ESG Investments, a Sustainable Option: A Study of Intention and Behaviour of Indian Retail Investors

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Abstract

Purpose-This work aims to provide an academic contribution to the field of sustainable development in financial systems by comprehending the behaviour and decision-making processes of ESG investors. It examines the impact of various antecedents such as investment attitude towards environmental, social, and governance (ESG) factors, social norms, financial self-efficacy, ESG concerns, risk perception, and return expectations on ESG investment intention and behaviour in the Indian setting.

Research Methodology-Utilising a cross-sectional methodology, the present study gathered quantitative data from a sample size of 390 participants through an online questionnaire administered using a Google form hyperlink. The survey was distributed across multiple social media platforms. The present study utilised the partial least squares structural equation modelling (PLS-SEM) technique to investigate the proposed hypotheses.

Results- This study has revealed noteworthy positive impacts of investment attitude towards environmental, social, and governance (ESG) concerns, financial self-efficacy, risk perception, and return expectations on the desire to engage in ESG. Contrary to expectations, research indicates that social norms do not have a statistically significant association with ESG investment intention. The intention to engage in ESG investment was found to have a notable impact on ESG investment behaviour. This study found evidence indicating that the Financial-eco-system partially mediates the connection between ESG investment intention and ESG investment behaviour. In contrast, the presence of informativeness did not demonstrate any mediating influence on the individual associations between ESG investment intention and ESG investment behaviour. Moreover, the application of PLS Predict yielded significant results, indicating a robust predictive relevance of the model in predicting ESG investment intention and behaviour.

Originality of the Study-This study uniquely integrates several antecedents into a comprehensive framework focussing on investment intention and behaviour towards ESG investing by building upon the

Theory of Planned Behaviour(TPB). It considers two novel factors in the research framework, that is, social norms and ESG concerns, which have neither been used in TPB nor have been frequently studied by other authors as risk and return. Also, this study investigates the hitherto unexplored mediating role of the financial eco-system and informativeness between ESG investment intention and behaviour .Since ESG investing is new in India ,this research work would help the academic fraternity, investors and the industry as a whole,especially mutual funds, in gaining a deeper understanding on this subject matter.

Implications- ESG investments have garnered significant interest from investors. This study provides a significant contribution to the current literature on sustainable investing by examining relationship between investment attitude, social norms, financial self-efficacy, environmental, social, and governance concerns, risk perception, return expectations, ESG investment intention, informativeness, financial eco-system, and ESG investing behaviour. In relation to ESG investments, it is imperative for both governmental bodies and industry to encourage a conducive ecosystem that supports and facilitates such sustainable investments. This study represents a limited number of initial endeavours to examine the factors and challenges associated with ESG investing within the context of retail investors in a developing nation.

Keywords : ESG investing ,ESG investment behaviour , Sustainability

Introduction

ESG investing has had a global surge in adoption in recent years, and India is no exception to this trend (Kiymaz,2019 and Chauhan,2023).According to an analysis conducted by Forbes India, the size of AUM of ESG Mutual Funds increased significantly from Rs 2,703 crore in 2019 to Rs 10,635 crores in 2023(Sultana,2023).The significant expansion of ESG investment may be ascribed to a range of variables, encompassing heightened consciousness of worldwide sustainability difficulties, intensified regulatory examination, and the acknowledgment that ESG aspects might have a substantial influence on financial performance (Nair and Ladha,2013) .ESG investing in India is presently seeing a significant growth, mostly driven by regulatory support, investor interest, and recognition of feasible business opportunities(Bhatt,2021 and Chauhan,2023).The growing acknowledgement of climate change, societal issues, and corporate governance challenges acts as a driving force behind the escalating desire for sustainable investment options(Townsend,2020). Indian investors are increasingly integrating ESG considerations into their investment strategies, spanning various asset classes such as bonds, stocks, investments in private equity, and venture funding (Ramachandran and Prabhu,2022).By embracing ESG investing, India has the capacity to pave the way for a sustainable future that successfully integrates financial performance with societal and ecological well-being(Shah,2018 and Sarangi,2021).The growing prominence of ESG investing as a widely adopted strategy among investors and businesses necessitates a comprehensive examination of the behaviour and decision-making mechanisms employed by ESG investors.

Furthermore, previous studies have mostly concentrated on quantifying the return or financial efficacy of socially responsible investments (SRIs)(Shaikh,2022).The bulk of studies on ESG investing has been focused on developed countries such as the USA, Europe, Australia. ESG investing in emerging markets, such as India, is a minor component of the existing body of literature. Furthermore, there is a paucity of research regarding the extent of understanding or awareness, attitude, and behaviour of Indian investors towards ESG investing that is available in the public domain. A limited group of researchers (Nair and Ladha, 2013; Wins and Zwergel, 2016 etc.) have identified and analysed the impact of different variables on the intention and behaviour of retail investors regarding ESG investments. Existing research has predominantly concentrated upon investigating the influence of individual traits (Vyas, Mehta, and Sharma, 2020 ;Owen and Qian,2008) and expectations of financial rewards (Palacios-González and Chamorro-Mera, 2018; Lewis,2001) on intention to engage in socially responsible investing (SRI).Furthermore, the determinants that drive investors to participate in ESG investments remain ambiguous, as investors seek to optimise financial returns while simultaneously upholding the significant societal influence of their capital (Berry & Junkus, 2013).Therefore, additional research is necessary to investigate and clarify the factors that impact choices of investors in allocating different proportions of their investment portfolios to ESG investments (Jonwall, Gupta, and Pahuja, 2022; Raut et al., 2021).To address these research gaps, our study uniquely integrates several antecedents into a comprehensive framework focussing on investment intention and behaviour towards ESG investing.

An ESG conscious financial ecosystem is a very important foundation for any country which encourages an ESG agenda (Karkera, 2023).The previous lack of attention from researchers, particularly in developing nations, has resulted in little exploration of the mediating role of this variable within the realm of ESG investing. Also, informativeness is a significant factor which influences investors' decisions (Naveed et. al. ,2020).Given that India is classified as a developing nation and ESG investing is gaining prominence as a nascent concept in this context, the examination of this particular issue assumes heightened significance. Our research paper presents a novel approach to examine the mediating effect of informativeness and financial eco-system on the relationship between ESG investment intention and behaviour.

The present study offers three significant theoretical advances to the field of sustainable finance. Firstly, it investigates the correlation among investment attitudes towards ESG factors, social norms, financial self-efficacy, ESG concerns, risk perception regarding ESG investments, return expectations from ESG investments, ESG investment intention, and ESG investment behaviour within the Indian context by building upon the conceptual structure of the TPB(Ajzen,1991). We are considering two novel factors in our research framework, that is, social norms and ESG concerns, which have neither been used in TPB nor have been frequently studied by other authors as risk and return. Secondly, this study investigates the hitherto unexplored mediating effects of the financial eco-system and informativeness. Thirdly, since ESG investing is new in India, this study will help the academic fraternity, the investors and the industry in general and mutual funds in particular, in gaining a deeper understanding on the subject matter which will further help them in predicting prospective market shifts, make better-informed decisions, and potentially avoid costly mistakes. This paper seeks to address two research inquiries. One, what is the impact of various antecedents of ESG investing on ESG investment intention and behaviour? Two, how do informativeness and financial eco-system mediate the relationship between ESG investment intention and ESG investment behaviour?

Following this, the subsequent sections of the paper have been organised as follows: the exhaustive analysis of the existing literature on the subject is detailed in Section 2 of the document. Additionally, it includes the formulation and validation of hypotheses. The research methodology is detailed in Section 3 of the document. It includes the sampling strategy, measures of various constructs, and the selected data analysis method. Section 4 contains the presentation of the results and findings of the investigation, whereas Section 5 encompasses the discussion and conclusion of this study.

Literature Review

Theoretical foundation

Numerous previous research have endeavoured to examine the behavioural patterns of investors who prioritise social responsibility.The TPB pertains to a person's cognitive inclination towards engaging in a specific behaviour.The study by Raut et.al.(2021) provides empirical evidence supporting the significant impact that financial success, subjective norms, attitude and, moral norms have on investors' intention towards Socially Responsible Investing (SRI). Vyas, Mehta, and Sharma (2020) and Mehta, Singh, and Mittal (2020) examined the relationship between non-economic goals and the personal characteristics of individual investors, encompassing factors such as "environmental attitude,""religiosity,""materialism, ""collectivism,""risk tolerance," and "social investing efficacy." The diverse characteristics of individual investors have shown significant importance in influencing their non-economic and socially responsible goals. Nair and Ladha (2013) found that Collectivism, Religiosity, and Environment Attitude are significant factors that impact the desire of Indian investors to pursue non-economic investing objectives. Jonwall, Gupta, and Pahuja (2022) utilised the TPB to examine the factors that impact the socially responsible investing (SRI) behaviour of individual investors. The study's findings demonstrated that investors' decisions to participate in SRIwere significantly influenced by their level of knowledge about socially responsible/ESG indices, their awareness of SR/ESG funds, and their inclination to invest in SRI options.Garg et al. (2022) conducted a research to investigate the investment behaviour of retail investors in India the context of SRI.A positive correlation was discovered between investors' beliefs, such as collectivism and biospheric values, their biases, such as social responsibility prejudice and reliance on expert bias, and their perceived success of socially responsible investing (SRI). On average, investors in sustainable funds demonstrate better values in three pro-social categories: "pro-social attitudes" (PSA), "perceived consumer effectiveness" (PCE), and "trust" in socially responsible (SR) funds (Wins and Zwergel, 2016).Therefore, there are other elements that can impact an investor's inclination to invest in ESG related ventures.

Previous research has revealed a dearth of studies that examine the investment behaviour of individuals in ESG investing, both in a general sense and especially within the Indian setting. The bulk of existing research pertaining to the conduct of SR/ESG investments is predominantly derived from the markets of the United Kingdom, United States, and Europe. Furthermore, a significant portion of scholarly investigations has focused on the examination of empirical data pertaining to the financial success (Jasuja et.al.,2021) of socially responsible funds or ESG funds , rather than delving into the analysis of individuals' attitudes and behaviour towards ESG investments. Given the aforementioned confirmations, the current study aims to examine the conduct of individual investors with regards to ESG investment within the context of India.

Hypothesis Development

Investment Attitude towards ESG

The TPB posits that attitude, together with subjective standards and perceived behavioural control, is a determinant in the formation of intention (Ajzen, 1985).Multiple investigations have been done to examine the impact of investment attitude on individuals' ethical decision-making behaviour. These studies include research by Lewis and Mackenzie (2000), Lewis (2001), McLachlan and Gardner, Gladish et al (2012), and Berry and Yeung (2012).The research conducted by Asif et al. (2020) examined the influence of investors' money attitudes on their decisions regarding involvement in the stock market.Several studies have examined various dimensions of investment attitudes towards socially responsible investment (SRI) (Wins and Zwergel ,2014 ;Vyas, Mehta, and Sharma ,2020 ;Manjit Singh, Manju Mittal, Pooja Mehta, and Himanshu Singla ;2020; Beal, Goyen, and Phillips (2005).

Hypothesis 1(H1) : Investment attitude has a significant positive effect on ESG investment intention among Indian retail investors.

Social Norms

Social norms encompass the collective perceptions and beliefs held by individuals towards a particular behaviour. The aforementioned perspective could be attributed to individuals inside one's familial, social, and professional circles. Studies have shown that social interaction and media have a positive effect on decision-making in the trading domain. Moreover, within the realm of social considerations, it has been observed that social interaction has a significant role in shaping trading decisions (Shanmugham & Ramya, 2012). Furthermore, the study conducted by Wu, Huang, Chen, Davison, and Hua (2018) provided evidence supporting the notion that social connection has a beneficial effect on customers' investment intention.Several scholars have examined this issue in their respective research, including Sparkes (2001), Iyer and Kashyap (2009), Peifer (2012), and Brimble et al. (2013).

Hypothesis 2(H2): Social Norms have a significant positive effect on ESG investment intention among Indian retail investors.

Financial Self-Efficacy

Financial self-efficacy refers to the level of confidence that individuals have in their capacity to participate in and make wise financial decisions and actions. Palacios-González and Chamorro-Mera (2018) found that investors' perspective is crucial in determining the effectiveness of socially responsible investments and the personal benefits they associate with responsible investment. These variables also impact their propensity to engage in responsible investment.

Hypothesis 3 (H3): Financial Self-Efficacy has a significant positive effect on ESG investment intention among Indian retail investors.

ESG concerns

ESG worries encompass an individual's apprehensions pertaining to environmental, social, and governance issues.ESG concerns have permeated the advanced countries and worldwide investment practises, whereas the notion of ESG investing remains relatively nascent in India (Tripathi and Bhandari, 2014). Given that India now holds the position of the fastest expanding economy globally, it is imperative for the nation to assume a proactive role in spearheading the Environmental, Social, and Governance (ESG) agenda(Karkera,2023).Thus, ESG concerns are a very important factor in our research framework. Several researchers have examined environmental problems, ethical concerns ,social concerns and governance concerns as Lewis (2001),Williams (2005), Beal, Goyen, and Phillips (2005),Owen and Qian (2008), Iyer and Kashyap (2009),Nilsson (2009), Pasework and Riley (2009),McLachlan and Gardner (2012), Gladish et al. (2012),Berry & Junkus (2013), Wins and Zwergel (2014), Nakai et al. (2018).

Hypothesis 4(H4): ESG concerns have a significant positive effect on ESG investment intention among Indian retail investors.

Risk Perception/tolerance

The selection of a socially responsible investing route is also influenced by the risk tolerance of individuals. Numerous distinguished scholars have presented empirical findings pertaining to the risk tolerance attitudes exhibited by individuals while making investment decisions (Iyer and Kashyap, 2009; Gregor and Utz, 2014; Vyas, Mehta, and Sharma, 2020).Kakeu (2017) conducted a study that yielded findings pertaining to the premium anticipated by investors in relation to environmental risk.The study conducted by Asif et al. (2020) found that risk attitudes partially mediate the relationship between money attitudes and involvement in the stock market.

Hypothesis 5 (H5): Risk-perception has a significant effect on ESG investment intention among Indian retail investors.

Return Expectations from ESG Investing

Several studies have examined the return expectations associated with socially responsible investing. These studies include Domini (2002), Sparkes (1998), McLachlan and Gardner (2004), Nilsson (2007), Vyvyan et al. (2007), Nilsson (2009), Gladish et al. (2012), Berry and Yeung (2012), Beal, Goyen, and Phillips (2005), Gregor (2014).According to Zwergel, Wins, and Klein (2019), their research on retail investors in Germany revealed varying expectations among investors related to sustainable investments.The integration of ESG factors, as well as socially responsible investing (SRI), can offer diversification advantages to investors. By considering country-specific effects, social impact, and financial rewards, responsible investing can provide a comprehensive approach to investment decision-making(Tripathi and Kaur, 2021).

Hypothesis 6 (H6) : Return expectations have a significant positive effect on ESG investment intention among Indian retail investors.

Impact of ESG Investment Intention on ESG Investment Behaviour

The term "investment intention" pertains to a conceptual framework that signifies the potential course of an individual's future actions.The prediction of future behaviour can be attributed to an individual's intention, as intention serves as an initial stage leading to later behavioural patterns (Ajzen, 1985).The identification of the relative significance of the factors influencing behavioural intention is a crucial aspect in the examination of the behavioural intention exhibited by individual investors (Phan and Zhou, 2014). Furthermore, it is widely accepted that intention serves as a construct that encompasses the motivational elements that impact a certain behaviour, reflecting an individual's inclination to engage in the behaviour and the level of effort they are willing to invest in its execution (Ajzen, 1991).

Hypothesis 7(H7): ESG Investment Intention has a significant positive effect on ESG investment behaviour among Indian retail investors.

Mediating role of Informativeness

The concept of informativeness pertains to the level of accessibility to the necessary information or knowledge for the purpose of engaging in ESG investment. The extent of informativeness plays a crucial role in shaping the judgements made by investors. Considering India's classification as a developing nation and the increasing importance of ESG investing as a new concept in this context, the analysis of this specific issue becomes particularly significant. Our research paper introduces a new approach for studying how informativeness mediates the relationship between ESG investing intention and behaviour. This issue has been examined by several researchers, including Hai Yap Teoh and Godwin Y Shiu (1990), Tucker III, James J., Jones, and Scott (2020), Pasework and Riley (2009), and Wins and Zwergel (2014).

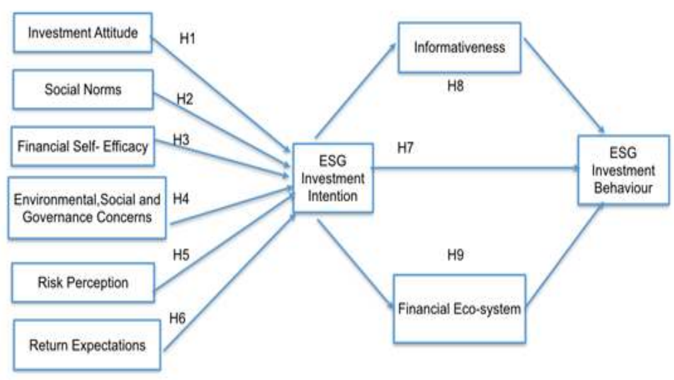
Hypothesis 8 (H8): Informativeness mediates the relationship of ESG Investment Intention with ESG investment behaviour among Indian retail investors.

Mediating role of Financial Eco-system for ESG investment

The financial ecosystem refers to the comprehensive array of market participants inside the financial system who play animportant role in the effective and prudent deployment of capital. The paper encompasses an examination of the involvement of financial advisers and the necessary infrastructure support for investments in ESG factors. In order to achieve success in ESG investing, the establishment of an ESG-conscious investing ecosystem inside a given country is of paramount importance. (Karkera, 2023).The limited focus of researchers, especially in developing nations, has led to little investigation into the mediating role of this factor in the field of ESG investing. However, few researchers such as Dominique Diof, Tessa Hebb, and El Hadji Toure (2016), Formankovaa and Trenz (2018), Tucker III, James J., Jones, and Scott (2020), Pasework and Riley (2009) and Williams (2005) have incorporated this element into their scholarly investigations.

Hypothesis 9 (H9) : Financial eco-system mediates the relationship of ESG Investment Intention with ESG investment behaviour among Indian retail investors.

Figure 1: Research Framework



Source: Authors' compilation

Research Methodology

Population and Sample

The collection of quantitative data for this primary investigation was carried out through an online questionnaire in the format of a hyperlink to a Google form. The hyperlink was distributed throughout many digital media including WhatsApp, email, Facebook, and Instagram. The researchers applied the convenience sampling methodology, a frequently employed method, to collect the responses. The sample size was obtained using the formula suggested by William Godden in 2004. The data collection period extended from July 2022 to June 2023, during which a total of 390 participants provided responses. The collected data was analysed to assess the influence of identified factors on the intention of ESG investing and the behaviour of ESG investment among retail investors in India. The data in this study underwent analysis using partial least squares structural equation modelling (PLS-SEM).

Measurement of Constructs

Independent constructs

The measurement of investment attitude towards ESG factors has been conducted using a set of five measures. These items were derived from previous research conducted by Sarwar and Afaf (2016), Goles et al. (2008), Jensen et al. (2016), Singh and Verma (2017), and Paetzold and Busch (2014). The measurement of Social Norms in this study was based on three items that were derived from previous research conducted by Sarwar and Afaf (2016), Taylor and Todd (1995), Raut (2020), Iyer and Kashyap (2009), Alam et al (2012), and Sreekumar Nair and Ladha (2014).The measurement of financial self-efficacy in this study was based on four items that were derived from the work of Sarwar and Afaf (2016). Four indicators were employed to assess ESG issues, as derived from Sahi's (2017) research.This study employed a measurement of risk perception utilising four items that were derived from the works of Wins and Zwergel (2014), Sarwar and Afaf (2016), Akhtar and Das (2019), and Mazumdar (2020).To assess return expectations related to ESG factors, a set of five items was utilised. Specifically, two items were derived from the work of Palacios-González and Chamorro-Mera (2018), one item was sourced from Sarwar and Afaf (2016), another item was obtained from Wins and Zwergel (2016), and the last item was taken from Duong and Huang (2022).The measurement of informativeness in this study incorporates two adapted items from Raut et al. (2020) and three items derived from Sarwar and Afaf (2016). The measurement of the financial ecosystem was conducted using a set of four items that were derived from the works of Kaustia et al. (2008), Sarwar and Afaf (2016), and Raut (2020).

Dependent Constructs

The measurement of ESG investment intention was conducted using a set of five items that were derived from the works of Pak and Mahmood (2015), Akhtar and Das (2019), and Raut (2020).The measurement of ESG investment behaviour was conducted using a set of four statements that were derived from the studies conducted by Yang et al. (2021) and Garg et al. (2022). This study utilised a 5-point Likert scale, with response options ranging from "strongly disagree" (1) to "strongly agree" (5), to measure the degree of association between the selected constructs and the intention to participate in ESG investments, as well as the actual behaviour of ESG investment.

Method of Data Analysis

Partial least square structural equation modelling (PLS-SEM) was used to estimate complex models of cause and effect interactions utilising latent variables. Structural equation modelling was deemed suitable for assessing complex conceptual models that incorporate mediation effects and higher-order constructs. Since the sample size of the study was greater than 100 (n = 390), it was considered suitable to use the Partial Least Squares Structural Equation Modelling (PLS-SEM) technique with the SmartPLS software to analyse the hypothesised causal relationships in the study model.

Data Analysis

Table 1: Demographic Characteristics

	n	**%**		**n**	**%**
Gender			**Educational Qualification**		
Female	176	45.13	Upto 12th	11	2.8
Male	214	54.87	Graduation	82	21.03
Total	390	100	Post-graduation	162	41.54

	n	%		n	%
			Above Post-graduation	135	34.63
			Total	390	100
Age group			**Occupation**		
Below 30 years	137	35.13	Student	51	13.08
30-50 years	208	53.33	Self-employed	79	20.26
Above 50 years	45	11.54	Salaried	239	61.28
Total	390	100	Retired	18	4.62
			Unemployed	3	0.76
			Total	390	100
Annual Income					
Below 5 lakhs	115	29.49			
5-10 lakhs	99	25.38			
10-15 lakhs	93	23.85			
Above 15 lakhs	83	21.28			
Total	390	100			

Table 1 presents an overview of the demographic features of the participants included in this research.

Source: Authors' data analysis

Reliability and Validity

In structural equation modelling (SEM), the first step is to conduct an initial assessment called the measurement model. This evaluation evaluates the reliability of the constructs, the reliability of the indicators, as well as the convergent and discriminant validity of the given constructs. Construct reliability can be assessed using two regularly used measures: composite reliability (CR) and Cronbach's alpha (CA). A composite reliability (CR) value of 0.70 indicates that the construct reliability is satisfactory. The results of the measurement model, as presented in Table 2, demonstrate that the construct reliability (CR) values surpassed the threshold of 0.70, hence confirming the good dependability of the construct. The evaluation of indicator reliability in this study was performed using Cronbach's alpha (CA) as the criterion, with a minimum threshold of 0.60 for CA. The study's findings indicated that the Cronbach's alpha (CA) values of the construct were considered good. The evaluation of convergent validity was performed using the average variance extracted (AVE) metric. The criteria specified that the values of Average Variance Extracted (AVE) must be more than 0.50. The results showed that all constructs had substantial average variance extracted (AVE) values and exhibited convergent validity. Table 2 displays the CR (composite reliability), CA (Cronbach's alpha), and AVE (average variance extracted) values.

Table 2 : Reliability and Validity

Variables	No. Of items	C.R.(rho_a)	C.A.	C.R.(Rho_c)	AVE	VIF
IA	5	0.742	0.710	0.813	0.505	1.937
SN	3	0.711	0.678	0.821	0.607	1.715
FSE	4	0.844	0.813	0.875	0.636	1.691
ESG	4	0.859	0.845	0.895	0.681	2.055
RP	4	0.701	0.646	0.787	0.515	1.925
RE	5	0.820	0.794	0.858	0.551	2.096
INF	5	0.817	0.790	0.856	0.551	1.288
FES	4	0.702	0.691	0.811	0.518	1.458
EII	5	0.874	0.871	0.908	0.664	1.431
EIB	4	0.808	0.759	0.842	0.581	—

Note: IA: Investment attitude towards ESG, SN : Social Norms ; FSE : Financial Self-efficacy;ESG : Environmental , Social and Governance concerns; RP: Risk Perception; RE: Return Expectations ; INF:Informativeness ; FES : Financial eco-system ; EII : ESG Investment Intention; EIB : ESG Investment Behaviour; C.A.: Cronbach's Alpha; C.R.: Composite Reliability; AVE: Average Variance Extracted; VIF: Variance Inflation Factors.

Source: Authors' data analysis.

The assessment of discriminant validity in this study involved the use of two specific methodologies: the Fornell-Larcker criterion and cross-loadings. The Fornell-Larcker criterion was used to assess the discriminant validity of components by comparing the square root of the average variance extracted (AVE) for each construct with the correlations between constructs. In contrast, the concept of cross-loadings suggests that the loadings of external factors should exceed the loadings of their corresponding constructs. By doing this, the accuracy of the concepts can be properly evaluated based on their capacity to differentiate. The results of the Fornell-Larcker criterion can be observed in Table 3.The cross-loadings results have demonstrated adequate discriminant validity for all constructs, as indicated by higher loadings of each construct in comparison to other constructs. The VIF values were ultimately determined to be below the threshold of 5, indicating the absence of multicollinearity. This study project aims to evaluate the comprehensive collinearity diagnostics of all the independent variables, as suggested by Kock (2015). The research components were subjected to regression analysis using the common variable. A Variance Inflation Factor (VIF) value below 5 indicates the absence of bias in the single-source data. The thorough investigation of collinearity indicates that there is no indication of bias originating from a single source.

Table 3 : Discriminant Validity: Fornell-Larcker Criterion

	EIB	EII	ESG	FES	FSE	INF	IA	RE	RP	SN
EIB	0.763									
EII	0.664	0.815								
ESG	0.451	0.618	0.825							
FES	0.436	0.509	0.588	0.719						
FSE	0.411	0.492	0.469	0.524	0.797					
INF	0.273	0.401	0.609	0.420	0.329	0.742				
IA	0.515	0.645	0.558	0.520	0.509	0.399	0.689			
RE	0.517	0.691	0.618	0.474	0.384	0.565	0.547	0.742		
RP	0.406	0.579	0.550	0.611	0.483	0.448	0.498	0.623	0.699	
SN	0.362	0.488	0.507	0.458	0.533	0.318	0.546	0.382	0.368	0.779

Note: IA: Investment attitude towards ESG, SN : Social Norms ; FSE : Financial Self-efficacy;ESG : Environmental , Social and Governance concerns; RP: Risk Perception; RE: Return Expectations ; INF:Informativeness ; FES : Financial eco-system ; EII : ESG Investment Intention; EIB : ESG Investment Behaviour.The bold values in the matrix above are the item loadings and others are cross-loadings.

Source: Author's data analysis.

Path Analysis

The results on the structural model shown in Table 4 clarify the various factors that impact the intention to participate in ESG investing. This study presents empirical data demonstrating the substantial influence of Investment Attitude towards ESG (IA), Financial Self-Efficacy (FSE), ESG concerns , risk perception of ESG investments (RP), and return expectations from ESG investments (RE) on individuals' intention to engage in ESG. The results of this study further illustrated the significant influence of ESG investment intention on ESG investment behaviour. However, it was shown that Social Norms (SN) did not have a statistically significant effect on the intention to participate in ESG investments.

R-square, quantifies the percentage of variance accounted for by the endogenous constructs in the model. It functions as a gauge of the model's capacity to elucidate the observed data, also known as in-sample predictive power. (Shmeuli & Koppius, 2011; Rigdon, 2012). According to Falk and Miller (1992), it is suggested that an r-square value of 0.10 or higher is necessary to consider the explained variance of a specific endogenous construct as satisfactory.The study yielded r-square values of 0.618 and 0.454 for ESG Investment Intention and ESG Investment Behaviour, respectively. These values can be deemed significant based on the existing literature. The factors examined in this study, with the exception of return expectations, demonstrated a small effect size on ESG investment intention as shown by the f-square.The intention to engage in ESG investment demonstrated a significant impact on individuals' actual ESG investment behaviour, as evidenced by a substantial effect size. According to Cohen (1988), An effect size between 0.02 and 0.14 is considered minor, and an effect size between 0.15 and 0.34 is considered medium. effect size ranging from 0.02 to 0.14 is classified as small, while an effect size ranging from 0.15 to 0.34 is deemed medium. Effect sizes of 0.35 and above are categorised as big.The concept of Q-square pertains to the assessment of predictive relevance, which serves as an indicator of whether a given model possesses the ability to accurately anticipate outcomes. A Q-square value greater than zero is generally regarded as favourable. The analysis conducted using PLS Predict revealed a significant predictive relevance (0.594) of the model for predicting ESG investment intention.

Furthermore, the model demonstrated a high level of predictive significance (0.341) in forecasting ESG investment behaviour.

Table 4 : Path Coefficients

Hypo		Beta	CI-Min	CI-Max	t	p	r square	f square	Q square	Decision
	Factors affecting Intention to invest in ESG investments									
H1	IA—>EII	0.248	0.132	0.378	3.916	0.000	0.618	0.083	0.594	Accept
H2	SN—>EII	0.070	-0.019	0.161	1.518	0.129		0.007		Reject
H3	FSE->EII	0.086	0.008	0.167	2.098	0.036		0.011		Accept
H4	ESG->EII	0.132	0.042	0.230	2.748	0.006		0.022		Accept
H5	RP—>EII	0.095	-0.002	0.186	1.968	0.049		0.012		Accept
H6	RE—>EII	0.354	0.227	0.472	5.720	0.000		0.158		Accept
	Factors affecting ESG investment behaviour									
H7	EII->EIB	0.611	0.518	0.693	13.746	0.000	0.454	0.466	0.341	Accept

Note: IA: Investment attitude towards ESG, SN : Social Norms ; FSE : Financial Self-efficacy;ESG : Environmental , Social and Governance concerns; RP: Risk Perception; RE: Return Expectations ;; EII : ESG Investment Intention; EIB : ESG Investment Behaviour.

Source: Author's data analysis.

Mediating Effects

This study discovered data indicating that the Financial-eco-system partially mediates the influence of ESG investing intention on ESG investment behaviour. The coefficient observed for the correlation between ESG investment intention and ESG investment behaviour, with FES serving as the mediator, was determined to be 0.072 (p-value = 0.007).This discovery implies that the existence of a financial ecosystem greatly influences the connection between individuals' intention to participate in ESG investments and their actual behaviour in ESG investments.

The statistical analysis reveals that there is a substantial direct effect of EII on EIB, as indicated by a p-value of 0.000.Therefore, the process of mediation is characterised by its partiality and complementarity. The presence of informativeness did not have a mediating influence on the individual correlations between ESG investment intention and ESG investment behaviour (p-value = 0.488).The findings on the mediating influence of informativeness and financial eco-system on the suggested linkages are presented in Table 5.

Table 5: Mediation Analysis Results

	Beta	CI-Min	CI-Max	T-value	P-value	Significance at 5%
1. Direct Effect EII —-> EIB	0.611	0.518	0.693	13.746	0.000	Significant
2a. Indirect Effect EII—>INF—>EIB	-0.014	-0.052	0.027	0.694	0.488	Insignificant
2b. Indirect Effect EII—> FES—>EIB	0.072	0.025	0.131	2.676	0.007	Significant
3. Total Effect	0.669	0.603	0.733	20.110	0.000	Significant

Direct Effect : Significant ; Indirect effect: EII—>INF—>EIB: Insignificant ; Mediation effect of Informativeness : No mediation ; Indirect Effect : EII—> FES—>EIB : Significant; Mediation effect of Financial Eco-system : : Partial complementary Mediation

Source: Author's data analysis.

Discussion and Conclusion

The aim of this study was to investigate an individual's intention and behaviour towards participating in ESG investments in the Indian setting, by expanding upon the fundamental components of the Theory of Planned Behaviour (TPB) and other identified antecedents that influence such behaviour. The study found that return expectations from ESG investing had the strongest correlation with ESG investment intention (beta = 0.354). This suggests that potential Indian ESG investors prioritise financial returns when considering whether to invest in ESG investments. This study has also confirmed the significant impact of risk perception on the intention to invest in ESG, aligning with the conclusions drawn in previous research conducted by Fauzi, Husniyah, and Amim (2009), Iyer and Kashyap (2009), Gregor and Utz (2014), and Vyas, Mehta, and Sharma (2020). The study explicitly indicated that those who are inclined to take risks are more likely to engage in investments related to ESG factors.The results of this study indicate a statistically significant correlation between Financial self-efficacy and both ESG investing intention (p-value = 0.036) and ESG investment behaviour (p-value = 0.037).This indicates the significance of an individual's confidence in their ability to make ESG investments. Additionally, a statistically significant association was seen between individuals' investment attitude towards ESG factors and their intention to engage in ESG investments.This specific observation aligns with the results obtained in previous research endeavours. Lewis (2001), McLachlan and Gardner, Gladish et al. (2012), Berry and Yeung (2012), Wins and Zwergel (2014), and Beal, Goyen, and Phillips (2005) are the authors referenced in the text. Furthermore, it was noted that there is a significant influence of environmental, social, and governance issues on the inclination to invest in ESG. This specific finding corroborates the conclusions drawn in other research conducted by Gladish et al. (2012), Berry and Junkus (2013), and Vyas, Mehta, and Sharma (2020). However, the findings diverge with the research work by Raut et al. (2021), which reported a lack of statistically significant association between environmental concern and investors' socially responsible investment (SRI) intention. Other unique finding of this research is that social norms have a statistically insignificant association with ESG investing intention (p=0.129). This finding suggests that individuals who invest in ESG do not consistently conform to the behaviours of their peers. Individuals may encounter varying levels of apprehension from those around them when considering the concept of ESG investing. The support or lack thereof from their religious communities and the potential impact on their social status may not significantly factor into their decision-making process. Nevertheless, they persist in pursuing ESG investing. Jownall, Gupta, and Pahuja (2022) as well as Pasework and Riley (2010) have also observed notable disparities between conventional investors and socially responsible investors.

This study discovered evidence indicating that the Financial-eco-system somewhat mediates the connection between ESG investment intention and ESG investment conduct, with a p-value of 0.007.The findings suggest that the presence of a financial eco-system has a substantial impact on the connection between individuals' intention to engage in ESG investments and their actual behaviour in this regard.This suggests that investors would be more inclined to wards ESG investing if a country's financial ecosystem is more ESG conscious.This would entail offering of appropriate ESG guidance by financial advisors or consultants, refining ESG ratings by rating agencies, developing more comprehensive ESG indices, and designing a greater number of efficient ESG-focused mutual funds. In contrast, the presence of informativeness did not demonstrate any mediating influence on the individual associations between ESG investment intention and ESG investment conduct.This suggests that investors perceive the presence of ESG-related information or its disclosure by companies as not hindering ESG investing, and they possess knowledge regarding the availability of ESG investment alternatives in the market.In a nutshell investors in India possess knowledge regarding ESG investing; yet, they encounter challenges in finding a conducive ecosystem to support such investment practises.The application of PLS Predict yielded significant results, indicating a robust predictive relevance of the model in predicting ESG investment intention and ESG investment behaviour.

The results of this study provide a significant addition to the ongoing scholarly discussion on ESG investing, particularly in relation to developing economies. The objective of this study is to offer a thorough comprehension of the conduct of ESG investors in India, hence facilitating the enhancement of investors' grasp in this area. This study offers significant insights for mutual fund managers who aim to understand the decision-making process utilised by retail investors that emphasise environmental, social, and governance (ESG) factors. Therefore, this comprehension can provide insights for the creation of innovative ESG mutual fund strategies designed to cater to the requirements of socially responsible investors.The facts moreover indicate that there should be a greater quantity of ESG mutual funds within our nation.Additionally, it serves as a prompt for financial advisors to offer a greater range of services centred around ESG considerations to their clientele. Additionally, it offers valuable insights to rating agencies, enabling them to deliver comprehensive and standardised ESG ratings to the stakeholders . Furthermore, this phenomenon also carries significant implications for stock exchanges in terms of enhancing the conceptualization of ESG indices. In summary, it can be inferred that public entities actively encourage an atmosphere conducive to the advancement and facilitation of sustainable investments.

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APPENDIX

Questionnaire/Measurement Model

Construct	Item description	C.R. (rho_a)	C.A.	C.R. (Rho_c)	AVE	VIF
Investment Attitude towards ESG (IA)	IA1.I believe that ESG investing is a profitable decision. IA2.I believe that ESG investing is a wise decision and helps in creating wealth for future. IA3.ESG investments are more reliable than conventional investments. IA44. I believe that the term ESG investing is used as a selling argument by the mutual funds /companies and it is only systematic greenwashing (deception)) (reverse coded) IA5.I believe that ESG investing is ethical and this gives me a lot of psychological satisfaction.	0.742	0.710	0.813	0.505	1.937
Social Norms(SN)	SN1.People close to me support ESG investing. SN2.ESG investing enhances my social status. SN3.My religious beliefs are the foundation of my ESG based investments	0.711	0.678	0.821	0.607	1.715
Financial Self-efficacy(FSE)	FSE1.I know how to invest in ESG based investments FSE2.I know how to distinguish between ESG and non-ESG investments FSE3.I can comfortably evaluate ESG information about the company FSE4.I understand whether the ESG based investment will be good for me	0.844	0.813	0.875	0.636	1.691

Construct	Item description	C.R. (rho_a)	C.A.	C.R. (Rho_c)	AVE	VIF
Environmental , social and governance concerns(ESG)	ESG1.Social concerns (e.g. social upliftment , community development, customer satisfaction) motivate me for ESG investing. ESG2.Environmental concerns and sustainable development motivate me for ESG investing. ESG3.Governance concerns motivate me for ESG investing. ESG4.Ethical concerns (e.g. honesty ,integrity ,fairness in dealing with the stakeholders)motivate me for ESG investments	0.859	0.845	0.895	0.681	2.055
Risk perception/ Risk tolerance (RP)	RP1.ESG investments are more risky. RP2.ESG investing will prove to be pandemic resilient in future. RP3.As an ESG investor, I will remain calm and rational when a sudden and unexpected negative change would occur in the market. RP4.I will prefer to invest in known companies/MFs whether ESG or no-ESG	0.701	0.646	0.787	0.515	1.925
Return Expectation from ESG(RE)	RE1.I feel attracted towards ESG investing when I hear the good news of its financial performance during recent times. RE2.I would not sell ESG investments even when prices break out to new heights RE3.Rate of return from ESG investing is equal to or higher than the average return rate of the market. RE4.A company with good ESG ratings and consistently high profit is my safest bet. RE5.I would go for ESG investing, if it gets tax exemption.	0.820	0.794	0.858	0.551	2.096
Informativeness(INF)	INF1.My main fear about ESG investing is " lack of knowledge." (reverse coded) INF2.I will go for ESG investing if ESG related information is easily available. INF3.I will go for ESG investing if companies disclose more ESG information. INF4.I will choose ESG investments if I know which companies or mutual funds classify under it INF5.Fund reputation/Company reputation is important for ESG investing	0.817	0.790	0.856	0.551	1.288
Financial eco-system(FES)	FES1.Availability of more number of ESG based investments will prompt me to buy it FES2.To invest in ESG based investments, adequate financial advice is available. FES3.To invest in ESG based investments, adequate infrastructure support (like banks, broking houses etc.) is available to me FES4.Stock market will automatically adjust ESG advantage in share price	0.702	0.691	0.811	0.518	1.458
ESG Investment Intention(EII)	EII1.I will save a portion of my income to invest in ESG based investments . EII2.I will frequently make ESG based investments. EII3.I will encourage my friends and family to do ESG investments. EII4.I will make every effort to invest in ESG based investments in near future. EII5.I believe that ESG investing is an attractive investment channel.	0.874	0.871	0.908	0.664	1.431
ESG Investment behaviour(EIB)	EIB1.I invest in mutual funds/stocks that have social concerns. EIB2.I invest in mutual funds/stocks that have environmental concerns. EIB3.I invest in mutual funds/stocks that have follow good governance norms. EIB4.I invest only for earning maximum financial return on my investments than considering the environmental ,social and governance criteria.	0.808	0.759	0.842	0.581	—