

## ABSTRACT

**Purpose:** The objective of this study is to examine the influence of environmental, social, and governance (ESG) issues on investment decision-making in the context of sustainable business practices (SBP). The primary objective of this study is to evaluate the relationship between Perceived Environmental, Social, and Governance (ESG) factors and several behavioral risk biases demonstrated by investors. These biases include risk perception, risk-taking propensity, loss aversion, dispositional effect, and mental accounting. Furthermore, this study aims to ascertain the personality qualities exhibited by private investors that place a higher emphasis on sustainability rather than financial gains. It also seeks to assess the degree to which these investors are ready to forgo possible benefits in order to align their investments with principles of sustainability. **Approach:** In order to achieve these objectives, the research utilizes a deductive and quantitative approach to conduct a thorough examination of investor characteristics. A survey is designed to get responses from private investors in Pakistan who have previously engaged in financial transactions within the stock market. The research employs the Partial Least Squares Structural Equation Modelling (PLS-SEM) analytical bootstrapping technique to assess the study's hypotheses. The process of data analysis is performed by using smartpls software.

**Findings:** The research presents significant data that demonstrate a strong relationship between investor risk behavior, perceived environmental, social, and governance (ESG) issues, and specific investment choices. The aforementioned studies offer insights into the intricate interplay between environmental, social, and governance (ESG) factors and the behavior of investors, yielding a combination of effects that influence the process of making investment decisions.

**Implications:** The findings of this study provide a more comprehensive comprehension of the influence of ESG integration on investment decision-making. The aforementioned findings provide significant implications for various stakeholders, including investors, policymakers, and financial advisors, as they enhance comprehension of the intricate dynamics of investor behavior and underscore the significance of sustainable practices in the process of making investment decisions.

**Originality/ Value:** This research enhances the current understanding in the field of behavioral finance by examining the intricate connections between environmental, social, and governance (ESG) concerns and the behavior of investors within the framework of decision-making, ultimately advancing the discourse on sustainable finance and responsible investing.

**Keywords:** Behavior Risk Biases, Perceived ESG, Sustainable Business Practices, Investment Decision, PSX, Smart PLS.