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GREEN SIGNALS OR MARKET SENTIMENT? DECODING MODERN INVESTMENT DECISIONS

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Abstract

The proposed research will be aimed at understanding the linkages between Environmental Awareness (EA), Investor Sentiment (IS), Social Media Influence (SMI), Firm Reputation (FR) and Investment Decision (ID). The study design is a quantitative research design whereby structured questionnaire is used to collect data. The results show that the Investor Sentiment is positively and significantly related to Investment Decision, Firm Reputation, and Social Media Influence, which is why it is at the core of the impact on the behavior of investors. Firm Reputation also emerges as a good positive factor in Investment Decision, which implies that trust and credibility is a significant factor in financial decision making by investors. Equally, the Impact of social media on Investment Decision is extremely high since it is becoming increasingly important to use digital platforms to influence the perceptions of investors. Environmental Awareness on the other hand has no direct impact on Investment Decision but rather indirect impact on investment behavior via Firm Reputation. The outcomes of the mediation confirm that Firm Reputation and Social Media Influence are significant mediums in which investor sentiment and environmental awareness influence investment decisions.

Introduction

Background of Study

In recent years, the issue of environmental sustainability has become the center of attention in governments, corporations, and financial markets worldwide as the problem of climate change, resource depletion, and environmental degradation has placed pressure on companies to become sustainable and shift to green finance, which includes environmental, social, and

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governance (ESG) in the business strategy and investment decisions (Meng and Shaikh 2023). This has led investors to transcend profit-oriented goals and pursue investments that generate social and environmental value, a paradigm shifts in the global pattern of investments (Ali, 2015; Nworie and Aniefuna 2024).

At the same time, the behavioral finance field has challenged the classical assumption that investors are rational decision makers and has shown that psychological factors, such as emotions, biases, and sentiment, influence investment behavior and can lead to the inability to follow core values (Padmavathy 2024) One of the most significant concepts in this field is investor sentiment, which reflects the general mood or attitude towards the market situation and investment opportunities and can significantly affect the actions of the market and asset prices (Kitonyi, Mwangi et al. 2023).

In the context of green finance, the investor mood is defined by financial prospects, and environmental consciousness and social responsibility towards sustainability, which influence the investment flows into ESG and environmentally friendly businesses (Dervi, Khan et al. 2022). Empirical research finds that returns on ESG indices and sustainable investment practices could be affected by investor sentiment shifts, particularly during periods of market stress or uncertainty, implying a behavioral connection between market mood and sustainable finance performance (Ali, 2018; Thomas and Kumar 2025).It is therefore important to understand the importance of psychological and behavioral factors in investment decisions within green companies to enhance sustainable financial markets and rational decision

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making (Ali & Bibi, 2017; Chaudhary 2025).

Green finance is a recent branch of investment which has emerged because of the increasing global concern about environmental sustainability(Fu, Lu et al. 2023; Marc et al., 2026). Nevertheless, even with the increased awareness and policy backing, there is still very little and unequal investment in green companies particularly in developing nations like Pakistan. Conventional financial models presuppose that investors are rational, and they can make decisions only based on financial returns, but the actions of real-life investors indicate that psychological and social factors are also important in the process of making investment decisions(Kumari, Goyal et al. 2022).

Investor sentiment, environmental awareness, the impact of social media and the reputation of firms can be very powerful in the perception of green firms by investors (Abideen 2025). These are critical variables, which have not been studied in depth as a unit in a behavioral finance setting. This fragmented information creates a gap between the availability of sustainable investment opportunities and the investment made by the investors. Despite the growing interest in sustainable finance and investor behavior, existing research on investor sentiment has primarily focused on traditional financial markets and instruments, and there is little literature on the specific behavioral patterns in relation to green firms(Ali & Audi, 2016; Gao, Zhao et al. 2022). It has been extensively studied in the literature of investor sentiment in terms of its impact on market returns, volatility, and asset pricing, but rarely has been considered with sustainability-oriented firms or ESG variables (Gupta and Chaudhary 2026). Similarly, studies on green finance have been skewed towards structural market performance

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including green bond performance and spillovers instead of micro level investor psychology (Ali & Rehman, 2015; Naeem, Ashraf et al. 2024)The related studies, which do connect sentiment to environmental investment, are limited and primarily involve green bonds, which are an early signal but not a complete behavioral model of green firm investments, based on social media sentiment (Lu 2025; Longston et al., 2025). Moreover, the specific impacts of cognitive biases, emotional, or psychological perceptions on individual or institutional preference of environmentally responsible firms have received little research. This gap implies that there is a need to carry out more subtle, behavioral finance studies that explore the influence of the investor sentiment, as evoked by environmental values, risk perceptions, media exposure and sustainability awareness on decision making to green firms(Chaudhary 2025). This can be bridged to add to theory and offer practical implications on how to invest sustainably and make policies.

Literature Review

Theoretical Foundation

Behavioral Finance Theory provides a good background to the study because it says that investors are not rational decision-makers; they make their decisions on psychological grounds, such as emotions, sentiment, and cognitive biases(Umeaduma 2024). The investor sentiment has been the most important factor in investment behavior of green firms since individuals make decisions based on their perceptions, optimism and confidence. This theory supports the direct relationships implied in the model, particularly, the effect of investor sentiment on investment decisions, and its effect on social media influence and reputation of firms(Maurya, Bansal et al. 2026). It also explains how the behavioral variables can indirectly affect the outcome of investment through

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mediating variables since investors are more likely to process information depending on their subjective beliefs and emotional responses rather than objective analysis.

Signaling Theory, however, is an addition to this perspective since it is interested in how information is passed and received in the market(Shahid, Tariq et al. 2024). According to this theory, companies communicate about their quality, credibility, and sustainability through such mediums as corporate reputation and social media presence. Such signals allow investors to reduce the uncertainty and make a wise decision especially where information asymmetry may be an issue as in the case of green firms(Hu, Bai et al. 2023; Khalil et al., 2025). Environmental awareness encourages investors to seek and decode such signals, and the key mechanisms that transmit and reinforce such signals are social media and reputation of firms. This theory thus justifies the direct and mediating relationships in the model and the influence of external information on the investor perceptions and final decision to invest.

Hypothesis Development

Environmental Awareness, Investor Sentiment, Social Media Influence, and Firm Reputation

The idea of Environmental Awareness (EA) has become a major factor of modern investment practice, especially in the context of sustainability and responsible finance(Xu, Tan et al. 2025; Nasir et al., 2025). With the world still raising concerns regarding global warming, pollution and depletion of resources, investors are no longer interested in making money on their own. Rather, most of them are starting to consider environmental issues in their decision making(Ren, Hao et al. 2022). The more environmentally conscious individuals are, the more likely they are to be aware of the long-term consequences of

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environmental degradation and the need to shop in environmentally friendly companies. This will automatically affect their perception towards investment opportunities and in most cases, they will be ready to invest in companies that are good in terms of environmental responsibility. Regarding behavioral finance, EA is a cognitive basis which influences beliefs and attitudes, which ultimately results in a more positive Investor Sentiment (IS) of green and sustainable firms (Chaudhary 2025). Environmentally conscious investors will be more optimistic of the future performance of environmentally conscious companies (Kordsachia, Focke et al. 2022; Marc & Ali, 2023). This optimism is not entirely emotional because it is normally based on the assumption that environmentally responsible firms are in a better position to survive the future regulations, reputational risks and changing consumer preferences (Macchion 2024). Thus, these investors are more confident in the sustainability of these companies, and this strengthens the positive attitude. This connection between consciousness and feeling provokes the fact that knowledge and values might have a direct impact on financial expectations and investment decisions. Environmental Awareness also influences Firm Reputation (FR) perceptions in addition to its effect on sentiment(Marc et al., 2022; Abideen 2025). In the modern world of great transparency and information flow, organizations are constantly coming under the microscope regarding their financial performance, ethical and environmental practices(Singh 2024). The conscious investors will find companies that have good sustainability programs more reliable, responsible and credible. These firms are perceived to be proactive rather than reactive and this reduces the perceived risk and enhances their overall image. Thus, EA strengthens the idea that

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environmentally responsible companies do not only do the right thing but make good strategic decisions that can lead to stable long-term growth (Avunduk, Kahveci et al. 2025).

In the meantime, there is a direct correlation between Investor Sentiment and Social Media Influence (SMI). In the digital era, social media sites have become powerful channels of information distribution and opinion shaping. Investors are inundated with news, discussions and stories about sustainability and corporate behavior through social media like twitter, LinkedIn and YouTube (Abuzar, Yaseen et al. 2025). These channels will be able to increase the positive attitude towards green investments because users will be able to share success stories, environmental success, and ESG-related updates. Social media is not only informative, but it also affects emotions and perceptions. The feedback between sentiment and digital impact is that investors will feel more positive when they observe a continuous flow of positive news about sustainable companies.

Moreover, Investor Sentiment is also useful in enhancing Firm Reputation(Lin 2023). The investors who already have positive attitudes towards sustainability are more likely to view the actions of a company in a positive manner. Indicatively, an environmental project by a firm can be viewed as genuine and effective as compared to being symbolic or superficial(Fosu, Fosu et al. 2024). It is a cognitive bias, which is widely explained by behavioral finance theories and suggests that sentiment can affect the information processing and assessment. As a result, the positive investors will have increased chances of forming more reputational perceptions of the green companies, which will improve their investment decisions.

Concisely, the relationships between the Environmental Awareness, Investor Sentiment, Social Media Influence, and Firm Reputation are interrelated(de Sousa-Gabriel, Lozano-García et al. 2023). An initiating factor is Environmental Awareness, which is a factor that affects how investors think and feel about sustainability. This awareness generates a positive mood, which is supported by social media and is manifested in stronger attitudes towards the reputation of the firm(Damaraju 2022). These aspects combined create a dynamic framework that is critical in the perception and engagement of investors in sustainable investment opportunities in the present changing financial environment.

Hypothesis 1: EA has a direct possible relationship with SMI

Hypothesis 2: EA has a direct positive relationship with FR.

Hypothesis 3: IS has a direct positive relationship with SMI

Hypothesis 4: IS has a direct positive relationship with FR

Direct Effects on Investment Decision

Investor Sentiment (IS) is usually regarded as one of the most important behavioral factors that affect Investment Decision (ID) (Maurya, Bansal et al. 2026). Traditional financial theories are inclined to think that investors are rational, and they take the risk and returns into consideration before deciding. The tale of actual conduct is otherwise. Investors are human beings and their emotions, optimism, confidence, fear and excitement play an important role in making their decisions(Aren and Nayman Hamamci 2023). When investors have a positive attitude towards a particular sector, especially the green or sustainable companies, they will invest in that sector. This optimism is typically informed by the fact that sustainable businesses will expand in the long run due to the increasing environmental regulations, consumer awareness and global sustainability trends. Positive sentiment is therefore a psychological force that will encourage investors to invest their money in environmentally friendly companies.

Another force that has become a powerful force in the digital world in determining investment decisions is the Social Media Influence (SMI) (Kavitha 2025). Investors are receiving round-the-clock information, opinions and discussions via social media like Twitter, Facebook, LinkedIn and online financial forums. Social media is fast, interactive and highly potent compared to traditional sources of information. Investors do not just read news but also communicate with other users, which makes them feel that they are a community and share perception. When green firms are featured in the news about sustainability success, eco-friendly innovations, or good ESG ratings, the news is quickly spread and can have a significant effect on the investor confidence. On the other hand, bad news or criticism can spread as quickly as it can and it will discourage investment. In this manner, social media is a filter and amplifier that affects how investors perceive the market opportunities.

Firm Reputation (FR) is another significant factor that directly affects the investment decisions(Abdul Kareem, Fayed et al. 2023). Investors will always tend to invest in companies which they trust. A company that has a reputation of ethical behavior, transparency and environmental friendliness will be more attractive to investors compared to a company with a questionable reputation. Reputation reduces uncertainty. When investors consider a company to be credible and stable, they are more confident about their investment decisions. In the context of green investments, those companies that are actively interested in sustainability, i.e. reduce the amount of carbon

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emissions or use renewable energy, are considered progressive and responsible(Fu, Lu et al. 2023). This is a good image that increases investor confidence and improves the likelihood of investment.

Environmental Awareness (EA) is also directly and importantly involved in investment decision-making(Mansyur and Rahim 2025). As they become more informed about environmental problems such as climate change and pollution, people begin to think about these problems and convert them into their financial behaviors. Green investors will be inclined to invest in the companies that correspond to their personal values (Pašiušienė, Podviezko et al. 2023). It is not just about profit to them when investing but also about making a difference. This personal belief and investment decision compatibility results in a strong motivation to invest in green companies, although it may be coupled with a higher perceived risk.

Finally, Investor Sentiment has a direct impact on Investment Decision. When investors are positive and optimistic about the future of sustainable markets, they will be better equipped to act. This emotional confidence reduces indecisiveness and increases the probability of investing. The negative sentiment, in its turn, can lead to doubt and withdrawal. Overall, these variables, such as Investor Sentiment, Social Media Influence, Firm Reputation, and Environmental Awareness are all interrelated to affect the decision-making process of modern investors, which underlines the strong influence of information and emotion in the process of investment.

Hypothesis 5: SMI has a direct positive relationship with ID

Hypothesis 6: FR has a direct positive relationship with ID.

Hypothesis 7: EA has a direct positive relationship with ID

Hypothesis 8: IS has a direct positive relationship with ID

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Mediating Effects of Social Media Influence and Firm Reputation

The mediating factor of Social Media Influence (SMI) has been of high concern in behavioral finance, especially sustainable investing (Hemdan, Zhang et al. 2025). Social media is no longer a form of entertainment in modern globalized society, it has become a powerful tool that is used to share information, opinions and emotions. Such environmental awareness (EA) does not work in a vacuum. With investors being increasingly aware of environmental issues, they are more likely to turn to online resources to be informed, debate the issue, and follow the trends in sustainability (Hrei, Otych et al. 2024). This increased online presence exposes them to a wealth of content related to green companies, including success stories, environmental activities, and ESG performance.

Investors interact with this content and shape and cement their attitudes and perceptions. Sustainability stories can strengthen their faith in green investments, and familiarity and trust are established with recurrent exposure to such information. This type of social media is a mediator between action and awareness. It transforms environmental knowledge into practical investment behavior by enhancing the level of positive affect and rendering information about sustainability more accessible and relatable(Khalil and Khalil 2022). Therefore, SMI does not merely directly affect decisions but increases the effect of Environmental Awareness on Investment Decision (ID) by informing an investor and engaging him/her emotionally.

Similarly, social media has a great influence and improvement on the Investor Sentiment (IS). Investors tend to adhere to other opinions and experiences when making their own judgments. The attitude of investors towards a certain company or industry can be easily affected by online discussions, trending topics, and viral content. Should the attitude towards green firms be positive, social media reinforces this optimism by always disseminating positive messages and success stories. This creates a feedback loop, where positive sentiment leads to increased engagement and increased engagement leads to positive sentiment. This results in confidence and more investment by investors. In this respect, SMI is a good communication medium between emotions and decisions that increases the relationship between Investor Sentiment and Investment Decision.

Another very important mediating factor in this framework is Firm Reputation (FR). Environmental Awareness assists in the perception of investors to the reputation of a company particularly in terms of its environmental responsibility (Zervoudi, Moschos et al. 2025). The greater the knowledge of the investors about the problems of sustainability, the greater the possibility of evaluating the responsibility of the actions of a firm. Businesses that demonstrate their good intentions concerning the environment are more trustworthy, ethical and forward-thinking. This improved reputation image reduces the uncertainty level and increases investor confidence, thereby increasing their willingness to invest. In such a way, Firm Reputation acts as an intermediary through which Environmental Awareness is transformed into stronger investment intentions.

In the meantime, Investor Sentiment also defines how the reputation of firms is created and perceived (Abideen 2025). Already optimistic investors will be more likely to see the actions of a company in a positive light as far as sustainable investments are concerned. Even small sustainability projects may be regarded as big and powerful ones in the situation of positive sentiment. This

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psychological inclination enhances the perceived credibility and attractiveness of the company. The better the reputation, the more the investors are guaranteed and confident and hence the more they will make investment decisions (Aren and Nayman Hamamci 2023).

Overall, there are two important connecting mechanisms, one of which is mainly informational, and the other psychological, Social Media Influence and Firm Reputation. They help in transforming awareness and feeling into actual investment behavior. These intermediaries are significant in establishing how and why investors would wish to stand behind green firms in the present shifting financial landscape by boosting the effects of Environmental Awareness and Investor Sentiment.

Hypothesis 9: SMI mediates the relationship between EA and IDS

Hypothesis 10: FR mediates the relationship between ER and ID

Hypothesis 11: SMI mediates the relationship between IS and ID

Hypothesis 12: FR mediates the relationship between IS and ID

Conceptual Framework

Independent Variables:

- Investor Sentiments
- Environmental Awareness

Mediators:

- Social Media Influence
- Firm Reputation

Dependent Variable:

- Investment in Green Firms

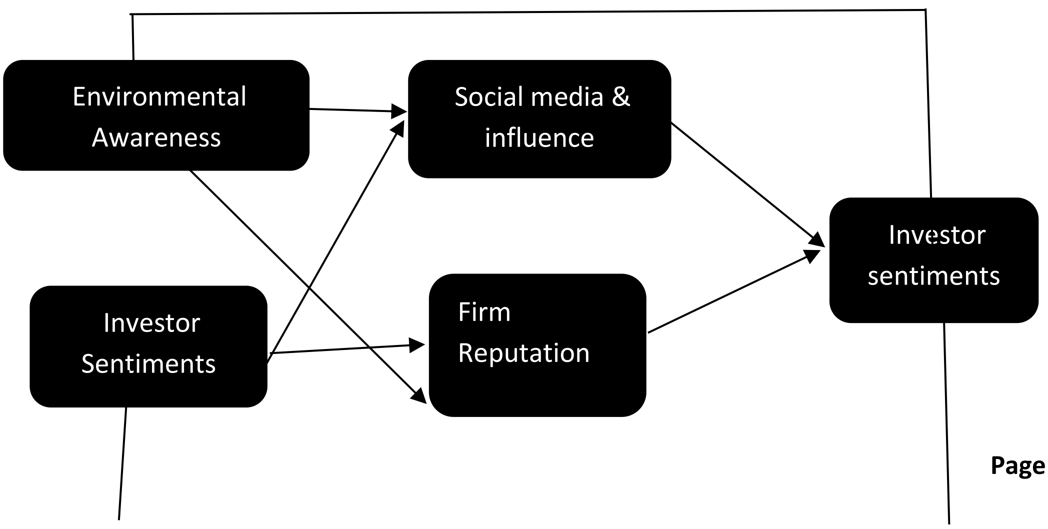

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Figure 1: Conceptual Framework

Methodology

Data Collection and Procedure

The study design is quantitative research design to examine the relationships among Environmental Awareness (EA), Investor Sentiment (IS), Social Media Influence (SMI), Firm Reputation (FR) and Investment Decision (ID). Primary data will be collected using structured questionnaires which will be given to individual investors and potential investors. The survey will be conducted online using online surveys such as Google Forms to ensure wider coverage and easy responses are collected. Before the study, the respondents will be informed about the purpose of the study and that their data will remain confidential, that their involvement is voluntary and that the data will not be utilized in any other manner other than academic.

Measures

All constructs were measured using well established, valid and reliable measures in this study to ensure the accuracy and credibility of the findings. The questionnaire was developed in a structured format, and all the questions were rated using 5-point Likert scale which ranged between strongly disagree and strongly agree. Environmental Awareness (EA) scale was measured using a four-item scale that is a modification of the one used by (Halis and Halis 2022) to measure the level of awareness and concern of people on environmental and sustainability issues. The Investor Sentiment (IS) was assessed using a four-item scale that was adjusted according to the related prior study and was designed to assess the emotions, perceptions, and psychological tendencies of investors that influence investment behavior. Firm Reputation (FR) was measured on a four-item scale according to (Baumgartner, Ernst et al. 2022)and it reflected the views of credibility, trustworthiness, and the corporate image in general. The scale to measure the Social Media Influence (SMI) was a four-item scale, which was founded on (Wang and Weng 2024) and highlighted the significance of social media in the formation of opinion and investor behavior. Finally, Investment Decision (ID) was measured on a four-item scale which was developed to capture the tendency and intention of individuals to make investment decisions based on the information available and factors influencing them.

Empirical Analysis

The data collected in this paper is analyzed with the help of the Partial Least Squares Structural Equation Modeling (PLS-SEM) and Smart PLS to test the hypotheses. It is assumed that the PLS-SEM would be appropriate in this study since it is appropriate in the analysis of complex models with several constructs and relationships simultaneously. It also works with relatively smaller sample sizes, and it does not assume that the data is normally distributed, therefore it is a flexible and robust way of empirical analysis. The method will enable the test of the measurement model (reliability and construct validity) as well as the structural model (test hypothesized relationships), which will provide detailed information to: Data Analysis and Results.

Measurement Model Assessment

The convergent validity of the constructs was established through consideration of factor loadings, Cronbach's alpha, composite reliability (CR) and average variance extracted (AVE). The results indicate that all the indicator loadings lie within the range of 0.726 to 0.844, which is greater than the suggested 0.70, which demonstrates that the items are a good measure of their constructs. In addition, the Cronbach

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alpha of all the constructs (EA = 0.823, FR = 0.805, ID = 0.826, IS = 0.822, SMI = 0.822) are higher than the acceptable level of 0.70, which means that the internal consistency reliability is high. Similarly, the composite reliability (CR) scores are ranging between 0.872 and 0.885, which is greater than the recommended value of 0.70, which means that it has high construct reliability. In addition, all constructs (AVE values of 0.632-0.657) have a higher value than the required level of 0.50, which demonstrates that all constructs can explain more than half of the variance of their indicators. Overall, these results give a decent degree of convergent validity and reliability of the measurement model, which implies that the constructs are measured appropriately and can be further examined in the context of the structural model.

Table 1: Convergent Validity

	Indicators	Factor Loadings	Alpha	CR	AVE
Environmental Awareness	EA1	0.794	0.823	0.882	0.651
	EA2	0.798			
	EA3	0.831			
	EA4	0.804			
Firm Reputation	FR1	0.838	0.805	0.872	0.632
	FR2	0.764			
	FR3	0.844			
	FR4	0.726			
Investment Decision	ID1	0.841	0.826	0.885	0.657
	ID2	0.835			
	ID3	0.791			

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	ID4	0.774			
Investor Sentiment	IS1	0.839	0.822	0.882	0.652
	IS2	0.819			
	IS3	0.807			
	IS4	0.762			
Social Media Influence	SMI1	0.814	0.822	0.882	0.652
	SMI2	0.831			
	SMI3	0.788			
	SMI4	0.796			

The discriminant validity of the constructs was determined using both the Heterotrait-Monotrait Ratio (HTMT) and the Fornell-Larcker criteria. The values of the HTMT of all the construct pairs are 0.578 to 0.835, that is lower than the suggested value of 0.85 indicating that the constructs are empirically different to each other. Although the highest HTMT value (between Environmental Awareness and Firm Reputation = 0.835) is close to the threshold, it is not a problem as it is within the acceptable range. In addition, the Fornell-Larcker criterion also supports the discriminant validity as the square root of the AVE of each construct (EA = 0.807, FR = 0.795, ID = 0.811, IS = 0.807, SMI = 0.807) is larger than the inter-construct correlations. This indicates that each construct is more varied with its indicators compared to other constructs. Overall, the findings of both HTMT and Fornell-Larcker demonstrate that the discriminant validity is attained, i.e. all constructs are distinct enough and can be studied within the framework of the structural model.

Table 2: Discriminant validity

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	EA	FR	ID	IS	SMI
EA	0.807				
FR	0.694	0.795			
ID	0.557	0.623	0.811		
IS	0.484	0.580	0.633	0.807	
SMI	0.503	0.570	0.641	0.689	0.807

Table 3: HTMT

	EA	FR	ID	IS	SMII
EA					
FR	0.835				
ID	0.665	0.754			
IS	0.578	0.708	0.764		
SMI	0.599	0.692	0.774	0.827	

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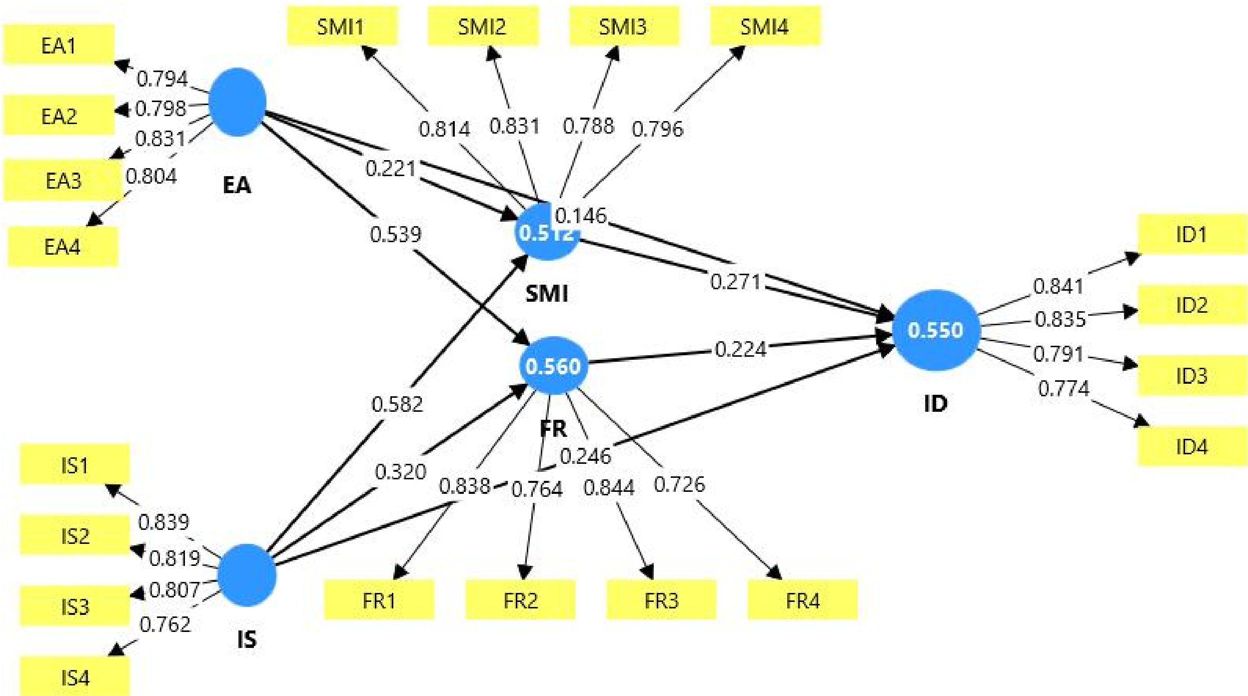

Figure 2: Measurement Model

Structural Model Assessment

The structural model results indicate that most of the hypothesized relationships are statistically significant and supported. The positive impact of Environmental Awareness (EA) on Firm Reputation (FR) (0.539, p = 0.001) and Social Media Influence (SMI) (0.221, p = 0.003) is strong and significant, but the direct impact on Investment Decision (ID) is positive but insignificant (0.146, The mediating role of Firm Reputation (FR) is also important as it has a significant impact on Investment Decision (ID) (= 0.224, p = 0.005). Similarly, Investor Sentiment (IS) shows significant positive effects on FR (β = 0.320, $p < 0.001$), SMI (β = 0.582, $p < 0.001$), and ID (β = 0.246, p = 0.014), indicating that IS a strong predictor across multiple pathways. Social Media Influence (SMI) on ID (= 0.271, p = 0.001) is also significant in making investment decisions. In terms of indirect effects, EA has a significant impact on ID via FR (= 0.121, p = 0.007), whereas IS has a significant impact on ID via both

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SMI (= 0.158, p = 0.001) and FR (= 0.072, p = 0.013), which confirms the mediation. However, the indirect effect of EA on ID through SMIII is a bit unimportant (0.060, p = 0.066). Overall, the findings show that Firm Reputation and Social Media Influence are important mediators and Investor Sentiment is an important driver of investment decision in the model.

Table 4: Path coefficients

Direct Effects	Beta	(STDEV)	T statistics	P values	Min	Max
EA -> FR	0.539	0.061	8.889	0.000	0.417	0.653
EA -> ID	0.146	0.081	1.809	0.071	-0.025	0.290
EA -> SMI	0.221	0.074	2.971	0.003	0.079	0.372
FR -> ID	0.224	0.080	2.808	0.005	0.065	0.381
IS -> FR	0.320	0.060	5.344	0.000	0.204	0.438
IS -> ID	0.246	0.100	2.463	0.014	0.078	0.470
IS -> SMI	0.582	0.069	8.421	0.000	0.442	0.710
SMI -> ID	0.271	0.082	3.317	0.001	0.092	0.415

Table 5: Indirect Effect

Indirect Effects	Beta	(STDEV)	T statistics	P values	Min	Max
EA -> FR -> ID	0.121	0.045	2.680	0.007	0.036	0.212
IS -> SMI -> ID	0.158	0.045	3.528	0.000	0.059	0.236
IS -> FR -> ID	0.072	0.029	2.492	0.013	0.020	0.133
EA -> SMI -> ID	0.060	0.033	1.839	0.066	0.010	0.134

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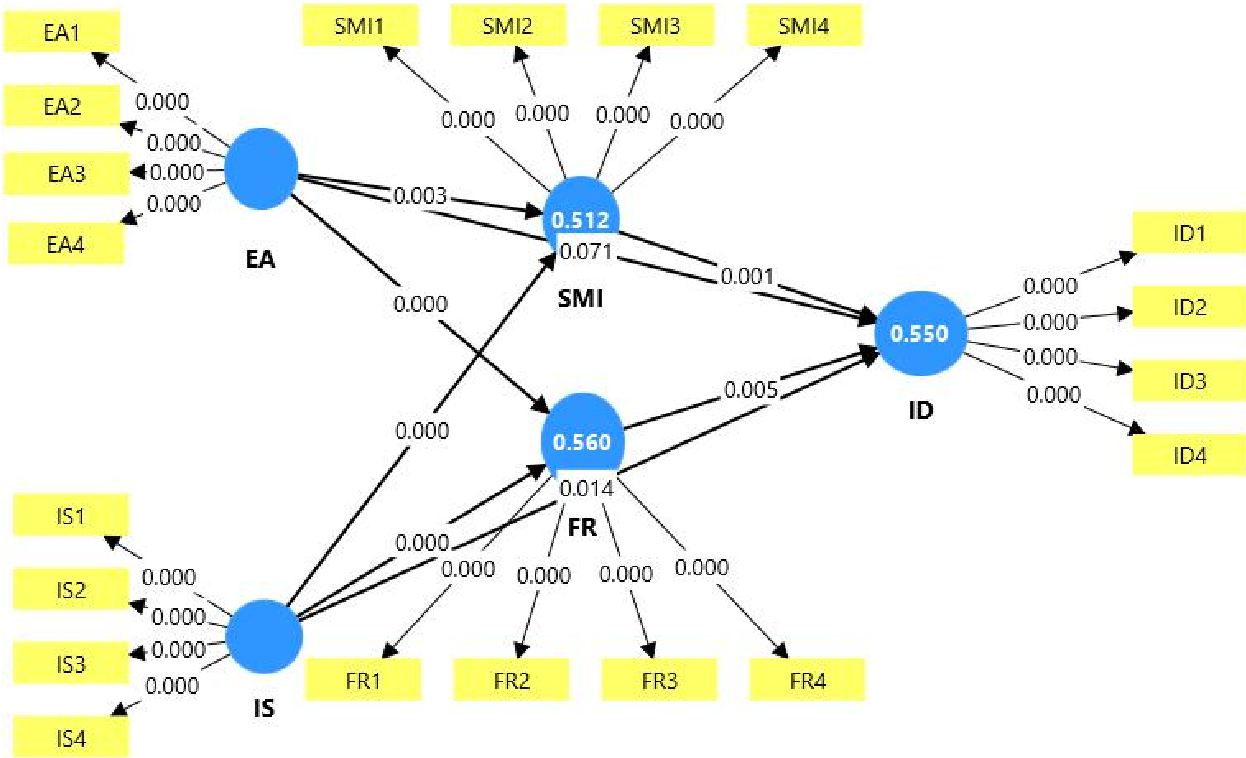

Figure 3: Structural Model

Discussion

The outcomes of the measurement model show that the constructs used in this study are sound and can be further analyzed. All the indicator loadings exceed the recommended value of 0.70, indicating that each of the items is a strong measure of the respective latent construct. Similarly, the Cronbach alpha and composite reliability values exceed the acceptable values, which is an indication of high internal consistency of all constructs. The AVE values are also above 0.50, which means that there is adequate convergent validity and that each construct explains a noteworthy percentage of variance in its indicators. In addition, the discriminant validity is upheld by the HTMT ratios as well as the Fornell-Larcker criterion because all constructs are empirically different and measure different theoretical dimensions. Although the correlation between Environmental Awareness and Firm Reputation is

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not very high compared to other constructs, the values are not too high, which implies that the constructs are not too far apart but are conceptually close. Overall, the measurement model is statistically sound and provides an excellent foundation of interpretation of structural relationships.

The structural model results show that Environmental Awareness has a positive but statistically insignificant direct effect on Investment Decision(Mansyur and Rahim 2025). It implies that the more environmentally conscious people may be inclined to investment behavior, their environmental awareness does not influence the actual investment choices statistically significantly. This insignificant relationship can be explained by a variety of theoretical and situational reasons. Firstly, environmental awareness would indirectly rather than directly influence investment behavior since investors tend to rely on intermediate cues such as reputation of the firm and social influence when making financial decisions (D'souza, Varde et al.). Second, the financial gains, risk factors and market moods continue to dominate investment decisions in the new market environments rather than the environmental or sustainability concerns. Environmental awareness is therefore not a decision-making factor. Third, many investors may not be ready to include ESG-related factors in their investment appraisal process due to their ignorance or insensitivity towards sustainable investment practices. The results show that the direct effect is insignificant but the influence of Environmental Awareness on Investment Decision indirectly through Firm Reputation is significant, therefore showing that the effect is mediated by reputational processes rather than direct (Rounok, Qian et al. 2023).

On the other hand, Firm Reputation plays a significant role in

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Investment Decision meaning that investors tend to put a lot of weight on the perceived credibility, stability and trustworthiness of firms when making investment decisions. This is useful in supporting the hypothesis that reputation is a risk-reduction mechanism in financial decision-making. Investor Sentiment also emerges as a strong and valid predictor, which has a strong influence on Firm Reputation, Social Media Influence, and Investment Decision (Selvakumar, Mishra et al. 2025). This highlights the importance of psychological and emotional factors in the determination of investment behavior particularly in uncertain or information-based markets. Similarly, the influence of Social Media Influence on Investment Decision is significant, which is reflective of the growing influence of digital channels on the perception of investors, the dissemination of information, and the market behavior.

The mediation analysis also confirms the fact that Firm Reputation and Social Media Influence are important channels in which independent variables affect Investment Decision. Investment Decision is greatly influenced by Environmental Awareness through Firm Reputation, which means that it is partially mediated. Investor Sentiment is also an indirect factor in Investment Decision through Firm Reputation and Social Media Influence, which justifies its importance in the decision-making process. The indirect effect of Environmental Awareness through Social Media Influence is however, a little bit insignificant which may mean that the environmental information on social media is yet to attain a level of credibility and influence that can influence investment decisions in the context of the study in a significant manner. Overall, the findings indicate that the choices regarding investing are affected by the intricate interplay of psychological, reputational, and informational factors, rather than the direct ones. Investor Sentiment is the strongest determinant, and Firm Reputation is a mediating mechanism. Although it is theoretically important, Environmental Awareness does not directly influence the investment decision-making process, but indirectly.

Theoretical Contributions

The current research is applicable to the current literature because it provides a detailed framework that takes into consideration the most significant behavioral and informational variables influencing investment choices. It assists in proving the behavioral finance theory as it demonstrates that the decision of investors is not made only based on the rational evaluation but also on psychological and emotional factors, particularly investor sentiment(Thirumala, Verma et al. 2023). Besides, the study contributes to the current literature on sustainable investing by demonstrating that environmental awareness directly and indirectly influences the actual investment behavior, besides attitudes. It also involves the social media impact in investment decision models, its significance as a contemporary source of information and emotional engagement in financial markets. In addition, the results also highlight the importance of firm reputation as a mediating variable that correlates the impressions of investors and their financial decisions. On the whole, the study provides a more in-depth and holistic perspective on the behavior of investors in a fast-changing financial setting because these constructs are intertwined into a single model.

Practical Implications

The practical implications of the findings of the current study are useful to the various stakeholders. The findings indicate to the investors that they should be aware of how emotions and social media can affect

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investment decisions and that more informed and balanced decisions regarding investments can be taken by incorporating rational financial analysis with the understanding of behavioral bias. The study identifies to the companies, especially the green firms, the need to invest in sustainable practices to enhance the firm image and attract investors, and the need to have a clear communication on environmental initiatives (Arhinful, Mensah et al. 2025). Moreover, the presence in the online space and the proactive communication in the social media platforms also contribute to the development of positive perceptions of the investors. The policy implications of the findings are that they ought to encourage environmental awareness and sustainable investment practices by offering enabling policies and improving transparency and ESG disclosures to gain investor confidence and guarantee overall market stability.

Limitations and Future work

Despite its contributions, this study has various limitations that should be considered and give future research directions. The results might be limited to convenience sampling, and the study design is the cross-sectional that only studies the behavior of investors at one time frame and not over a longer period. In addition, self-reported data can also cause bias in response, and the study can only be restricted to a few selected variables without taking into account other possible variables that can affect the results such as financial literacy or risk-taking. To overcome these limitations, future studies may use bigger and more diverse samples to increase generalization and conduct longitudinal studies to learn more about the dynamics of investor behavior over time. Moreover, additional variables, such as financial knowledge, risk perception, and the overall economic conditions, can be added, which can provide

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more insight. Comparative studies in different countries or markets to examine the contextual differences are also recommended, and further research can be carried out to explore the special impact of individual social media on investment decisions.

Conclusions

The paper has discussed the relationship between Environmental Awareness (EA), Investor Sentiment (IS), Social Media Influence (SMI), Firm Reputation (FR), and Investment Decision (ID) in a behavioral finance model, particularly in green investment behavior. The primary objective was to understand the interaction of the psychological, environmental, and informational factors to affect the decision-making of investors. The research is found on the quantitative, cross-sectional research design and data analysis using the assistance of PLS-SEM that provides a detailed description of both direct and indirect effects between the proposed variables.

The findings indicate that there is no single overriding factor that determines investment decisions but instead, they are determined because of a complex interaction of behavioral and informational factors. Investor Sentiment is the most effective factor, as it affects the reputation of the firm, the influence of social media, and investment decision significantly, which demonstrates the strong influence of psychological and emotional factors in financial decision-making. Firm Reputation is also found to be a significant predictor of investment decisions and hence it is significant in reducing uncertainty and developing investor confidence. Similarly, the Social Media Influence is a significant aspect of investor perceptions and decision-making as the role of digital platforms in the modern financial markets gains more significance.

On the other hand, Environmental Awareness does not directly influence investment decisions, but indirectly through the reputation of firms, which implies that the environmental concerns influence the investor behavior through reputational and informational channels, but not directly. The mediation results also confirm that both reputation of the firm and social media influence are the important processes through which the investor sentiment and environmental awareness are transformed into investment outcomes.

Overall, the study concludes that the primary determinants of investor decision-making in the case of green firms and not environmental awareness are behavioral and informational factors. A combination of the Behavioral Finance Theory and Signaling Theory provides a good theoretical explanation of these findings in that investors rely on both psychological tendencies and external signals to make financial decisions. The study contributes to the enhanced understanding of sustainable investment behavior and highlights the importance of considering emotional, informational, and reputational factors in the description of modern investment choices.

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