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Influence of Environmental, Social and Governance (Esg) in Investment Decision: Mediating Role of Investment Horizon

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Abstract

Background: The study investigates how Environmental, Social, and Governance (ESG) factors impact the investment choices made by individual investors in the stock market. Analyzing how ESG factors affect investors' decisions is the primary goal, and evaluating how each ESG factor affects these decisions separately comes in second. In the relationship between ESG and investment decision-making, the study also looks at the function of investment horizon as a mediating variable.

Methods: This study adopts a descriptive and causal-comparative research framework utilizing the theory of planned behavior and stakeholder theory. Structured questionnaires collected primary data from 423 active stock market investors. Key variables were evaluated using a 5-point Likert scale. The data were then examined using AMOS version 26's Structural Equation Modeling (SEM) to verify the theoretical relationships and investigate the interactions between the variables.

Results - The study found a strong and positive correlation between investment decision-making and Environmental, Social, and Governance (ESG) considerations. It also demonstrated the significant impact of ESG factors on investor behavior and decision-making by revealing how the investment horizon serves as a mediating factor, influencing the relationship between ESG factors and investment decisions.

Applications - This study offers valuable insights for individual investors, aiding financial planning by identifying key ESG factors influencing investment decisions. It also provides guidance for SEBON and companies, supporting initiatives to promote ESG-focused investments, thereby aligning financial goals with sustainability objectives

Novelty/ Originality - This study uses the investment horizon as a mediating variable to investigate how ESG factors affect investment decisions. It adds to conventional investment models by providing fresh perspectives on how long-term ESG factors affect financial planning. The study offers a framework for comprehending how portfolio strategies, particularly in emerging markets, are impacted by sustainable investment priorities.

Keywords: ESG, investment horizon, investment decision, sustainable investment

Introduction

Since the worldwide financial crisis highlighted the profound interdependence of economies worldwide, the business environment in developing nations has changed dramatically in recent decades. This insight has increased understanding of the importance of moral behavior, enhanced risk control, responsibility, and strategic stakeholder involvement. As a result, investors are increasingly focused on environmental, social, and governance (ESG) aspects when analyzing companies, recognizing that ESG factors play a significant role in achieving sustainable returns, managing risks, and promoting accountability towards the environment and society. In developing countries, this emphasis on ESG is significant, as sustainable ESG practices are seen as indispensable for fostering economic growth, bridging the gap between classes, and advancing global sustainability targets (li et al., 2021). Investment has changed

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and evolved over the last few decades in various sectors. Environmental, social, and governance (ESG) considerations are increasingly important to investors.

Making investment decisions can be difficult for investors, particularly in a changing market with many options. Investment decisions cannot be made in a vacuum by relying solely on sophisticated models and one's resources. For investors to reach their targeted objectives, they must remain alert and current (Dung et al., 2024; Adhikari et al., 2024). Recent studies have shown the impact of ESG factors on investors' investment decisions (Işık et al., 2024; Dung et al., 2024). The role of investment horizon as a mediator has come forward as it took time to consider, implement, and generate meaningful returns on investment with ESG concerns (Sultana et al., 2018).

ESG refers to a company's responsibility to increase long-term, equitable, and sustainable prosperity for its stakeholders (Jamali et al., 2017; Turban & Greening, 1997). As ESG data presents itself as an extra layer of knowledge that can provide insight into future performance, investors worldwide are showing interest in this investment (Verheyden et al., 2016). ESG aims to link the company's performance to its financial success and long-term viability by considering various factors (Xie et al., 2018). Businesses that follow ESG guidelines are getting more and more attention from investors. For example, while making investment decisions, most South Korean investors place a high value on corporate governance information (Park & Jang, 2021).

The first element, environmental, refers to the company's eco-interactions, which include the use and conservation of environmental resources, carbon footprint, waste management and recycling practices, and responsible consumption. The social factors encompass employment aspects, wherein an organization's treatment of its customers, employees, and other stakeholders is examined. This improves the outlook for a company's inclusion and diversification goals while upholding labor regulations and other legal requirements. Moreover, this serves as a link to community involvement and product safety. The organization structure, which determines the board member hierarchy, compliance with legal and ethical requirements, and the integration of characteristics like transparency throughout all operations, is the final component of the governance element (Huang, 2019).

An investment horizon can be defined as the period someone plans to put money aside to invest (Junarsin & Tandelilin, 2008; Paudel, 2023). The two main criteria determining the investment horizon are life expectancy and pensionable age. The investment horizon, in turn, impacts the portfolio's construction since the longer the investment horizon, the less risky the portfolio. Studies reveal that investors in developing nations such as Nepal, Zimbabwe, and others frequently overlook the importance of Environmental, Social, and Governance considerations when making investment choices (Chiromba, 2020; Vaidya, 2021). The inclusion of sustainability issues in investing choices is still limited, even though they are becoming important worldwide as non-financial evaluating factors of corporate value (Park & Oh, 2022). While macroeconomic factors play a mixed role in decision-making, Nepalese investors mainly concentrate on technical analysis for short-term trading and the fundamentals

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of listed companies (Vaidya, 2021). Economic and environmental concerns affect opinions about ESG stocks, but environmental concerns are stronger predictors (Raut et al., 2023).

This research aims to examine how governance, social issues, and environmental (ESG) considerations influence investment decisions in developing countries, emphasizing the mediating function of the investment horizon. With ESG becoming increasingly important in international investment strategies, the study aims to determine how emerging economy investors view and rank these factors in relation to conventional financial indicators. Particularly in markets still developing sustainable investment frameworks, this study examines the effects of incorporating ESG considerations on risk assessment, return expectations, and accountability in investment decisions.

Literature Review

The study is supported by the theories of planned behavior and stakeholders' theory of investment decisions, which contribute to the existing research in this field. Ajzen (1985) asserts that because human intention is impacted by attitudes toward behavior, subjective norms, and perceived behavioral control, it eventually affects actual behavior. How each consequence is weighed based on the person's subjective probability that the activity will produce the intended result affects the attitude (Ajzen & Fishbein, 1975). The study operationalizes TPB by considering the "attitudes" of stock market investors toward ESG issues and their "intention" to invest in ESG issues by considering investment decisions. Because their standards support their views, the TPB asserts that investors are encouraged to fund businesses that disclose environmental, social, and governance (ESG) issues (Sultana et al., 2018).

Stakeholder theory aims to create value for everyone who works for the company, not just shareholders. According to Rau and Yu (2023), these parties include customers, suppliers, workers, and other stakeholders. Stakeholder theory, according to Kamal (2021), explains how a company conducts business and takes stakeholders into account.

Environmental Factor

Environmental factors comprise the performance of the company on environmental practices in order to meet the millennium goals' goal of sustainable development. Analyses of the adverse effects of air pollution on business operations have produced negative findings (Dobbs & Staden, 2016). The environmental information suggests a cure for credibility and trust, which may impact investor behavior and attitude toward an investment opportunity (Amel-Zadeh & Serafeim, 2018). Environmental data also shows a company's dedication to continuing its mandate toward environmental sustainability (Naveed et al., 2019).

Social Factor

A company's impact on society and its stakeholders is one of the social components that make up ESG (Huang, twentytwo2019). Social factor pertain to the welfare, rights, and interests of individuals and groups. These issues primarily include human rights, workplace health and safety, child, bonded, and slave labor, as well as labor standards throughout the supply chain (Sultana et al., 2018).

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Governance Factor

Within the ESG framework, governance can be defined as a collection of integrated processes, systems, and structures that enable a firm to grow profitably (Keasey et al., 1997). The administration of businesses is the focus of governance concerns, which also include internal control, risk management, appropriate information disclosure, board member expertise and autonomy, and board size, composition, and diversity (Rounok et al., 2023).

Investment Horizon

The amount of time someone intends to set aside for investments is known as their investment horizon (Junarsin & Tandelilin, 2008). The investment horizon is primarily determined by two factors: the pensionable age and life expectancy.

Investment Decision

Investment decision is decisions to buy and sell securities based on technical, fundamental, and other information sources (Metawa et al., 2019; Ghimire & Adhikari, 2023). It is created by the company's directors and investment managers. Every investment has certain goals that need to be achieved.

Hypothesis development

Environmental Factors and Investment Decision

Nair and Ladha (2014) discovered that when Indian investors took non-economic aims into consideration when making investment decisions, they ranked environmental issues as the most important factor. Environmental concern was a more significant predictor of their behavior, indicating that utility-seeking people's decisions were influenced by pro-environmental attitudes (Chaudhary et al, 2024; Raut et al. 2023). According to Syafrullah and Muharam (2017), businesses need to be aware of the environmental factors surrounding their operating activities. Better environmental stewardship will also increase the likelihood of the company's survival. The company's ability to survive depends not just on increasing performance but also on getting all of its stakeholders, including the environment, to pay attention which is similar to Hui and Matsunaga (2015) which also suggest to increase interaction to the environmental factors. Based on the prior studies the following hypotheses have been proposed.

H1: Environmental factors have a significant effect on investment decisions.

Social Factor and Investment Decision

Investor behavior is positively impacted by a firm's social factor, which lays the groundwork for trust (Shah et al., 2018). Social issues continue to be more significant than environmental ones for socially conscious investors (Bradford et al., 2016). Rakotomavo (2011) and Berry and Junkus (2012) found that when choosing a business, investors consider the employer-employee relationship and human rights as well as the public relationship. Pérez-Gladish et al. (2012) state that social factors are one of the primary pillars that Australian investor's take into account when making ESG decision. Following hypotheses have been put forward.

H2: Social factors have a significant effect on investment decisions.

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Governance Factor and Investment Decision

According to a poll by De Zwaan et al. (2015), 64% of financial professionals working in the Australian Stock Exchange stated they considered corporate governance when choosing which company to invest in. Regarding social and environmental factors, mainstream investors, brokers, and financial analysts still focus primarily on the governance factor as it guarantees a firm's openness and disclosure (Filatotchev et al., 2019). Metawa et al. (2019) claimed that governance is a high factor that has the potential to attract more market funding. Kouaib and Amara (2022) claim that companies having corporate governance policies associated with specific performance aspects have higher investment levels. Consequently, previous studies suggest the following hypotheses.

H3: Governance factors have a significant impact on investment decisions.

Environment Factor and Investment Horizon

Research shows that investment decisions and environmental factors appear to be significantly correlated. Environmental information disclosure affects investment allocation choices for various investor types and investment horizons (Hui & Matsunaga, 2014). When environmental considerations are incorporated into investment choices, investors are prompted to prioritize long-term returns, possibly forgoing short-term gains in favor of stability and future profitability driven by sustainability (Sultana et al., 2018). Individual investors with longer time horizons are typically drawn to ESG investments because they offer lower volatility and better fit with long-term strategies. According to some research, even short-term investors might incorporate ESG considerations if they significantly impact market prices in shorter timeframes. The following hypotheses have been put forward based on the literature reviewed.

H4: Environmental factors have a significant impact on the investment horizon.

Social Factor and Investment Horizon

Research on how social factors affect stock market investors' investment horizons has revealed some intriguing findings. Social norms, values, and investor demographics have been discovered to greatly influence decision-making and investment timelines. This is especially true for socially responsible investing (SRI), which has grown among investors who want to match their financial choices with their and society's values (Bradford et al., 2016). Based on past studies, the following hypotheses have been proposed

H5: Social factors have a significant impact on the investment horizon.

Governance Factor and Investment Horizon

According to studies, perceptions regarding investment horizons are also influenced by economic conditions and governmental policies. For example, studies on stock markets after crises reveal that external economic factors, like governmental regulations, affect investor confidence and market perception, which causes many to choose a shorter investment horizon (Kadariya et al., 2012). In markets with varying levels of governmental stability and regulatory transparency, this effect is particularly noticeable, prompting investors to shorten their holding periods to safeguard against abrupt changes in market dynamics (Rau & Yu, 2023). Based on the previous studies, the following hypotheses is suggested.

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H3: Governance factors have a significant impact on the investment horizon.

ESG Factor, Investment Horizon, and Investment Decision

In sustainable investment, recent studies show that investors' investment horizons affect their assessments and choices to fund businesses with robust ESG and climate responsibility profiles (Christensen et al., 2021). Starks et al. (2017) demonstrate that long-term investors favor investing more in businesses with a strong ESG profile than short-term investors. Concurrently, Gibson et al. (2020) identified that Long-term investors make larger investments in businesses with stronger sustainability footprints. These results point to the perception among long-term investors that businesses with better ESG profiles are more likely to generate long-term financial value (Eccles et al., 2014; Aich et al., 2021; Ramelli et al., 2021). The following hypotheses have been proposed based on the previous studies.

H8: The relationship between Environmental factors and investment decisions is mediated by investment horizon.

H9: The relationship between social factors and investment decisions is mediated by investment horizon.

H10: The relationship between Government factors and investment decisions is mediated by investment horizon.

Research Framework

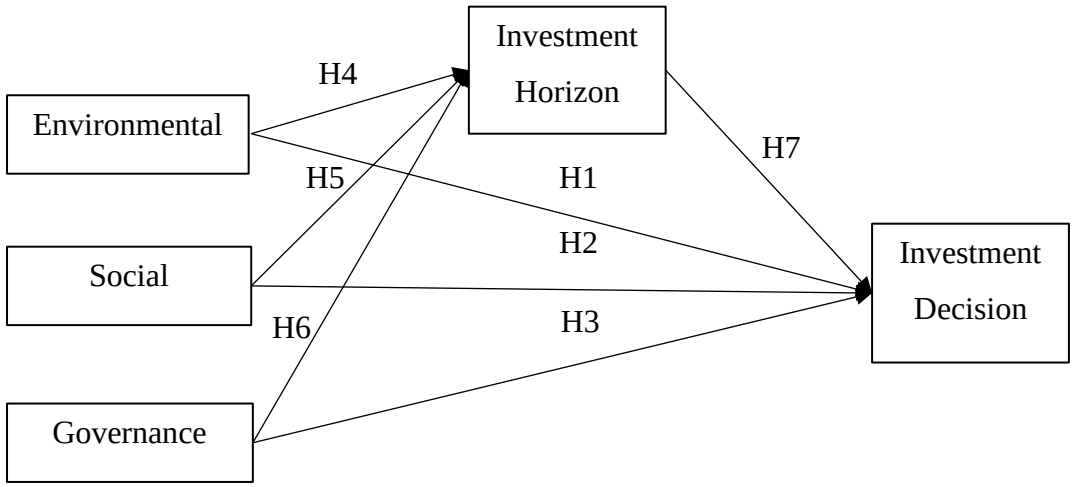

Figure 1: Research Framework
(Source: Sultana et al., 2018; Karmacharya, 2023)

Research Methods

This study uses a causal-comparative research design and a cross-sectional approach to gather data at a particular moment. This design provides insights into how environmental, social, and governance (ESG) factors simultaneously impact participant exposures and outcomes. To

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ensure proper representation of individual stock market investors in the Kathmandu Valley, a sample size of 423 was chosen for this study. Given that the study focused on how Environmental, Social, and Governance (ESG) factors affect investment decisions, this was especially crucial. The sample size, larger than the minimum calculated requirement of 385, was determined using an infinite population assumption, a 5 % error, and a 95 % CI. According to Cochran's formula for sample size, a minimum of 385 is required to obtain accurate estimates with a 5 % margin of error and a 95 percent confidence interval (Cochran, 1977). Increasing this sample size improves estimation precision, decreases Type II errors, and increases statistical power. More extensive samples also increase the validity of the results by accounting for non-responses.

This study used purposive sampling to focus on active stock market investors in the Kathmandu Valley. This approach gave direct access to investors in the broker houses, providing insightful information on ESG considerations in their investment choices. Broker house visits provided a stimulating atmosphere for various investors, enabling efficient sampling of different investment backgrounds and demographics. Focusing on traders, who are likely to have knowledgeable opinions about ESG issues, improves the relevance of the data. Effective data collection from willing participants who fit specific criteria is made possible by purposeful sampling in cross-sectional, field-based research (Patton, 2014).

The questionnaire items were extracted from earlier research conducted by Karmacharya (2023), Aich et al. (2021), Park and Jang (2021), Sultana et al. (2018), and Rounok et al. (2023). Microsoft Excel and SPSS version 25 were used in this study to collect and process the data. The percentage, mean, and standard deviation were used to evaluate the current state of the environmental, social, and governance factors of investment. Structural Equation Modeling (SEM) utilizing AMOS version 26 has been used to illustrate how the investment horizon mediates the relationship between independent and dependent variables, offering valuable insights into the dynamics of investment decision-making. Additionally, by evaluating the regression model using the bootstrapping approach and performing regression analysis using 5000 bootstrap samples, this research avoids the indirect effect of asymmetry and other non-normal sampling distribution issues.

Results and Findings

Table 1: Demographic profile of respondents and descriptive statistics

Characteristics		Freq.	%
Gender	Male	214	50.6
	Female	209	49.4
Age	Below 25 years	136	32.2
	25-35 years	58	13.7
	35-45 years	134	31.7
	Above 45 years	95	22.5
Marital Status	Married	225	53.2
	Unmarried	187	44.2

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	Divorced	11	2.6
	Primary Education	75	17.7
	SEE/SLC	61	14.4
Education Qualification	+2	84	19.9
	Undergraduate	147	34.8
	Post Graduate	56	13.2
	Below Rs 25000	204	48.2
Monthly Income	Rs 25000-50000	118	27.9
	Rs 50000-75000	72	17
	Above Rs 75000	29	6.9
	Below 1 year	186	44
Investment Experience	1-5 year	131	31
	5-10 year	99	23.4
	Above 10 years	7	1.7
Purpose of Investment	Regular Income	268	63.4
	Saving	155	36.6

The demographic profile of the responders is shown in Table 1. The majority (32.2%) are under 25 years old, and the majority (50.6%) are male. A significant proportion of responders have an undergraduate degree (34.8%) and are married (44.2%). 48.2% of people in the largest category earn less than Rs 25,000. Furthermore, the majority of respondents (44%), have less than a year of experience with investments, and the main motivation for saving is to produce consistent income (63.4%).

Table 2: Reliability and descriptive statistics of study variables

Variables	Cronbach's Alpha	No. of Items	Deleted items	Weighted Mean	Weighted Standard Deviation
Environmental Factor	0.86	7	1	3.60	0.76
Social Factor	0.78	7	1	3.72	0.89
Governance Factor	0.76	8	2	3.86	0.67
Investment Horizon	0.82	7	2	3.78	0.73
Investment Decision	0.88	5	1	3.77	0.85

Table 2 displays the Cronbach's alpha values for the study variables. The independent variables, environmental factor, social factor, and governance factor, registered values of 0.78, 0.78, and

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0.76, respectively, while the dependent variable, investment decision, displayed a reliability score of 0.88 and the mediating variable, investment horizon, at 0.82. Strong reliability is indicated by values of 0.7 or greater, as stated by Nunnally (1978), and this is true for every variable. Furthermore, the study variables' weighted mean and weighted standard deviation indicate that the majority of respondents' responses fell between strongly agree and agree.

Table 3. Convergent and Discriminant Validity

Constructs	CR	AVE	MSV	Environmental factors	Social factors	Governance factors	Investment horizon	Investment decision
Environmental factors	0.912	0.662	0.435	**0.784**				
Social factors	0.915	0.673	0.447	0.582	**0.778**			
Governance factors	0.843	0.553	0.384	0.547	0.337	**0.765**		
Investment horizon	0.852	0.623	0.379	0.468	0.562	0.486	**0.792**	
Investment decision	0.883	0.674	0.424	0.524	0.395	0.442	0.534	**0.772**

The composite reliability (CR) values of 0.912, 0.915, 0.843, 0.852, and 0.883 in table 3 show good internal consistency, surpassing the necessary threshold of 0.7. The convergent validity of the constructs is further confirmed by Hair et al. (2016) and Fornell and Larcker (1981) when the CR values exceed the average variance extracted (AVE) values. Each construct's square root of the AVE (boldly highlighted: 0.784, 0.778, 0.765, 0.792, and 0.772) must be larger than the related correlation coefficients in order to show discriminant validity. The criteria for discriminant validity set out by Fornell and Larcker (1981) are satisfied by this study.

4.2 Analysis of structural model

Table 4. Model Fit Indicators

Fit Indicators	Authors	Recommended Value	Observed Values
CIMIN/DF	Hair et al. (2010)	Under 3.0	2.157
GFI	Hair et al. (2010)	Over 0.90	0.942
IFI	Hair et al. (2010)	Over 0.90	0.937
TLI	Bentler, 1990	Over 0.90	0.954
CFI	Bentler, 1990	Over 0.90	0.936
RMR	Hair et al. (2010)	Under 0.08	0.048
RMSEA	Hu and Bentler (1998)	Under 0.08	0.053

The associations between the constructs were evaluated using the structural equation model created using AMOS. If the GFI, RMR, CFI, TLI, and RMSEA key fit indices reached the designated threshold values, the model was deemed well-fitting (Hair et al., 2010). The model fit indices, shown in table 4, demonstrate the model's good fit to the data. The validity of the model is supported by the fact that all of the indices (CMIN/DF = 2.157, GFI = 0.942, IFI =

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0.937, TLI = 0.954, CFI = 0.936, RMR = 0.048, and RMSEA = 0.053) fall within the acceptable range.

Table 5. Test of Hypothesis

Hypotheses	Standardized Beta (β)	P values	Decisions
Direct Effects			
1. EF ---> ID	0.401	0.000	Supported
2. SF ---> ID	0.445	0.000	Supported
3. GF ---> ID	0.434	0.000	Supported
4. EF ---> IH	0.273	0.041	Supported
5. SF ---> IH	0.282	0.030	Supported
6. GF ---> IH	0.265	0.045	Supported
7. IH ---> ID	0.272	0.039	Supported

The connections (paths) between each component of the suggested structure are depicted in the structural model. Hypothesis 1 is supported by the results, which show that environmental factors (EF) have a significant direct impact on investment decisions (ID) (EF → ID: $\beta = 0.401$, $p < 0.05$). Hypothesis 2 is also validated, demonstrating that social factors (SF) considerably influence investment choices (SF → ID: $\beta = 0.445$, $p < 0.05$). Furthermore, Hypothesis 3 is confirmed, showing that governance factors (GF) significantly improve investment decisions (GF → ID: $\beta = 0.434$, $p < 0.05$). Hypothesis 4 is further supported by the data, which show that environmental factors have a strong direct impact on investment horizon (EF → IH: $\beta = 0.273$, $p < 0.05$). The investment horizon is considerably extended by social factors, as demonstrated by the confirmation of Hypothesis 5 (SF → IH: $\beta = 0.282$, $p < 0.05$). Additionally, Hypothesis 6 is confirmed, showing that governance factors have a favorable direct impact on investment horizon (GF → IH: $\beta = 0.265$, $p < 0.05$). Moreover, hypothesis 7 is confirmed, showing that investment horizon has a direct impact on investment decision (IH → ID: $\beta = 0.272$, $p < 0.05$). These results indicate that Nepalese investors' investment decisions are directly influenced by Environmental, Social, and Governance (ESG) factors. Improved ESG situations not only promote wise investment decisions but also expand Nepalese investors' investment horizons.

Table 6. Mediation Analysis Summary

Association	Direct Effect	Indirect Effect	Confidence Interval		P-Value	Conclusion
			Lower Limit	Upper Limit		
H8. EF---> IH ---> ID	0.401 (0.000)	0.346	0.236	0.424	0.000	Partial Mediation
H9. SF---> IH ---> ID	0.445 (0.000)	0.325	0.128	0.376	0.000	Partial Mediation
H10. GF---> IH ---> ID	0.434 (0.000)	0.357	0.215	0.384	0.000	Partial Mediation

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Table 6 shows that investment horizon acts as a mediator between environmental factors and investment decisions, with EF → IH → ID: $\beta = 0.346$, $p < 0.05$. Investment horizon serves as a mediator, while environmental factors have a considerable direct impact on investment decisions ($\beta = 0.401$, $p < 0.05$). Hypothesis 8 (H8) is supported by this, demonstrating that investment horizon acts as a partial mediating component in the relationship between environmental conditions and investment decisions. Similarly, social factors have a considerable indirect impact on investment decisions (SF → IH → ID: $\beta = 0.325$, $p < 0.05$), and investment horizon acts as a mediator, demonstrating a high direct influence ($\beta = 0.445$, $p < 0.05$). This result validates the partial mediation of the relationship between social characteristics and investment decisions by investment horizon, supporting hypothesis 9 (H9). Additionally, it is shown that governance factors have a strong direct impact on investment decisions, with investment horizon acting as a mediator ($\beta = 0.434$, $p < 0.05$), as well as a considerable indirect influence (GF → IH → ID: $\beta = 0.357$, $p < 0.05$). This confirms that investment horizon partially mediates the relationship between governance factors and investment decisions, supporting hypothesis 10 (H10). These findings imply that, effective ESG factors play a major role in improving investment decisions, while adequate investment horizons strengthen this effect.

Discussion and Conclusion

This study aims to examine the impact of Environmental, Social, and Governance (ESG) aspects on investment decisions in Nepal, with a special focus on the mediating role of investment horizon. The findings demonstrate that investment decisions are positively impacted by all three ESG factors; environmental, social, and governance with social aspects having the biggest impact. This implies that the organization's relationships with its stakeholders, including its employees, and the way it handles these groups are highly valued by investors. The strong and positive correlation between ESG factors and investing decisions supports with earlier research by Sultana et al. (2018) and Metawa et al. (2019), but differs from Karmacharya (2023), who discovered a negative correlation between environmental factors and investment decisions. The study backs up the conclusions of Naveed et al. (2019), which demonstrate that investors give preference to businesses that control their environmental effect, cut emissions, and maintain sound governance procedures. This is further supported by Sultana et al. (2018), who argue that businesses with strong environmental policies can eventually outperform rivals. Sultana et al. (2018) emphasize the significance of a reputable governance board for investment confidence, whereas Perez-Gladish et al. (2012) observe that social considerations are a fundamental consideration for Australian investors in ESG decision-making. The substantial impact of social factors is consistent with research by Perez-Gladish et al. (2012) and Sood et al. (2023), which indicates that investors are driven by community impact and social issues while making financial decisions.

The study's findings, on the other hand, go counter to Kurtishi-Kastrati's (2013) assertion that inadequate environmental regulations discourage investment. In contrast to the results of this

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study, Metawa et al. (2019) discovered that governance was a major factor in attracting investment. Investors understand the value of a longer time horizon for sustainable returns and competitive advantages through ESG investments, as evidenced by the investment horizon, which acts as a mediator between ESG variables and investment decisions. This result is consistent with that of Sultana et al. (2018), who found a comparable mediating effect in Bangladesh. In Nepal, where non-financial factors like ESG are becoming more popular, it is essential to comprehend how ESG affects investing choices, especially because the number of investors has grown since COVID-19. Decision-making and investor confidence can be impacted by even a small disregard for ESG considerations.

Implications and Area for Future Research

The results of the research have important implications for security board of Nepal (SEBON), organizations, investors, and policymakers. It shows that, while establishing good relations with stakeholders, investors are favoring securities that are dedicated to environmental, social, and community objectives. It is recommended that investors have well-defined investment timeframes and a thorough comprehension of their investing domains. Companies are being encouraged to provide products that appeal to younger, knowledgeable investors, possibly by creating funds or portfolios that prioritize environmental, social, and governance (ESG) factors. Recognizing that small investors with lower incomes are also active in the stock market, regulators are also recommended to provide incentives to brokerage houses and businesses that develop and market ESG-focused products. In order to promote investment growth, SEBON is being proposed to make sure that all investors have easy access to information. Using tactics like ESG rating systems, defined reporting criteria, and disclosure regulations can help increase investor interest and foster openness.

The results of this study may not be as broadly applicable to the general population because it only includes the opinions of 423 respondents. To provide a more thorough understanding of how ESG factors impact investment decisions, future research would benefit from larger sample sizes, a focus on particular age and economic groups, and additional mediating variables beyond investment horizon. The paper could greatly improve our comprehension of investor attitudes and behaviors regarding ESG factors in the context of Nepal's stock market, paving the way for a more inclusive and representative viewpoint.

Nepal Journal of Multidisciplinary Research (NJMR)
Vol. 7, No. 4, December 2024. Pages: 76-93
ISSN: 2645-8470 (Print), ISSN: 2705-4691 (Online)
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Vol. 7, No. 4, December 2024. Pages: 76-93
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