Additionally, investors with a positive perception of sustainability tend to adopt a long-term outlook, prioritizing steady returns over short-term gains (Bansal & DesJardine, 2014). This perspective aligns with the belief that ESG investments mitigate risks associated with environmental and social instability.

However, challenges persist in maintaining positive perceptions of sustainable investments. Issues such as greenwashing, inconsistent ESG metrics, and a lack of standardized reporting can erode investor confidence. The CFA Institute (2021) notes that these challenges often lead to skepticism among traditional investors, limiting the impact of positive perceptions on decision-making. Addressing these issues is crucial for fostering broader acceptance and integration of sustainable investment practices.

In conclusion, the perception of sustainable investment plays a vital role in influencing investment decisions. Factors such as environmental awareness, corporate transparency, financial performance, and regulatory frameworks shape how investors view and prioritize ESG investments. While positive perceptions encourage long-term, risk-averse investment strategies, challenges like greenwashing and reporting inconsistencies highlight the need for robust frameworks to support ESG integration. As sustainable investing continues to evolve, future research should focus on bridging perception gaps through education,

improving ESG metric transparency, and addressing behavioral biases. By addressing these areas, sustainable investments can become more accessible and appealing to a broader range of investors, contributing to both financial growth and global sustainability goals.

1.2 Problem Statement

The increasing focus on sustainability and environmental consciousness has brought significant changes to the global investment landscape. Sustainable investment, which incorporates environmental, social, and governance (ESG) factors, has emerged as a key strategy for achieving long-term financial growth while addressing pressing global issues such as climate change, social inequality, and corporate governance. Despite its global significance, sustainable investment remains a relatively underexplored area in Nepal, where traditional investment strategies dominate, and awareness of ESG principles among investors and institutions is still nascent. This gap poses significant challenges to leveraging sustainable investment as a tool for fostering both economic and environmental progress in the country.

Nepal's financial sector has been growing steadily, with commercial banks, financial institutions, and capital markets playing a pivotal role in driving economic activities. However, the integration of ESG principles in investment practices is limited. Studies such as Dhungana (2022) and Adhikari et al. (2021) highlight that Nepali investors lack sufficient knowledge about sustainable investment and its potential benefits. Additionally, the absence of robust policies and frameworks to promote ESG integration further constrains the adoption of sustainable investment practices. This situation is compounded by the limited availability of ESG-related data and disclosures from Nepali firms, making it difficult for investors to make informed decisions.

Another critical issue is the perception of sustainable investment among Nepali investors. A significant proportion of the population still views sustainability initiatives as philanthropic endeavors rather than integral components of profitable investment strategies (Shrestha & Aryal, 2020). This perception often deters investors from prioritizing ESG factors in their portfolios, as they fear compromising financial returns for social or environmental goals. The lack of awareness campaigns, training programs, and government incentives to promote sustainable investment further exacerbates the problem.

Regulatory and institutional challenges also hinder the growth of sustainable investment in Nepal. Although the government has committed to achieving the United Nations Sustainable Development Goals (SDGs) by 2030, the alignment of financial sector policies with sustainability objectives remains weak. For example, the Nepal Rastra Bank's monetary policies and guidelines for financial institutions rarely address ESG considerations in investment decisions (Nepal Rastra Bank, 2022). Furthermore, the lack of standardized ESG reporting and disclosure practices in the corporate sector creates inconsistencies and hampers transparency, thereby discouraging both domestic and international investors interested in sustainability-focused initiatives.

The capital market in Nepal, represented primarily by the Nepal Stock Exchange (NEPSE), also reflects a lack of emphasis on ESG investments. Limited listings of companies with strong ESG practices and the absence of ESG indices or benchmarks contribute to the stagnation of sustainable investment activities. Studies by Pandey (2021) indicate that the development of green financial instruments, such as green bonds or sustainability-linked loans, remains in its infancy, further limiting the avenues for investors seeking sustainable opportunities.

Moreover, Nepal faces unique socio-economic challenges that influence investment behavior. The country's reliance on traditional industries such as agriculture, hydropower, and tourism makes the integration of sustainability considerations complex. While these sectors hold significant potential for sustainable growth, the lack of innovation and strategic planning often results in missed opportunities for aligning these industries with ESG principles (Ghimire, 2021). Additionally, the predominance of informal financial practices in rural areas undermines efforts to promote sustainable investment awareness at the grassroots level.

The consequences of neglecting sustainable investment are far-reaching. Without integrating ESG principles into investment practices, Nepal risks exacerbating environmental degradation, increasing socio-economic disparities, and failing to achieve its long-term development goals. As the country continues to grapple with the effects of climate change and resource scarcity, the urgency to adopt sustainable investment practices becomes more apparent.

In conclusion, the problem lies in the limited adoption and integration of sustainable investment practices in Nepal. This issue is driven by a combination of factors, including a lack of awareness and education among investors, insufficient regulatory frameworks, inadequate corporate ESG disclosures, and socio-economic constraints. Addressing these challenges requires a multi-faceted approach that includes policy reforms, investor education, corporate transparency, and the development of innovative financial instruments. Future research and policy initiatives should focus on bridging these gaps to create an enabling environment for sustainable investment in Nepal.

- i. What is the status of sustainable investment perception and its influence on investment decisions?
- ii. Is there any relation between Sustainable Investments, Environmental Awareness, Governance and Transparency, Personal Values, Ethical Beliefs and Investment Decision?
- iii. What is the impact of Sustainable Investments, Environmental Awareness, Governance and Transparency, Personal Values, Ethical Beliefs on Investment Decision?

1.3 Objective of the study

The main objective of the study are as follows:

- i. To examine status of sustainable investment perception and its influence on investment decisions.
- ii. To analyze the relation between Sustainable Investments, Environmental Awareness, Governance and Transparency, Personal Values, Ethical Beliefs and Investment Decision.
- iii. To assess impact of Sustainable Investments, Environmental Awareness, Governance and Transparency, Personal Values, Ethical Beliefs on Investment Decision.

1.4 Hypothesis of e study

H1: There is significant impact of sustainable Investments on Investment Decision.

H2: There is significant impact of Environmental Awareness on Investment Decision.

H3: There is significant impact of Governance and Transparency on Investment Decision.

H4: There is significant impact of Personal Values on Investment Decision.

H5: There is significant impact of Ethical Beliefs on Investment Decision.

1.5 Rationale of the Study

The concept of sustainable investment has gained significant attention globally, as it combines the pursuit of financial returns with a commitment to addressing environmental, social, and governance (ESG) issues. In the context of Nepal, this study is crucial because it seeks to explore an underdeveloped yet promising area of investment that can play a vital role in fostering sustainable economic growth. Nepal is a country with immense natural resources, socio-cultural diversity, and economic potential. However, challenges such as climate change, environmental degradation, and social inequality require innovative financial solutions that align with sustainability principles. This study highlights the importance of sustainable investment as a tool to address these challenges while simultaneously promoting economic stability and growth.

Nepal's financial landscape is gradually evolving, with increased participation from domestic and international investors. However, the focus on traditional investment approaches limits the potential to incorporate sustainability into the financial ecosystem. By investigating the perception and integration of sustainable investment in Nepal, this study aims to provide insights into how the investment sector can adapt to global trends and contribute to achieving sustainable development goals. It seeks to fill a critical knowledge gap, as little research has been conducted on the integration of ESG factors in Nepal's financial practices.

The rationale for this study also stems from the increasing relevance of sustainability in shaping investor behavior. Sustainable investments are no longer seen as merely ethical choices but as strategies with the potential to deliver long-term financial benefits. By understanding how perceptions of sustainable investments influence decision-making, this study aims to shed light on the motivations, barriers, and opportunities for adopting ESG practices in Nepal. This is particularly important in a country where awareness of

sustainable investing remains low, and market participants are hesitant to adopt new investment frameworks.

Furthermore, this study addresses the need to align Nepal's financial sector with global trends and standards. With growing international emphasis on sustainable finance, countries like Nepal must adapt to remain competitive in attracting investments. Exploring how sustainable investment can be integrated into existing frameworks will help identify gaps in policy, corporate practices, and investor awareness. It will also contribute to the development of strategies that promote ESG integration and foster a culture of responsible investing.

Another key rationale is the potential impact of sustainable investments on critical sectors of Nepal's economy, such as agriculture, hydropower, and tourism. These sectors are inherently linked to environmental and social factors, making them ideal candidates for ESG-focused investments. By encouraging sustainable practices within these industries, this study aims to demonstrate how investment strategies can be aligned with national development goals while mitigating risks associated with environmental degradation and resource exploitation.

The study seeks to contribute to a broader understanding of how sustainable investment can serve as a catalyst for social and economic transformation. It underscores the importance of educating investors, policymakers, and businesses about the benefits of ESG integration. By fostering a more inclusive and sustainable financial ecosystem, Nepal can position itself as a regional leader in sustainable development, attracting both local and international stakeholders who value the balance of profit and purpose. This study, therefore, serves as a stepping stone toward achieving these objectives.

1.6 Limitation of the study

The limitations in this study are as follows:

- Primary data were collected through the questionnaire method. Therefore, the study may suffer from limitations of online survey.
- Due to geographical and time constraint, respondents were only taken from inside Kathmandu valley.

- Data is collected through the self-administered questionnaire. The data is collected from the individual understanding of the respondents.
- The external environment may influence the respondents.

CHAPTER II

LITERATURE REVIEW

2.1 Theoretical Review

2.1.1 Modern Portfolio Theory (MPT)

Modern Portfolio Theory (MPT) is a cornerstone of investment theory introduced by Harry Markowitz in 1952. It emphasizes the trade-off between risk and return in portfolio construction, arguing that rational investors can achieve an optimal balance by diversifying their investments. The theory assumes that investors are risk-averse, meaning they prefer portfolios with the least risk for a given level of return or the highest return for a given level of risk. MPT revolutionized investment strategies by providing a systematic approach to portfolio optimization and was later recognized with a Nobel Prize in Economics in 1990 (Markowitz, 1952; Sharpe, 1994; NobelPrize.org, 1990).

Central to MPT is the concept of diversification, which involves spreading investments across various assets to reduce overall risk. By combining assets with varying correlations, investors can minimize portfolio volatility without necessarily compromising returns. For instance, when one asset performs poorly, another might perform well, stabilizing the portfolio's overall performance. MPT quantifies this relationship using metrics like expected returns, standard deviation (risk), and covariance. The efficient frontier, a graphical representation of optimal portfolios, serves as a decision-making tool for investors seeking the best risk-return combination (Elton & Gruber, 1997; Luenberger, 1998; Bodie, Kane, & Marcus, 2021).

In the context of sustainable investment, MPT provides a framework for integrating Environmental, Social, and Governance (ESG) factors into portfolio construction. ESG-focused assets are often considered less risky in the long term, as they account for potential environmental liabilities, social unrest, or governance failures. For example, renewable energy companies may present lower risks compared to fossil fuel firms, which are exposed to regulatory changes and environmental concerns. Research has shown that ESG integration can improve risk-adjusted returns, aligning well with MPT principles (El Ghouli & Karoui, 2017; Capelle-Blancard & Monjon, 2014; Friede, Busch, & Bassen, 2015).

However, MPT has its limitations, particularly in addressing non-financial goals inherent in sustainable investing. Critics argue that its reliance on historical data for predicting future risks and returns may not adequately capture the dynamic nature of ESG factors. For example, a firm's current ESG compliance might not guarantee long-term sustainability if external conditions change. Furthermore, MPT focuses primarily on quantifiable risks and returns, often overlooking intangible benefits like corporate reputation, social impact, or environmental contributions (Renneboog, Horst, & Zhang, 2008; Bollen, 2007; Geczy, Stambaugh, & Levin, 2005).

Despite these criticisms, MPT remains relevant in sustainable investment when combined with complementary theories. For instance, incorporating Stakeholder Theory allows investors to assess how ESG factors align with broader societal goals, while Behavioral Finance Theory provides insights into how psychological biases affect sustainable investment choices. Together, these frameworks enrich MPT by addressing its gaps and enabling a more holistic approach to portfolio management (Freeman, 1984; Thaler, 1999; Akerlof & Kranton, 2000).

The practical application of MPT in sustainable investment is evident in the growth of ESG-oriented mutual funds and exchange-traded funds (ETFs). These funds leverage MPT principles to construct diversified portfolios that balance financial performance with sustainability objectives. Additionally, regulatory changes and investor demand for ESG disclosure have made it easier to evaluate the risk-return profiles of sustainable investments, further enhancing MPT's applicability (Morningstar, 2022; MSCI, 2021; GRI Standards, 2020).

2.1.2 Stakeholder Theory

Stakeholder Theory, introduced by R. Edward Freeman in 1984, redefines the purpose of a business by emphasizing that it should create value for all its stakeholders, not just shareholders. Stakeholders include anyone impacted by a company's operations, such as employees, customers, suppliers, communities, and even the environment. This theory represents a shift from the traditional shareholder-focused model, arguing that sustainable

long-term success requires addressing the needs and expectations of a broad range of stakeholders.

The core principle of Stakeholder Theory is that businesses operate within a complex web of relationships and interdependencies. By acknowledging and balancing the interests of diverse stakeholders, companies can mitigate risks, foster loyalty, and build a positive reputation. For example, organizations that prioritize fair labor practices, community development, and environmental conservation are likely to attract socially conscious investors, enhancing their financial and non-financial performance. Sustainable investment aligns closely with Stakeholder Theory, as ESG considerations naturally extend to stakeholders like the environment and society at large (Clark et al., 2015; Eccles et al., 2014).

In practice, Stakeholder Theory has transformed corporate governance and investment practices. Many companies now integrate ESG factors into their decision-making processes to align with stakeholder expectations. For instance, renewable energy firms and those actively reducing their carbon footprint appeal to environmentally conscious stakeholders, including investors. This alignment not only enhances corporate reputation but also attracts funding from ESG-focused investors, creating a virtuous cycle of sustainability and profitability.

Critics, however, argue that balancing stakeholder interests can be challenging, particularly when these interests conflict. For example, shareholders may prioritize short-term financial gains, while environmental stakeholders demand significant investments in sustainability initiatives that could reduce immediate profits. Additionally, Stakeholder Theory is sometimes criticized for its lack of clear metrics to measure stakeholder value, complicating its implementation and evaluation.

Despite these challenges, Stakeholder Theory has gained prominence in the era of sustainable investing, supported by growing evidence that ESG-focused strategies can enhance financial performance. Studies have shown that companies prioritizing stakeholder value often outperform their peers in terms of profitability, resilience, and market valuation. For instance, during economic downturns or crises, firms with strong

ESG practices are better positioned to weather disruptions due to stakeholder loyalty and operational adaptability (Clark et al., 2015).

The relevance of Stakeholder Theory extends beyond individual companies to investment decisions. Sustainable investors increasingly use ESG criteria to evaluate firms, aligning their portfolios with their values and societal goals. For example, socially responsible funds often exclude companies involved in unethical practices, such as child labor or environmental destruction, demonstrating the application of Stakeholder Theory at the portfolio level.

2.1.3 Behavioral Finance Theory

Behavioral Finance Theory examines the psychological factors and biases influencing investor behavior, challenging the traditional assumption of rational decision-making in economics. This theory, popularized by Daniel Kahneman and Amos Tversky in the 1970s, explores how emotions, cognitive errors, and social influences shape financial decisions, often leading to irrational outcomes. In the context of sustainable investment, Behavioral Finance sheds light on why and how investors incorporate ESG considerations into their decision-making processes, even when such choices deviate from purely financial motives.

Key concepts in Behavioral Finance include biases such as framing, loss aversion, and herd behavior. Framing affects how information is presented and perceived, significantly influencing investment choices. For example, an ESG fund marketed as “green” may attract investors seeking alignment with their values, regardless of its actual financial performance. Loss aversion, another crucial concept, highlights investors’ tendency to prioritize avoiding losses over achieving gains. In sustainable investing, this may manifest as avoiding companies with poor ESG ratings due to potential reputational or regulatory risks (Statman, 2014; Baker & Nofsinger, 2010).

Herd behavior, where individuals mimic the actions of others, also plays a critical role in sustainable investment. As ESG-focused funds gain popularity, more investors may follow suit, amplifying the trend. This collective movement often aligns with the social norm theory, suggesting that individuals are influenced by the behavior and attitudes of their peers. For instance, high-profile endorsements of sustainable investment strategies can

drive widespread adoption, even among investors with limited knowledge of ESG principles.

Behavioral biases, while influential, can lead to suboptimal investment decisions. Overconfidence, for instance, may cause investors to overestimate their ability to assess ESG performance accurately, leading to an over-concentration in specific sectors like renewable energy. Similarly, availability heuristics may result in overemphasizing recent environmental disasters, causing an exaggerated preference for “green” investments while overlooking financial fundamentals.

Despite these challenges, understanding Behavioral Finance Theory is essential for promoting sustainable investment. By addressing cognitive biases, financial advisors and policymakers can guide investors toward more informed decisions. For example, ESG ratings and certifications help standardize information, reducing ambiguity and counteracting biases like framing or heuristics. Additionally, behavioral nudges, such as default options for sustainable funds in retirement plans, can encourage investors to consider ESG factors without feeling coerced.

Behavioral Finance complements traditional theories like Modern Portfolio Theory by incorporating the human element into investment strategies. While MPT focuses on quantitative risk and return, Behavioral Finance emphasizes the qualitative and psychological dimensions of decision-making. Together, these theories provide a comprehensive understanding of sustainable investment practices.

2.1.4 Triple Bottom Line (TBL) Theory

The Triple Bottom Line (TBL) theory, introduced by John Elkington in 1994, expands the traditional financial performance focus to include social and environmental dimensions. It advocates for a holistic approach to evaluating organizational success by emphasizing three interrelated components: Profit, People, and Planet. This framework underscores the idea that businesses should not only prioritize profitability but also contribute positively to society and the environment. TBL has become a cornerstone of sustainable business practices, influencing investment decisions and corporate strategies.

The “Profit” dimension of TBL aligns with traditional financial goals, ensuring that businesses remain economically viable. However, it emphasizes sustainable profit generation, encouraging companies to adopt practices that deliver long-term value rather than short-term gains. For example, firms investing in renewable energy not only reduce operational costs over time but also attract ESG-conscious investors seeking stable returns. The “People” component focuses on the social impact of businesses, advocating for fair labor practices, community engagement, and employee well-being. Organizations that prioritize the welfare of their stakeholders often enjoy enhanced reputation, employee retention, and customer loyalty, all of which contribute to financial and non-financial success.

The “Planet” aspect addresses environmental sustainability, urging businesses to minimize their ecological footprint through resource efficiency, waste reduction, and environmental innovation. This dimension has gained significant traction with increasing awareness of climate change and regulatory pressures. For instance, companies implementing circular economy models—where waste is reused or recycled into production—align with the Planet dimension, attracting investors interested in green initiatives (Elkington, 1998; Savitz & Weber, 2006).

TBL is particularly relevant to sustainable investment, as it aligns with ESG criteria. Investors integrating TBL principles into their portfolios assess businesses based on their contributions to the three pillars, ensuring alignment with both ethical values and long-term risk mitigation. For instance, funds that screen for TBL performance often outperform those focused solely on financial returns, demonstrating the interconnectedness of economic, social, and environmental sustainability.

Critics of TBL argue that balancing the three dimensions can be challenging, as trade-offs between them are inevitable. For example, a company investing heavily in environmental sustainability may face short-term profitability declines, potentially alienating shareholders seeking immediate returns. Additionally, measuring and quantifying the social and environmental impacts of business activities remain complex, with inconsistent metrics and standards across industries. These challenges, however, have spurred innovation in sustainability reporting, such as the Global Reporting Initiative (GRI) and Sustainability

Accounting Standards Board (SASB) frameworks, which provide standardized guidelines for TBL evaluation.

Despite its challenges, TBL has significantly influenced modern investment practices and corporate governance. Companies adopting TBL principles often enjoy a competitive edge by addressing the growing demand for ethical and sustainable practices among consumers and investors. Moreover, governments and regulatory bodies increasingly incentivize TBL-aligned practices, further embedding this theory into the fabric of global business and investment landscapes.

2.1.5 Agency Theory

Agency Theory, developed by Michael Jensen and William Meckling in 1976, examines the relationship between principals (owners or shareholders) and agents (managers or executives) within organizations. It highlights the conflicts of interest that arise when agents prioritize their goals over those of the principals. Agency Theory seeks to address these conflicts by proposing mechanisms such as performance-based incentives, governance structures, and transparency to align the interests of both parties. In the context of sustainable investment, Agency Theory provides insights into how ESG considerations influence the alignment of corporate governance and shareholder interests.

At its core, Agency Theory posits that information asymmetry often creates a gap between the actions of agents and the expectations of principals. For instance, managers may pursue projects that enhance their reputation but do not maximize shareholder value. In sustainable investment, this tension is evident when firms engage in "greenwashing" — presenting misleading information about their environmental practices to attract ESG-focused investors. Effective governance mechanisms, such as independent boards and ESG performance metrics, help mitigate such issues by ensuring accountability and alignment (Jensen & Meckling, 1976; Shleifer & Vishny, 1997).

Sustainable investment integrates Agency Theory by emphasizing the role of governance in driving corporate accountability. ESG-focused investors often prioritize firms with strong governance frameworks that align managerial decisions with long-term sustainability goals. For example, companies with robust reporting practices and

independent oversight are more likely to attract institutional investors seeking transparency and risk mitigation.

Critics of Agency Theory argue that its focus on aligning financial incentives may overlook broader ethical considerations inherent in sustainable investment. For instance, prioritizing shareholder value above all else can conflict with ESG goals, which often require long-term commitments and trade-offs. Additionally, the theory's reliance on quantifiable metrics may undervalue intangible benefits like stakeholder trust or societal impact.

Despite these limitations, Agency Theory remains integral to understanding how governance influences sustainable investment decisions. By addressing conflicts of interest and ensuring transparency, it fosters investor confidence in a company's ESG practices. Furthermore, evolving frameworks like integrated reporting and stakeholder governance models enhance the theory's applicability to modern sustainable investment landscapes.

2.2 Conceptual Review

2.2.1 Concept of Sustainable Investment

Sustainable investment, also known as socially responsible investment (SRI) or environmental, social, and governance (ESG) investing, integrates ethical and sustainability considerations into financial decision-making processes. Unlike traditional investments that primarily focus on financial returns, sustainable investment evaluates companies and assets based on their environmental impact, social responsibility, and governance practices. This approach reflects a growing recognition that businesses have broader responsibilities to society and the planet beyond generating profits.

The concept of sustainable investment emerged as a response to global challenges, including climate change, social inequality, and governance issues. Investors adopting this approach seek to support organizations that align with their values and contribute positively to long-term societal goals. For example, companies that reduce carbon emissions, foster workplace diversity, or uphold ethical governance practices are often prioritized in sustainable investment portfolios (Eccles & Klimenko, 2019). This alignment of financial and ethical goals highlights the dual objectives of sustainable investment: achieving competitive financial returns while promoting sustainability.

Sustainable investment encompasses various strategies, including exclusionary screening, ESG integration, impact investing, and shareholder advocacy. Exclusionary screening involves excluding companies or sectors that engage in harmful practices, such as tobacco, firearms, or fossil fuels. ESG integration incorporates sustainability factors into financial analysis to identify risks and opportunities. Impact investing, a more targeted approach, aims to generate measurable positive social or environmental outcomes alongside financial returns. Shareholder advocacy involves using ownership rights to influence corporate behavior, such as proposing resolutions or voting on ESG-related issues (Friede et al., 2015).

The rise of sustainable investment is supported by increasing evidence of its financial viability. Research indicates that companies with strong ESG performance often experience lower risks, enhanced operational efficiencies, and improved access to capital. For example, firms that prioritize environmental sustainability can mitigate regulatory risks and capitalize on opportunities in green technologies. Similarly, organizations with robust social and governance practices are more likely to build trust with stakeholders and maintain long-term resilience (Clark et al., 2015).

However, the implementation of sustainable investment faces challenges, including the lack of standardized ESG metrics, greenwashing, and varying regulatory frameworks. Greenwashing, in particular, undermines the credibility of sustainable investment by allowing companies to present misleading claims about their ESG practices. To address these challenges, organizations such as the Global Reporting Initiative (GRI) and Sustainability Accounting Standards Board (SASB) have developed frameworks for consistent and transparent ESG reporting.

In the Nepalese context, sustainable investment is gaining traction, particularly in sectors like renewable energy and community development. For example, hydropower projects in Nepal not only generate financial returns but also contribute to clean energy development and rural electrification. Similarly, microfinance institutions support social equity by providing financial services to underserved communities, aligning with the principles of sustainable investment (Sharma & Dahal, 2020). Despite these developments, the market

for sustainable investment in Nepal remains nascent, with significant potential for growth as awareness and regulatory support increase.

One of the foundational aspects of sustainable investment is environmental consciousness, where investors focus on mitigating climate change and conserving natural resources. This includes supporting industries such as renewable energy, sustainable agriculture, and waste management. For example, investments in solar and wind energy projects are driven by the dual objectives of reducing carbon footprints and achieving energy independence. Organizations that implement practices such as reducing emissions or adopting circular economy models are often favored in ESG-focused portfolios, as these efforts align with the global commitment to achieving net-zero emissions (Gates, 2021; UNEP, 2019).

2.2.2 Social factors

Social factors also play a pivotal role in sustainable investment, reflecting a commitment to improving societal well-being. This involves investing in companies that prioritize fair labor practices, employee welfare, and community development. Socially responsible investors assess how businesses address issues such as gender equality, human rights, and access to education. For instance, impact investing in microfinance institutions provides financial services to underserved populations, empowering them to achieve economic self-sufficiency. Such investments resonate with ethical principles and contribute to reducing inequality, a core objective of the United Nations Sustainable Development Goals (SDGs) (United Nations, 2020).

2.2.3 Governance

The third pillar of sustainable investment is governance, emphasizing corporate accountability, transparency, and ethical management practices. Investors scrutinize governance structures to assess how companies align with stakeholder interests, mitigate risks, and uphold ethical standards. Firms with strong governance frameworks, such as independent boards and transparent reporting mechanisms, are perceived as less risky and more resilient to crises. Additionally, governance-related initiatives like shareholder advocacy enable investors to influence corporate policies, fostering long-term value creation while promoting sustainability (Eccles & Klimenko, 2019).

2.2.4 Exclusionary screening

Sustainable investment is often categorized into several strategies, each serving specific objectives. Exclusionary screening involves avoiding investments in industries or companies that conflict with ethical values, such as tobacco, gambling, or fossil fuels. Best-in-class selection targets businesses that demonstrate superior ESG performance within their sectors. ESG integration combines sustainability considerations into traditional financial analysis, enabling investors to identify risks and opportunities linked to ESG factors. Impact investing, on the other hand, seeks measurable positive societal or environmental outcomes alongside financial returns. For example, investing in affordable housing projects or clean water initiatives illustrates the tangible impact of this approach (Friede et al., 2015).

The financial performance of sustainable investments has been a subject of extensive research. Numerous studies suggest that companies with robust ESG practices tend to outperform their peers over the long term. This is attributed to factors such as enhanced operational efficiency, better risk management, and stronger relationships with stakeholders. For instance, firms that prioritize energy efficiency often reduce operational costs and comply with environmental regulations, enhancing profitability. Similarly, socially responsible practices can improve employee morale and customer loyalty, further contributing to financial performance (Clark et al., 2015).

Despite its advantages, sustainable investment faces several challenges. One major issue is the lack of standardized metrics for evaluating ESG performance. The absence of uniform reporting frameworks leads to inconsistencies, making it difficult for investors to compare ESG practices across companies. Greenwashing—where companies exaggerate their sustainability claims—is another critical challenge that undermines investor confidence. To address these issues, organizations like the Global Reporting Initiative (GRI), Sustainability Accounting Standards Board (SASB), and Task Force on Climate-related Financial Disclosures (TCFD) have developed frameworks to enhance ESG reporting transparency and reliability (GRI, 2021).

In the context of Nepal, sustainable investment is gradually gaining momentum, particularly in sectors like renewable energy, tourism, and agriculture. Hydropower

projects serve as a prominent example, offering a sustainable alternative to fossil fuels while addressing the country's energy needs. Similarly, initiatives like eco-tourism and organic farming reflect the growing alignment of economic activities with sustainability principles. However, the development of sustainable investment in Nepal faces challenges such as limited access to capital, lack of investor awareness, and inadequate regulatory frameworks (Sharma & Dahal, 2020).

2.3 Empirical Review

Flammer (2024) investigated the growth of green bonds as a tool for financing sustainable projects. The study found that green bonds were increasingly used by both governments and corporations to fund renewable energy, energy efficiency, and environmental projects. Green bonds offered a dual advantage: providing investors with an environmentally responsible investment option while also funding projects that promoted sustainability. The research highlighted the positive market response to green bond issuances, especially during periods of heightened environmental awareness. However, the study also identified challenges such as the lack of a universal green bond standard and concerns about “greenwashing.” The paper concluded by recommending stronger regulatory frameworks and improved transparency in the green bond market to enhance investor confidence.

Statman and Glushkov (2023) analyzed the financial performance of mutual funds with an ESG focus. Their research found that ESG-oriented mutual funds generally delivered competitive returns compared to traditional funds, with the added benefit of mitigating risks associated with environmental and social issues. The authors emphasized that while the financial performance of ESG funds was in line with that of conventional funds, the non-financial outcomes, such as positive social impact and environmental preservation, made them particularly appealing to socially conscious investors. The paper concluded by noting that ESG mutual funds could provide an optimal balance between financial returns and sustainability goals.

Eccles and Klimenko (2022) examined how corporate governance influences sustainable investment strategies and shareholder engagement. Through an analysis of corporate disclosures and investor reports, the authors found that companies with robust governance structures—such as independent boards and ethical leadership—were more likely to attract

ESG-focused investments. They emphasized that governance played a pivotal role in aligning corporate actions with sustainability goals, reducing operational risks, and enhancing transparency. Despite these benefits, the study highlighted that weak enforcement of governance standards in emerging markets hindered sustainable investment growth. The authors recommended increased regulatory oversight and international cooperation to enhance the role of governance in sustainable investing.

Aroussi and Ben Jabeur (2021) examined the role of sustainable investments in portfolio diversification, particularly in the MENA region. Their research found that incorporating ESG factors into investment strategies provided diversification benefits, as it reduced exposure to sectors with high environmental or social risks. The study showed that portfolios that integrated sustainable assets tended to outperform traditional portfolios in terms of risk-adjusted returns. The authors also noted that while sustainable investment enhanced portfolio resilience, challenges such as the lack of reliable ESG data remained significant obstacles. The article concluded that ESG integration would become increasingly important in portfolio construction as global sustainability concerns continue to grow.

Mourmouras and Triki (2020) conducted a study to examine how corporate ESG scores impact financial performance in the European market. Their research revealed a positive relationship between high ESG scores and superior profitability, liquidity, and overall firm value. The authors pointed out that companies that actively engaged in sustainable practices tended to be more innovative, resulting in long-term competitive advantages. Furthermore, they found that ESG-driven firms attracted a more loyal customer base and were better positioned to handle regulatory changes. However, the study acknowledged that the financial impact of ESG performance might take time to materialize and could be influenced by sector-specific dynamics.

Beck et al. (2019) investigated how investor perceptions of sustainability reporting affect their investment choices. The authors found that transparent and comprehensive sustainability reports significantly influenced investors' decisions to favor companies with higher ESG scores. The study used a survey of institutional investors to determine how they valued sustainability disclosures. The results showed that investors were more

inclined to invest in companies that reported on environmental impact, social initiatives, and governance practices, particularly when the reporting was aligned with internationally recognized standards. The research also highlighted that some investors still perceived sustainability reports as “greenwashing,” calling for stricter regulations to ensure the authenticity of sustainability claims.

McConnell and Edwards (2019) explored how banks manage climate change risks and their implications for financial stability. Using qualitative case studies, the authors analyzed the adaptation strategies of global financial institutions. The research indicated that climate-related risks—such as asset devaluation and increased loan defaults—necessitated comprehensive risk assessment frameworks. The authors noted that banks incorporating climate scenarios into their stress testing processes improved resilience to market shocks. However, they highlighted gaps in regulatory guidance on climate risk management. The paper concluded with a call for integrating environmental metrics into traditional credit risk models.

El Ghouli & Karoui (2018) examined the relationship between ESG performance and financial performance, focusing on firms in emerging markets. Their research indicated that strong ESG performance was positively correlated with firm value, driven by enhanced operational efficiencies and better risk management practices. The authors also highlighted the role of cultural and regulatory factors in influencing ESG adoption in these markets. They suggested that emerging market firms could benefit from integrating ESG practices to attract international investors and improve their competitive positioning.

Yu and Shams (2017) examined socially responsible investment (SRI) practices in Asian financial markets, focusing on China and India. The study identified that while SRI in Asia was still in its infancy compared to Western markets, it was gaining traction as investors increasingly sought to align their portfolios with social and environmental goals. The authors found that institutional investors were the primary drivers of SRI in these regions, supported by government initiatives such as China's green finance policies and India's sustainable development goals. Despite this progress, challenges like the lack of standardized ESG reporting and limited financial instruments were highlighted. The article

concluded by suggesting that greater regulatory support and investor education were crucial to the growth of SRI in Asia.

Polzin et al. (2016) focused on renewable energy investment strategies, analyzing financial instruments like green bonds and public-private partnerships. The study found that institutional investors were critical in funding clean energy projects, particularly in wind and solar sectors. They emphasized the importance of government incentives and policy stability for attracting long-term capital. Despite barriers such as high upfront costs, the study concluded that technological advancements and collaborative frameworks could accelerate the renewable energy transition.

Friede et al. (2015) conducted a meta-analysis of over 2000 studies to evaluate the financial performance of socially responsible investments (SRIs). They found that SRIs generally performed on par with or better than conventional investments due to reduced risks and improved stakeholder relations. The study also identified regional and sectoral variations, with Europe leading in ESG integration. Although data inconsistencies were acknowledged, the research reinforced the financial viability of SRIs and advocated for their broader adoption in global financial markets.

Clark et al. (2015) synthesized findings from over 2000 empirical studies to establish the relationship between ESG practices and financial performance. They concluded that companies with strong ESG practices experienced better financial outcomes due to improved risk management and stakeholder relationships. The research highlighted regional differences, with European markets leading in ESG adoption. Challenges such as limited access to consistent ESG data were noted, along with a recommendation for frameworks like the Global Reporting Initiative (GRI) to standardize ESG reporting.

Lyon and Montgomery (2015) examined the concept of greenwashing and its negative impact on investor confidence in sustainable investments. The authors highlighted how exaggerated ESG claims undermined trust and diverted capital from genuinely sustainable projects. They emphasized the need for standardized reporting mechanisms and third-party audits to prevent false claims. The paper concluded that stricter enforcement of ESG disclosures was essential to maintaining credibility and supporting the growth of sustainable investments.

El Ghoul et al. (2011) examined the relationship between ESG performance and firm value in the United States. Their research revealed that firms with higher ESG ratings had superior market performance, particularly in sectors sensitive to social and environmental issues, such as energy and manufacturing. The authors concluded that ESG initiatives, when effectively implemented, could create shareholder value by improving operational efficiencies, reducing litigation risks, and enhancing brand reputation. However, the study noted that the financial benefits of ESG adoption were more pronounced for firms with strong governance frameworks. The article suggested that firms in the US, especially in high-risk industries, should increase their focus on sustainability to meet investor demand for responsible investments.

Bugg-Levine and Emerson (2010) explored the potential of impact investing in addressing social inequities while achieving financial returns. By examining projects in education, healthcare, and housing, the authors demonstrated that investments targeting underserved populations created measurable social benefits. The research emphasized the role of innovative financing models like social impact bonds in driving change. Despite challenges in quantifying social outcomes, the study concluded that scaling impact investing required partnerships between governments, nonprofits, and private investors.

Margolis et al. (2009) conducted a meta-analysis of over 50 studies exploring the relationship between Corporate Social Responsibility (CSR) and corporate financial performance (CFP). They concluded that CSR activities do not always lead to immediate financial gains but often result in long-term benefits such as stronger reputations, customer loyalty, and employee satisfaction. These factors contribute to higher profitability and risk mitigation over time. However, the study highlighted that the impact of CSR on financial performance varies depending on industry type and company-specific strategies, framing CSR as a long-term strategy rather than a short-term cost.

Renneboog et al. (2008) colleagues analyzed the role of Environmental, Social, and Governance (ESG) factors in shaping investor behavior, particularly among institutional investors in Europe. They found that ESG screening provided diversification benefits and reduced long-term risks linked to environmental and social issues. Firms with strong ESG performance were more attractive to investors focused on sustainable growth. However,

the study noted variations in ESG integration among institutional investors and emphasized the need for consistent and transparent ESG disclosures to support informed investment decisions.

Table 1

Meta table of Empirical study

Author and Date	Topic	Objective	Methodology	Findings
Flammer (2024)	Growth of Green Bonds	To explore the role of green bonds in financing sustainable projects.	Market analysis of green bond issuances	Green bonds finance renewable energy and environmental projects, gaining positive market responses. Challenges include lack of universal standards and greenwashing concerns.
Statman & Glushkov (2023)	ESG-Oriented Mutual Funds	To analyze the financial performance of ESG-focused mutual funds.	Analysis of mutual fund returns	ESG mutual funds deliver competitive returns with added non-financial benefits like social impact. ESG funds balance returns and sustainability.
Eccles & Klimenko (2022)	Governance and Sustainable Investment	To examine the influence of corporate governance on sustainable investment strategies.	Analysis of corporate disclosures and investor data	Robust governance attracts ESG-focused investments and reduces risks. Weak governance standards in emerging markets hinder growth.
Mourmouras & Triki (2020)	ESG Scores and Firm Performance in Europe	To examine the impact of corporate ESG scores on financial	Analysis of firm-level ESG and financial data	High ESG scores positively impact profitability, liquidity, and value. Benefits include innovation,

		performance in Europe.		customer loyalty, and regulatory adaptability, though financial benefits may take time to materialize.
McConnell & Edwards (2019)	Climate Change Risks in Banking	To explore how banks manage climate risks and their financial implications.	Qualitative case studies of financial institutions	Climate risks require comprehensive frameworks. Banks using climate scenarios in stress tests improve resilience. Regulatory gaps in climate risk management persist.
Beck et al. (2019)	Sustainability Reporting and Investor Perception	To investigate the influence of sustainability reporting on investment decisions.	Survey of institutional investors	Transparent sustainability reports influence investment preferences for high ESG-scoring companies. Concerns about greenwashing call for stricter regulations.
El Ghouli & Karoui (2018)	ESG and Financial Performance in Emerging Markets	To investigate the relationship between ESG performance and financial outcomes in emerging markets.	Empirical analysis of emerging market firms	Strong ESG performance enhances firm value via better risk management and operational efficiency. Regulatory and cultural factors influence ESG adoption.
Yu & Shams (2017)	SRI in Asian Financial Markets	To explore the development of SRI practices in China and India.	Market analysis and government policy review	SRI in Asia is growing, driven by institutional investors and government initiatives.

Polzin et al. (2016)	Renewable Energy Investments	To analyze financial instruments and strategies for renewable energy investments.	Analysis of clean energy projects and investments	Challenges include limited ESG reporting standards and instruments. Institutional investors are critical for clean energy funding. Government incentives and policy stability attract capital, but barriers like high upfront costs persist.
Lyon & Montgomery (2015)	Greenwashing	To examine the impact of greenwashing on investor confidence in sustainable investments.	Analysis of ESG disclosures and investor trends	Greenwashing undermines trust and diverts capital from genuine projects. Stricter reporting mechanisms and audits are needed.
Clark et al. (2015)	ESG Practices and Financial Performance	To establish the relationship between ESG practices and financial performance.	Synthesis of 2000+ empirical studies	Companies with strong ESG practices experience better financial outcomes due to improved risk management and stakeholder relationships. Challenges include inconsistent ESG data access.
Friede et al. (2015)	SRI Financial Performance	To evaluate the financial performance of socially responsible investments (SRIs).	Meta-analysis of over 2000 studies	SRIs perform as well as or better than conventional investments, with Europe leading ESG integration. Challenges include data inconsistencies, but SRIs are financially viable.

El Ghouli et al. (2011)	ESG and Firm Value in the US	To assess the impact of ESG performance on firm value, especially in high-risk industries.	Empirical analysis of firm-level data	Higher ESG ratings correlate with superior market performance, especially in sectors sensitive to social and environmental issues. Financial benefits are enhanced by strong governance frameworks.
Bugg-Levine & Emerson (2010)	Impact Investing	To examine the potential of impact investing to address social inequities while achieving financial returns.	Case studies in education, healthcare, housing	Impact investments create measurable social benefits but face challenges in quantifying outcomes. Partnerships between governments, nonprofits, and private investors are critical for scaling.
Margolis et al. (2009)	CSR and Financial Performance	To explore the relationship between CSR and corporate financial performance.	Meta-analysis of over 50 studies	CSR does not always lead to immediate financial gains but offers long-term benefits like reputation, loyalty, and satisfaction. The impact varies by industry and strategy.
Renneboog et al. (2008)	ESG Factors and Investor Behavior	To analyze the role of ESG factors in shaping institutional investors' behavior in Europe.	Empirical analysis of European investors	ESG screening provides diversification benefits and reduces risks. Firms with strong ESG performance are more attractive

to investors, though variations in ESG integration and disclosure consistency were noted.

2.4 Research Gap

The research on sustainable investment has grown significantly, but several gaps remain in the literature. First, while the impact of Environmental, Social, and Governance (ESG) factors on financial performance has been extensively explored, inconsistencies in findings point to a need for further studies that consider sector-specific differences and the long-term financial impacts of ESG initiatives (Renneboog et al., 2008; El Ghouli et al., 2011). Many studies have found that ESG performance correlates positively with financial returns, yet the relationship is not universally consistent, suggesting that further research is needed to examine the moderating factors that influence these outcomes (Margolis et al., 2009).

Second, while the role of institutional investors in driving sustainable investment practices is well-documented (Flammer, 2021; Aroussi & Ben Jabeur, 2019), there is limited research on the decision-making processes of retail investors when incorporating ESG factors into their portfolios. Further understanding of how retail investors interpret and prioritize sustainability data could improve the accessibility and effectiveness of sustainable investment strategies across all investor types.

Moreover, despite the growing popularity of green bonds, there is insufficient research on their performance relative to traditional bonds in emerging markets (Flammer, 2021). More studies are needed to explore how these investment vehicles are evolving in developing economies and their impact on financial and social outcomes (Yu & Shams, 2017).

Lastly, while studies on ESG disclosures and their influence on investor behavior have gained traction, gaps remain in understanding the role of regulatory frameworks and the impact of inconsistent ESG reporting standards across regions (Beck et al., 2019; Statman & Glushkov, 2009). Addressing these gaps will provide a more comprehensive understanding of sustainable investment dynamics and guide future regulatory and investment practices.

These gaps underscore the need for further exploration into the nuanced impacts of ESG factors and the role of various investor types in sustainable investment decisions.

CHAPTER III

RESEARCH METHODOLOGY

3.1 Research Design

This study will adopt a mixed-method research design, combining both descriptive and analytical approaches to explore the perception of sustainable investments and its influence on investment decisions. The descriptive aspect will focus on providing a detailed understanding of the current state of sustainable investment practices, including the key factors influencing investment decisions among different types of investors in Nepal. This will help to establish a clear context for understanding the trends and patterns within the population. The analytical aspect will use statistical methods to examine the relationships between various factors such as investor perceptions, Personal Values, risk tolerance, and demographic characteristics, and their decision-making processes regarding sustainable investments. By employing both qualitative and quantitative research methods, this design will provide a comprehensive view of the topic, combining numerical data with deeper insights into investor attitudes and behaviors. Additionally, the research will employ cross-sectional data collection methods, allowing for a snapshot of the current situation while facilitating comparisons between different investor groups. This approach is suitable for exploring the complexities of sustainable investment decision-making and will help draw generalizable conclusions about investor behavior in the context of Nepalese financial markets.

3.2 Population and Sample, and Sampling Design

The population for this research has been consist of individual investors, institutional investors, and financial professionals in Nepal who are either directly involved in or have experience with sustainable investments. Given the nature of the research, the sample will be stratified to include various investor categories such as retail investors, institutional investors, and financial advisors, ensuring a well-rounded representation of perspectives. A sample size of 400 respondents will be selected from this population to ensure statistical significance and diversity in responses. The sampling technique used will be stratified random sampling, which divides the population into distinct strata based on characteristics

such as type of investor (individual, institutional, professional) and experience with sustainable investments. This has help capture the different views, practices, and preferences of various investor groups, thereby increasing the reliability and validity of the findings. Stratified random sampling is beneficial as it ensures that all relevant subgroups are proportionally represented in the sample, thus providing a more accurate reflection of the overall population. The sample will be drawn from a mix of urban and rural areas in Nepal, with a focus on those actively engaged in the financial markets or familiar with sustainable investment practices.

3.4 Nature and Sources of Data, and Instrument of Data Collection

The study will use both primary and secondary data to gather comprehensive insights into sustainable investment perceptions and practices. Primary data will be collected through surveys and structured interviews. The survey will be designed to capture investor perceptions, knowledge, attitudes, and behaviors related to sustainable investment. A Likert scale will be used to measure respondents' agreement with various statements related to ESG factors, financial performance, and their decision-making processes. Additionally, interviews with a select number of financial professionals and institutional investors will provide qualitative insights into the deeper motivations, challenges, and trends related to sustainable investments. Secondary data will be sourced from academic articles, financial reports, government publications, and studies on sustainable investment practices and ESG performance.

3.5 Instrumentation of Data

The study employs a structured questionnaire as the primary instrument for data collection. The questionnaire is developed using a Likert-scale format, allowing respondents to indicate their level of agreement with various statements. This format is effective in quantifying subjective attitudes and behaviors. Questions are designed to assess Personal Values, accessibility, investment preferences, and decision-making patterns. The instrument undergoes pre-testing with a pilot group to refine questions for clarity and reliability. The final version incorporates feedback to address ambiguities and improve respondent comprehension. The questionnaire is supplemented with demographic

questions to contextualize the findings. This instrumentation ensures consistency and accuracy in data measurement.

3.5.1 Reliability and Validity

Reliability and validity are critical to ensuring the credibility of the study's findings. Reliability is addressed by testing the questionnaire's internal consistency using Cronbach's Alpha, aiming for a score above 0.7. Test-retest reliability is also conducted with a subset of respondents to confirm stability over time. Validity is ensured through content validation, involving subject matter experts who evaluate the relevance and clarity of the questions. Construct validity is assessed using exploratory factor analysis to confirm that the questionnaire accurately measures the theoretical constructs. These measures ensure the study's findings are both dependable and accurately represent the phenomena being studied.

3.6 Data Analysis Method

The collected data are analyzed using statistical techniques to test hypotheses and identify patterns. Descriptive statistics, such as mean, standard deviation, and frequency, summarize the respondents' demographic characteristics and Sustainable Investments levels. Correlation analysis examines relationships between Sustainable Investments components and investment decisions. Multiple regression analysis identifies the impact of independent variables, such as knowledge and accessibility, on the dependent variable—investment decisions. The analysis is conducted using software like SPSS or R, ensuring precision and efficiency. Visual representations, such as graphs and tables, are employed to enhance interpretability. The method ensures robust analysis, providing actionable insights into the relationship between Sustainable Investments and investment behaviors.

3.6.1 Descriptive Statistics

Descriptive statistics are used to present quantitative data in a manageable form. It helps to simplify large amounts of data. It helps to describe and understand the basic features of a specific set of data. It provides summaries about the samples and observations taken under study. Frequency and percentage have been used to present the detailed overview of

respondents' profiles in terms of gender, age, income, occupation and the part of investment. Tables will have been used to make the study clearer.

3.6.2 Correlation Analysis

Correlation analysis is the process of studying the strength of that relationship with available statistical data and it is used to identify direction and magnitude between two sets of variables. Correlation analysis deals with the association between two or more variables which precisely determines the direction and degree of the relationship. In the study, correlation is used to measure and analyze the relationship between knowledge about financial products, accessing financial products, knowledge about investment option, money management and financial skills and investment decision. As per the purpose of the study, correlation analysis has been employed. A positive correlation reveals that the direction of the relationship is positive with one increasing in reaction to others increase. Meanwhile, a negative correlation reveals an inverse of the above and increases in one when the other decreases.

3.6.3 Regression Model

Regression analysis is a statistical technique used to estimate the relationship and impact between variables. In this study, the dependent variable is investment decision, which refers to the choices individuals make regarding their investments. The independent variables include Sustainable Investments, Environmental Awareness, Governance and Transparency, Personal Values and Ethical Beliefs, and demographic factors. Linear and multiple regression methods will be employed to assess how these independent variables influence the dependent variable. Regression analysis will help explain the strength and nature of the relationship between the independent variables and investment decisions. It will also provide valuable insights into the direction of the influence, such as whether higher Personal Values or better money management skills lead to more informed investment decisions. Additionally, regression analysis can be used to predict future trends by understanding how changes in the independent variables are likely to affect the dependent variable. By examining these variables, the study aims to uncover the key factors

that influence investment decision-making and provide actionable insights for both investors and financial institutions.

The regression equation for the current study is presented below:

$$ID = \alpha + \beta_1 KAFP + \beta_2 AFP + \beta_3 KAIO + \beta_4 MM + \beta_5 FS + e_j$$

Where,

ID = Investment decision

α = Constant term

β = Coefficient of independent variables

SI = Sustainable Investments

G&T = Governance and Transparency

EA = Environmental Awareness

PV = Personal Values

EB = Ethical Beliefs

e_j = Error Terms

3.7 Methods of Analysis:

The data collected from the survey and interviews will be analyzed using both descriptive and inferential statistical techniques. Descriptive statistics, such as frequencies, percentages, mean, and standard deviation, will be used to summarize the demographic characteristics of the respondents and to provide an overview of the perceptions of sustainable investment among different investor groups. This will help identify the general trends and attitudes towards sustainable investments. To examine the relationships between variables, inferential statistics will be used, including regression analysis and correlation tests, to assess how factors such as investor perception, Personal Values, and risk tolerance influence investment decisions. Regression analysis will allow for the exploration of the strength and nature of the relationship between the independent variables (perceptions of sustainable investment, Personal Values, etc.) and the dependent variable (investment decisions). Data analysis will be conducted using statistical software like SPSS, which is well-suited for processing large datasets and conducting multivariate analysis. The results of the analysis will help identify the key drivers of sustainable investment decisions and

provide actionable insights for investors, financial institutions, and policymakers to enhance sustainable investment practices in Nepal.

3.8 Research Framework and Definition of Variables:

The research framework will be built around the relationship between investor perceptions of sustainable investments and their actual investment decisions. The independent variables in this study will include Sustainable Investments, Environmental Awareness, Governance and Transparency, Personal Values and Ethical Beliefs, and demographic factors such as age, income, and education level. These factors are believed to influence how investors perceive the value and potential of sustainable investments. Investment decision refers to the process by which an investor decides to allocate their financial resources in a particular investment vehicle, considering both traditional financial metrics and sustainability factors.

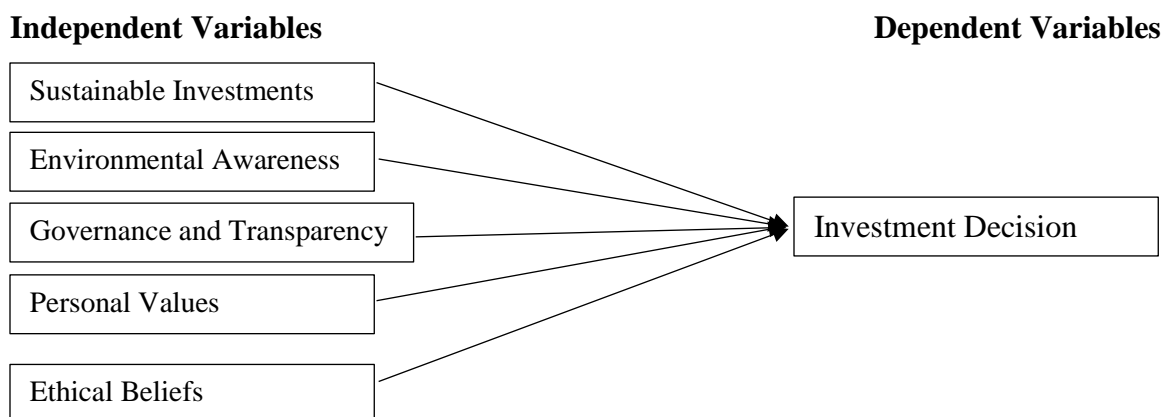


Figure 1: Conceptual framework

Source: Beck et al. (2019)

Definition of Variables

Investment Decision

An investment decision involves selecting assets or projects to allocate funds, aiming for financial returns or strategic benefits. These decisions consider factors like risk tolerance, expected returns, time horizons, and financial goals. Investors analyze options through techniques like cost-benefit analysis, discounted cash flow, and portfolio diversification. Economic indicators, market trends, and organizational objectives also influence

investment choices. Sound investment decisions are crucial for achieving financial stability and long-term growth, whether for individuals, corporations, or institutions. Proper research, risk assessment, and alignment with investment strategies are essential for optimizing outcomes and minimizing potential financial losses.

Sustainable Investments

Sustainable investments focus on generating financial returns while addressing environmental, social, and governance (ESG) concerns. They prioritize companies and projects promoting renewable energy, social equity, and responsible governance. Investors consider long-term societal impacts, climate change mitigation, and ethical practices, alongside financial performance. Sustainable investing strategies include ESG integration, impact investing, and shareholder advocacy. This approach appeals to socially conscious investors seeking to align their values with their portfolios. By supporting sustainable initiatives, investors contribute to economic growth and environmental preservation, fostering a balance between profitability and ethical responsibility for future generations.

Governance and Transparency

Governance and transparency refer to the practices that ensure organizations operate ethically, responsibly, and with accountability. Good governance involves establishing clear roles, responsibilities, and decision-making processes within an organization. Transparency includes openly sharing financial performance, operational decisions, and strategic goals with stakeholders. Together, these elements build trust, prevent corruption, and promote informed decision-making among shareholders, employees, and regulators. Effective governance and transparency enhance organizational credibility and attract investment, fostering sustainable growth. Adhering to global standards, such as those set by the OECD or GRI, ensures that organizations maintain integrity and stakeholder confidence.

Environmental Awareness

Environmental awareness is the understanding of the impact of human activities on ecosystems and the need for sustainable practices to protect the planet. It emphasizes the importance of conserving resources, reducing pollution, and mitigating climate change. Individuals, businesses, and governments can demonstrate environmental awareness by adopting eco-friendly technologies, reducing waste, and supporting renewable energy

initiatives. Promoting education about environmental challenges and sustainable solutions is vital for fostering a culture of responsibility. This awareness drives informed decisions and collective action to preserve biodiversity and ensure ecological balance for future generations.

Personal Values

Personal values are deeply held beliefs that guide individual behavior, decisions, and interactions. They shape priorities, ethics, and perspectives, influencing choices in personal and professional contexts. Common personal values include honesty, integrity, respect, and compassion. These values develop through cultural, familial, and experiential influences and serve as a moral compass. In decision-making, personal values often dictate preferences and alignments with like-minded individuals or organizations. Understanding and adhering to one's personal values fosters authenticity, trust, and a sense of purpose, contributing to overall well-being and fulfilling interpersonal relationships.

Ethical Beliefs

Ethical beliefs are principles that determine what is considered right or wrong in individual or societal behavior. Rooted in cultural, religious, or philosophical systems, they shape moral standards and guide actions in diverse situations. Ethical beliefs influence decisions in areas like business practices, environmental responsibility, and social justice. Upholding ethical standards promotes fairness, accountability, and respect for others. These beliefs are critical in fostering trust and integrity within communities and organizations. In professional settings, ethical frameworks often form the basis for codes of conduct, ensuring decisions align with universal moral standards.

CHAPTER IV

RESULTS AD DISCUSSION

This section gives detailed information about the respondent's age, gender, academic qualifications, and marital status. It gives the detail analysis and interpretation of primary data collection through questionnaire distributed to women of Kathmandu Valley.

4.1 Characteristics of Respondents

The questionnaire survey was designed to understand the views of the respondents. In total 420 respondents were selected for this survey and the questionnaire was distributed to them through either personal visit or through e-mail. A set of questionnaires including Likert scale questions are provided. Among them, only 384 respondents give their response to the questionnaire. The respondents were from inside Kathmandu valley.

4.1.1 Demographic Profile of Respondents

Table 2

Demographic Profile of Respondents

Category	Sub-Category	Frequency	Percent
Age	Below 30	50	12.99%
	30-40	219	57.14%
	41-50	74	19.22%
	51-60	36	9.35%
	Above 61	5	1.30%
Education Level	SLC	19	5%
	Intermediate	23	6%
	Bachelor	181	47%
	Master's and above	161	42%
Monthly Income	Below 20,000	100	26%
	20,001 to 50,000	50	13%
	50,001 to 80,000	84	22%
	80,001 and Above	150	39%
Total		384	100%

Source: Questionnaire survey 2024.

Table 2 Demographic Profile of Respondents offers a detailed snapshot of the participants in the survey. All 385 respondents were female, representing a complete gender focus for the study. In terms of age, the majority were in the 30-40 years range, accounting for

57.14% of the sample, followed by 12.99% who were under 30 years old. The 41-50 years age group made up 19.22%, while 9.35% were between 51 and 60 years old, and only 1.30% were above 61 years.

Regarding educational background, the respondents were predominantly well-educated, with 47% holding a bachelor's degree and 42% having completed a master's degree or higher. A smaller portion had either an SLC (5%) or intermediate qualifications (6%).

Income levels varied among the respondents, with the largest group, 39%, earning above Rs. 80,000 per month. This was followed by 26% who earned below Rs. 20,000. Additionally, 22% of respondents had incomes ranging from Rs. 50,001 to 80,000, and 13% earned between Rs. 20,001 and 50,000.

This demographic profile provides a clear view of the survey's participant base, reflecting a predominantly female, educated group with a diverse range of ages and income levels.

4.2 Descriptive Analysis

Descriptive analysis organizes and summarizes data to reveal patterns and trends. It uses measures like mean, median, and standard deviation to provide an overview of variables such as Sustainable Investments, behavior, attitude, knowledge, confidence, and Investment Decision, offering insights into general tendencies within the studied population.

4.2.1 Sustainable Investments

Sustainable investments focus on generating financial returns while promoting positive social and environmental outcomes. These investments prioritize environmental, social, and governance (ESG) criteria, aiming to support projects and businesses that contribute to sustainable development, such as renewable energy, social equity, and resource conservation.

Table 3*Descriptive Statistic of Sustainable Investments*

Sustainable Investments	n	Mean	(SD)	(CV)
I believe that sustainable investments provide comparable financial returns to traditional investments.	384	4.2	0.8	19.05%
Investing in sustainable projects has the potential to generate higher long-term profits.	384	3.9	1.0	25.64%
Sustainable investments are riskier than traditional investments in terms of financial returns.	384	4.1	0.7	17.07%
Financial performance is a significant factor when I consider sustainable investment options.	384	4.0	0.9	22.50%
I am confident that sustainable investments will yield stable returns over time	384	3.8	0.9	23.68%

Source: Questionnaire survey 2024.

Table 3 presents the descriptive statistics for respondents' perceptions of sustainable investments. The data is based on 384 responses for each statement. Respondents generally agreed that sustainable investments provide comparable financial returns to traditional investments, as reflected by the high mean score of 4.2, with a standard deviation (SD) of 0.8 and a coefficient of variation (CV) of 19.05%, indicating consistent agreement. Similarly, the belief that sustainable projects generate higher long-term profits scored a mean of 3.9, accompanied by a slightly higher variability with an SD of 1.0 and a CV of 25.64%. The perception of risk associated with sustainable investments had a mean of 4.1, demonstrating strong agreement, with low variability (SD = 0.7, CV = 17.07%). Respondents also acknowledged the importance of financial performance in sustainable investment decisions, with a mean of 4.0, an SD of 0.9, and a CV of 22.50%. Lastly, confidence in the stability of returns from sustainable investments scored a mean of 3.8, with moderate variability (SD = 0.9, CV = 23.68%). Overall, the results highlight positive attitudes toward sustainable investments, emphasizing their perceived financial viability and alignment with long-term profitability, despite some variability in responses regarding risk and stability.

4.2.2 Governance and Transparency

Governance and transparency emphasize ethical leadership, accountability, and clear communication within organizations. Strong governance ensures fair decision-making processes, while transparency builds trust by openly sharing information about policies, practices, and outcomes with stakeholders.

Table 4

Descriptive Statistic of Governance and Transparency

Governance and Transparency	n	Mean	(SD)	(CV)
I prioritize investments in companies with transparent governance practices.	384	3.622	1.059	0.292
Good corporate governance is a key factor in my investment decision-making process.	384	3.718	1.014	0.272
I trust companies with strong governance structures more than those without.	384	3.653	1.066	0.292
I avoid investing in companies that have a history of unethical business practices.	384	3.731	1.031	0.276
The transparency of a company's operations influences my decision to invest in it.	384	3.765	1.019	0.270

Source: Questionnaire survey 2024

Table 4 provides descriptive statistics for respondents' views on governance and transparency in investment decision-making. Each statement is evaluated based on responses from 384 participants. The importance of transparent governance practices in prioritizing investments scored a mean of 3.622, with a standard deviation (SD) of 1.059 and a coefficient of variation (CV) of 29.2%, indicating moderate variability. Similarly, the role of good corporate governance in investment decisions achieved a slightly higher mean of 3.718, with an SD of 1.014 and a CV of 27.2%, demonstrating relatively stable agreement. Respondents expressed trust in companies with strong governance structures, as reflected by a mean score of 3.653, an SD of 1.066, and a CV of 29.2%. Avoiding investments in companies with unethical practices scored a mean of 3.731, an SD of 1.031, and a CV of 27.6%, reflecting a consistent sentiment among participants. Lastly, the transparency of a company's operations influencing investment decisions scored the

highest mean of 3.765, with an SD of 1.019 and a CV of 27.0%, highlighting its significance in investment preferences. These results collectively emphasize the critical role of governance and transparency in shaping investor confidence and guiding ethical investment choices.

4.2.3 Environmental Awareness

Environmental awareness reflects understanding and concern for ecological challenges, such as climate change and pollution. It fosters responsible behaviors, conservation efforts, and advocacy for sustainable practices.

Table 5

Descriptive Statistic of Environmental Awareness

Environmental Awareness	n	Mean	(SD)	(CV)
I am aware of the environmental impact of the companies I invest in.	384	3.454	1.174	0.339
Environmental sustainability is an important factor when I make investment decisions.	384	3.547	1.105	0.312
I prefer to invest in companies that have a positive environmental impact.	384	3.537	1.084	0.306
I believe that investments in environmentally sustainable companies contribute to a healthier planet.	384	3.611	1.037	0.287
I actively seek out investment opportunities that focus on reducing environmental harm.	384	3.423	1.115	0.326

Source: Questionnaire survey 2024

Table 5 presents the descriptive statistics for respondents' perceptions of environmental awareness as a factor in investment decisions. The responses from 384 participants reflect varying degrees of agreement with statements related to environmental sustainability and its influence on investment choices. The statement "I am aware of the environmental impact of the companies I invest in" has a mean of 3.454, an SD of 1.174, and a CV of 33.9%, indicating considerable variability in awareness levels. "Environmental sustainability is an important factor when I make investment decisions" scored a slightly higher mean of 3.547, with an SD of 1.105 and a CV of 31.2%, showing moderate agreement among respondents. The preference for investing in companies with a positive

environmental impact achieved a mean score of 3.537, an SD of 1.084, and a CV of 30.6%, reflecting fairly consistent views. The belief that investments in environmentally sustainable companies contribute to a healthier planet had the highest mean of 3.611, with the lowest CV of 28.7%, indicating strong and relatively consistent agreement. Lastly, actively seeking investment opportunities focused on reducing environmental harm scored a mean of 3.423, with an SD of 1.115 and a CV of 32.6%. These findings underscore the growing consideration of environmental sustainability in investment decisions, although individual awareness and emphasis vary.

4.2.4 Personal Values

Personal Values encompasses understanding key concepts like budgeting, saving, and investing. It equips individuals to make informed financial decisions, navigate financial products confidently, and achieve long-term goals like home ownership or retirement. This foundational knowledge is crucial for Sustainable Investments and stability.

Table 6

Descriptive Statistic of Personal Values

Personal Values	n	Mean	(SD)	(CV)
My personal values significantly influence my investment decisions.	384	3.622	1.059	0.292
I choose investments based on whether they align with my ethical beliefs.	384	3.718	1.014	0.272
I avoid investing in companies whose practices contradict my personal values.	384	3.653	1.066	0.292
I believe that my investments should reflect my commitment to ethical and sustainable practices.	384	3.731	1.031	0.276
My investment choices are guided by a desire to support companies with ethical values.	384	3.765	1.019	0.270

Source: Questionnaire survey 2024

Table 6 presents the descriptive statistics for personal values and their influence on investment decisions. The data indicate that participants generally place considerable importance on personal values when making investment choices. The mean scores for the five statements range from 3.622 to 3.765, with the lowest being for "My personal values

significantly influence my investment decisions" (mean = 3.622) and the highest for "My investment choices are guided by a desire to support companies with ethical values" (mean = 3.765). These values suggest that respondents are moderately inclined to prioritize ethical considerations in their investment decisions. The standard deviations (SD) range from 1.014 to 1.066, showing a moderate spread of responses across the sample. The coefficient of variation (CV) values range from 0.270 to 0.292, indicating that while there is some variation in how respondents view the influence of personal values on investment decisions, the values are relatively consistent across the sample. This suggests a strong overall inclination towards ethical and sustainable investment practices, although there are differences in the degree of importance placed on these values. Overall, the data highlight that personal values, including ethical beliefs and a commitment to sustainability, play a significant role in guiding investment decisions among respondents.

4.2.5 Ethical Beliefs

Ethical beliefs are moral principles that determine what is right or wrong. These guide actions in personal and professional contexts, promoting fairness, justice, and adherence to ethical standards.

Table 7

Descriptive Statistic of Ethical Beliefs

Ethical Beliefs	n	Mean	(SD)	(CV)
I believe that ethical business practices should be a priority when selecting investment opportunities.	384	4.052	0.888	0.219
I avoid investing in companies that conflict with my personal ethical beliefs.	384	4.124	0.864	0.209
I prioritize companies with strong ethical standards, even if they offer lower financial returns.	384	4.095	0.872	0.213
My investment decisions reflect my commitment to supporting businesses with responsible and sustainable practices.	384	4.132	0.839	0.203
I feel a moral obligation to ensure my investments align with ethical and socially responsible values.	384	4.076	0.866	0.212

Table 7 highlights the descriptive statistics related to the influence of personal values on investment decisions. Based on responses from 384 participants, the data reveals the extent to which ethical considerations and personal beliefs shape investment choices.

The statement "My personal values significantly influence my investment decisions" has a mean of 3.622, an SD of 1.059, and a CV of 29.2%, indicating a moderate agreement with some variability in responses. Similarly, "I choose investments based on whether they align with my ethical beliefs" has a slightly higher mean of 3.718, with an SD of 1.014 and a CV of 27.2%, reflecting more consistent responses and stronger agreement.

The statement "I avoid investing in companies whose practices contradict my personal values" achieved a mean score of 3.653, with an SD of 1.066 and a CV of 29.2%, highlighting a consistent yet moderate alignment between values and investment decisions. "I believe that my investments should reflect my commitment to ethical and sustainable practices" has a mean of 3.731, with an SD of 1.031 and a CV of 27.6%, showing significant agreement. Lastly, "My investment choices are guided by a desire to support companies with ethical values" has the highest mean of 3.765, the lowest SD of 1.019, and a CV of 27.0%, suggesting the strongest and most consistent agreement.

These results suggest that while personal values and ethical beliefs play a critical role in shaping investment decisions, individual differences in how these factors are prioritized remain evident.

4.2.6 Investment Decision

Investment decision refers to the process of choosing where, how, and when to allocate financial resources to achieve specific objectives. This decision involves evaluating potential risks, returns, and alignment with personal or organizational goals, such as profitability, sustainability, or ethical considerations. It is influenced by factors like market conditions, financial analysis, and individual values.

Table 8*Descriptive Statistic of Investment Decision*

Investment Decision	n	Mean	(SD)	CV)
I am more likely to invest in companies that prioritize environmental, social, and governance (ESG) factors.	384	4.120	0.843	0.204
My investment decisions are influenced by the social responsibility efforts of a company.	384	4.052	0.891	0.220
I prefer to invest in companies that demonstrate a strong commitment to sustainable practices.	384	4.147	0.835	0.201
The financial returns are the primary factor in my investment decision, even if the company focuses on sustainability.	384	3.871	1.033	0.267
I actively seek out sustainable investment opportunities, even if they offer lower financial returns compared to traditional investments.	384	3.928	1.027	0.261

Table 8 provides the descriptive statistics for factors influencing investment decisions, focusing on environmental, social, and governance (ESG) priorities and financial considerations. The data, derived from 384 participants, offers insights into the weight investors place on sustainability and financial returns in their decision-making process. The statement "I am more likely to invest in companies that prioritize environmental, social, and governance (ESG) factors" has the highest mean of 4.120, with an SD of 0.843 and a CV of 20.4%, indicating strong agreement and relatively consistent responses. Similarly, "I prefer to invest in companies that demonstrate a strong commitment to sustainable practices" follows closely with a mean of 4.147, an SD of 0.835, and the lowest CV of 20.1%, showcasing strong and uniform alignment with this perspective. "My investment decisions are influenced by the social responsibility efforts of a company" has a mean of 4.052, an SD of 0.891, and a CV of 22.0%, reflecting a high degree of importance placed on corporate social responsibility. Conversely, "The financial returns are the primary factor in my investment decision, even if the company focuses on sustainability" has a lower

mean of 3.871, with a higher SD of 1.033 and a CV of 26.7%, indicating a more varied stance on prioritizing financial returns.

Lastly, "I actively seek out sustainable investment opportunities, even if they offer lower financial returns compared to traditional investments" has a mean of 3.928, an SD of 1.027, and a CV of 26.1%, suggesting moderate agreement but with greater variability in responses.

Overall, the data suggests that ESG factors and sustainable practices significantly influence investment decisions, though financial returns remain a key consideration for many investors.

4.3 Inferential Analysis

Inferential Analysis involves using statistical methods to draw conclusions or make inferences about a population based on sample data. It goes beyond simply describing data, aiming to make predictions or test hypotheses. Common techniques include hypothesis testing, confidence intervals, correlation, and regression analysis.

4.3.1 Descriptive Statistics

Descriptive statistics summarize data characteristics, providing measures like mean, median, standard deviation, and range. These statistics describe the central tendency, dispersion, and shape of a dataset, offering a basic understanding of its structure before conducting more advanced analyses.

Table 9*Descriptive Statistic of Variables*

	N	Minimum	Maximum	Mean	Std. D.
Sustainable Investments	384	1.0	5.0	2.638	.7487
Governance and Transparency	384	1.0	4.0	2.162	.5612
Environmental Awareness	384	1.0	5.0	2.178	.6227
Personal Values	384	1.6	5.0	3.048	.8940
Ethical Beliefs	384	1.0	3.0	2.152	.4567
Investment Decision	384	1.0	4.0	2.536	.6298
Valid N (listwise)	384				

Table 10 presents the descriptive statistics for six variables related to investment decision-making: Sustainable Investments, Governance and Transparency, Environmental Awareness, Personal Values, Ethical Beliefs, and Investment Decision, based on 384 respondents. The variable Sustainable Investments shows a moderate mean of 2.638 with a standard deviation of 0.7487, indicating that respondents have varied opinions on the financial returns of sustainable investments, with responses ranging from 1.0 to 5.0. Governance and Transparency has a lower mean of 2.162 and an SD of 0.5612, suggesting that respondents may not strongly prioritize governance and transparency in their investment decisions, with the range between 1.0 and 4.0 indicating some variability in responses. Similarly, Environmental Awareness has a mean of 2.178 and an SD of 0.6227, showing that environmental considerations are moderately important to respondents when making investment decisions, with the range extending from 1.0 to 5.0. Personal Values emerges as the most influential factor, with the highest mean of 3.048 and a standard deviation of 0.8940, indicating a stronger consensus on the importance of personal values in investment choices. Ethical Beliefs has a mean of 2.152 and a low standard deviation of 0.4567, suggesting consistent agreement among respondents on the significance of ethical considerations in investments. Finally, Investment Decision shows a mean of 2.536 and an SD of 0.6298, indicating that while sustainable factors are important, financial returns still play a substantial role in investment choices. Overall, the data highlights the varying

influence of these factors, with personal values standing out as the most influential driver of investment decisions.

4.3.2 Correlation Analysis

Correlation analysis measures the strength and direction of the relationship between two variables. It uses a correlation coefficient, ranging from -1 to +1, to indicate whether variables move together (positive correlation) or inversely (negative correlation), without implying causality.

Table 10

Correlation Analysis of Variables

	Sustainable Investments	Governance and Transparency	Environmental Awareness	Personal Values	Ethical Beliefs	Investment Decision
Sustainable Investments	1					
Governance and Transparency	.581**	1				
Environmental Awareness	.527**	.447**	1			
Personal Values	.192	.210*	.080	1		
Ethical Beliefs	.542**	.546**	.502**	.024	1	
Personal Financial	.234*	.399**	.290**	.453**	.228*	1

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

* . Correlation is significant at the 0.05 level (2-tailed).

Table 10 presents the correlation analysis of various variables related to investment decisions, highlighting the relationships between Sustainable Investments, Governance and Transparency, Environmental Awareness, Personal Values, Ethical Beliefs, and Investment Decision. Several significant positive correlations are observed. Sustainable Investments is positively correlated with Governance and Transparency (0.581), Environmental Awareness (0.527), and Ethical Beliefs (0.542), indicating that respondents who prioritize sustainable investments are also likely to value governance transparency, environmental sustainability, and ethical business practices. These relationships are statistically significant at the 0.01 level.

Governance and Transparency also shows strong positive correlations with Environmental Awareness (0.447) and Ethical Beliefs (0.546), suggesting that individuals who consider governance and transparency in investments are similarly influenced by environmental and ethical factors. Environmental Awareness has a moderate correlation with Ethical Beliefs (0.502), reflecting that awareness of environmental impact tends to align with ethical investment preferences.

Interestingly, Personal Values shows weaker correlations with the other variables, particularly Sustainable Investments (0.192), suggesting that personal values may not be as strongly related to investment decisions as other factors. Finally, Personal Financial Planning has moderate correlations with most variables, particularly Governance and Transparency (0.399) and Environmental Awareness (0.290), reflecting the importance of financial planning in sustainable investment choices. Overall, the analysis suggests that factors like governance, ethics, and environmental awareness are closely linked to sustainable investment decisions.

4.3.3 Regression Analysis

Regression analysis examines relationships between a dependent variable and one or more independent variables. It models how changes in predictors affect the outcome, allowing for predictions. Linear regression is commonly used to fit a line that best describes this relationship.

ANOVA (Analysis of Variance)

ANOVA tests whether there are significant differences between the means of three or more groups. It compares group variances to assess if at least one group mean differs significantly, aiding in understanding group-level differences.

Table 11*ANOVA Test of Variables*

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Change	F Change	df1	df2	Sig. F Change
1	.572 ^a	.327	.291	.5303	.327	9.129	5	94	.000

a. Predictors: (Constant), Ethical Beliefs, Personal Values, Environmental Awareness, Governance and Transparency, Sustainable Investments

Table 11 presents the results of the ANOVA test, which examines the relationship between the predictors (Ethical Beliefs, Personal Values, Environmental Awareness, Governance and Transparency, and Sustainable Investments) and the dependent variable, which likely pertains to investment decisions or related outcomes. The model has an R value of 0.572, indicating a moderate correlation between the independent variables and the dependent variable. The R Square value of 0.327 means that approximately 32.7% of the variance in the dependent variable can be explained by the predictors in the model.

The Adjusted R Square value of 0.291 accounts for the number of predictors and adjusts for the model's complexity. This suggests that, after considering the number of variables, around 29.1% of the variance in the dependent variable is explained by the predictors. The Standard Error of the Estimate is 0.5303, indicating the average distance between the observed values and the values predicted by the model. The Change Statistics section indicates that the addition of the predictors to the model leads to a significant improvement in explaining the variance in the dependent variable, with a significant F Change value of 9.129 and a p-value of 0.000, which is less than the standard significance level of 0.05. This confirms that the model's predictors collectively contribute significantly to explaining the outcome variable.

Model Summary

A model summary provides key metrics of regression model performance, including R-squared, adjusted R-squared, and standard error, indicating how well the model explains the variability in the dependent variable.

Table 12*Model Summary of Variables*

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	12.836	5	2.567	9.129	.000 ^b
	Residual	26.435	94	.281		
	Total	39.270	99			

a. Dependent Variable: Investment Decision

b. Predictors: (Constant), Ethical Beliefs, Personal Values, Environmental Awareness, Governance and Transparency, Sustainable Investments

Table 12 shows the Model Summary of the variables in the regression analysis, with a focus on the relationship between predictors (Ethical Beliefs, Personal Values, Environmental Awareness, Governance and Transparency, and Sustainable Investments) and the dependent variable, likely related to investment decisions.

The Regression Sum of Squares is 12.836, which represents the variance explained by the independent variables in the model. This is the amount of variance in the dependent variable that can be attributed to the predictors. The Residual Sum of Squares is 26.435, indicating the unexplained variance or the errors remaining after the regression model has been applied. The Total Sum of Squares is 39.270, representing the total variance in the dependent variable. The df (degrees of freedom) for the regression is 5, corresponding to the number of predictors, and for residuals, it is 94, which is calculated as the total number of observations minus the number of predictors minus 1. The Mean Square for the regression is 2.567, which is the regression sum of squares divided by its degrees of freedom. The F value of 9.129 indicates the overall significance of the model, with a p-value of 0.000, which is less than the significance level of 0.05. This confirms that the model is statistically significant, and the predictors together have a meaningful impact on the dependent variable.

Coefficients

Coefficients in regression represent the change in the dependent variable for each one-unit change in an independent variable. They indicate the strength and direction of the relationship between predictors and the outcome in the regression model.

Table 13

Regression Analysis of Variables

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.746	.318		2.351	.021
	Sustainable Investments	-.104	.098	.124	-1.070	.000
	Governance and Transparency	.321	.127	.286	2.532	.013
	Environmental Awareness	.176	.106	.174	1.658	.001
	Personal Values	.283	.062	.402	4.570	.000
	Ethical Beliefs	.058	.154	.042	.378	.706

Dependent Variable: Investment Decision

Table 13 presents the results of a regression analysis, examining the impact of various factors on investment decisions. The constant value of 0.746 is statistically significant, indicating a meaningful baseline for the dependent variable. Among the independent variables, Sustainable Investments has a negative unstandardized coefficient of -0.104, suggesting that as sustainable investments increase, investment decisions decrease slightly. However, its statistical significance with a p-value of 0.000 indicates that it still has a significant impact. Governance and Transparency shows a positive unstandardized coefficient of 0.321 and a standardized Beta of 0.286, demonstrating a significant and positive effect on investment decisions, with a p-value of 0.013. Environmental Awareness also has a positive relationship with investment decisions, with a coefficient of 0.176 and a Beta of 0.174, and a p-value of 0.001, indicating a significant impact. Personal Values emerges as the most influential factor, with a strong positive coefficient of 0.283 and Beta

of 0.402, and a highly significant p-value of 0.000, highlighting its significant role in shaping investment choices. On the other hand, Ethical Beliefs does not significantly impact investment decisions, with a coefficient of 0.058 and a p-value of 0.706, suggesting it does not play a meaningful role in this model. Overall, the analysis confirms that governance and transparency, environmental awareness, and personal values have significant effects on investment decisions, while ethical beliefs do not.

4.4 Discussion

The regression analysis highlights significant factors influencing investment decisions, providing a detailed understanding of how sustainability-related attributes impact investor behavior. Key findings from the analysis reveal that while personal values, governance, and environmental awareness positively influence investment decisions, ethical beliefs show no significant impact. Comparative insights from existing literature further contextualize these results within broader frameworks of sustainable investment and ESG practices.

The regression analysis indicates a negative unstandardized coefficient for sustainable investments, suggesting a slight decline in investment decisions as sustainable investments increase. However, its significance (p-value = 0.000) reflects its critical role. This aligns with Clark et al. (2015), who found that ESG adoption enhances financial performance through risk mitigation and stakeholder trust. The disparity in findings could reflect investors' challenges in balancing immediate financial returns and long-term sustainability benefits. Friede et al. (2015) reinforce this by demonstrating that socially responsible investments (SRIs) generally perform on par or better than traditional investments, promoting broader adoption.

The analysis reveals governance and transparency as significant positive contributors to investment decisions, echoing findings by Eccles & Klimenko (2019) that strong governance attracts ESG-focused investments. Inadequate governance in emerging markets often impedes ESG growth, necessitating improved regulatory oversight. Beck et al. (2019) support this by emphasizing the importance of transparent sustainability reporting in positively influencing investor decisions. This suggests that enhancing governance frameworks can encourage more robust sustainable investment practices.

Environmental awareness emerged as another positive factor, with a significant coefficient and Beta, supporting the notion that environmental considerations increasingly drive investment decisions. Literature such as Polzin et al. (2015) highlights the role of green bonds and partnerships in renewable energy funding, emphasizing environmental impact as a critical factor. Similarly, Flammer (2021) shows how green bonds facilitate dual benefits for investors and the environment, enhancing sustainability and returns.

Personal values were the most influential factor in shaping investment decisions, reflecting a strong alignment between individual ethics and sustainable investments. This finding resonates with Renneboog et al. (2008), who noted that institutional investors prioritize ESG integration based on values-driven investment strategies. Statman & Glushkov (2020) also point to the competitive returns of ESG mutual funds, underscoring the compatibility of personal values with financial goals.

Contrary to expectations, ethical beliefs did not significantly impact investment decisions in this analysis. This diverges from Margolis et al. (2009), who demonstrated that CSR activities enhance profitability through reputation building. The variance may stem from differing operational definitions or cultural contexts, as Sharma & Dahal (2020) noted limited awareness and regulatory barriers in emerging markets like Nepal.

This study aligns with global trends, such as those identified by Zhang & Duan (2020), who emphasized the macroeconomic benefits of green finance. The lack of significance for ethical beliefs could reflect gaps in localized awareness or incentives, as highlighted by Aroussi & Ben Jabeur (2019) in MENA regions. Future strategies should bridge these gaps by fostering ESG education and robust regulatory support.

The regression analysis corroborates existing literature, emphasizing governance, environmental awareness, and personal values as key influencers of investment decisions. Practical implications include enhancing governance frameworks and promoting education to align sustainable investments with investor values and preferences. Future research should investigate cultural and market-specific dynamics to foster a deeper understanding of ESG integration across diverse regions.

CHAPTER V

SUMMARY AND CONCLUSION

5.1 Summary

Sustainable investment has emerged as a critical component of modern financial strategies, driven by increasing awareness of environmental, social, and governance (ESG) factors. This investment approach goes beyond traditional financial returns, incorporating ethical considerations and the broader impact of investments on society and the environment. The perception of sustainable investments has evolved significantly, influencing how individuals and institutions make investment decisions.

Sustainable investment perception reflects the awareness, beliefs, and attitudes of investors toward aligning financial goals with sustainability objectives. Investors perceive sustainable investments as a means to address global challenges like climate change, social inequality, and resource depletion while maintaining long-term financial growth. This perception is shaped by various factors, including ethical beliefs, regulatory frameworks, and market trends emphasizing the importance of corporate social responsibility (CSR). The rising demand for transparency and accountability among organizations further strengthens the perception of sustainable investments as a viable and essential investment strategy.

Governance and transparency play pivotal roles in shaping sustainable investment perception. Investors increasingly demand clear and accurate disclosures of ESG practices from companies, as these factors serve as indicators of risk management and ethical business operations. Strong governance and transparent reporting foster trust among investors, making sustainable investments more appealing. Companies with robust ESG practices are perceived as less likely to face reputational and operational risks, thus aligning well with the goals of risk-averse and socially conscious investors.

Environmental awareness among investors has also significantly influenced their perception of sustainable investments. Global challenges, such as climate change, biodiversity loss, and environmental degradation, have heightened the focus on eco-friendly and resource-efficient investments. Green finance initiatives, including renewable energy projects, sustainable agriculture, and circular economy models, have gained

prominence as investors seek opportunities that contribute to environmental preservation. This awareness not only guides individual investment choices but also shapes broader market trends toward sustainable financial products and services.

Personal values and ethical beliefs are intrinsic factors driving sustainable investment perceptions. Investors often align their investment decisions with their core values, emphasizing areas such as equity, fairness, and environmental stewardship. Ethical beliefs reinforce the idea that financial success can coexist with social good, encouraging investors to support businesses and projects that reflect these principles. For many investors, sustainable investments are seen as a way to contribute positively to society without compromising financial returns, creating a balance between personal and economic objectives.

These evolving perceptions directly influence investment decisions by shaping the criteria investors prioritize when evaluating opportunities. Sustainable investments are increasingly seen as a means to achieve both financial stability and societal impact. Many investors now integrate ESG metrics into their decision-making processes, using tools like sustainability indices, carbon footprint analyses, and social impact assessments. Such criteria enable investors to identify opportunities that align with their values while mitigating risks associated with unsustainable practices.

Institutional investors, such as pension funds, asset managers, and foundations, have also shifted their strategies toward sustainability. They view sustainable investments as essential for safeguarding long-term returns in the face of global risks, including climate change and resource scarcity. Similarly, individual investors are becoming more proactive in seeking out financial products that reflect their ethical and environmental priorities. This growing demand has prompted financial institutions to offer a wider range of sustainable investment options, including green bonds, impact funds, and ESG-focused portfolios.

The influence of sustainable investment perception on decisions extends beyond the financial realm, impacting broader societal and environmental outcomes. By directing capital toward sustainable ventures, investors play a vital role in fostering innovation, promoting inclusivity, and addressing critical global challenges. As the perception of sustainable investments continues to evolve, it reinforces the need for collaborative efforts

between investors, businesses, and policymakers to create an investment ecosystem that supports sustainability and resilience.

In conclusion, sustainable investment perception profoundly shapes how investment decisions are made, reflecting a growing alignment between financial objectives and ethical considerations. As awareness of ESG factors continues to rise, investors are increasingly prioritizing sustainability, recognizing its potential to drive both positive societal impact and long-term financial performance. This shift underscores the transformative power of sustainable investments in fostering a more equitable and sustainable global economy.

5.2 Conclusion

Sustainable investments represent a transformative approach to aligning financial performance with environmental, social, and governance (ESG) principles. The perception of sustainable investments has grown significantly, influencing investment decisions at both individual and institutional levels. Investors increasingly recognize the dual potential of sustainable investments to achieve financial returns while addressing pressing global challenges such as climate change, social inequality, and resource scarcity.

A key driver of this shift is the growing awareness of the importance of ESG factors in assessing the long-term viability and resilience of investments. Companies with robust ESG practices are viewed as more transparent, accountable, and capable of managing risks effectively. This perception enhances investor confidence and reinforces the attractiveness of sustainable investments as a sound strategy for mitigating risks and ensuring stable returns.

Personal values and ethical beliefs also play a critical role in shaping sustainable investment decisions. Many investors prioritize projects and organizations that align with their values, such as environmental stewardship, social justice, and ethical governance. This value-driven approach reflects a broader cultural shift toward responsible consumerism and corporate accountability, influencing the broader investment landscape.

Additionally, environmental awareness has amplified the demand for green and eco-friendly investments. Initiatives such as renewable energy projects, sustainable

infrastructure, and low-carbon technologies have become focal points for investors aiming to support ecological preservation while securing financial growth. This trend underscores the critical role of sustainable finance in driving innovation and fostering systemic change in addressing environmental challenges.

Institutional investors, including pension funds, asset managers, and development banks, are leading the adoption of sustainable investment practices. By integrating ESG metrics into their decision-making processes, these entities are paving the way for a more sustainable and inclusive financial ecosystem. Financial institutions have also responded to this demand by offering an expanding range of sustainable investment products, making it easier for investors to incorporate ESG criteria into their portfolios.

In conclusion, the perception of sustainable investments as a strategic tool for achieving both financial and societal goals has fundamentally reshaped investment decision-making. As awareness of ESG factors continues to grow, sustainable investments are likely to play an increasingly vital role in fostering economic resilience, innovation, and global sustainability. This evolution highlights the power of responsible investing to create lasting positive impacts for individuals, businesses, and the broader society.

5.3 Implication

Practical Implications

The growing focus on sustainable investments offers critical insights for financial practitioners, policymakers, and organizations.

- For financial institutions, it is essential to develop and expand sustainable investment products, such as green bonds, ESG funds, and impact investments, to cater to the rising demand from ethically and environmentally conscious investors. Enhanced transparency and consistent ESG reporting standards can further strengthen investor confidence, encouraging more widespread adoption of sustainable investment practices.
- Policymakers can support this trend by implementing regulations that incentivize sustainable investment, such as tax benefits for green projects or penalties for non-compliance with ESG criteria.

- Financial education programs emphasizing the importance of sustainable investments can empower individual investors to make informed decisions that align with their values and financial goals. Organizations can also benefit by integrating ESG principles into their operations, which can enhance their attractiveness to investors and ensure long-term viability.

Implications for Future Research

Future researchers have significant opportunities to delve deeper into the dynamics of sustainable investment and its influence on decision-making. For instance, comparative studies across regions or industries could shed light on the varying perceptions and adoption rates of sustainable investments globally. Additionally, longitudinal research could explore how sustainable investment decisions evolve over time in response to regulatory changes, market developments, and shifting societal values.

- Another critical area for future research is the quantification of the financial performance of sustainable investments relative to traditional investments. Analyzing the trade-offs between sustainability and profitability in different contexts would provide valuable insights for investors balancing ethical considerations with financial returns.
- Research could also investigate the behavioral aspects of sustainable investing, examining how personal values, cultural factors, and social influences shape investor preferences. Moreover, exploring the role of technological innovations, such as fintech platforms and artificial intelligence, in facilitating sustainable investment decisions can offer practical recommendations for enhancing accessibility and efficiency in this domain.
- A deeper understanding of the interplay between sustainable investments and macroeconomic indicators, such as economic growth and job creation, could highlight the broader societal impacts of this investment approach. Such studies would be instrumental in shaping future policies and fostering a sustainable financial ecosystem.

The practical and research implications of sustainable investments are vast, underscoring the need for collaborative efforts between practitioners and academics to advance this field and address emerging challenges effectively.

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APPENDIX**Questionnaire**

Questionnaire for Sustainable investment perception and its influence on investment decisions.

To,

Subject: Sustainable investment perception and its influence on investment decisions”

Dear Sir,

I am MBS student at Shanker Dev Campus , Tribhuvan University. A research study is being conducted on the “**Sustainable investment perception and its influence on investment decisions**” under the supervision of Asst. Pro f. Bhoj Raj Ojha for the partial fulfillment of Master of Business Studies.

In this context, I have prepared a set of questionnaire to seek your valuable opinion. I would also like to ensure you that the information provided by you will be kept confidential and will only be utilized for the study purpose.

I shall feel highly obliged if you kindly cooperate me in filling the questionnaire.

Thank you and best regards,

Sanjib Acharya

Researcher

1. Background Information

1.1 Name (Optional):.....

1.2 Gender (Please Tick your gender group)

Male Female

1.3 Age (Please Tick your age group)

Below 30 years 30 to 40 years 41 to 50 years 51 to 60 years
 Above 61 years

1.4 Education (Please Tick your education group)

SLC Intermediate Bachelor Masters and Above

1.5 Income per month (Please Tick your service period)

Below 20,000 20,001 to 50,000 50,001 to 80,000
 80,001 to Above

2. Information Regarding Knowledge about Sustainable Investments, Environmental Awareness, Governance and Transparency, Governance and Transparency and Personal Values and Ethical Beliefs (Please indicate your agreement with each item by placing the tick mark (\checkmark) in the rating value column.) 1= Strongly Agree, 2 = Agree, 3= Agree to Some Extent, 4 = Disagree, 5= Strongly Disagree

S. N.	Heading \ Statement	Rating value				
		1	2	3	4	5
2.1	Sustainable Investments					
a)	I believe that sustainable investments provide comparable financial returns to traditional investments.					
b)	Investing in sustainable projects has the potential to generate higher long-term profits.					
c)	Sustainable investments are riskier than traditional investments in terms of financial returns.					
d)	Financial performance is a significant factor when I consider sustainable investment options.					

e)	I am confident that sustainable investments will yield stable returns over time					
2.2	Environmental Awareness	1	2	3	4	5
a)	I am aware of the environmental impact of the companies I invest in.					
b)	Environmental sustainability is an important factor when I make investment decisions.					
c)	I prefer to invest in companies that have a positive environmental impact.					
d)	I believe that investments in environmentally sustainable companies contribute to a healthier planet.					
e)	I actively seek out investment opportunities that focus on reducing environmental harm.					
2.3	Governance and Transparency					
a)	I value companies that promote fair labor practices in my investment decisions.					
b)	Social responsibility is an important criterion for my investment choices.					
c)	I prefer to invest in companies that contribute to the social well-being of communities.					
d)	Ethical business practices influence my decision to invest in a company.					
e)	I believe that investments in socially responsible companies can help address societal challenges.					
2.4	Ethical Beliefs	1	2	3	4	5
a)	I believe that ethical business practices should be a priority when selecting investment opportunities.					
b)	I avoid investing in companies that conflict with my personal ethical beliefs.					
c)	I prioritize companies with strong ethical standards, even if they offer lower financial returns.					

d)	My investment decisions reflect my commitment to supporting businesses with responsible and sustainable practices.					
	I feel a moral obligation to ensure my investments align with ethical and socially responsible values.					
2.5	Ethical Beliefs	1	2	3	4	5
a)	My personal values significantly influence my investment decisions.					
b)	I choose investments based on whether they align with my ethical beliefs.					
c)	I avoid investing in companies whose practices contradict my personal values.					
d)	I believe that my investments should reflect my commitment to ethical and sustainable practices.					
e)	My investment choices are guided by a desire to support companies with ethical values.					

2.6 Information Regarding Investment Decisions

(Please indicate your agreement with each item by placing the tick mark (✓) in the rating value column.) 1= Strongly Agree, 2 = Agree, 3= Agree to Some Extent,

4 = Disagree, 5= Strongly Disagree

S. N.	Heading \ Statement	Rating value				
2.6	Investment Decisions	1	2	3	4	5
a)	I am more likely to invest in companies that prioritize environmental, social, and governance (ESG) factors.					
b)	My investment decisions are influenced by the social responsibility efforts of a company.					

c)	I prefer to invest in companies that demonstrate a strong commitment to sustainable practices.					
d)	The financial returns are the primary factor in my investment decision, even if the company focuses on sustainability.					
e)	I actively seek out sustainable investment opportunities, even if they offer lower financial returns compared to traditional investments.					

SUSTAINABLE INVESTMENT PERCEPTION AND ITS INFLU...

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i Abstract This study investigates the perception of sustainable investments and its influence on investment decisions among individuals. With growing awareness

of environmental, social, and governance (ESG) factors, **investors are increasingly** considering **the** sustainability **of** companies when making **investment**

choices. The research examines the relationship between key variables such as sustainable investments, governance and transparency, environmental awareness, personal values, and ethical beliefs, and their collective impact on investment decisions. Data was collected through a survey of 384 respondents, with descriptive statistics, correlation analysis, ANOVA, and regression analysis used to assess the relationships between these factors. Findings reveal that sustainable investments are perceived as important by a significant proportion of investors, with governance and transparency, environmental awareness, and personal values being key factors influencing investment decisions. Furthermore, investors demonstrated a preference for companies that align with their ethical values, and sustainable investments were seen as contributing to long-term profitability despite potential financial risks. The study highlights the growing importance of sustainability in investment decision-making and emphasizes the need for greater awareness and education on sustainable investment practices. These insights can guide investors and policymakers in promoting sustainable financial practices and fostering a more responsible investment landscape. Keywords: Sustainable Investments, Environmental Awareness, Governance and Transparency, Personal Values, Ethical Beliefs, Investment Decision xii CHAPTER I INTRODUCTION 1.1 Background of the study Sustainable investment, often referred to as socially responsible investing (SRI) or investments focusing on environmental, social, and governance (ESG) factors, is becoming increasingly popular as investors align their financial objectives with ethical considerations. The perception of sustainable investment significantly influences decision-making, with investors who value sustainability being more inclined to incorporate ESG principles into their portfolios. According to Eurosif (2022), a positive perception of sustainable investments arises from growing awareness of global challenges such as climate change, corporate accountability, and social equity. Research by Friede et al. (2015) further underscores that over 90% of studies indicate a positive correlation between ESG integration and financial performance,