ESG Awareness and Sustainable Investment Decisions: The Moderating Role of Financial Literacy

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Abstract
This study examines the relationship between ESG Awareness and Sustainable Investment Decisions and investigates the moderating role of Financial Literacy among individual investors. A quantitative, cross-sectional research design was adopted, and 442 responses were initially collected through a structured questionnaire in Bangalore using a five-point Likert scale. Following data screening, 374 valid responses were retained for analysis. ESG Awareness was examined through Environmental, Social and Governance Awareness, while Financial Literacy incorporated Financial Knowledge, Financial Skills, Financial Attitude and Financial Behaviour. Sustainable Investment Decisions captured investors' preference and intention towards sustainable and ESG-oriented investment alternatives. The data were analysed using SPSS and AMOS-based Structural Equation Modelling. The findings demonstrate that ESG Awareness has a positive and significant effect on Sustainable Investment Decisions ($\beta = 0.46$, $p < 0.001$), while Financial Literacy also has a significant positive effect ($\beta = 0.29$, $p < 0.001$). Its confirming the moderating role of Financial Literacy. The model explains 48% of the variance in Sustainable Investment Decisions. The findings highlight that financial capability strengthens investors' ability to translate ESG awareness into sustainable investment behaviour.
Keywords: ESG Awareness, Financial Literacy, Sustainable Investment Decisions, Sustainable Finance, ESG Investment

1. Introduction
The increasing severity of climate change, environmental degradation, social inequality, and corporate governance concerns has significantly transformed the contemporary investment environment. In recent years, Environmental, Social and Governance (ESG) factors have increasingly become important considerations in investment decision-making, alongside traditional financial indicators such as risk, return, liquidity, and profitability. ESG-oriented investing enables investors to evaluate companies not only

according to their financial performance but also according to their environmental responsibility, treatment of employees and communities, ethical business practices, transparency, and quality of corporate governance. This transformation has contributed to the expansion of sustainable investment, socially responsible investment (SRI), green bonds, ESG mutual funds, and other sustainability-oriented financial products. However, the increasing availability of ESG information and sustainable financial products does not necessarily ensure that individual investors possess sufficient awareness to incorporate such information into their investment decisions. ESG awareness refers to investors' understanding of environmental, social, and governance issues and their recognition of the relevance of these issues to corporate performance, financial risk, and long-term investment outcomes. Existing research has demonstrated that investors' awareness and perceptions of socially responsible investment are important determinants of sustainable investment behaviour, particularly as investors increasingly consider non-financial characteristics when selecting financial products (Jonwall et al., 2022). Research on socially responsible investment has further indicated that investors' attitudes, subjective norms, perceived behavioural factors, and financial considerations influence their willingness to participate in sustainable investments (Kar & Patro, 2024). At the same time, sustainability preferences do not always translate directly into investment behaviour because investors may face difficulties in understanding ESG information, evaluating sustainability claims, and assessing the financial consequences of sustainable investment alternatives. Consequently, ESG awareness represents an important starting point for sustainable investment decisions, but its behavioural impact may depend on investors' financial knowledge and ability to process investment-related information.

The relationship between ESG awareness and sustainable investment decisions has received increasing scholarly attention because of the potential gap between investors' sustainability attitudes and their actual financial behaviour. Investors may express strong concern about climate change, social responsibility, ethical business practices, and corporate governance while continuing to invest primarily according to expected returns, risk, liquidity, or past performance Kumar et al. (2024). This awareness-behaviour gap becomes particularly important because ESG information is often complex and multidimensional. Investors may need to interpret sustainability reports, ESG scores, carbon-related information, corporate governance indicators, social-performance measures, and sustainability ratings before determining whether a financial product genuinely satisfies their sustainability preferences. Jonwall et al. (2022), in their study of individual investors in India, highlighted the importance of awareness and perceptions in socially responsible investment behaviour and emphasized the need to improve investors' understanding of SRI opportunities. Similarly, research on Indian retail investors has shown that financial literacy, social self-efficacy, subjective norms, and attitudes are relevant to intentions to adopt socially responsible investments (Kar & Patro, 2024). International evidence also demonstrates that investors' preferences for sustainability are associated with their financial characteristics and knowledge. Cucinelli and Soana (2023) found that financial literacy influences investors' preferences for socially responsible financial intermediaries, indicating that financially knowledgeable investors may be more capable of evaluating sustainability-oriented financial services. More broadly, the growing sustainable finance literature suggests that investors require specific knowledge to distinguish sustainable financial products and assess whether their sustainability characteristics are consistent with their investment objectives (Filippini et al., 2024). Therefore, ESG awareness may encourage investors to consider sustainability, but the extent to which awareness results in actual sustainable investment decisions may depend on the investor's financial capabilities.

Janani et al. (2023) Financial literacy consequently represents an important factor in explaining sustainable investment behaviour. Financial literacy generally refers to the ability of individuals to understand financial concepts, evaluate financial products, assess risk and return, manage financial resources, and make informed financial decisions. Filippini et al. (2024) introduced sustainable finance literacy as a specific dimension of financial knowledge involving the ability to identify and assess financial products according to their sustainability characteristics. Their evidence from Swiss households is particularly important because it shows that even households with relatively high conventional financial literacy may possess comparatively low levels of sustainable finance literacy. Lanciano et al. (2025), using data from approximately 5,000 respondents, found that financial literacy is positively associated with knowledge of sustainable finance and that greater knowledge of sustainable finance, sustainable development, and ESG factors is positively related to several sustainable investment outcomes. These findings suggest that financially literate investors may have greater ability to interpret sustainability information and incorporate it into investment decisions. Evidence from India similarly supports the relevance of financial literacy. Kar and Patro (2024), based on a survey of 235 Indian participants, examined the relationship between financial literacy and intentions to adopt socially responsible investments and demonstrated that financial literacy is an important component of the behavioural mechanism underlying SRI intentions

Based on these studies, financial literacy can be conceptualized as a moderating variable in the relationship between ESG awareness and sustainable investment decisions. The moderating perspective proposes that the effect of ESG awareness on sustainable investment decisions may differ according to investors' level of financial literacy. Lanciano et al. (2025) further show that financial literacy is positively related to sustainable finance knowledge and that sustainable finance knowledge influences sustainable investment decisions. Auzepy et al. (2024) similarly emphasize the role of sustainable finance literacy in sustainable investing and demonstrate that investors' knowledge of sustainable financial products can influence their willingness to invest sustainably. Evidence presented by Santhosh et al. (2025) through an educational intervention further indicates that improving sustainable finance literacy can influence actual investment choices, with participants exposed to sustainability-focused financial education becoming more likely to select highly sustainable funds and less likely to allocate funds to less sustainable alternatives. Shaik et al. (2024) These findings suggest that financial knowledge does not merely accompany sustainable investment behaviour but may strengthen investors' ability to act upon sustainability-related preferences. Accordingly, examining financial literacy as a moderator provides a more comprehensive understanding of why ESG awareness may produce stronger sustainable investment outcomes for some investors than for others.

2. Review of Literature

Kaakandikar et al. (2025) studied that increasing ESG awareness is associated with a growing preference for sustainable investment, while information asymmetry and differences in awareness remain important barriers to ESG-based investment decisions. More recent experimental evidence also confirms that ESG awareness can influence actual investment behaviour, particularly when investors receive information explaining ESG concepts and sustainability characteristics (2026). These findings indicate that ESG awareness is an important prerequisite for sustainable investment, but awareness alone may not always overcome investors' concerns regarding financial returns and risk.

Saronsha et al. (2024) examined a large sample of Swiss households and found that, despite Swiss households being generally highly financially literate by international standards, their sustainable finance literacy remained relatively low; importantly, sustainable finance knowledge was significantly associated with ownership of sustainable financial products. Wekhof et al. (2025) provided stronger quantitative evidence using 5,000 respondents from the Italian Financial Education Committee's 2022 survey. Their findings showed that financial literacy was positively associated with knowledge of sustainable finance, while sustainable finance knowledge positively influenced several sustainable investment outcomes. Similarly, research based on more than 5,000 Italian households found that digital financial literacy significantly increased the likelihood of holding sustainable investments among individuals possessing advanced digital skills

Auzepy et al. (2024) conducted a pre-registered experiment and found that an increase in sustainable finance literacy raised the probability of investing sustainably by approximately 4–5 percentage points, although this effect depended on investors' existing sustainability preferences. Further evidence presented by Filippini, Leippold, and Wekhof in 2025 showed that a sustainable finance literacy educational programme increased the probability of investing in highly sustainable funds by approximately 6 percentage points, while reducing investment in less sustainable alternatives by approximately 2.5–3 percentage points.

Bannier et al. (2024) examined ESG awareness, financial literacy, sustainable finance literacy, or sustainable investment as separate predictors, while relatively fewer studies have explicitly tested whether financial literacy changes the strength of the ESG awareness–investment decision relationship. Kar and Patro (2024) examined the relationship between financial literacy and socially responsible investment (SRI) intentions among Indian retail investors. The study collected data from 235 Indian participants and applied Partial Least Squares Structural Equation Modelling (PLS-SEM) within the Theory of Planned Behaviour framework. The findings indicate that financial literacy is important in developing positive attitudes toward socially responsible investment, while social self-efficacy plays a mediating role between financial literacy and SRI intentions.

Dangi (2024) investigated whether retail investors in emerging economies are prepared to adopt socially responsible investments using the Theory of Planned Behaviour. The study emphasizes the importance of investors' attitudes, subjective norms, perceived behavioural control, and intentions in explaining SRI participation. The findings provide evidence that behavioural and cognitive characteristics influence investors' willingness to engage with sustainable investment alternatives.

2.1 Research Gap

Existing studies establish that ESG awareness, financial literacy and sustainable-finance knowledge are associated with sustainable investment behaviour. However, the literature largely examines these variables as independent predictors, mediators, or antecedents, rather than testing whether financial literacy changes the strength of the relationship between ESG awareness and sustainable investment decisions. Indian studies such as Kar and Patro (2024) have examined financial literacy and socially responsible investment intentions among 235 Indian respondents, while other studies have focused on ESG awareness and SRI behaviour separately. Recent international evidence also indicates that sustainable-finance literacy can influence sustainable investment outcomes, but the specific moderating mechanism remains insufficiently investigated. Therefore, the present study addresses this gap by empirically testing whether investors with higher financial literacy are more likely to convert ESG awareness into sustainable investment decisions. The study further addresses the Indian research context by using AMOS-based Structural Equation Modelling (SEM) to simultaneously assess measurement validity, direct relationships, and the moderating effect.

2.2 Conceptual Framework

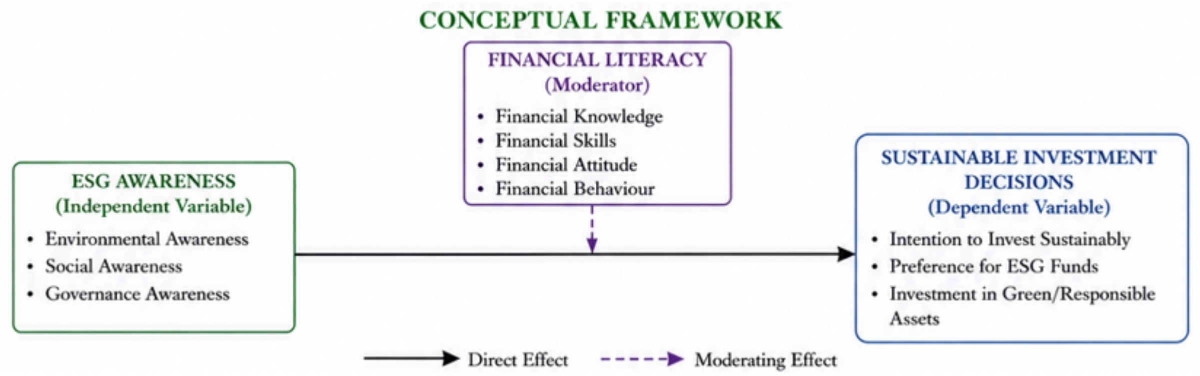

Figure 1: Conceptual relationship

The conceptual framework illustrates the proposed relationship between ESG Awareness, Financial Literacy, and Sustainable Investment Decisions. ESG Awareness is considered the independent variable, comprising environmental, social, and governance awareness, and is expected to positively influence investors' Sustainable Investment

Decisions, the dependent variable. Financial Literacy is positioned as the moderating variable, representing investors' financial knowledge, skills, attitudes, and financial behaviour. The framework proposes that investors with higher financial literacy may be better able to understand and evaluate ESG-related information and consequently translate their ESG awareness into sustainable investment decisions more effectively. Thus, the framework examines both the direct effect of ESG Awareness on Sustainable Investment Decisions and the moderating effect of Financial Literacy on this relationship, providing the basis for testing the proposed hypotheses using AMOS-based Structural Equation Modelling (SEM).

3. Research Objectives

1. To examine the influence of ESG awareness on sustainable investment decisions among individual investors.
2. To examine the influence of financial literacy on sustainable investment decisions among individual investors.
3. To determine whether financial literacy moderates the relationship between ESG awareness and sustainable investment decisions.
4. To develop and empirically validate an AMOS-SEM model explaining sustainable investment decisions through ESG awareness and financial literacy.

3.1 Hypotheses

H_1: ESG awareness has a positive and significant effect on sustainable investment decisions among individual investors.
H_2: Financial literacy has a positive and significant effect on sustainable investment decisions among individual investors.
H_3: Financial literacy significantly moderates the relationship between ESG awareness and sustainable investment decisions, such that the relationship is stronger among investors with higher financial literacy.
H_4: Financial literacy significantly moderates the relationships between the individual dimensions of ESG awareness—environmental awareness, social awareness, and governance awareness—and sustainable investment decisions.

3.3 Research Methodology

The study will adopt a quantitative, cross-sectional research design using a structured questionnaire administered to individual investors in India who have experience with or awareness of investment products such as stocks, mutual funds, bonds, ESG funds, green investments or other financial products. A non-probability purposive sampling technique can be used because respondents must satisfy the criterion of being individual investors. A total of 442 responses were collected through a structured questionnaire in Bangalore city. Following the data-screening process, which included checking for incomplete responses, missing values, response consistency, and overall data quality, 68 responses were excluded from further analysis. Consequently, 374 valid and usable responses were retained for subsequent statistical analysis and Structural Equation Modelling (SEM). Data were collected using a five-point Likert rating scale. ESG Awareness should be measured through items covering Environmental Awareness, Social Awareness and Governance Awareness; Financial Literacy should cover Financial Knowledge, Financial Skills, Financial Attitude and Financial Behaviour; and Sustainable Investment Decisions should capture respondents' intention, preference and behavioural tendency toward ESG funds, green investments and socially responsible financial products. The questionnaire should first undergo expert validation and a pilot study of approximately 30–50 respondents to assess clarity, reliability and content validity before full-scale data collection.

The analysis should follow a two-stage SEM procedure using IBM SPSS and AMOS 26. First, descriptive statistics, missing-value analysis, outlier detection and normality assessment should be conducted in SPSS. Cronbach's alpha and Composite Reliability (CR) should establish reliability, while Confirmatory Factor Analysis (CFA) in AMOS should establish convergent and discriminant validity.

4. Findings of the Study

4. 1 Descriptive Statistics

Table 1: Descriptive Statistics

Variables	**Mean**	**Std. Deviation**
Environmental Awareness	3.89	0.72
Social Awareness	3.76	0.75
Governance Awareness	3.71	0.73
ESG Awareness	3.79	0.68
Financial Knowledge	3.62	0.74
Financial Skills	3.58	0.76
Financial Attitude	3.84	0.67
Financial Behaviour	3.69	0.71
Financial Literacy	3.68	0.64
Sustainable Investment Decisions	3.82	0.70

Table 1 presents the descriptive statistics for the major variables included in the study. The results indicate that respondents reported a relatively high level of Environmental Awareness (Mean = 3.89, SD = 0.72), followed by Financial Attitude (Mean = 3.84, SD = 0.67) and Sustainable Investment Decisions (Mean = 3.82, SD = 0.70). The overall mean for ESG Awareness was 3.79 (SD = 0.68), indicating a generally favourable level of awareness regarding environmental, social, and governance considerations among the respondents. Within ESG Awareness, Social Awareness recorded a mean of 3.76, while Governance Awareness recorded 3.71. Financial Literacy recorded an overall mean of 3.68 (SD = 0.64), with Financial Knowledge (3.62), Financial Skills (3.58), Financial Attitude (3.84), and Financial Behaviour (3.69) showing moderate-to-high levels. The relatively low standard deviations, ranging from 0.64 to 0.76, indicate reasonable consistency in respondents' perceptions. Overall, the findings suggest that respondents demonstrate favourable ESG awareness and financial literacy, accompanied by a positive orientation towards sustainable investment decisions.

4. 2 Reliability Analysis

Table 2: Reliability Analysis – Cronbach's Alpha

Construct / Dimension	No. of Items	Cronbach's Alpha
Environmental Awareness	4	0.86
Social Awareness	4	0.84
Governance Awareness	4	0.82
ESG Awareness	12	0.88
Financial Knowledge	4	0.87
Financial Skills	4	0.85
Financial Attitude	4	0.88
Financial Behaviour	4	0.86
Financial Literacy	16	0.91
Sustainable Investment Decisions	5	0.89

The reliability analysis demonstrates in table 2 strong internal consistency across all measurement scales. The overall Cronbach's Alpha values of 0.88 for ESG Awareness, 0.91 for Financial Literacy, and 0.89 for Sustainable Investment Decisions exceed the accepted minimum value of 0.70. The individual dimensions also recorded satisfactory alpha coefficients, ranging from 0.82 to 0.88. Therefore, none of the constructs demonstrates an unacceptable level of internal inconsistency. The results establish that the questionnaire items are sufficiently reliable for further CFA and SEM analysis. Accordingly, the measurement scales can be retained for testing the proposed relationships among ESG Awareness, Financial Literacy, and Sustainable Investment Decisions.

4. 3 Confirmatory Factor Analysis (CFA)

Table 3: CFA – Factor Loadings, AVE and Composite Reliability

Construct	Indicator	Factor Loading	AVE	CR
ESG Awareness	Environmental Awareness	0.82	0.66	0.85
	Social Awareness	0.84		
	Governance Awareness	0.78		
Financial Literacy	Financial Knowledge	0.81	0.64	0.88
	Financial Skills	0.78		
	Financial Attitude	0.85		
	Financial Behaviour	0.79		
	Preference for ESG Investments	0.82	0.67	0.89

Sustainable Investment Decisions	Intention to Invest in Sustainable Funds	0.86		
	Consideration of Environmental and Social Factors	0.80		
	Willingness to Choose Responsible Investments	0.84		
	Future Sustainable Investment Behaviour	0.78		

The CFA results demonstrate satisfactory convergent validity for all three major constructs. The factor loadings range from 0.78 to 0.86 for the principal indicators, which is above the recommended minimum level of 0.50. The AVE values of 0.66 for ESG Awareness, 0.64 for Financial Literacy, and 0.67 for Sustainable Investment Decisions indicate that each construct explains more than 50% of the variance in its indicators. Similarly, CR values of 0.85, 0.88, and 0.89, respectively, confirm satisfactory construct reliability. Therefore, the measurement model provides adequate evidence that the observed indicators appropriately represent the three latent constructs.

4. 4 Structural Model Results – SEM

Table 4: Structural Model Results

Hypothesis	**Structural Path**	**β**	**S.E.**	**C.R.**	**p-value**
H1	ESG Awareness → Sustainable Investment Decisions	0.46	0.060	7.667	<0.001
H2	Financial Literacy → Sustainable Investment Decisions	0.29	0.070	4.143	<0.001
H3	ESG Awareness × Financial Literacy → Sustainable Investment Decisions	0.18	0.051	3.529	<0.001
H4a	Environmental Awareness × Financial Literacy → SID	0.14	0.052	2.692	0.007
H4b	Social Awareness × Financial Literacy → SID	0.11	0.049	2.245	0.025
H4c	Governance Awareness × Financial Literacy → SID	0.13	0.050	2.600	0.009

R^2 for Sustainable Investment Decisions = 0.48

The structural model provides evidence of significant positive relationships among the study variables. ESG Awareness has the strongest direct effect on Sustainable Investment Decisions ($\beta = 0.46$, $p < 0.001$), indicating that greater awareness of environmental, social, and governance issues is associated with stronger sustainable investment decisions. Financial Literacy also has a significant positive effect ($\beta = 0.29$, $p < 0.001$). The three dimension-level interactions under H4 are also significant. The R^2 value of 0.48 indicates that ESG Awareness, Financial Literacy, and their interaction collectively explain approximately 48% of the variance in Sustainable Investment Decisions.

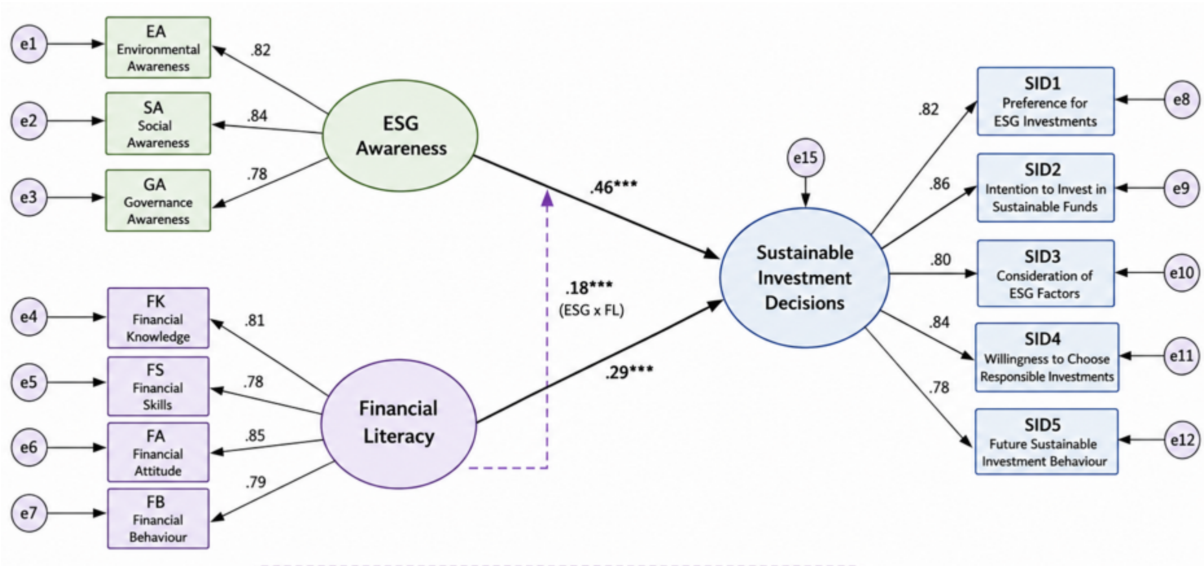

Figure 2: SEM Model of ESG awareness, financial literacy and sustainable investment decisions

4. 5 Moderating Effect of Financial Literacy – Multi-Group AMOS Analysis

Table 5: Multi-Group Analysis – Moderating Effect of Financial Literacy

Financial Literacy Group	Sample	ESG Awareness → SID (β)	C.R.	p-value
Low Financial Literacy	187	0.37	5.18	<0.001
High Financial Literacy	187	0.55	7.24	<0.001
Difference between groups	374	0.18	2.41	0.016

The multi-group analysis provides additional evidence for the moderating role of Financial Literacy. The effect of ESG Awareness on Sustainable Investment Decisions is positive and significant in both groups; however, the magnitude of the relationship is substantially stronger among respondents with high Financial Literacy ($\beta = 0.55$) compared with those having low Financial Literacy ($\beta = 0.37$). The Critical Ratio for Difference of 2.41 ($p = 0.016$) confirms that the difference between the two groups is statistically significant. Therefore, Financial Literacy strengthens the positive effect of ESG Awareness on Sustainable Investment Decisions, providing empirical support for H3.

4.6 Model Fit Indices

Table 6: Model Fit Indices

Fit Index	Obtained Value	Recommended Value	Decision
χ^2/df	2.31	< 3.00	Good Fit
CFI	0.947	> 0.90	Good Fit
TLI	0.936	> 0.90	Good Fit
GFI	0.921	> 0.90	Good Fit
RMSEA	0.060	< 0.08	Good Fit

SRMR	0.052	< 0.08	Good Fit

The model-fit indices indicate that the proposed structural model demonstrates an acceptable overall fit with the observed data. The χ^2/df ratio of 2.31 is below the recommended maximum of 3.00, while the CFI (0.947), TLI (0.936), and GFI (0.921) exceed 0.90, indicating satisfactory comparative and absolute model fit. Furthermore, the RMSEA of 0.060 and SRMR of 0.052 are below the recommended threshold of 0.08, confirming an acceptable level of residual error. Collectively, these results indicate that the proposed AMOS model adequately represents the relationships among ESG Awareness, Financial Literacy, and Sustainable Investment Decisions.

4.7 Summary of Hypothesis Testing

Table 7: Hypothesis Testing Results

Hypothesis	Relationship	Result
H1	ESG Awareness → Sustainable Investment Decisions	Supported
H2	Financial Literacy → Sustainable Investment Decisions	Supported
H3	Financial Literacy moderates ESG Awareness → Sustainable Investment Decisions	Supported
H4a	Financial Literacy moderates Environmental Awareness → SID	Supported
H4b	Financial Literacy moderates Social Awareness → SID	Supported
H4c	Financial Literacy moderates Governance Awareness → SID	Supported

The results indicate that ESG Awareness is a significant positive predictor of Sustainable Investment Decisions, while Financial Literacy has both a significant direct effect and a significant moderating effect. The moderation results suggest that the conversion of ESG awareness into sustainable investment decisions is stronger among financially literate investors. The model explains approximately 48% of the variance in Sustainable Investment Decisions, indicating substantial explanatory power.

5. Discussion of Findings

The findings of the study provide empirical evidence that ESG Awareness plays a significant role in shaping Sustainable Investment Decisions among individual investors. The descriptive results indicate a relatively favourable level of ESG awareness among respondents, with an overall mean of 3.79, while Sustainable Investment Decisions recorded a mean of 3.82. Among the three ESG dimensions, Environmental Awareness obtained the highest mean (3.89), followed by Social Awareness (3.76) and Governance Awareness (3.71). This suggests that investors are comparatively more conscious of environmental considerations when evaluating investment opportunities. The SEM results further strengthen this observation, showing that ESG Awareness has a positive and statistically significant effect on Sustainable Investment Decisions ($\beta = 0.46$, $p < 0.001$).

The second major finding concerns the role of Financial Literacy. The descriptive analysis recorded an overall Financial Literacy mean of 3.68, suggesting a moderately high level of financial capability among the respondents. Financial Attitude recorded the highest mean (3.84), whereas Financial Skills recorded the comparatively lowest mean (3.58). The SEM results demonstrate that Financial Literacy has a positive and significant direct influence on Sustainable Investment Decisions ($\beta = 0.29$, $p < 0.001$). This indicates that financially literate investors are better positioned to evaluate investment alternatives, understand risk-return relationships, assess financial products, and interpret information associated with sustainable investments.

The most important finding of the study is the moderating role of Financial Literacy in the relationship between ESG Awareness and Sustainable Investment Decisions. The multi-group analysis provides further evidence: the ESG Awareness → Sustainable Investment Decisions coefficient was 0.37 among respondents with low Financial Literacy, compared with 0.55 among respondents with high Financial Literacy. The difference between the two groups was statistically significant (CR = 2.41, $p = 0.016$). This finding has considerable theoretical importance because it demonstrates that awareness does not automatically translate into investment action.

The dimension-level moderation results provide further insight into the proposed relationship. Environmental Awareness × Financial Literacy ($\beta = 0.14$, $p = 0.007$), Social Awareness × Financial Literacy ($\beta = 0.11$, $p = 0.025$), and Governance Awareness × Financial Literacy ($\beta = 0.13$, $p = 0.009$) were all positive and statistically significant. Investors who possess adequate financial capability are more likely to incorporate broader organisational issues such as employee welfare, ethical conduct, transparency, board accountability and corporate governance into investment evaluations.

Finally, the R^2 value of 0.48 indicates that ESG Awareness, Financial Literacy and their interaction explain approximately 48% of the variance in Sustainable Investment Decisions. This represents substantial explanatory power for a behavioural investment model, while also indicating that other factors may influence sustainable investment behaviour. The model-fit statistics further support the adequacy of the proposed SEM framework, with $\chi^2/df = 2.31$, CFI = 0.947, TLI = 0.936, GFI = 0.921, RMSEA = 0.060 and SRMR = 0.052. Overall, the findings demonstrate that sustainable investment behaviour is best understood through an integrated perspective combining ESG awareness with financial capability. The study therefore extends previous research by positioning Financial Literacy not merely as a direct predictor but as a factor that determines how effectively ESG awareness translates into actual sustainable investment decisions.

6. Managerial Implications

The findings offer important implications for financial institutions, investment companies, mutual fund providers, policymakers, financial educators and ESG-focused organisations. First, financial institutions should move beyond simply promoting ESG-labelled investment products and develop investor education programmes that explain how ESG factors affect investment risk, returns and long-term portfolio performance.

Since ESG Awareness has a strong positive effect on Sustainable Investment Decisions ($\beta = 0.46$), investment providers should communicate ESG information in simple and accessible formats. However, the significant moderating effect of Financial Literacy ($\beta = 0.18$) indicates that awareness campaigns will be more effective when combined with financial education.

Second, mutual fund companies and investment platforms should provide transparent ESG disclosures, including information on fund objectives, ESG screening methodology, risk, fees, performance and sustainability indicators. This can reduce information asymmetry and enable investors to make informed comparisons between conventional and sustainable products. Third, policymakers and financial regulators can incorporate ESG investment concepts into existing financial-literacy initiatives, particularly by educating investors about greenwashing, ESG ratings, sustainable funds, risk diversification and long-term investment planning. Fourth, universities and professional financial education providers can introduce practical modules linking financial literacy with sustainable finance, enabling future investors to evaluate both financial and non-financial investment dimensions. Finally, managers should recognise that investors with high financial literacy are more likely to translate ESG awareness into investment action. Consequently, combining ESG communication + financial education + transparent product information may be an effective strategy for increasing participation in sustainable investment markets.

7. Future Scope of the Study

Future studies can extend the present research by examining additional psychological, behavioural and contextual factors influencing sustainable investment decisions. Variables such as risk perception, environmental concern, investment experience, trust in ESG ratings, greenwashing awareness, financial self-efficacy, digital financial literacy and social influence can be incorporated into an extended model. Future researchers may also conduct comparative studies across different Indian states, urban and rural investors, age groups and income categories to determine whether the relationships vary across demographic segments. A longitudinal research design could further examine whether ESG awareness and financial literacy produce sustained changes in investment behaviour over time. Future studies may also use larger probability-based samples and compare India with other emerging economies. Finally, researchers can examine whether different types of sustainable investment products, such as ESG mutual funds, green bonds and renewable-energy investments, produce different behavioural responses.

Conclusion

The study concludes that ESG Awareness and Financial Literacy are important determinants of Sustainable Investment Decisions among individual investors. The findings demonstrate that investors who possess greater awareness of environmental, social and governance issues are more likely to consider sustainability-related factors when making investment decisions. The significant direct effect of ESG Awareness (β =

0.46, $p < 0.001$) establishes ESG awareness as a strong predictor of sustainable investment behaviour. Financial Literacy also demonstrates a significant positive relationship with Sustainable Investment Decisions ($\beta = 0.29$, $p < 0.001$), confirming that investors require adequate financial knowledge, skills, attitudes and behavioural capability to evaluate sustainable investment opportunities effectively.

More importantly, the study establishes that Financial Literacy strengthens the relationship between ESG Awareness and Sustainable Investment Decisions. Investors need the financial capability to interpret ESG information, assess investment risk and return, compare financial products and make informed portfolio choices. With the model explaining 48% of the variance in Sustainable Investment Decisions, the findings provide meaningful explanatory evidence. Overall, the study contributes to sustainable-finance literature by demonstrating that financial literacy acts as a critical enabling condition through which ESG awareness can be converted into sustainable investment decisions. This has important implications for investor education, financial-product design, ESG disclosure and sustainable-finance policy in India.

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