International Journal of Engineering Research & Technology (IJERT)
ISSN: 2278-0181
Vol. 14, Issue 11, CONFLUENCE - 2026

Behavioral and Financial Determinants of Sustainable Investment Decisions among Generation Z Investors in Bengaluru

Gagana Hd [1], Ms. Chandrakala D P[2]

Abstract - Sustainable investing has become a captivating research field for the younger generation, driven by rising awareness of ESG (Environmental, Social, and Governance). Gen Z's investment choices are shaped not just by financial factors, but also by awareness, risk, social considerations, and trust in sustainable investment. This present study examines sustainable investment among Generation Z in Bengaluru and how behavioral and financial factors affect it.

The primary source of data collected for this research was a questionnaire. The data collected from the questionnaires were analyzed using the Partial Least Squares Structural Equation Modelling (PLS-SEM) technique of analysis by the SmartPLS software. A total of 407 questionnaires were used in the analysis. The research will focus on the ESG Awareness, Financial Literacy, Perceived Investment Risk, Social Influence and Trust in Sustainable Investments and how they influence Sustainable Investment Decisions. The findings above indicate that Trust in Sustainable Investments carries the greatest significance for sustainable investment decisions. Regarding the financial factors of Financial Literacy and perceived investment risk, both showed significant positive effects on sustainable investment decisions, whereas ESG Awareness had no significant effect.

Furthermore, it was found out that ESG Awareness significantly influences sustainable investment decisions through Financial Literacy and Perceived Investment Risk. Social Influence does not have any significant influence on sustainable investment decisions directly and indirectly. The model is able to explain 70.8% of the variation in Sustainable Investment Decisions. The current study helps in advancing the literature on sustainable investment behavior through the emphasis on trust, financial literacy, and perceptions of risks. The findings are relevant for financial institutions, investment advisors, policymakers, and young investors in formulating effective strategies to make sustainable investments.

Key Words: Sustainable Investment, Generation Z, ESG Awareness, Financial Literacy, Perceived Investment Risk, Social Influence, Trust in Sustainable Investments.

1. INTRODUCTION

It is recently noted that sustainable investments have received increased consideration since investors have now begun concentrating on ESG criteria (1,2). Investors do not merely consider the return rates while making investments but also the environmental and social consequences of their investments (3,4). It is to be noted that gen Z investors encounter several sustainable investments-related pieces of information online (5,6). Financial literacy about sustainable investments may affect the preference of young investors for sustainable investments (7,8). Financial literacy is an important variable that affects investment decisions as it allows the investor to be familiar with the financial instruments, returns, risks, and investment options (9,12). Adequate financial knowledge among young investors may help them make more informed decisions regarding investment (13,15). Financial knowledge has been emphasized as an important factor in previous studies conducted on Generation Z regarding investment intentions and behavior (16,17). Awareness of ESG issues is another critical determinant of sustainable investment decisions (18,19). When investors have knowledge about environmental, social, and governance factors, they might take into account sustainable investment when choosing investments (18,19). Nonetheless, awareness alone might not necessarily determine whether an investor makes an investment decision or not (20). Availability and comprehension of ESG information will affect the evaluation of sustainable investments (8,18).Perceived risk and trust are additional psychological determinants of sustainable investments (21,23). Young investors can look at the risk and expected return of sustainable investments before deciding to invest (7,24). Further, trust in sustainable investment information as well as credibility of ESG-related information can have an impact on the willingness of investors to invest in sustainable investments (21,22,25). Studies on young investors suggest that financial knowledge, perceived risk, and other behavioral characteristics play an significant role in the

(This work is licensed under a Creative Commons Attribution 4.0 International License.)

International Journal of Engineering Research & Technology (IJERT)
ISSN: 2278-0181
Vol. 14, Issue 11, CONFLUENCE - 2026

sustainable investments (2,7).

Another way through which social influence might be linked to investment behavior is through the behavior of Generation Z investors (6,16). Social influence may manifest through friends, family, coworkers, financial influencers, and social media affecting the perception and investment behavior of younger investors (5,6,26). According to past studies, social influence was found the significant factor is the investment intention of Generation Z (16,26).

When it comes to Bengaluru, the importance of examining how Generation Z investors behave with their investments lies in the fact that the younger generation of investors is actively investing through digital platforms (6,19). Past studies have investigated sustainable investment behavior in the younger generation of investors, considering various financial, behavioral, and sustainability-based factors (15,20,27).

2. LITERATURE REVIEW

Sustainable investments have gained a lot of attention due to investors' concerns about both monetary returns and environmental and social outcomes (1,3,4). Prior studies have found that the willingness to choose sustainable investments is linked to awareness of sustainability among investors, financial knowledge, risks perceptions, and values of individuals (7,18,19,22). For younger investors, sustainable financial literacy has been found to positively influence their preference for sustainable investment instruments, thus showing how financial literacy contributes to making sustainable investment choices (7,8). Studies about Gen Z also confirm the significance of financial knowledge and literacy for developing an intention to invest and evaluating financial opportunities (15,16).

Financial literacy is crucial for Generation Z due to the nature of investment which includes knowledge of different types of financial assets, their returns, risks, and alternative investments (11,13). Financial literacy and financial capability have been identified as critical determinants of investment intention among Generation Z students by recent research (16,26). Also, the research on investment behavior of Generation Z has explored the significance of financial literacy along with financial experience and risk tolerance in evaluating the decision-making of young investors (14,29). Thus, financially literate investors might be able to evaluate sustainable investment opportunities more effectively (7,8,15).

Finally, the awareness about the ESG factors is also a crucial determinant of sustainable investment decisions (18,19). The awareness of the issues related to the environment, society, and corporate governance might make it more likely for investors to take into consideration the sustainability factors while choosing investment options (2,18). The studies on the role of ESG awareness and personal investments have proved that it affects investor evaluations (18). However, awareness does not necessarily mean that investors will invest in sustainable assets since they also consider other aspects of sustainable investments such as their risks and credibility (20,24).

Thus, perceived riskiness of investment is another crucial behavioral factor (21,23). Investors are unlikely to invest in sustainable investment projects due to the notion that there is higher risk or uncertainty associated with such investments (20,24). The current research on green financial literacy and risk perception proves that the perception of risks is linked to sustainable investing behavior, and investor trust can be a key determinant of this relationship (22). It is especially true since trust is important when it comes to the perception of sustainable investment information and ESG- related claims (21,25).

Finally, generation Z investors are subject to social influences, which may affect their choice (6,16). The young investors come across opinions and thoughts expressed by their peers, family members, work colleagues, financial influencers and members of the social media community (5,6). According to Shahzadi et al., social influences are positively associated with the investment intentions of generation Z (16). Nonetheless, the importance of social determinants depends on investors' financial literacy and risk perception (6).

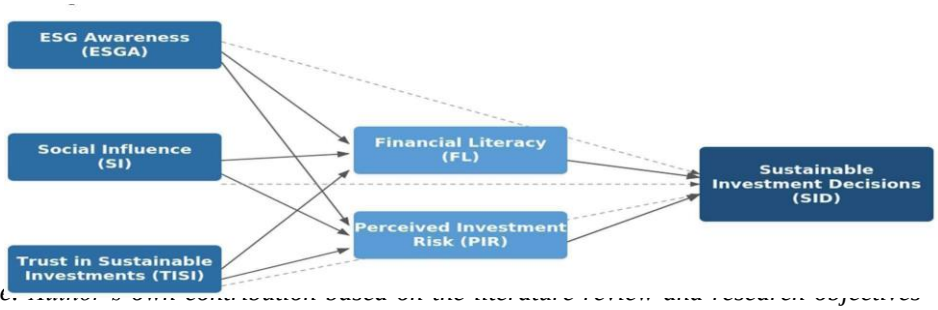
In general, earlier research indicates that sustainable investment decisions are not the result of any single factor (1,27). Financial capability, ESG, perceived risk, social influence, and trust may have all worked in combination to influence investment behavior (19,22,27). Nonetheless, very few studies have looked into the combination of these factors with Generation Z investors of Bengaluru (1). Hence, the current study looks into the direct relationships among these factors as well as explores whether Financial Literacy and Perceived Investment Risk act as mediators among them and Sustainable Investment Decisions.

(This work is licensed under a Creative Commons Attribution 4.0 International License.)

International Journal of Engineering Research & Technology (IJERT)
ISSN: 2278-0181
Vol. 14, Issue 11, CONFLUENCE - 2026

3RESEARCH FRAMEWORK AND DEVELOPMENT OF HYPOTHESES

3.1 Proposed conceptual framework



Source: Author's own contribution based on the literature review and research objectives

Figure 1: Conceptual Model

This theoretical framework provides an understanding of the connection between ESG Awareness, Financial Literacy, Perceived Investment Risk, Social Influence, Trust on Sustainable Investments, and Sustainable investment choices made by Generation Z participants. This. The framework postulates that financial literacy, perceived risk, social influence, and trust might affect the decision to engage in sustainable investments. It also assumes that Financial Literacy and Perceived Investment Risk might be mediators in the connections between the financial and behavioral factors and sustainable investments (7,16,21,22).

3.2 Hypotheses development

H1: The level of ESG Awareness significantly affects Financial Literacy.

Higher levels of ESG awareness could help investors gain insight into the financial information related to sustainability and facilitate financial literacy concerning sustainable investments (7).

H2: The level of ESG Awareness significantly affects Perceived Investment Risk.

Greater ESG awareness could result in higher consideration of the risks associated with sustainable investment products by investors (22).

H3: The level of ESG Awareness significantly affects Sustainable Investment Decisions.

Greater ESG awareness among investors would allow for incorporating sustainability considerations into their investment decision-making process (18).

H4: Financial Literacy significantly affects Sustainable Investment Decisions.

Being financially literate helps investors make more informed sustainable investment decisions by allowing them to evaluate investment alternatives and their returns and risks (14).

H5: Perceived Investment Risk significantly affects Sustainable Investment Decisions.

Perceived investment risks could have an impact on how investors would evaluate the sustainable products and decide on making such investments (23).

H6: Social Influence significantly impacts Financial Literacy.

Discussions and sharing of information from peer groups, family and finance networks might impact the financial literacy of young investors (26).

H7: Social Influence significantly impacts Perceived Investment Risk.

Social networks and opinions of peers might impact the perception of investment risks and opportunities by Generation Z investors (16).

H8: Social Influence significantly impacts Sustainable Investment Decisions.

Social influence from peer groups, family and social networks for investments might impact the sustainable investment decisions made by young investors (16).

H9: Trust in Sustainable Investments significantly impacts Financial Literacy.

A higher level of trust in sustainable investments and information related to sustainable investment information might

(This work is licensed under a Creative Commons Attribution 4.0 International License.)

International Journal of Engineering Research & Technology (IJERT)
ISSN: 2278-0181
Vol. 14, Issue 11, CONFLUENCE - 2026

encourage investors to engage and learn about sustainability related financial products (21).

H10: Trust in Sustainable Investments significantly impacts Perceived Investment Risk.

Trust in sustainability information and sustainability products might impact the perception of investment risks related to sustainable investment (21).

H11: Trust in Sustainable Investments significantly impacts Sustainable Investment Decisions. Investors would be willing to choose sustainable investments if there is a high level of trust in sustainability information and sustainability products (21).

H12: Financial Literacy acts as a mediator linking ESG Awareness with Sustainable Investment Decisions. Financial literacy can be the way in which ESG awareness influences sustainable investment decisions (30).

H13: Perceived Investment Risk serves as a mediator in the relationship between ESG Awareness and Sustainable Investment Decisions.

Perceived investment risk is able to mediate the link between investors' ESG awareness and sustainable investment decisions (30).

H14: Financial Literacy acts as a mediator between Social Influence and Sustainable Investment Decisions. Sustainable investment decisions made by investors under the influence of other people can be a result of their financial literacy (26).

H15: Perceived Investment Risk acts as a mediator between Social Influence and Sustainable Investment Decisions.

Social influence may affect sustainable investment decisions by influencing investors' perception of investment risk (26).

H16: Financial Literacy mediates the relationship between Trust in Sustainable Investments and Sustainable Investment Decisions.

Trust may motivate investors to acquire better knowledge about sustainable financial instruments, which may facilitate investment decisions (21).

H17: Perceived Investment Risk mediates the relationship between Trust in Sustainable Investments and Sustainable Investment Decisions.

Trust may affect the sustainable investment decision making process via the risk perceptions of the sustainable investment instruments (21).

4. RESEARCH METHODOLOGY

Perceived Investment Risk serves as a mediator in the relationship between ESG Awareness and Sustainable Investment Decisions.

Perceived investment risk is able to mediate the link between investors' ESG awareness and sustainable investment decisions (30).

4.1 Data Collection

Primary data was collected via a structured online questionnaire distributed through Google Forms. The questionnaire comprised items meant to assess the views of the respondents on ESG Awareness, Financial Literacy, Perceived Investment Risk, Social Influence, Trust in Sustainable Investments and Sustainable Investment Decisions.

4.2 Sampling

Generation Z respondents are the focus of this study, as per Bengaluru. The final number of valid responses for SmartPLS analysis was 407. An online survey questionnaire approach is used in this research.

4.3 Questionnaire Design

The questionnaire included six constructs: ESG Awareness, Financial Literacy, Perceived Investment Risk, Social Influence, Trust in Sustainable Investments and Sustainable Investment Decisions. The constructs were operationalized into multiple items measured via five-point Likert type scale.

4.4 Analysis of data

Primary data was collected via a structured online questionnaire distributed through Google Forms SmartPLS was

(This work is licensed under a Creative Commons Attribution 4.0 International License.)

International Journal of Engineering Research & Technology (IJERT)
ISSN: 2278-0181
Vol. 14, Issue 11, CONFLUENCE - 2026

utilized to evaluate outer loadings, reliability, convergent validity, discriminant validity, collinearity, structural relationships, and predictive relevance. The bootstrapping technique was employed to examine direct and indirect effects.

4.5 Demographic profile:

Table 1: Demographic Analysis

Demographic Characteristic	Number of Respondents	Percentage (%)
Age Group		
18 to 20 years	91	22.4
21 to 23 years	163	40.0
24 to 26 years	101	24.8
Gender Distribution		
Male	216	53.1
Female	191	46.9
Education		
Under Graduate	140	34.4
Occupation		
Salaried	186	45.7
Student	147	36.1
Investment Product		
Mutual Funds	192	47.2
Equity Shares	132	32.4
Investment Experience		
Below 1 year	168	41.3
1 to 3 years	126	31.05
Postgraduate	203	49.9

Source: Primary Survey data(n=407)

This is a representative study where the survey participants belong to a heterogeneous group of Generation Z investors in Bengaluru. Male participants constituted 53.1% of the total number of survey participants, while female participants constituted 46.9%. largest share of participants belongs to the age group of 21-23 years (40.0%) followed by age group 24-26 years (24.8%). Postgraduate respondents constituted 49.9%, while salaried and students were the two other important occupational groups with a percentage of 45.7% and 36.1%, respectively. Mutual funds (47.2%) and equity shares (32.4%) were the most commonly used investment products.

4. RESULTS

In This section, the findings for the PLS-SEM analysis performed to explore the relationships proposed between ESG Awareness, Financial Literacy, Perception of Investment Risk, Social Influence, Trust in Sustainable Investments, and Sustainable Investment Decisions are presented. The findings include an assessment of the measurement model, structural relationships, predictive ability, and the proposed hypotheses grounded in direct and indirect effects.

4.1 Evaluation of the Measurement Model

The measurement model was assessed to determine indicator reliability, internal consistency, convergent validity, and discriminant validity. An examination of outer loadings was carried out to establish indicator reliability. Tests including Cronbach Alpha, Rho A, Composite reliability, and AVE were conducted to assess construct reliability as well as convergent validity.

4.2 Assessment of Outer Loadings

Outer loading values assist in determining how effectively particular indicators represent the intended construct. A value above 0.7 indicates that the construct represents the item well. The greater the value, the more dependable the indicator and the more it adds to measuring the intended construct. Outer loading values below 0.7 call for additional scrutiny or deletion if the analysis shows them to be insignificant. According to the study, all constructs had outer loading values upper the the threshold of 0.7. This suggests that the measurement indicators employed were sufficient.

(This work is licensed under a Creative Commons Attribution 4.0 International License.)

International Journal of Engineering Research & Technology (IJERT)
ISSN: 2278-0181
Vol. 14, Issue 11, CONFLUENCE - 2026

Table 2: Outer Loading Matrix

	ESGA	FL	PIR	SI	SID	TISI
10. 5. PIR			0.813			
10.1. PIR			0.775			
10.2. PIR			0.779			
10.3. PIR			0.781			
10.4 PIR			0.734			
10.6. PIR			0.756			
10.7. PIR			0.812			
11. 5. SI				0.801		
11.1. SI				0.763		
11.2. SI				0.764		
11.3. SI				0.797		
11.4 SI				0.761		
11.6. SI				0.729		
11.7. SI				0.747		
12. 5. TISI						0.791
12.1. TISI						0.812
12.2. TISI						0.783
12.3. TISI						0.740
12.4. TISI						0.724
12.6. TISI						0.765
12.7. TISI						0.796
13.1. SID					0.811	
13.2. SID					0.789	
13.3 SID					0.758	
13.4. SID					0.799	
13.5. SID					0.806	
13.6. SID					0.796	
13.7. SID					0.847	
8.1. ESGA	0.807					
8.2. ESGA	0.772					
8.3. ESGA	0.804					
8.4. ESGA	0.801					
8.5. ESGA	0.816					
8.6. ESGA	0.772					
8.7. ESGA	0.819					
9.1. FL		0.848				
9.2. FL		0.807				
9.3. FL		0.809				
9.4. FL		0.778				
9.5. FL		0.845				
9.6. FL		0.793				
9.7. FL		0.844				

Source: SmartPLS output

4.1.1 Evaluation of Construct Reliability and Validity

Cronbach's Alpha, rho_A, Composite Reliability (rho_C) and Average Variance Extracted (AVE) were calculated to assess construct reliability as well as convergent validity of the constructs used. The results showed that all constructs met reliability criteria since Cronbach's Alpha was in the range from 0.884 to 0.918 while Composite Reliability was within the range of 0.909 to 0.934. On the other hand, AVE was ranged from 0.587 to 0.669 which is higher than the threshold value of 0.50 (32,34).

(This work is licensed under a Creative Commons Attribution 4.0 International License.)

International Journal of Engineering Research & Technology (IJERT)
ISSN: 2278-0181
Vol. 14, Issue 11, CONFLUENCE - 2026

Table 3:Construct reliability and validity

	Cronbach's alpha	Composite reliability (rho_a)	Composite reliability (rho_c)	Average variance extracted (AVE)
ESGA	0.905	0.907	0.925	0.638
FL	0.918	0.922	0.934	0.669
PIR	0.892	0.893	0.915	0.607
SI	0.884	0.892	0.909	0.587
SID	0.907	0.908	0.926	0.642
TISI	0.888	0.890	0.912	0.598

Source: SmartPLS output

5.1.1 Discriminant validity of HTMT Ratio

Table 4: Discriminant validity

	ESGA	FL	PIR	SI	SID	TISI
ESGA						
FL	0.742					
PIR	0.750	0.764				
SI	0.717	0.586	0.672			
SID	0.743	0.757	0.784	0.658		
TISI	0.789	0.727	0.782	0.737	0.890	

Source: SmartPLS output

The assessment of discriminant validity has been done with the help of Heterotrait-Monotrait (HTMT) ratio

. Values of HTMT have been found between 0.586 and 0.890 with all of the values being under the suggested level of 0.90 The highest value has been found between Trust in Sustainable Investments (TISI) and Sustainable Investment Decisions (SID) and that is 0.890 while the lowest value has been found between Financial Literacy (FL) and Social Influence (SI), which is 0.586.

5.1.1 Collinearity statistics

Table 5:Collinearity statistics-VIF

	ESGA	FL	PIR	SI	SID	TISI
ESGA		2.271	2.271		2.694	
FL					2.390	
PIR					2.608	
SI		2.083	2.083		2.152	
SID						
TISI		2.370	2.370		2.786	

Source: SmartPLS output

Variance Inflation Factor (VIF) statistics were computed to evaluate possible collinearity among the predictor constructs in the inner model. The statistical test results show that no significant collinearity sources existed in the structural model, as all VIF values obtained fell between 2.083 and 2.786, which is below the 5.00 threshold. Consequently, the structural model was deemed suitable for further analysis.

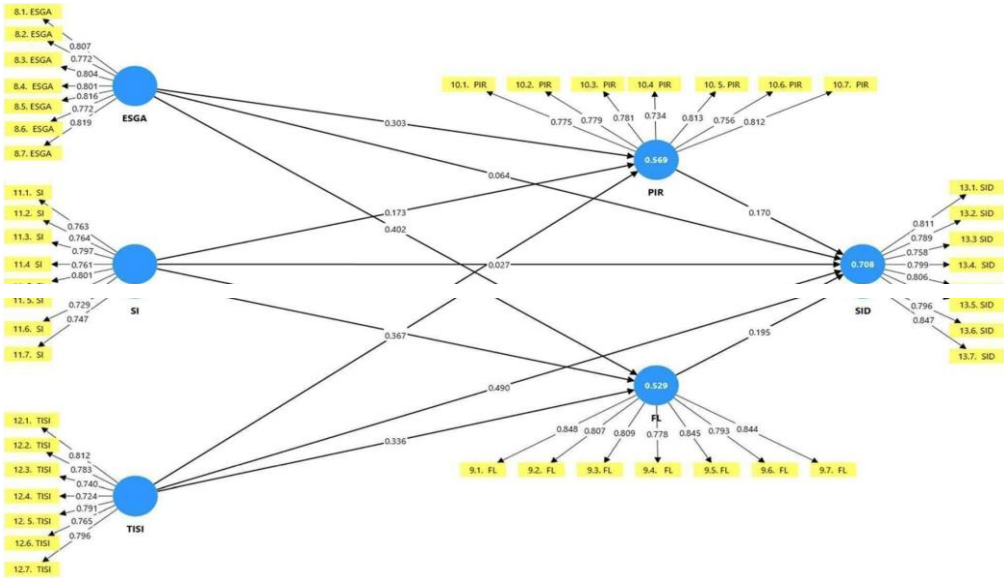
Model fit Summary

The suggested connections between the financial and behavioral components and Sustainable Investment Decisions (SID) were investigated using PLS-SEM using SmartPLS. The primary explanatory components identified in the model were ESG Awareness (ESGA), Social Influence (SI), and Trust in Sustainable Investments (TISI). In order to explain sustainable investment decisions, two mediating variables were included: perceived investment risk (PIR) and financial literacy (FL).

The analysis took into account the indirect pathways that operate through perceived investment risk and financial literacy in addition to the direct pathways that link the study components. The results of the SmartPLS structural model were used to assess the suggested structural linkages.

(This work is licensed under a Creative Commons Attribution 4.0 International License.)

International Journal of Engineering Research & Technology (IJERT)
ISSN: 2278-0181
Vol. 14, Issue 11, CONFLUENCE - 2026



Source: SmartPLS output *Figure 2: Measurement Model*

Table 6: Assessment of Model Fit

	Saturated Model	Estimated Model
SRMR	0.058	0.062
d_ULS	3.062	3.509
d_G	0.883	0.905
Chi-square	2033.150	2065.635
NFI	0.831	0.828

Source: SmartPLS output

The model's goodness of fit was assessed using the following criteria: Standardized Root Mean Square Residual (SRMR), d_ULS, d_G, Chi-square, and Normed Fit Index (NFI). Based on the criterion established by SRMR, the saturated model was deemed adequate, with a value of 0.058, whereas the estimated model showed a value of 0.062.The NFI criterion also indicates an adequate model fit because of the values of 0.831 and 0.828 for the saturated and estimated models, respectively. In conclusion, based on the SRMR criterion, the model fit is adequate, while according to the NFI criterion, some adjustments to the model are required.

4.1 5.1 Predictive Assessment Results

Table 7:Q2 predict

	Q^2predict	RMSE	MAE
FL	0.520	0.700	0.445
PIR	0.555	0.674	0.425
SID	0.661	0.589	0.396

Source: smartpls output

The Q^2_predict values obtained through Partial Least Squares Structural Equation Modeling were used to evaluate the predictive relevance of the model. For the endogenous variables examined, the model demonstrates predictive relevance when the Q^2_predict value is positive. The table below presents the findings of the analysis for Financial Literacy (FL), Perceived Investment Risk (PIR), and Sustainable Investment Decisions (SID).

4.2 Hypotheses Testing – Direct and Indirect (Mediation) Effect

The proposed hypotheses were tested by applying the bootstrapping technique within SmartPLS. Assessing direct effects

(This work is licensed under a Creative Commons Attribution 4.0 International License.)

International Journal of Engineering Research & Technology (IJERT)
ISSN: 2278-0181
Vol. 14, Issue 11, CONFLUENCE - 2026

entails examining the path coefficients (β), t-value, and p-value, while the mediation effect was assessed by identifying the specific indirect effect of Financial Literacy and Perceived Investment Risk.

4.2.1 Direct Effect-Bootstrapping Results

Table 8:Direct path Bootstrapping Results

	Original sample (O)	Sample mean (M)	Standard deviation (STDEV)	T statistics (|O/STDEV|)	P values
ESGA -> FL	0.402	0.395	0.070	5.702	0.000
ESGA -> PIR	0.303	0.296	0.083	3.654	0.000
ESGA -> SID	0.064	0.068	0.060	1.057	0.291
FL -> SID	0.195	0.196	0.066	2.973	0.003
PIR -> SID	0.170	0.176	0.059	2.907	0.004
SI -> FL	0.061	0.062	0.047	1.313	0.189
SI -> PIR	0.173	0.175	0.059	2.936	0.003
SI -> SID	0.027	0.023	0.047	0.571	0.568
TISI -> FL	0.336	0.341	0.062	5.383	0.000
TISI -> PIR	0.367	0.372	0.078	4.701	0.000
TISI -> SID	0.490	0.482	0.082	5.964	0.000

Source: SmartPLS Bootstrapping output

Findings reveal that the influence of ESG Awareness is significant on Financial Literacy and Perceived Investment Risk, however, not significant for Sustainable Investment Decisions. Both Financial Literacy and Perceived Investment Risk have significant influence on Sustainable Investment Decisions. Social Influence has significant influence on Perceived Investment Risk, but not significant for Financial Literacy and Sustainable Investment Decisions. The influence of Trust in Sustainable Investments on Financial Literacy, Perceived Investment Risk and Sustainable Investment Decisions is significant; the most significant direct influence of Trust in Sustainable Investments is seen on Sustainable Investment Decisions (β = 0.490).

4.2.2 Indirect Effect (Bootstrapping Results)

Table 9: Bootstrapping Result of Indirect Relationship

	Original sample (O)	Sample mean (M)	Standard deviation (STDEV)	T statistics (|O/STDEV|)	P values
ESGA -> PIR -> SID	0.052	0.050	0.019	2.734	0.006
ESGA -> FL -> SID	0.078	0.077	0.028	2.818	0.005
SI -> PIR -> SID	0.029	0.032	0.016	1.816	0.069
SI -> FL -> SID	0.012	0.012	0.011	1.117	0.264
TISI -> PIR -> SID	0.062	0.067	0.030	2.102	0.036
TISI -> FL -> SID	0.066	0.067	0.028	2.368	0.018

Source: SmartPLS Bootstrapping output

From the above results, it can be noted that the indirect effects of ESG Awareness on Sustainable Investment Decision via Financial Literacy and Perceived Investment Risk are significant. The indirect effects of Trust in Sustainable Investments via Financial Literacy and Perceived Investment Risk are also significant. However, the indirect effect of Social Influence via Financial Literacy and Perceived Investment Risk is not significant. This means that Financial Literacy and Perceived Investment Risk mediate the relationships between ESG Awareness and Trust in Sustainable Investments significantly.

5. DISCUSSION AND IMPLICATION

Discussion

This study aimed to investigate the financial and behavioral factors influencing sustainable investment decisions of Generation Z investors in Bengaluru. The obtained results demonstrated that trust in sustainable investments had the highest predictive validity for their sustainable investment choices (β = 0.490, p<0.001), followed by financial literacy (β = 0.195, p = 0.003) and a perception of investment risk (β = 0.170, p = 0.004).

(This work is licensed under a Creative Commons Attribution 4.0 International License.)

International Journal of Engineering Research & Technology (IJERT)
ISSN: 2278-0181
Vol. 14, Issue 11, CONFLUENCE - 2026

ESG awareness was found to have a negligible direct impact on sustainable investment decisions ($\beta = 0.064$, $p = 0.291$), while it was revealed to significantly influence the extent of perceived investment risk and financial knowledge. Through the mediation of a financial literacy level, ESG awareness was found to have an indirect yet strong effect. Therefore, ESG awareness can affect investment decisions as it transforms into financial literacy and the assessment of an investment risk. In line with the results of Filippini et al. (8) and Al-Hamra et al. (15), this study highlighted the critical role played by financial literacy in making sustainable investment choices.

The Social Influence variable was found to significantly impact Perceived Investment Risk, not Sustainable Investment Decision of Generation Z. This result contradicted previous studies, which explored the influence of social factors on Generation Z's investment intention (16,26).

Based on the analysis, it is possible to conclude that trust, financial literacy, and perceived investment risk are the key factors in understanding sustainable investment decisions instead of knowledge or social influence.

Implications

- The most significant factor that impacts sustainable investments decisions is the trust in sustainable investments, which underlines the need for credibility and transparency in sustainable investments products.
- Financial institutions must offer transparent ESG information and build investors' trust in sustainable investments products.
- Education programs must focus on sustainable financing and investment risk analysis to guide decision making by the Generation Z.
- Sustainable investing can be encouraged by policymakers and investment platforms through transparency of information, investors' education, and risks communication.

6. LIMITATIONS AND FUTURE WORKS

The findings of this research apply solely to Gen Z investors based in Bengaluru, so it is not possible to extend the results to investors beyond this particular region and age group. Since the study is cross-sectional, it cannot support any causal conclusions regarding the relationships among the variables of interest. In addition, when behaviors are self- reported, response bias may arise, which could distort the study's results. Future studies ought to employ a larger sample drawn from various Indian cities and adopt a longitudinal design to track shifts in sustainable investment behaviors over time.

7. CONCLUSION

This study identified the factors shaping Gen Z investors' sustainable investment decisions in Bengaluru. As the results of this study show, Trust in Sustainable Investments is the strongest predictor of investment intentions, with Financial Literacy and Perceived Investment Risk following behind. ESG Awareness did not influence the relationship directly; instead, it mediated it via Financial Literacy and Perceived Investment Risk. Social Influence had no significant effect on sustainable investment intentions. Taken as a whole, this study sheds light on how various factors matter in Gen Z investors' choices to invest ethically and sustainably.

REFERENCES

1. Aulia M, Afiff AZ, Hati SRH, Gayatri G. Consumers' sustainable investing: A systematic literature review and research agenda. Cleaner and Responsible Consumption. 2024;14:100215. doi: 10.1016/j.clrc.2024.100215.
2. Olander M. Understanding retail investor behaviour in sustainable investing [Bachelor's thesis]. Haaga-Helia University of Applied Sciences; 2024. Available from: https://urn.fi/URN:NBN:fi:amk-2024112129201
3. Nilsson J. Investment with a conscience: Examining the impact of pro-social attitudes and perceived financial performance on socially responsible investment behavior. Journal of Business Ethics. 2008;83(2):307–325. doi: 10.1007/s10551-007-9621-z.
4. Lingnau V, Fuchs F, Beham F. Two link between corporate sustainability and willingness to invest: New evidence from the field of ethical investments. Journal of Management Control. 2022;33:335–369. doi: 10.1007/s00187-022-00340-z.
5. Pablo JM. A multidimensional approach to investment behavior: Cultural, social, and behavioral finance perspectives among Asian Gen Z investors in Tokyo, Japan. Asia Pacific Journal of Advanced Education and Technology. 2025;4(4):13–25. doi: 10.54476/apjaet/05630.
6. Martaningrat NWS, Kurniawan Y. The impact of financial influencers, social influencers, and FOMO economy on the decision-making of investment on Millennial Generation and Gen Z of Indonesia. Journal of Ecohumanism. 2024;3(3):1319–1335. doi: 10.62754/joe.v3i3.3604.
7. Varmaz A, Riebe K, Hegner S. Sustainable financial literacy and preferences for sustainable investments among young adults. Vierteljahrshefte zur Wirtschaftsforschung. 2021;90(4):43–69. doi: 10.3790/vfe.90.4.43.
8. Filippini M, Leippold M, Wekhof T. Sustainable finance literacy and the determinants of sustainable investing. Journal of Banking & Finance. 2024;163:107167. doi: 10.1016/j.jbankfin.2024.107167.
9. Hung AA, Parker AM, Yoong JK. Defining and measuring financial literacy. RAND Labor and Population Working Paper. 2009.

(This work is licensed under a Creative Commons Attribution 4.0 International License.)

International Journal of Engineering Research & Technology (IJERT)
ISSN: 2278-0181
Vol. 14, Issue 11, CONFLUENCE - 2026

10. Lusardi A, Mitchell OS. Financial literacy around the world: An overview. Journal of Pension Economics & Finance. 2011;10(4):497–508. doi: 10.1017/S1474747211000448.
11. Lusardi A, Mitchell OS. The economic importance of financial literacy: Theory and evidence. Journal of Economic Literature. 2014;52(1):5–44. doi: 10.1257/jel.52.1.5.
12. Yunus MG, Tanesia CY. Meta-analysis: The relationship between financial literacy and investment decisions. Journal of Accounting, Entrepreneurship, and Financial Technology. 2026;7(2):91–114.
13. Lusardi A, Messy F-A. The importance of financial literacy and its impact on financial wellbeing. Journal of Financial Literacy and Wellbeing. 2023;1(1):1–11. doi: 10.1017/flw.2023.8.
14. Azaria MJF, Tubastuvi N, Purwidianti W, Aryoko YP. Gen Z investment decision: Role of financial literacy, financial behaviour, financial experience and risk tolerance. Airlangga Journal of Innovation Management. 2024;5(4):721–739. doi: 10.20473/ajim.v5i4.6315.
15. Al-Hamra UH, Akhtar A, Nawaz A. Are Generation-Z investors ready for sustainable finance? The impact of financial literacy on ESG investment intention in Pakistan. Pakistan Business Review. 2026;27(4):463–488. doi: 10.22555/pbr.v27i4.1552.
16. Shahzadi A, Hameed I, Akram A, Mughal M, Akhtar M, Javeid U. From novice to investor: Uncovering the role of self-efficacy, financial knowledge and social influence on Genz investment intention. Journal of Asian Development Studies. 2025;14(3):650–666. doi: 10.62345/jads.2025.14.3.54.
17. Pandurangan V, Ali BNS. Modelling the Theory of Planned Behaviour to evaluate the investment intention of Generation Z in the speculative market: Stocks, Forex and cryptocurrencies. Arab Gulf Journal of Scientific Research. 2024.
18. Kaakandikar R, Soni KK, Barole PP, More AV, Waghmare SK. The impact of ESG awareness on personal investment decisions. Economic Sciences. 2025;21(1):666–689. doi: 10.69889/dwbtj146.
19. Lakshmi SN, Krishna Kumar K. ESG awareness and sustainable investment decisions among retail investors in Bangalore, India: Evidence from a cross-sectional survey. Minnesota Journal of Business Law and Entrepreneurship. 2026. doi: 10.5270/mjble.806.
20. Gómez Sánchez L, Tobon S. Sustainable investing among young generations: Balancing ideals and financial realities. Discover Sustainability. 2025;6:275. doi: 10.1007/s43621-025-01053-8.
21. Renu, Nirmala K. Behavioural finance biases and sustainable investment decisions: The mediating role of risk perception and the moderating role of digital trust. mLAC Journal for Arts, Commerce and Sciences. 2026;4(2):1–11. doi: 10.59415/mjacs.320.
22. Kelkar AS. Green financial literacy and risk perception in sustainable investment behavior: A SEM–ANN approach. Enterprise Development & Microfinance. 2026;36(1s):64–94.
23. Elahi AR, Iqbal AM, Minhas BA, Ashfaq F. The behavior risk biases and sustainable investment decision. Bulletin of Business and Economics. 2023;12(3):74–88. doi: 10.5281/zenodo.8374330.
24. Paetzold F, Busch T. Unleashing the power of the few. Sustainable investing behaviour of wealthy private investors. Organization & Environment. 2014;27(4):347–367. doi: 10.1177/1086026614555991.
25. Vörösmarty CJ, Rodríguez Osuna V, Koehler DA, Klop P, Spengler JD, Buonocore JJ, et al. Scientifically assess impacts of sustainable investments. Science. 2018;359(6375):523–525. doi: 10.1126/science.aao3895.
26. Chasanah AN, Kinasih HW, Setyahuni SW. Financial literacy, financial self-efficacy, and social influence as determinants of investment intention among Generation Z students. International Journal of Accounting, Management, and Economics Research. 2026;4(1). doi: 10.56696/ijamer.v4i1.180.
27. Rosdiana R, Hariani S, Pramudena SM, Bakti IGMY, Syahlani N, Utomo AW, Sumaedi S, Widyanty W, Prasetya P, Shiratina A. Understanding the future of investment: an analysis of millennials and generation Z. Future Business Journal. 2026;12:16. doi: 10.1186/s43093-026-00724-w.
28. Dave D, Parikh A. Preferences of Gen Z for investing in socially accountable funds. Journal of Social Commerce. 2022;2(4):154–166. doi: 10.56209/jcommerce.v2i4.39.
29. Yusuf AK, Gunawan K. Gen Z investment decision: Role of financial literacy, interest and risk tolerance using logistic regression. Ultima Management. 2024;16(1):136–149. doi: 10.31937/manajemen.v16i1.3667.
30. Auriellia ANT, Gunarsih T. Does financial literacy mediate the effect of sustainable investment awareness and risk perception on students' interest in green finance instruments investment? International Journal of Finance & Banking Studies. 2025;14(3):20–30. doi: 10.20525/ijfbs.v14i3.4349.

(This work is licensed under a Creative Commons Attribution 4.0 International License.)