

FRAMING ESG INVESTMENT COMMITMENTS: A CONCEPTUAL KAP MODEL FOR SUSTAINABLE FINANCIAL LITERACY AND ATTITUDES AMONG YOUNG INVESTORS IN MALAYSIA

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Abstract: Investing has evolved beyond mere capital generation, wealth accumulation, and income production for institutional and individual investors. By incorporating the environmental, social, and governance (ESG) considerations into its strategies, investment now increasingly serves as a means to contribute to societal and environmental enhancement while pursuing financial returns. Based on the Knowledge, Attitudes, and Practices (KAP) model, this paper presents a conceptual framework to understand ESG investment commitment among young investors in Malaysia. The KAP model provides a structured lens to uncover the cognitive and psychological factors influencing responsible investment decisions by examining the interrelationships among sustainable financial literacy (K), attitudes toward ESG (A), and ESG-aligned investment behaviour (P). The proposed methodology involves primary data collection using self-administered questionnaire, to be distributed to young investors aged 21 – 40 in the central region of Malaysia. This study yields practical insights into the current state of ESG investment commitment among young investors, highlighting the potential need for

unique approach and tools in designing ESG-aligned financial literacy programs by the policymakers, financial institutions, and investment platforms.

Keywords: *Environmental, social, and governance (ESG), Knowledge, Attitudes and Practices (KAP), young investors, financial literacy, and investment commitment.*

Introduction

The trend today is that investing has evolved beyond mere capital generation, wealth accumulation, and income production for institutional and individual investors. By incorporating the environmental, social, and governance (ESG) considerations into its strategies, investment now increasingly serves as a means to contribute to societal and environmental enhancement while pursuing financial returns; thereby aligning investments with personal ethical values.

In the past decade, the term ESG has been the buzzword in the investment fraternity, and is frequently being connected to other concepts such as corporate social responsibility (CSR), impact investing, and socially responsible investing (SRI). Although they all highlight the interconnectedness between business and other aspects, each of them carries certain distinct characteristics in specific contexts. For instance, CSR is a business model that prioritizes a company's awareness of its social and environmental effects, encompassing issues such as human rights, consumer protection, and business ethics, but excluding corporate governance, which is covered by ESG (Rau & Yu, 2023; European Commission, 2022). Conversely, SRI considers not only social factors but also the personal values of investors in the investment decision-making process (Schueth, 2003).

Global sustainable fund assets, which is defined as investments in assets that comply with environmental, social, and governance criteria (ESG) has seen a significant increasing trend from 2018 to 2024 (MorningStar, 2025). The performance of USD 3.2 trillion worth of its assets and the creation of many new sustainable funds by the end of 2024 proves a surging interests and enthusiasm among investors toward ESG-aligned investments.

In the same vein, bond markets also indicate similar trend whereby the global issuance of corporate sustainable bonds has experienced a six-fold spike from 2019 to 2023 compared to the period from 2014 to 2018, with Europe being the predominant issuing region, accounting for 45% of total issuances from 2014 to 2023 (OECD, 2024).

In the Malaysian context, recent years have witnessed greater commitment of big companies and institutional investors in ESG investments. This is attributed to the concerted efforts by the regulators which progressively developing the market segment, for instance, the launch of FTSE4Good Bursa Malaysia Index was launched in 2014 to promote ESG investments (Bursa Malaysia, 2014). Despite this positive development, it is also noteworthy that the adoption of ESG investing by Malaysian retail investors is relatively underexplored (Aziz et al., 2023). This reflects a significant gap in understanding the ESG commitment of the investors.

In view of the above discussion, this study attempts to addresses this gap by narrowing its focus to young retail investors for two main reasons. Firstly, young investors are deemed to be the emerging and key investment cohort. Secondly, they also tend to be more attuned to social and environmental issues. Furthermore, studies have largely explored institutional investors, or

older and experienced individuals, but do not pay much attention to the impact of investment decisions of young investors toward ESG (Amel-Zadeh & Serafeim, 2018).

Young investors have different investment drivers compared to older or institutional investors. Langton (2017) presents that 75% of active retail investors are interested in sustainable financing, and 86% among them are millennial investors. It appears that young investors exhibit heightened concern for social and environmental issues, and demonstrate a greater propensity to support companies that contribute positively to society and the environment (Narayanan, 2022; Weinbrenner, 2023; Pašiušienė et al., 2023).

Additionally, due to the proliferation of technology and the tech-savvy of generation-Z, they tend to acquire greater knowledge and awareness on ESG-related issues. Indefi (2023) reveals that over 80% of Gen Z investors would entrust robo-advisors and digital tools with at least a segment of their investment portfolio; and more than 90% of them demonstrated their willingness in considering ESG issues in their investments.

Intuitively, behaviour is influenced by both cognitive and psychological factors (Ajzen, 1991; Fishbein & Ajzen, 2010; Bai, 2023). This relationship is well captured in the Knowledge, Attitudes, and Practices (KAP) model, whereby knowledge, attitudes, and practices represent cognitive, psychological, and behaviour, respectively. The model provides a structured lens to uncover the cognitive and psychological factors influencing responsible investment decisions by examining the interrelationships among sustainable financial literacy (K), attitudes toward ESG (A), and ESG-aligned investment behaviour (P). In a similar vein, it is also in line with Siew et al. (2024) which highlighted the significant interplay between cognitive, affective and behaviour in the context of sustainability.

Given the heightened interests in ESG-aligned investments among young investors, this study aims to address a relevant gap by proposing a conceptual framework grounded in the KAP model to understand ESG investment commitment in the Malaysian context.

Literature Review

This section discusses the Knowledge, Attitudes, and Practices (KAP) model as the underpinning theory, followed by the respective hypothesis development.

Underpinning Theory – Knowledge, Attitudes, and Practices (KAP) Model

The application of Knowledge, Attitudes, and Practices (KAP) model can be traced back to research in the 1950s, mainly in the area of family planning, population studies, and health-related behaviours (Andrade et al., 2020; Launiala, 2009). The model effectively reflects the idea that behaviour is shaped by both cognitive and psychological factors. It is commonly used by international organisations such as World Health Organization (WHO) and United Nations Children's Fund (UNICEF) as a tool to gather information to assess public knowledge and behaviour regarding a certain issue.

Despite prominently being used in the health-related research, the use of KAP model has also extended to other areas including behavioural finance (Bahori et al., 2024; Ismail et al., 2024; Mahmoud et al., 2025). It stands on the intuitive notion that knowledge can directly influence practice. Additionally, knowledge shapes attitudes, which in turn is also a driving force behind practice. In addition, attitude also plays a role in influencing the corresponding practice changes. This framework recognises both the direct and mediated pathways from knowledge to practice (Kang & Bagaoisan, 2024).

In the context of this study, it is conjectured that knowledge (operationalised as sustainable financial literacy) shapes the investors' attitudes towards environmental, social, and governance (ESG) issues, which subsequently influence their investment decisions regarding commitment to ESG-aligned options.

Review of Research Variables and Hypothesis Development

Practice, as conceptualised in the KAP model, is the dependent variable. Generally, it refers to the actions and behaviour of an individual in a specific environment (Bahori et al., 2024; Ismail et al., 2024; Kang & Bagaoisan, 2024). In the context of this study, the practice that is being examined is the ESG-aligned investment behaviour. In particular, this study looks into the commitment of young investors to invest in stocks and portfolios that are supporting the ESG sustainability. As highlighted by Hartzmark and Sussman (2019), while many people care about ESG issues, it remains unclear whether their interests and concerns in ESG are well-translated into sustainable investment decisions.

Knowledge refers to the information and skills acquired through learning and experience; it is therefore essential for understanding the benefits, functionalities, and potential of a certain subject matter. All these processes are critical in forming correct cognitions and attitudes (Toufaily et al., 2021; Kang & Bagaoisan, 2024; Mahmoud et al., 2025). Drawing from existing definitions of financial literacy (Eniola & Entebang, 2017; Huston, 2010, IOSCO & OECD, 2019), this study conceptualises sustainable financial literacy as the acquisition of financial knowledge that includes business-critical competencies which enable individuals to make financial decisions that support both economic growth and sustainability. It is noteworthy that financial literacy remains limited even among seasoned investors, underscoring the greater challenges faced by younger investors, who are typically less experienced and less informed about ESG investment options (OECD, 2020). This study posits that such knowledge has a two-fold effect. It directly influences ESG-aligned investment behaviour, and also shapes investors' attitudes toward ESG issues. Similar notion of the two paths was also proposed by Yong and Zainal Alam (2021). Therefore, it is hypothesised that:

H1: Sustainable financial literacy positively influences investors' ESG-aligned investment behaviour.

H2: Sustainable financial literacy positively influences investors' attitudes toward ESG.

Attitude refers to the internalisation of knowledge which forms a lasting psychological state such as feelings, emotions, and perceptions toward a specific subject (Bahori et al., 2024; Ismail et al., 2024; Kang & Bagaoisan, 2024). The built attitude which comprises motivations and perceptions can lead to the adoption of certain behaviour and practice. In the context of this study, positive attitudes toward ESG-issues are expected to lead to higher commitment to ESG-aligned investments. Therefore, it is hypothesised that:

H3: Attitudes toward ESG positively influences investors' ESG-aligned investment behaviour.

Given the fact that this study hypothesised on the above three relationships, it can further examine the possible mediating role of attitude between the sustainable financial literacy and ESG-aligned investment behaviour. Therefore, the last hypothesis is:

H4: Attitudes toward ESG mediates the relationship between sustainable financial literacy and investors' ESG-aligned investment behaviour.

Research Conceptual Framework

In view of the above discussed variables and developed hypotheses, Figure 1 presents the research conceptual framework for this study.

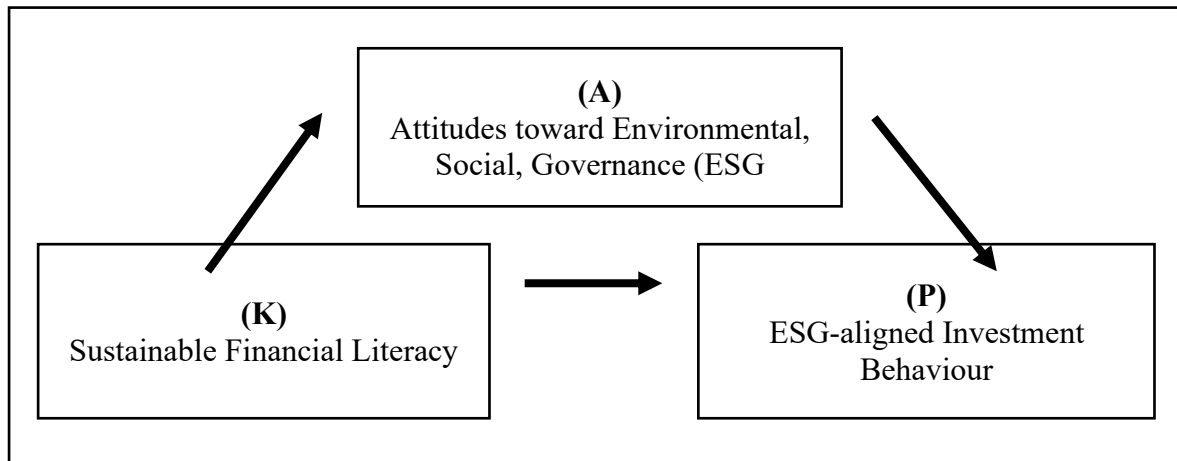


Figure 1: Research Conceptual Framework (Source: Author's Own Work)

Research Methodology

Research Design

The proposed methodology adopts a quantitative approach through primary data collection using self-administered questionnaire, which will be distributed to young investors aged 21 – 40 in the central region of Malaysia. To qualify as participants, respondents must pass two screening questions. First, they must confirm that they have made at least one investment in the capital market (stocks, bonds, derivatives) by answering “Yes” to a relevant question. Second, they must fall within the specified age range of 21 to 40 years.

This study focuses on the central region of Malaysia, considering that Selangor and Kuala Lumpur are areas with a robust economy that received the highest investment in 2024 (Malaysian Investment Development Authority, 2024; & Mardhiah, 2025). As shown in Figure 2, the estimated minimum sample size suggested by G-Power application for this study is 119. As this study targets a specific group of respondents, namely young investors, a purposive sampling technique will be employed. However, for practical reasons, convenience sampling will be used during the data collection process. The purposive nature of the sample is maintained through two screening questions at the beginning of the questionnaire, which ensure that only individuals who meet the criteria are included in the final sample. To ensure broader reach, it is proposed for the questionnaire to be distributed through both online and physical channels.

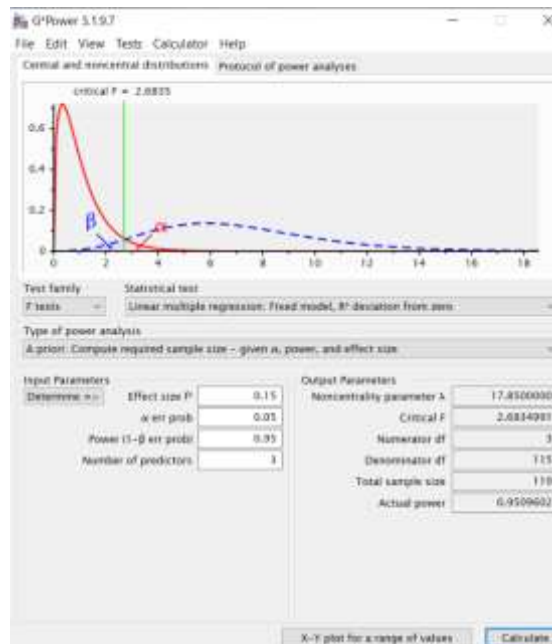


Figure 2 : Sample Size by GPower Software

The questionnaire shall have items that represent the variables in this study, namely Sustainable Financial Literacy, Attitudes toward ESG, and ESG-aligned Investment Behaviour. These items are adapted from various literature (Filippini et al., 2024; OECD, 2020; Shafai et al., 2024; Sultana et al., 2017; van Duuren et al., 2016), which are measured using 5-point Likert scale.

The data will be run using Jamovi software to obtain its descriptive and inferential analysis. It is an open-source statistical software which can perform the analysis, including the intended multiple linear regression. Prior to the regression, the data will go through certain preliminary data screening to check for its normality, reliability, and multicollinearity. Meanwhile, for the multiple linear regression, the relevant statistical equations are as follows:

Equation 1: Total Effect

$$P = \beta_0 + cK + e_1$$

Equation 2: Effect of Financial Literacy on ESG Attitude

$$A = \alpha_0 + aK + e_2$$

Equation 3: Direct and Mediated Effects

$$P = \gamma_0 + c'K + bA + e_3$$

Findings

In view of the increasing global focus on sustainability initiatives, there is a clear need for more in-depth discourse on sustainable and responsible investing within both academic and practical domains. The conceptual framework developed in this study, grounded in the KAP model, provides an apt starting point since it captures both the foundational cognitive (knowledge) and psychological (attitudes) factors that influence behaviour. It underscores the importance of

sustainable financial literacy and positive attitudes towards sustainability in shaping ESG-aligned investment practices.

Theoretically, it is anticipated that sound financial literacy and favourable attitudes toward sustainability issues will lead to young investors' positive inclination to engage in responsible investing. This further supports the suggestion by Yahya (2019) to assimilate ecological awareness into education among youths in Malaysia.

From a practical standpoint, this study offers a foundational examination of the factors driving ESG-aligned investments among young investors in Malaysia. As this form of investment is still gaining traction in the capital market, the findings can help policymakers to better understand the behavioural dynamics of young investors, and support efforts to inculcate responsible investing in the wider financial ecosystem.

Conclusion

Given the high proportion of young population in Malaysia, the focus on young investors is timely because they represent the driving cohort that will significantly determines the consumer sentiments and markets over the next decade. Therefore, how this group of investors perceives and acts towards ESG-aligned investment might illustrate the future of sustainable investments in this country. This study is expected to yield practical insights into the current state of ESG investment commitment among young investors, highlighting the potential need for unique approach and tools in designing ESG-aligned financial literacy programs by the policymakers, financial institutions, and investment platforms. Moving forward, in light of the growing influence of the digital-first generation, future research could further delve into how digital tools can be leveraged to influence ESG investment behaviour among young investors.

Ethics Statement

This study has received ethical approval from the UTAR Scientific and Ethical Review Committee under the approval number U/SERC/78-503/2025.

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