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Investing with a Conscience: Exploring Individual Investors' Intentions toward Socially Responsible Investment in Kathmandu Valley

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Abstract

Background: The stock market plays a vital role in economic development by facilitating capital flow, reflecting investor sentiment, and enabling individual participation through liquidity and ownership, while behavioural finance highlights that investor decisions are often influenced by psychological biases rather than pure rationality.

Purpose: The purpose of the study is to determine the behavioural intention of individual investors towards socially responsible investment in Kathmandu Valley. The study also examines the general understanding of individual investors regarding SRI, identifies major factors affecting the behavioural intention of individual investors towards SRI, assesses challenges faced by individual investors towards SRI and identifies possible managerial solutions to the challenges.

Methods: An Explanatory research design is employed in this study. This study is based on the Theory of Reasoned Action. 403 investors investing in the equity market are taken as a sample by using the convenience sampling method and through self-administered questionnaires with the help of Kobo Toolbox. Data is examined through both descriptive and inferential statistics. SEM is used to analyse data. The study area is Kathmandu Valley.

Findings: The study shows that investors are aware of SRI. Attitude, moral norms, financial performance, and environmental concerns directly affect investors' intention to invest in SRIs. Limited information on the companies being invested in and a lack of investment options are the significant challenges in SRI. The challenges can be minimised if companies are made to publish their CSR reports alongside their financial reports, which will make it simple to identify socially responsible businesses.

Conclusions: This study concludes that individual investors' intention towards SRI is directly affected by attitude, moral norms, financial performance and environmental concern.

Keywords: SRI Intention, Theory of Reasoned Action, Kathmandu Valley, Structural Equation Modelling

JEL Classification: C12, C83, G11, M14, O16

Introduction

A key component of contemporary financial systems, the stock market serves as a dynamic engine of economic vitality in addition to serving as a venue for the exchange of securities (Gorban et al., 2024). Fundamentally, the stock market makes it easier to mobilize capital by bringing together investors and businesses in need of funding, which promotes the expansion and innovation of the private sector (Saada, 2025). But its function goes well beyond simple transactions. It provides real-time reflections of corporate outlooks, macroeconomic trends, and investor sentiment, making it a potent indicator of economic performance. According to Aziz and Khan (2016), corporate managers use the stock market as a strategic compass, forming their investment plans in response to investor expectations and market signals.

Due in large part to its historical function as an inflation hedge, its potential for long-term capital appreciation, and the possibility of receiving dividends, the stock market is becoming more and more appealing to individual investors (Challoumis & Eriotis, 2024). Stock markets' liquidity allows investors to quickly turn their assets into cash, giving them more financial flexibility than other investment vehicles. Investors have a stake in the success of the company and a way to participate in wealth creation and profitability thanks to this liquidity and the chance to acquire a portion of listed companies (Thi & Ngoc, 2014). Economic growth and capital market development are strongly positively correlated, according to a number of empirical studies, especially in developing nations like Bangladesh, India, China, and Singapore (Azam et al., 2016; Purnamasari et al., 2020). These results demonstrate the critical role capital markets play in boosting national economic development, entrepreneurship, and business performance. The Nepal Stock Exchange (NEPSE) is an essential part of the country's financial system. Being the main stock exchange, NEPSE has a big impact on the macroeconomic direction of the nation as well as the microeconomic climate for individual investors. As a result, its performance and health are crucial for both investor portfolio results and the overall resilience and advancement of the economy.

However, investment behavior is not entirely logical. Prevalent theories in finance such as the Efficient Market Hypothesis (EMH) and Modern Portfolio Theory (MPT) assume investors to be rational decision makers, possessing relevant information and essentially risk-averse in nature. They are thereby increasingly being contested by behavioural finance. According to Carter and Kryczkowski (2005), investors frequently depart from rationality due to psychological biases, heuristics, and emotions. Such cognitive failings include overconfidence, loss aversion, and herd mentality, in this way defying the rules of strict, impersonal logic and are, instead, based more on individual intuition and past experience.

The idea of Socially Responsible Investment (SRI) has become popular worldwide, indicating a change in investor priorities. Financial return is no longer the only factor used to choose an investment. As a result of growing awareness of problems like inequality, climate change, and corporate governance shortcomings, investors are increasingly incorporating ethical, social, and environmental factors into their choices. SRI represents the intersection of purpose and profitability, as suggested by Osman et al. (2019). This investment strategy seeks to support actions that have a positive social impact while simultaneously achieving financial objectives. Additionally, Soler-Domínguez and Matallín-Sáez (2016) contend that SRI has developed into a significant response to issues related to global sustainability. Even though responsible investment is gaining traction worldwide, Nepal's SRI ecosystem is still in its infancy. Research on the elements affecting individual investors' attitudes and intentions toward ethical investment is noticeably lacking. The local capital market continues to face systemic problems like inadequate investor education, a lack of regulatory enforcement, and unethical practices like insider trading, despite the growing recognition of ethical concerns in public discourse (Khadka, 2021). The establishment of a strong ethical investing culture is hampered by these informational and structural obstacles.

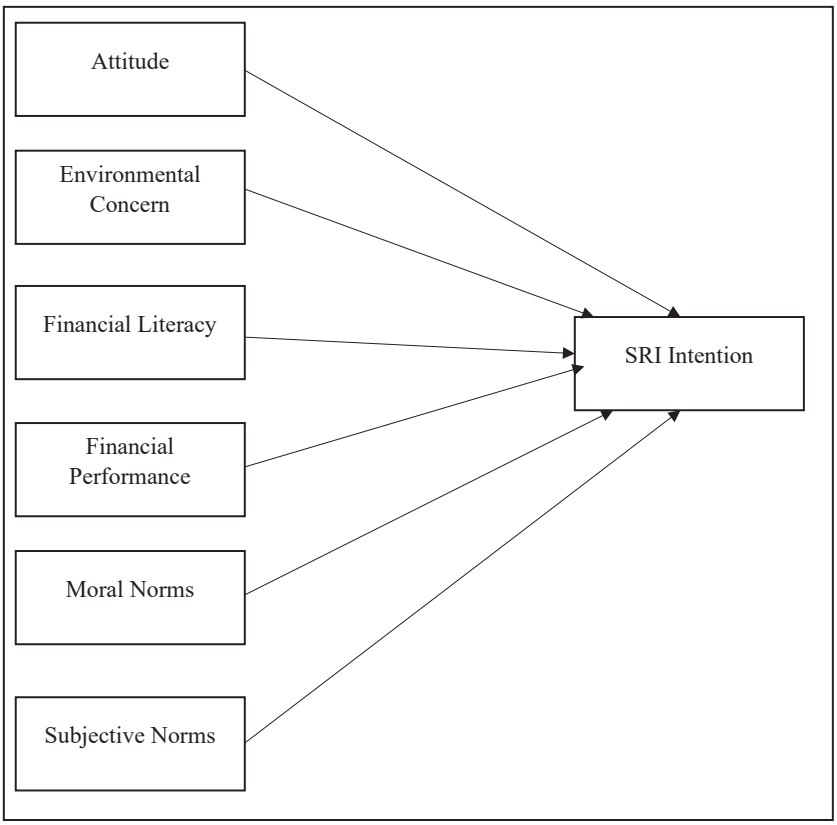
Therefore, the purpose of this study is to investigate how individual investors in the Kathmandu Valley intend to behave in relation to SRI. It specifically seeks to ascertain the level of investor awareness of SRI, elements influencing their investment decisions, and analyze the challenges they face when implementing SRI. The study also aims to suggest practical managerial and policy-oriented approaches to lessen these difficulties.

2. Theoretical Framework and Hypothesis Formulation

Different theories have been discussed for this research which include, Efficient Market Hypothesis (Kumar, 2016; Xiong et al. 2019), Adaptive Market Hypothesis (Munir et al. 2022; Xiong et al. 2019), Prospect Theory (Ahmad & Shah, 2022; Ogunlusi & Obademi, 2021), Bounded Rationality Theory (Ahmad & Shah, 2022; Jain et al. 2020), Theory of Reasoned Action (Ajzen, 2020; Heller, 2013; Jiang et al. 2019) and Theory of Planned Behaviour (Adam, 2012; Conner & Armitage, 1998; Maichum et al. 2016; Sultana et al. 2018). Among these, the Theory of Reasoned Action and the Theory of Planned Behaviour stand out as particularly relevant frameworks for understanding the intentions and behaviours of individual investors regarding socially responsible investment (SRI). According to the Theory of Planned Behaviour, three important variables—an individual's attitudes toward the conduct, subjective norms, and perceived behavioural control—have a significant impact on their intention. TPB offers an explanation of the variables affecting a person's desire to engage in specific behaviour. A person's intention is the amount of effort they are prepared to put into an activity, and a stronger intention improves the possibility that the behaviour will take place (Conner & Armitage, 1998). According to the Theory of Reasoned Action, people's behaviour intentions are a function of both their attitude toward the behaviour and their subjective norms, which suggests that BI = A + SN. TRA provides a generalized framework of how people behave and how their actions are impacted by three beliefs: their attitude (A) toward the behaviour, their subjective norms (SN), and their purpose to engage in the behaviour (BI) (Jiang et al., 2019).

The development of this conceptual framework was grounded upon a Theory of Reasoned Action (Raut et al., 2020). The relationship explained by this theory is shown in the following diagram.

Figure 1: Conceptual Framework



Adapted from (Raut et al., 2020)

Attitude and SRI Intention

Sharma et al. (2021) contend that a person's attitude, whether favorable or unfavorable, influences their motivation to engage in a specific conduct. The focus people have on engaging in certain behaviour can be measured by their attitude. In the context of socially responsible investing (SRI), an investor's attitude toward SRI can significantly impact their intentions to choose SRI as an investment approach. If an investor holds a positive attitude toward SRI, perceiving it as beneficial, morally aligned, or having a positive social and environmental impact, it is more likely to stimulate their intentions to incorporate SRI into their investment decisions (Geraldine & Ottemoesoe, 2022). A significant portion of investors demonstrated a favourable attitude towards social and environmental investments, indicating a positive inclination to incorporate such investments into their portfolios. Moreover, Palacios-González & Chamorro-Mera (2020) added that investors' decisions on socially responsible investment (SRI) are significantly influenced by their attitude on social, ethical, and environmental issues.

H1: Attitude toward SRI has a significant impact on SRI intention.

Environmental concern

Environmental concern is the awareness and consideration of possible effects of human activity on the environment (Janmaimool & Khajohnmanee, 2019). SRI entails making investments in businesses or funds that prioritize environmental, social, and governance (ESG) considerations in addition to financial rewards. One of the core components of ESG, which concentrates on the environmental effect and sustainability strategies of businesses, is environmental concern (Atan et al., 2018). Individuals' level of environmental concern affects their decision to engage in socially responsible investment (SRI) (Singh et al., 2021).

H2: Environmental concerns toward SRI have a significant impact on SRI intention.

Financial Literacy and SRI Intention

Financial literacy is defined as the process which individuals use a combination of skills, resources, and contextual knowledge to process information and make decisions with knowledge of the financial consequences of that decision. The ability to make wise decisions about the use and management of money can be characterised as financial literacy. (Nicolini, 2019). Brown (2009) indicated that financial literacy influences individuals' financial decision-making. Financial knowledge also promotes a sense of accountability and responsibility. Financially literate people are aware of the long-term effects of their investing choices. They are aware of the ability they have as investors to affect change and company conduct. They are more likely to actively seek out SRI solutions and incorporate their values into their financial portfolios if they are equipped with this knowledge (Subha & Shanmugha, 2014). A thorough understanding of finance increases an investor's motivation to make socially responsible investments (Geraldine & Ottemoesoe, 2022)

H3: Financial literacy has a significant impact on SRI intention.

Financial Performance and SRI Intention

Financial performance is a term intended to describe how effectively a business or investment produces earnings and returns for its stakeholders. It evaluates an organisation's capacity to reach its financial objectives as well as the efficacy and efficiency of its financial operations (Beamon & Balcik, 2008). Lewis and Mackenzie (2000) discovered that financial performance affects SRI intention. This implies that enhancing the financial performance of environmentally and socially responsible investments attracts investors who are unconcerned with social or environmental issues.

H4: Financial performance has a significant impact on SRI intention.

Moral Norms and SRI Intention

Moral norms can have an impact on behavioural intentions to invest. Moral norms refer to the shared

beliefs and values within a society or a community regarding what is considered morally right or wrong (Ellemers et al., 2013). Moral norms are attributes of behaviour through intentions (Hofmann et al., 2008). Researchers have discovered that integrating moral norms in the analysis helps to clarify SRI intention (Puaschunder, 2017). Furthermore, Scholtens and Sievänen (2013) asserted that moral norms influence SRI intention prediction. Additionally, Adam (2012) found that a person's moral standards are extremely important when making SRI investment selections. Moral norms can therefore be seen as a key element in determining why some investors support socially responsible investment (SRI).

H5: Moral norms have a significant impact on SRI intention.

Subjective Norms and SRI Intention

Subjective norms are the social pressure from other people or groups that lead someone to do what is deemed right in their social surroundings (Cheung et al., 2011). Several studies have consistently identified subjective norms as a key factor influencing individuals' intentions to engage in specific behaviours. According to (Hasbullah et al. 2014), subject norms (SN) are social cues that exert pressure on people to behave in a certain way. Adam (2012) argues that when a social environment is characterised by positive perceptions of socially responsible investing (SRI), subjective norms come into play. These subjective norms create social influences that motivate investors to select SRI as their preferred investment choice. Subjective norms, which refer to the perceived social expectations and demands regarding investment decisions within a specific social group or society, have an impact on the intention to invest in socially responsible investing (SRI) (Alleyne & Broome, 2011).

H6: Subjective norms have a significant impact on SRI intention.

Variable and its definition

The variables used in the study are covered in this section. The study's variables have been discovered and defined.

Table 1: Variables Table

Construct	Observed Variable	Variable ID	Explanation	Remarks
Attitude	Good Idea	AT1	Investment in SRI stocks is a good idea	Chen (2007)
	Wise choice	AT2	Investing in SRI stocks is a wise choice	
	Consider social responsibility	AT3	Considering social responsibility aspects whenever choosing an investment fund/company	Yee et al. (2022)
	Responsible to society	AT4	Companies should be more responsible to society	Singh et al. (2021)
	Importance of environmental performance	AT5	A company's social and environmental performance is as important to me as its financial performance.	
	Not supporting unethical business practices.	AT6	Do not support unethical business practices.	

Subjective Norms	Friends and colleagues	SN1	Friends and colleagues are investing in SRI stocks	Taylor and Todd (1995)
	People who have an important influence	SN2	People who have an important influence on me think SRI stock should be made.	
	Important people	SN3	People who are important to me would think that making sustainable investments is a wise idea.	
	Expectation of society	SN4	Society expects to invest in sustainable investments	
	Value of the opinions and feelings of the family	SN5	Valuing the opinions and feelings of family	
Moral Norms	Save environment	MN1	An obligation to save the environment, where possible	Singh et al. (2021)
	Conserve natural resources	MN2	To conserve natural resources	
	Personal obligation	MN3	To invest in socially responsible companies	
	Attraction	MN4	Companies that follow ethical practices	
	Good investment	MN5	Companies that are founded on a system of corporate values turn out to be good investments.	
	Ongoing corporate social responsibility activities	MN6	Companies that have ongoing corporate social responsibility activities	
Environmental Concern	Special effort	EC1	Make a special effort to search and invest in stocks of those companies that are socially responsible.	Koenig-Lewis et al. (2014)
	Switching investment	EC2	Switch investment for ecological reasons	
	Less harmful	EC3	Choice to invest between companies	
	Proactively	EC4	Proactively involved in recycling, waste reduction and environmental cleanup	Singh et al. (2021)
	Invest in environmental performance companies.	EC5	Invest in a company whose environmental performance is one of the best in its industry.	
	Toxic products	EC6	Companies producing toxic products and contributing to global warming	
	Environmental performance	EC7	Environmental performance is more important than financial performance	

Financial Literacy	Prediction	FL1	The stock market helps to predict stock prices and earnings	Van Rooij et al. (2011)
	Highest return	FL2	Considering a long-term period, stocks normally give the highest return	
	Fluctuation	FL3	Stocks normally display the highest fluctuation over time	
	Risk	FL4	When an investor spreads his money among different assets, the risk of losing money increases	
Financial Performance	Expected rate of return	FP1	The expected return rate will be met by socially responsible investment	Luong and Ha (2011)
	Average rate of return	FP2	SRI rate of return is equal to or higher than the average return rate of the market	
	Satisfaction	FP3	Satisfied with SRI decisions	
	Profit	FP4	SRI will generate profit	Yee et al. (2022)
	Improved portfolio performance	FP5	Portfolio performance can be improved by adding SRI shares to the portfolio.	
	Preference for investment	FP6	Prefer to invest in an SRI fund without taking profit into consideration	
SRI intention	Future investment	SI1	Invest in companies that value social responsibility, shortly	Wee et al. (2014)
	Regular Basis	SI2	Make regular investments in socially responsible companies in the future.	
	Environmentally friendly	SI3	Invest in firms that are socially responsible since they are more environmentally friendly.	
	Ethically clean portfolio	SI4	Invest in an ethically clean portfolio	Kolek et al. (2022)
	Harm society, ethics, and the environment	SI5	Stay away from businesses that engage in actions that could harm society, ethics, and the environment.	

Note: Following measurement modelling, the items AT6, SN1, MN5, EC2, and EC3 were eliminated since they had the lowest factor loading and the AVE needed to be above 0.5.

3. Research Methods

Study Area and Population

The Kathmandu Valley, located in Province 3 of Nepal, has been selected as the study region due to its status as the most populated and developed area in the country. Comprising the districts of Kathmandu, Bhaktapur, and Lalitpur, the valley spans approximately 30 by 35 kilometres and is situated at an average elevation of about 1,300 metres (4,265 feet) above sea level. This region is the hub of trading and investment activities in Nepal, housing the majority of securities traders and broker offices. By focusing on Kathmandu Valley, the study aims to leverage the expertise of local investors and the wealth

of information available through broker networks, particularly in understanding the stock market and socially responsible investment (SRI). The research population consists of all individuals actively involved in trading and investing in the stock market. As of December 2021, there were approximately 9,25,670 active dealers and investors in Nepal, according to stockbrokers, with a total of 46,86,672 DMAT accounts registered (CDS and Clearing House). Thus, the study specifically targets active NEPSE traders and investors residing in the Kathmandu Valley.

Sampling Technique

Due to the unknown population size, a non-probability sampling strategy is employed for this study. Specifically, convenience sampling is used, which involves selecting individuals from the target population based on practical criteria such as accessibility, proximity to the study site, availability at a given time, and willingness to participate (Etikan, 2016). The sample size was calculated using the formula (Singh & Masuku, 2014). Where, n is sample size required for study, Standard tabulated value for 5% level of significance (z) = 1.96, and p is the prevalence or proportion of an event, 50%= 0.50 (Kharel, 2019). In this study, p is set at 0.5, and q is calculated as 1−p=0.51 - p = 0.51−p=0.5. The allowable error (e) is determined to be 5%. The total population for the study is then calculated using the formula $n_0 = z^2pq/l^2 = (1.96)^2 \times 0.5 \times 0.5 / (0.05)^2 = 384.16$. To account for a 5% non-response error, the calculation yields non-response error=384.16×5100=19.21. Thus, the sample size needed to be taken for study was (384.16+19.21) = 403.36(≈403).

Research Instrument, Data Collection and Data Analysis

A structured questionnaire has been used as the study's primary research tool. A questionnaire is a research tool made up of a list of questions used to gather information from participants in a survey or statistical analysis (Boynton & Greenhalgh, 2004). A structured questionnaire on investors' intention towards SRI has been established to gather data. The data was pretested on 15 respondents, and comments were gathered. According to it, adjustments were made to get the final statistics. Primary data have been gathered through questionnaire surveys. To achieve the numerous study goals outlined above, the researcher has linked questionnaires. For data gathering, the created structured questionnaires are kept in Kobo Toolbox. Kobo Toolbox was utilised to maintain both online and offline methods for data collection.

Both descriptive and inferential analyses were employed in the data analysis process. Descriptive analysis utilised various charts, tables, and figures, with Microsoft Excel as the primary tool. For inferential analysis, structural equation modelling was conducted using a range of latent constructs, with Smart PLS 4.0 being used for data analysis.

4. Results

4.1.1 Socio-Demographic Characteristics

Table 2: Socio-Demographic Characteristics

Title	Category	Number	Percentage (%)
Gender	Male	242	60.05%
	Female	161	39.95%
Age	26-32	202	50.12%
	33-39	76	18.86%
	18-25	75	18.61%
	40-46	31	7.69%
	47 or above	19	4.71%

Educational Level	Bachelor's	186	46.15%
	Master's and above	99	24.57%
	Intermediate	74	18.36%
	SLC/SEE	31	7.69%
	Illiterate	12	2.98%
Employment Status	Private Sector	178	44.17%
	Government Sector	69	17.12%
	Self employed	67	16.63%
	Unemployed	47	11.66%
	Industrial Sector	44	10.92%
	Others	12	2.98%
Monthly Income	30001-50000	142	35.24%
	15001 -30000	112	27.79%
	Less than 15000	77	19.11%
	50001 and above	72	17.87%
Location	Kathmandu	181	44.91%
	Bhaktapur	124	30.77%
	Lalitpur	98	24.32%

Table 7 shows the socio-demographic variables; a total of 403 respondents were surveyed to identify the investors' intention towards SRI. The majority of respondents in the study are male (60.05%), aged 26-32 years (50.12%), hold a bachelor's degree (46.15%), work in the private sector (44.17%), and have a monthly income between 30,001 and 50,000 (35.24%). Most respondents are from Kathmandu (44.91%).

General Awareness of Investors towards SRI

In this study, the majority (69.48%) indicated they were somewhat familiar with SRI, while 30.52% claimed to be very familiar, with none reporting a lack of familiarity. This suggests a solid conceptual understanding of SRI principles and ethics. When asked to define SRI, 50.12% of respondents mentioned purchasing shares of companies that prioritise environmental and social responsibilities, while 22.58% emphasised making ethical investments. Additionally, 20.84% expressed a preference for investing in companies that prioritise social and environmental responsibilities over financial gains, indicating a positive attitude toward sustainable practices. However, 6.45% were unsure, highlighting a need for further education on the concept.

Regarding the major advantages of SRI, 47.89% cited a positive impact on the environment, followed by 41.94% who noted a positive impact on society. When asked about the importance of aligning investments with personal values, 50.12% deemed it extremely important, while 40.15% considered it somewhat important, and 9.43% found it unimportant. Overall, these findings illustrate a growing recognition among investors of the importance of SRI, reflecting their desire to achieve financial goals while contributing positively to society and the environment. By considering environmental, social, and governance (ESG) factors, investors can promote sustainability and social responsibility within the economy.

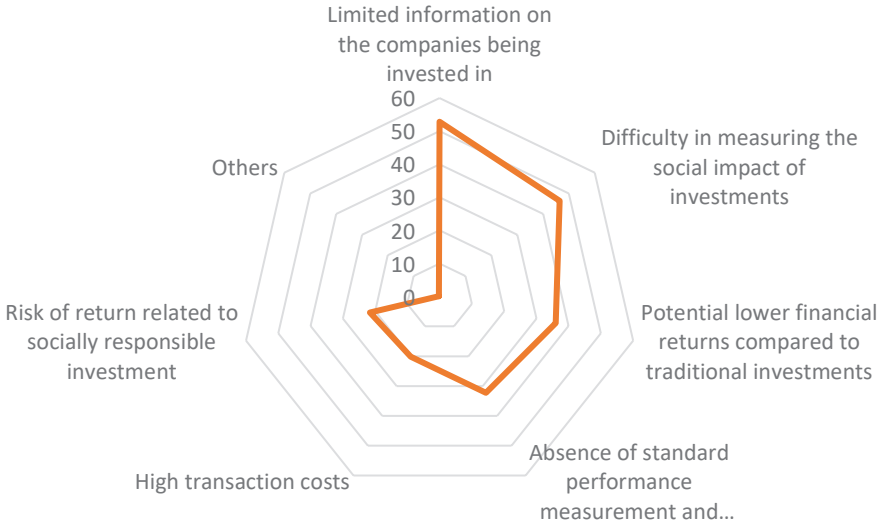
Challenges Faced by Individual Investors

This section addresses the challenges individual investors face when investing in socially responsible investing (SRI) in Nepal. A significant majority (86.35%) reported encountering difficulties, while 13.65% did not. Key challenges included limited information on companies (52.85%), a lack of investment options (50.62%), difficulty measuring social impact (46.4%), concerns over potentially lower financial

returns (35.98%), and absence of standard performance metrics (32.26%). Additionally, 21.59% faced risks related to returns, and 20.1% dealt with high transaction costs.

When asked about the frequency of these challenges, 42.68% reported facing them frequently, and 20.84% very frequently. Respondents identified the government (254), companies (175), and regulatory bodies (146) as primarily responsible for these challenges.

Figure 2: Challenges faced by Individual Investors



In terms of managerial solutions, 385 out of 403 respondents believed the issues could be managed. A majority (57.07%) suggested that publishing CSR reports alongside financial statements would help. Other solutions included making it easier to identify socially responsible businesses (49.88%), standardising performance metrics (45.91%), reducing transaction costs (37.97%), and requiring companies to report their social and environmental impacts (35.73%). Most respondents (60.79%) felt that the government should take charge, followed by regulatory bodies (59.8%) and society (32.01%).

Inferential Analysis

Common Method Bias: A Full Collinearity test is performed to test common method bias. The model can be said to be free of common method bias if all VIFs obtained from a comprehensive collinearity test are equal to or lower than 3.3(Kock, 2015). All the values of VIF are less than 3.3, which suggests that common method bias doesn't affect the data, and the data is suitable for further analysis.

Table 3: VIF for Common Method Bias

Attitude	Environmental Concern	Financial Literacy	Financial Performance	Moral Norms	Subjective Norms	Intention towards SRI
2.469	2.421	1.767	2.097	1.872	1.565	2.117

Measurement Model: The measurement model (outer model) is used to explain how items or indicators are related to a construct or latent variable. This is a reflective model, so, in case of reflective measurement models, researchers need to assess the **internal consistency reliability**, convergent validity, and discriminant validity (Sarstedt & Cheah, 2019). In internal consistent reliability, Cronbach's Alpha (CA) and Composite Reliability (CR) are assessed. The data must meet the requirement of CA>0.6 to show internally consistent reliability (Khidzir et al., 2018). Similar to that, the composite reliability needs to meet a few requirements. Better dependability levels are frequently indicated by higher CR values.

For example, ratings between 0.60 and 0.70 for Composite Reliability are considered "acceptable," whereas values between 0.70 and 0.90 are considered "satisfactory to good." However, values of 0.95 and higher are problematic because they imply that the elements are redundant (Purwanto, 2021). The internal consistency reliability (CA and CR) reported in empirical investigations is shown in Table 4. The Cronbach's alpha (CA) and Composite reliability (CR) requirements have all been met. Hence, this study's model exhibits internal consistency and reliability.

Table 4: Internal Consistent Reliability

Constructs	Cronbach's Alpha	Composite Reliability
Attitude	0.776	0.849
Environmental Concern	0.759	0.838
Financial Literacy	0.698	0.816
Financial Performance	0.808	0.862
Moral Norms	0.763	0.84
SRI Intention	0.804	0.864
Social Norms	0.706	0.819

Convergent Validity

For convergent validity, factor loading and AVE are observed to satisfy the criteria of an AVE value of 0.5 (Hair et al., 2018). The factor loading with a value of 0.7 or higher is preferred, and if the study is exploratory research, 0.4 or higher is acceptable (Hair et al., 2014). In this study, certain constructs reached values for the AVE less than 0.5, while some indicators had loadings less than 0.7. The AVE of the constructs Attitude, Subjective Norms, Moral Norms, and Environmental Concern were less than 0.5, which isn't acceptable, so the items of the corresponding construct with lower factor loading were dropped. Item at6 from construct Attitude, sn1 from Subjective Norms, mn5 from Moral Norms, ec2 and ec3 from Environmental Concern were dropped to achieve an AVE of value 0.5 or above as their loading value were lowest.

Table 5: Convergent Validity

Constructs	Indicators	Outer loadings	AVE
Attitude	at1	0.831	0.532
	at2	0.739	
	at3	0.705	
	at4	0.732	
	at5	0.623	
Environmental Concern	ec1	0.627	0.509
	ec4	0.687	
	ec5	0.747	
	ec6	0.753	
	ec7	0.745	

Financial Literacy	fl1	0.793	0.529
	fl2	0.752	
	fl3	0.764	
	fl4	0.582	
Financial Performance	fp1	0.756	0.511
	fp2	0.714	
	fp3	0.735	
	fp4	0.748	
	fp5	0.686	
	fp6	0.642	
Moral Norms	mn1	0.736	0.513
	mn2	0.732	
	mn3	0.724	
	mn4	0.727	
	mn6	0.658	
SRI Intention	si1	0.798	0.561
	si2	0.716	
	si3	0.726	
	si4	0.806	
	si5	0.691	
Subjective Norms	sn2	0.644	0.532
	sn3	0.795	
	sn4	0.738	
	sn5	0.732	

Utilising the HTMT ratio, the Fornell and Larker criterion, and cross-loading, discriminant validity is tested. As stated in Table 6, the loading value of the construct that should be bigger than all the loadings in the other constructs is reached for the study's cross-loading assessment. Therefore, it can be said that there is no cross-loading issue in the study (Henseler et al., 2015). Like this, the Fornell and Larcker criterion determines if the squared correlation of the two constructs is greater than either construct's average value (Henseler et al., 2015), which is also satisfied as shown in Table 7.

Table 8 presents the HTMT values used to assess discriminant validity. Generally, HTMT values below 0.9 are considered acceptable (Franke & Sarstedt, 2019; Henseler et al., 2015; Rasoolimanesh, 2022). Since all constructs have HTMT values below 0.9, the data meets the criteria for discriminant validity.

Table 6: Cross Loadings

	at	ec	fl	fp	mn	si	sn
at1	**0.831**	0.46	0.37	0.376	0.421	0.443	0.338
at2	**0.739**	0.405	0.376	0.364	0.319	0.481	0.293
at3	**0.705**	0.529	0.456	0.412	0.378	0.449	0.341
at4	**0.732**	0.52	0.37	0.477	0.574	0.544	0.348

at5	**0.623**	0.503	0.45	0.412	0.405	0.441	0.361
ec1	0.433	**0.627**	0.383	0.356	0.299	0.343	0.351
ec4	0.533	**0.687**	0.363	0.372	0.422	0.427	0.314
ec5	0.474	**0.747**	0.42	0.458	0.419	0.472	0.287
ec6	0.473	**0.753**	0.428	0.424	0.402	0.474	0.391
ec7	0.47	**0.745**	0.53	0.459	0.326	0.507	0.3
fl1	0.525	0.535	**0.793**	0.418	0.378	0.423	0.309
fl2	0.405	0.456	**0.752**	0.398	0.287	0.374	0.211
fl3	0.413	0.425	**0.764**	0.404	0.451	0.441	0.242
fl4	0.24	0.309	**0.582**	0.434	0.125	0.326	0.215
fp1	0.495	0.485	0.448	**0.756**	0.5	0.536	0.397
fp2	0.351	0.428	0.44	**0.714**	0.289	0.416	0.33
fp3	0.403	0.468	0.418	**0.735**	0.36	0.478	0.363
fp4	0.45	0.422	0.382	**0.748**	0.358	0.543	0.318
fp5	0.382	0.349	0.386	**0.686**	0.322	0.486	0.337
fp6	0.309	0.336	0.347	**0.642**	0.28	0.38	0.262
mn1	0.431	0.299	0.337	0.327	**0.736**	0.327	0.305
mn2	0.478	0.378	0.29	0.344	**0.732**	0.414	0.357
mn3	0.397	0.422	0.332	0.357	**0.724**	0.451	0.457
mn4	0.428	0.407	0.376	0.432	**0.727**	0.396	0.353
mn6	0.356	0.347	0.248	0.321	**0.658**	0.36	0.368
si1	0.581	0.576	0.44	0.55	0.421	**0.798**	0.344
si2	0.495	0.451	0.337	0.474	0.383	**0.716**	0.336
si3	0.462	0.367	0.323	0.458	0.42	**0.726**	0.29
si4	0.505	0.532	0.474	0.556	0.405	**0.806**	0.3
si5	0.389	0.404	0.445	0.459	0.443	**0.691**	0.337
sn2	0.303	0.312	0.234	0.28	0.245	0.255	**0.644**
sn3	0.375	0.38	0.293	0.361	0.474	0.355	**0.795**
sn4	0.325	0.332	0.235	0.383	0.369	0.33	**0.738**
sn5	0.343	0.301	0.22	0.341	0.403	0.298	**0.732**

Table 7: Inter-Construct Correlations, the Square Root of AVE

	at	ec	fl	fp	mn	si	sn
at	**0.729**						
ec	0.666	**0.714**					
fl	0.554	0.599	**0.728**				
fp	0.565	0.583	0.564	**0.715**			
mn	0.584	0.524	0.443	0.5	**0.716**		

si	0.654	0.63	0.542	0.67	0.551	**0.749**	
sn	0.462	0.456	0.338	0.471	0.52	0.428	**0.729**

Table 8: HTMT

	at	ec	Fl	fp	mn	si	sn
at							
ec	**0.87**						
fl	0.745	**0.812**					
fp	0.7	0.737	**0.761**				
mn	0.749	0.68	0.589	**0.623**			
si	0.817	0.789	0.718	0.819	**0.699**		
sn	0.625	0.628	0.479	0.616	0.688	**0.566**	

Model Fit (SRMR)*:* The SRMR value should be less than 0.08 to offer a model fit to the data (Sobaih & Elshaer, 2022). Therefore, in this investigation, the computed model's Value of SRMR is 0.072, which is below the cutoff. Consequently, the SRMR values are satisfactory, demonstrating that our model has adequate fit indices.

Structural Model

The study's presented hypotheses were tested by using a structural equation analysis. The major objective is to specifically assess the model's capacity to explain and forecast change in endogenous variables brought on by exogenous factors. Furthermore, Hair et al. (2011) suggested an R^2 value of at least 0.20 to ensure a satisfactory model fit. Accordingly, the value of R^2 in our model is 0.593. R^2 value exceeded the recommended threshold score. Likewise, The VIF calculation displayed a value of 2.251 for attitude, 2.267 for environmental concern, 1.821 for financial literacy, 1.917 for financial performance, 1.811 for moral norms and 1.539 for subjective norms, all values are less than 5 (table 9), indicating a satisfactory collinearity status as Hair et al., (2011) suggested that VIF value should be less than 5 to ensure a satisfactory collinearity status.

Table 9: VIF

	at	ec	Fl	fp	mn	sn
VIF	2.251	2.267	1.821	1.917	1.811	1.539

To get at the path coefficient and related t-value for direct correlations, bootstrapping was ultimately performed in SmartPLS4. There are six hypotheses in this study, and all six are directly related. With the aid of the Smart PLS Software, a path analysis is performed, and calculations and interpretations are based on the data collected by the Smart PLS4.

Figure 3: Path analysis

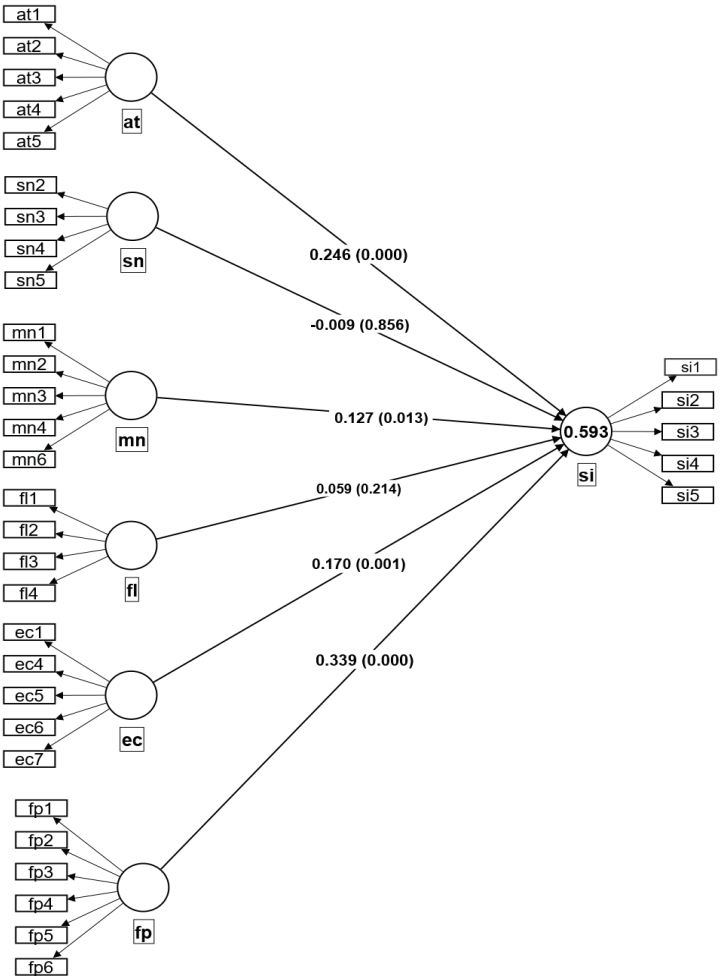


Figure 3 shows the path analysis of the study. Altogether, there are 6 independent variables and 1 dependent variable. The study shows a direct relationship between the variables. Out of the 6 independent variables, 4 are significant and 2 are insignificant. Attitude, Moral Norms, Environmental Concerns and Financial Performance are significant factors in SRI intention. The β value of Attitude is 0.246, which indicates that a unit change in attitude results in a 0.246-unit change in SRI intention. Similarly, the β value of Moral norms is 0.127, which indicates that a unit change in Moral Norms results in a 0.127-unit change in SRI intention. Likewise, the β value of Environmental Concern is 0.170, indicating that a unit change in Environmental Concern results in a 0.170-unit change in SRI intention. Finally, the β value of Financial Performance is 0.339, indicating that a unit change in Financial Performance results in a 0.170-unit change in SRI intention. However, there is no significant relationship 2 between the independent variables (financial literacy and subjective norms) and the dependent variable (SRI intention).

The value of R^2 in the model is 0.593, which means that the independent variables (attitude, moral norms, environmental concerns and financial performance) in the regression model account for about 59.3% of the variation in the dependent variable (SRI intention), according to an R-squared value of 0.593. In other words, the predictor variable or variables included in the model account for 59.3% of the variability in the response variable. The model does not account for the remaining 40.7% of the variation, which could be the result of random variation or other variables.

Hypothesis test

A hypothesis is a detailed, testable statement of what the researcher believes the study's outcome will be. It is an empirical notion in the sense that it can be tested through experience; experience can be used to determine if a theory is valid or not.

Table 10: Hypothesis test

Hypothesis		β	Standard deviation (STDEV)	T Values	P values LL	CI		Decision
						UL		
h1	at -> si	0.246	0.055	4.518	0.0000	0.1410	0.3560	Supported
h2	ec -> si	0.17	0.049	3.476	0.0010	0.0750	0.2650	Supported
h3	fl -> si	0.059	0.048	1.243	0.2140	-0.0350	0.1510	Not Supported
h4	fp -> si	0.339	0.044	7.750	0.0000	0.2560	0.4280	Supported
h5	mn -> si	0.127	0.051	2.483	0.0130	0.0200	0.2220	Supported
h6	sn -> si	-0.009	0.048	0.182	0.8560	-0.1050	0.0840	Not Supported

Result supported at significance level: ***P<0.05 and when the beta value lies within the confidence interval.

Table 10 illustrates that the P-value is less than 0.05 and β lies in between the Lower Limit (LL) and Upper Limit (UL) of confidence interval for all hypothesis except for hypotheses 3 and 6 which means that there is significant relationship between variables of all hypothesis except for variables in hypothesis 3 and 6. This indicates a significant relationship between Attitude and SRI intention, Environmental Concern and SRI intention, Financial Performance and SRI intention, and Moral Norms and SRI intention. On the other hand, there is no significant relationship between financial literacy and SRI intention, nor is there a relationship between subjective norms and SRI intention.

4. Discussion

This research tries to analyse individual investors' intentions to invest in SRI in Kathmandu Valley. Various variables are used to analyse investors' intention to invest in SRIs. Such factors are attitude, subjective norms, moral norms, financial literacy, financial performance, environmental concern and intention towards SRI (Geraldine & Ottemoesoe, 2022; Raut et al., 2020). SEM is used to develop the link between the constructs. Measurement and structural analysis are done for this. Several hypotheses were developed as per the conceptual framework. Hypotheses 1,2, 4, and 5 are accepted as their p values are below 0.05 and the β coefficient lies between the LL and UL of the confidence interval, which means there is a relationship between the variables, whereas hypotheses 3 and 6 are rejected.

Hypothesis 1 is supported, stating that the attitude significantly impacts the intention towards SRI. This means that attitudes towards socially responsible investment, i.e. aspects such as perception of the personal gain from investing socially and the perceived effectiveness of this investment in improving society, can influence the investment decision. This result aligns with (Adam, 2012) as it revealed that attitude plays a crucial role in the behavioural intention of investors. Moreover, Palacios-González & Chamorro-Mera (2020) also supported this result, as they stated that the decisions made by investors regarding Socially Responsible Investing (SRI) are greatly impacted by their stances on social, ethical, and environmental matters, in addition to their financial objectives.

Similarly, hypothesis 2 was also supported, indicating that SRI intention is influenced by the environmental

concern factor. Backing this outcome, Singh et al. (2021) found that environmental attitude significantly influenced attitude, leading to SRI intention. On the other hand, the acceptance of hypothesis 3 is rejected. This suggests that financial literacy has no effect on SRI intention. Whereas Geraldine and Ottemoesoe (2022) revealed that having strong financial literacy boosts investors' desire to make SRI investments. SRI is an investment that considers financial goals, such as maximising profits, and non-financial factors, like social, ethical, and environmental concerns.

Hypotheses 4 and 5 were also accepted, showing a significant relation of SRI intention with financial performance and moral norms. This result suggests that improving socially responsible businesses' financial performance may draw in investors who are unconcerned with social or environmental issues. Lewis and Mackenzie (2000) also suggested a similar idea: financial performance influences SRI intention. Adam (2012) also revealed that an individual's moral norms play a vital role in making SRI investment decisions. Finally, Hypothesis 6 is unsupported, demonstrating that subjective norms have no impact on SRI intention. Contrary to this result, Singh et al. (2021) found that subjective norms increase the demand for socially responsible products. Another study by Alleyne & Broome (2011) confirmed that subjective norms impact the intention to invest in SRI.

The above findings and relations demonstrate that attitudes, moral norms, financial performance, and environmental concerns impact SRI intention, as conceived in the reasoned action theory. Hence, this shows that the theory of reasoned action is valid for this study.

5. Conclusion

This study's general objective is to examine individual investors' behavioural intention towards socially responsible investment. Some of the Specific objectives are: to examine the general understanding of individual investors regarding SRI, to identify major factors affecting behavioural intention of individual investors towards SRI, to assess challenges faced by individual investors towards SRI and to identify possible managerial solutions to the challenges.

Investors are more knowledgeable and skilled in the area of SRI and have a solid grasp of the ethics and guidelines of socially responsible investing, as they prefer to purchase shares of companies that place a high value on environmental and social responsibilities. To change investors' intentions to invest in SRIs, it is essential to manage investor attitudes, environmental concerns, financial performance, and moral standards. Financial institutions, asset managers, and other stakeholders can improve the appeal of SRIs and promote broader participation in socially responsible investment practices by effectively addressing these issues. The major challenges faced by the investors are found to be limited information on the companies being invested in, lack of investment option, difficulty in measuring the social impact of investments which can be minimized by publishing CSR reports by businesses alongside their financial reports, easy identification of socially responsible businesses and standardizing performance measurement and results.

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