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Impact of ESG Factors on Sustainable Investment Decisions: The Mediating Role of Investor Trust and Perceived Financial Performance

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Abstract- Environmental, social and governance (ESG) considerations have moved from the margins of investing into the mainstream, yet individual investors do not respond to ESG information automatically. This study examines the impact of ESG factors on sustainable investment decisions among individual investors in Chennai, Tamil Nadu, and tests whether Investor Trust and Perceived Financial Performance mediate this relationship. Three independent variables (Environmental, Social and Governance Factors), two mediating variables (Investor Trust and Perceived Financial Performance) and one dependent variable (Sustainable Investment Decisions) were examined. A quantitative descriptive and causal design was adopted, and primary data were collected from 240 individual equity investors through a structured questionnaire on a five-point Likert scale. Data were analysed using IBM SPSS Statistics 26 through descriptive statistics, Cronbach's Alpha, Pearson correlation, one-way ANOVA, multiple regression and bootstrap-based mediation analysis. All three ESG factors significantly influence sustainable investment decisions, with Governance the strongest ($\beta = 0.431$). Investor Trust and Perceived Financial Performance partially mediate the effect of ESG factors: the total indirect effect (0.338) accounts for about 45.7% of the total effect, and trust is the stronger mediator. The full model explains 52.2% of the variance in sustainable investment decisions. The study offers implications for investors, fund managers, companies and regulators.

Keywords- ESG Factors, Sustainable Investment Decisions, Investor Trust, Perceived Financial Performance, Mediation, Chennai

I. Introduction

1. Background of the Study

Investors are increasingly asked to look beyond price and earnings and to consider how a company treats the environment, its employees and communities, and its own shareholders. These three dimensions, commonly grouped as environmental, social and governance (ESG) factors, now inform fund design, corporate reporting and regulation in most major markets. Evidence from more than two thousand empirical studies suggests that the relationship between ESG performance and corporate financial performance is, on balance, non-negative [1], and theoretical work shows that investor preferences for sustainable holdings can shift capital and expected returns [2]. In India, listed companies are required to publish business responsibility and sustainability

disclosures, and sustainability-themed funds have attracted growing attention from retail investors.

A company that performs well on ESG criteria can be seen as one that serves a wider set of stakeholders and manages its non-financial risks well [3]. Whether this translates into an actual investment decision, however, depends on how investors read the information. ESG ratings from different providers often disagree [4], and investors must decide how far to rely on disclosures and ratings and what returns to expect from sustainable investments. Two judgments therefore stand between ESG information and the decision to invest: whether the investor trusts the information and the institutions behind it, and whether the investor believes sustainable investing will perform well financially.

2. Problem Statement

Participation by individual investors in the Indian equity and mutual fund market has widened, and many of these investors are exposed to ESG-themed products for the first time. Some investors act on ESG considerations, while others treat them as marketing or doubt that they pay. Despite the importance of the subject, there is limited empirical evidence on how environmental, social and governance factors separately influence the investment decisions of individual investors in Chennai, and on the psychological channels, trust and expected financial performance, through which this influence works. This study addresses that gap.

3. Research Gap

Much of the sustainable investing literature examines institutional investors, fund flows or portfolio returns rather than the decisions and perceptions of individual investors [5], [6]. Studies that examine, within one model, the separate effects of the three ESG pillars and the mediating roles of investor trust and perceived financial performance in an Indian metropolitan setting are few. This study fills that gap using primary survey data from individual investors in Chennai.

4. Research Objectives

- To examine the influence of environmental factors on sustainable investment decisions.
- To assess the influence of social factors on sustainable investment decisions.
- To analyse the influence of governance factors on sustainable investment decisions.
- To examine the influence of ESG factors on investor trust and on perceived financial performance.
- To test the mediating role of investor trust and perceived financial performance in the relationship between ESG factors and sustainable investment decisions.
- To test whether the study variables differ across levels of investment experience.
- To suggest measures for investors, fund managers, companies and regulators.

5. Significance of the Study

The study contributes to the sustainable finance literature by providing evidence from an emerging-market city on how individual investors turn ESG information into decisions, and by showing the roles of trust and expected performance in that process.

For fund managers and advisers, the findings indicate whether investors need credible disclosure or evidence of performance. For companies, they show which ESG pillars matter most to investors. For regulators, they support investor-protection and ESG-disclosure initiatives.

II. Literature Review

1. ESG Factors and Financial Performance

Friede, Busch and Bassen [1] combined the results of about 2,200 studies and found that a large majority reported a non-negative relationship between ESG and financial performance. Eccles, Ioannou and Serafeim [7] found that firms with strong sustainability policies outperformed matched firms over the long term, and Khan, Serafeim and Yoon [8] showed that firms with good ratings on financially material sustainability issues earned higher returns. Governance has been linked to equity value as well: Gompers, Ishii and Metrick [9] found that firms with stronger shareholder rights had higher valuations and returns in the 1990s. Such evidence provides the basis for investors' expectation that ESG-oriented firms perform well.

2. ESG Factors and Investment Decisions

Riedl and Smeets [5] showed that investors who hold socially responsible mutual funds do so for both social preferences and expectations about returns. Hong and Kacperczyk [6] found that norm-constrained institutions avoid stocks of "sin" industries, which affects their pricing. Pástor, Stambaugh and Taylor [2] modelled how investors' tastes for green assets influence portfolio choice and expected returns. For individual investors, environmental conduct, treatment of employees and communities, and the quality of corporate governance are therefore each expected to influence whether and how much they invest in a company or fund.

3. Investor Trust

Trust is the willingness to rely on another party in the expectation that it will act with competence, integrity and goodwill [10], and it is a central ingredient of lasting relationships between providers and clients [11]. In sustainable investing, trust has a specific object: the accuracy of ESG disclosures, the credibility of ratings, and the oversight of regulators. Lins, Servaes and Tamayo [12] found that firms with high social capital performed better during the 2008–09 financial crisis, which they interpreted as a return to trust. Divergence among ESG rating providers [4] suggests that investor trust cannot be taken for granted. Investors who trust ESG information are expected to act on it more readily.

4. Perceived Financial Performance

Perceived financial performance refers to the investor's expectation of returns and risk protection from sustainable investments. Whatever the aggregate evidence [1], [8], individual investors act on their own beliefs. Those who believe that ESG practices lower long-term risk and support stable earnings are more likely to include ESG-oriented holdings in their portfolios, whereas those who expect a return sacrifice are likely to hold back [5].

5. Theoretical Foundation

The study draws on three frameworks. Stakeholder theory [3] explains why ESG performance is valued: firms that serve employees, communities and shareholders are seen as better managed. The theory of planned behaviour [13] holds that behaviour follows attitudes, perceived norms and perceived control, so that favourable beliefs about ESG, including trust and expected performance, should lead to investment intentions and choices. Signalling theory [14] explains why ESG disclosures matter only when they are credible, which gives trust a mediating role. Together they support the model proposed here, in which ESG factors influence decisions both directly and through trust and perceived financial performance, a pattern that can be tested by mediation analysis [15], [16].

6. Research Gap Identification

A critical analysis of the literature shows that studies typically examine ESG as a single score, rely on market or fund data, and give little attention to the beliefs through which ESG information reaches individual investors. The separate effects of environmental, social and governance factors on investment decisions, and the mediating roles of trust and perceived financial performance, have not been examined empirically for individual investors in Chennai.

III. Hypotheses Development

Based on the theoretical frameworks and the literature reviewed, the following hypotheses are proposed:

- **H1:** Environmental factors have a significant influence on sustainable investment decisions.
- **H2:** Social factors have a significant influence on sustainable investment decisions.
- **H3:** Governance factors have a significant influence on sustainable investment decisions.
- **H4:** ESG factors have a significant influence on investor trust.
- **H5:** ESG factors have a significant influence on perceived financial performance.
- **H6:** Investor trust has a significant influence on sustainable investment decisions.
- **H7:** Perceived financial performance has a significant influence on sustainable investment decisions.
- **H8:** Investor trust mediates the relationship between ESG factors and sustainable investment decisions.
- **H9:** Perceived financial performance mediates the relationship between ESG factors and sustainable investment decisions.

IV. Conceptual Framework / Research Model

The conceptual framework presents the proposed relationships among the three independent variables, the two mediating variables and the dependent variable, Sustainable Investment Decisions. ESG factors are expected to influence decisions directly (H1–H3) and indirectly through Investor Trust (H4, H6, H8) and Perceived Financial Performance (H5, H7, H9).

INDEPENDENT VARIABLES Environmental Factors Social Factors Governance Factors	H4, H5 →	MEDIATING VARIABLES Investor Trust Perceived Financial Performance H8, H9	H6, H7 →	DEPENDENT VARIABLE Sustainable Investment Decisions Direct effects: H1–H3

Figure 1: Conceptual Research Framework

V. Research Methodology

1. Research Design

The study adopts a quantitative, descriptive and causal research design. The descriptive component measures investors' perceptions of ESG factors, trust and expected performance, while the causal component assesses the direct and indirect effects of ESG factors on sustainable investment decisions. A cross-sectional survey was used to collect primary data.

2. Population, Sample and Sampling Technique

The population comprises individual retail investors in Chennai, Tamil Nadu, who hold a demat account and have invested in equities or mutual funds for at least one year. A sample of 240 respondents was obtained, which exceeds commonly recommended minimum sample sizes for multiple regression with five predictors [17]. Convenience sampling was employed, combined with the purposive criterion that respondents must be active investors. Respondents were approached through stockbroking offices, investor awareness programmes, workplaces and online investor communities. Although convenience sampling limits statistical generalisation, it is appropriate where a complete list of individual investors is not available.

3. Data Collection

Primary data were collected through a structured questionnaire administered in English and Tamil, through personal contact and online forms. A pilot study with 30 investors was conducted to test clarity and relevance, and minor changes were made. Out of 270 questionnaires distributed, 252 were returned, and after excluding incomplete responses, 240 valid questionnaires were retained for analysis, yielding a response rate of 88.9%.

4. Measurement Scale

All constructs were measured on a five-point Likert scale, where 5 indicates Strongly Agree and 1 indicates Strongly Disagree. Each of the three ESG factors, Investor Trust and Perceived Financial Performance was measured with four items adapted from the sustainable finance literature and contextualised to the Indian market. Sustainable Investment Decisions was measured with six items covering inclusion of ESG-rated holdings, willingness to invest more, negative screening, choice of ESG funds, long-term holding and recommendation to others.

5. Reliability and Validity

Internal consistency was assessed using Cronbach's Alpha [18], with values above 0.70 considered acceptable. Corrected item–total correlations were all above 0.50 (minimum

0.57). Content validity was established through review by two finance academics and one sustainable-finance practitioner. Multicollinearity among the predictors was within acceptable limits, with variance inflation factors between 1.48 and 1.71.

6. Statistical Tools

Data were analysed using IBM SPSS Statistics 26. The tools applied were frequency and percentage analysis, mean and standard deviation, Cronbach's Alpha, Pearson correlation, one-way ANOVA, multiple regression analysis [17] and mediation analysis using 5,000 bias-corrected bootstrap resamples [16]. All tests were conducted at the 0.05 significance level.

VI. Data Analysis and Results

1. Demographic Profile of Respondents

Table 1 presents the profile of the 240 respondents.

Table 1 – Demographic Profile of Respondents (N = 240)

Variable	Category	Frequency	Percentage (%)
Gender	Male	148	61.7
	Female	92	38.3
Age Group	Below 25 years	30	12.5
	26–35 years	102	42.5
	36–45 years	66	27.5
	Above 45 years	42	17.5
Education	Undergraduate	96	40.0
	Postgraduate	102	42.5
	Professional / Others	42	17.5
Occupation	Salaried	114	47.5
	Business / Self-employed	66	27.5
	Professionals	36	15.0
	Others (students, homemakers, retired)	24	10.0
Investment Experience	Below 2 years	54	22.5
	2–5 years	96	40.0
	6–10 years	60	25.0
	Above 10 years	30	12.5
Total		240	100.0

Interpretation

Table 1 shows that 61.7% of respondents are male and 38.3% female. The largest age group is 26–35 years (42.5%), followed by 36–45 years (27.5%), indicating a predominantly young and middle-aged investor base. Most respondents hold postgraduate (42.5%) or undergraduate (40.0%) qualifications, and salaried employees form the largest occupational group (47.5%). About 65% of respondents have between

2 and 10 years of investment experience, and only 12.5% have more than 10 years, which suggests that many respondents are relatively recent entrants to the market.

2. Descriptive Statistics – Sustainable Investment Decisions

Table 2 – Descriptive Statistics: Sustainable Investment Decisions

Statements	Mean	Std. D
I include ESG-rated companies in my investment portfolio.	4.09	0.74
I am willing to invest more in firms with strong ESG performance.	4.02	0.76
I screen out firms with poor ESG records before investing.	3.95	0.76
I would choose ESG-themed mutual funds or ETFs over conventional ones.	3.93	0.79
I am willing to hold sustainable investments for the long term.	3.98	0.78
I recommend sustainable investments to family and friends.	4.03	0.75

Interpretation

Mean scores range between 3.93 and 4.09, indicating that investors generally agree with the statements on sustainable investing. The highest mean is for including ESG-rated companies in the portfolio (4.09), followed by willingness to hold sustainable investments for the long term (4.03) and willingness to invest more in firms with strong ESG performance (4.02). The lowest mean is for choosing ESG-themed funds over conventional ones (3.93), which suggests that investors are more ready to favour ESG-rated companies than to switch products.

3. Descriptive Statistics and Reliability of All Variables

Table 3 – Descriptive Statistics and Reliability (Cronbach's Alpha)

Variable	No. of Items	Mean	Std. D	Cronbach's Alpha
Environmental Factors	4	4.05	0.61	0.81
Social Factors	4	3.98	0.65	0.82
Governance Factors	4	4.11	0.64	0.84
Investor Trust (Mediator)	4	3.98	0.68	0.82
Perceived Financial Performance (Mediator)	4	3.87	0.70	0.82
Sustainable Investment Decisions (DV)	6	4.00	0.60	0.88

Interpretation

Governance Factors have the highest mean among the independent variables (4.11), followed by Environmental (4.05) and Social Factors (3.98). Perceived Financial Performance has the lowest mean of all variables (3.87), indicating that investors are somewhat less certain about the financial payoff of sustainable investing than about the importance of ESG practices. The mean for Sustainable Investment Decisions is 4.00, showing a high overall inclination towards sustainable investing. Cronbach's Alpha values range from 0.81 to 0.88, all above the 0.70 threshold, confirming that the scales are internally consistent.

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4. Correlation Analysis

Table 4 – Correlation Matrix of Study Variables

Variable	1	2	3	4	5	6
1. Environmental	1					
2. Social	0.439	1				
3. Governance	0.488	0.454	1			
4. Investor Trust	0.391	0.461	0.488	1		
5. Perceived Fin. Perf.	0.444	0.356	0.498	0.403	1	
6. Sust. Inv. Decisions	0.482	0.419	0.595	0.608	0.486	1

Null Hypothesis (H0): There is no significant relationship between the study variables and sustainable investment decisions.

Interpretation

All correlations are positive and significant at the 1% level, and the null hypothesis is rejected. Among the ESG factors, Governance has the highest correlation with Sustainable Investment Decisions (r = 0.595), followed by Environmental (r = 0.482) and Social Factors (r = 0.419). The two mediators are also strongly related to decisions, with Investor Trust (r = 0.608) showing the highest correlation of all variables and Perceived Financial Performance (r = 0.486) a similar one to Environmental Factors. The ESG factors are moderately correlated with the mediators (r between 0.356 and 0.498), which is consistent with the proposed mediation structure.

5. One-Way ANOVA – Differences Across Investment Experience

Table 5 – One-Way ANOVA: Mean Scores by Investment Experience

Variable	Below 2 yrs	2–5 yrs	6–10 yrs	Above 10 yrs	F-value	p-value
Environmental Factors	4.12	3.97	4.09	4.08	0.90	0.444
Social Factors	4.08	3.92	4.06	3.81	1.67	0.173
Governance Factors	4.18	4.01	4.18	4.13	1.27	0.286
Investor Trust	3.82	3.98	4.17	3.86	2.94	0.034
Perceived Fin. Performance	3.78	3.79	4.16	3.72	4.78	0.003
Sust. Investment Decisions	3.90	3.94	4.18	4.01	2.59	0.053

Null Hypothesis (H0): There is no significant difference in the variables across levels of investment experience.

Interpretation

The null hypothesis is rejected for Investor Trust (F = 2.94, p = 0.034) and Perceived Financial Performance (F = 4.78, p = 0.003) but is retained for the three ESG factors (all p > 0.05). Investors with 6–10 years of experience report the highest trust and expected performance (4.17 and 4.16), while those with less than two years and more than ten years report lower values. The difference in Sustainable Investment Decisions is marginal (F = 2.59, p = 0.053) and not significant at the 5% level. Thus, the

importance investors attach to ESG factors is similar across experience groups, while the beliefs that connect ESG to decisions are not.

6. Regression Analysis – Direct Effects of ESG Factors

Table 6 – Effects of ESG Factors on Sustainable Investment Decisions

Model Summary: R = 0.644, R Square = 0.415, Adjusted R Square = 0.407, Std. Error of Estimate = 0.465, F(3, 236) = 55.72, p < 0.001.

Predictors	B	Std. Error	Beta	t-value	p-value
(Constant)	0.997	0.241	–	4.13	<0.001
Environmental Factors	0.211	0.058	0.215	3.62	<0.001
Social Factors	0.119	0.054	0.129	2.22	0.027
Governance Factors	0.408	0.057	0.431	7.20	<0.001

Null Hypothesis (H0): ESG factors do not significantly influence sustainable investment decisions.

Interpretation

The model is statistically significant (F = 55.72, p < 0.001), the null hypothesis is rejected, and ESG factors together explain 41.5% of the variance in sustainable investment decisions. Governance Factors are the strongest predictor (β = 0.431), followed by Environmental Factors (β = 0.215), both significant at the 1% level. Social Factors (β = 0.129) are significant at the 5% level (p = 0.027) and have the smallest effect. Hypotheses H1, H2 and H3 are therefore supported.

7. Effects of ESG Factors on the Mediators

Table 7 – Effects of ESG Factors on Investor Trust and Perceived Financial Performance

Dependent: Investor Trust	B	Std. Error	Beta	t-value	p-value
(Constant)	0.997	0.291	–	3.43	<0.001
Environmental Factors	0.136	0.070	0.124	1.93	0.054
Social Factors	0.276	0.065	0.267	4.27	<0.001
Governance Factors	0.324	0.068	0.306	4.74	<0.001
Dependent: Perceived Financial Performance	B	Std. Error	Beta	t-value	p-value
(Constant)	0.843	0.304	–	2.77	0.006
Environmental Factors	0.268	0.074	0.235	3.64	<0.001
Social Factors	0.107	0.068	0.100	1.58	0.116
Governance Factors	0.370	0.071	0.338	5.18	<0.001

Interpretation

Both models are significant. For Investor Trust, Governance (β = 0.306) and Social Factors (β = 0.267) are significant at the 1% level, while Environmental Factors (β = 0.124, p = 0.054) narrowly miss the 5% level. For Perceived Financial Performance, Governance (β = 0.338) and Environmental Factors (β = 0.235) are significant, but Social Factors are not (p = 0.116). Investors appear to trust ESG information most when

companies are well governed and socially responsible, and to expect better financial returns from well-governed and environmentally sound companies. H4 and H5 are supported, with the exceptions noted for individual factors.

8. Full Model with Mediators

Table 8 – Effects of ESG Factors and Mediators on Sustainable Investment Decisions

Model Summary: R = 0.723, R Square = 0.522, Adjusted R Square = 0.512, Std. Error of Estimate = 0.422, F(5, 234) = 51.14, p < 0.001.

Predictors	B	Std. Error	Beta	t-value	p-value
(Constant)	0.583	0.227	–	2.57	0.011
Environmental Factors	0.137	0.055	0.139	2.50	0.013
Social Factors	0.019	0.051	0.021	0.38	0.704
Governance Factors	0.262	0.056	0.277	4.69	<0.001
Investor Trust	0.316	0.050	0.354	6.38	<0.001
Perceived Financial Performance	0.118	0.047	0.136	2.48	0.014

Null Hypothesis (H0): Investor trust and perceived financial performance do not significantly influence sustainable investment decisions.

Interpretation

When the mediators are added, R Square rises from 0.415 to 0.522, so that the model explains 52.2% of the variance in sustainable investment decisions. Investor Trust is the strongest predictor (β = 0.354, p < 0.001), followed by Governance Factors (β = 0.277), Environmental Factors (β = 0.139) and Perceived Financial Performance (β = 0.136), all significant. Social Factors are no longer significant (β = 0.021, p = 0.704), which indicates that the influence of social factors operates through the mediators. H6 and H7 are supported.

9. Mediation Analysis

Table 9 – Mediation Analysis: ESG Factors (Composite) → Mediators → Sustainable Investment Decisions

Path	Estimate	Std. Error	t-value	95% Bootstrap CI
Total effect: ESG → Decisions (c)	0.740	–	12.29	–
ESG → Investor Trust (a1)	0.742	0.071	10.40	–
ESG → Perceived Fin. Performance (a2)	0.743	0.075	9.89	–
Investor Trust → Decisions (b1)	0.316	0.050	6.34	–
Perceived Fin. Performance → Decisions (b2)	0.139	0.047	2.92	–
Direct effect: ESG → Decisions (c')	0.402	–	5.57	–
Indirect effect via Investor Trust (a1 × b1)	0.235	–	–	[0.153, 0.326]

Indirect effect via Perceived Fin. Performance (a2 × b2)	0.103	–	–	[0.027, 0.179]
Total indirect effect	0.338	–	–	[0.224, 0.461]

Null Hypothesis (H0): Investor trust and perceived financial performance do not mediate the relationship between ESG factors and sustainable investment decisions.

Interpretation

The total effect of ESG factors on decisions is 0.740. After the mediators are included, the direct effect falls to 0.402 but remains significant, and both indirect effects have bootstrap confidence intervals that exclude zero. The indirect effect through Investor Trust (0.235) is more than twice that through Perceived Financial Performance (0.103). Together the mediators carry 0.338 of the total effect, about 45.7%, of which trust accounts for about 31.8% and perceived financial performance for about 13.9%. Because the direct effect remains significant, both mediations are partial, and H8 and H9 are supported.

Table 10 – Indirect Effects of Individual ESG Factors

ESG Factor	Via Investor Trust	Via Perceived Fin. Performance	Pattern
Environmental	0.043 [-0.002, 0.092]	0.031 [0.003, 0.068]	Partial (performance only)
Social	0.087 [0.041, 0.143]	0.013 [-0.004, 0.037]	Full mediation (trust)
Governance	0.102 [0.050, 0.162]	0.043 [0.005, 0.093]	Partial (both mediators)

The factor-level results show that the pathways differ. Social Factors influence decisions only through Investor Trust, since the direct effect is not significant (Table 8) and the interval for the trust pathway excludes zero. Governance Factors work through both mediators and keep a significant direct effect. Environmental Factors work through Perceived Financial Performance but not through trust, and also keep a direct effect.

VII. Findings and Recommendations

1. Findings

First, individual investors in Chennai show a high inclination towards sustainable investing (mean 4.00), and agree most strongly that governance is important (mean 4.11). Second, all three ESG factors significantly influence sustainable investment decisions, so H1 to H3 are supported, with Governance the strongest (β = 0.431) and Social Factors the weakest (β = 0.129).

Third, ESG factors increase both investor trust and perceived financial performance, and both mediators influence decisions, with trust (β = 0.354) the stronger. Fourth, the two mediators together account for about 45.7% of the total effect of ESG factors, and

the mediation is partial. Fifth, the effect of social factors operates wholly through trust, whereas governance and environmental factors also act directly. Sixth, trust and expected performance differ across experience groups, but the importance attached to ESG factors does not. Finally, the full model explains 52.2% of the variance in sustainable investment decisions.

2. Recommendations

Based on the findings, the following recommendations are made. First, companies should give priority to governance quality, namely board independence, transparency and fair treatment of minority shareholders, and should communicate it clearly, as it is the most influential ESG pillar. Second, since investor trust is the strongest channel, companies and rating providers should make ESG disclosures verifiable, consistent and comparable, and should have them independently assured.

Third, regulators and exchanges should strengthen the monitoring and enforcement of ESG reporting and take action against misleading sustainability claims, because trust in oversight underpins investor confidence. Fourth, fund managers and advisers should present clear evidence on the risk and return record of ESG products, since expected performance also influences decisions, and should avoid overstating returns. Fifth, investor education programmes should explain how ESG ratings are constructed and why they differ, especially for investors with less than two years of experience. Finally, companies should recognise that social initiatives build investor trust and should report their social outcomes credibly and consistently.

VIII. Conclusion

This study examined the impact of ESG factors on sustainable investment decisions among individual investors in Chennai and tested the mediating roles of investor trust and perceived financial performance. The results show that environmental, social and governance factors each influence investment decisions significantly, that governance matters most, and that a considerable part of the effect of ESG factors, about 46%, runs through the investor's trust in ESG information and expectations of financial performance, with trust the more important of the two.

The explanatory power of the full model ($R^2 = 0.522$) confirms that the proposed framework is a useful way of understanding how ESG information is converted into investment decisions. The study extends the sustainable finance literature to the setting of individual investors in an Indian metropolitan market. Its practical message is that ESG performance alone is not sufficient: it must be credible and be seen to pay.

The study has limitations, including the use of convenience sampling, a single city, cross-sectional data and self-reported intentions rather than actual portfolio holdings. Future research could use probability sampling, compare cities, combine survey data with fund-holding data, include moderating variables such as financial literacy, age and income, and test the model over time.

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