Is Good Governance Essential for ESG Investments? An Individual Investor Perspective

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ABSTRACT

This study explains how individual investors' traits influence the ESG investing intention in the presence of good governance. This study integrated the Theory of Planned Behaviour framework and Value–Belief–Norm theory to examine how individual investors' traits, such as environmental concern, risk perception, and social investing efficacy, influence ESG investing intention, with the mediating effect of good governance. A cross-sectional sample of 672 individual investors was deliberately selected after a screening question, using purposive sampling from Kerala, a southern state in India. This study applied the PLS-SEM method and was analysed using SmartPLS 4 software. The results revealed that environmental concern and risk perception significantly influence ESG investing intention among individual investors. Good governance has a strong direct effect on the ESG investing intention of individual investors and partially mediates the connection between environmental concern, risk perception and ESG investing intention. Social investing efficacy does not directly influence ESG investing intention. However, the relationship becomes significant only with the presence of full mediation of good governance. Environmentally concerned investors are inclined towards ESG investment because of their personal values, which direct them to invest sustainably. Individual investors are risk-averse, and their risk perception towards ESG investment is minimal. Through good governance as a normative and credibility signal, perceived risk is minimised, and corporate behaviour is aligned with investors' sustainability values. An individual investor's social investing efficacy does not lead to ESG investments unless strongly supported by companies' good governance practices. Finally, good governance is essential in individual investors' ESG investment decisions.

Keywords: ESG investing intention, Environmental concern, Good governance, Risk perception, Social investing efficacy.

INTRODUCTION

Corporate governance refers to the system of rules, structures, and processes which direct and control, ensuring accountability and stakeholders' protection (Cadbury, 1992). Corporate governance plays a crucial role in fostering sustainable corporate performance by combining effectiveness with transparency, accountability, participation, responsiveness, and adherence to the rule of law (Sari, 2023). Corporate governance broadens the scope of business and covers financial and non-financial matters. Good corporate governance is essential across various sectors, ensuring that companies operate transparently and ethically and protect the interests of all stakeholders, particularly in the context of environmental, social, and governance (ESG) investment decisions. ESG investments have gained popularity in the current era, and investors increasingly prioritise sustainability and ethics in their financial decisions. Most corporate governance codes emphasise stakeholder governance, particularly in relation to social and environmental obligations.

The existing literature addresses different dimensions of ESG investments, especially from the perspective of institutional investors. In their study, Masud et al. (2018) reported that corporate ESG has a significant relationship with foreign and institutional investments. Also, if corporate governance is ineffective, agency costs will outweigh returns, which will affect performance. In the manufacturing sector, good governance does not

directly influence a firm's value. However, it significantly influences how governance practices are perceived and how stakeholders value firm integrity and ethical conduct. Various research studies state that individual investors are influenced by a company's ESG performance, which builds investor trust. This relation shows the relevance of good governance practices in boosting confidence and sustainable investment behaviours among individual investors. Investors frequently observe the associated risks arising from environmental and social issues and closely rely on every action undertaken by companies. Governance strategies such as board independence and effective compensation can ensure value and wealth creation for investors.

In this study, the theory of planned behaviour (TPB) and Value–Belief–Norm (VBN) theories are used to determine how individual investors' traits, such as environmental concern, risk perception, and social investing efficacy, significantly impact ESG investing intention through good governance. Integrating ethical considerations into corporate strategies aligns with the TPB and VBN; a positive attitude towards sustainability can enhance organisational commitment to ESG goals. The TPB theory suggests that individual behaviour is greatly influenced by intentions, which affect attitudes, subjective norms, and perceived behaviour (Remo-Diez et al., 2024). By integrating VBN theory, which explains that individual behaviour is shaped by a chain of personal values, environmental beliefs, and moral norms, together they activate a sense of obligation to act pro-environmentally (Batool et al., 2023). This study aims to assess the influence of environmental concern, risk perception, and social investing efficacy on ESG investing intention, evaluate the role of good governance as a mediator between investors' traits and ESG investing intention, and provide empirical evidence to support a good governance system as a key element in ESG investment decisions. Proposing a governance-mediated behavioural investment model, it aims to evaluate the relationships and establish the objective of enhancing sustainable investment practices. This research focuses on individual investors in Kerala, India, who possess high financial literacy and a sustainable interest.

CONTEXT OF THE STUDY

ESG investing has become one of the most prominent paradigms in international financial markets in recent years, characterised by increased investor interest in sustainability and ethical responsibility, as well as long-term value creation. Although previous studies have extensively concentrated on institutional investors, the role of individual investors in catalysing ESG investments has not been adequately studied, especially in emerging economies like India. Non-financial factors are becoming more important to individual investors, even though they base their investment decisions on personal characteristics, perceived risks and trust in corporate governance procedures. Transparency, accountability, and ethical corporate administration are critical in generating investor confidence and reducing uncertainty surrounding ESG investments. In states such as Kerala, where financial literacy is high and social and environmental awareness is strong, the role of governance mechanisms in shaping the intention to invest in ESG is of particular interest. In this context, the current paper examines how investor characteristics and good governance interact to influence ESG investment intention and provide knowledge on sustainable finance behaviour in an emerging market setting.

From this, the following research questions were developed;

1. What is the role of individual investor traits in the decision of ESG investing intention?
2. How does good governance influence ESG investment decision-making?
3. Is there a mediating effect of good governance between investor characteristics and ESG investing intention?
4. What is the difference between the influence of environmental concern, risk perception, and social investing efficacy on ESG investing intention?

REVIEW OF LITERATURE AND HYPOTHESES DEVELOPMENT

The hypotheses developed in this study were based on insights from the theory of planned behaviour (TPB) and Value–Belief–Norm (VBN) theory. TPB and VBN are widely accepted frameworks with strong support in previous research, such as ESG and ethical investor behaviour. According to TPB theory, intention is influenced by attitude, subjective norms, and perceived behavioural control (Rahadjeng & Fiandari, 2020). According to the VBN theory, behaviour is driven by a sequential chain of personal values, ecological worldview, awareness of

consequences, and moral norms that create a felt responsibility to act (Mamun et al., 2022). This model is the basis for explaining the influence of investor traits on ESG investing intention, mediated through good governance.

Influence of investor traits on good governance

Environmental concern

Environmental concern in the investor traits indicates the investor's concern about ecology and sustainability. Growing concern about environmental protection and sustainability initiatives makes investors more conscious of their investments (Kakeu, 2017). Environmentally concerned investors will try to invest their money in environmentally friendly businesses (Flammer, 2012). Investors believe their actions impact the company's green operations (Vyas et al., 2020). According to the VBN theory, environmental concern emerges from personal values and ecological beliefs, shaping moral norms that encourage responsible investment behaviour, thereby guiding investors toward ESG investing intention.

Hypothesis 1: Environmental concern of investors is positively influenced by good governance

Hypothesis 2: Environmental concern of investors positively influences ESG investing intention

Risk perception

Risk perception denotes the investor's level of perceived risk. It is the capacity to evaluate and interpret risks in investment decisions. The risk perception differs from person to person because of individual beliefs and experiences (Deka et al., 2023). Risk perception is directly and indirectly linked to an investor's risk tolerance. Experienced investors perceive less risk than inexperienced investors in the financial market (Nguyen et al., 2019). According to TPB, risk perception is influenced by good governance, leading to ESG investment intention.

Hypothesis 3: Risk perception of investors is positively influenced by good governance

Hypothesis 4: Risk perception of investors positively influences ESG investing intention

Social investing efficacy

According to Iyer and Kashyap (2009), the investor's investment will lead to an expected outcome, and it is a personal belief about the capacity to control an outcome. Research indicates that investors' socially responsible attitudes positively influence their intention to invest in a socially responsible manner (Vyas et al., 2020). Investors who believe that their actions can benefit society are more likely to contribute (Garg et al., 2022). This investment effort may focus more on social change and ultimately lead investors to invest in socially responsible companies. Based on the VBN theory, such efficacy is rooted in personal values and beliefs that activate moral norms, encouraging investors to make decisions with socially responsible and ESG-oriented behaviours.

Hypothesis 5: The social investing efficacy of investors is positively influenced by good governance

Hypothesis 6: The social investing efficacy of investors positively influences ESG investing intention

Good governance on ESG investing intention

Good governance

Good governance means transparent management, ensuring ethical practices, diversity in the board, and compliance with regulations, which foster trust among the stakeholders (Lee, 2024). Good governance is important to every company for its long-term survival in the market, which determines performance and integrity (Kocmanová et al., 2020). The Value-Belief-Norm theory supports that good governance acts as a normative signal that aligns corporate behaviours with investors' moral and sustainable values, activating a sense of responsibility towards ESG-related investments. Investors recognise a company's responsible, transparent, and

effective board of governance for their ESG investments (Dung et al., 2024).

Hypothesis 7: Good governance of a company positively influences ESG investing intention

Mediating role of good governance

According to Vosta and Jalilvand (2024), technological media positively influence sustainable development through the mediation of good governance and good governance was found to be a sustainability precedent. Gollagari et al. (2021) confirmed that good governance is essential in building ethical leadership and employee commitment in the education sector. In technology and investment, Ezzi et al. (2022) argued that good governance practice will enhance the effect of blockchain technology on investment efficiency. Good governance positively affects investor confidence; companies with good governance attract higher investment (Shahid & Abbas, 2019). Thus, we hypothesise that,

Hypothesis 8: Good governance of a company will mediate between environmental concern and ESG investing intention

Hypothesis 9: Good governance of a company will mediate between risk perception and ESG investing intention

Hypothesis 10: Good governance of a company will mediate between the social investing efficacy and the ESG investing intention

Research model

Figure 1 depicts the research model and the relationship between independent and dependent variables. This study developed hypotheses based on the theoretical and empirical evidence from previous research studies.

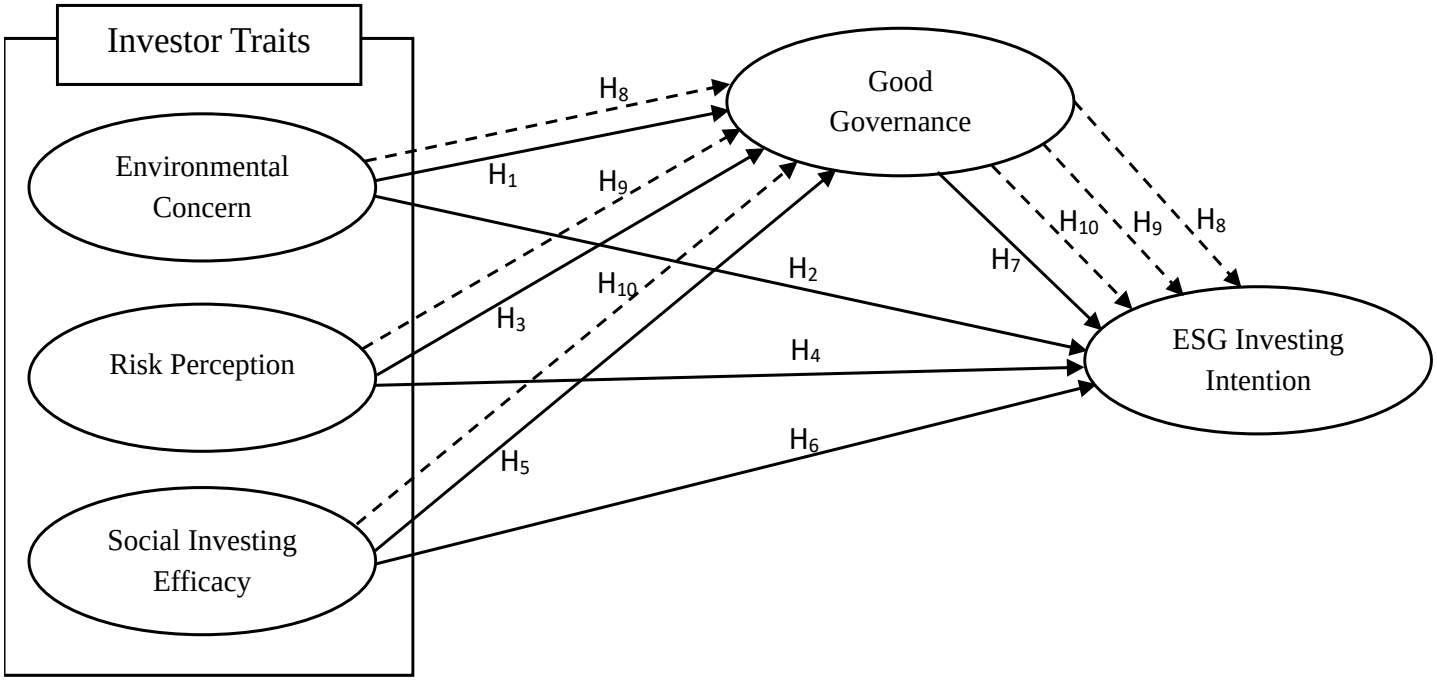

Figure 1 Proposed conceptual model

METHOD

This study employed a quantitative approach through a cross-sectional survey design to investigate the influence of investor traits and good governance on ESG investing intention. The purposive sampling method was utilised, with screening questions used to ensure that respondents were interested in sustainability-oriented investments. The measurement items were scaled based on validated scales of earlier research and were measured on a five-point Likert scale.

Respondents

The primary data for the study were collected through a structured questionnaire. The respondents were selected from Kerala, a southwestern state of India, which has many investors with a high literacy rate, strong social and environmental concern, and a vibrant civil society. These elements foster a climate conducive to ESG investing, making Kerala an ideal place for investigating the link between good governance and ESG investing intentions. In this study, the inclusion criteria comprised individual investors aged 18 and above, with all income levels and educational backgrounds, who were considered respondents.

A filtering process ensured that only relevant responses were utilised in the study. Respondents who preferred only sustainability-based investments were selected for further participation. After this, a total of 672 valid responses were obtained for hypothesis testing and statistical analysis.

Instruments

The proposed model was developed by evaluating measurement items that researchers framed using established variables from previous research. The research used measurement instruments for investor traits such as risk perception, social investing efficacy, and good governance from validated studies while developing the ESG investing intention items. The assessment of environmental concern consisted of six items drawn from Vyas et al. (2020) and Inderst et al. (2012) to determine how individuals connect with nature and embrace moral responsibility for environmental protection. The measurement of risk perception consisted of five items adopted from Deka et al. (2023), Grima et al. (2021), and Shah et al. (2018) to evaluate participants' investment risk management abilities and risk awareness. The respondent's social investing efficacy is based on five items adapted from Zhang et al. (2024), Vyas et al. (2020), Iyer and Kashyap (2009), and Garg et al. (2022) about positive societal investments. The construct of good governance established five valid items from Lee (2024) and Kocmanová et al. (2020). Research about ESG investing intention utilised five items from Deka et al. (2023) to determine how willing people are to invest in companies focused on environmental and social responsibilities. Theoretical support and validated measurement items for each construct ensure appropriateness and validity for the measurement method. Each research item used in the study employed a 5-point Likert-type scale with responses ranging from 1 (strongly disagree) to 5 (strongly agree). Table 1 shows the complete details regarding the measurement items.

Table 1 Measurement items and sources

Construct		**Measurement Items**	**Source**
Investor Traits	Environmental Concern	I always feel a connection with nature and my surroundings I feel I am an environmentalist I have a moral duty to protect the environment I know harm to the environment is a serious issue. I believe the right to live is equal for all living things I am ready to protect the environment	Vyas et al. (2020), Inderst et al. (2012)
	Risk Perception	Risks in my past had an impact on my present behaviour and future I believe that I can manage the risk when I understand more I know that when the return on investment is higher, the risk is also higher More familiarity with investments reduces the risk Sometimes, I am interested in risky investments	Deka et al. (2023), Grima et al., (2021), Shah et al. (2018)

	Social Investing Efficacy	I trust my investments positively impact the environment I believe that my investments have a positive effect on society's welfare My investment will lead to companies being more responsive to society's needs I wish to invest in enhancing community welfare I think my investments will make the ecosystem better	Zhang et al. (2024), Vyas et al. (2020), Iyer and Kashyap (2009), Garg et al. (2022)
Good Governance		Companies I invest in have shown global governance practices The companies I choose to invest in have shown good management of risks Companies I wish to invest in have shown good ethical practices and protect the rights of stakeholders Companies I would like to invest in have good performance in the market and are accountable and transparent in disclosing vital information Companies I invest in have a stable board of directors	Lee (2024), Kocmanová et al. (2020)
ESG Investing Intention		I would like to invest in companies concerned about environmental issues and climate change. I am not expecting an immediate return, but I wish to share with others I am willing to invest in companies offering good workplace health and safety measures I am ready to invest in companies that are conscious of their directors' independence and accountability Companies have some responsibilities towards their society and the planet	Deka et al. (2023)

Data analysis and procedure

The research used both IBM SPSS 26 and Smart PLS 4 as statistical tools to perform detailed data analysis. These tools allowed a comprehensive investigation of the relationship between investors' traits, good governance, and their commitment to ESG investing. A frequency analysis served as the first step to studying the demographic details of the valid sample. Later, reliability measurements were performed to ensure consistent data output. The study conducted confirmatory factor analysis (CFA) to evaluate the fit of the structural equation modelling (SEM) model. Results from the CFA analysis were used to compute both composite reliability (CR) and average variance extracted (AVE) to assess convergent validity. A correlation analysis method was used to determine discriminant validity. Finally, the research hypotheses were validated using SEM methods.

The demographic characteristics of the sample were measured using descriptive statistics, including frequency analysis, in IBM SPSS 26. Reliability tests were performed to assess data consistency before initiating advanced analysis methods. The use of SPSS helps explore the sample at the beginning to understand the nature of the dataset.

SmartPLS 4 is appropriate software for SEM, a multivariate statistical model designed for hypothesis testing. SEM was used to evaluate the research model and test hypotheses in this study. The research model included latent variables (investor traits, good governance, and ESG investing intention) and observed items (measurement items) to verify proposed structural relationships within the framework.

Path analysis, as part of SEM, allows researchers to measure and detect direct relationships and indirect relationships between variables. The research used path analysis to understand the associations between investor traits, good governance, and ESG investing intention. The study evaluated the validity and strength of each path relationship based on hypothesised connections between variables.

The study selected SEM and path analysis to establish complex relationships linking investor attributes with corporate governance factors and ESG investing intentions. The main reason for making these decisions stems from SEM's ability to analyse latent constructs, which enhances the realistic modelling of complex conceptual relationships.

RESULTS

Demographic information of respondents

Table 2 Demographic profile of survey respondents

Variable	Category	Frequency *(n=672)*	Percentage
Gender	Male	355	52.8
	Female	317	47.2
Age	18-29	218	32.4
	30-39	182	27.1
	40-49	127	18.9
	50-59	136	20.2
	60 and above	9	1.3
Educational Qualification	High school and below	146	21.7
	Diploma	181	26.9
	Undergraduate degree	207	30.8
	Postgraduate degree	138	20.5
Monthly Income	Below 20000	159	23.7
	20000-40000	215	32.0
	40001-60000	164	24.4
	Above 60000	134	19.9

An in-depth analysis of the demographic characteristics of survey participants helps to develop an extensive understanding of the participants. The study selected participants from different parts of Kerala state, India, specifically targeting people who have a preference for sustainability investment methods. The study focused on surveying respondents with adequate knowledge of sustainable investment to improve research quality. The survey collected responses from 672 participants, evenly distributed between male and female participants. The survey included 356 male participants (52.8% of the total respondents), while 317 females (47.2%) were represented. The balanced gender demographic strengthens the research findings by ensuring research inclusivity and reliability. The age features of respondents reveal that 32.4% belong to the 18-29 age group, which is a young age group. Working-age individuals in the 30-39 age group comprised 27.1% of all respondents. This age group was the most interested in savings and investments. The study shows that participants have a high level of education because graduates with bachelor's degrees represent 30.8% of the total respondents. Since the study explores sustainability investment awareness, participants' strong academic background provides essential expertise for investment decisions. The majority of respondents, 32.0%, have an annual household income between ₹20,000 and ₹40,000, which indicates they are middle-income families. This demographic is crucial because they choose investments that combine financial gain with sustainability. The varied educational and income backgrounds of participants in the study create an extensive spectrum of investors who adopt sustainability-conscious approaches, so the research findings demonstrate strong validity and practical applicability.

Confirmatory factor analysis (CFA)

Table 3 Constructs, items, factor loadings, reliability, and convergent validity

Constructs	Items	Factor loadings	CR	Cronbach's Alpha (α)	AVE
Environmental Concern	EC1	0.776	0.892	0.856	0.580
	EC2	0.762			
	EC3	0.786			
	EC4	0.728			
	EC5	0.757			
	EC6	0.760			
Risk Perception	RP1	0.730	0.870	0.813	0.573
	RP2	0.771			
	RP3	0.754			
	RP4	0.769			
	RP5	0.759			
Social Investing Efficacy	SIE1	0.778	0.882	0.832	0.599
	SIE2	0.759			
	SIE3	0.783			
	SIE4	0.794			
	SIE5	0.755			
Good Governance	GG1	0.850	0.929	0.905	0.724
	GG2	0.850			
	GG3	0.848			
	GG4	0.845			
	GG5	0.862			
ESG Investing Intention	ESGI1	0.829	0.915	0.833	0.682
	ESGI2	0.831			
	ESGI3	0.815			
	ESGI4	0.830			
	ESGI5	0.823			

Abbreviations: CR, composite reliability; AVE, average variance extracted

This study used SmartPLS to evaluate the factor loadings, reliability, and validity analysis presented in Table 3. In the CFA method, scales with factor loadings greater than 0.7 are considered retained for further analysis. In this study, the loadings range from 0.728 to 0.862. To check the reliability, CR was assessed with a minimum limit of 0.70 (Hair et al., 1992). All the CR values are between 0.870 and 0.929. Also, Cronbach's Alpha (α) was assessed as an indicator of reliability. The values in this study range from 0.813 to 0.905. A value above 0.8 is considered to be reliable. AVE was checked to ensure convergent validity, and the value should be at least 0.5 (Fornell & Larcker, 1981). All five values in this study are above 0.5 and range from 0.573 to 0.724.

Discriminant validity results

Table 4 Fornell and Larcker Criterion

Construct	EC	ESGI	GG	RP	SIE
EC	**0.762**				
ESGI	0.503	**0.826**			
GG	0.389	0.755	**0.851**		
RP	0.309	0.485	0.408	**0.757**	
SIE	0.282	0.450	0.513	0.370	**0.774**

Discriminant validity was tested using both the Fornell–Larcker criterion and the Heterotrait–Monotrait (HTMT) ratio. In the Fornell–Larcker criterion, the square root of the AVE criterion against corresponding inter-construct

correlations, and the square root value of every construct's AVE needs to exceed the correlational strength of each relationship between constructs (Fornell & Larcker, 1981). Table 4 shows that the square roots of AVE values exceed the inter-construct correlations. The AVE values ranging from 0.757 to 0.851 exceeded all corresponding inter-construct relevance relationships in the study. The variance shared between each variable exceeds the corresponding inter-variable correlations. The scores demonstrate higher consistency with their measurement compared to scores from different measures.

Table 5 Heterotrait–Monotrait (HTMT) Ratio

	EC	ESGI	GG	RP	SIE
EC					
ESGI	0.575				
GG	0.436	0.842			
RP	0.370	0.572	0.474		
SIE	0.332	0.523	0.590	0.449	

The Heterotrait–Monotrait (HTMT) ratio of correlations is a strong technique used to evaluate discriminant validity in structural equation modelling. HTMT is proposed by Henseler et al. (2015) to assess the level of similarity between latent factors by comparing heterotrait and monotrait correlations. Discriminant validity is determined when the values of HTMT are lower than the recommended value of 0.85 (or 0.90 in case the constructs are conceptually similar), which means that each construct represents a different concept in the model. All HTMT values shown in Table 5 are below the recommended threshold of 0.85, confirming adequate discriminant validity and ensuring that the constructs are empirically distinct. The assessment conducted validates that the measurement constructs fulfil the requirements for their reliability and validity.

Structural model assessment

After the measurement model assessment, the next step is to examine the structural model to validate the hypotheses. For this, the bootstrapping method with 5,000 samples was set to run the structural model in SmartPLS 4. The structural model in Figure 1 explores the connections between multiple latent variables, showing how different aspects of business ESG performance affect decision-making and investment choices. A total of seven theoretical causal pathways can be found in Table 6, which explores essential construct correlations. The structural model analysis evaluated the causal pathways by verifying their directions, significance levels, and magnitudes based on the proposed hypotheses.

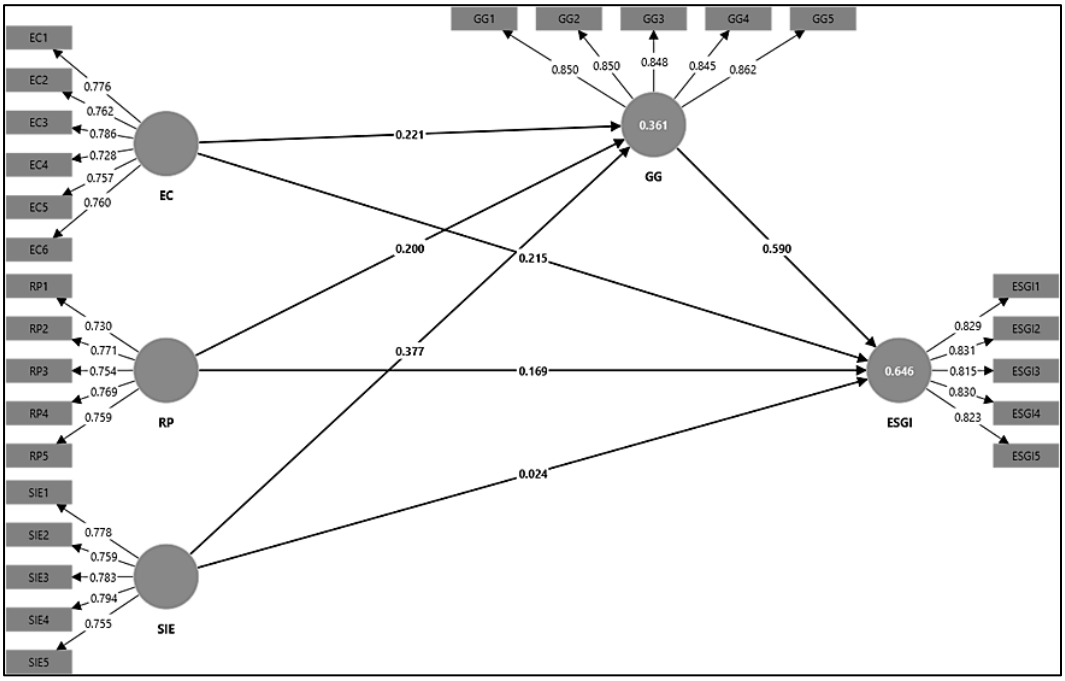

Figure 2: Structural model

Hypothesis testing

Table 6: Results of hypothesis testing

Path	Path coefficients	Standard deviation	*T* statistics	*P* values	Conclusion
H_1: EC → GG	0.221	0.050	4.378	0.000*	Supported
H_2: EC → ESGI	0.215	0.030	7.265	0.000*	Supported
H_3: RP → GG	0.200	0.050	3.967	0.000*	Supported
H_4: RP → ESGI	0.169	0.031	5.506	0.000*	Supported
H_5: SIE → GG	0.377	0.045	8.465	0.000*	Supported
H_6: SIE → ESGI	0.024	0.030	0.783	0.434	Not supported
H_7: GG → ESGI	0.590	0.032	18.336	0.000*	Supported

*Note: *p < 0.01*

Abbreviations: EC, environmental concern; ESGI, ESG investing intention; GG, good governance; RP, risk perception; SIE, social investing efficacy

Statistical analysis reveals that Environmental Concern (EC) demonstrates a positive and significant relationship (β = 0.221) with Good Governance (GG), as indicated by the coefficient (t = 4.378), validating hypothesis 1. The research demonstrates that Environmental Concern (EC) significantly affects ESG Investing Intention (ESGI) (β = 0.215, t = 7.265, p < 0.01), thus establishing hypothesis 2. The study reveals that Risk Perception (RP) and GG maintain a significant positive relationship (β = 0.200, t = 3.967, p < 0.01), while RP also establishes a positive link with ESGI (β = 0.169, t = 5.506, p < 0.01), thus validating hypotheses 3 and 4. Social Investing Efficacy (SIE) has a substantial positive influence on GG (β = 0.377, t = 8.465, p < 0.01), confirming Hypothesis 5. The study findings show no statistical evidence for a relationship between SIE and ESGI (β = 0.024, t = 0.783, p = 0.434), which fails to validate Hypothesis 6. The results demonstrate that GG strongly influences ESGI (β = 0.590, t = 18.336, p < 0.01), supporting Hypothesis 7. Investor traits such as environmental concern and risk perception, together with good governance factors, shape the investor's behaviour towards ESG investment. The weak correlation between SIE and ESGI demonstrates that investors' social investing efficacy does not necessarily lead to immediate ESG investment decisions.

Analysis of mediation effects

Mediation analysis was performed to assess the mediating role of good governance (GG) in the relationship between independent variables (environmental concern (EC), risk perception (RP) and social investing efficacy (SIE)) and the dependent variable (ESG investing intention (ESGI)). The results in Table 6 revealed a significant indirect effect of EC on ESGI through GG (H8: β = 0.130, t = 4.264, p < .01). The total effect of EC on ESGI was significant (β = 0.345, t = 7.715, p < .01), with the inclusion of the mediator, the effect of GG on ESGI was still significant (β = 0.215, t = 7.265, p < .01). This shows a complementary partial mediating role of good governance in the relationship between EC and ESGI. Hence, H8 was supported. The indirect effect of RP on ESGI through GG was significant (H9: β = 0.118, t = 3.945, p < .01). The total effect of RP on ESGI was significant (β = 0.287, t = 6.127, p < .01), with the mediator, the effect of GG on ESGI was still significant (β = 0.169, t = 5.506, p < .01). This indicates a complementary partial mediating role of good governance in the relationship between RP and ESGI. Thus, hypothesis 9 was supported. The indirect effect of SIE on ESGI through GG (H10: β = 0.222, t = 7.624, p < .01) was significant. The total effect (β = 0.246, t = 5.637, p < .01) of SIE on ESGI was significant. The direct effect of GG on ESGI was not significant (β = 0.024, t = 0.783, p = 0.434). This indicates full mediation; good governance mediates the relationship between EC and ESGI. Finally, H10 was supported.

Table 7: Results of Mediation

Total effects			Direct effect			Indirect effect					
β	***T* value**	***P* value**	**β**	***T* value**	***P* value**	**β**	***T* value**	***P* value**	**Confidence intervals, bias-corrected**		**Conclusion**
									LL	**UL**	
						H_8: EC → GG → ESGI					
0.345	7.715	0.000	0.215	7.265	0.000	0.130	4.264	0.000	0.067	0.187	**Partial mediation**
						H_9: RP → GG → ESGI					
0.287	6.127	0.000	0.169	5.506	0.000	0.118	3.945	0.000	0.055	0.173	**Partial mediation**
						H_{10}: SIE → GG → ESGI					
0.246	5.637	0.000	0.024	0.783	0.434	0.222	7.624	0.000	0.167	0.187	**Full mediation**

Abbreviations: EC, environmental concern; ESGI, ESG investing intention; GG, good governance; RP, risk perception; SIE, social investing efficacy

DISCUSSION AND IMPLICATIONS

The results highlight good governance's role in aligning with investor traits such as environmental concern, risk perception, and social investing efficacy with ESG investing intention by evaluating hypotheses 1 to 10. This study confirms that environmental concern positively influences ESG investing intention both directly and through the mediator of good governance. Environmentally concerned investors prioritise a good governance structure, ensuring ethical and sustainable practices (Kakeu, 2017; Gerged et al., 2021; Lehman & Kuruppu, 2017). The mediation effect of good governance in this study aligns with past studies that show that governance mechanisms play a catalytic role in linking environmental consciousness and investment behaviour (Shahid & Abbas, 2019).

Similarly, risk perception was a significant predictor of ESG investing intention, along with the mediator of good governance. The good governance system provides risk mitigation strategies that boost investor confidence in ESG investments (Nguyen et al., 2019). Investors with high perceived financial risk place more emphasis on governance, which ensures accountability and transparency, aligning with the study's findings that governed firms expect lower investment risk and better market stability (Deka et al., 2023).

The social investing efficacy of investors and ESG investing intention showed a significant relation through the mediation of good governance. Investors who have high social investing efficacy believe their investments drive social change. This study indicates that ESG investments do not directly drive an investor's social investing efficacy. In this study, good governance fully mediates the relationship between social investing efficacy and ESG investing intention. Environmental and social aspects of ESG initiatives influence investors' trust. Social consciousness and an environmentally responsible attitude develop sustainable investment behaviour, which is reinforced by good governance, leading to ESG investment decisions. According to Tseng et al. (2019), investors' preferences for ESG-operated firms are also high, and the study indicates that investor attributes are influenced by corporate governance, which drives social impact and environmental management to improve sustainable investment. Good governance not only influences investors but also supports corporate sustainability and improves long-term ESG investment, aligning with emerging sustainability strategies in finance (Zhang & Huang, 2024).

For managers, this paper highlights the economic importance of strong governance in developing ESG-related investment decisions. Managers can mitigate investment risk perception and enhance capital allocation efficiency by strengthening board oversight, transparency, and accountability for ethical conduct. By making managerial decisions based on governance-led ESG strategies, firms can increase investor confidence, unlock sustainability-oriented capital and long-term economic and reputational performance, and align organisational aims with larger sustainability and value-creation agendas.

This research contributed to the existing theories of TPB and VBN and their application in the field of investment and finance. The evidence from this study confirms that proper governance measures play an essential role in directing investor traits such as environmental concern, risk perception, and social investing efficacy towards ESG investments through improved company transparency and ethical practices and enhanced accountability. Although this study confirms that the efficacy of investors in social investing does not directly drive ESG investments, a good governance system is essential to leverage this gap. Organisations delivering ESG information can focus on governance-related disclosure information because investors now make decisive choices based on these governance elements (Zatonatska et al., 2024). Also, Government agencies can utilise this data to create policies that drive organisations toward adopting good governance practices, thereby strengthening ESG-based investments. This study confirms that investors view firms with strong governance practices as lower-risk entities. Thus, businesses can implement proper governance systems to manage the investors' risk perception.

LIMITATIONS AND SCOPE FOR FUTURE RESEARCH

This study made a significant contribution to the existing literature on ESG investment intention by investors through good governance. Firstly, this study examines only ESG investing preferences among investors in Kerala, India, and therefore restricts the scope of other sustainability investments. Secondly, the analysis in this study focuses on good governance as a mediator to explain how the individual investor traits affect ESG investment intentions; only the individual perspective was studied.

In future research, longitudinal data could be collected to study changing investor perceptions over time. A comparison of different generations of individual investors and their investment behaviour can also be considered. Lastly, the study can be expanded into other participant categories, including institutional investors.

CONCLUSION

This study explores how individual investor traits such as environmental concern, risk perception, and social investing efficacy influence ESG investing intention through the mediation of good governance. This study highlights the need to adopt ethical, transparent, and accountable business practices to encourage investments of ESG-conscious investors and promote long-term sustainability. The study helps to extend the scope of good governance as a mediating variable in individuals' ESG investment and offers a refined behavioural model for sustainable investment decisions. The findings of this study provide actionable insights for company management to strengthen their governance system by ensuring transparency, accountability, and responsiveness to encourage investments from ESG-conscious investors and promote long-term sustainability.

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