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Sustainable Investing with ESG-Variables Impacting Individual Investor Decisions

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Abstract

Global investors have recently turned their attention from traditional financial transactions to environmental investments. Numerous investors around the world are interested in corporate initiatives tackling global concerns including, climate change, work equity, and poverty eradication in addition to economic ones. According to surveys, millennials are more likely to acquire a product from a company that has a positive reputation in terms of the environment and society. With the idea that businesses that follow ethical, environmental, social, and regulatory practices can access financial services, investors are actively considering ESG investment prospects. ESG investing has increased recently in India. Nevertheless, this may just be the initial phase, as greater stakeholder knowledge about the significance and benefits associated with sustainable investments in emerging economies is vital. The intent of the current study intended to gain an understanding of investors' perceptions of environmentally friendly practices and how they affect their investment choices given the context of the aforementioned backdrop. According to our research, investor attitudes that are impacted by ESG perception result in investment decisions, and ESG activities can serve to control the relationship between ESG activities and investment decisions. For investors to have a favorable attitude, it is also essential that they are aware of the company's contribution to environmental protection. Therefore, it is advised that practitioners create strategies and choose a variety of platforms (such as advertisements, social media, or the corporate website) for disseminating the business's environmental initiatives. The results showed that the association between investment choices and investor attitude is mediated by investor attitude. Inspite of the impact's limited scope, it should be taken into account.

Keywords: ESG, Investors' Attitude, Perception, Sustainability

1. Introduction

Investors presently anticipate businesses to perform all of their responsibilities by giving them capital that has the potential to generate sizable returns. ESG funds, according to a review, offer more reliable volatility and yield than conventional funds (Hope, 2022). A perfect storm triggered by the epidemic and sustainable rebound in the United States, Europe, and China highlighted why ESG might aid in evaluating new financial distress using capital markets. Global ESG assets are projected to reach $53 trillion by 2025, contributing to a further one-third of the forecasted assets under management of $140.5 trillion (Diab & Adams, 2021). Incorporating ESG-relevant data into investments improves the risk-adjusted effectiveness of active management market portfolios (Kumar *et al.*, 2016). Investors in strong ESG enterprises may view ESG excellence as a predictor of

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future market performance and risk mitigation during times of adversity (Beloskar & Rao, 2022). According to recent study findings, there is a lack of knowledge amongst Indian investors about ESG equity stock markets and how ESG would have a big impact on the evolution long-term investing practices globally.

A growing trend in investing and raising awareness of Environmental, Social, and Governance (ESG) issues has led to significant asset inflows in ESG funds in recent years. These inflows reflect investors' desire to pursue objectives other than increasing profits and reducing risks (Statista, 2022a). Although environmental issues are the primary emphasis for most ESG investments, incorporating non-financial elements into the investment process responds to global challenges like climate change and inequities to positively impact society (Statista, 2020). In the financial world, especially in Europe, where most of the assets are located in sustainable funds, it is increasingly becoming the norm.

The most popular method for investing sustainably is through ESG integration, which involves openly and methodically incorporating ESG problems into the decision to invest. This strategy is having an impact by requiring businesses to disclose their policies on significant environmental, social, and governance issues (Statista, 2021). According to the research on financial economics and decision-making, one-sided risk assessments, such as the possibility of incurring a loss, have a more significant influence on perceived riskiness than more "conventional" symmetrical measures, such as the variance in returns. (Nosi'c & Weber, 2010; Weber *et al.*, 2013). Additionally, the possibility of experiencing a deficit while engaging in a specific investment compared to its net value increases respondents' awareness. This awareness and perspective, in turn, influence market pricing, as resources deemed more risky trade at lower prices.

According to active investing behaviour, market participants who think an investment to be substantially more hazardous sell it, while those who consider it to be far less hazardous buy it. Markets frequently exhibit variations in perceived risks, where individual and collective uncertainty affect asset values and trading activity. In the numerous dataset obtained by (Huber *et al.*, 2019) for their research and by focusing on active investors and operators who can deal in numerous instruments simultaneously, it was analysed that prices change considerably for securities with the same mean and standard deviation. Even if some investors do not want to forgo investment performance because they still think it might have a detrimental influence on risk and return, which would indicate they think ESG portfolios will perform worse than non-ESG portfolios (Statista, 2022b).

The fundamental obstacle to the widespread adoption of ESG investing used to be investors' desire to accept lower returns or more risk, but it is now more widely recognised that sustainable investments may perform at least as well as non-ESG portfolios and can reduce risk (Statista, 2022b). Today, additional obstacles, such as lack of understanding, the incompatibility of ESG data among issuers, or regulatory or legal restrictions, are more likely to deter investors from ESG investment (Statista, 2020). From 2022 to 2026, the investor ESG technology market is expected to expand by $525.71 million at a CAGR of 12.87%. The market is driven by the steady growth of business information magnitude, the growing acceptance of ecological campaigns, and the rising demand from businesses. One of the key elements affecting the industry's growth in the upcoming years is the incorporation of insight into client ESG technologies. Partnerships, mergers, and the adoption of smart grids will all significantly increase product demand. Thorough bidder research emphasizes on several prominent investors in the ESG software industry to assist clients in bolstering their competitive edge. (Business Wire, 2022). Investor mood, emotions, and equity pricing seem to impact investment decisions. It is believed that mood is an excellent stance technique aligned with understanding how people make decisions in general; yet, it can lead to mistakes if the investor allows irrelevant mood states to influence their conclusions, influencing their economic choices. As proven, investors can sometimes invest in shares based on their feelings about a firm. While this corresponds to current comprehension of how individuals think and act, it is rarely coherent with

optimal equities valuation. (Lucey & Dowling, 2005). The objectives listed underneath were developed taking into account the aforementioned data, where it was examined how Indian investor's view companies' ESG initiatives, the effect that investors have on how such initiatives are perceived, and how investors' attitudes and decision-making processes affect those perceptions.

2. Review of Literature

In today's global investing selections, ESG factors are becoming a major factor. Due to its promotion of sustainable business operations and working practices, ESG comprises a wide range of measures and is drawing increasing attention from investors, lawmakers, and the general public. Particularly investors are beginning to comprehend how these factors affect efficiency, effectiveness, strategic planning, and operational enhancement. ESG and financial performance were positively correlated in 58% of the operational parameters examined between 2015 and 2020. When a portfolio of equities' performance was compared using risk-adjusted metrics like the Sharpe ratio or the Alpha, the findings were favorable (Whelan *et al.*, 2020). Investors are prepared to act and are becoming more aware of the ESG possibilities and dangers facing the firms they invest. ESG is a significant consideration for investors when making investment decisions and setting CEO compensation goals. Investors are willing to pull their money out of companies that need to do more to address ESG issues. Investors stressed the value of decisive leadership from the executive team, beginning with the CEO. The CEO is uniquely positioned to explain the value of ESG to all stakeholders, including clients, staff, and shareholders while balancing the complex resource allocation trade-offs involved with ESG projects. The C-suite must play an important role (Chalmers *et al.*, 2021).

According to Bloomberg Intelligence, worldwide ESG investments are growing. ESG securities are predicted to exceed $53 trillion by 2025, covering over one-third of the forecasted $140.5 trillion assets worth (AUM). Rising investor demand, current regulatory constraints, and the development of numerous ESG funds have led to a rise in ESG-focused asset classes. According to a recent study on Indian ESG funds conducted by CFA Society India and CFA Institute, ESG assimilation approaches are still in their infancy, and there is a considerable degree of difference across ESG funds in terms of their investing strategies, ESG scoring methodology, and performance. Targeted investor education is essential to drive and sustain the rise of ESG investment. Financial advisers should work with investors to determine their financial and ESG preferences when marketing ESG products. Investors should study and understand the financial objectives and attributes before investing in such products. (Prabhu, 2022). Equities with an emphasis on ESG norms garnered $168.74 billion in 2020, up from $63.34 billion in 2019, marking a 166 per cent rise in 2019-20, according to Emerging Portfolio Fund Research (EPFR), a financial advisory organisation.

Similarly, the number of Sustainability Exchange Traded (ETFs) has increased from 39 in December 2009 to 221 in June 2019, with a 15.8% rise in AUM since 2009. Investments in ESG mutual fund schemes in India are expected to have increased by 76 per cent by 2021, from Rs 2,094 crore to Rs 3,686 crore over the 2019-20 decade. Additionally, in 2020, India's major Asset Management Companies (AMCs) established programmes with a distinct emphasis on ESG factors. The sustainability-themed NIFTY ESG 100 stock index has performed better than the NIFTY 100 over the two years between 2020 and 2021. Furthermore, pension funds have begun incorporating ESG considerations to anticipate steady, long-term risk-adjusted returns (Sinha, 2021).

Incorporating ESG considerations has positive benefits on corporate entities in terms of boosting their productivity and efficiency and assisting with their long-term risk management. The literature has demonstrated that corporate entities with ESG integration have produced more significant profits than corporate houses without ESG integration (Korwatanasakul *et al.*, 2019). Transparent ESG reporting and information disclosure are essential components of sustainable investment. While ESG reporting and disclosure are required by law in many nations, they are often voluntary in others.

To assess a company's sustainability quotient, both investors and consumers must be able to comprehend the long-term business and financial goals of the company. Investors now need to handle their risks when making investments and understand the strategy and objectives of firms in order to make informed decisions (Moats *et al.*, 2020). Despite their lack of awareness of SRI, many investors still think that ESG factors should be taken into account when trading and are open to participating in SRI-related activities (Jonwall *et al*., 2022). However, they were not open to accepting lower SRI returns. Fewer SRI yields, insignificant tax savings, a lack of SRI data, and limited availability were generally acknowledged by investors as major barriers to SRI investment. The factors that most influence investors' SRI decisions are their knowledge of SR/ESG indexes, familiarity with SR/ESG funds, and desire to engage in SRI channels. Individual traits, however, don't have much of an impact on SRI decision-making, if any (Jonwall *et al.*, 2022).

India is a developing country where ESG funds have gained popularity as an economic hub among financial advisers. Since fund managers integrate retail traders' funds, they must comprehend retail clients' compassionate investing behaviour. According to the study conducted by (Jonwall *et al.*, 2022), Indian SR investors between the ages of 30 and 40, with a professional degree and a yearly salary of 10–20 lakhs, have a higher level of SRI awareness, seem to be more worried regarding particular ESG issues with belief investing, and are increasingly responsible consumers than conventional investors (Jonwall *et al.*, 2022).

Poor corporate governance and a concentration on shallow economic gain sparked the financial crisis, which had a massive effect on the world's economy. As a result, individuals and organisations representing the public interest lost faith in the morality of business operations and asked firms for more information about their ESG performance (Velte, 2017).

National and international organisations have launched a variety of changes addressing ESG performance in the corporate community to promote ESG performance transparency. Rising stakeholder expectations push firms to think beyond their bottom line (Abrams *et al.*, 2021). Over the last year (2019–2020), the number of sustainable investments in organisations nearly doubled, suggesting strong investor support for long-term reforms. In order to assist the modern business shift toward sustainability, investors are increasingly allocating their capital to sustainable investments (Zumente & Lāce, 2021). Companies exceed their industry peers in terms of financial success, according to a study performed by (Ademi & Klungseth, 2022), because they go beyond maximising shareholder profits to serve the aspirations and needs of all stakeholders.

The positive correlation between ESG score and financial success, consistent with stakeholder theory, supports the company's RBV (Resource-Based View). It is further investigated whether higher ESG performance results in a competitive advantage by demonstrating how changes in ESG practices boost corporate profitability. Businesses that use ESG standards are likely to maintain high market performance even during market downturns caused by unexpected disasters (Ademi & Klungseth, 2022). During the COVID-19 crisis, ESG indices surpass cryptocurrencies with regard to risk shielding, according to indisputable evidence of the diversification features of ESG indices as well as environmental, social, and thematic governance indices. However, the authors do not believe that ESG, Cryptocurrency, precious metals, or West Texas Intermediate are safe-haven assets (Piserà & Chiappini, 2022). To explore the association between ESG ratings and Credit Rating, 122 businesses were chosen from a pool of 500 BSE. According to the study, credit quality has a significant direct relationship with market capitalisation. On the other hand, the number of independent directors in a corporation has a strong inverse relationship with creditworthiness. ESG had a notable impact on financial assessment in the intended direction only for small and medium-sized organisations; ESG did not affect large firms with better credit ratings. It was also revealed that the level of complete ESG compliance and component transparency was substantially influenced by credit rating (Bhattacharya & Sharma, 2019). The conceptual model was developed taking into account the reviews,

and based on that, a hypothesis was developed that is consistent with the objective of the study:

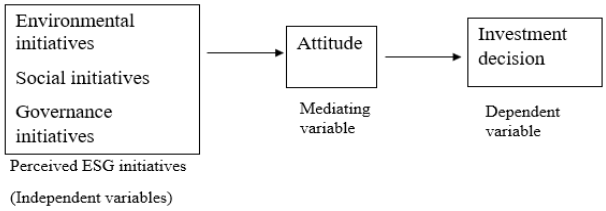


Figure 1. Conceptual framework.

Hypotheses:

H1: Investors' attitudes are significantly influenced by their perceptions of companies' ESG actions.

H1a. Investors' attitudes are significantly influenced by their perceptions of the companies' environmental actions.

H1b. Investors' beliefs related to the companies' social projects substantially impact their attitude.

H1c. Investors' notions about the companies' governance tasks appreciably affect their attitude.

H2: Attitude relates positively to the investment decision.

H3: Attitude mediates the relationship between perceived ESG initiatives and investors' investment decisions.

3. Research Methodology

More than 350 questionnaires were delivered to individual investors in Bangalore for the study. To verify survey instrument validity and reliability, 310 people completed the survey.

A total of 307 usable responses were examined. Quantitatively these ideas were tested in this study, which led to a plausible answer for the issue that arose during research. Analysing the numerical data was made possible via structural equation modelling and the statistical software package SPSS (SEM). In order to meet the long-term paradigm's measuring requirements, an improved ESG measurement scale was developed as part of a comprehensive research instrument. We employed two negative Likert scale items for each independent variable, spanning from "strongly disagree" to "strongly agree," to guard against acquiescence and random responses. A nominal scale adapted from prior studies was used to gauge the investment's intended use. Three-item ordinal scales were used to examine the dependent variable and the investors' investment choices, evaluating the percentage of ESG investment in the portfolio, readiness to pay a premium price, and return sacrifice for ESG-practicing companies.

Final Sample = 307

4. Results

4.1 Demographic Details

Table 1. The demographic profile of the respondent (N=307)

Item	Characteristics	Response (%)
Gender	Male Female	90.6 9.4
Age	Less or Equal to 20 Years 21 to 30 Years 31 to 40 Years 41 to 50 Years Above 50 Years	2.8 16.9 43.6 32.8 4.9
Education	10th Pass 12th Pass Bachelor's Degree Master's Degree Professional Degree	1.2 5.8 52.3 38.6 2.1
Experience	Less than 5 Years 5 to 10 Years More than 10 Years	19.2 46.7 34.1
Purpose of Investment	Regular Income Savings	63.8 36.2
Investment horizon	Short-Term Long-Term	59.4 40.6
Income (INR)	Less or Equal to 500,000 500,001 to 1,000,000 1,000,001 to 1,500,000 1,500,001 to 2,000,000 Above 2,000,000	13.2 23.9 43.8 11.4 7.7
Investment Amount (INR)	200,000 or less 200,001 to 500,000 500,001 to 7,50,000 7,50,001 to 1,000,000 Above 1,000,000	19.4 52.8 23.2 3.4 1.2

Source: Primary Survey

4.2 Exploratory Factor Analysis

The principal component analysis approach with varimax rotation and eigenvalue greater than one was used to conduct an EFA. Sample adequacy was confirmed by the KMO "Kaiser–Myer–Olkin" test as KMO Value 0.871, above the threshold value of 0.7, with a significant "Bartlett's test" result. Approximate Ch-square value of 2932.02 with df = 120. The factors were extracted from those having Eigen value one for the current study, and five factors were considered. The Scree Plot results also confirmed five factors. Finally, 16 elements were grouped into 5 factors that accounted for 84.15% of the total variance. Items with loadings greater than 0.7 were taken into account for further investigation.

Table 2. Factor item loading, their descriptive and Cronbach's alpha value

Items	Factor Loadings	Mean	Standard Deviations	Alpha Values
Environmental Initiatives				
Q1	.849	3.20	1.041	0.812
Q2	.810	3.43	1.133	
Q3	.777	3.72	1.042	
Social Initiatives				
Q4	.825	3.45	.745	0.904
Q5	.828	3.40	.727	
Q6	.725	3.31	.775	
Q7	.857	3.43	.753	
Governance Initiatives				
Q8	.819	3.47	1.020	0.860
Q9	.840	3.50	1.011	
Q10	.849	3.52	.971	
Attitude				
Q11	.847	3.60	.835	0.892
Q12	.824	3.58	.923	
Q13	.848	3.62	.937	
Investment Decision				
Q14	.818	3.18	.926	0.834
Q15	.806	3.23	.938	
Q16	.853	3.17	.890	

Source: Primary Survey

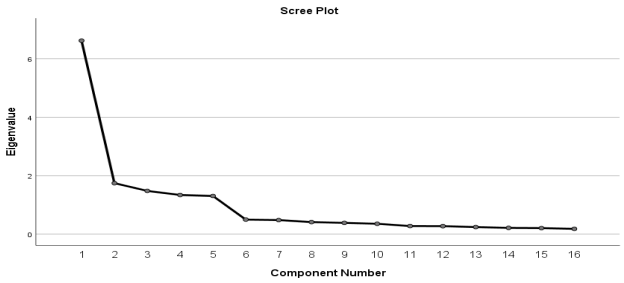
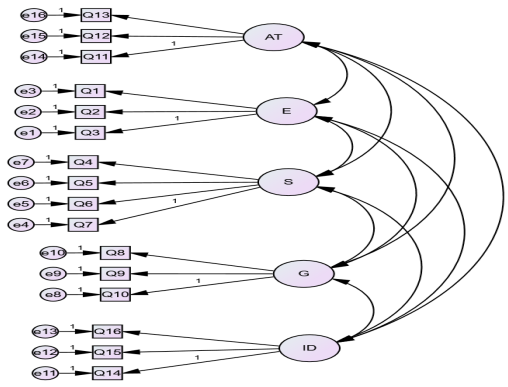


Figure 2. Scree plot of extracted factors.

5. Confirmatory Factor Analysis (CFA)

The CFA was conducted to check the proposed relationship of variables and to measure the validity of measurement constructs. All the variables were considered exogenous variables. As per Hair *et al.* (2010) recommended criteria, the good indicators are above or near threshold values and the bad indicator (RMSEA) below 0.08, confirming a good fit for the proposed model.



Note: E-Environmental Initiatives, S- Social Initiatives, G-Governance Initiatives, AT-Attitude and ID- Investment Decision

Figure 3. SFA model.

6. Reliability and Validity

The constructs of the study were evaluated for their internal consistency using Cronbach's alpha values. A high alpha value of over 0.7 for all factors indicates that the existing data is reliable (Sekaran & Bougie, 2016). Composite reliability measures are also considered for reliability, and a value above 0.7, indicates reliable data. Validity was further examined through the

Average Variance Extracted (AVE) and Maximum Shared Variance (MSV). The CFA model was used as input for validity testing with the help of James Gaskin Master Plugins. The results of Table 3 confirmed no validity concern since AVE values were above 0.5 and all the values of MSV less than AVE.

Table 3. Reliability and validity of measurement constructs

	CR	AVE	MSV	E	S	G	ID	AT
E	0.815	0.595	0.225	0.771				
S	0.906	0.706	0.364	0.474***	0.841			
G	0.861	0.674	0.364	0.392***	0.603***	0.821		
ID	0.834	0.627	0.260	0.432***	0.475***	0.445***	0.792	
AT	0.893	0.736	0.306	0.452***	0.553***	0.518***	0.510***	0.858

No validity concerns here
Significance of Correlations: * p < 0.050, ** p < 0.010, *** p < 0.001
Source: Gaskin & Lim 2016.

7. Structural Equation Modelling (SEM Model)

The structure model consists of ESG perception measured using E, S and G variables as exogenous variables and AT and ID are endogenous variables in the model.

7.1 Hypothesis Testing

The findings of Table 4 and Figure 4 were used to describe hypotheses 1 and 2. The acceptance of the research hypothesis is based on the critical ratio (t value) and p values of the path. That relationship was considered significant when critical ratio values were above 1.96 and p value less than 0.05 (at a 5% level of significance). The regression weights (standardised) or beta value indicates the impact of each independent variable (exogenous) on the dependent variable (endogenous).

Table 4. Regression coefficients of structural model

Hypothesis	Outcome Variable	Predictor	Regression Weights	Critical Ratio	P-Value	Results
H1a	AT	E	0.249	4.001	***	Accepted
H1b	AT	S	0.368	6.191	***	Accepted
H1c	AT	G	0.304	5.014	***	Accepted
H2	ID	AT	0.498	7.176	***	Accepted

***=p<0.000, **=p<0.01, *=p<0.05

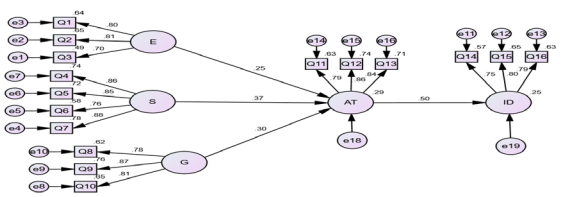


Figure 4. Structural equation model: Causal structure.

The results conclude that perceived ESG initiatives are positively related to the attitude of investors. The impact of environmental initiatives with beta value = 0.249, p = 0.000 on attitude is positive and significant as a p value less than 0.05. Thus, supporting hypothesis H1a.

Similarly, perceived social initiatives significantly influence the attitude of investors, having a beta value = 0.368 p =0.000. The p value is less than 0.05, and the t value (6.191) above the table value of 1.96 confirmed hypothesis H1b. The results also indicate that governance initiative positively and significantly influences investors' attitudes (beta = 0.304, p = 0.000), supporting H1c. Furthermore, the impact of the social initiative is highest compared to governance and environmental perception on attitude.

Finally, the impact of attitude on investment decision is positive and significant as the beta value for the path is 0.498 with p = 0.000, which is below 0.05 and t value 7.176 above 1.96. This evidence supports the acceptance of hypothesis H2.

The R^2 values represent the coefficient of determination that helps define the % of the variance in the outcome variable explained by predictor variables. The results of Figure 4 inferred that the perception towards ESG can explain 29% (R^2 = 0.29) of the variance in the attitude of the investors, and a favourable attitude explains 25% (R^2 = 0.248) variance of investment decision.

The model's goodness-of-fit index was predicted using the following results: Chi-squares = 362.25; CMIN/DF = 2.765; CFI = 0.926; GFI = 0.911; AGFI = 0.878; NFI = 0.909; TLI = 0.890; and RMSEA = 0.072. All these parameters' values are as per the threshold, confirming the good fit of the measurement model.

8. Mediation Results

The study tested attitude towards the company mediates the relationship between ESG perceptions and investment decisions of an individual investor. An examination of mediation was carried out utilising the BC method at a 95 per cent confidence interval with 2,000 bootstrapping approaches. The study examined standardised direct effect, standardised indirect effect, and total effects for reporting the mediation impact.

The findings of Table 5 and Figure 5 revealed that the regression coefficient values of the direct effect of E (beta = 0.195, p = 0.007), S (beta = 0.192, p = 0.020), and G (beta = 0.163, p = 0.031) on Investment Decision (ID) are positive and significant. Further, the regression coefficient values of indirect effect through the mediator variable are beta = 0.062, beta = 0.094 and beta = 0.077, respectively. All the paths were significant as a p value less than 0.05 (Table 6). The results highlighted that when the attitude enters as a mediator in the model, the impact of predictor variables (perception towards ESG) effect is reduced, but still, it is significant; such an effect is called 'partial mediation'. Therefore, hypothesis H3 was accepted, i.e., attitude mediates the relationship between perceived ESG and investment decisions.

Table 5. Goodness of fit indices for the CFA model

Indices	Recommended Criteria	Observed Values
Normed Chi Square (X2/DF)	1<χ2/df<3	1.180
Goodness-of-Fit Index (GFI)	>0.90	0.937
Adjusted GFI (AGFI)	>0.80	0.908
Normed Fit Index (NFI)	>0.90	0.943
Comparative Fit Index (CFI)	>0.95	0.973
Root Mean Square Error of Approximation (RMESA)	<0.05 good fit	0.051
Tucker-Lewis Index (TLI)	<0 & >1 acceptable fit	0.966

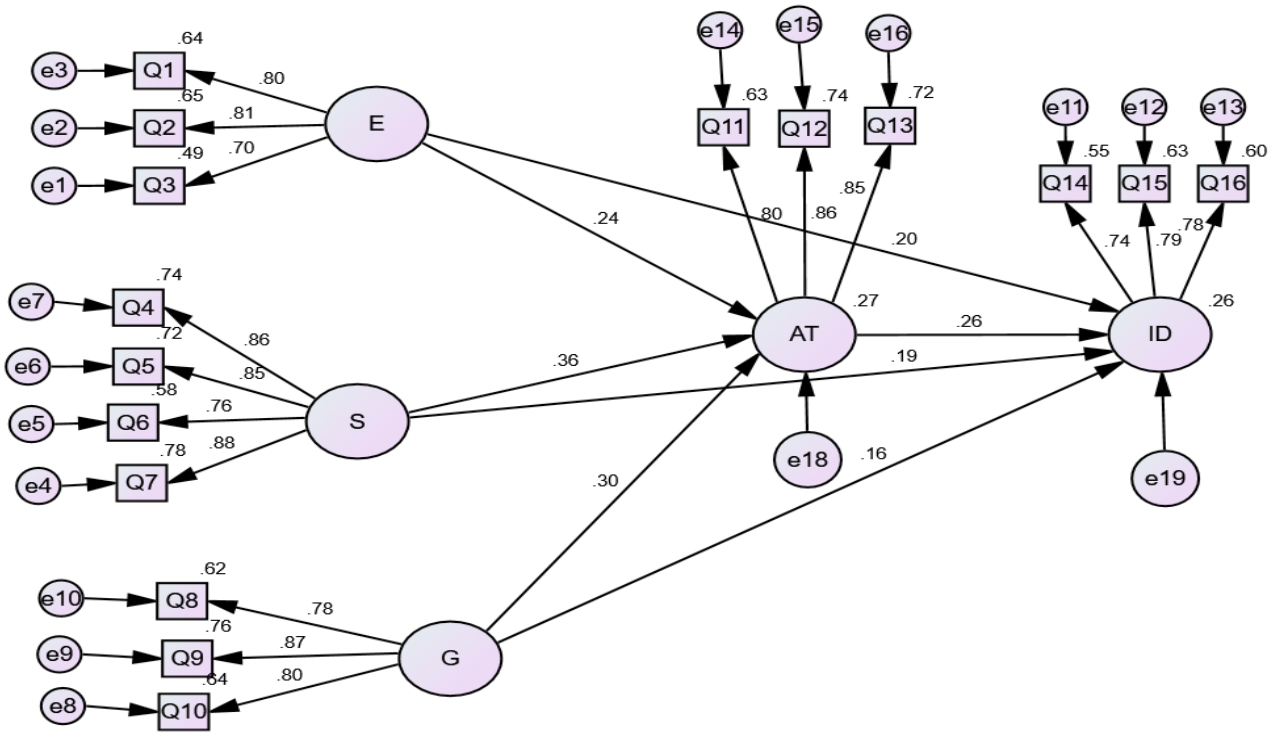


Figure 5. Attitude as mediating variable.

Table 6. Bootstrapped results of indirect effects

Test of Mediation (Bootstrap Samples =2000, Confidence Interval= 95% and BC Method)					
Relationship	Standardised Indirect Effect	BC Method LB & UB	Standardised Direct Effect	Standardised Total Effect	Results
E→ AT→ ID	0.062, p=0.001	0.016-0.122	0.195, p=0.007	0.257, p=0.001	Partial Mediation
S→ AT→ID	0.094, p=0.001	0.031-0.172	0.192, p=0.020	0.286, p=0.001	Partial Mediation
G→ AT→ ID	0.077, p=0.003	0.024-0.149	0.163, p=0.031	0.240, p=0.007	Partial Mediation

Source: The Authors

Note: LB - Lower Bound, UB - Upper Bound

9. Conclusion

The purpose of the current study was to examine how investors view a company's ESG initiatives and how this view affects their attitude towards and choice of investments. The three separate elements of environmental, social, and governance are used to segment ESG perception in this paper. Three different gradations of these concerns' impact on investor attitudes and investment choices were examined. The social ESG effort had the biggest influence on investors' attitudes, while the survey indicated that all three ESG activities and initiatives had a positive impact on investors' opinions. This finding is in line with the study of (Koh *et al.*, 2022). Additionally, the results supported the idea that investors' attitudes towards ESG perception influence investment choices and serve as a partial mediator between ESG activities and investment choices.

For ESG practitioners, these findings have significant ramifications. First, according to the research, forming a positive opinion of a firm is significantly influenced by how investors perceive its ESG (Environmental, Social, and Governance) operations. Therefore, practitioners should commit a substantial portion of their time to finishing these duties. The most important aspect of cultivating a happy attitude is a person's participation in social activities. As a result, corporations can benefit from the objective by making donations to charitable organizations, sponsoring regional arts organizations, or implementing other initiatives meant to enhance community wellbeing. For investors to have a favourable outlook, they must be aware of the company's contribution to environmental protection. Therefore, it is advised that practitioners develop strategies and use a variety of delivery methods (such as advertising, social media, or corporate websites) for the company's environmental objectives. The research results indicated that investor attitude mediates the link between investment choices and ESG perception. Even though the impact is only partially felt, it should be taken into account.

10. Limitations and Future Research

ESG investment is becoming more and more commonplace around the globe. Environmental and social harmony will be preserved due to the nation's improved ESG practices and implementation of ESG policies. Investors will receive a steady return on their money while also being held accountable to environmental, social, and economic goals. This can help pave the road for long-term prosperity. Various environmental, social, and governance issues confront corporations doing business in emerging and frontier countries, making them risky for long-term investors. Improving a company's environmental, social and governance performance by working constructively with the board and management teams can positively impact operational efficiency, risk management, and investor perception.

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