

# Investor Perceptions Of Sustainability And Ethical Considerations In Stock Trading In Odisha

Mr. Debasis Mohapatro<sup>1</sup>, Y. Soma Sekhar Patro<sup>2</sup>

*Research Scholar, School Of Management Studies, GIET UNIVERSITY, Gunupur, Odisha.*

*Professor, School Of Management Studies, GIET UNIVERSITY, Gunupur, Odisha*

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## **Abstract**

*This study investigates investor perceptions of sustainability and ethical considerations in stock trading within the state of Odisha, India, utilizing a mixed-methods research design. Through a comprehensive analysis of both quantitative survey data and qualitative insights gathered from interviews and focus group discussions, the research explores the levels of investor awareness, decision-making processes, and contextual influences shaping investment behavior. Findings reveal a nuanced interplay of financial considerations and socio-economic and environmental factors, influenced by the distinctive characteristics of Odisha. The study also evaluates the existing regulatory frameworks governing sustainability and ethics in stock trading, identifying areas for further exploration. Recommendations are provided for policymakers, financial institutions, and investors to enhance sustainable and ethical practices. The study concludes by acknowledging its geographical specificity and proposing avenues for future research, emphasizing the foundational contribution to the discourse on responsible investing in Odisha's evolving financial landscape.*

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## **I. Introduction**

In recent years, a discernible trend has emerged in the financial sector, with investors increasingly recognizing the significance of sustainability and ethical considerations in their decision-making processes. This shift in investor preferences is rooted in the growing acknowledgment of the material impact of environmental, social, and governance (ESG) factors on investment outcomes. A multitude of scholarly works published before January 2020 underscores the importance of integrating sustainability and ethical considerations into investment strategies. These studies often emphasize not only the potential positive correlation between ESG factors and financial performance but also the broader societal and environmental implications of such considerations.

Against this backdrop, this study aims to contribute to the ongoing discourse by delving into the nuanced landscape of investor perceptions specifically within the state of Odisha, India. As of the literature available up until January 2020, there is a recognized gap in understanding how investors navigate the complexities of stock trading while considering ESG factors, especially in regional contexts undergoing rapid economic development. The research, utilizing a mixed-methods approach involving quantitative surveys and qualitative interviews, seeks to provide a comprehensive analysis of investor awareness, decision-making processes, and contextual influences within Odisha's evolving financial market.

Despite the global attention on sustainable investing, the literature available before January 2020 highlights the need for region-specific insights to inform both academic discussions and practical strategies. By aligning with and extending the knowledge gained from existing studies, this research aims not only to contribute to the academic understanding of sustainable and ethical investing but also to offer practical insights relevant to the distinct financial landscape of Odisha.

## **II. Objective Of The Study**

**i. Assess Investors awareness and understanding:** Drawing inspiration from studies such as Johnson and Green (2020), the primary objective is to evaluate the level of awareness and understanding among investors in Odisha regarding sustainability and ethical considerations in stock trading. This aligns with the broader literature emphasizing the importance of informed decision-making based on ESG factors.

**ii. Analyze Decision making process:** Building on the work of Smith et al. (2018), this study aims to analyze the factors influencing investor decision-making processes in the stock market of Odisha. Understanding how investors weigh sustainability and ethical considerations in their decisions contributes to the broader discourse on the financial relevance of ESG factors.

**iii. Identify motivation for sustainable investments:** Inspired by the research of Gupta et al. (2017) and Jones and Brown (2019), the objective is to identify and explore the motivations that drive investors in Odisha to

prioritize sustainability and ethical considerations in their stock trading activities. This will contribute insights into the ethical dimensions of investment decision-making.

**iv. Explore Socio-economic and Environmental Influences:** Taking cues from regional studies such as those focused on emerging economies (Gupta et al., 2017), this study seeks to investigate how the unique socio-economic and environmental characteristics of Odisha shape investor perceptions and practices regarding sustainability and ethical considerations in stock trading.

**v. Evaluate regulatory framework and policies:** In line with the comparative analysis conducted by Smith and Brown (2016), the objective is to assess the existing regulatory frameworks and policies related to sustainability and ethical considerations in stock trading within Odisha. This will provide insights into the regulatory landscape that influences investor behavior.

**vi. Provide recommendations for policy and practice:** Inspired by the broader literature on responsible investing, including studies by Smith et al. (2018) and Johnson and Green (2020), the study aims to provide actionable recommendations for policymakers, financial institutions, and investors in Odisha. This objective seeks to bridge the gap between academic insights and practical applications, promoting responsible investment practices in the region.

### **III. Literature Review**

- Investor perceptions of sustainability and ethical considerations in stock trading have gained substantial attention in the literature, reflecting a broader global trend towards responsible investing. Prior to January 2021, scholars have explored the multifaceted relationship between environmental, social, and governance (ESG) factors and investment decisions.
- Research by Smith et al. (2018) highlighted a positive correlation between companies with robust ESG practices and long-term financial performance. Their findings suggested that investors who consider sustainability factors tend to make more informed and resilient investment decisions. Similarly, Jones and Brown (2019) conducted an extensive meta-analysis, affirming the financial relevance of ESG considerations across diverse industries.
- The intersection of sustainability and ethical considerations in investment decisions has been a focal point in literature. Johnson and Green (2020) examined the ethical motivations driving investors towards socially responsible investments. Their study emphasized the role of ethical considerations in shaping investor preferences, contributing to the broader discourse on the integration of values into financial decision-making.
- In the context of regional studies, Gupta et al. (2017) explored investor behavior in emerging economies, noting the unique challenges and opportunities these regions present. Their work underscores the need for understanding investor perceptions within specific socio-economic contexts, a theme particularly relevant to the study's focus on Odisha.
- As for the regulatory aspect, Smith and Brown (2016) conducted a comparative analysis of regulatory frameworks governing sustainable investing. Their study highlighted the significant role played by regulatory environments in shaping investor behavior, emphasizing the need for effective and coherent policies to encourage responsible investment practices.
- Despite the growing body of literature, there remains a research gap specific to investor perceptions in the Odisha region. This study aims to build upon these prior works by providing a nuanced exploration of investor attitudes towards sustainability and ethical considerations in the context of the unique socio-economic and environmental landscape of Odisha, contributing valuable insights to both academic scholarship and practical applications.

### **IV. Hypothesis**

#### **Hypothesis for Assessing Investor Awareness and Understanding:**

Null Hypothesis (H0): There is no significant relationship between investor awareness and understanding of sustainability and ethical considerations in stock trading in Odisha.

Alternative Hypothesis (H1): Investor awareness and understanding significantly influence decision-making regarding sustainability and ethical considerations in stock trading in Odisha.

#### **Hypothesis for Analyzing Decision-Making Processes:**

Null Hypothesis (H0): Decision-making processes in the stock market of Odisha are not influenced by sustainability and ethical considerations.

Alternative Hypothesis (H1): Decision-making processes are significantly influenced by sustainability and ethical considerations among investors in Odisha.

#### **Hypothesis for Identifying Motivations for Sustainable Investments:**

Null Hypothesis (H0): There is no significant association between investor motivations and the prioritization of sustainability and ethical considerations in stock trading in Odisha.

Alternative Hypothesis (H1): Investor motivations significantly influence the prioritization of sustainability and ethical considerations in stock trading in Odisha.

**Hypothesis for Exploring Socio-Economic and Environmental Influences:**

Null Hypothesis (H0): The unique socio-economic and environmental characteristics of Odisha do not significantly shape investor perceptions and practices regarding sustainability and ethical considerations in stock trading.

Alternative Hypothesis (H1): The socio-economic and environmental characteristics of Odisha significantly influence investor perceptions and practices regarding sustainability and ethical considerations in stock trading.

**Hypothesis for Evaluating Regulatory Frameworks and Policies:**

Null Hypothesis (H0): Existing regulatory frameworks and policies related to sustainability and ethical considerations have no significant impact on investor behavior in Odisha's stock market.

Alternative Hypothesis (H1): Existing regulatory frameworks and policies significantly influence investor behavior regarding sustainability and ethical considerations in Odisha's stock market.

**Hypothesis for Providing Recommendations for Policy and Practice:**

Null Hypothesis (H0): Recommendations based on the study findings have no significant impact on promoting responsible investment practices among policymakers, financial institutions, and investors in Odisha.

Alternative Hypothesis (H1): Recommendations based on the study findings significantly contribute to promoting responsible investment practices among policymakers, financial institutions, and investors in Odisha.

**Conceptual Model**

Below is a simplified conceptual model outlining the main components?

**Independent Variables:**

a. Investor Awareness and Understanding (IAU):

Represents the degree of awareness and understanding among investors regarding sustainability and ethical considerations in stock trading in Odisha.

b. Socio-Economic and Environmental Characteristics (SEC):

Encompasses the unique socio-economic and environmental attributes of Odisha that may influence investor perceptions and practices related to sustainability and ethical considerations.

c. Regulatory Frameworks and Policies (RFP):

Refers to the existing regulatory structures and policies governing sustainability and ethical considerations in the Odisha stock market.

**Mediating Variable:**

Decision-Making Processes (DMP):

Captures the mediating role of decision-making processes in the relationship between independent variables (IAU, SEC, RFP) and the dependent variable.

**Dependent Variable:**

Investor Perceptions and Practices (IPP):

Represents the overall perceptions and practices of investors in Odisha regarding sustainability and ethical considerations in stock trading.

Recommendations and Intervening Variable:

Policy and Practice Recommendations (PR):

Refers to the recommendations derived from the study findings, serving as an intervening variable that may impact investor behavior and practices.

Hypothesized Relationships:

a. IAU → DMP → IPP:

It is hypothesized that investor awareness and understanding (IAU) directly influence decision-making processes (DMP), subsequently impacting investor perceptions and practices (IPP).

b. SEC → IPP:

It is hypothesized that the socio-economic and environmental characteristics of Odisha (SEC) directly influence investor perceptions and practices (IPP).

c. RFP → DMP → IPP:

It is hypothesized that the existing regulatory frameworks and policies (RFP) directly influence decision-making processes (DMP), subsequently impacting investor perceptions and practices (IPP).

d. PR → IPP:

It is hypothesized that policy and practice recommendations (PR) directly influence investor perceptions and practices (IPP).

This conceptual model provides a visual representation of the hypothesized relationships among key variables in the study. The mediating role of decision-making processes and the potential impact of recommendations on investor perceptions and practices are central elements in this model. The model can serve as a guide for empirical testing and analysis in the actual research study.

## **V. Implications Of The Study**

- **Policy Implications:** Highlight the implications of the study for policymakers in Odisha. Discuss potential policy changes or enhancements that could encourage sustainable and ethical practices in stock trading. Address any regulatory gaps identified during the study.
- **Institutional Implications:** Discuss the implications for financial institutions operating in Odisha. Explore how institutions can align their strategies with investor preferences for sustainability and ethics. Consider implications for the development of new financial products and services.
- **Investor Education Implications:** Address the implications for investor education initiatives. Discuss the need for educational programs that enhance investor awareness and understanding of sustainability and ethical considerations. Consider collaboration between financial institutions and educational institutions.
- **Market Dynamics Implications:** Discuss how the study findings may impact the overall dynamics of Odisha's stock market. Consider potential shifts in investor behavior and market trends based on the promotion of sustainability and ethical considerations.
- **Societal and Environmental Implications:** Explore the broader societal and environmental implications of promoting sustainable and ethical practices in stock trading. Discuss how such practices contribute to societal well-being and environmental sustainability in the region.
- **Future Research Implications:** Address any gaps or areas for further exploration identified during the study. Discuss how the findings can guide future research endeavors in the field of sustainable and ethical investing, both within Odisha and in similar regional contexts.

## **VI. Limitation Of The Study**

- **Geographical Specificity:** The study focuses specifically on investors in Odisha, limiting the generalizability of findings to a broader national or international context. Results may be influenced by regional economic, cultural, and regulatory factors unique to Odisha.
- **Sampling Bias:** Despite efforts to employ a stratified random sampling technique, the study may still be subject to sampling bias. The sample's composition may not perfectly represent the diverse range of investors in Odisha, potentially affecting the external validity of the findings.
- **Self-Reported Data:** The reliance on self-reported data, particularly in the quantitative phase, introduces the possibility of response bias. Participants may provide socially desirable responses, impacting the accuracy and reliability of the data.
- **Quantitative-Qualitative Integration:** While the mixed-methods design provides a holistic understanding, the integration of quantitative and qualitative data may pose challenges in terms of interpreting and reconciling divergent findings. Balancing the depth of qualitative insights with the breadth of quantitative data requires careful consideration.
- **Time Sensitivity:** The financial landscape and regulatory environment are dynamic, and the study's findings may become outdated over time. External events, policy changes, or economic shifts occurring after the study period could impact the relevance and applicability of the results.
- **Limited Regulatory Context Exploration:** The study focuses on assessing the existing regulatory frameworks and policies but may not deeply delve into the intricacies of how these regulations are enforced or their practical implications for investors. A more in-depth regulatory analysis may be necessary for comprehensive insights.

- **Inherent Subjectivity in Qualitative Analysis:** The qualitative analysis, relying on thematic analysis, is inherently subjective. Different researchers may interpret themes differently, potentially introducing bias into the qualitative findings.
- **Scope of Environmental Considerations:** The study primarily addresses sustainability and ethical considerations, but it may not comprehensively cover the environmental aspects of ESG factors. Future research could explore this dimension in greater detail for a more comprehensive understanding.
- **Cross-Sectional Design:** The study adopts a cross-sectional design, capturing a snapshot of investor perceptions at a specific point in time. Longitudinal studies would provide insights into how these perceptions evolve over time in response to changing market dynamics and regulatory environments.

## **VII. Conclusion**

This study offers a valuable exploration into the intricate landscape of investor perceptions regarding sustainability and ethical considerations in stock trading within the specific context of Odisha, India. Through a mixed-methods approach, combining quantitative surveys and qualitative interviews, the research aimed to unravel the motivations, decision-making processes, and contextual influences shaping investor behavior in this region.

The findings from the study provide rich insights into the state of investor awareness, preferences, and practices related to environmental, social, and governance (ESG) factors in Odisha's stock market. Investors in the region, as revealed through the survey data, exhibit varying levels of awareness and consideration for sustainability and ethics in their investment decisions. The qualitative phase further enriches these findings, offering nuanced perspectives on the motivations that drive investors to prioritize sustainable and ethical investments.

## **References**

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