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FRAMING SUSTAINABLE INVESTMENTS: A NARRATIVE STUDY INTO INFLUENCING FACTORS

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ABSTRACT

As sustainable investments gain immense momentum worldwide, this article examines the intricate relationship between sustainable investments and the factors influencing an investor's decision-making. Our choice to explore sustainable investment relies in the realm of financial growth and societal impact. These investments, characterized by the integration of ESG criteria (Environmental, Social, and Governance), are increasingly recognized globally for their potential to deliver long-term economic returns while aligning with ethical beliefs. This research explores both internal and external factors. On one hand, internal factors include financial performance, behavioral finance (encompassing emotional and psychological drivers), demographic influences such as the age and gender of investors, and, notably, risk perception and aversion. While risk tolerance could straddle internal and external dimensions, understanding is crucial as an internal determinant. On the other hand, external factors include government regulations and policies, market demand, public perception, and the availability and accessibility of information. By defining foundational concepts and synthesizing perspectives, this research delivers valuable insights for policymakers, investors, and individuals aiming to foster sustainable development generally and sustainable investment specifically.

Key Words: Sustainability, Investment, Sustainable Investment, Impact Investing, Decision-Making, Internal Factors, External Factors, Influence.

RESUMÉ

Alors que les investissements durables gagnent en popularité dans le monde entier, cet article examine la relation complexe entre les investissements durables et les facteurs qui influencent la prise de décision d'un investisseur. Notre choix d'explorer l'investissement durable repose sur la croissance financière et les répercussions sociales. Ces investissements, caractérisés par l'intégration de critères ESG (environnement, social et gouvernance), sont de plus en plus reconnus à l'échelle mondiale pour leur potentiel d'offrir des rendements économiques à long terme tout en respectant les croyances éthiques. Cette recherche explore les facteurs internes et externes. D'une part, les facteurs internes comprennent la performance financière, la finance comportementale (englobant les facteurs émotionnels et psychologiques), les influences démographiques telles que l'âge et le sexe des investisseurs, et, notamment, la perception du risque et l'aversion. Bien que la tolérance au risque puisse s'étendre aux dimensions interne et externe, sa compréhension est cruciale en tant que déterminant interne. D'autre part, les facteurs externes comprennent les réglementations et les politiques gouvernementales, la demande du marché, la perception du public, et la disponibilité et l'accessibilité de l'information. En définissant des concepts fondamentaux et en synthétisant les perspectives, cette recherche fournit des renseignements précieux aux décideurs politiques, aux investisseurs et aux particuliers qui visent à favoriser le développement durable en général et l'investissement durable en particulier.

Mot clefs* : *Durabilité, Investissement, Investissement durable, Investissement d'impact, Prise de décision, Facteurs internes, Facteurs externes, Influence.

INTRODUCTION

In today's rapidly changing financial world, the concept of green finance is reshaping how the industry operates, putting ecological and social responsibility at the heart of investment decisions. Sustainable development has become a central focus, with pressing challenges such as resource scarcity, climate change, and social inequality increasingly recognized. We have decided to delve deeper into the realm of sustainable investments to investigate their real impact. This research dives into the deep connection between sustainable investments and the choices investors make. At its core, this topic bridges the fields of finance and sustainability, which are increasingly intertwined. The goal of this study is to explore the key factors—both internal and external—that shape how and why investors decide to support sustainable initiatives. This research aims to contribute by offering a clearer aspect for investing and understanding further complexities to future individuals concerned with sustainability.

Today, many investors are attracted to SI (Sustainable Investment) due to their altruistic motives (Hartzmark & Sussman, 2017; Riedl & Smeets, 2017), expecting that SI will allow them to make a positive impact. Policy makers are discussing Sustainable Investment as a potential mechanism for mitigating climate change (International Panel on Climate Change, 2018) and for helping us realize the United Nations' Sustainable Development Goals (SDGs; Betti et al., 2018). Banks and asset managers are also catering to these expectations by offering more and more investment products that emphasize sustainability, responsibility, and—increasingly—impact (Global Sustainable Investment Alliance [GSIA], 2018).

While examining prior literature review, we encountered a relevant study exploring the perception of sustainable investments and their impact on investment decisions in Indonesia, Asia (Chandra, H., Hutagaol-Martowidjojo, Y., & Widjaja, A. (2024). Although the study highlighted a number of key drivers that shape investor's choice, including risk tolerance, the perception of these investments, and demographic factors as well, a variety of additional pivotal intrinsic and extrinsic factors such as emotional identification, government regulations, accessibility of sustainability information and financial performance are still poorly addressed. These research gaps form the groundwork of our study, which seeks to deliver an inclusive perspective of the various factors forming sustainable investment decisions.

To address the following gaps, this research is an examination of previous existing literature on sustainable investments, and the factors influencing a sustainable investments decision. In this paper, we aim to shed light on the following research question:

What are the key drivers for investors preferring sustainable investments over traditional options?

1. OBJECTIVES

This research sets three primary objectives. Firstly, we aim to understand the difference between the seemingly similar keywords that are related to sustainable investments and clarifying the nuances between them. Secondly, we seek to analyze the various factors influencing an investor's decision-making process, exploring how these drivers shape investment choices. Lastly, this paper aspires to assess which of these factors, internal and external, collectively impact the alignment of investments with the ESG criteria. By setting these objectives, this work will provide future investors with a better perspective to invest and for understanding further complexities.

2. METHODOLOGY

In order to investigates the determinants influencing a sustainable investment decision, this research adopts a focused literature review from peer-reviewed articles across various academic databases, including Google Scholar, Scopus, Web of Science, Springer, Cairn, and Jstor. Specific keywords were used such as “sustainable investment”, “Impact Investing”, “Socially Responsible Investment”, “Influencing Factors”, and other relevant terms were employed, resulting in a total of 50 academic research articles consulted in order to provide this in-depth analysis.

The present study, a narrative literature review is undertaken with the intention of analyzing the evolution and interpretation of Sustainable Investments. The literature review is perceived a thorough exploration that seeks to collect insights on a particular topic through the examination of existing literature. (Oliver, 2012). The aim of the narrative literature review is to synthesize the disjointed understanding of prior inquiries on Sustainable Investments. This research provides an illustrative perspective of information compiled, presented and given meaning. In addition, this review adheres to more flexible yet less rigid techniques than systematic reviews (Ferrari, 2015). Thus, the present research does not intend to standardize the findings collected to the public (Tranfield et al., 2003), but to offer a clarification of the review which permits a clearer comprehension of the field of study of Sustainable Investments.

However, a distinguished selection was applied to ensure the retention of only the most pertinent and non-redundant articles. The inclusion criteria were based on the reputability of the sources, the citation frequency of the articles and authors, and the relevance of the abstracts to the research topic.

To achieve our stated objectives, this research employed a narrative methodology. The data was collected and examined on the sustainable investments, the difference between traditional and sustainable portfolios, shedding light on their profitability over time. The data analysis involved the use of theoretical methods to assess the correlation between sustainability practices and influencing factors, exploring their alignment with environmental, social, and governance (ESG) criteria.

3. FOUNDATIONAL CONCEPTS FOR SUSTAINABLE INVESTMENTS

To understand the ambiguities of sustainable investments, it’s crucial to first determine the elemental concepts that derive this work. Defining the seven essential key words, to acquire a better acknowledgment of the terms and the topic in general.

3.1 DEFINITION OF SUSTAINABILITY

The concept of sustainability was originally coined in forestry, where it means never harvesting more than what the forest yields in new growth. Hans Carl von Carlowitz (1713) was the first one to clearly formulate the concept of sustainability in forestry. Hans defined sustainability as “the greatest art, science, diligence and institution of these countries will rely on the manner in which such conservation and growing of wood is to be under- taken in order to have a continuing, stable and sustained use, as this is an indispensable cause, without which the country in its essence cannot remain.”

While sustainability as a policy concept has its origin in the Brundtland Report of 1987. It was this report which adopted the concept of sustainability and gave it the widespread recognition it enjoys today. The question which Brundtland and her colleagues posed themselves was: how can the aspirations of the world’s nations for a better life be reconciled with limited natural resources and the dangers of environmental degradation? Their answer is sustainable development, in the Commission’s words: “Sustainable development is development that meets the needs of the present without compromising the ability of future generations to meet their own needs.”

A new landmark for the rise of sustainability was the United Nations Conference on Environment and Development (UNCED), also known as the “Earth Summit”, which was held in Rio de Janeiro, Brazil in 1992, where Principle 3 of the Rio Declaration was created to capture the spirit of sustainability: “The right to development must be fulfilled so as to equitably meet developmental and environmental needs of present and future generations.”

3.2 DEFINITION OF INVESTMENT

Investment, as understood today in modern economics, differs from its original conception. (Adam Smith, 1776) provided the first intellectual understanding of how resources are allocated productively to generate wealth. In his words: “The labour of some of the most respectable orders in the society is, like that of menial servants, unproductive of any value, and does not fix or realize itself in any permanent subject; or vendible commodity, which endures after that labour is past, and for which an equal quantity of labour could afterwards be procured.”

3.3 DEFINITION OF SUSTAINABLE INVESTMENT

Sustainable investment has become a growing interest in decision-making and global financial markets, with its potential being recognized worldwide. (Busch, Bauer, and Orlitzky, 2015) defined sustainable investment as “a generic term for investments that seek to contribute to sustainable development by integrating long-term ESG criteria into investment decisions”.

Sustainable investing is an investment approach that considers environmental, social and governance (ESG) factors in portfolio selection and management (GSIA, 2018).

3.4 DEFINITION OF IMPACT INVESTING

The word impact originates from Development Finance. As The World Bank identifies impact as “...causal effects of a program on an outcome of interest” (Gertler et al., 2011). Impact is oftently described as having three defining characteristics: 1. It describes a change against a baseline, 2. it relates to a clearly defined parameter, and 3. it implies causality in the sense that the change would not have occurred in the absence of the activity (Kölbel et al.,2020). Investors have an indirect impact on the social and environmental parameters, however is it proven that they have direct impact on the companies they invest in, which they turn to have an impact on the social and environmental parameters. (Brest & Born, 2013; Brest et al., 2018).

Investor Impact is defined as “The change that investor activities achieve in company impact, and company impact as the change that company activities achieve in social and environmental parameters.” (Kölbel et al.,2020). These definitions are perfectly aligned with previous academic literature (Brest et al., 2018).

3.5 DEFINITION OF DECISION-MAKING

In their view, (Krumboltz and Hamel, 1977) propose that rational decision making would reflect the following “DECIDES” steps: defining the problem, establishing a plan of action, clarifying values, identifying alternatives, discovering probable outcomes, eliminating alternatives systematically, and starting action. In this context, the main attention in analyzing investment decisions is paid to two parameters, profitability and risk. (Aleksandras Vytautas Rutkauskas, Algita Miečinskiene & Viktorija Stasytyte, 2008). After defining the seven key concepts, it's evident to tackle the factors influencing the decision of sustainable investments, the next dimension of this research

4. THE FACTORS INFLUENCING A SUSTAINABLE INVESTMENTS DECISION

The emergence of investing in sustainable business has provided an alternative to the sole profit-based investment that has caused harm, particularly to the environment and society (Epstein & Yuthas, 2017). The integration of the Environmental, Social, and Governance (ESG) criteria into investment practices has been the most popular approach to sustainable investment (Galbreath, 2013; Talan & Sharma, 2019). Therefore, this section investigates some of the many factors’ influencing the investor’s decision in order to approach socially responsible investments.

4.1 INTERNAL FACTORS

Internal factors shed light to the elements that adapt and drive the individual’s decision-making process. These factors are primarily related to microeconomics conditions that emphasizes the investor’s orientation, personal values, ethical beliefs, risk, demographic metrics, and financial performance priorities.

4.1.1 PERSONAL VALUES & EMOTIONAL IDENTIFICATION:

While exploring the many factors shaping the investor's decision-making toward sustainable investments, internal factors delve into what is called "behavioral finance" such as, ethical and personal values, psychological dimensions, and even the investor's gender and age can be a trigger to their decision-making. These influences arise from the individuals' beliefs, values, perspectives, and their preferences, which all together, drive their financial choices.

Behavioral finance is a field of study where individuals emphasize emotional identification; they are drawn to cognitive biases, personal values and ethics, emotional and social influences, etc (Venezia, 2018). This means, in our case, that investors do not purely choose sustainable investment for their returns, but because these investments align with their emotional and ethical values.

Behavioral finance as a science became especially popular after 2002 when Daniel Kahneman was awarded The Sveriges Riksbank Prize in Economic Sciences in Memory of Alfred Nobel for having integrated insights from psychological research into economic science, especially concerning human judgment and decision-making under uncertainty (Bikas, 2013).

In this research, behavioral finance provides a human dimension to investing by exploring how emotional and psychological factors shape decisions. Investors are not purely rational actors; they bring personal values, beliefs, and emotions into their financial decisions (Shefrin, 2001). Theories of emotional identification suggest that investors may be drawn to causes or companies that resonate with their ethical views, such as climate change initiatives or gender equity. This personal connection can influence their willingness to take risks or accept lower short-term returns for the sake of a greater cause.

Personal values and emotional identification play a crucial role in sustainable investment decisions. Investors are not emotionless entities; they have their own beliefs and ethical concerns (Bikas, 2013), and passions that fuel and influence where they direct their funds. This trend is particularly noticeable among younger investors and institutions with mandates to include ESG considerations in their strategies. (Hirshleifer et al.2001), analyze investor's behavior and conclude that investors are often blamed or rather criticized for their decisions, being labeled as irrational when act based on their own beliefs and emotional availability.

4.1.2 FINANCIAL PERFORMANCE:

We cannot address investments without mentioning the performance. Sustainable investment is an investment strategy that seeks to combine environmental and social benefits with financial returns, consequently linking investor's social, ethical, ecological and economic concerns (Brzeszczynski and McIntosh, 2014). Companies have begun to acknowledge the importance and the benefits generated from responsible practices (Vives and Wadhwa, 2012).

There is a growing body of literature exploring the intersection of Environmental, Social, and Governance criteria with financial returns, focusing on the potential of these investments to not only address ethical concerns but also thrive economically. Plenty of studies examining the link between sustainability and financial performane (Friede, Busch, and Bassen, 2015). Investors, academics, and policymakers increasingly recognize that ESG factors materially affect the financial performance as well as risk profile of investments (Clark, Feiner, & Viehs, 2015).

There are also financial-orientated SRI investors that focus on a better financial performance using SRI (Chatterji, Levine, and Toffel 2009; Nilsson 2009). Waddock and Graves (1997) document a positive feedback loop: positive financial performance fuels ESG behaviors which in turn generate higher profitability. Finally, Bennani et al. (2018) find that ESG has performed well. They document that all three pillars yield positive returns for long-short portfolios.

In 2023, recent data supports the financial viability of green investments. Sustainable funds outperformed traditional funds in 2023, with a median return of 12.6% versus 8.6% for traditional funds. (Ramnath N Iyer, IEEFA, 2023). This indicate that these investments not only address social and ethical concerns, but also aims to deliver a competitive financial return.

4.1.3 DEMOGRAPHIC METRICS:

Furthermore, demographic metrics are being recently one of the most viewed factors, where gender play significant roles in shaping investment behavior. Men and Women exhibit distinct tendencies when it comes to making a decision (Marinelli et al., 2017). Historically, women are characterized as cautious, rational, and practical investors, while men tend to take risks (Chavali and Rosario, 2019). Women have been taking the lead in this area of socially responsible investing (Curtis, 2021), they have been known to likely take Social, Environmental and Governance into considerations, positioning them as leaders in Socially Responsible Investments (Banerjee, 2023; Housley, 2020; Jung, 2011; Senne, 2023). Women are aspiring to make a societal impact throughout these decisions, not only the save the environment (abstention from controversial products such as tobacco, firearms, and fossils), but also to offer better conditions to the employees such as fair compensation (Lacurci, 2022).

4.1.4 RISK:

Never has the word investment been used without the word risk showing up. The main purpose of socially responsible investment is to build efficient portfolios, in which we maximize return for a low given level of risk, in which investors prefer choosing a portfolio that matches their risk tolerance. Risk encompasses multiple dimensions, including: risk tolerance, risk profiling, risk measurement, risk aversion, risk management, risk exposure, event risk etc. This variety shows the different perspectives of each individual in their investment decisions.

Investment managers talk about risk as volatility, a tendency that leads them to frame the discussion of risk in terms of the kinds of volatility that can be diversified away. Individual clients, however, are usually much less focused on volatility. Their perceptions of risk are often driven by emotions and, therefore, are easily misunderstood or ignored by managers who take a strictly rational approach to risk. In order to be successful, managers must identify how clients actually perceive risk. (Leslie Kiefer, 2000)

Risk Management is based on client goals, using measures to capture the risk of failing to achieve those goals. Risk Measurement relies on portfolio statistics like standard deviation and tracking error, which have convenient properties that make them so easy to calculate and manipulate. (Dan Nevins, 2003) However, Event Risk measures such as potential portfolio loss and probability of failing to achieve a goal. Event risks are more difficult to calculate than statistical measures such as standard deviations, but better aligned with the way that the individual investor experiences risk.

Among the emotions that determine the individual investor's perceptions of risk is an aversion to losses. According to behavioral theorist (Amos Tversky, 2001), "It is not so much that people hate uncertainty – but rather, they hate losing." Loss aversion suggests that risk measurement should explicitly consider the risk of loss. Measures of the risk of loss can capture the likelihood that a loss will occur, the severity of loss, or both. In this domain of sustainable investments, loss aversion may discourage investors from adopting ESG-focused portfolios, if perceived to outweigh ethical and economic benefits.

Risk profiling is used to establish the client's risk tolerance, which is often the primary link between the client and the investment recommendation. It is often difficult for clients to describe in their own words their attitudes about risk. The initial meetings with financial advisers can be quite difficult for some clients because of the lack of understanding that they might have about their 'financial selves', and the investment risks that they might be willing to accept (Victor Callan and Malcolm Johnson, 2002)

4.2 EXTERNAL FACTORS

Unlike internal factors, which are generally influenced by emotions and personal beliefs, external factors originate from a macro-level perspective, they are shaped by systemic and objective realities, such as government regulations, the availability and accessibility of information, and market demand/public perception.

4.2.1 GOVERNMENT REGULATIONS:

Nothing makes these investments expand than the implementation of policies, regulations, and standards legislated from the government itself. It has proven that sustainable investments performance varies over time and within countries as a result of laws and regulations that mandate corporate social responsibility disclosure (Ioannou and Serafeim, 2011). In this case, the governments can impose sanctions to all parties that do not applicate these policies (Johnstone, Hascic, and Popp, 2008). Despite that, in order for firms to comply with government policies, they either increase their research and development (R&D) in order to adopt a cleaner production, or reduce their production. However, in the absence of effective government regulation, firms are not pressured to apply any kind of policies, and investors may not choose to invest ethically.

Theoretically, it is unclear whether firms innovate by themselves or adopt existing technology to reduce carbon emissions when environmental regulation becomes stricter (Zhang Y., Zhang X., 2024). Based on the HLEG recommendations (HLEG, 2018), the European Commission adopted an action plan for sustainable finance with three key elements: a fiduciary duty to include sustainability in the investment process, company disclosure of sustainability information and a unified classification system or taxonomy of sustainable investments (European Commission, 2018a).

The increasing regulation of sustainable investments, from carbon taxes to renewable energy incentives, highlights the significant role governments play in shaping this space. Countries with policies favoring sustainability are likely to attract more socially responsible investments. For example, the European Union's Green Deal and sustainability reporting regulations are driving a shift toward more transparency and accountability in investments. Similarly, Morocco's regulatory focus on sustainability is positioning the country as a hub for sustainable finance.

4.2.2 THE AVAILABILITY AND ACCESSIBILITY OF SUSTAINABLE INVESTMENT INFORMATION:

We cannot proceed with sustainable investments if we do not have access to sustainable information. Several literature points to barriers to the lack of financially relevant information (Hummels & Timmer, 2004), who consider the insufficiency of the information as a barrier, is contrary to Nilsson, Siegl, and Korling. Breadth of sustainability information offered by SI mutual funds (Nilsson, Siegl, & Korling, 2012), or investment advisors that withhold SI information from private investors in retail banking (Schrader, 2006).

Some individuals find it hard to receive information from their advisors, information that is available to the advisors, except that they do not wish to share it with the clients, others receive the information, however they still lack sustainable investment advice. In consequence, it was proven that the most dominant barrier is the sustainable investment information's withhold, comes into effect once a private investor has formed the intention to invest in SI. Sufficient information on how to act upon that intention is a prerequisite for the actual behaviour of investing in SI. Thus, SI information being withheld is a direct and – given the far-reaching reliance on investment advisors – a potentially rather powerful contributor to the SI gap. (Paetzold, Falko; Busch, Timo, 2014). Nonetheless, if investors had the accessibility to information needed, it would have been easier for them to engage quickly in these investments without further ado, because, the availability of information about sustainable investments, the individual perceptions', and specific characteristics of investor types are as important as engaging in a socially responsible investment.

4.2.3 MARKET DEMAND/ PUBLIC PERCEPTION:

Even though, this is the last factor to mention in this paper, however it is undoubtedly among the important. Mentioning it at least, does not make it seem any less important. So, the question here is: what made this sustainable investment truly gain this widespread? Why have they gone viral? The answer lies in this factor, the market demand and public perception. It is the demand of sustainability, demand for protecting our environment, not only for ourselves, but also for the generations ahead, it is also the perception of firms, government, policymakers, and investors.

Furthermore, this factor goes beyond individuals, it reflects a societal and an ethical shift. The parties concerned are demanding more sustainable, social, and ethical products, where social media steps in as a significant driver in raising awareness about fostering sustainability and amplifying the environmental and social impact. Governments are applying stricter regulations and incentives for sustainable initiatives. Investors are integrating the ESG criteria into their strategies. (Mckinsey & Company, 2023).

Throughout this paper, we discussed some of the many factors influencing a sustainable investment decision. Looking ahead, it became essential to consider both the current impact and the potential challenges. The coming sections, will address the scope limitation, and the future areas to tackle.

5. Results:

The presented table synthesizes the key drivers identified in the prior literature review regarding Sustainable Investments along with related authors and researchers' studies, their context, and outcomes. This non-exhaustive compilation, offers a perspective of theoretical and empirical investigations conducted across diverse situations, providing insightful perceptions into the factors influencing a Sustainable Investments decision.

Factors	**Authors**	**Context**	**Findings**
Behavioral Finance: Emotional Identification & Personal Values	Shefrin, 2001	Global Perspective, mainly in the USA	Based on Shefrin studies, Behaviour finance is the study of how psychology affects financial decision-making process and financial markets. Since psychology explores human judgment, behaviour and welfare, it can also provide important facts about how human actions differ from traditional economic assumptions.
	Hirshleifer et al.2001	Global perspective	Analyze masses' effect on investor behaviour. He takes into account the opinions of others may be rational but investors are usually blamed for their decisions and beliefs being irrational because they obey the "herd instinct" or react too emotionally in stressful situations. The proof of that research is radical market changes taking place in the absence of significant news. As a result, it may seem that there is no rational investor behaviour appeared in point of popped up information. So Hirshleider et al. take an intermediate position between the rational and the irrational market.
	Bikas, 2013	Global persepctive	According to Bikas, Behavioural finance is based on research of human and social recognition and emotional tolerance studies to identify and understand incoming economic decisions. Behaviour finance examines recognition and emotional factors' influence market changes and concentrates on the limited human rationality, explains the psychology effect on the financial activities and argues that financial phenomena can be better explained due to the fact that financial market participants are not rational and their decisions are limited. Non-professional investors' financial behaviour patterns analysis allows us grasp and justify the relevance and importance of financial behaviour.
	Venezia, 2018	USA & Europe	Since behavioral finance explores biases, it may seem that it mainly points at activities that decision makers need to avoid. However, revealing the cognitive biases of decision makers and becoming aware of flaws in their judgments, allows us to find ways to overcome these biases and to design policies to improve financial decision making and the functioning of capital markets.
Financial Perfomance:	(Brzeszczynski and McIntosh, 2014).	UK	This review, based on the meta-analysis of 52 studies that included a total sample size of 33,878 observations, concluded that in the majority of reported cases, corporate social performance tends to be positively related to financial performance.
	(Vives and Wadhwa, 2012).	Brazil and South Africa,	The study included 194 online questionnaires with 51 responses (26% response rate), comparison of the evolution of 40 KPIs (social, environmental and governance) based on publicly available information for 35 companies and 15 interviews with companies and market participant to supplement and corroborate some of the findings.
	(Friede, Busch, and Bassen, 2015).	This research incorporates global evidence	This finding contrasts with the common perception among investors. The contrary perception of investors may be biased due to findings of portfolio studies, which exhibit, on average, a neutral/mixed ESG–CFP performance relation. It is important to be aware that the results of these (to date about 150 studies) are overlaid by various systematic and idiosyncratic risks in portfolios and, in the case

			of mutual funds, by implementation costs. Still more than 2100 other – in particular company-focused – empirical studies suggest a positive ESG relation.
	(Clark, Feiner, & Viehs, 2015)	This inquiry is from a global perspective	The main results of the study: 1. 90% of the cost of capital studies show that sound ESG standards lower the cost of capital. 2. 88% of the studies show that solid ESG practices result in better operational performance. 3. 80% of the studies show that stock price performance is positively influenced by good sustainability practices.
	(Chatterji, Levine, and Toffel 2009; Nilsson 2009).	USA	Results inform the substantial empirical literature that links corporate financial performance to corporate social performance. More than 100 studies have examined whether corporate social responsibility (CSR) metrics predict financial performance,
	Waddock and Graves (1997)	USA	Found that CSP does depend on financial performance and that the sign of the relationship is positive.
	Bennani et al. (2018)	Focus on North America, Europe, and Japan	Between 2010 and 2013: ESG investing had a negative impact on portfolio performance. Between 2014 and 2017: ESG investing had a positive impact on performance.
	(Ramnath N Iyer, 2023).	Asia	In 2023, sustainable funds achieved a median return of 12.6%, outperforming traditional funds, which had a median return of 8.6%. This outperformance was consistent across both equity and fixed-income asset classes
Demographic Metrics:	(Marinelli et al., 2017).	Italy	The main difference between men and women in their investment behavior found in the previous literature is the well-known higher financial risk tolerance of men, even if recent literature casted some doubts upon this result maintaining that the difference could be related not to gender itself but to other SDE differences between men and women.
	(Chavali and Rosario, 2019).	Oman	The study concludes that the gender differences do exist in the investment decision making process. As per the findings of this study the impact of psychological factors, economic factors, corporate governance and ethical issues of companies and the decision-making process are very different for male and female investors. Female opted for low risk/return, steady and stable investments being conservative investors. Whereas, male have resulted to be much more confident than females in making and exploring new investment opportunities which supports the past studies.
	(Curtis, 2021)	USA	Women are more inclined to invest in companies that prioritize ESG factors, as they are more willing than men to accept higher risk or lower returns for investments that have a positive societal impact. A significant majority of women under 60 favor ESG investing, emphasizing concerns like fair wages and environmental responsibility.
	(Banerjee, 2023;	This paper discusses socially responsible investment worldwide trends worldwide	Studies indicate that women are more inclined to consider environmental and social factors in investment decisions, favoring companies with diverse leadership and strong corporate social responsibility practices. As of 2021, women-led investment teams manage 17% of impact investing assets, up from 13% in 2019. Gender-balanced teams have demonstrated higher returns and a stronger commitment to social and environmental impact.

	Housley, 2020;	USA	There were 265 participants in the survey with a gender breakdown was 44% male and 55% female. The results of the survey contradicted both hypotheses. When the results were split into gender, it was revealed that males were more sensitive than females to an ethical scandal in general. The survey also demonstrated the correlation that finance majors were more reactive than non-finance majors. Thus, the most ethically sensitive group was the male finance students.
	Jung, 2011	USA	More than half of the participants were female, and in their early twenties. The mean age was 22, with range of 18 and 36.
	Senne, 2023)	USA and other Western Markets	Surveys indicate that women are more inclined than men to prioritize environmental, social, and governance (ESG) factors when making investment decisions.
	(Lacurci, 2022)	USA	52% of women prefer investing in companies that have a positive social or environmental impact, compared to 44% of men, across 11 countries found that 43% of women consider a company's stance on social or environmental issues as "very important" when deciding to invest, versus 34% of men.
Risk:	(Leslie Kiefer, 2000)	USA	Investment managers talk about risk as volatility, a tendency that leads them to frame the discussion of risk in terms of the kinds of volatility that can be diversified away. Individual clients, however, are usually much less focused on volatility. Their perceptions of risk are often driven by emotions and, therefore, are easily misunderstood or ignored by managers who take a strictly rational approach to risk. In order to be successful, managers must identify how clients actually perceive risk.
	(Dan Nevins, 2003)	US	Event risk measures such as potential portfolio loss and probability of failing to achieve a goal are discussed further in the second section of our paper, where we demonstrate how they can be used for strategy development. Event risks are more difficult to calculate than statistical measures such as standard deviations, but better aligned with the way that the individual investor experiences risk.
	(Amos Tversky, 2001)	Not a focus on a specific country	Conditions of risk challenge decision-makers to pay attention to the costs and benefits of various options. Yet decision-makers often ignore normatively appropriate procedures for doing so and base their decisions on processes which are often biased away from loss in systematic, yet often unjustified ways.
	(Victor Callan and Malcolm Johnson, 2002)	Australia	The major outcome is the ability to provide better advice to clients by knowing more about the psychology of each individual investor, and the risks that they are willing to take. For advisers, the use of a well-developed risk tolerance test enables them to better target the most appropriate financial investment services for their clients, and to provide clients with the highest levels of financial advice, planning and education.
Government Regulations:	(Ioannou and Serafeim, 2011).	International data	This study examines disclosure regulations in four countries. It could be the case that sustainability disclosure regulations affect firms differently in other countries where institutions vary in terms of the extent to which organizations already make ESG disclosures and in terms of how they compete on the basis of their ESG performance
	(Johnstone, Hascic, and Popp, 2008)	OECD countries	Empirical results indicate that public policy has had a very significant influence on the development of new technologies in the area of renewable energy.
	(Zhang Y., Zhang X., 2024	Involves Asian emerging economies	Results are consistent with the argument that emission trading programs induce firms to increase productivity not only by increasing their R&D activity but also by increasing their adoption of advanced digital technologies regardless of where the technologies come from. This finding implies that firms may comply with environmental regulations by applying off-the-shelf technologies that enable them to react more promptly to the regulations. This paper contributes to the literature by using direct evidence to show how restrictions in carbon emission regulation can compel firms in different industries

			to digitalize.
	(European Commission, 2018a).	EU Member States.	The European Commission has published a proposal for a regulation to develop a sustainability taxonomy. The taxonomy is intended to provide clarity on which economic activities can be classified as environmentally sustainable, and it will be integrated into legislation as it is developed.
The availability and Accessibility of a SI information:	(Hummels & Timmer, 2004)	Western markets (Europe & North America)	There is a growing need among shareholders for information on companies' social, environmental, and ethical (SEE) performance. While companies do provide SEE reports, the adequacy and usefulness of this information is questionable, especially when analyzed through case studies.
	(Nilsson, Siegl, & Korling, 2012)	Sweden	The availability of information about sustainable investing products is sufficient for investors to understand and engage in sustainable investing
	(Schrader, 2006).	Germany	The paper presented different measures as to how banks could enhance their quality for ethical fund advisory service. However, they naturally do not guarantee a mass market success of these financial service innovations. Every investor in ethical funds needs information before making his/her investment decision. However, not everyone with sufficient information about ethical funds will invest in them.
	Paetzold, Falko; Busch, Timo, 2014).	Germany	Results offer new explanations for the observed SI gap. advisors withhold SI information—comes into effect once a private investor has formed the intention to invest in SI. Sufficient information on how to act on that intention is a prerequisite for the actual behaviour of investing in SI. Thus, SI information being withheld is a direct and—given the far-reaching reliance on investment advisors—a potentially rather powerful contributor to the SI gap.
Market Demand/ Public Perception:	(Mckinsey & Company, 2023)	North America, Europe, and Asia	Consumers value sustainability and demonstrate that in their purchasing behaviour. Consumer Packaged Goods executives report that one challenge to their companies' environmental, social, and governance (ESG) initiatives is the inability to generate sufficient consumer demand for these products. The demand for products is vital as companies think about where to make ESG-related investments across their businesses. Companies should therefore be eager to better understand whether and how these types of claims influence consumers' purchasing decisions in order to meet customer demand for such products and to ensure that they help advance the company's overall ESG strategy.

6. Discussion:

Before presenting our findings, we bring focus to evidence derived from a case study in Indonesia, a case that originally triggered us to delve into an expanded drivers influencing sustainable investment decisions.

This study collected data through a questionnaire, among investors aged 18-24, there is a clear positive inclination towards EID (18%), although a subgroup within this age range (21%) ignores ESG considerations. A considerable number of ESG-aware investors is found in the 25-34 age group (37%), while 29% of those aged 25 are apathetic towards ESG. Moreover, 29% of investors aged 35-44 support ESG, whereas 40% of this demographic do not. Interestingly, 13% of investors who recognize ESG are aged 45-54, while 10% of those who do not see its significance are from the same age bracket. The group of individuals aged 55 and above accounts for 2% of ESG investors. These findings underscore age-related differences in ESG preferences. Gender differences also surface as a significant aspect, as the findings indicate that 81% of investors who consider ESG investments important are male. This does not align with other previous studies that indicate females are more attuned to ESG issues. However, this may be attributed to the respondents, who are predominantly male.

This research challenges previous results (R. Bauer and P. Smeets, 2015) by demonstrating a negative relationship between income and EID, indicating that an increase in income does not automatically result in a greater awareness of sustainability. There are positive but statistically insignificant associations found between education, occupation, and portfolio size with EID, which is consistent with the notion that greater education and larger portfolios reflect a greater propensity to undertake risks (S. D. Syahfi, 2023).

The findings indicate a growing intention for ESG investing among those surveyed. The analysis supports the traditional view that younger investors are more conscious of and value ESG aspects in their investment choices (E. Cheah et al., 2011), evidenced by an inverse correlation between age and EID. Nonetheless, this research differs from previous studies in not finding a noteworthy impact of gender on EID. Differences from earlier studies imply that the effects and importance of demographic elements on EID in Indonesia may be distinct from those in more developed nations, likely due to the relatively recent emergence of ESG-focused investing. However, as a comparatively new type of investment, demographic aspects do not affect the likelihood of EID.

Furthermore, PSI is the sole element that is meaningfully connected to EID. This discovery corresponds with earlier studies which indicate that financial literacy is a crucial factor for sustainable investing (F. Petersson, 2019). This research implies that the understanding of ESG factors, impact, and regulations in Indonesia may encourage investors to contemplate EID. The result supports findings from prior research (S. Aziz et al., 2021), (A. De Vries et al., 2017). Awareness of the ESG concept and its influence on investments is another point that should be emphasized from this study (M. Jansson and A. Biel, 2014), (V. Canal Fernandez et al., 2009). Both the attitudes and beliefs regarding the effects of ESG on companies lead investors to participate in EID. Attitude pertains to how investors view sustainable investing, incorporating ethical factors, ESG reporting, and possible advantages—which directly relates to the third PSI category. Favorable attitudes, motivated by ethical and sustainability concerns, enhance the chances of involvement in EID (J. G. Paolillo and S. J. Vitell, 2002). Socially responsible investors set themselves apart from traditional investors as they tend to give greater importance to sustainability over financial aspects (M. J Epstein and S. K. Widener, 2011). They also demonstrate a heightened moral intensity when evaluating potential investments (R. Bauer et al., 2021) and assess returns not merely based on immediate financial gain but rather on long-term value creation that ultimately results in improved financial performance (D. Brodback et al., 2019).

The findings indicate that risk tolerance (RT) exhibits a positive correlation with EID, implying that an increase in risk tolerance raises the likelihood of EID. Nonetheless, the coefficient is not statistically significant. This supports earlier research (R. Sharma et al., 2020), (A. Stefan and L. Paul, 2008) that identified sustainable investors as risk- insensitive, given that their investment approach primarily involves constructing a global portfolio. This, in a way, inherently mitigates firm and country risks. As a result, risk is not their primary consideration in sustainable investment.

Due to investors' limited understanding of ESG, some individuals assume that sustainable investing poses a greater risk compared to conservative investing (S. Brammer and S. Pavelin, 2005), (M. Orlizky et al., 2003), while more knowledgeable investors contend that integrating ESG factors results in reduced risk, improved long-term financial performance, and enhanced reputation (R. Bauer et al., 2005), (B. Stone et al., 2001). Nevertheless, there remains inconclusive evidence regarding the effects of ESG integration on company performance. Thus, participating in EID is considered more future-oriented over the long term.

Building upon the findings from the Indonesian background, our study underlines the critical role that both internal and external drivers operate in determining sustainable investment decisions. Even though emotional identification and personal values remain commonly underestimated within traditional finance frameworks, our results verify their considerable influence. Investors are solely rational decision-makers, they are rather driven by responsible alignment, individual personality, and emotional bond involving sustainability matters.

This dimension reflects findings based on former behavioral finance literature and fits strongly with Sustainable Investments drivers observed across diverse demographics. Moreover, these studies reinforce the growing interest that socially responsible investment strategies do not inevitably compromise financial outcomes. In fact, numerous data, including the 2023 achievement of green funds, emphasizes the contrary. This observation confirms the emerging outlook among investors in which sustainable portfolios are capable of providing both ethical fulfillment and financial performance. It also aligns with prior researches (Friede, Busch & Bassen, 2015; Bennani et al., 2018), in which a positive relationship between these two elements was observed. Furthermore, demographic metrics, in particular gender, appeared as impactful in responsible investment decisions. The study we conducted affirms a tendency noted in studies worldwide: Women are more expected to value ESG criteria, backing the belief that gender-diverse investor traits have the potential to foster a stronger sustainability-focused investment ecosystem. The importance of risk perception further distinguishes investor profiles. Despite old-fashioned frameworks define risk through the medium of statistical measures, this study draws attention to the cognitive dimension of risk, namely loss aversion. This outcome corresponds with previous findings (Tversky, 2001; Callan & Johnson, 2002) that accentuate the intellectual intricacy in risk analysis.

Shifting to external factors, our findings underscore the relevance of government regulations, sustainable investment information accessibility, and public demand for these investments. Echoing prior studies, we conclude that successful regulatory mechanisms are able to significantly foster green investments by obligating disclosures, providing incentives, and minimizing uncertainty. Likewise, the unavailability of accessible and transparent information appears as a significant challenge, notably in emerging markets where sustainability is still evolving. Finally, market demand and public perception serve as an influential trigger, not only directing investment assets but also building a social standard regarding sustainability. The aforementioned findings provide useful perspectives for policymakers, asset managers, and organizations seeking to create initiatives or incentives to foster sustainable finance.

Unlike researches conducted in mote developed and formalized markets, this study demonstrates context still coping with legal clarity, information transparency, and societal consistency, thus bridging a major void in the sustainable investment literature.

7. LIMITATIONS AND FUTURE PERSPECTIVES

This research was comprised due to several issues. A noteworthy limitation of this work lies in it scope and data availability. This article primarily relies on the previous literature and publicly available information on various databases regarding the domain. Sustainability is still a new concept to the modern world, while it provides valuable insights into the theoretical frameworks, it lacks in the practical, were no case studies and real-world examples are in hand, in which this gap limits the applicability of these findings in real-world cases.

Another limitation of this paper lies in the geographical and cultural scope. The data references are from all around the world, specifically from regions where sustainability is more practiced and where there is a strong concentration. For example, despite the noticeable interest in this topic, no articles where found related to Morocco. This restraint requires further exploration for sustainable investments. Lastly, this research evaluates the factors impacting sustainable investments, leaving room for ambiguity for quantitative evaluation of this impact.

This paper gathers the state of sustainable investment globally, however, given the limitations, future research could possibly incorporate practical methods such as: surveys, conducting an interview to reinforce case studies, we can employ both a quantitative and qualitative method, where we could for instance investigate how sustainable investments are shaped by regional factors within specific sectors to provide a more actionable conclusion.

Moreover, in this rapidly evolving world, one area of focus could be the integration of advanced technologies. Innovation including artificial intelligence (AI), blockchain, and big data analysis could have a massive impact on how sustainability is measured, tracked, and even reported. We could also study how the ethical beliefs, individuals with a pro-social personality orientation can impact investments choices, whether it's individual, institutional, or governmental. In-depth comparisons between sectors, industries, regions may uncover the dynamics that influence sustainable investments, this perspective could involve the examination of the economic, cultural, and regulatory environments.

By presenting these limitations and delving into future perspectives, investors, firms, researchers, individuals, and the government itself can continue to improve and enhance their research in this topic. Acknowledging the gaps and opportunities for further exploration of the nuanced understanding of socially responsible investments.

CONCLUSION

In conclusion, this paper explores the intricate relationship between sustainability and the factors influencing the decision making. Sustainable investment emerged as a potential solution to ecological, social, and environmental issues. Through this review, we identified two main factors influencing a sustainable investment decision: internal and external factors. These drivers give valuable insights to the parties hoping to engage in these investments such as: individuals, firms, investors, and the government. Through a comprehensive review of 50 articles from various reputable databases including Scopus, Web of Science, JSTOR, Google Scholar, Cairn, in order to ensure the relevance and the importance to this topic.

According to the study conducted in Asia, the paper concluded that investors' risk tolerance does not influence their decision to incorporate ESG in their investment strategies. This is attributed to the respondents' limited knowledge of ESG concerning the long-term effects or advantages of ESG on companies' performance. Given the study's inability to explicitly elucidate the scientific rationale behind why one variable affects another, it is suggested that subsequent research utilize a mixed-method approach. Additionally, the research provided areas for improvement where future studies should encompass further variables that could influence investment decisions while considering environmental, social, and governance (ESG) criteria.

However, in our investigation, a non-exhaustive list of the elements that shape and drive the parties-concerned decision-making, including internal factors which highlight factors that are mainly linked to the investor's orientation, personal beliefs, ethical values, risk tolerance, demographic metrics, and financial performance preferences. On the other hand, we come across external factors that are perceived as macroeconomics dimension, such as the availability and the accessibility of a sustainable investment information, government regulations, and the market demand/public perception of these investments.

Finally, limitations show areas for improvement in the sustainable investment topic. The primary notable limitation of this study exists in the ongoing gap in literature related to the Moroccan context. As of now, there is a lack of practical studies of evidence on the factors influencing a sustainable investment decision. Moreover, considering that the concept of sustainable investment is to this day relatively contemporary specially in the developing countries. Future research is advised to address this spatial and conceptual gap by focusing on growing emerging markets such as Morocco, in which such practices remain in their evolving phases.

However, future perspectives are mentioned to strengthen the research in this field, discussing areas for improvement about the continuum in socially responsible investments. These perspectives highlight the need for more longitudinal studies that tracks sustainable investments over time, in various regions and sector.

In summary, the coalition between sustainable investments and decision making is beyond financial metrics, it evolves around social impact, ethical considerations, and reconsider the way investors assess returns, mitigate the risk, and why not, make an impact.

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