





# Do ESG Practices Matter for Investors? Corporate Image as a Transmission Mechanism



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**Abstract:** This study investigates how investors' perceptions of environmental, social, and governance (ESG) factors influence equity investment decisions in Vietnam, emphasising the mediating role of corporate image and the moderating effect of investment horizon. Using survey data from 549 individual investors and analysing the model through partial least squares structural equation modelling (PLS-SEM), the findings indicate that environmental and governance dimensions significantly and positively affect investment decisions, while the social dimension exhibits a weaker direct effect. Corporate image plays a key mediating role, transmitting the impact of ESG practices to investor behaviour. However, investment horizon does not significantly moderate the relationship between ESG factors and investment decisions. The study contributes empirical evidence from an emerging market and highlights the importance of integrating ESG performance with corporate image management to attract sustainable equity investment.

**Keywords:** Environmental, social, and governance; ESG; Equity investment decision; Corporate image; Investment horizon

## 1. Introduction

In the current global context, climate change and environmental issues are becoming urgent challenges for governments and businesses. The Conferences of the Parties to the United Nations Framework Convention on Climate Change (COP 26, 27, 28, 29) have emphasised the importance of reducing greenhouse gas emissions, transitioning to a low-carbon economy, and limiting global temperature increases (Khan et al., 2026). Countries are also increasingly considering environmental, social, and governance (ESG) standards as an important tool to realise sustainable development goals. ESG not only helps businesses meet legal and social requirements but also becomes a strategic factor in attracting investment (Sultana et al., 2018).

ESG factors are increasingly recognised as core non-financial foundations, playing a pivotal role in the sustainable development strategies of corporations, financial institutions, and global shareholders. However, ESG can be conceptualised in two distinct but related ways: as (i) firms' actual ESG practices (such as substantive ESG activities) and (ii) ESG disclosures (such as the extent and transparency of information communicated to stakeholders) (Pham & Nguyen, 2025). This study adopts a perception-based approach, focusing on investors' evaluations of ESG-related information as reflected through corporate disclosures and observable practices, rather than objective ESG performance metrics. According to Koh et al. (2022), perceived ESG reflects customers' evaluations of a company's ability to meet stakeholder expectations and fulfil societal obligations through proactive initiatives. ESG is acknowledged not merely as a mechanism for implementing corporate social responsibility but as a strategic lever for enhancing market value, strengthening brand equity, and fostering stakeholder relationships, thereby improving financial performance and promoting sustainable growth (Lee & Isa, 2023). Empirical evidence further demonstrates that ESG initiatives enhance employee motivation, customer engagement, and supplier collaboration, serving as a bridge between social responsibility and operational

performance, while safeguarding the long-term interests of businesses and shareholders (Ghoul et al., 2017). Globally, ESG-orientated investments reached USD 35.3 trillion in 2020, accounting for over 35% of total global assets. This trend underscores ESG's growing significance in investment decisions, market credibility, and trust (Lee & Rhee, 2023), while highlighting that companies with transparent ESG practices exhibit greater resilience during crises, mitigating risks and attracting investors (Alnafrh, 2024). Conversely, lack of transparency or violations of ESG standards, such as allegations of forced labour linked to fast-fashion brand Shein (Oi, 2023), can severely damage corporate reputation and elevate the risk of sanctions in major markets such as the United States and Europe

Traditional financial factors have long been central to research on investment decisions. For example, Edan et al. (2022) shows that financial indicators such as profit, P/E ratio, and performance have a positive impact on investors' investments. As economies move toward sustainability, non financial factors are increasingly essential in investment decisions. Despite the growing body of ESG literature, several important gaps remain. First, prior studies have largely focused on institutional perspectives, with limited attention to individual investors' attitudes toward ESG issues and their influence on investment decisions (Sultana et al., 2018). Second, empirical evidence from emerging markets remains limited, despite significant contextual differences in culture, institutions, and investor behavior. This gap is particularly evident in Vietnam, where ESG practices are characterised by evolving regulatory frameworks, limited standardisation and enforcement, and a mismatch between high awareness and actual implementation among firms (Nguyen, 2022). Third, while corporate image has been widely studied in marketing and corporate reputation literature, its role as a mediating mechanism linking ESG signals to investment decisions remains underexplored, especially in the context of individual investors. This represents a critical gap, as ESG information is often interpreted subjectively rather than processed as purely financial data. Finally, existing studies provide limited insights into how investors assign relative importance to different ESG dimensions, highlighting the need for more nuanced measurement approaches. In response to the gaps, this paper will provide a comprehensive theoretical framework on how ESG factors, through corporate image and investment horizon, can influence investors' decisions in the stock market. In addition, this study will help enterprises and investors optimise ESG strategies, brand building, and long-term planning according to the trend of sustainable investment.

Vietnam presents a distinct investment landscape shaped by structural and behavioral particularities. The Vietnamese stock market is dominated by individual investors, who account for the majority of trading activity and exhibit heterogeneous levels of financial literacy and ESG awareness (Nguyen & Nguyen, 2026). Moreover, the market is characterized by relatively limited transparency and information asymmetry, where financial and non-financial disclosures are not always fully standardized or efficiently disseminated, thereby constraining investors' ability to process complex ESG information. Vietnam is also one of the countries heavily affected by climate change, ranking 127/182 countries in terms of vulnerability to natural disasters and climate change (World Bank Group, 2022). To address this, the government has introduced policies and regulations, including the Law on Environmental Protection 2020 and Decree 155/2016/ND-CP, which mandate sustainable resource use, environmental protection measures, and basic social responsibilities for businesses (THU VIEN PHAP LUAT, 2020). Listed firms must also disclose data on emissions and reduction measures (Nguyen, 2022). In developed markets, ESG reporting is increasingly standardised and mandatory under frameworks such as the EU Corporate Sustainability Reporting Directive and IFRS Sustainability Disclosure Standards. In contrast, ESG disclosure in Vietnam remains relatively underdeveloped and is largely evolving toward greater formalisation (Nguyen, 2022). However, according to Nguyen et al. (2025), although 94% of surveyed businesses in Vietnam perceive ESG as an important growth driver, only about half of them actually implement ESG activities. This limitation comes from high costs, a lack of awareness of the importance of ESG, and short-term profit pressure. In addition, ESG research in Vietnam is superficial, failing to clarify the relationship between ESG, corporate image, and stock investment decisions. Given this context, ESG in this study is conceptualised as perceived ESG performance, reflecting how investors interpret firms' ESG-related signals based on available disclosures and corporate actions.

This study pursues three primary objectives. First, it examines the impact of perceived ESG factors (based on investor evaluations of ESG-related disclosures and practices) on equity investment decisions in the Vietnamese stock market. Second, it investigates the mediating role of corporate image in explaining how ESG practices influence investors' behaviour. Third, it analyses the moderating role of investment horizon in the relationship between ESG factors and investment decisions. The paper proceeds as follows. Section 1 outlines the background and objectives. Section 2 reviews the literature and develops the hypotheses and model. Section 3 describes the methodology. Section 4 presents the results. Section 5 discusses the findings, and the final sections conclude with implications and limitations.

## **2. Literature Review**

### **2.1 Theoretical Background**

#### **2.1.1 Shareholder theory**

Shareholder theory posits that firms exist primarily to maximize shareholder value, and corporate decisions

should be evaluated based on their contribution to financial returns (Friedman, 2007). From this perspective, ESG disclosure serves as a critical information mechanism that helps investors assess both risks and opportunities associated with a firm's operations. Specifically, transparent ESG reporting reduces information asymmetry, signals better governance and risk management practices, and enhances firm credibility, thereby influencing investors' expectations of future cash flows and firm stability. As a result, investors are more likely to favor firms with higher ESG transparency, as such disclosures support more informed investment decisions aligned with value maximization objectives. Prior studies suggest that firms with strong ESG practices are better positioned to build trust, legitimacy, and long-term relationships with stakeholders, which in turn enhance corporate reputation and reduce perceived risk. Ghoul et al. (2017) shows that ESG contributes to reducing conflicts between managers and stakeholders, enhancing corporate value. In addition, ESG bridges the gap between social responsibility and performance, helping businesses accumulate social capital, innovate technology, and use resources more efficiently (Hu et al., 2023).

### 2.1.2 Behavioral finance theory

However, investment decisions are not solely driven by objective assessments. Drawing on behavioral finance theory, financial behaviour is often strongly influenced by psychological factors, emotions, and systematic cognitive biases (Brooks & Byrne, 2008). McGoun & Skubic (2000) extends this theory by emphasising the role of images and memories in the process of receiving and processing information, arguing that financial knowledge is not only about objective data (informational knowledge) but also about deep cognitive experience (emotional knowledge). In the financial field, a prominent concept deeply influenced by behavioural finance is corporate image. Accordingly, investors not only rely on quantitative information about expected returns and risks but are also influenced by psychological impressions, symbols, stories and emotions that businesses evoke (McGoun & Skubic, 2000). Thus, these images are often subjective, stemming from personal experiences, media and social contexts but have a strong impact on investment behaviour. In the context of ESG investment, corporate image becomes even more important because ESG is not only assessed through indexes but also through how businesses are perceived in the minds of investors. Businesses associated with positive images, such as being socially responsible, environmentally friendly, and transparent in governance will build trust and positive emotions, thereby promoting investment behaviour (Sultana et al., 2018). Within this framework, corporate image serves as a key psychological mechanism, translating ESG signals into investor responses by shaping trust, perceived risk, and overall evaluation of the firm. By integrating these theoretical perspectives, the study provides a comprehensive explanation of both the economic rationale and the behavioral mechanism through which ESG influences investment decisions, particularly in an emerging market context.

## 2.2 Key Concepts

### 2.2.1. Environmental, social, and governance

ESG are considered non-financial factors and are gradually emerging as core values of companies, large financial institutions, and shareholders around the world (Atiq & Maqbool, 2022). In investment contexts, investors often rely more on ESG disclosures than on direct observation of firm practices, due to information asymmetry and limited access to internal corporate data. Consequently, ESG disclosure serves as a signalling mechanism that reduces uncertainty and enhances transparency (Friede et al., 2015). This signaling role is particularly important in emerging markets such as Vietnam, where ESG reporting standards are still evolving and information quality may vary significantly across firms (Nguyen, 2022).

The "Environment" of ESG focuses on the company's impact on the natural world. This includes factors such as carbon emissions, energy use, waste management, and resource conservation (Crifo et al., 2015). Companies are assessed on how they manage environmental risks and opportunities, including those related to climate change and biodiversity loss. The "Social" factor assesses how a business manages its relationships with stakeholders such as employees, customers, suppliers, and even the communities or localities in which it operates (Crifo et al., 2015). Organisations that perform well on social criteria tend to promote healthier work environments, build stronger community relationships, and maintain high ethical standards in their operations (Kim & Keane, 2023). "Governance" refers to the system of rules, practices, and processes that direct and control a company, including board structure and independence, executive compensation, transparency in decision-making, and compliance with legal and regulatory frameworks (Endrikat et al., 2021). Companies with strong governance practices are often better equipped to navigate market challenges, maintain investor confidence, and achieve long-term strategic goals (Alduais et al., 2023).

The existing literature about ESG remains fragmented in several important ways. First, most empirical studies focus on institutional investors or objective firm-level ESG performance, while relatively limited attention has been given to individual investors' perceptions of ESG information (Sultana et al., 2018). In addition, prior research has predominantly been conducted in developed markets with more mature ESG frameworks, leaving emerging markets underexplored despite their distinct institutional and informational characteristics (Nguyen &

Nguyen, 2026; Pham & Nguyen, 2025).

### 2.2.2. Investment decision

Investment decisions are conceptualised as the process by which investors allocate their resources based on a combination of financial, economic, and non-financial factors (Bikas et al., 2013). These factors are influenced by a variety of multifaceted factors, including both quantitative metrics and qualitative perceptions. In addition to financial indicators, intrinsic factors (such as personal financial knowledge and cognitive biases) and extrinsic factors (including macroeconomic conditions, regulatory frameworks, and socio-cultural influences) determine how investors allocate resources (Jagongo & Mutswenje, 2014). Studies have consistently emphasised that modern investment decision-making is not just a rational process driven by hard numbers but is also deeply influenced by subjective judgements and environmental uncertainty. Investors are increasingly incorporating non-financial information, recognising that factors such as corporate social responsibility and ESG activities can significantly influence a company's long-term performance and risk profile.

### 2.2.3 Investment Horizon

Investment horizons refer to short-, medium-, or long-term investment strategies (Sultana et al., 2018). It is a fundamental concept in finance that plays an important role in shaping investors' investment strategies, risk tolerance, and decision-making behaviour. Long-term investors are often willing to accept short-term fluctuations in exchange for higher long-term returns, while short-term investors are more sensitive to market fluctuations and prioritise immediate investment performance (Moreira & Muir, 2018). In addition, investment horizons can influence corporate behaviour and financial markets. A recent line of research has emphasised the role of investment horizons in shaping corporate behaviour and financial performance. In particular, long-term investments from institutional investors can significantly reduce the risk of stock price collapse (Fu et al., 2024).

## 2.3 Hypothesis Development

### 2.3.1 ESG and investment decisions of stock market investors

The function of the economy and society must consider environmental factors such as climate change due to the interaction of economic development, natural resource scarcity, and sales growth (Sultana et al., 2018). Evidence from Japan shows that personal experiences related to environmental issues strongly shape ESG investment tendencies, as such experiences not only increase the share of ESG products in investment portfolios but also heighten investors' willingness to sacrifice financial returns (Jia et al., 2025). Similarly, Park & Jang (2021) identify the environmental factor as the most influential component within ESG criteria for institutional investors, emphasising that effective management of pollution control, emission reduction, and eco-friendly product and process strategies is critical for attracting and maintaining investor trust and enhancing firms' appeal in capital allocation. Complementing these findings, Cai (2023) asserts that environmental performance, reflected through carbon footprint, energy efficiency, and waste management, is the primary ESG driver of investment choices, with firms excelling in these areas perceived as more innovative, adaptable, and competitively sustainable in the long term. Based on the above studies, the following hypothesis is proposed:

**H1:** Environmental factors have a positive impact on the equity investment decision of the Vietnamese stock investors.

Recent research highlights that social factors, such as labour standards, employee well-being, community engagement, and human rights, play a pivotal role in shaping investor decisions, particularly in the context of rising global interest in responsible investment. CSR disclosures that emphasise stakeholder well-being and inclusivity have been shown to significantly improve firm reputation and attract individual investors (Boukattaya & Omri, 2021). Furthermore, when social impact data are assured and credible, they directly enhance investor trust and intention to invest (Schoenmaker & Schramade, 2023). Region-specific studies, such as in Vietnam and Southeast Asia, confirm that investors place high value on firms with strong community and social initiatives, often interpreting these as indicators of long-term financial sustainability (Li et al., 2023; Tu et al., 2024). Conversely, social controversies and stakeholder backlash, especially those spread via social media, are shown to erode market value and prompt investor withdrawal (Ahmad & Ahmed, 2024). Thus, we propose that:

**H2:** Social factors have a positive impact on investment decisions.

Corporate governance remains a critical determinant of investment behaviour, as recent studies emphasise that governance quality, particularly board independence, gender diversity, and audit oversight, directly influences investor perceptions and capital allocation. Strong governance structures not only promote transparency but also mitigate firm-level risk, thereby improving investor confidence and expected returns (Wang et al., 2023; Zhu et al., 2024). In emerging markets, such as Vietnam and Bangladesh, governance has been found to exert a stronger influence on investment decisions than environmental or social criteria due to heightened sensitivity to fraud and regulatory gaps (Duong et al., 2023; Pham et al., 2024). Furthermore, firms with sustainability committees and well-defined governance mechanisms are more likely to attract ESG-focused capital and deliver superior long-

term performance (Nguyen et al., 2024; Parikh et al., 2023). These insights support the view that governance acts as the foundation upon which other ESG pillars are assessed, guiding investors in evaluating firm integrity and investment viability. Therefore, the following hypothesis is proposed:

**H3:** Governance factors have a positive impact on investment decisions.

### 2.3.2 The relationship between ESG and corporate image

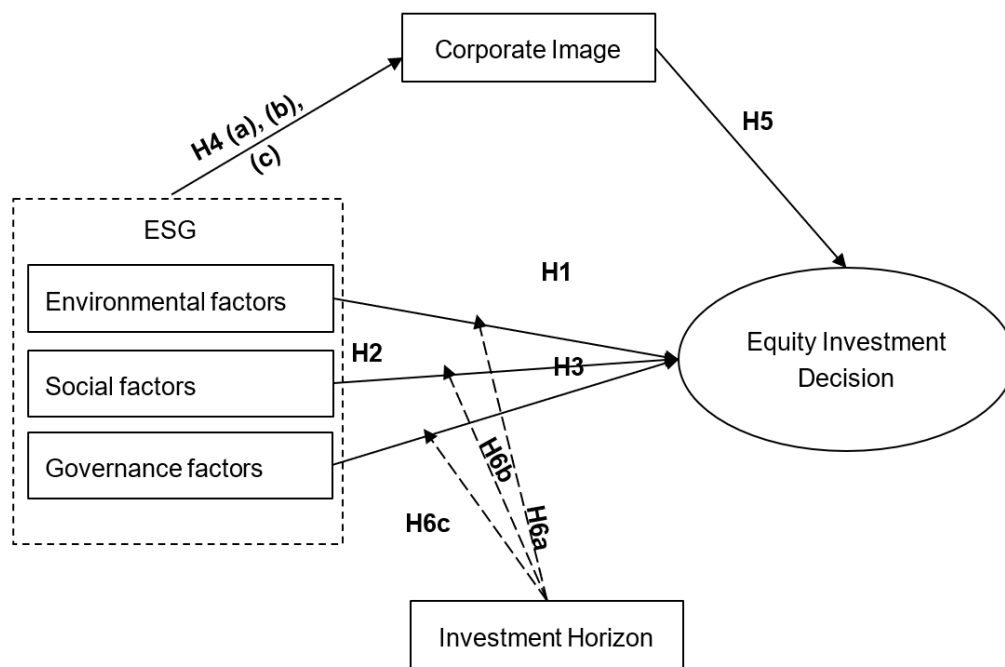
According to Tu et al. (2024), for businesses, environmental protection means maintaining the foundation for the existence and development of brand image. In emerging markets such as Vietnam, companies with positive environmental images often receive more support from stakeholders (Nguyen & Dang, 2025). In addition, businesses that demonstrate genuine social responsibility towards society and the environment are likely to positively influence consumers, encouraging them to favour their products because they believe that these products contribute to improving social and environmental well-being (Kinasih et al., 2023). Paying attention to social aspects not only brings value to the community but also contributes significantly to enhancing the brand image of the enterprise (Alam & Islam, 2021). The study by Kim & Cho (2024) demonstrates that ESG activities, particularly those related to environmental and governance factors, exert a positive influence on corporate image and reputation within the airline industry, while the social dimension shows a more limited impact. Companies that perform well in ESG activities can exploit competitive advantages such as enhancing brand image and reputation in the market (Koh et al., 2022). In addition, high ESG performance often attracts the attention of the media and analysts, thereby contributing to enhancing the value and image of the business by creating pressure from stakeholders (Zheng et al., 2022). Based on the above studies, the following hypothesis is proposed:

**H4.** Environmental (a), Social (b), and Governance (c) factors have a positive impact on corporate image.

### 2.3.3 The relationship between corporate image and investment decision

Corporate image reflects the overall perception of investors or potential investors about a company, including its reputation, perceived quality of products/services, market position, level of innovation, information disclosure, and many other related factors (Alhussain, 2020). When a company has a positive image, investors tend to feel more secure and confident in making investment decisions (Sigalingging et al., 2024). When evaluating a company's performance, stakeholders are not only interested in profits but also consider environmental, social, and economic factors through the CSR activities that the company discloses, thereby influencing investment decisions and increasing the company's value in the long run (Ardillah & Chandra, 2021). Based on the above studies, the following hypothesis is proposed:

**H5.** Corporate image positively influences investment decisions.



**Figure 1.** Conceptual model

### 2.3.4 The impact of investment horizon on the relationship between ESG issues and investment decision

Investment horizon, referring to short-, medium-, or long-term investment strategies, plays an important role in ESG-related decisions. Prior research suggests that ESG benefits are more closely aligned with long-term value

creation and risk reduction, making investment horizon a key factor in how sustainability is evaluated (Sultana et al., 2018). Long-term investors are generally more willing to tolerate short-term fluctuations in pursuit of sustainable returns, whereas short-term investors may prioritize immediate performance and discount ESG information (Starks et al., 2026). While Starks et al. (2026) document this tendency among institutional investors, its application to individual investors requires further consideration, as individuals exhibit heterogeneous time preferences and bounded rationality. However, evidence on the role of investment horizon remains mixed, particularly across different investor types and contexts. For example, high-ESG firms did not enjoy any significant stock price advantage during the initial COVID-19 market crash, implying that ESG credentials offered little short-run “immunity” in that crisis (Demers et al., 2021). Nevertheless, ESG factors may still contribute to short-term risk mitigation, while their value implications become more evident over longer holding periods as firms enhance resilience and market valuation (Naseer et al., 2025). Regarding individual investor, research indicates that individual investors with longer investment horizons are more likely to integrate ESG considerations into their decisions, as they are willing to trade off short-term returns for long-term value and non-financial benefits (Sultana et al., 2018). Investment horizon is also linked to risk perception and diversification, further influencing investment behavior (Fisher & Statman, 1999). Taken together, these findings suggest that investment horizon functions as a key moderating factor in the relationship between ESG issues and investment decisions, particularly at the individual level where evaluation frames and preferences vary significantly.

**H6.** Investment horizon moderates the relationship between Environmental (a), Social (b), and Governance factors (c) and investment decisions.

The conceptual model is presented in Figure 1.

### 3. Research Methods

#### 3.1 Data Collection

This study uses a quantitative cross-sectional design to test the proposed hypotheses. Data were collected over a two-month period from December 1, 2024, to February 1, 2025. In accordance with Tsang et al. (2017), the survey instrument was initially prepared in English and subsequently translated into Vietnamese through a structured three-stage process involving forward translation, backward translation, and pretest evaluation. Due to the absence of a comprehensive sampling frame of individual investors in Vietnam, a non-probability sampling approach was adopted, specifically convenience and snowball sampling. Respondents were recruited via online investment communities, financial forums, and professional networks. The use of snowball and convenience sampling may introduce potential selection bias, as respondents are more likely to be drawn from interconnected networks with similar characteristics. The survey was conducted via a Google Form link, initially sent to individual investors interested in ESG-related companies. After they responded, an email inviting voluntary participation was sent to members of their investment network, including other investors or individuals with experience in sustainable finance and investment. A screening question ensured that only individuals with stock investment experience were included. A total of 620 questionnaires were distributed, with 573 responses received. After excluding 24 invalid responses, the final sample comprised 549 valid observations.

#### 3.2 Measurement Properties

The constructs in this study were evaluated through a five-point Likert scale ranging from 1 (Strongly disagree) to 5 (Strongly agree). ESG awareness was measured using a thirteen-item scale compiled from De Zwaan et al. (2015), Przychodzen et al. (2016), Sultana et al. (2018), Tseng et al. (2019), and Vo Minh et al. (2023). Among them, the Environmental variable (E) was measured through four items, the Social variable (S) through five items, and the Governance variable (G) through four items. Investment Decision (ID) was assessed through a five-item scale developed by Ackert & Church (2006), Aich et al. (2021), Gill et al. (2018), Helm (2007), Park & Jang (2021), and Sultana et al. (2018). Investment Horizon (IH) was measured using a four-item scale established by Sultana et al. (2018). Finally, Corporate Image (CI) was measured through the four-item scale of Helm (2007) and Qadri et al. (2020). The full list of questionnaire items is provided in Appendix. Minor wording adjustments were made to ensure contextual relevance to Vietnamese investors while preserving the original meaning of the scales.

#### 3.3 Analytical Approach

However, the use of non-probability sampling and the concentration of younger respondents may limit generalisability. Accordingly, the findings are interpreted as explanatory and predictive, consistent with the use of partial least squares structural equation modelling (PLS-SEM), which is well suited for analysing complex models and prioritising prediction over population inference (F. Hair Jr et al., 2014). Model evaluation was based on outer loadings, Cronbach’s alpha, composite reliability (CR), average variance extracted (AVE), HTMT for discriminant

validity,  $R^2$  for explanatory power, and the variance inflation factor (VIF) for multicollinearity. To enhance the robustness of the model, several control variables were incorporated, including gender, age, income, and education level, as these factors are commonly associated with investment decision making. These variables were included to isolate the effects of ESG dimensions and corporate image on investment decisions.

## 4. Results

### 4.1 Sample Description

According to Table 1, the survey sample consists mainly of investors who have invested or intend to invest in stocks, with a fairly balanced gender ratio (female 53.2%, male 46.8%), reflecting the increasing role of women in the financial sector. The sample is predominantly aged 21 to 35 with relatively high education levels. The presence of young respondents reflects the structure of the Vietnamese stock market, where retail participation is increasingly driven by young investors. As the study focuses on investment experience rather than employment status, these respondents remain relevant. In terms of education level, the majority have a university degree or higher (nearly 90%), showing the high knowledge base of the participants and indirectly reflecting a better awareness of ESG factors in investing. Income is mainly concentrated at the medium to high level, consistent with the financial requirements and risk tolerance of stock investment activities.

**Table 1.** Demographic information of the sample

	Category	Frequency	Percentage (%)
Gender	Male	257	46.8
	Female	292	53.2
Age	Below 21	102	18.6
	21–27	207	37.7
	28–35	166	30.2
	36–45	47	8.6
	Over 45	27	4.9
Education level	Not yet graduated	183	33.3
	Bachelor's degree	263	47.9
	Master's degree	62	11.3
	PhD degree	31	5.6
	Associate professor/professor	10	1.8
Monthly income	Below 5,000,000 VND	162	29.5
	5,000,000–10,000,000 VND	123	22.4
	11,000,000–20,000,000 VND	169	30.8
	21,000,000–30,000,000 VND	63	11.5
	Over 30,000,000 VND	32	5.8

### 4.2 Common Method Bias

We assessed common method bias using the full collinearity approach (Kock, 2015). As reported in Table 2, all inner VIF values for the latent constructs are below the recommended threshold of 3.3, indicating that common method bias is not a concern in this study.

**Table 2.** Inner variance inflation factor (VIF) values

	CI	E	G	ID	IH	S
<b>CI</b>	–	–	–	1.479	–	–
<b>E</b>	1.331	–	–	1.503	–	–
<b>G</b>	1.253	–	–	1.343	–	–
<b>ID</b>	–	–	–	–	–	–
<b>IH</b>	–	–	–	1.285	–	–
<b>S</b>	1.421	–	–	1.552	–	–

Note: E: environmental issues; S: social issues; G: governance issues; ID: equity investment decision; IH: investment horizon; CI: corporate image

### 4.3 Measurement Model

The results of measurement model show that all observed variables have outer loading greater than 0.7, indicating that the measurement indicators are suitable and contribute well to the latent variables. Cronbach's alpha values ranged from 0.929 to 0.950, and composite reliability values were all above 0.7, confirming strong internal consistency. The AVE values are all above 0.78, exceeding the minimum threshold of 0.5 as proposed by Hock et

al. (2010), confirming the convergence of the measurement constructs in the research model (Table 3).

Discriminant validity was assessed using the HTMT criterion. As shown in Table 4, all HTMT values are below the recommended threshold of 0.85 (Henseler et al., 2015), indicating adequate discriminant validity. This confirms that the constructs are conceptually distinct and that the measurement model demonstrates satisfactory reliability and validity.

**Table 3.** Reliability and convergent

Variable	Items	Outer Loadings	Cronbach's Alpha	CR	AVE
E	E1	0.919	0.936	0.954	0.84
	E2	0.914			
	E3	0.917			
	E4	0.915			
S	S1	0.892	0.936	0.951	0.795
	S2	0.888			
	S3	0.883			
	S4	0.897			
	S5	0.898			
G	G1	0.922	0.945	0.96	0.858
	G2	0.922			
	G3	0.928			
	G4	0.933			
ID	ID1	0.894	0.929	0.947	0.78
	ID2	0.883			
	ID3	0.853			
	ID4	0.902			
	ID5	0.883			
IH	IH1	0.932	0.95	0.964	0.87
	IH2	0.935			
	IH3	0.93			
	IH4	0.934			
CI	CI1	0.934	0.944	0.959	0.855
	CI2	0.931			
	CI3	0.92			
	CI4	0.914			

Note: E: environmental issues; S: social issues; G: governance issues; ID: equity investment decision; IH: investment horizon; CI: corporate image; CR: composite reliability; AVE: average variance extracted

**Table 4.** Discriminant validity

	CI	E	G	ID	IH	S
<b>CI</b>						
<b>E</b>	0.488					
<b>G</b>	0.363	0.365				
<b>ID</b>	0.444	0.464	0.375			
<b>IH</b>	0.415	0.365	0.305	0.54		
<b>S</b>	0.438	0.504	0.443	0.391	0.309	

Note: E: environmental issues; S: social issues; G: governance issues; ID: equity investment decision; IH: investment horizon; CI: corporate image

#### 4.4 Structural Model

The explanatory power of the model ( $R^2 = 0.28$ ) is moderate and consistent with prior behavioural finance and ESG studies, where investment decisions are influenced by multiple complex factors (Table 5). This suggests that while ESG and corporate image are important determinants, a substantial proportion of variance remains unexplained. Other factors, such as financial indicators, risk preferences, or market conditions, may also play significant roles and should be considered in future research. While other factors may also influence investment decisions, the study aims to isolate the role of ESG-related factors rather than maximise predictive power.

We performed a bootstrapping procedure with 5000 bootstrap samples, a 0.05 significance level, and a two tailed test to assess the size of the path coefficients and their statistical significance (Table 6). As expected, ESG factors have positive and significant effects on investment decisions, supporting H1, H2, and H3 (coeff = 0.234,  $p < 0.01$ ; coeff = 0.103,  $p < 0.05$ ; coeff = 0.156,  $p < 0.01$ ). Similarly, all ESG dimensions significantly enhance corporate image, supporting H4a, H4b, and H4c (coeff = 0.310, 0.203, and 0.155; all  $p < 0.01$ ), while corporate image positively affects investment decisions, supporting H5 (coeff = 0.213,  $p < 0.01$ ). However, the moderating

effects of investment horizon are not significant, thus H6a-H6c are not supported. The inclusion of control variables does not materially alter the main results, indicating the robustness of the findings.

In addition, the results reveal that ESG dimensions exhibit significant positive indirect effects on investment decisions through corporate image (Table 7). Specifically, environmental factors show a positive indirect effect on investment decisions via corporate image (Coeff = 0.039,  $p < 0.05$ ). Similarly, governance factors demonstrate a significant indirect impact through corporate image (Coeff = 0.019,  $p < 0.05$ ). For social factors, a positive indirect effect is also observed via corporate image (Coeff = 0.025,  $p < 0.05$ ). Since both the direct and indirect effects remain significant, these findings indicate partial mediation.

**Table 5.** Structural model assessment

Endogenous Latent Constructs	R-Square	R-Square Adjusted
CI	0.28	0.276
ID	0.284	0.278

Note: CI: corporate image; ID: equity investment decision

**Table 6.** Path coefficients

Hypothesis	Path	Original Sample (O)	Standard Deviation (STDEV)	T Statistics ( O/STDEV )	P Values	Conclusion
H1	E→ID	0.234	0.045	5.161	0	Supported
H2	S→ID	0.103	0.049	2.117	0.034	Supported
H3	G→ID	0.156	0.044	3.518	0	Supported
H4a	E→CI	0.31	0.046	6.822	0	Supported
H4b	S→CI	0.203	0.044	4.56	0	Supported
H4c	G→CI	0.155	0.043	3.558	0	Supported
H5	CI→ID	0.213	0.045	4.718	0	Supported
H6a	IHxE	-0.01	0.043	0.228	0.819	Not supported
H6b	IHxS	0.037	0.041	0.906	0.365	Not supported
H6c	IHxG	-0.008	0.043	0.194	0.846	Not supported

Note: E: environmental issues; S: social issues; G: governance issues; ID: equity investment decision; IH: investment horizon; CI: corporate image

**Table 7.** Indirect effects

Paths	Coeff.	P Values
E→CI→ID	0.039	0.012
G→CI→ID	0.019	0.037
S→CI→ID	0.025	0.032

Note: E: environmental issues; S: social issues; G: governance issues; ID: equity investment decision; CI: corporate image

## 5. Discussion

### 5.1 The Relationship Between ESG Factors and Investment Decision of Stock Market Investors of Vietnam

This study provides empirical evidence that ESG dimensions are unevenly weighted by retail investors, with environmental and governance factors exerting stronger effects than social factors. The results strongly support hypothesis H1, this effect is among the strongest of the direct ESG impacts, highlighting environmental issues as a key driver of investors' equity allocation decisions. This finding aligns with prior research showing that investors increasingly favour companies with strong environmental stewardship and view poor environmental performance as a risk factor (Nguyen et al., 2024). The evidence reinforces these trends that investors appear to reward firms that demonstrate environmental responsibility, consistent with the growing global emphasis on sustainable investing.

Regarding H2, social factors (such as community development, employee welfare, and human rights) policies influence investors' decisions, though less so than environmental or governance factors. This result is consistent with shareholder theory and prior empirical evidence demonstrating that strong social performance enhances corporate attractiveness and investor confidence (Dang, 2024; Nguyen et al., 2024). More broadly, existing literature indicates that social performance strengthens corporate reputation and perceived firm value, thereby increasing investor willingness to allocate capital (Ledi & Ameza-Xemalordzo, 2023). However, the relatively weaker effect of the social dimension observed in this study contrasts with some findings in developed markets, where social responsibility is often reported as equally or more influential (Sultana et al., 2018). This divergence may be explained by the regional and institutional context of Vietnam. In emerging markets characterized by

information asymmetry and lower regulatory enforcement, governance signals may carry greater weight in reducing perceived risk, while environmental issues are increasingly salient due to climate vulnerability. In contrast, social factors may be perceived as less directly linked to financial outcomes, which may explain their weaker influence in this context.

Governance issues had a positive and highly significant effect on investment decisions, providing strong support for H3. This indicates that investors place substantial weight on a firm's governance quality, including factors like board effectiveness, transparency, accountability, and ethical leadership, when choosing investments. The finding is consistent with prior evidence showing that strong governance enhances investor confidence and attracts institutional ownership (Aggarwal et al., 2011), improves corporate reputation and valuation, and influences both institutional and individual investors' stock selection (Ercan & Onder, 2016; Ismail et al., 2023). Recent evidence from emerging markets further indicates that robust governance practices strengthen corporate image and performance, thereby reinforcing their appeal to investors (Ledi & Ameza-Xemalordzo, 2023).

## 5.2 The Relationship Between ESG and Corporate Image

These empirical results indicate that all three pillars of ESG make substantial contributions to a firm's corporate image. Among them, environmental initiatives had the largest impact, though social and governance practices also yielded notable improvements in corporate image. These findings align with a rich body of literature demonstrating that CSR/ESG performance is a key driver of corporate image and reputation. Prior studies consistently show that companies engaging in meaningful CSR enjoy enhanced public image and goodwill (Kim et al., 2020; Mohammad Fraihat et al., 2023). For instance, a study in China found a significant positive relationship between firms' ESG performance and their reputation, with higher ESG ratings boosting corporate reputation scores (Meng et al., 2023). Moreover, Kim et al. (2020) report that companies' CSR practices have a positive influence on corporate image and reputation, ultimately strengthening stakeholder support. Empirical research by Chen et al. (2021) further indicates that multiple CSR dimensions (economic, legal, and ethical) significantly improve corporate image, underlining that consistent responsible behaviour across areas builds a stronger overall image.

## 5.3 The Relationship Between Corporate Image and Investment Decision

Regarding Hypothesis 5, corporate image has a positive, significant effect on investment decisions. Prior research affirms that firm reputation is a crucial factor in investors' decision-making. For example, Jagongo & Mutswenje (2014) found that investors explicitly consider the company's reputation among the most important criteria when choosing stocks, alongside financial indicators. Similarly, Ercan & Onder (2016) showed that corporate reputation (together with future earnings prospects and management quality) is one of the most influential factors for stock investors. Indeed, a strong positive image can reassure investors and attract capital, as it often signals effective management and lower risk. It has been noted that well-regarded companies can elicit greater investor interest, especially under uncertainty. Good corporate image also confers financial benefits such as easier, more cost-effective financing (lower risk premiums), as investors perceive less risk in reputable firms (Ismail et al., 2023). Additionally, marketing research shows that brand equity, closely related to corporate image, has a direct impact on investment decisions, making firms with strong brands more attractive to investors (Wei et al., 2017; West et al., 2016).

The mediation results indicate that corporate image partially transmits the effect of ESG on investment decisions, suggesting a perception-based mechanism. ESG disclosure information is often complex and difficult to process; therefore, investors rely on simplified cognitive evaluations when forming judgments (Brooks & Byrne, 2008; McGoun & Skubic, 2000). In this process, ESG signals shape corporate image, which in turn serves as a heuristic cue reflecting firm credibility and long-term orientation (Helm, 2007; Koh et al., 2022). The presence of partial mediation implies that ESG affects investment decisions through both direct evaluation and indirect perceptual interpretation, consistent with behavioral finance arguments that investor decisions are not purely analytical but also shaped by cognitive and affective processing (Bikas et al., 2013). This mechanism is particularly relevant in emerging markets, where ESG disclosures are less standardised and investors rely more heavily on perception-based judgments (Nguyen, 2022).

## 5.4 The Moderator Impact of Investment Horizon

Hypotheses H6a–H6c are not supported, as investment horizon does not significantly moderate the effects of ESG factors on investment decisions. This null result contrasts with some prior studies. For instance, Nguyen et al. (2020) found that corporate social responsibility activities created more shareholder value when long-term investors were present, suggesting that long-horizon institutional investors amplify the positive effects of CSR by monitoring management. Similarly, Harford et al. (2014) showed that long-term investors can strengthen governance and curb managerial short-termism, thereby improving firm decisions and outcomes. In the context of climate and sustainability, institutional surveys report that investors with longer horizons (pension funds) place

greater emphasis on long-run ESG risks and outcomes, whereas short-horizon investors focus more on near-term returns (Hirst et al., 2023; Nguyen et al., 2020).

The insignificant moderating effect of investment horizon can be explained by the characteristics of the Vietnamese stock market. First, the market is dominated by retail investors, who typically exhibit short-term trading behavior, speculative tendencies, and heterogeneous time orientations (Nguyen & Nguyen, 2026). As a result, the distinction between short- and long-term investment horizons is less clearly defined, weakening its role as a stable moderator. Second, unlike institutional investors, individual investors in Vietnam often face limited access to high-quality ESG information and lower analytical capacity to evaluate long-term sustainability implications. Consequently, ESG signals are more likely to be interpreted as general indicators of firm reputation, rather than as long-term value drivers. This reduces the extent to which investment horizon conditions the ESG-investment decision relationship. Third, in an emerging market with high information asymmetry, ESG disclosures can trigger immediate price reactions, making it relevant for both short- and long-term investors. As a result, ESG influences investment decisions relatively uniformly, reducing the moderating role of investment horizon.

## **6. Conclusion and Implications**

### **6.1 Summary of Main Finding**

This study empirically investigates the impact of ESG factors on equity investment decisions in the Vietnamese stock market, incorporating the mediating role of corporate image and the moderating role of investment horizon. The PLS-SEM results indicate that ESG factors all exert positive and statistically significant effects on investment decisions, with environmental and governance factors demonstrating stronger influences, while the social dimension shows a comparatively weaker effect. Additionally, corporate image plays a statistically significant mediating role, especially in transmitting the influence of environmental and social practices to investor decisions. However, the study finds that investment horizon, whether short-term or long-term, does not significantly moderate the relationship between ESG factors and investment decision-making. These findings contribute to a more nuanced understanding of how ESG components differentially affect investor behaviour and underscore the critical mediating role of corporate image. Practically, the results suggest that Vietnamese firms should focus on enhancing ESG transparency and reputation management to strengthen investor confidence, rather than relying on assumptions about investor time preferences.

### **6.2 Theoretical Contributions**

First, we demonstrate that ESG is not a homogeneous construct in the context of emerging market retail investors. Environmental and governance factors exert stronger effects than social factors, indicating that investors priorities ESG dimensions based on their perceived financial materiality and risk relevance, consistent with prior ESG literature.

Second, from a behavioural finance perspective, the findings highlight corporate image as a key mediating mechanism through which ESG information shapes investor perceptions and investment decisions. Importantly, this claim is now explicitly supported by bootstrapping mediation results, which confirm partial mediation effects. We further clarify the mechanism by showing that corporate image functions as a cognitive simplification device, allowing investors to process complex ESG information through heuristic evaluation.

Third, contrary to prior expectations, investment horizon does not moderate the ESG-investment decision relationship, suggesting that ESG considerations are relevant across different investor time horizons rather than being confined to long-term investors.

### **6.3 Managerial Implications**

Based on the research findings, several practical implications emerge for Vietnamese businesses. First, companies should strategically invest in strengthening all three ESG dimensions, with particular emphasis on environmental and governance performance, as these were shown to exert the most substantial influence on investment decisions. Firms can do this by enhancing environmental sustainability initiatives (e.g., carbon reduction, green product innovation, pollution control), ensuring transparency in governance (e.g., independent boards, anti-corruption policies), and maintaining socially responsible practices (e.g., employee welfare, community development). These actions not only help firms meet regulatory and ethical standards but also directly appeal to investors who prioritise sustainable business practices.

Second, organisations should actively manage and promote their corporate image as a strategic asset. Since corporate image significantly mediates the relationship between ESG performance and investor decisions, companies must ensure that their ESG efforts are not only implemented but also effectively communicated. This could include issuing annual sustainability reports, publicising ESG awards or certifications, and transparently

disclosing their performance against ESG benchmarks. Positive public perception enhances investor trust and serves as a critical channel through which ESG efforts are converted into investment interest.

Third, companies should tailor ESG communication strategies to both short-term and long-term investors, as the research found ESG factors influence investment decisions across all investment horizons. This suggests that ESG communication should not be positioned only as part of a long-term value proposition but also framed in terms of short- and medium-term risk management and brand differentiation. Firms may consider integrating ESG content into investor presentations, digital marketing, and stakeholder engagement platforms to reach a broader audience of potential investors.

Fourth, to maximise the impact of ESG investments, firms should align ESG initiatives with core business strategies and innovation capabilities. Although investment horizon did not moderate the ESG-investment link in this research, future competitiveness will likely depend on how ESG practices are embedded into the business model rather than treated as isolated compliance efforts. For instance, integrating ESG into product development, supply chain management, or digital transformation will not only reinforce the company's sustainability profile but also drive performance and long-term value creation.

Finally, businesses are encouraged to continuously monitor investor trends and expectations regarding ESG, especially as Vietnam's capital market evolves and integrates more deeply with global financial systems. By staying ahead of ESG disclosure norms, aligning with investor priorities, and maintaining a trustworthy corporate image, companies can position themselves favourably in a market that increasingly rewards responsible and transparent business conduct.

## 7. Limit and Future Research Directions

This study is limited by its use of a cross-sectional survey design, which captures investor perceptions and behaviours at a single point in time. As a result, it cannot reflect potential changes in ESG awareness or investment preferences over time. Additionally, the use of non-probability sampling may limit generalisability, and the sample is skewed toward younger, well-educated investors, potentially underrepresenting other investor groups, which may not fully represent the broader investment community, particularly institutional investors or those with differing socioeconomic backgrounds. Perception-based ESG measures may introduce subjectivity and common method bias;

Future research should consider using longitudinal or experimental designs to capture how ESG perceptions evolve and influence investment decisions over time. It is also recommended to expand the sample to include institutional investors and explore cultural or regional differences in ESG impact. Furthermore, future studies could integrate qualitative methods to better understand the psychological mechanisms behind ESG-driven investment behaviour and investigate additional mediators or moderators such as risk tolerance, media influence, or regulatory policy. In addition, future research should incorporate objective ESG indicators to improve validity.

## Author Contributions

Conceptualization, H.M.P.; methodology, H.T.T.T. and Q.L.D.; software, T.D.T.; validation, H.T.T.T., H.M.P., and T.A.B.; formal analysis, H.T.T.T. and T.D.T.; investigation, Q.L.D., and U.T.V.P.; resources, H.M.P.; data curation, Q.L.D. and T.D.T.; writing—original draft preparation, Q.L.D., T.D.T., T.A.B., U.T.V.P.; writing—review and editing, H.T.T.T.; visualization, H.T.T.T.; supervision, H.T.T.T. and H.M.P.; project administration, H.M.P.; funding acquisition, H.T.T.T. All authors have read and agreed to the published version of the manuscript.

## Data Availability

The data used to support the research findings are available from the corresponding author upon request.

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## Conflicts of Interest

The authors declare no conflicts of interest.

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## Appendix

**Table A1.** Measurement items

Constructs	Items	Description
ESG (Environmental, Social, and Governance)	E1	Invested enterprises produce environmentally friendly and sustainable products.
	E2	Invested enterprises apply methods to reduce toxic emissions from production processes.
	E3	Invested enterprises participating in and organising environmental protection activities.
	E4	An enterprise with standard environmental protection activities will perform better in the long run.
	S1	Invested enterprises care about the safety and health of employees and workers in the workplace
	S2	Invested enterprises invest in developing the skills, capabilities, employability and careers of their employees by arranging training and education
	S3	Invested enterprises create equal opportunities for any age, gender, ethnicity, religion
	S4	Invested enterprises produce standard goods and services that take into account the health and safety of customers.
	S5	An enterprise that invests in social issues helps increase their sustainable development value
	G1	Invested enterprises establish an effective board of directors with assigned duties and responsibilities for all corporate governance matters.
	G2	Invested enterprises comply with financial reporting requirements and auditor independence
	G3	Invested enterprises shall establish an audit committee with a reasonable structure, ensuring the disclosure of financial information in accordance with current regulations.
	G4	Invested enterprises strictly manage issues related to corruption and bribery, ensuring compliance with legal regulations and ethical standards.
	Investment Decision	ID1
ID2		You have intention to invest more in ESG-oriented enterprise in the coming years
ID3		Investing in an environmentally unfriendly enterprise is a risky investment.
ID4		Caring about an enterprise's social issues ensures a healthy investment.

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	ID5	Investing in an enterprise with a history of governance failures exposes investors to significant risk.
	IH1	Investment horizons may modify or change the impact of ESG information on investment choices.
Investment Horizon	IH2	Long-term horizon influences investment decisions when investing in ESG
	IH3	Medium-term horizon influences investment decisions when investing in ESG
	IH4	Short-term horizon influences investment decisions when investing in ESG
	CI1	An enterprise's commitment to ESG initiatives increases your trust in the business
Corporate Image	CI2	Engaging in ESG activities enhances corporate reputation
	CI3	An enterprise's ESG activities make you believe it is a trustworthy business
	CI4	You consider ESG initiatives a key factor when evaluating an enterprise's reputation

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