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The Determinants of Retail Investors' Intention to Invest in Environmental Social Governance Stocks in Malaysia

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ABSTRACT

Environmental, Social, and Governance (ESG) investing has become a global priority for sustainable finance, yet its determinants remain insufficiently examined in developing economies like Malaysia. While ESG disclosure is mandated by regulatory frameworks, investor participation remains low. This study addresses critical challenges such as the persistent "Disclosure Gap", where companies fail to provide adequate data and the "Estimation Gap", where investors rely on assumptions due to inconsistent reporting. These issues undermine investor confidence and contribute to slower growth in ESG stocks. The research objectives are threefold: examining the direct effects of individual and organisational factors on ESG investment intention, assessing the mediating effect of perceived corporate governance, and establishing a predictive behavioural framework. Guided by Self-Determination Theory (SDT), which emphasizes intrinsic motivation, autonomy, and perceived competence, this research investigates five key determinants: tacit knowledge, environmental concern, personal agency, opportunistic behaviour, and institutional trust. The study also explores how perceived corporate governance acts as a critical organisational-level mediator. Empirical findings reveal that tacit knowledge, environmental concern, personal agency, and institutional trust significantly enhance intentions to invest in ESG stocks, whereas opportunistic behaviour exerts a negative influence. Perceived corporate governance demonstrates a strong mediating effect, underscoring the importance of transparency, accountability, and ethical oversight. Theoretically, this study extends SDT into sustainable finance by integrating psychological, social, and governance dimensions. Practically, it provides evidence-based insights for policymakers and financial institutions to strengthen ESG adoption. By bridging gaps in Malaysia's landscape, this research supports sustainable economic growth and enriches global discourse on developing global emerging markets.

Keywords: ESG Stocks, Retail Investors, Self-Determination Theory, Perceived Corporate Governance, Malaysia.

INTRODUCTION

This research examines the determinants of ESG investment intentions among retail investors in Malaysia, specifically targeting digitally-savvy demographic aged 25 and above. The study explores how psychological and behavioural factors—such as tacit knowledge, environmental concern, personal agency, opportunistic behaviour, and institutional trust influence investment decisions, while also assessing the mediating role of perceived corporate governance. While Environmental, Social, and Governance (ESG) practices have seen a five-fold global increase in assets over the last decade, Malaysia's focus is driven by the 12th Malaysia Plan and the Employee Fund Provider's (EFP) 2030 objective to integrate ESG principles into all investments. Despite these advancements, individual investors still face a "Disclosure Gap" regarding operational data and an "Estimation Gap" caused by inconsistent reporting. By utilizing a cross-sectional quantitative approach, this research aims to provide a theoretical framework for predicting investor behaviour and offer practical guidance for companies to attract sustainable investment.

The global shift toward sustainable finance has placed ESG factors at the heart of modern investment processes. In Malaysia, the regulatory environment is rapidly evolving, with initiatives like the National Industry ESG

Framework and stricter Bursa Malaysia reporting requirements aiming to foster a greener economy. Despite a surge in retail investor participation, particularly among a young, digitally-savvy demographic, empirical evidence regarding their specific motivations remains scarce. Hence, this study seeks to bridge this gap by examining how internal psychological needs and external institutional perceptions shape the intention of Malaysian retail investors to engage with ESG stocks.

LITERATURE REVIEW

A. ESG Investment and Practices in Malaysia's Stock Market

ESG stocks are central to Malaysia's strategy for economic sustainability, evidenced by the 12th Malaysia Plan and the Employee Provident Fund's (EPF) 2030 objective to integrate ESG principles into all investment activities. Despite regulatory advancements like the National Industry ESG Framework and enhanced reporting requirements by Bursa Malaysia, a significant "Disclosure Gap" and "Estimation Gap" persist. These gaps force retail investors to rely on assumptions, highlighting a critical need to understand the psychological and organisational factors that drive investment intentions in this developing market. However, empirical evidence regarding the specific individual-level factors shaping investor interest remains limited.

B. The Determinants of Retail Investors' Intention to Invest in ESG Stocks

While studies have explored social, ethical, and religious influences on investment, the specific factors influencing retail investors' decisions in Malaysia are yet to be fully explored. There is limited empirical evidence on individual and organisational-level factors in developing economies. Further research is required to account for the unique psychological and behavioural determinants in this specific environment.

C. Theoretical Foundation: Self-Determination Theory (SDT)

This study utilizes Self-Determination Theory (SDT) to explain how the satisfaction of three innate psychological needs; competence, autonomy, and relatedness which shapes the intention to invest in ESG stocks. In this framework, individual-level determinants act as manifestations of these needs, while Perceived Corporate Governance (PCG) serves as an extrinsic motivator that directs investor behaviour through the perception of organisational rules and integrity.

Traditionally, studies predicting retail investor behaviour have relied heavily on the Theory of Planned Behaviour (TPB). While TPB is useful for capturing rational cognitive attitudes, subjective norms, and perceived control, it suffers from a major conceptual limitation in the context of sustainable finance: it treats all motivations as qualitatively identical. TPB calculates the strength of an intention but cannot explain the underlying quality or regulatory origin of the motivation driving that intention.

ESG investing is not a purely rational-economic or risk-return calculation. It represents a highly complex, multi-dimensional decision-making process where ethical values, personal identity, and long-term societal obligations directly clash with short-term wealth maximisation. This unique tension makes SDT superior to TPB for three distinct reasons:

1. The Motivation Continuum: Rather than treating motivation as a single binary construct, SDT conceptualises motivation along a spectrum from controlled regulation (doing an action for external rewards, immediate gains, or compliance) to autonomous regulation (acting out of integrated personal values, intrinsic interest, or self-directed identity). This allows the researcher to contrast self-serving, short-term economic drives with genuine, long-term environmental commitments.
2. Addressing the Interest-to-Action Gap: While 69% of retail investors express interest in ESG stocks, only 10% actually invest. This discrepancy indicates that mere positive "attitudes" (as captured by TPB) do not automatically translate into behaviour. SDT explains this gap by proposing that interest only translates into concrete, sustained behavioural intention when the underlying psychological needs of competence, autonomy, and relatedness are satisfied.

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3. The Process Matters: SDT posits that the *manner* in which a goal is pursued (i.e., whether the choice is self-regulated and volitional) is just as critical to human motivation and well-being as the goal itself. This is highly applicable to retail investors navigating nascent markets like Malaysia, where corporate disclosure and estimation gaps require a high degree of self-directed, experience-based cognitive effort to make active investment decisions.

Explicit Need-Satisfaction Mapping of the Determinants

Under SDT, individual psychological and cognitive determinants act as direct manifestations of the three basic innate psychological needs.

SELF-DETERMINATION THEORY		
COMPETENCE NEED	AUTONOMY NEED	RELATEDNESS NEED
Tacit Knowledge	Personal Agency	Institutional Trust
Environmental Concern	Environmental Concern	Environmental Concern (Shared Value)
	Opportunistic Behaviour	

COMPETENCE: The Need to Feel Effective and Capable

Competence is the innate desire to experience mastery, subjective capability, and effectiveness in interacting with one's environment. In this model, this need is satisfied through two primary pathways:

- **Tacit Knowledge (TK):** ESG investing is characterized by high information asymmetry, greenwashing, and inconsistent reporting ("Estimation Gaps"). Because tacit knowledge represents deeply personal, intuitive, and experience-based cognitive structures, its accumulation directly satisfies the competence need. It gives the retail investor the subjective sense of mastery and cognitive self-efficacy necessary to navigate complex, uncodified ESG metrics and make sound, independent sustainable decisions.

- **Environmental Concern (EC):** Environmental concern is not merely an emotional worry; it is an attitudinal disposition that reflects an individual's drive to engage in environmental protection. By providing investors with environmental literacy and awareness, choosing ESG stocks acts as a medium for ecological self-efficacy. It allows investors to feel that their financial choices are an effective, capable contribution to resolving global climate crises, satisfying their need to act competently in a green economy.

AUTONOMY: The Need to Act out of One's Own Volition and Values

Autonomy is the psychological need to experience oneself as the initiator, author, and regulator of one's own actions, completely free from external manipulation or coercion. The model operationalises this need through:

- **Personal Agency (PA):** Consisting of intentionality, forethought, self-reactivity, and self-reflectiveness, personal agency is the literal embodiment of autonomy. Highly agentic investors exhibit a high perceived locus of causality. They make self-directed, value-aligned choices based on their personal ethical values and long-term sustainability objectives rather than passive conformity. Experiencing their investments as self-initiated actions directly satisfies their need for autonomy.

- **Environmental Concern (EC):** From an autonomy perspective, highly environmentally concerned individuals undergo a psychological process of integrated regulation where green values are fully internalised and integrated into their core identity and self-concept. When these investors select ESG-compliant stocks, they are exercising their "liberty of selection" to align their financial portfolios with their internal value systems, fostering a deep sense of volitional, self-determined action.

RELATEDNESS: The Need for Connectedness and Belonging

Relatedness is the psychological need to feel connected to a larger social context, to experience a sense of mutual trust, shared values, and belonging within a community or system. The model maps this need to:

- **Institutional Trust (IT):** Sustainable investing is a social contract that requires trust in regulatory and financial systems (such as Bursa Malaysia and the Securities Commission). Highly trusting investors feel a secure relatedness and connection to the broader socio-economic structures governing Malaysia. This institutional belongingness mitigates the isolation and vulnerability of retail investing, turning a solitary transaction into an integrated participation within a trustworthy, collective national effort toward sustainability.

THE MOTIVATIONAL DETRACTOR: Controlled Motivation

- **Opportunistic Behaviour (OB):** Unlike the positive psychological need satisfaction of the other determinants, opportunistic behaviour (defined as self-interest seeking with guile) represents a highly controlled motivational regulatory style (specifically *external regulation*). Because opportunistic motivation is driven entirely by short-term, external incentives, cunning capital preservation, or regulatory compliance rather than intrinsic values, it does not satisfy the innate human needs for autonomy or relatedness. The model's non-significant findings (beta = 0.018, *p-Value* = 0.785) empirically validate this: because ESG investing is structurally perceived as a long-term, relationally-driven, and value-aligned commitment, it represents a fundamental motivational mismatch with the controlled, self-serving, and transaction-based regulatory structures of opportunistic investors.

D. Development of the research framework

Individual Determinants and Direct Effects (H1–H5)

The research model proposes that five key individual-level psychological and cognitive determinants directly influence retail investors' Intention to Invest in ESG Stocks (**INT_ESG**) in Malaysia. Under the framework of Self-Determination Theory (SDT), these determinants represent critical elements that either satisfy or conflict with the basic psychological needs of competence and autonomy, thereby shaping the motivational pathways of investors.

Competence (Tacit Knowledge & Environmental Concern): According to SDT, **competence** refers to an individual's inherent need to feel effective, capable, and masterful in their interactions with their environment. Fulfilling this need facilitates autonomous motivation and behavioural engagement. Tacit knowledge represents the intuitive, deeply personal, and experience-based understanding required to navigate the complex and often ambiguous landscape of ESG investment criteria. Unlike explicit financial knowledge, tacit knowledge cannot be easily formalised or communicated; it is built through active experience and reflection. Fulfilling the competence need, high tacit knowledge empowers retail investors by giving them a sense of subjective capability and cognitive comfort, directly driving their intention to invest in ESG stocks. Environmental concern reflects an investor's active awareness of ecological degradation and their personal commitment to supporting sustainable, green solutions such as carbon neutrality, waste management, and renewable energy. When investors possess high environmental concern, selecting ESG stocks serves as a mechanism to satisfy their competence need through environmental stewardship making them feel that their investment portfolio represents an effective, self-efficacious contribution to solving global ecological issues.(**H1, H2**).

Autonomy (Personal Agency & Opportunistic Behaviour):

Under SDT, **autonomy** refers to the need to experience oneself as the author, initiator, and regulator of one's life choices. Motivation exists on a spectrum from autonomous regulation (driven by personal value and intrinsic interest) to controlled regulation (driven by external rewards, avoidance of shame, or self-serving opportunism).

Opportunistic Behaviour [H3 Formulated as Positive] represents a self-serving tendency characterised by the pursuit of short-term personal gains. Within SDT, opportunism is conceptualized as a highly **controlled form of motivation** (specifically external regulation), where actions are driven by external, immediate financial rewards and reputational premiums rather than intrinsic ethical values.

In Malaysia's sustainable finance ecosystem, regulatory initiatives, corporate incentives, and governance standards have created a market landscape where ESG compliance is increasingly tied to long-term risk mitigation, tax benefits, and financial performance. Highly self-serving or opportunistic retail investors may recognise that investing in ESG-compliant stocks is a highly strategic vehicle for capital preservation and short-term financial outperformance. Therefore, a positive relationship is postulated, suggesting that higher opportunistic tendencies will still lead to a positive intention to participate in ESG investing, motivated by these external rewards.

Whereas, personal agency represents an individual's subjective belief in their capacity to exert control over their life events and actively shape their social environment. Agentic investors exhibit intentionality, foresight, and self-reactiveness. Within SDT, personal agency bridges autonomy and competence: highly agentic individuals feel a deep sense of volitional control (autonomy) over their investment portfolios and believe that their choices have a direct, meaningful impact on corporate sustainability practices. This self-directed, value-aligned motivation directly fosters sustainable investment intentions **(H4)**

Therefore, Personal Agency (PA) involves value-driven choices and an individual's sense of efficacy. Conversely, Opportunistic Behaviour (OB) represents self-serving, short-term calculations. While PA is expected to positively influence intention, OB is theorised as a potential detractor or non-factor in ethical investing (**H3, H4**).

Relatedness (Institutional Trust): Institutional trust refers to the confidence retail investors place in external institutional frameworks, including regulatory authorities (such as Securities Commission Malaysia and Bursa Malaysia), financial intermediaries, and corporate disclosure standards. Under SDT, institutional trust acts as an essential support for competence and autonomy. When investors trust that regulatory frameworks are robust and transparent, they feel secure in the quality and reliability of corporate disclosures. This structural safety reduces the perceived complexity of ESG investing, allowing investors to make self-directed, autonomous investment decisions with confidence. This sense of connection to a reliable financial ecosystem is a primary driver of sustainable engagement (**H5**).

The Mediating Role of Perceived Corporate Governance (H6–H16)

A central contribution of this model is the conceptualisation of Perceived Corporate Governance (PCG) defined by board autonomy, accountability, and reporting integrity as a selective mediator.

The Antecedents of PCG (H6–H10): The model hypothesises that an investor's internal values and trust levels (the five IVs) significantly shape how they perceive a firm's governance. For example, investors with high institutional trust or environmental concern are more likely to scrutinize and value strong corporate oversight.

Mediation Pathways (H11–H15): Rather than acting as a universal bridge, PCG is theorised as a selective mediator. It is expected to significantly mediate the paths for value-based drivers, such as Environmental Concern and Institutional Trust, where the "assurance" of good governance is required to translate values into action. However, for more direct psychological drivers like Tacit Knowledge or self-serving Opportunistic Behaviour, the mediation effect of PCG may be less pronounced.

PCG as a Driver of Intention (H16): Independent of individual values, the perception of transparent and ethical governance acts as a critical motivator that directly enhances the intention to invest.

Therefore, a total of 16 hypotheses has been developed as outlined below:

Direct Effects on Intention (IV → DV):

H1: There is a positive and significant relationship between tacit knowledge and investors' intention to invest in ESG stocks in Malaysia.

H2: There is a positive and significant relationship between environmental concerns and investors' intention to invest in ESG stocks in Malaysia.

H3: There is a positive and significant relationship between opportunistic behaviour and investors' intention to invest in ESG stocks in Malaysia.

H4: There is a positive and significant relationship between personal agency and investors' intention to invest in ESG stocks in Malaysia.

H5: There is a positive and significant relationship between institutional trust and investors' intention to invest in ESG stocks in Malaysia.

Direct Effects on Mediator (IV → Mediator):

H6: There is a positive and significant relationship between tacit knowledge and perceived corporate governance.

H7: There is a positive and significant relationship between environmental concern and perceived corporate governance.

H8: There is a positive and significant relationship between opportunistic behaviour and perceived corporate governance.

H9: There is a positive and significant relationship between personal agency and perceived corporate governance.

H10: There is a positive and significant relationship between institutional trust and perceived corporate governance.

Mediation Effects (IV → Mediator → DV): H11–H15: PCG mediates the relationship between the five IVs and Intention to Invest in ESG stocks in Malaysia.

H11: Perceived Corporate governance mediates the relationship between tacit knowledge and investors' intention to invest in ESG stocks in Malaysia.

H12: Perceived Corporate governance mediates the relationship between environmental concern and investors' intention to invest in ESG stocks in Malaysia.

H13: Perceived Corporate governance mediates the relationship between opportunistic behaviour and investors' intention to invest in ESG stocks in Malaysia.

H14: Perceived Corporate governance mediates the relationship between personal agency and investors' intention to invest in ESG stocks in Malaysia.

H15: Perceived Corporate governance mediates the relationship between institutional trust and investors' intention to invest in ESG stocks in Malaysia.

Direct Effect of Mediator on DV (Mediator →DV):

H16: There is a positive and significant relationship between perceived corporate governance and investors' intention to invest in ESG stocks in Malaysia.

By integrating these 16 relationships, the literature review supports a comprehensive behavioural framework that accounts for both the internal psychological needs of the Malaysian retail investor and the external organisational signals provided by corporate governance. Based on these interactions, the study proposes the following research framework:

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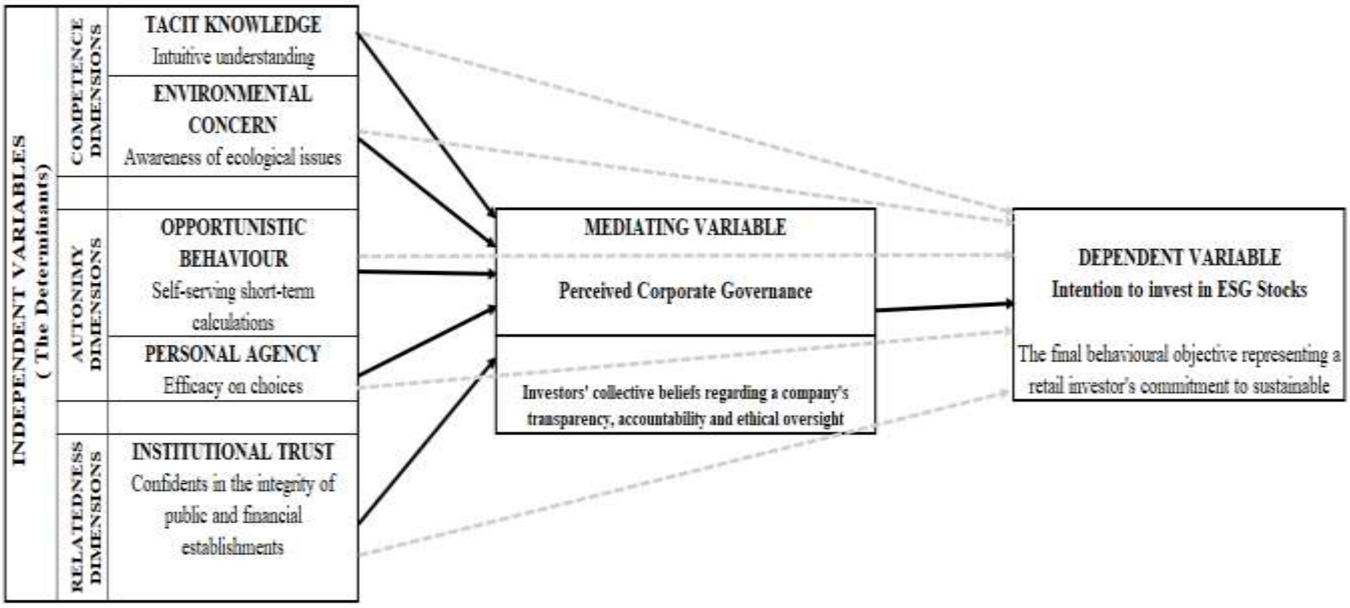


Fig. 1 Proposed Research Framework

The framework illustrates the hypothesised paths where the five antecedent variables (IVs) influence the intention to invest in ESG stocks (DV), with perceived corporate governance serving as the mediating variable.

METHODOLOGY

The study adopted a positivist paradigm and a quantitative, cross-sectional correlational design. The target population comprised retail investors in Malaysia, specifically those aged 25 and above. Utilizing a non-probability convenience sampling method, data was collected via a bilingual online survey (English and Malay) distributed through Google Forms.

The research instrument employed a five-point Likert scale, ranging from "Strongly Disagree" to "Strongly Agree". A pilot study involving 30–50 participants confirmed the instrument's reliability, with Cronbach's alpha values exceeding 0.70. The final analysis was based on 408 valid responses, satisfying the statistical power requirements for PLS-SEM. Data preparation included screening for outliers and inconsistencies before being imported into SmartPLS for structural modelling.

FINDINGS

Measurement Model Assessment

The model demonstrated strong internal consistency and reliability, with Cronbach's alpha values for all constructs ranging from 0.815 to 0.954. Convergent validity was confirmed via Average Variance Extracted (AVE) values above 0.50, and discriminant validity was established using the heterotrait-monotrait ratio (HTMT), which remained below the 0.90 threshold. Collinearity statistics were within acceptable limits, with VIF values generally below 3.3 threshold, confirming that multicollinearity was not a critical issue for the structural analysis. . Path Coefficients: The structural model results supported several hypotheses. Institutional trust ($\beta = 0.330$) and environmental concern ($\beta = 0.288$) emerged as the strongest direct predictors of investment intention. Tacit knowledge ($\beta = 0.121$) and personal agency ($\beta = 0.173$) also showed significant positive effects. However, opportunistic behaviour was not supported ($\beta = 0.018$), suggesting ESG investing is not driven by self-interest. Coefficient of Determination (R^2): The model explained 75.9% of the variance in ESG investment intention, indicating substantial predictive accuracy. Mediation Results: Perceived corporate governance (PCG) served as a meaningful mediator for environmental concern and institutional trust. It did not meaningfully mediate the relationship for tacit knowledge or opportunistic behaviour.

Structural Model Assessment

The structural model was evaluated using PLS-SEM (Partial Least Squares Structural Equation Modelling) in SmartPLS to assess the path coefficients (β), t-statistics, p-values, and effect sizes (f^2) for each hypothesized relationship. This model ensures statistical rigor and high predictive validity. The structural model was evaluated to test the 16 hypotheses, explaining 75.9% of the variance in ESG investment intention. Results supported 9 out of 16 hypotheses.

Direct Effects on Intention to Invest (H1–H5)

The model first assessed the direct impact of the five individual determinants on the intention to invest in ESG stocks (INT_ESG):

Hypothesis	**Path**	**Path Coefficient (β)**	**t-value**	**p-value**	**Decision**
H1	TK → INT_ESG	0.121	2.906	0.004	Supported
H2	EC → INT_ESG	0.288	3.393	0.001	Supported
H3	OB → INT_ESG	0.018	0.273	0.785	Not Supported
H4	PA → INT_ESG	0.173	2.965	0.003	Supported
H5	IT → INT_ESG	0.330	4.432	0.000	Supported

The statistical evaluation of the structural model provides strong support for the core tenets of Self-Determination Theory (SDT) in explaining retail ESG investing in Malaysia. Four out of the five individual-level determinants (TK, EC, PA, and IT) exerted highly significant positive direct effects on retail investors' intention to invest in ESG-compliant stocks in Malaysia. Specifically, **Institutional Trust (H5)** emerged as the single most critical driver ($\beta = 0.330$, $p < 0.001$), followed closely by **Environmental Concern (H2)** ($\beta = 0.288$, $p = 0.001$). This pattern indicates that the fulfilment of autonomy, competence, and institutional relatedness needs is central to fostering proactive green investment intention.

Conversely, **Hypothesis 3 (H3)**, which postulated a positive direct effect of opportunistic behaviour on investment intentions, was **not supported**. The direct path coefficient was positive but statistically negligible ($\beta = 0.018$, $t = 0.273$, $p = 0.785$), and its predictive contribution was minimal (f^2 = 0.070). This outcome highlights a profound conceptual divergence: self-serving, immediate financial opportunism is not a systematic driver of sustainable investment behaviours in the Malaysian retail market.

Direct Effect of Mediator on Intention (H16)

Hypothesis	**Path**	**Path Coefficient (β)**	**t-value**	**p-value**	**Decision**
H16	PCG → INT_ESG	0.107	1.757	0.079	Supported (Marginal)

H16 (Perceived Corporate Governance → INT_ESG): Partially Supported (= 0.107, p = 0.079). This suggests that while PCG is a relevant organisational factor, its strength lies primarily in its role as a mediator rather than a standalone driver.

Direct Effects on the Mediator

These hypotheses examine how individual factors influence the Perceived Corporate Governance (PCG). While specific beta values for all five paths are not explicitly detailed in the summary, the significance of these paths is evidenced by the subsequent mediation results:

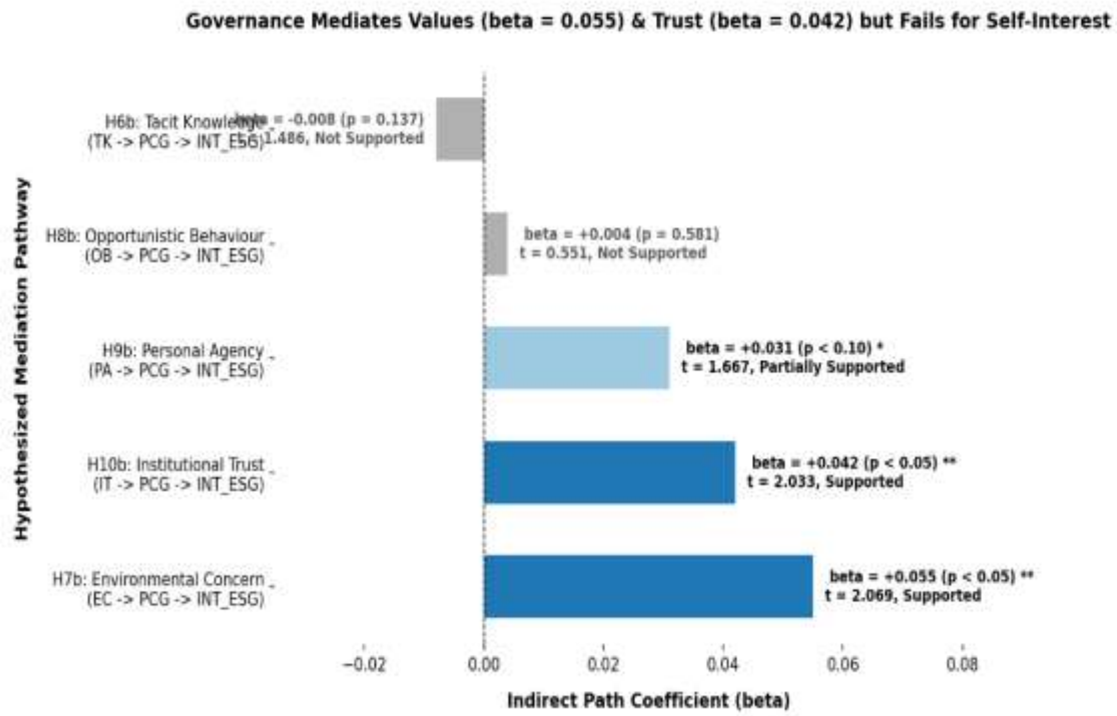
- Significant Antecedents: Factors such as Environmental Concern (H7), Personal Agency (H9) and Institutional Trust (H10) significantly influence perceptions of governance, serving as the necessary first step for mediation.

- Non-Significant Antecedents: Determinants like Tacit Knowledge (H6) and Opportunistic Behaviour (H8) did not show a meaningful relationship with PCG in a way that led to mediation.

Indirect/Mediation Effects

The study tested whether PCG mediates the relationship between the five IVs and investment intention:

- H12 & H15 (Mediation for EC and IT): Supported. PCG serves as a meaningful mediator for Environmental Concern and Institutional Trust.
- H11, H13, & H14 (Mediation for TK, OB, PA): Not Supported/Partially Supported. Results indicate that PCG failed to meaningfully mediate the effects of Tacit Knowledge and Opportunistic Behaviour with Personal Agency only partially supported the mediation.



The chart visually demonstrates a central theoretical finding of this research: Perceived Corporate Governance is a selective, rather than a universal, mediator. Its capacity to channel retail investors' psychological antecedents into investment intentions is contingent upon the conceptual alignment of the variable:

1. Supported Value and Trust Channels:
   - Environmental Concern (beta = 0.055; p = 0.039) and Institutional Trust (beta = 0.042; $p = 0.042$) are significantly and positively mediated by PCG5. Corporate governance acts as a legitimate intervening mechanism that translates environmental values and institutional trust into concrete ESG investment intentions.
2. Partially Supported Self-Efficacy Channel:
   - Personal Agency (beta = 0.031; $p = 0.096$) is only partially/marginally mediated. This weaker transmission suggests that agentic investors rely more on self-directed, direct judgements than on external governance cues as a decision-making shortcut.
3. Unsupported Cognitive and Self-Serving Channels:
   - Tacit Knowledge (beta = -0.008; $p = 0.137$) and Opportunistic Behaviour (beta = 0.004; $p = 0.581$) show completely non-significant mediation pathways. Experienced investors rely directly

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on their personal expertise rather than perceptual governance signals, while opportunistic investors do not view long-term corporate governance structures as relevant to their short-term, self-interested motivation.

Summary of Hypothesis Findings

Path Category	Supported Hypotheses	Not Supported
Direct to Intention	H1, H2, H4, H5	H3
Direct to PCG	H7, H9, H10	H6, H8
Mediation Effects	H12, H15	H11, H13
	H14 (Partial)	
Mediator to Intention	H16 (Partial)	

The measurement model was found reliable and valid. Hypothesis testing supported 9 out of 16 hypotheses, highlighting that ESG investment intention in Malaysia is primarily driven by institutional trust, environmental concern, and personal agency, with perceived corporate governance acting as a selective mediator. Therefore, the model explained 75.9% of the variance in investment intention. Mediation analysis revealed that perceived corporate governance significantly mediated the effects of environmental concern and institutional trust, but failed to mediate tacit knowledge or opportunistic behaviour.

DISCUSSION

A. Discussion of Results

The findings were analysed hypothesis-by-hypothesis in the context of Malaysian retail investors.

- H1 (Tacit Knowledge): Supported. Even where general ESG awareness is low, the accumulation of investment knowledge meaningfully influences intentions.
- H2 (Environmental Concern): Strongly supported. Environmentally motivated behaviour aligns with SDT and reflects a significant driver in the Malaysian market.
- H3 (Opportunistic Behaviour): Not supported. ESG investing is seen as an ethical, long-term commitment rather than a self-serving gain.
- H4 (Personal Agency): Supported. Empowerment through information and support enhances the intention to invest sustainably.
- H5 (Institutional Trust): Supported and identified as the strongest factor. Confidence in regulators like Bursa Malaysia is crucial for sustainable engagement.
- Mediation (H6-H16): PCG selectively mediates the impact of environmental concern and institutional trust on intention.

B. Implications of the Study

Theoretical Implications: The study extends SDT into the realm of ESG investment, showing that competence, autonomy, and relatedness are meaningful organizers for investor behaviour. It also reconceptualizes perceived corporate governance as a selective mediator rather than a universal one. Finally, it fills a gap in the literature by providing data from an emerging economy. Hence, the findings align with SDT, suggesting that retail investors who feel competent (knowledgeable) and autonomous (agentic) are more inclined to support ESG stocks. The insignificance of opportunistic behaviour is a major highlight, indicating that Malaysian ESG investors are driven by genuine ethical values and long-term sustainability rather than short-term self-interest.

Practical Implications: For regulators, the findings suggest a need for high-quality ESG disclosures. For fund managers, there is an opportunity to develop products like ESG unit trusts or ETFs. For retail investors, the study emphasizes the importance of active engagement with ESG information to build tacit knowledge.

Institutional trust's role as the most influential factor underscores the necessity of a credible regulatory framework in emerging markets like Malaysia. The study re-conceptualises perceived corporate governance as a "selective mediator" it is vital for investors motivated by environmental values or institutional confidence but is not a universal pathway for all psychological drivers. This highlights the complexity of decision-making in sustainable finance, where different cognitive and affective factors follow distinct structural paths.

C. Limitations of the Study

The cross-sectional design prevents making causal inferences. The study measures intention rather than actual behaviour, and a gap between the two often exists. The use of convenience sampling and a geographic concentration in urban centres like Kuala Lumpur limits statistical generalizability to the entire Malaysian population. The bounded variable set does not account for all factors, such as religiosity, cultural orientation, or financial literacy.

D. Recommendations for Future Study

Future research should employ longitudinal and mixed-method designs to capture the temporal nature of perceptions and address the intention-behaviour gap. Implementing stratified sampling would ensure proportional representation across various demographic segments. The theoretical model should be expanded to include firm-level factors (e.g., ESG ratings) and additional mediators or moderators to better reflect the complexity of decision-making. Integrating complementary lenses like the Theory of Planned Behaviour or Agency Theory is also encouraged.

Methodological Recommendations for Future Study

To significantly enhance the empirical validity, generalisability, and predictive power of the sustainable finance framework, future research must address several methodological and structural constraints of the present design. First, while the quantitative cross-sectional design utilized in this study is highly efficient for exploratory hypothesis testing, it is inherently limited by its temporal scope and cannot establish definitive causal sequencing between the psychological antecedents, governance perceptions, and investment intentions.

Future studies should employ longitudinal research designs with repeated measurements over multiple time points to capture the dynamic, time-varying nature of attitudinal constructs (such as environmental concern and institutional trust) in response to evolving regulatory frameworks and market disclosures. Furthermore, because this study relies exclusively on stated intentions, it remains susceptible to the well-documented intention–behaviour gap in sustainable consumption literature. Future investigations would be substantially strengthened by integrating objective, multi-source behavioural data such as brokerage transaction records, actual stock portfolio holdings, or direct subscription histories to local green funds rather than relying solely on self-reported survey measures which are vulnerable to social desirability bias.

Finally, to overcome the generalisability constraints associated with non-probability convenience sampling and its geographical concentration in urban centres, subsequent research should implement stratified probability sampling designs. Stratifying the sample across diverse geographical regions (representing both West and East Malaysia), ethnic compositions, generational cohorts, and income brackets will guarantee a highly representative sample, thereby mitigate sampling bias and enable robust, population-level generalisations across the wider Malaysian retail investor landscape.

E. Significance of the Study

This research provides an empirically grounded model for predicting sustainable investment in developing countries. Theoretically, it extends the application of SDT to the finance domain and offers a more nuanced view of the role of governance perceptions. Practically, it assists policymakers and educators in designing strategies to promote green investments by focusing on institutional credibility and value-based education rather than purely financial incentives.

CONCLUSION

This study concludes that individual values and institutional evaluations are the primary drivers of ESG investment among retail investors in Malaysia. To sustain this momentum, regulators should enhance the granularity of ESG disclosures and prevent "greenwashing" to protect investor interests. While cross-sectional, these findings provide a robust empirical foundation. Future research should utilize longitudinal designs and stratified sampling to capture the evolving nature of investor attitudes across diverse demographic segments.

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