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Untangling The Dynamics of Socially Responsible Investing in Nepal: The Role of Behavioral Intentions and Financial Performance

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Abstract

Background: The increasing importance of socially responsible investment (SRI) globally highlights the need to understand the factors driving SRI decisions of individual investors. While significant research on factors affecting SRI has been conducted internationally, the context of Nepal remains largely underexplored.

Objectives: This study examines how the attitude towards SRI, subjective norms, and perceived behavioral control influence the intention to invest in SRI, which subsequently impacts SRI behavior, while also analyzing the mediating role of intention in the relationship between perceived behavioral control and SRI behavior.

Methods: This study employed a cross-sectional survey through a comprehensive questionnaire administered among 410 active individual investors in Nepal. Partial Least Squares Structural Equation Modeling (PLS-SEM) path analysis was conducted.

Results: The findings reveal a positive and significant impact of attitude towards SRI on investor's intention to invest in SRI. Interestingly, subjective norms and perceived behavioral control did not significantly impact the intention to invest in SRI. Furthermore, intention to invest in SRI and perceived behavioral control have a positive and significant impact on socially responsible investment behavior. Intention to invest in SRI did not play a significant mediating role between perceived behavioral control and SRI behavior. The study demonstrates a positive and significant moderating effect of the financial performance of SRI on the relationship between the intention to invest in SRI and SRI behavior.

Conclusion: The study concludes that attitude significantly influences the intention to invest in SRI, while both intention and perceived behavioral control positively impact SRI behavior. Financial performance moderates the relationship between intention and behavior, emphasizing the need to foster positive attitudes and address financial performance to promote socially responsible investment among individual investors.

Keywords: Financial performance, PLS-SEM, Nepal, socially responsible investment, theory of planned behavior

JEL Classification: D53, G11, M14, Q01, O16

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Introduction

With the growing awareness of sustainability, investors are increasingly prioritizing businesses that demonstrate a positive social and environmental impact through their products and services. This shift reflects a heightened focus on incorporating social, environmental, and ethical considerations into investment decisions (Thanki et al., 2022). Earlier, risk and return were the only criteria for investment decision-making, but now non-financial factors such as social, ethical, and environmental factors are also being considered while making an investment (Jonwall, Gupta & Pahuja, 2022).

A crucial aspect of the growing emphasis on increased corporate social responsibility is the emergence of the SRI. SRI aims to maximize both social impact and financial returns for investors (Nilsson, 2009). It is the type of investment that is more prominent and considers the value of a company's larger influence on the world and its prospective monetary gains (Thanki et al., 2022). SRI does not guarantee a return on the capital invested, but it gives satisfaction to the investor of contributing to the betterment of society (Bajracharya & Samdani, 2021). This dual focus on profit and purpose has led to a paradigm shift in how investors and companies alike approach their roles in addressing emerging global challenges.

Along with global issues regarding climate change, inequality, and pandemics, ethical investors now can consider environmental and social aspects through sustainable and responsible investment decisions which allow them to not only focus on financial goals (Hanifa & Atmini, 2023). Over the past decade, researchers have placed significant emphasis on investigating the link between the financial performance of both small and large corporations and their environmental, social, and governance practices (Vyas, Mehta & Sharma, 2020).

In determining the socially responsible behavior of investors, the theory of planned behavior based on three core variables: attitude, subjective norms, and perceived behavioral control (Ajzen, 1991) has been used in prior literature. Kaur and Kaushik (2016) applied the TPB, including awareness or knowledge of mutual funds as perceived behavioral control, to elucidate investment behavior towards mutual funds. In a similar vein, Jonwall, Gupta and Pahuja (2022) utilized the TPB to explore the factors influencing individual investors' SRI behavior, taking into account factors such as awareness level, attitude towards environmental, social, and governance (ESG) issues, willingness to invest in SRI avenues, and obstacles in SRI decision-making. SRI requires investors to consider not only a company's financial performance but also its environmental, social, and governance performance (Thanki et al., 2022). However, concerns have been raised regarding the performance of socially responsible stocks, particularly whether investors in SRI have to compromise on returns (Tripathi & Bhandari, 2014).

While considerable research has been conducted on SRI in developed nations, there is a noticeable gap in the Nepalese context, with limited studies exploring individual investors' behavior (Shrestha, 2020; Bajracharya & Samdani, 2021; Chhetri, 2022). Moreover, the studies specifically examining the factors influencing SRI behavior in Nepal is a notable gap. It is imperative to acknowledge that SRI practices are influenced by the unique cultural, political, and financial environment of a country, and the perception of SRI by individual investors in Nepal may differ from that of investors in Western countries (Sparkes, 2002).

This study adopts the theory of planned behavior to investigate the determinants of individual investors' SRI behavior in Nepal. The study introduces the financial performance of SRI as a moderating variable, recognizing its potential impact on investors' SRI behavior. Ultimately, this study aims to contribute to the evolving knowledge base on sustainable finance, offering valuable insights for investors, fund managers, regulators, policymakers and academics to make informed decisions balancing financial goals and ethical considerations.

The structure of this paper is as follows: Section 2 provides a comprehensive literature review, Section

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3 describes the materials and methods used, Section 4 discusses the results and their implications, and Section 5 concludes the paper while highlighting key takeaways and implications.

Review of Literature

The Theory of Planned Behavior (TPB), developed by Icek Ajzen in 1985, offers a comprehensive framework for analyzing the factors shaping investor behavior in SRI. Building on the foundational Theory of Reasoned Action (TRA), TPB incorporates perceived behavioral control alongside key elements such as attitude, subjective norms, and behavioral intention. It posits that an individual's intention to engage in a particular behavior is influenced by their attitude toward the behavior, social pressures, and their perceived ability to successfully perform the behavior. These elements collectively determine behavioral intentions, which are strong predictors of actual behavior, with perceived behavioral control adding depth by accounting for an individual's belief in their capability to perform the behavior despite potential challenges (Ajzen, 1991). In SRI, attitude reflects an investor's positive or negative evaluation of engaging in socially responsible investments, shaped by their beliefs about its outcomes, while subjective norms capture the perceived social pressures from significant individuals or groups, such as friends and financial advisors, to participate in SRI (Thanki et al., 2022). Perceived behavioral control assesses an investor's perceived ability to engage in SRI, considering external and internal factors that could facilitate or impede this behavior (Revelli & Viviani, 2013), collectively illuminating the behavioral intentions of investors and providing valuable insights for fostering socially responsible investment practices.

SRI is an investment strategy that seeks to align financial goals with broader societal and environmental considerations (Nilsson, 2008). Introduced as a means to maximize both social impact and financial returns, SRI goes beyond traditional investment criteria by incorporating non-financial factors such as social, ethical, and environmental considerations (Thanki et al., 2022). The previous studies revealed various factors influencing SRI behavior among individual investors. Jonwall, Gupta, and Pahuja (2022) identified low SRI awareness and reluctance to accept lower returns as key obstacles for Indian retail investors, emphasizing the importance of attitude and subjective norms. Similarly, Thanki et al. (2022) and Raut, Kumar, and Das (2020) found that attitudes, subjective norms, and perceived behavioral control significantly shape SRI intentions, with additional factors like moral norms and financial literacy enhancing understanding. Yulandreano and Rita (2023) and Nugraha and Rahadi (2021) highlighted that among younger generations, only attitudes significantly influence investment intentions.

Further, Nilsson (2008) demonstrated that pro-social attitudes and perceived financial returns influence SRI portfolio allocations. In the Nepalese context, Bajracharya and Samdani (2021) and Shrestha (2020) highlighted age and company-related variables as key factors in SRI decisions, while Chhetri (2022) noted the significance of accounting information. Lai (2019) and Hafina and Atmini (2023) explored the roles of personality traits and social investing efficacy, respectively, emphasizing the crucial role of psychological and socio-demographic factors in investment decisions.

Hence, the current literature provides a comprehensive understanding of the factors influencing SRI behavior, which forms the basis for our conceptual framework shown in Figure 1. By integrating the insights from these studies, we structure our framework around the TPB, emphasizing the roles of attitude, subjective norms, and perceived behavioral control. Additionally, we incorporate financial performance as a moderating variable, recognizing its critical influence on the relationship between intention and SRI behavior. This framework aims to offer a holistic view of the determinants and dynamics of SRI behavior, informed by the diverse findings highlighted in the literature.

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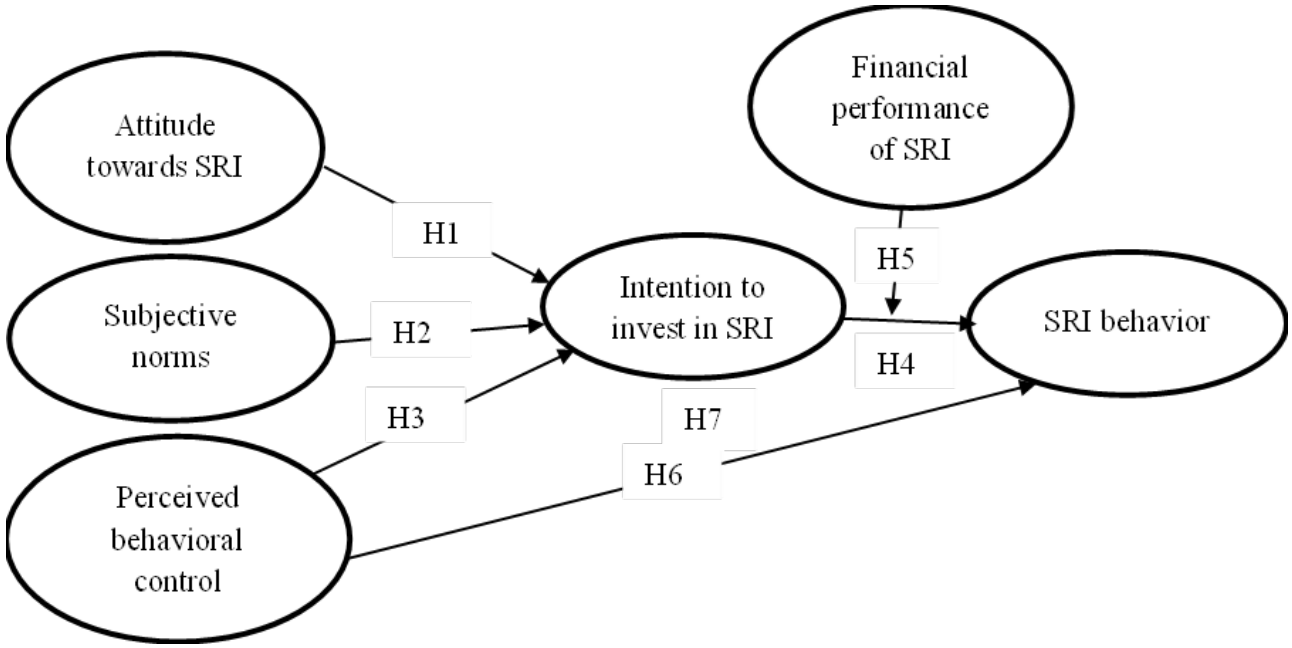
Figure 1

Conceptual framework



Hypothesis development

Attitude towards SRI and Intention to Invest in SRI

Attitude within TRA refers to an individual's evaluative stance, either positive or negative, toward performing a specific behavior (Ajzen, 1991). The findings of studies including Thanki et al. (2022); Jonwall, Gupta and Pahuja (2022); Raut, Kumar and Das (2020) have revealed a positive and significant impact of attitude towards intention. The individual's behavioral intention is contingent upon how they evaluate this particular behavior. If an individual holds a positive attitude towards investing in SRI, it indicates a strong behavioral inclination towards engaging in that behavior, and conversely, a negative attitude implies a weaker inclination.

H1: Attitude towards SRI significantly impacts intention to invest in SRI.

Subjective norms and Intention to invest in SRI

Subjective norms capture the perceived social pressure or influence exerted by significant individuals or groups in one's life regarding the performance or avoidance of a particular behavior (Ajzen, 1991). Subjective norms reflect investors' perceptions of the level of endorsement, support, or adoption of Socially Responsible Investing (SRI) within their social networks, including friends, relatives, and financial planners (Thanki et al., 2022). The studies including Thanki et al. (2022); Raut, Kumar and Das (2020); and Lai (2019) have found a significant impact of subjective norms on intention to invest in SRI.

H2: Subjective norms significantly impact the intention to invest in SRI.

Perceived behavioral control and intention to invest in SRI

A perceived behavioral control is the degree of influence over whether or not a person performs an action, as opposed to the expectations regarding the consequences of that conduct (Revelli & Viviani, 2013). Thanki et al. (2022); Nilsson (2008); Yulandreano and Rita (2023); and Lai (2019) have found

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perceived behavioral control to have a significant impact on intention to invest in SRI. In this study, perceived behavioral control is indicative of an individual investor's perception of the ease or difficulty associated with SRI. It captures their subjective assessment of the feasibility of participating in SRI under the current circumstances and evaluates their perceived capability to engage in SRI.

H3: Perceived behavioral control significantly impacts the intention to invest in SRI.

Intention to invest in SRI and SRI behavior

Behavioral intention serves as a key intermediary factor in TRA, representing an individual's perceived likelihood or willingness to engage in a specific behavior. It results from the combined influence of attitudes and subjective norms and directly influences subsequent behavior (Ajzen, 1991). Earlier different studies have applied the TPB model to measure the SRI intention of investors (Vyas, Mehta & Sharma, 2020; Thanki et al., 2022; Jonwall, Gupta & Pahuja, 2022). In this study, intention to invest in SRI refers to the investors' plans and expectations concerning their involvement in SRI. This also includes their intent to allocate funds for investment in SRI in the future. The term encompasses the investor's conscious decision to participate in SRI activities and reflects their anticipations regarding the allocation of financial resources to support socially responsible and sustainable investment opportunities.

H4: Intention to invest in SRI leads to SRI behavior.

Financial Performance of SRI and SRI Behavior

SRI requires investors to base their investment decisions not only on the financial performance of a company but also on its ESG performance. Despite the growing interest in SRI, concerns have been raised about the potential compromise in returns for socially responsible investments (Tripathi & Bhandari, 2014). The perception of financial returns and risk is a significant factor in investment decision-making (Nilsson, 2008), and investors are particularly concerned about the returns from their investments, with lower financial returns acting as an obstacle to socially responsible investing (Jonwall, Gupta, & Pahuja, 2022). This underscores the importance of considering both financial and social factors in the decision-making process for SRI, as financial return and risk are crucial elements influencing investors' choices (Thanki et al., 2022). In this study, the financial performance of SRI encompasses various aspects related to the risk and return associated with SRI, as well as financial considerations. It includes an evaluation of the level of risk and return associated with SRI, reflecting investors' perceptions and assessments of the financial viability of socially responsible investment opportunities. Additionally, the concept involves the ability or willingness of investors to sacrifice some returns while engaging in SRI.

H5: Financial performance of SRI moderates the relationship between the intention to invest in SRI and SRI behavior.

Mediating role of intention to invest in SRI

Perceived behavioral control is defined as a person's perception of whether performing a specific activity, such as investing in the stock market, is easy or difficult. It refers to an individual's perceived ability to carry out a particular task (Ajzen, 1991). The direct impact of perceived behavioral control on SRI behavior and the mediation effect of intention to invest in SRI on the effect of perceived behavioral control on SRI behavior was explored in studies including Yulandreano and Rita (2023) as well as Peiris (2021).

H6: Perceived behavioral control has a significant impact on SRI behavior.

H7: Intention to invest in SRI mediates the impact of perceived behavioral control on SRI behavior.

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Materials and Methods

This paper follows a cross-sectional survey as all the data were collected using a structured questionnaire during the month of March 2024. The questionnaire was tested among 15 potential respondents before conducting the final survey among the investors with active Meroshare and DEMAT accounts through physical contact and using Google Forms through various online social media platforms. A purposive sampling technique was employed to target individual investors specifically. As of February 2024, the total number of DEMAT accounts in Nepal stands at 6,245,453. However, this study focuses on the subset of active investors who hold both a DEMAT account and an active Meroshare account, totalling 3,589,546 individuals (CDSC, 2024).

The sample size for this study was determined in accordance with the recommendation provided by Hair et al. (2019), which suggests a ratio of 10 respondents per item in the questionnaire, leading to a minimum required sample size of 300. In comparison, previous studies such as Thanki et al. (2022), Raut, Kumar, and Das (2020), and Jonwall, Gupta, and Pahuja (2022) employed sample sizes of 449, 373, and 845, respectively, within similar research contexts. Drawing on this established literature, our study initially gathered data from 415 participants. After removing incomplete responses, the final analysis was conducted with 410 valid respondents. Among these, 288 participants completed the survey via Google Forms, while 122 responses were collected through physical interactions.

The study employs PLS-SEM to analyze the relationships between constructs, using a structured questionnaire with Likert scale items to capture individual investor perceptions and behaviors. The reflective measurement model was applied to assess the reliability and validity of constructs before testing the structural relationships.

To measure the study variables, the items of attitude towards SRI, subjective norms, perceived behavioral control, and intention to invest in SRI were adapted from previous studies which are already validated. The variables, their definition and sources are presented briefly in Table 1.

Table 1

Description of variables

Variable	Definition	Source
Attitude towards SRI	An individual's positive or negative evaluation of engaging in socially responsible investment.	Nugraha and Rahadi (2021); Jonwall et al. (2022); Yulandreano and Rita (2023)
Subjective Norms	The perceived social pressure to perform or not perform the behavior of investing in SRI.	
Perceived Behavioral Control	An individual's perceived ease or difficulty in investing in SRI, influenced by internal and external factors.	Ajzen (1991); Nugraha and Rahadi (2021); Thanki et al. (2022); Yulandreano and Rita (2023)
Intention to Invest in SRI	The motivational factors that influence an individual's decision to invest in socially responsible investments.	Nugraha and Rahadi (2021); Thanki et al. (2022); Jonwall et al. (2022); Yulandreano and Rita (2023)
Financial Performance of SRI	The assessment of the returns and risks associated with socially responsible investments.	Thanki et al. (2022); Nilsson (2008); Jonwall et al. (2022)
SRI Behavior	The actual behavior of engaging in investments that consider social, environmental, and governance factors.	Nilsson (2008); Thanki et al. (2022); Yulandreano and Rita (2023)

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Results and Discussion

The results section presents a comprehensive analysis of the data collected from 410 respondents using PLS-SEM. It begins with a demographic profile of the respondents, followed by descriptive statistics and tests of reliability, and validity of the constructs. The reliability and convergent validity of the constructs are assessed, along with discriminant validity using the Fornell-Larcker criterion, cross-loadings, and the Heterotrait-Monotrait ratio (HTMT). The inner model's variance inflation factor (VIF) is examined to check for multicollinearity, and the Standardized Root Mean Square Residual (SRMR) index is used to assess model fit. The analysis includes direct effect paths, mediation and indirect effects, total effects, explanatory power using R^2 and Q^2 values, and the effect size (f^2) of each predictor.

Table 2 presents the demographic profile categorized into four broad categories based on gender, age, education, and income level. The data was collected from 410 individual investors out of which 215 (52.40 percent) were male and 195 (47.60 percent were female). It can be observed that the sample consisted of more male respondents than females.

Table 2

Demographic profile of respondents

Variables	Categories	Frequency	Percentage
Gender	Male	215	52.40%
	Female	195	47.60%
Age	Less than 26	158	38.50%
	26-40	237	57.80%
	More than 40	15	3.70%
Education	Intermediate	35	8.50%
	Bachelor	170	41.50%
	Master or above	205	50%
Monthly Income	Less than Rs. 25,000	243	59.30%
	Rs. 25,000 to Rs. 50,000	132	32.20%
	Rs. 50,000 More than	35	8.50%

The majority of respondents belonged to 26-40 age group i.e. 57.80 percent followed by age group of less than 26 i.e. 38.50 percent and more than 40 i.e. 3.70 percent. Similarly, the majority of respondents were having masters or above education degree i.e. 50 percent, followed by bachelor degree i.e. 41.50 percent and a few having intermediate degree i.e. 8.50 percent.

Similarly, the majority of the respondents had a monthly income of less than Rs. 25,000 i.e. 59.30 percent, followed by respondents having a monthly income of Rs. 25,000 to Rs.50,000 i.e. 32.20 percent and respondents having monthly income of more than Rs.50,000 i.e. 8.50 percent. This is primarily due to the collection of the majority of data from students and youths who are at the start of their career.

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Table 3

Descriptive statistics

Code	Variables	Mean	Std. Deviation
ATT	Attitude towards SRI	4.17	0.426
SN	Subjective Norms	3.95	0.529
PBC	Perceived Behavioral Control	3.73	0.583
INT	Intention to invest in SRI	4.21	0.471
FP	Financial Performance of SRI	4.01	0.577
BH	Socially Responsible Investment Behavior	3.78	0.697

Table 3 presents the descriptive statistics, including the mean, median, mode, and standard deviation, for the variables analyzed across all sample respondents. It is found that mean value for intention to invest in SRI is highest among other variables with a mean 4.21 followed by attitude towards SRI with mean value of 4.17, financial performance with mean value of 4.01, subjective norms with mean value of 3.95, socially responsible investment behavior with mean value of 3.79 and perceived behavioral control with mean value of 3.73. The median for all variables, except the intention to invest in SRI, was 4.00, while the median for the intention to invest in SRI was 4.2.Mode is found to be equal for all the variables with a mode value of 4.00. The standard deviation is highest for socially responsible investment behavior, with a value of 0.697.

Table 4

Tests of normality

	Kolmogorov-Smirnova			Shapiro-Wilk		
	Statistic	df	Sig.	Statistic	df	Sig.
Attitude towards SRI (ATT)	0.271	410	0.000	0.823	410	0.000
Subjective Norms (SN)	0.303	410	0.000	0.829	410	0.000
Perceived Behavioral Control (PBC)	0.347	410	0.000	0.712	410	0.000
Intention to invest in SRI (INT)	0.206	410	0.000	0.869	410	0.000
Financial Performance of SRI (FP)	0.326	410	0.000	0.79	410	0.000
Socially Responsible Investment Behavior (BH)	0.287	410	0.000	0.811	410	0.000

The Kolmogorov- Smirnova and Shapiro-Wilk Test was employed to assess the normality of the Likert scale data and results are reported in Table 4. Since the p-values for all variables, including attitude, subjective norms, perceived behavioral control, intention to invest in SRI, financial performance of SRI and socially responsible investment behavior are lower than 0.05, it can be inferred that their respective datasets do not exhibit normal distribution. Therefore, the Shapiro-Wilk statistic indicates that the data are not normally distributed. Although the data is not normally distributed, PLS-SEM can be used for further analysis as it requires no distributional assumptions (Ringle et al., 2012).

Table 5 reveals the outer loadings for all the items are above the acceptable value of 0.50 as suggested by Hair et al. (2014). Similarly, the Cronbach's Alpha values for all the constructs are above 0.70 which shows good internal consistency and reliability (Bagozzi and Yi, 1988). The AVE values for all items

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surpass the threshold of 0.50, and both composite reliability coefficients, rho_a, and rho_c, exceed the threshold of 0.70 (Hair et al., 2019). Therefore, based on these criteria, convergent validity has been established, affirming the reliability and validity of the measurement model.

Table 5

Reliability and convergent validity

Items	VIF	Outer Loadings	Cronbach's alpha	Composite reliability (rho_a)	Composite reliability (rho_c)	AVE
ATT1	**2.058**	**0.821**	**0.855**	**0.859**	**0.896**	**0.633**
ATT2	1.726	0.756				
ATT3	1.761	0.786				
ATT4	1.894	0.816				
ATT5	1.773	0.796				
BH1	3.792	0.864	0.917	0.918	0.938	0.751
BH2	3.959	0.877				
BH3	2.759	0.854				
BH4	2.651	0.862				
BH5	3.031	0.875				
FP1	2.424	0.828	0.902	0.907	0.928	0.720
FP2	3.380	0.895				
FP3	2.745	0.873				
FP4	3.567	0.900				
FP5	2.522	0.825				
INT1	2.210	0.809	0.830	0.834	0.881	0.596
INT2	2.202	0.815				
INT3	1.677	0.764				
INT4	1.603	0.749				
INT5	1.527	0.720				
PBC1	2.841	0.873	0.899	0.916	0.926	0.715
PBC2	1.638	0.717				
PBC3	3.112	0.885				
PBC4	2.134	0.824				
PBC5	3.973	0.917				
SN1	1.755	0.754	0.861	0.862	0.900	0.643
SN2	1.569	0.751				
SN3	2.110	0.804				
SN4	2.934	0.873				
SN5	2.066	0.821				

Note: - AVE = Average variance extracted, CR = composite reliability, and VIF = variance inflation factors

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Discriminant validity is achieved when the square root of the Average Variance Extracted (AVE) for a construct is greater than its correlation with all other constructs (Fornell and Larcker, 1981). Table 6 illustrates that the square root of AVE, indicated in bold and italics, for each construct is greater than its correlations with other constructs. Therefore, it can be concluded that the constructs satisfy the threshold for discriminant validity.

Table 6

Fornell-Larcker Criterion

	ATT	BH	FP	INT	PBC	SN
ATT	0.795					
BH	0.330	0.866				
FP	0.178	0.525	0.865			
INT	0.514	0.314	0.027	0.772		
PBC	0.165	0.565	0.269	0.108	0.846	
SN	0.520	0.303	0.171	0.336	0.235	0.802

Note: Diagonal values (bold and italic) are the square root of AVE and off diagonal values are the correlation between latent constructs.

The discriminant validity of the measurement model has been evaluated using the Heterotrait-Monotrait (HTMT) ratio technique. The value of the HTMT ratio should be less than 0.85 for discriminant validity to be established (Kline, 2011). From Table 7, it is evident that the HTMT ratio values for each variable with respect to the others are all less than 0.85. This indicates that there are significant differences between constructs. Therefore, it can be concluded that the measurement model utilized in this study meets the criteria for discriminant validity.

Table 7

Heterotrait-Monotrait Ratio (HTMT)

	ATT	**BH**	**FP**	**INT**	**PBC**	**SN**	**FP x INT**
ATT							
BH	0.372						
FP	0.201	0.569					
INT	0.603	0.360	0.068				
PBC	0.193	0.613	0.282	0.138			
SN	0.609	0.341	0.198	0.390	0.274		
FP x INT	0.175	0.192	0.123	0.196	0.080	0.147	

Collinearity is generally not considered a significant concern if the VIF value is below 5 (Hair et al., 2019; Sarstedt et al., 2017). Table 5 shows the Variance Inflation Factor (VIF) values for the indicators in the study. It indicates that the VIF for each indicator is below the recommended threshold (below 5). This suggests that multicollinearity among the variables is not a significant concern in the analysis.

The common method bias was assessed through Variance Inflation Factor (VIF) values of the inner model which is presented in Table 8. In the study, the VIF values are lower than 3.33, so the model can be considered free from common method bias (Kock, 2015).

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Table 8

Inner model variance inflation factor

Model	VIF
ATT -> INT	1.375
FP -> BH	1.091
INT -> BH	1.05
PBC -> BH	1.093
PBC -> INT	1.061
SN -> INT	1.416
FP x INT -> BH	1.052

The goodness of fit of the model has been evaluated using the Standardized Root Mean Square Residual (SRMR) index. A value of the SRMR index less than 0.085 indicates a good fit model (Henseler et al., 2014). From Table 9, it is evident that both the saturated model and the estimated model have SRMR index values below 0.085. Therefore, based on this criterion, it can be concluded that the model is fit for further study.

Table 9

SRMR index

	Saturated model	Estimated model
SRMR	0.056	0.06

The study has employed the bootstrapping method within the Partial Least Squares (PLS) algorithm to test the formulated hypotheses. The study used 5,000 subsamples to evaluate the significance of the path coefficients within the structural model of this study.

Figure 2 presents the results from the Partial Least Squares Structural Equation Modeling (PLS-SEM). The p-values for each path relationship are shown in parentheses next to the standardized regression coefficients, indicating the significance level of each path coefficient and revealing whether the relationship between variables is statistically significant. Additionally, the number within the circle of the endogenous latent variable represents the R2 value, reflecting the proportion of variance in the endogenous variable explained by the model.

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Figure 2

Structural model

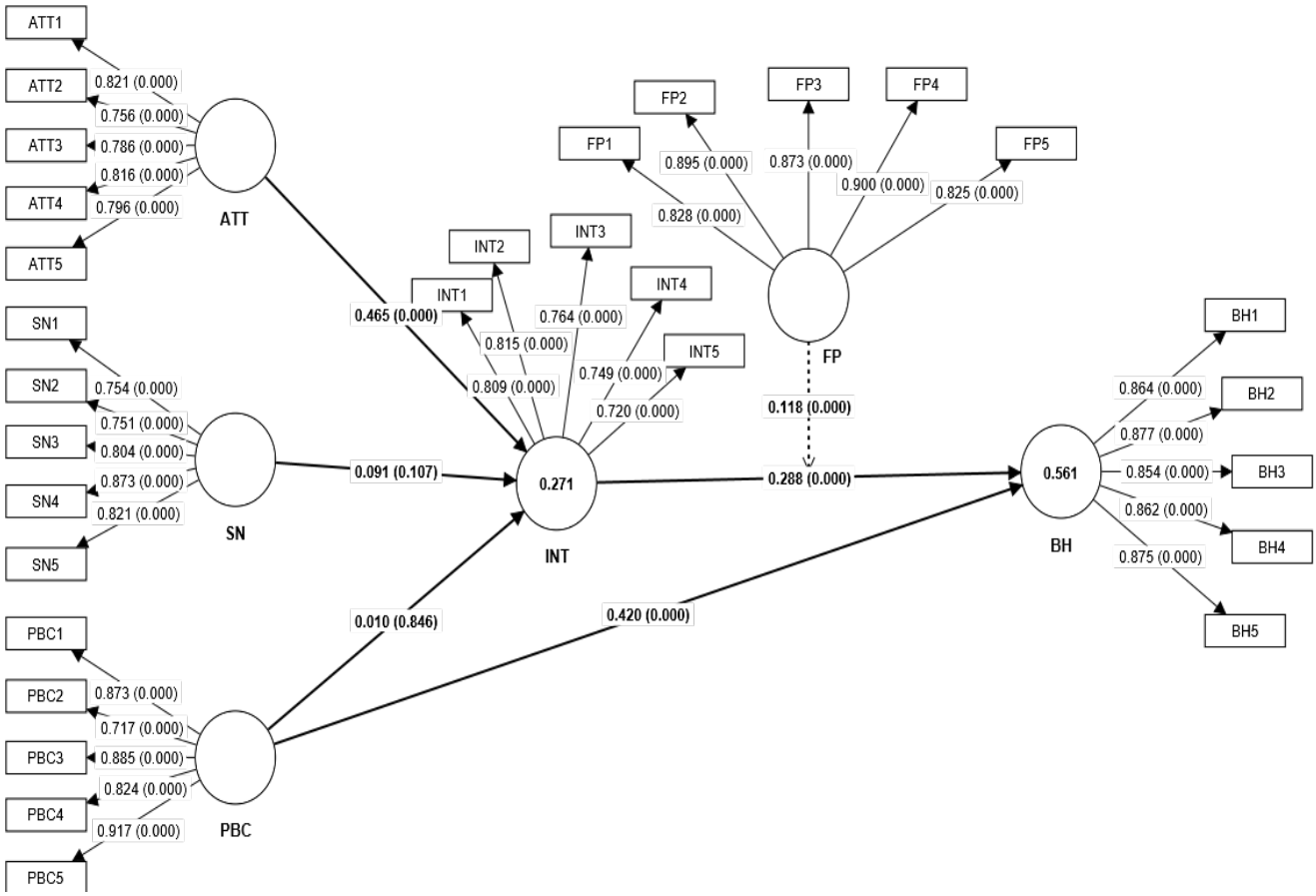

Figure 2 and Table 10 show the results obtained from SEM-Path Analysis. From the results, it can be concluded that attitude towards SRI has a significant and positive impact on intention to invest in SRI ($\beta = 0.465$ and $p < 0.05$). However, subjective norms and perceived behavioral control shows a positive but insignificant impact on intention to invest in SRI with positive beta coefficients but p-values greater than 0.05.

Table 10

Results of structural model path coefficient-direct effect analysis

Path	Original sample (O)	Sample mean (M)	Standard deviation	T statistics	P values	Decisions
ATT -> INT	0.465	0.464	0.070	6.618	0.000	Supported
SN -> INT	0.091	0.096	0.057	1.610	0.107	Not supported
PBC -> INT	0.010	0.010	0.051	0.195	0.846	Not supported
PBC -> BH	0.420	0.420	0.049	8.633	0.000	Supported
INT -> BH	0.288	0.288	0.052	5.551	0.000	Supported
FP -> BH	0.385	0.383	0.050	7.703	0.000	Supported
FP x INT -> BH	0.118	0.119	0.031	3.847	0.000	Supported

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However, perceived behavioral control has a positive and significant impact on socially responsible investment behavior (β = 0.420 and p < 0.05). Similarly, the intention to invest in SRI has a positive and significant impact on socially responsible investment behavior (β = 0.288 and p < 0.05).

The moderating effect of financial performance of SRI has been analyzed through SEM path analysis as shown in Figure 2 and Table 10. The moderating effect of financial performance of SRI between intention to invest in SRI and socially responsible investment behavior has been found positive and significant (β = 0.118 and p < 0.05). Moreover, the impact of financial performance of SRI on socially responsible investment behavior is also found to be positive and significant (β = 0.385 and p < 0.05).

Table 11

Indirect effect analysis

Path	Original sample (O)	Sample mean (M)	Standard deviation	T statistics	P values	Decisions
PBC -> INT -> BH	0.003	0.003	0.015	0.192	0.848	Not supported

Table 11 shows the specific indirect effects obtained from PLS-SEM, which can be utilized to analyze the mediating effects. The result obtained shows that the intention to invest does not play a significant mediating role between perceived behavioral control and socially responsible investment behavior (p > 0.05).

Table 12 shows R2 values assessed to measure the explanatory power of the constructs. According to Hair et al. (2019) and Henseler et al. (2009), R square (R2) values exceeding 0.20 are generally deemed satisfactory in management research. Likewise, according to Hair et al. (2011), a Q2 value greater than 0 signifies well-reconstructed values and predictive relevance within the model. Values above 0.35 imply strong predictive relevance.

Table 12

Explanatory power

Estimators	R^2	Q^2
BH	0.561	0.495
INT	0.271	0.249

Results show that the Q2 values of socially responsible investment behavior (Q2 = 0.495) exceed the thresholds of 0.35 implying strong predictive relevance while the intention to invest in SRI (Q2 = 0.249) seems moderate predictive relevance. Table 12 also reveals that the study's independent variables such as attitude towards SRI, subjective norms, and perceived behavioral control account for 27.1% of the variation in intention to invest in SRI. Similarly, this model can predict 56.10% of all the variance of the socially responsible investment behavior of individual investors.

While assessing the effect size of a predictor variable on an endogenous variable, f2 measure was used. It indicates the proportion of variance in the endogenous variable explained by the predictor variable, relative to the other predictors in the model. The values of 0.02, 0.15, and 0.35 represent small, medium, and large effects respectively (Cohen, 1988).

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Table 13

Assessment of effect size (f2)

Variables	INT	BH
ATT	0.216	
SN	0.008	
PBC	0.000	0.368
FP		0.309
INT		0.180
FP x INT		0.061

Table 13 shows that subjective norms and perceived behavioral control have small effects and attitude towards SRI has medium effects on generating R square for intention to invest in SRI. Perceived Behavioral Control has high effects on generating R square for SRI behavior. Similarly, the financial performance of SRI and intention to invest.

The findings of the study show a significant and positive impact of attitude towards SRI on intention to invest in SRI. This result is consistent with the findings of Thanki et al. (2022); Jonwall, Gupta and Pahuja (2022); Raut, Kumar and Das (2020); Nilsson (2008); Nugraha and Rahadi (2021); Yulandreano and Rita (2023) which revealed a positive and significant impact of attitude towards intention. The majority of past literature and this study show the positive and significant impact of attitude towards SRI on intention to invest in SRI. This shows that investors have a positive attitude towards SRI intend to invest in SRI in future.

Similarly, the findings of the study show a positive but insignificant impact of subjective norms on intention to invest in SRI. This result is not consistent with the findings of studies including Thanki et al. (2022); Raut, Kumar and Das (2020) as their study shows a significant impact of subjective norms on intention to invest in SRI. The result is consistent with the studies including Nugraha and Rahadi (2021) and Yulandreano and Rita (2023) which show an insignificant impact of subjective norms on intention to invest in SRI.

Furthermore, the findings of the study show a positive but insignificant impact of perceived behavioral control on the intention to invest in SRI which concurs with the findings of Nugraha and Rahadi (2021). However, the result contradicts with the findings of studies including Thanki et al. (2022); Nilsson (2008); Yulandreano and Rita (2023).

The result indicates the moderating role of the financial performance of SRI between intention to invest in SRI and SRI behavior to be positive and significant. Furthermore, the impact of the financial performance of SRI on SRI behavior is also found to be positive and significant. The result of the study is consistent with the findings of Thanki et al. (2022); Jonwall, Gupta and Pahuja (2022); Raut, Kumar and Das (2020) which revealed the impact of the financial performance of SRI on the investment decision of investors.

The impact of perceived behavioral control is found to be positive and significant on SRI behavior of individual investors. This result is consistent with findings of the studies including Jonwall, Gupta, and Pahuja (2022); Thanki et al. (2022); Nilsson (2008); Yulandreano and Rita (2023). The findings reveal an insignificant mediation effect of intention to invest in SRI on the effect of perceived behavioral control on SRI behavior. However, this result contradicts with findings from Yulandreano and Rita (2023) and Peiris (2021).

Compared to prior studies, such as those by Thanki et al. (2022) and Jonwall, Gupta, and Pahuja (2022),

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which predominantly focused on the direct impact of psychological constructs on SRI intentions and behavior, this study introduces a novel perspective by exploring the moderating role of financial performance in the relationship between intention and SRI behavior. While previous research has emphasized the significance of attitude, subjective norms, and perceived behavioral control, this study adds a fresh dimension by demonstrating how financial considerations can strengthen the intention-behavior link, offering a more comprehensive understanding of the factors driving SRI decisions.

Conclusion and Suggestions

The study concludes that attitude towards SRI significantly influences the intention to invest in SRI, highlighting the importance of fostering positive investor attitudes to drive socially responsible investment. While subjective norms and perceived behavioral control did not show significant impacts on SRI intentions, perceived behavioral control positively affected actual SRI behavior, highlighting the role of investor resources and information. The intention to invest in SRI was not found to significantly mediate the relationship between perceived behavioral control and SRI behavior, while financial performance significantly moderated the relationship between intention and behavior, emphasizing that financial considerations strengthen the intention-behavior link in SRI.

These findings have important implications for fund managers, policymakers, and financial institutions, suggesting the need for targeted strategies that enhance investor attitudes and provide clear financial performance metrics to boost SRI participation. By leveraging these insights, stakeholders can design products and policies that align financial objectives with ethical considerations, fostering a more robust SRI market. Despite these contributions, the study is limited by its focus on a specific demographic and geographical context, which may affect the generalizability of the findings. Future research could expand on these variables, explore additional factors such as financial literacy and environmental concerns, and apply the framework in different contexts to deepen the understanding of SRI behavior.

Author contribution statement

S.D.R.: Data collection, analysis and drafted the article. B.S.T.: Conceptualizing the issues, designing the survey, and supervising. D.D.P.: Data and built model. All authors addressed the comments of reviewers and finalized the manuscript.

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Declaration statement

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