

THE EFFECT OF NON-FINANCIAL REPORTING ON INVESTMENT DECISION-MAKING AMONG RETAIL INVESTORS

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ABSTRACT

This paper aims to examine the current behavior *qua* retail investors regarding India's non-financial reporting and how non-financial reporting has impacted their decisions. The study further delves into the influence of various factors *viz-a-viz* non-financial reporting and the investment decision. Non-financial reporting has been represented by the standardized Business Responsibility and Sustainability Report. During the investigation and preparation of the present paper, the author has taken three independent variables and one dependent variable. The independent variables taken by the author are environmental variables, social variables, and governance as the third variable, whereas the responding variable is the investment decision. The author tries to collect data by distributing questionnaires among the retail investors who have applied for securities for less than Rs. 2,00,000/- with a sample size of 500 respondents. The questionnaire is designed taking into account all three independent variables mentioned above and the dependent

variable also mentioned above, and the questions have been prepared on these variables to conclude and provide findings *qua* the retail investor and their investment decision. Analysis of the study reveals that retail investors do not consider non-financial reporting while making investment decisions. Despite the extensive distribution of questionnaires, the findings indicate that most respondents did not prioritize non-financial reporting in their investment decision-making process. The limited impact on retail investors can be attributed to factors such as their lack of knowledge, inadequate ability to acquire the information, and a deficiency in accuracy. The study has implications for investors. To sustain in the present world, companies have been considering various ESG factors. The government has mandated the filing of non-financial reporting. If investors start considering non-financial reporting, the risk factors associated with their investments can be minimized, and the uncertainty of their investments can also be minimized, as ESG factors are important for the sustainability of the

company in the present world. This paper adds a significant contribution to the existing literature review on investment decision-making. The study has provided significant information as it covers retail investors who did not consider the ESG factors of companies before making the investment decisions regarding the companies. In previous literature reviews, the awareness and importance have increased in relation to non-financial reporting.

Keywords: Environmental, Social, and Governance (ESG) Disclosure, Investment Decision, Retail Investors, Non-Financial Reporting

I. INTRODUCTION

The reporting of the true and fair picture of the assets and liabilities, profit, and loss is the responsibility of the business and has been a trend since the evolution of the business. In fact, the correct representation of financial metrics is the demand of the investors as well as the law. The law has been strengthened from time to time to protect the money of individuals who have put in their hard-earned money in the business, looking at their financial position and financial metrics of the company. Various scams in India as well as worldwide, wherein the financials of the business have been fabricated, and inflated books were made to attract investors, eventually one day burst and led to the losses of crores and crores of the money of investors. To curb all these issues, the law in India has evolved, and SEBI and other watchdogs have become vigilant

regarding the financial aspects and metrics of the business so that the same cannot be repeated soon. Now, in contemporary times, financial reporting, although being the most important tool to judge the growth of businesses, has seen big business conglomerates as well as the government start acknowledging the requirement that businesses, apart from making profit, have responsibilities towards society, the environment, and maintaining good governance practices. Consequently, there is a mounting requirement from individuals and banks for businesses to prioritize sustainability. A broad term for non-financial reporting refers to any information disclosed to investors and other interested parties that isn't specified by an accounting standard (Turzo et al., 2022).

Evolution *qua* non-financial reporting in India finds its roots starting from **2009** with the introduction of corporate voluntary guidelines wherein the listed entities voluntarily adhered to reporting. In **2012**, the Securities Exchange Board of India initiated the first action for India's non-financial reporting. In **2012**, SEBI mandated the top **100 listed entities** to compile and publish Business Responsibility Reports (BRR) as per the Listing Obligation and Disclosure Requirement Regulations (Indicators & Approach, 2012). SEBI extended the reporting requirement to the top **500 listed businesses**, making BRR mandatory from April 1, 2016. The most recent development came in **2022**, which reflects a paradigm shift. The committee suggested that the Business Responsibility Report should change and be enhanced to the Business Responsibility

and Sustainability Report (BRSR) for better capturing the comprehensive reporting obligations. This BRSR became mandatory from the fiscal year 2022-2023. It has also been described in the form of an ESG perspective. In the BRSR format, nine principles have been described. All nine principles have been taken into the analysis. All principles have been divided into ESG factors with the help of existing literature reviews (de Souza Barbosa et al., 2023), (Mehra & Sharma, 2021), and (Ziolo et al., 2019).

Earlier papers have highlighted the advantages of ESG implementation for businesses (Bae et al., 2023). It has a considerable and long-term influence on the values and sustainability of businesses. Another research paper has shown a significant relationship between digital leadership, environmental, social, governance management, and organizational innovation. A business can gain superiority, improve operating effectiveness and reputation, reduce waste, and finally increase value and sustainability by incorporating ESG practices into management (Niu et al., 2022). The majority of the studies have focused on the relationship involving ESG and company financial growth. Another study has mainly contributed to how stock market investors' perceived risk attitudes and awareness affected their investment behavior. The findings of the study indicate that investor behavior is mismatched with knowledge and information (Kalyan et al., 2018). Institutional investors, as well as individual investors, view environmental, social, and

governance factors as crucial parts of their investing strategies.

In our opinion, studies on the current behavior of stock market investors via ESG are very few. For Indian retail investors, it is still relatively new and underdeveloped. There is a significant gap in this area of literature. **The study attempted to uncover the gap in the literature by examining the impact of ESG disclosure on investment decisions.** The format of the research article is as follows: Part 2 provides an extensive review of already present papers, delving into relevant studies and scholarly works. Part 3 elucidates the research methodologies employed in the study, offering insights into the strategies and approaches utilized. The results of the study are detailed in Part 4. Part 5 encompasses the study's conclusion. The implications of the research are discussed in Part 6. Part 7 systematically addresses limitations and outlines avenues for further research, providing a comprehensive perspective on both current constraints and prospective areas of exploration.

II. LITERATURE REVIEW

2.1 Literature related to non-financial reporting.

Report preparation is an extremely time-consuming, expensive, and difficult procedure that involves all corporate departments and operations. The main goal of the report is to give a true picture of the company. Sustainability reports provide

non-financial information about company operations, whereas financial reports provide the public with information about financial activity (Altinay & Üniversitesi, 2016). In certain nations, non-financial reporting is mandatory to publish, while in other countries, it is voluntary. Denmark, Norway, Sweden, Australia, and the Netherlands have enacted laws requiring businesses to provide yearly reports on their environmental performance. A rule requiring companies to declare their environmental and social impact was established in France in 2001, and a similar requirement was adopted in the UK in 2005 (Hoffmann et al., 2018). Publications on sustainability have risen dramatically in the past 20 years. A variety of words, such as integrated reporting, sustainability reporting, environmental reporting, and reporting on intellectual capital, have been used to designate the reports that disclose non-financial reporting (Tarquinio & Posadas, 2020). Now, companies have started to adopt sustainability reporting. Sustainability reporting is increasing due to stakeholder demands for increased openness on social and environmental issues. The quick expansion of corporations with disparate standards and procedures has led to significant challenges (Siew, 2015). This paper has contributed to non-financial factors. This article aims to examine the current situation of non-financial factors in Singapore and India, with a particular focus on board-related aspects of corporate governance (Nagar Alok, 2022). After it became mandatory to publish non-financial

reporting, research has moved to examine the effect of non-financial reporting on investment decisions. In the present study, investments have been distributed according to ESG considerations in sustainable investing. The relevance of sustainable investment to society is growing as more and more investors realize how important it is to fund businesses that work to prevent environmental damage and climate change while fostering corporate responsibility. The UN-SDGs have an effect on national policies related to the environment and sustainable growth initiatives (Chipkatti et al., 2021). This paper has contributed to India's non-financial reporting. In the next section, researchers discuss the literature on business responsibility and sustainability reporting.

2.2 Literature related to business responsibility and sustainability reporting

SEBI has initiated the first step towards standardized sustainability reporting in India, which is known as Business Responsibility Reporting (BRR). On August 13, 2012, SEBI announced that it had mandated the top 100 listed companies based on market size to issue the Business Responsibility Report (Business Responsibility Reporting, 2018). BRR is a tool for sustainability reporting (Consulting, 2022). SEBI issued a notice for new reporting based on ESG criteria on May 5, 2021. The top 1,000 listed companies based on market size have published BRSR instead of BRR (Indicators & Approach, 2022). In this paper, there is a detailed explanation

of BRR and BRSR. In BRR, there are five sections for the classification of information, such as general details, financial details, other details, BR information, and principle-wise information. BRR is based on NVGs on the social, environmental, and economic responsibilities of business. NVGs are a rule that Indian businesses must follow when operating in order to fulfill their obligations to the environment, society, and the economy. In BRSR, there are three sections, including a few more additions to the general information, management and process disclosures, and essential indicators with leadership indicators in detail (Menghnani, 2023). In this paper, two companies have conducted an analysis on which one has published complete ESG data. For the purpose of analysis, there are 15 sub-heads and a total of 74 contents in BRR. All the companies must report seventy-four contents in BRR (Agnihotri & Kumar Head, 2019). In the next part, researchers discuss the impact of ESG disclosure and investment decision-making.

2.3 Environment Disclosure and Investment Decision-Making

Making wise investment decisions is a crucial procedure that will affect investors in the long run.

There are several variables that may have an impact on investment performance, such as financial performance, stock volatility, behavioral biases, and firm performance (KUMAR Painoli, 2019). There are some papers that have not shown a significant impact

on investment decisions. The incorporation of ESG data in investment decisions has not been considered by individual investors. Individual investors lack the knowledge, understanding, and body of literature necessary to be inspired to take ESG aspects into account while investing (Park & Oh, 2022). In recent years, environmental, social, and governance factors have also been important factors in making investment decisions. Based on this paper, environmental information factors have not shown a significant impact on investment decisions (Husnah et al., 2023). This research has been supervised in Nepal. In this developing country, there is a negative and insignificant effect between environmental factors and investment decision-making because individuals may not be aware of the possible environmental risks and opportunities connected to the investments (Karmacharya, 2023). In the next part, the literature discusses social disclosure and investment decisions.

2.4 Social disclosure and investment decision making

Social disclosure includes issues related to human rights, respect for stakeholders, engagement with consumers, corporate social responsibilities, and the well-being of employees. The majority of the investors were reluctant to forgo financial gain in favor of socially conscious business practices (Hill et al., 2007). This factor is important for long-term and short-term investment decisions. Based on the existing literature review, there is no substantial effect between social considerations and investing. In this study, all the respondents

asserted that only financial information is considered when making investment decisions. There is no use of CSR information in investment decisions (Teng et al., 2021). This literature suggested that retail investors do not substantially modify their investment in response to ESG disclosures. Investors have a significant impact on financial portfolios without relying on ESG press releases. The focus of non-ESG press releases, encompassing earnings announcements, financial statements, and stock volatility, remains influential in shaping investor decisions (Moss et al., 2023). In the next part, the literature discusses governance disclosure and investment decisions.

2.5 Governance disclosure and investment decision making

There are multiple factors to understand the connection between ESG disclosure and investment decision-making. In this work, a framework and sentiments of various stock investors in relation to ESG matters have been taken into account in respect of Bangladesh (Sultana et al., 2018). The objective is to identify the true elements that impact investors' decision-making by closely examining certain aspects of ESG disclosures, such as social, environmental, and governance measures (Kumar Painoli, 2019). The results show that retail investors are not very familiar with ESG. Since many investors think that investing can be a means of bringing about change and that ESG investing can produce results comparable to those of non-ESG investments, it appears that a lack of understanding is the main obstacle to ESG investing (Mottola et al., 2022).

III. RESEARCH METHODOLOGY

3.1 Statement of Problem

The statement of the problem in this paper is to understand the current behavior of non-financial reporting. It has been observed by the researcher that, in comparison to the world, very few have made efforts to conduct research on non-financial reporting in India. The other research aspect is that retail investors have information about the ESG factors of specific companies they are interested in investing in.

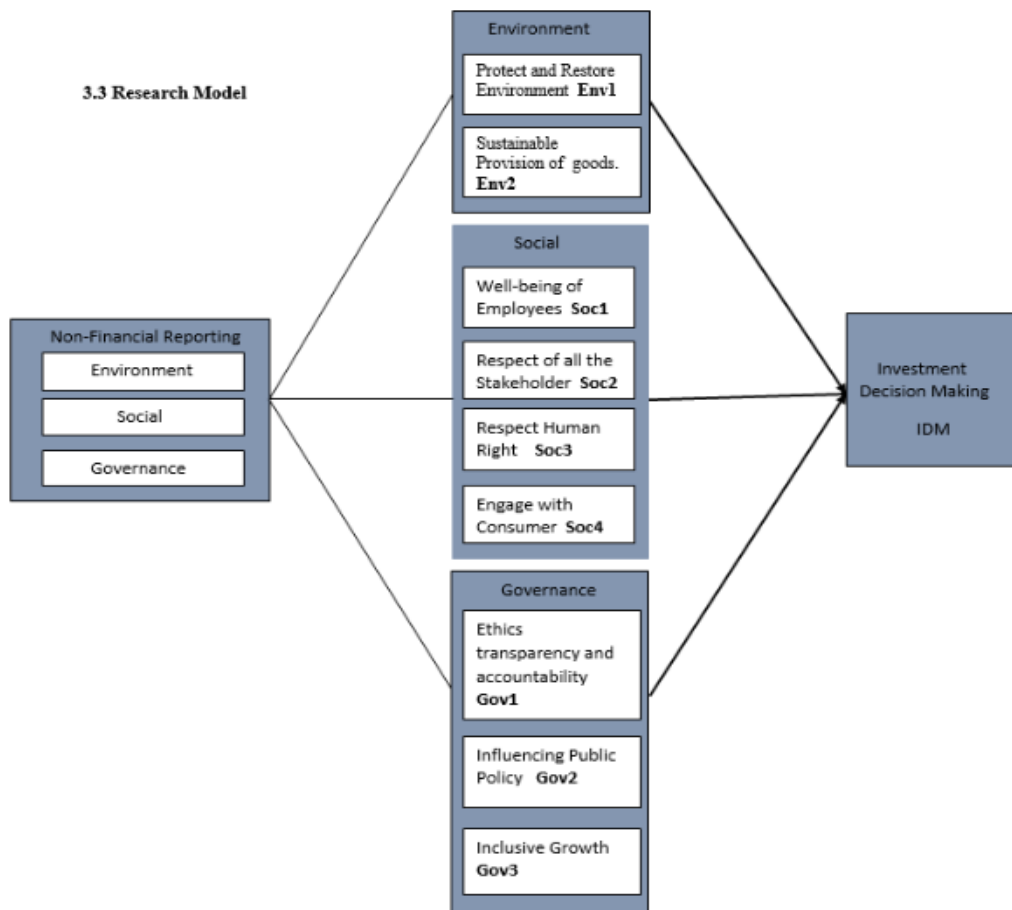
3.2 Research Design

This study employed a research questionnaire methodology, with the survey distributed online to reach a broad audience. The data for the research work was collected from retail investors. The research utilized purposive sampling, a non-probability method that involves the selection of respondents based on specific attributes, which are retail investors engaged in the stock market. With the help of the existing literature review, the structured questionnaire was framed. Responses were collected with the help of a structured questionnaire whose reliability was established at a Cronbach alpha value of .796. In the results, the reliability and validity of constructs and statements were also discussed. Thousands of questionnaires were distributed online to friends, family, Amity University, IP University, teachers, investment channels, and Instagram. However, only 500 respondents filled in the questionnaire. Subsequently, 55 respondents who did not meet the criteria

of being retail investors and 45 respondents with missing information were excluded. 400 responses were considered for analysis, and the rationale for selecting 400 responses is that the researcher had 30 statements in hand, and as per the thumb rule, the number of respondents should be at least 10 times the number of statements. The questionnaire comprised forty-four questions. There were thirty questions structured on the Likert scale from strongly disagree to strongly agree; therefore, the thumb rule is that $30 \times 10 = 300$ is required as the minimum sample size for analysis. Demographic

questions consisted of seven questions, and the remaining seven questions were based on background information.

The survey was designed in such a way that it starts from strongly disagree to agree based on a five-point Likert scale. The author identified statements in the questionnaire that were based on similar studies. Statements were discussed at the end. Various statistical analyses were conducted. It included a demographic summary using SPSS, which was discussed in Table 1. The study applied PLS-SEM to understand the relationship between the variables.



The research model aims to understand the effect of ESG on investing. Non-financial reporting has encompassed three factors: environment, social, and governance. The Securities and Exchange Board of India has introduced standardized non-financial reporting (BRSR, 2021). SEBI has issued a regulatory framework for enhancing ESG disclosure. In the standardized format of Business Responsibility and Sustainability Reporting, nine principles consist of ethical transparency and accountability (Principle 1), sustainable provision for goods and services (Principle 2), well-being of employees (Principle 3), respect for the interests of all stakeholders (Principle 4), respect for human rights (Principle 5), protection and restoration of the environment (Principle 6), influencing public policy (Principle 7), inclusive growth (Principle 8), and engaging with customers (Principle 9). These principles have been divided into ESG factors based on existing research papers. Protecting and restoring the environment (de Souza Barbosa et al., 2023) and the sustainable provision of goods have been included in environmental disclosure. Well-being of employees (Mehra & Sharma, 2021), respect for the interests of all stakeholders, respect for human rights (Ziolo et al., 2019), and engaging with customers have been included in social disclosure. Ethical transparency and

accountability (Ziolo et al., 2019), influencing public policy, and inclusive growth have been included in governance disclosure. Certainly, the research model comprises nine independent variables, each corresponding to a specific principle. The dependent variable under investigation is investment decision-making.

3.4 Objective of the study

To analyze the effect of environmental disclosures in shaping the investment decision of retail investors.

To analyze the effect of social disclosures in shaping the investment decision of retail investors.

To analyze the effect of governance disclosures in shaping the investment decision of retail investors.

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3.5 Hypothesis

H1: The impact of environmental disclosure on investment decision-making is significant.

H2: The impact of social disclosure on investment decisions is significant.

H3: The impact of governance disclosure on investment decisions is significant.

IV RESULTS

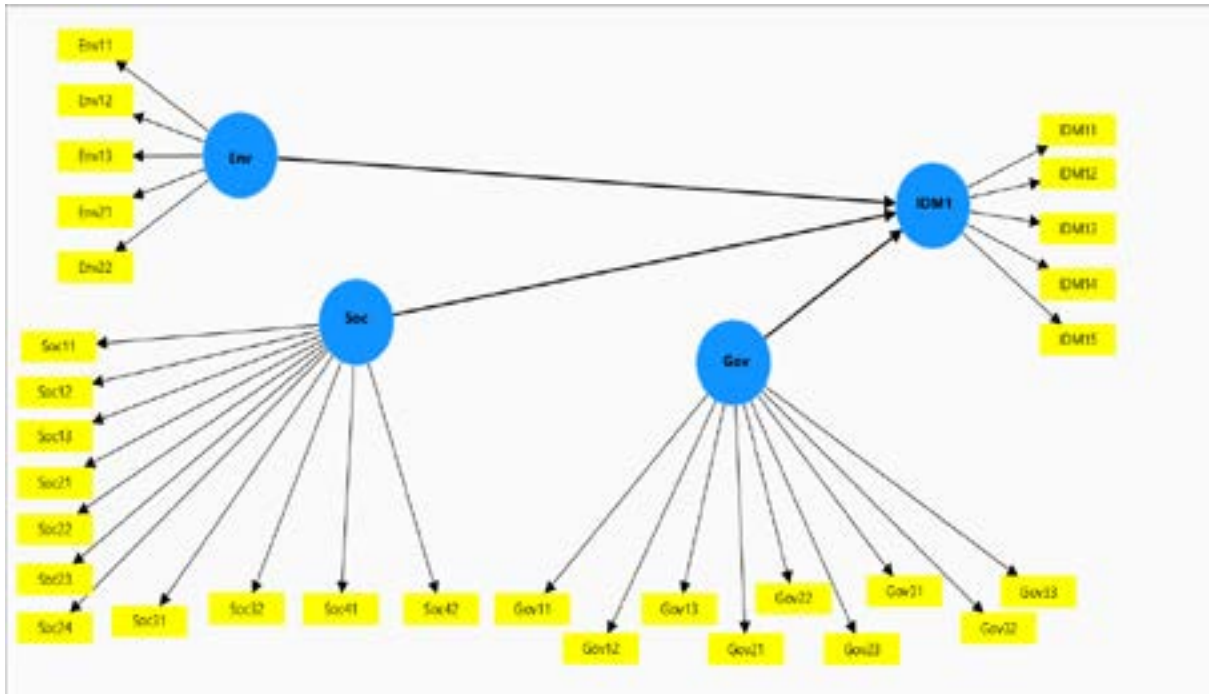
Table -1 Descriptive Statistics

S.no	Item	Description	Sample	Percentage
1	Retail Investor	YES NO	400 55	87.91% 12.09%

2	Gender	Male Female Others	214 186 -	53.5% 46.5%
3	Age	20-40years 40-60years Above 60years	180 122 98	45% 30.5% 24.5%
4	Education	Matriculate Intermediate Graduate Post-Graduate Others	44 56 109 122 69	11% 14% 27.25% 30.5% 17.25%
5	Occupation	Government Private Self-employed Unemployed Students Others	97 93 88 55 45 22	24.25% 23.25% 22% 13.75% 11.25% 5.5%
6	Monthly- Income	Below 30,000Rs 30,000Rs - 70,000Rs 70,000Rs - 1,00,000Rs Above 1,00,000Rs	55 104 143 98	13.75% 26% 35.75% 24.5%
7	Experience	Less than 3 years 3 – 5 years Above 5 years	89 238 73	22.25% 59.50% 18.25%

Table 1 displays the population characteristics of participants in this present paper. The demographic characteristics reveal a gender distribution, with the majority being male (53.5%). The age bracket of 20-40 years represents the predominant segment of participants, with a significant portion holding post-graduate degrees (30.5%). In terms of

professional experience, a substantial proportion of respondents fall within the three to five years range (59.50%). When considering monthly income, the largest contingent earns between 70,000 and 100,000 Rs, constituting 35.75% of the sample. (Dutta et al., 2020) conducted this analysis.



The model has made up four constructs such as environment (Env), social (Soc), governance (Gov), and investment decision making (IDM). In the four constructs, three variables are independent, and one variable is dependent. The latent variable of Env has five items which

are denoted as Env11, Env12, Env13, Env21, and Env22. Structural equation modeling has two models. The measurement model has analyzed the reliability, validity, factor loading, and model fitness, and the structural model has explained the relationship between the variables.

Table 2 - Measurement Model

S.no	Construct	Construct Parameters	Items	Factor Loading
1.	Environment	Protect to restore Environment Env1	Env11	0.722
			Env12	0.844
			Env13	0.681
		Sustainable Provision of Goods Env2	Env21	0.911
			Env22	0.847
2.	Social	Well-being of Employees Soc1	Soc11	0.850
			Soc12	0.916
			Soc13	0.748
		Respect of all the stakeholder Soc2	Soc21	0.866
			Soc22	0.941
			Soc23	0.985
			Soc24	0.784
		Respect Human Rights Soc3	Soc31	0.782
			Soc32	0.810
		Engage With Consumers Soc4	Soc41	0.912
			Soc42	0.922

3.	Governance	Ethics and accountability Gov1	Gov11	0.951
			Gov12	0.845
			Gov13	0.959
		Influencing Public Policy Gov2	Gov21	0.881
			Gov22	0.957
			Gov23	0.906
		Inclusive Growth Gov3	Gov31	0.931
			Gov32	0.931
			Gov33	0.927
4.	Investment Decision Making	Investment Decision Making IDM	IDM11	0.798
			IDM12	0.885
			IDM13	0.618
			IDM14	0.831
			IDM15	0.951

Two essential parts have been considered in the Partial Least Squares (PLS) model. The Measurement Model delineates the relevant indicators employed to gauge latent variables. A factor loading value exceeding 0.5 indicates that more than 50% of the variance in the indicator is explained by the construct, establishing acceptable item reliability. Environment Disclosure has five indicators. The loading value of every item is higher than 0.5. Social Disclosure has eleven indicators. The factor loading value of each indicator is more than the threshold limit of 0.5. The Governance

Disclosure has nine indicators. The loading value of every item is greater than the threshold limit of 0.5. Investment decision-making has five indicators, and all five indicators have a value greater than 0.5. This affirms that the construct effectively elucidates the variance in each indicator, thereby demonstrating satisfactory reliability. The model encompasses four constructs, and all factor loading values are above the 0.5 threshold. It indicates that each construct adequately explains its corresponding indicators. No elimination of any statement is deemed necessary based on these results.

Construct	Cronbach's alpha	Composite reliability	Average variance extracted(AVE)
IDM	0.790	0.732	0.765
Env	0.753	0.920	0.827
Soc	0.818	0.759	0.619
Gov	0.732	0.785	0.743

In the assessment of construct reliability and validity, the focus is on establishing the internal consistency of each construct. Cronbach's alpha values fall within the range of (0.732-0.818), exceeding the widely accepted threshold of 0.7. This adherence to the rule of thumb strengthens the internal consistency of the constructs. Similarly, the composite trustworthiness

values above the 0.7 criterion for all constructs range from 0.732 to 0.920. This supports the constructs' reliability even further. Individual indicators are not used in the computations to assess construct validity. All constructs' AVE values, which range from 0.619 to 0.827 and are more than the cutoff value of 0.5, also satisfy the criteria (Dwi Wahyuni, 2019). This

comprehensive assessment, detailed in table 3, substantiates the reliability and validity of the constructs.

Table 4 - Discriminant Validity

Construct	IDM	Env	Soc	Gov
IDM	0.859			
Env	0.616	0.841		
Soc	0.134	0.121	0.831	
Gov	0.015	0.152	0.524	0.844

Discriminant validity ensures that each variable is distinct and depicts events not described by other variables in the model. Table 4 employs the Fornell-Larcker Criterion method, one of three approaches for assessing discriminant validity, alongside cross-loading and Heterotrait-Monotrait (HTMT) methods. According to the Fornell-Larcker Criterion technique, the extracted square root of the average variance for each variable must be superior to the variance shared by all other constructs. Stated differently, the confirmation of a construct's discriminant legitimacy occurs when the square root of the extracted average variance is greater than the variance shared by other constructs.

Table 5- Model fitness

	Saturated model	Estimated model
SRMR	0.062	0.062
NFI	0.731	0.731

The SRMR (Standardized Root Mean Square Residual), which is 0.062, and the cutoff is

<0.10, which satisfies means, the model is fit for considering for hypotheses analysis in table 5.

<0.10, which indicates that the model is fit for consideration for hypothesis analysis in Table 5.

The table presents the strong method for estimating structural equation modeling, which is used in Smart PLS in a way similar to OLS in regression. Determining the influence of non-financial reporting on investment decision-making is the study's goal. The first hypothesis test findings indicate that environmental disclosure (Env) is found to have an insignificant association with investor decision-making (IDM). A p-value of 0.138 ($P > 0.01$) and a T-statistics value of 1.483 are obtained from the first hypothesis (Rounok et al., 2023). The second hypothesis test findings indicate that social disclosure (Soc) is found to have an insignificant effect while making an investment decision (IDM). A p-value of 0.230 ($P > 0.01$) and a T-statistics value of 1.200 are found from the second hypothesis. In other words, the p-value is greater than 0.01, which confirms the insignificant relationship between the variables. The third hypothesis testing explains the impact between governance disclosure and investment decision-making. The third hypothesis concludes that governance disclosure (Gov) has no significant effect while making an investment decision (IDM). A p-value of 0.611 ($P > 0.01$) and a T-statistics value of 0.50 are found from the third hypothesis. Retail investors (Rounok et al., 2023) know about ESG, but they do not consider ESG factors while making the investment decision process. The similar study is in line with (Husnah et al., 2023), (Park & Oh, 2022), (Teng et al., 2021), (Mottola et al.,

2022), (Moss et al., 2023), (Li et al., 2019), and (Sinha & Datta, n.d.).

Table 6- Hypothesis Testing

	Standard deviation(STDEV)	T statistics	P values	Decision
Env IDM	0.073	1.483	0.138	Rejected
Soc ATT	0.130	1.200	0.230	Rejected
Gov IDM	0.099	0.50	0.611	Rejected

V. CONCLUSION

In contemporary times, the significance of non-financial reporting has grown, acknowledging that corporate responsibility extends beyond financial metrics. The study's conclusions show that most investors were male, with a higher level of education and a monthly income of 70,000 to 1,00,000 Rs. The maximum investor has also made investments for a duration of three to five years. Every person is unique because of a variety of criteria, such as age, gender, education level, and social and economic background; the same situation applies to the investors. Retail investment decisions have not been influenced by demographic factors (Rajashekar, 2016), but the occupation of retail investors has impacted their investment decisions. The current study used Ajzen's (1991) theory of planned behavior to examine how retail investors behaved towards ESG investment (Rounok et al., 2023). Retail investors are guided by various reasons while engaging in the stock market. Key considerations include company

goodwill, firm image, personal financial needs, government and economic factors, accounting performance, stock volatility, and other factors (Bashir, 2023). While investors are generally aware of ESG factors, these considerations are often not factored into investment decisions. Research indicates that the current behavior of retail investors does not significantly impact investment decisions regarding ESG disclosure. There are three key reasons why ESG factors are not considered while making investment decisions. The first explanation is that investors in developing nations, such as India, may not view ESG factors because of less awareness about the environmental dangers and prospects associated with investment decisions (Karmacharya, 2023). The second reason is that there are few reliable sources of ESG data available. Thirdly, further data assessment is needed in emerging markets to comprehend how a company's financial performance might be improved by its sustainability initiatives (Sinha & Datta, 2014). The researcher posed the question, "Are you aware of any of

these reports?” Options were given such as sustainability reporting, business responsibility reporting, corporate responsibility reporting, all of the above, and none of the above. Sixty-nine percent of respondents replied that yes, they know corporate social responsibilities. Twenty-four percent of respondents said they know all of the above, meaning that they are aware of all the reporting. When the researcher asked the next question, “Have you ever read this report?” 11% of respondents said yes; they have read the non-financial reporting. Based on the results, raising awareness of the implications of ESG elements in decision-making processes is the main objective of the study. The demographic factor of the 11% of respondents is government accountants. Among these respondents are four males and three females. Due to their accounting profession, they work on annual reports and have detailed information about business responsibility reporting. All seven respondents have a monthly income above 1,00,000/-. This promotes retail investors to include ESG factors into their investing decisions, highlighting the possible long-term advantages and beneficial effects on businesses and society.

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VI. IMPLICATION

The study's findings suggest that incorporating sustainability reporting factors disclosures in annual reports enhances transparency and bridges the information gap between investors and companies. Policymakers have the potential to develop rules that provide enterprises with lower-cost financing based on sustainability performance and practices (Tewari, 2023).

It is a fact that stakeholders are investors, employees, customers, suppliers, communities, governments, or trade associations. The primary concern in relation to stakeholders regarding ESG disclosures is credibility. The improved transparency has the potential to drive companies towards more efficient and successful resource consumption, including initiatives related to waste management and other sustainable practices. Stakeholder awareness and involvement will ultimately have a positive impact on making investment decisions regarding ESG disclosures (Teng et al., 2021). Investors have more interest in regular updates on a company's share value and net worth. Additionally, it is recommended that businesses concentrate mainly on public image by addressing negative perceptions from the past, promoting word-of-mouth, or maintaining a presence on social media and other marketing channels.

This study has made a significant contribution in terms of raising retail investors' awareness during the decision-making process. Investors obtain quality information, and doing appropriate analysis of that information can aid in the process of making investment decisions. It also reduces the level of uncertainty and risk (Park & Oh, 2022). It sheds light on one of the factors contributing to the wealth creation disparity between institutional and non-institutional investors. Recognizing that wealth creation is pivotal for economic growth, as it directly fuels expansion through increased consumer spending, job creation, enhanced corporate profits, and other influential factors. The implications of these conclusions extend beyond the investment landscape.

Acknowledging the role of ESG disclosures in shaping investment decisions, these findings emphasize the broader economic ramifications and underscore the importance of integrating sustainability considerations into decision-making processes and policy frameworks.

VII. LIMITATIONS AND FUTURE SCOPE

The complete article has certain drawbacks that warrant acknowledgment. It focuses exclusively on non-financial reporting from India, narrowing its scope amidst various reporting alternatives like the Triple Bottom Line, Integrated Reporting, and the Climate Disclosure Standards Board. The analysis concentrates specifically on business responsibility and sustainability reporting. It is essential to note that data from other investors such as private equity investors, angel investors, personal investors, and high-net-worth individual investors has not been incorporated in this study. As with any study, there exists the opportunity to enhance the depth and breadth of research. This research paper highlights the need and potential for further research in this evolving field.

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Annexure- 1

Construct	Items	Statements	References
Environment	Env11	Investors want to finance in business that are devoted to climate change and global warming.	(Tripopsakul & Puriwat, 2022), (Zhang et al., 2024)
	Env12	Investors want to finance in business that utilize materials, energy, and water in an effective manner and find new ways to be friendly to the environment.	
	Env13	Investors desire to invest in business that reduce greenhouse gases that are harmful to the environment.	
	Env21	Investors avoid investing in companies which produce toxic products and contributing to global warming	
	Env22	Investors desire to invest in business that focus on the effective management of waste and recycling disposal activities.	
Social	Soc11	Investors desire to finance in business that enable their employees to learn new things and gain better jobs by providing them with training and education.	(Popescu & Popescu, 2019) (Tripopsakul & Puriwat, 2022), (Karmacharya, 2023)
	Soc12	Investors desire to invest which ensuring the safety and health measurement of employees	
	Soc13	I want to invest in companies that give good benefits to their employees.	
	Soc21	Investors desire to put their money into businesses that priorities paying their debts to partners and stockholders.	
	Soc22	My preference is to invest in businesses that are aware of the opinions of the public on their social practices.	
	Soc23	My investment portfolio consists of businesses that provide equal opportunity, a work-life balance, and family-friendly policies to their employees, all of which contribute to their happiness and productivity.	
	Soc24	I am looking to invest in organization that believe ESG criteria affect shareholder value both in the long and short run.	
	Soc31	My preference is to invest in businesses that respect human rights by abstaining from the use of child or forced labor.	
	Soc32	My preference is to invest in businesses that use a greater labor intensity to find fresh investment prospects.	
	Soc41	Investors wish to finance in business that produce high-quality goods and disclose to consumers their ingredients and safety status.	
	Soc42	Investors wish to finance in companies that engage in CSR initiatives since they boost a company's consumer base's degree of trust.	

Governance	Gov11	I would like to invest in businesses that abide with financial reporting regulations.	(Karmacharya, 2023), (Yusaimi Hamid et al., 2023),
	Gov12	Investing in businesses with a committee that monitors the company's financial performance is what I wish to do.	
	Gov13	I want to put money into businesses that hire independent audits.	
	Gov21	Investing in companies with anti-corruption and anti-bribery measures is my goal.	
	Gov22	I want to put money into businesses that treat all of their shareholders equally, even those who have a smaller stake than the others.	
	Gov23	I want to put money into businesses that have taken specific steps to address waste management challenges.	
	Gov31	I would like to put money into businesses that think about collaborating with sustainable frameworks.	
	Gov32	Investors wish to invest in businesses that have set goals for their sustainability initiatives and have created measurements and reporting systems for the same.	
	Gov32	Investor desire to finance in businesses that make sound judgements based on a well-defined plan.	
Investment Decision Making	IDM11	Investors believe that environment, social and governance (ESG) factors are an important valuation tool to improve investment analysis	(Sinha & Mani padma, 2017) (Sinha & Datta, 2020)
	IDM12	Investors feel that it is important to proactively identify opportunities for ESG improvements for your investment	
	IDM13	Investors believe that there is a need for screening portfolio based on ESG criteria	
	IDM14	I periodically assess and modify my investment portfolio in response to market fluctuations and my individual financial objectives.	
	IDM15	Investors believe that company's social, environmental, and ethical performance is not as important to me as its financial performance.	