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SUMMARY

This study explores the impact of Sustainability Reporting (SR) and Environmental, Social, and Governance (ESG) disclosures on investor decision-making in emerging economies, using Bangladesh and Lithuania as comparative case studies. With growing global emphasis on responsible investing, understanding how non-financial disclosures influence investor behavior is critical—particularly in transitional economies where ESG adoption is evolving. Grounded in Signaling Theory, Stakeholder Theory, and the Theory of Planned Behavior (TPB), the research investigates four core hypotheses, including the moderating roles of investor trust and perceived report quality, and the individual influence of environmental, social, and governance disclosures. A quantitative, cross-sectional survey design was used to collect primary data from institutional and retail investors across both countries. A structured questionnaire was developed based on validated scales, covering SR exposure, trust, quality, ESG dimensions, and investor decision behavior. Data were analyzed using SPSS, employing multiple linear regression, moderation analysis via PROCESS macro, and independent sample t-tests for cross-country comparison. Findings indicate that SR has a statistically significant impact on investor behavior ($p < 0.05$), particularly when reports are perceived as high-quality and trustworthy. Investor trust positively moderates the relationship between SR and decision-making, while report quality emerges as a key driver of perceived reliability. Among ESG components, environmental and governance disclosures exhibit stronger predictive power than social disclosures. The study also reveals contextual variations between the two countries, reflecting differences in institutional maturity, regulatory expectations, and investor awareness. The thesis includes 8 analytical tables summarizing descriptive and inferential statistics and 1 conceptual framework figure illustrating the theoretical model. The study spans 71 pages, incorporating literature review, theoretical development, methodology, empirical analysis, and implications. The research contributes to the expanding body of literature on ESG integration, particularly in the context of emerging markets, and offers actionable insights for companies, regulators, and investors aiming to enhance sustainable investment ecosystems.

Keywords: Sustainability Reporting, Environmental, Social, and Governance (ESG) disclosures, Investor decision-making, Emerging Economies, Bangladesh, Lithuania.

SANTRAUKA

Šiame tyrime analizuojama tvarumo ataskaitų (SR) ir aplinkosauginių, socialinių bei valdysenos (ESG) atskleidimų įtaka investuotojų sprendimų priėmimui besivystančiose ekonomikose, remiantis Bangladešo ir Lietuvos palyginamuoju atvejo tyrimu. Augant pasauliniam dėmesiui atsakingam investavimui, itin svarbu suprasti, kaip nefinansiniai atskleidimai veikia investuotojų elgseną – ypač pereinamosiose ekonomikose, kuriose ESG diegimas dar tik įsitvirtina. Tyrimas grindžiamas signalų teorija, suinteresuotųjų šalių teorija bei planuoto elgesio teorija (TPB). Jame nagrinėjamos keturios pagrindinės hipotezės, įskaitant investuotojų pasitikėjimo bei suvokiamo ataskaitų kokybės moderuojantį vaidmenį, taip pat atskirą aplinkosaugos, socialinių ir valdysenos atskleidimų įtaką. Duomenys buvo renkami naudojant kiekybinį skerspjūvio tyrimo dizainą iš institucinių ir mažmeninių investuotojų Lietuvoje ir Bangladeše. Tyrimui buvo parengtas struktūrizuotas klausimynas, paremtas patvirtintais matavimo skalėmis, apimančiomis SR naudojimą, pasitikėjimą, kokybės vertinimą, ESG dimensijas ir investavimo elgseną. Duomenys analizuoti taikant SPSS programą, naudojant daugybinę regresinę analizę, moderacijos analizę (su PROCESS makrokomanda) ir nepriklausomų imčių t-testus, siekiant įvertinti šalių skirtumus.

Rezultatai atskleidžia, kad tvarumo ataskaitos statistiškai reikšmingai veikia investuotojų elgseną ($p < 0.05$), ypač kai jos vertinamos kaip patikimos ir aukštos kokybės. Investuotojų pasitikėjimas reikšmingai sustiprina SR ir sprendimų priėmimo ryšį, o suvokiama ataskaitų kokybė tampa svarbia patikimumo varomąja jėga. Iš ESG komponentų, aplinkosauginiai ir valdysenos atskleidimai turi stipresnę prognozinę galią nei socialiniai atskleidimai. Tyrimas taip pat atskleidžia kontekstinius skirtumus tarp dviejų šalių, atspindinčius institucinio brandumo, reguliacinių lūkesčių ir investuotojų sąmoningumo skirtumus. Baigiamasis darbas apima 8 analitines lenteles, apibendrinančias aprašomąją ir išvadinę statistiką, bei 1 koncepcinį modelio paveikslą, vaizduojantį teorinę sistemą. Tyrimo apimtis – 71 puslapiai, apimantys literatūros apžvalgą, teorinę plėtrą, metodologiją, empirinę analizę ir praktines įžvalgas. Tyrimas prisideda prie augančios ESG integracijos literatūros, ypač besivystančių rinkų kontekste, ir siūlo praktines rekomendacijas įmonėms, reguliuotojams ir investuotojams, siekiantiems plėtoti tvaraus investavimo ekosistemas

Raktiniai žodžiai: tvarumo ataskaitos, aplinkosaugos, socialinės ir valdymo (ESG) informacijos atskleidimas, investuotojų sprendimų priėmimas, besiformuojančios ekonomikos, Bangladešas, Lietuv

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LIST OF ABBREVIATION

Abbreviation	Full Form
SR	Sustainability Reporting
ESG	Environmental, Social, and Governance
RE	Renewable Energy
RECs	Renewable Energy Consumption (as a proxy for climate change mitigation)
SI	Sustainable Investment
WGI	Worldwide Governance Indicators
WUI	World Uncertainty Index
GRI	Global Reporting Initiative
SASB	Sustainability Accounting Standards Board
OECD	Organisation for Economic Co-operation and Development
GSIA	Global Sustainable Investment Alliance
IEA	International Energy Agency
WDI	World Development Indicators
EPO	European Patent Office
WIPO	World Intellectual Property Organization
TIS	Technological Innovation Systems
SDGs	Sustainable Development Goals
UNFCCC	United Nations Framework Convention on Climate Change
CO_2	Carbon Dioxide
AIC	Akaike Information Criterion
BIC	Bayesian Information Criterion
OLS	Ordinary Least Squares
SPSS	Statistical Package for the Social Sciences

Abbreviation	Full Form
R^2	Coefficient of Determination (R-squared)
t-stat	t-statistic
p-value	Probability Value (for significance testing)
***	Significant at 1% level
**	Significant at 5% level
*	Significant at 10% level

INTRODUCTION

Environmental and social issues continue to have a relevant impact on the world economy and societies; it is not only the financial performance of a corporation that should be returned to them, but also the environmental, social, and governance (ESG) impact. The result of this has been the popularization of sustainability reporting (SR), which involves companies revealing their ESG results to stakeholders. SR and transparency can showcase the accountability of a firm that strengthens trust in investors, regulators, customers and citizens (Adams & Abhayawansa, 2022; Andrian & Pangestu, 2022). Sustainability reporting provides a well-organized format to report the accomplishments in the non-financial activity and is dedicated to conducting business responsibly.

It is primarily employed to create investor confidence in addition to winning the participation and corporate image of the stakeholders. This is possible because the more transparent the companies become in terms of their sustainability efforts, the stronger and more responsible companies appear like and these attributes render the customer loyalty, employee morality, and relationships between the firm and society more favourable (Patara and Dhalla, 2022; Kostiuchenko et al., 2022). This is imperative especially where it involves the industries where the population enquiries are carried out, and at the industries running within the environmental subject to sensitive nature. Mobilization of ESG businesses is therefore a market nugget to acquire a social license to operate, image and market edge. In cases other than this, sustainability reporting helps the companies not only attain zero wasteful processes in the organization, but also, minimize and cost reduction. There is a possibility that the companies conduct more sustainable analysis of the resource consumption, the emissions and their supply chains to reduce the cost of running business and make it more efficient (Astuti et al., 2023; Dienes et al., 2016). These are not merely aimed at contributing to the verifying of the existence of maintenance of the environment, but also in order to promote the increase of profitability. This study is therefore required to help address important gaps in the existing knowledge on collective similarities and differences between report quality and credibility and their relation to the contextual elements and investor trust and decision-making. This research does not only add to the scholarly debate but also offers the corporations and policymakers an invaluable insight into how they might improve their sustainability disclosures and on the robust reporting frameworks that policymakers need to develop to make the sustainability information meaningful in the context of investment practices (Amin, 2025; Loza Adaui, 2020; Misiuda & Lachmann, 2025).

Problem Statement

Although the prevalence of sustainability reporting (SR) and the consideration of ESG factors in the investment decision are rising, the role of SR in the behavior of investors is still unclear (Adams & Abhayawansa, 2022). To give the reports a more credible size, a more informed perspective on how SR can influence the investment decision making of the investor about the Asian and European countries should be outlined to render this approach to investments sustainable.

Aim of the Study

This study seeks to draw a comparative study on the effects of Environmental, Social and Governance (ESG) disclosures on the sustainability report on the decision-making of investors in two emerging economies, that is, Bangladesh and Lithuania, with reference to the moderating mechanism of consumer trust.

Objectives of the Study

a. To evaluate and compare the impact of the ESG disclosures on making investment decisions between Bangladesh and Lithuania.

b. To address the moderating role of consumer trust in the association between ESG disclosure and investor decision-making between the two nations.

c. In order to determine the discrepancies between cross-country differences in how perceptions of sustainability report quality and credibility affect investment behavior.

Research Questions

a. Do ESG disclosures in sustainability reports affect the investor decision-making in Bangladesh and Lithuania?

b. Is there a difference between Bangladesh and Lithuania in how consumer trust relates to the ESG disclosure and investor decision-making relationships?

c. How do firms in Bangladesh and Lithuania differ in perceived quality and credibility of sustainability reports and how is this variation related to an investment behavior?

Significance of the Study: This study highlights this increasing importance of non-financial reporting and more specifically sustainability reporting (SR) to modern investment analysis. With environmental, social and governance (ESG) factors becoming the focus of the decision-making by capital allocators, investors are increasingly seeking to determine long-term

value generation and risk exposure using SR (Adams & Abhayawansa, 2022; Aureli et al., 2020). Only relevant in part since the study assists companies to find out the best aspects of the sustainability reporting (i.e., transparency, assurance, and materiality) that can shape the decision of the investors (Kostiuchenko et al., 2022; Patara & Dhalla, 2022). The present research can help in the development of sustainable finance as it fills the gap between the disclosure policies of companies and the growing informational demands of socially responsible and institutional investors (Al-Hawary et al., 2022; Attiany et al., 2023).

1. LITERATURE REVIEW

1.1 Sustainability Reporting

There are patterns of mandatory vs. voluntary reporting that go along with Sustainability reporting (SR), commonly considered a synonym with environmental, social, and governance (ESG) reporting, i.e., systematized disclosures about the performance and impact of a company in non-financial spheres, especially, in environment-protecting sectors, societal responsibility, and corporate sustainability (Hess, 2014). However, the meaning of corporate social responsibility has changed over the decades since it started with strict consideration of its impact on the environment into the more general concept of responsibility of the corporation (Burja, 2012). These practices that are ascribed to the birth of sustainability reporting are social and environmental accounting practices, which started to develop in the middle of 1900s, most likely due to the increasing popularity of the issues of corporate accountability and ethical governance among the population (Nasiema Kamala, 2016).

Emergence and advancement of formal reporting systems have been central to mainstream sustainability disclosure. One of the most popular international standards represented by the Global Reporting Initiative (GRI) presents detailed advice on how a business should report on its performance towards ESG (Foltz et al., 2009). More prominent ones are Sustainability Accounting Standards Board (SASB), where materiality is what is considered important based on the sector rather than the company, and Task Force on Climate-related Financial Disclosures (TCFD), which pays attention to the financial impact of climate change. This increased upstreaming of such standards indicates that, the demand to possess visible and comparative sustainability metrics, is growing the most natural. Different jurisdictions strongly differ in the extent to which the sustainability reporting is controlled. There is a mandatory attitude towards future disclosure of ESG aspects of companies and the voluntary disclosure in other countries (Liu et al., 2019; Balluchi et al., 2020). Notably, European Union has been the leader in integration by nature especially finance industry. The other trend that is more common is that ESG risks are linked to regulations frameworks that required the introduction of prudential oversight and reporting, particularly the case of banks and other financing institutions (Gyura, 2020). Even though such advancements have presented some complexities of data provision and assurance, they have also offered greater clarity to the stakeholders on the long-term outlook of the sustainability of a company.

Non-financial performance is more applicable in the current financial ecosystem. Investors, consumers, authorities, and other stakeholders would want to know not only about the economics performance of a firm, but also about its social and environmental contribution and impact (Adams and Abhayawansa, 2022; Andrian and Pangestu, 2022). It is thus observable that sustainability reporting can play in role as a media of communication between the company and its stakeholders at which the identification of long-term growth of value created and responsible operation of business can be measured (Patara & Dhalla, 2022). The trend of this break seems to reflect a greater societal need whereby companies should be responsible not just in the making of money, but what they are doing to the people and the planet, in general. In a strategic sense, sustainability reporting can also help a firm in most aspects. Firstly, it was to increase brand image and reputation through a show of commitment to ethical and responsible conduct (Kostiuchenko et al., 2022). This good was can particularly be critical to the companies within the industries that are closely and regularly challenged in terms of ESG issues. Secondly, SR may be used as risk management tool. Therefore, by highlighting possible ESG-related risks, i.e. changes in regulation, environmental responsibility, or social pressure, a firm has the opportunity to mitigate the threat even before it can have an impact on its financial performance (Beerbaum & Puaschunder, 2019). The transparency may however, bring about new business opportunities as well like the innovation of green products or services to satisfy the emerging consumer patterns.

Moreover, operational efficiency can be promoted through the process of preparing sustainability reports. Through the evaluation and disclosure of ESG metrics, firms can easily figure out areas that can be used to simplify the operations of the firm, thus resulting in savings in terms of resources utilization, waste or energy consumption (Dienes et al., 2016; Astuti et al., 2023). These are operational gains that are capable of improving environmental performance as well as bottom-line impact. Nevertheless, in spite of the aforementioned benefits, there continues to be widespread skepticism over the concrete effect of the sustainability reporting on the financial performance of the companies. Although certain reports indicate positive association, some have shown partial and inconsistent findings, meaning that empirical research prevails. Since sustainability has been influencing the behavior of investors and the regulatory environment, the actual implication of SR has been one of the major research priorities (Atkins et al., 2015).

1.2 Theoretical Frameworks

The purpose of sustainability reporting (SR) and how it affects the behavior of the investors regarding its decision-making with the help of several mutually-connected theories is given later: Legitimacy Theory, Stakeholder Theory, and Signaling Theory. These frameworks give a

conceptual basis of evaluating how, why companies disclose environmental, social and governance (ESG) information and how such disclosures affect stakeholders, especially investor behavior. Legitimacy Theory maintains that organizations were always aim to operate in line with the norms, values and expectations of the societies within which they are situated. According to Suchman (1995) the concept of legitimacy entails generalized assumptions that the undertakings of a firm are proper in accordance with socially constructed frameworks of beliefs. According to this theory, sustainability reporting can be viewed as a strategic reaction to the demands of society, which provides a firm with an opportunity to sustain or restore its legitimacy by matching its represented operations to the prevailing social norms (Arena et al., 2018; Hamad et al., 2023). This type of disclosure is of utmost importance, especially where an industry/region is exposed to publicity/regulatory pressures (Atkins et al., 2015).

The possibility of backlash between substance and form is also mentioned in Legitimacy Theory, however. Companies that engage in SR do not need to do it, to transform unsustainable trafficking/practices but to look acceptable to outside spectators, which is termed symbolic or impression management by critics (Nicolò et al., 2023). This may create the phenomena of greenwashing wherein sustainability reporting is employed less as a sincere declaration of performance in an environmental or social arena and more of a publicity instrument. This is backed up by the empirical evidence in Southeast Asia, specifically in Malaysia. Of those improvements in sustainability reporting that have been made substantively, it has been found that much of the reporting is mainly symbolic and is intended to boost the corporate image rather than to share significant changes (Mohammed et al., 2021).

Conversely, Stakeholder Theory focuses on a company to resolve various interests of all stakeholders, including investors, customers, workers, regulators and the community, as opposed to only the interest of shareholders. According to the theory put forward by Freeman (1984), meeting the expectations of stakeholders is important towards attaining the long-run value and sustainable performance (Raiyan Haider & Jasmima Sabatina, 2025). The release of ESG data is disseminated among firms to communicate and address stakeholders interested in sustainability reporting but is also an attempt to illuminate corporate responsibility, ethical management, and environmental management approaches (Lau & Chen, 2022). Companies have realized that the pressure of stakeholders is no longer on the margin but it is part of the business plan, and it drives their operations and their bottom line. (Foltz et al., 2009) discuss the fact that the ability to respond to the increased expectations of the aforementioned stakeholders has become one of the major orientations of the modern businesses, including in the risk-prone

global environment when the sustainability factors may have a direct impact on the resilience of firms and investor confidence therein.

Moreover, Signaling Theory developed by Spence (1978) brings one more idea regarding the position of sustainability reporting as a communication instrument. Within this theory, it is argued that non-financial sustainability information is voluntarily disclosed by firms to signal that the firms follow ethical conduct, long-term profitable behavior, and the flexibility of approaches that can satisfy the strategies. They provide investors, specifically, with the stocks of ESG who base their decisions on the fact that they have a high-quality management and that their corporate vision is established (Rudyanto and Pirzada, 2020). The other point that Is also raised by Sumarta and others (2023) focuses on the idea that credible and consistent sustainability reports are beneficial since they represent positive messages regarding the performance and prospects of certain firm. Hypervisor In its turn, the lack of such disclosure and poor reporting can be a negative sign compared to a company in terms of transparency, responsible measures and sustainability in the long run (Lau & Chen, 2022).

Combined with each other, the theories allow not only perceiving sustainability reporting as a quite compliant or moral project but as a strategic tool that seeks to regulate the investor image with an aim to manage the process of capital location. The legitimacy theory prioritizes the factors of social and reputational and the Stakeholder theory prioritizes the factors of relational and accountability provisions and the Signaling theory helps clarify how the disclosures would help the investors to shape their view of the firm value and risk perception. These theoretical views can be applied to the literature review and the study of the problem of sustainability reporting as the motivation that can stimulate investors to make their decisions, including cognizance of the perceived image and authenticity in relation to sustainability reporting in the contemporary moneying market (Atkins et al., 2015).

1.3 Investors' Behavior and Decision-Making

Investor decision-making is a complicated process that relies not only on rational analysis and psychological judgment but also, to some degree, the non-financial information. The rationality of investors prescribed by the traditional financial theory supposes that investors are interested in maximizing their returns, depending on the efficient processing of all the available information (Sumiyati & Suhaidar, 2020). But another emerging area of finance recollection could be behavior finance wherein it must be known that affective states, heuristics, and cognitive biases are really huge influences of investment actions (Hengelbrock et al., 2010). Such as the

example of emotional reactions, which can trigger the interest of the investor to sell or hold investments (there is even a tendency to avoid the transaction), and the behavioral tendency, including herd effect, overconfidence, and framing effects, frequently contributes to the bad or unstable choice (Han et al., 2019).

Institutional investors cannot be counted on to be immune to behavioral biases so far as retail investors are, by-and-large, more susceptible to the same. Although they may have perceived to be rather rational, they are also guided by inner policies, regulatory, and organizational guidelines and the consideration of reputation (Khajenouri & Schmidt, 2020). Such processes have resulted in wider conceptualisation of investor behavior inclusive of financial and non-financial perspective. Frameworks have come to recognize that sustainability-relevant information, especially environmental, social, and governance (ESG) disclosures, is increasingly used in determining the company risk profile, long-term survival, and goodness fit with personal or institutional ethics (Reimsbach et al., 2017).

Emergence among the most obvious changes over the last couple of years is the increase in ESG investment and socially responsible investment (SRI). Shareholders have stopped paying attention to the works of a company with regard to its profitability alone, but are concerned with their environmental contributions, their social responsibilities and the practices governing these companies (Foltz et al., 2009). The ESG data provides information that financial statements might not show, including the vulnerability to climate related risks, labor practices, diversity policies or governance integrity. It has been found that good ESG results lead to improved corporate reputation, resilience in their operations, and stability that ensures good performance over a long period (Siegrist et al., 2019; Gyura, 2020). The non-financial disclosures therefore become very important in making the investment decisions. To take one such case, investors use sustainability reporting to evaluate both risks (e.g., regulatory non-compliance or environmental liabilities) and opportunities (e.g. innovation in green products or access to ethical capital markets) (Lanza et al., 2020; Wijaya et al., 2020). In addition, the voluntary assurance of sustainability information strengthens the investor confidence in the reported information, which means that the information is perceived as reliable and relevant (Reimsbach et al., 2017). Market responses can be affected even by the tone of the corporate narratives in sustainability reports other than numerical values, as these corroborate the importance of qualitative and non-financial disclosures (Raiyan Haider & Jasmima Sabatina, 2025).

The causal linkage between sustainability reporting and the behavior of investors is positively seen as mixed, but informative, because the empirical studies conducted in this regard are few but helpful. Other researchers provide evidence that disclosure of sustainability reports may influence a positive stock price and traded volume, especially in the cases when a report is comprehensive, consistent, externally verified (Sari Fala et al., 2018). Nevertheless, this impact depends on its size. Indicatively, studies on Dow Jones Sustainability Index (DJSI) show that such additions or removal of organizations on the index is not always material but continued listing gains more preference over time by investors (Hawn et al., 2014). Not everything is good. Other results indicate that compulsory sustainability reporting may be costly in terms of proprietary costs to the firms which may slow down innovation or competitive advantage (Breuer et al., 2019). Also, large-scale compliance with GRI standards has in other instances led to poor market reaction and cases where they are viewed to have gone overboard and to be coupled with core business performance (Nguyen, 2020). These results indicate the significance of context mostly the type of reporting, sophistication of investors and society specific forces.

The fact that the efficiency of sustainability reporting is not well-spread is also highlighted by cross-sectoral or even cross-jurisdictional comparisons. The disclosure of sustainability in the energy sector of Bangladesh, in particular, is scanty and defined by the ownership structure, media attention, and the board of directors (Raquiba & Ishak, 2020). Governmental efforts have had a stricter sense of inclination in Europe with regard to sustainability incorporated in the decision-making of construction and industries (Cuadrado et al., 2015). In contrast, some of emerging markets like Hong Kong and Singapore have lower market reactions to sustainability disclosures, even though they meet the international standards, which implies that reporting is not enough but requires complimentary institutional structures (Liu et al., 2019). One would also find variations in national contexts as regards to the impact of SR on profitability. As an example, a positive connection between sustainability reporting and firm performance has been identified in South Korea and a negative connection has been inferred in firms in India (Laskar, 2019). Legislation, including the Italian legislative decree on the non-financial reporting, has boosted the degree of transparency dramatically; yet the market effects are diverse depending on the industry and on the size of the firm (Balluchi et al., 2020). These results support the fact that the linkage between sustainability disclosure and investor decision is very complicated and situation-specific. To conclude, non-financial, sustainability-related information is being used in more and more investors decisions but the impact that this information has on their decision depends on several factors, many of them connected with behavioral reasons, quality of reporting, regulatory policies,

or industry-related factors. These variables are important in the determination of the actual effects of sustainability reports on the global stock markets and their investors.

1.4 Empirical Studies on SR and Investor Impact

1.4.1 Empirical Studies on Sustainability Reporting (SR) and Investor Impact

Several empirical studies have been done to establish the effects of sustainability reporting (SR) on the investor choice, although the results have been very conflicting but informative. It may also be held by scholars that SR can influence the behaviour of investors positively when it seems to be genuine, long-term and long-term oriented. Empirical evidence has demonstrated that the shareholder reaction to the sustainability reports is favorable especially at a time during which the firms are seeking models of other companies and increasingly transparent in the long term. Such reaction was definitely be replicated in positive returns to stocks, increased interest and premium of investors in the organization. In accordance with Haw et al. (2014), a case study has shown that the increase in investor valuation lies on the companies that constantly Increase the Dow Jones Sustainability Index (DJSI) rating. On the same note, the guarantees that third party promised disclosure and outcomes of information that is verifiable ensure the investors that the relaying options are right signals of not only ethical management but also of performance in the future as applied by Signaling Theory. Nevertheless, the findings of other works reveal that SR was unable to establish any effect or resulted in limited activity in case of investor behavior. SR has sometimes been described as being only a figuration that has been implemented compliance in such markets just as strategic communication has. The third category of evidence appears in the example of a study conducted in Peru by Loza Adaui (2020), which has concluded that mandatory SR has reduced the third-party assurance that helps a company explain that it is a symbolic but not substantive disclosure. Such null findings imply that these contextual concerns such the level of sophomorehood in investors, the power of regulators and industry-related demands are significant.

1.4.2 Regions and Sectoral Differences

Global variation as well as sectorial variance has a lot of power in the determination of the role of SR in investor decision-making. In such regions as Southeast Asia, the companies, including the ones listed on the stock markets, are getting involved in SR increasingly because of the regulatory pressure. Literature prevalent in the area reports such triggers of SR as corporate governance (Jamil et al., 2021), the requirements of stakeholders (Hoang et al., 2018; Binti et al., 2017), the incentives of management (Ningsih et al., 2023), and institutions (Tan, 2022; Adhariani & du Toit, 2020). Moreover, Mohammed et al. (2021) reported a positive correlation between SR

and firm value, which implies that investors can compensate disclosure of sustainability performance by firms. The presence of sectoral differences appears also in empirical work. It seems that when investing in the resource-intensive sector or the one with high impact (in energy, mining, and heavy industries, etc.), investors are more likely to apply SR. Social and environmental risks are more significant here. Conversely, the technology industry has a tendency of focusing more on innovation and expansion, which could eclipse ESG disclosures without referencing to the operational strategy (Beerbaum & Puaschunder, 2019).

1.4.3 Theoretical Uses and Methodological Directions

In all of these empirical studies, both Stakeholder Theory and Legitimacy Theory have been implemented the most to explain the motivation of the sustainability disclosures of firms, having at least ten empirical studies each. These theories emphasize that companies provide ESG information in order to satisfy the demand of relevant stakeholders or to be considered legitimate in the society. Employed less often are Agency Theory and Signaling Theory focusing upon the incentives of managers and the informational impact of SR, respectively. Empirically, quantitative methods prevail in the field typically involving regression analysis, event studies or even panel data analysis. Language-based methods, content analysis, and text mining are budding but under-utilized methods. Interviews (qualitative research), case study is not so common, but it could also help (vastly) in understanding the perception of investors and the patterns of companies.

1.4.4 Comparative Quantitative Investment Vs Qualitative Investment Strategies

There are two approaches to quantification and qualification of the value of credibility of the sustainability reporting on behalf of the investor side. The ESG scores, statistics concerning the emission of carbon, and diversity data are employed in quantitative models to create ESG-circulated portfolios, benchmark the use of the portfolios, and data to advance risk-seasoned returns (Lanza et al., 2020). It operates complex analytics and artificial intelligence to produce such elusive ESG indicators that are unreachable under a strong financial model. The qualitative techniques, in turn, assume a closer look at the sustainability reports, the senior management of the corporations, and the strategic adequacy of the ESG reports (Franzoni and Avellino, 2019; Wong et al., 2020). Such articles about the research as that by Yekini et al. (2014) contribute to the realisation that the tone and the language of sustainability disclosures may influence the mood of investors. Such a mixed method of combining qualitative judgment with quantitative data can be believed to be the most robust long-term investing in ESG. Reporting quality, consistency as well as overall regulatory environment are crucial in determining the effectiveness of SR in

affecting the way investors behave. The companies using global best practices like GRI, make disclosure year after year, and evidence to investors by third parties through assurance; have a higher chance of winning the confidence of the investors. On the other hand, partial or shallow disclosures are likely to reduce the influence of SR. In Italy, Balluchi et al. (2020) using national legislative initiatives were able to discover that national efforts on legislations enhanced the frequency and quality of the non-financial disclosures thereby enhancing market transparency. In contrast, in Hong-Kong and Singapore, investor influence is weak since the local interest in sustainability frameworks is low (Liu et al., 2019), even despite the existing mandatory reporting rules. Such mixed findings argue in favor of making SR practices context-specific to local market forces as well as the expectations of stakeholders (Beerbaum & Puaschunder, 2019).

1.5 The Necessity of Third-Party Assurance

The other process that makes sustainability report sound is the third party assurance. It provides the external assurance that the presented information is within the norm requirements and that, the information functions in the meaning that it is reflective of the actual corporate practice. Misiuda and Lachmann (2022) are also of the opinion that disclosure credibility forms one of the primary factors that would define the perception and reaction of the investors on the sustainability disclosures. The finding of them in the systematic review of 27 types of works of honesty reflects an argument that external assurance and other factors, or exterior credibility conditions, such as correctness of the disclosures and internal plausibility, are significant factors that make perceived credibility of SRs. Reimsbach et al. (2017) also concluded that the professional investors took more interest in various disclosures that were guaranteed by the independent auditor or certifying agencies. Guarantee is used to carry out the functions of a promise that this besought business is not only committed to transparency, but also to responsibility. It eliminates information asymmetry between businesses and shareholders by permitting firms to decide to disclose one ESG measure as compared to others in the drive to assert that they are too good. This positive impact of SR on investor behaviour is more so in the jurisdictions where assurance systems are well developed, as it occurs in Europe in some areas. Regarding the question of Italy, according to Balluchi et al. (2020), the presence of legalisation of non-financial reporting and verification systems should have caused an extreme shift in transparency and even quality levels of the sustainability reporting. This has assisted in the development of better investor confidence and ESG measurement, which, the other way round, had to be ushered in too often in the production of capital allocation.

1.5.1 The Consequences of Greenwashing

Despite the growth in the number of SR practices in the country and across many other regions of the world, the initiative has been fraught with its own share of problems, the principal ones being a consistently high rate of greenwashing that entails exaggerating or misinterpreting the gains that companies achieve in relation to sustainability. Greenwashing consumes investor trust, creates misleading market signals, and also negates the broader goals of sustainable finance. Nicolola et al. (2023) express the view that the sustainability reports serve to conceal unsustainable activities as being rational and acceptable by some companies, thus allowing a particular company to obtain social approval and avoid governmental investigations of its operations. In view of the example of Southeast Asia, Mohammed et al. (2021) remarked that the majority of the sustainability publications are not relevant but performative. Examples: In Malaysia, the regulatory pressure has facilitated the practices of the SR among the publicly listed corporations. This sort of symbolic reporting comes due to the urge to comply with either regulatory or reputational standards and thus consciously deceives investors and waters down the effectiveness of SR as an aid to decision-making. This tendency of superficial compliance can be traced to Liu et al. (2019), who had observed that although firms in Hong Kong and Singapore were embracing international sustainability frameworks, the spirit of disclosure was disregarded mainly as the firms had been treating SR as a knick-knack. Such a strategy led to the lack of a considerable intervention in the behaviour of corporates toward sustainability issues and has not prompted the intensive interest of investors. Consistency of reporting or low standards of reporting are both severely punished. Inequity may raise suspicion in investors when one notices that there is a mismatch between alleged ESG goals and actualities, there is disparity in the forms and criteria of disclosures, or the disclosures are not even comparable. Accuracy of the report, completeness, as well as the tone of the report are the credibility factors that have an instrumental effect on the investment inclinations towards the ESG narratives as investigated by Misiuda and Lachmann (2022). This deficiency of similarity in the reporting fails not only to establish the decision-making in investments, but also damages the firm which issues the report, which is discredited in the first place.

1.5.2 Influence of Report Quality on Investor Trust

Investor trust is the key point to determine the quality of the sustainability report. Good quality reports can be described in terms of desirable designed disclosures based on the standard models (e.g., GRI, SASB, TCFD), quality materiality disclosure, and quality performance measures. The attributes give investors a broad understanding of the sustainability risk/opportunity of a firm that can attract more decisive and attractive investments. By that, this

statement is supported through empirical data reported by Akin and Gungor Tanc (2024). The relationships between the quality of SR of formulating S1 and S2 and such financial ratios that can be observed with means of earnings per share, returns ratio, leverage, etc., also proved to be relatively close even when one deals with the case of BIST 30 companies in Turkey. These data indicate the positivity of investors with high-quality, transparent, and standardised sustainability reporting and the perception of this indicator as an indicator of successful governance and progressive strategy. Moreover, the effect of the qualitative factors of the tone and language of the report may also influence the investor perception. Yekini et al. (2014) discovered that the market response is influenced by the quality of the storytelling, as opposed to the quality of the story. Shareholders tend to believe more in reports that carry both sides of discussions on successes and failures, as opposed to over-musing reports that do not show critical evaluations.

Franzoni and Avellino (2019) state that the engagement with management and consistency among the reported goals and the strategic actions are also important qualitative assessments as part of diligence. These cues are interpreted by investors on how acculturated sustainability is within the business model, or whether it is a social shock. Also, the degree to which investors trust SR is closely related to the perceived fit between SR and observed corporate actions. According to Roque (2024), investors are becoming more often interested in companies that have a high ESG rating, which is true on the condition that they believe that the information presented is authentic and can be used. Investor response is also sensitive to sensory and emotional variables, including the way in which information is given and received, which implies that the quality of SR can be as much a matter of content as of style of communication.

1.5.3 Implications for Policy and Practice

Much of this relates to the party concerned and the regulatory, standard-setting implications that the relationship between SR level of quality, investor belief, and the corporate value should have for regulators, standard setters and corporate managers. Such newly developed regulatory frameworks as the Sustainable Finance Disclosure Regulation (SFDR) of the European Union, the creation of the International Sustainability Standards Board (ISSB), are promising solutions to the standardisation of SRs and their increased cross-border credibility (Gyura, 2020; Hess, 2014). The greenwashing solutions to which these frameworks are targeted include weakening these by providing routine disclosures, which investors can verify and enhancing investor comparability and investor confidence. Nonetheless, the concept of credibility, as proposed by Misiuda and Lachmann (2022), was also used on regulation but also on

behaviours that are grounded and well established, as well as expected of the assurances, the use of succinct language, and data of title relevance. Three of these advantages of the investor, stakeholders and at-work would experience as a by-product of an organisation treating SR are more of a long-term investment system than a compliance exhibit. The aspect and the extent to which the sustainability reports were valid are the relevance that would make the sustainability reports useful in the decision-making of investors. Third-party awareness is to create credibility in contrast with the fallacy of greenwashing and artful disclosure that has proven to be inferring fatal to investor confidence and noise capital. The fact that the quality of SR, or that of the question measure, is in question, transparency, uniformity and inconsistency with the international standard are hints towards enhancing corporate sustainability and relations between the investors. This remained one of the quality challenges and opportunities because sustainable finance continued to grow, and in consequence, the quality and reliability of the ESG disclosures emerged as an important focus of concern that corporations and regulators were processing through.

1.6 Empirical Study of Sustainability Reporting and Investor Effect

The issue of sustainability reporting (SR) has gained momentum in the global picture with the bestowal of the organisations attempt to respond to the rising tendency of the stakeholders to understand the involvement of environmental, social and governance (ESG) reporting practices. The effect of sustainability reporting on corporate value and market performance on investor behaviour was discussed in many empirical articles. These works combine methodological acumen/experience and geographic site, which have illuminated the possibilities and constraints of SR in ascertaining the investment decisions.

Sustainability disclosures, in general, positively influence the investor decision-making of the investors in the majority of cases, as practice has shown. A study by Maabreh et al. (2024), whose findings were informed by 488 financial brokers in Jordan, reported that all other features of SN, in particular the governance disclosure, had statistically significant positive input in the decision-making of investment. This was identified by the structural equation model, which confirmed that the impartial and orderly reporting improves the trust of the investor and makes it possible to arrange their funds appropriately. The results prove the fact that sustained, casually communicated sustainability practices are indicators of value creation both in long-term and principled management. To agree with such outcomes, Roque (2024) emphasised the involvement of ESG in making investments. The research found that good interest towards the investors in the firms performing well in terms of ESG and the popularity of sustainability rating in being considered as the phenomenon of long-term corporate health and risk management in a

firm, as mentioned in a narrative literature review. In fact, this is consistent with Signalling Theory, which argues that nannies employ SR as a means to communicate non-financial capabilities that may not have been reflected in the determined financial statements. Using only financial indicators of earnings per share, documentation of the firm size, and the revenue on assets, Ak (n.d.), G (n.d.), and Tn (n.d.), they added that the range of financial variables was strongly correlated with the sustainability disclosure. The fact that they attempt a document analysis in accordance with the national standard of SR, and financial analysis gives further evidence that it is not simply a corporate communication exercise but a component which investors use in their valuation of the company.

Although the case in favour of the relevance of SR has become strong, some studies show the effect of SR as being more limited or specific. As an illustration, Shaban & Barakat (2023) examined the relationship between SR in a case of commercial banks in Jordan during 2012-2021, and observed that there were statistically significant outcomes concerning SR and returns on assets (ROA) and financial leverage (LEV). The connection between SR and return on equity (ROE), however, was not significant. To some degree, this partial correlation between Sr and financial performance could indicate the existence of a limitation in the form of perception and application of the concept of Sr, particularly in the financial segments where it is expected to perform in a manner affected by complicated macroeconomic activities. Furthermore, their study identified significant limitations, such as small sample size, possible model oversimplification and the lack of use of non-financial impacts that are identified using only financial data. Such drawbacks indicate that SR can hardly be enough to anticipate the response of the investors or the success of firms in the long-term without being complemented by positioning robust evaluation devices and the wider context-related parameters. Likewise, in a systematic examination of 27 experimental studies, Misiuda and Lachmann (2022) found that the credibility of information (e.g., external assurance, the accuracy of disclosure) may tend to influence investors when it comes to their perceptions of SR, rather than the existence of the content of sustainability in general. Their results indicate that investors take note of SR but are wary of greenwashing or show disclosures. Factors such as credibility and dependability of the report, third-party assurance, and transparent methods of preparation are usually determinants of the impact of the report on trusting and subsequent action of investors.

The influence of SR on the investor can be highly impacted by regional processes and by the features of sectors. Directive regulations have increased the disclosure of sustainability in Southeast Asian countries, such as among publicly traded companies. However, other measures

like the one by Mohammed et al. (2021) have established that SR in other nations like Malaysia is mainly symbolic compared to the substantive kind. The firms tend to make sustainability disclosures to achieve legitimacy without changing the fundamental actions as per the Legitimacy Theory. According to Jamil et al. (2021) and Hoang et al. (2018), the three key contributors of SR adoption in the region are governance, stakeholder influence, and board diversity, as well as the institutional environment. However, regional differences are still there. In certain jurisdictions, such as Singapore and Hong Kong, the effects of SR on business conduct are not very significant, mainly due to lax and token compliance (Liu et al., 2019). However, the European countries, which have a strong ESG framework and investor activism, including Italy, report a much greater change in firm behaviours and investor trust in consistent SR (Balluchi et al., 2020). Differences according to sectors are also important. Opting to disclose on environmental aspects in high-impact areas such as oil and gas or heavy manufacturing is more likely to be questioned by investors as to whether they disclose appropriately, compared to tech companies that may be viewed as focusing on social and governance concerns. These disparities affect the content of the disclosures about sustainability and the way the investor reacts to them.

When integrating ESG information into decision-making, the quantitative and qualitative approaches are used by investors. Quantitative methods include ESG ratings, the amount of carbon emissions, gender/ethnicity statistics, and various other data employed to benchmark or fund portfolios (Lanza et al., 2020). The new approaches of machine learning are currently in use in order to determine ESG nature relations and financial performance. Qualitative evaluations, nevertheless, emphasise the story scale and strategy of incorporating sustainability in business structures. Such measures, as Franzoni & Avellino (2019) and Wong et al. (2020) remark, comprise management involvement, tone identification, and narrative cohesion reviewing. To illustrate, the tone of the sustainability report of a company can affect the attention of requesters on the market and investor confidence (Yekini et al., 2014). Qualitative measures can be seen as tools used by investors to discover the authenticity of SR, especially when the ESG data is not established. A comparative case study highlights the fact that the effectiveness of SR is related to the quality of the same, to its consistency, as well as to the regulating environment in which it is issued. Investor valuation is demonstrated to increase in such cases of successful firms as those that improved their rankings in the Dow Jones Sustainability Index (DJSI) (Hawn et al., 2014). Conversely, failures in different nations where it is compulsory to disclose, which also subsequently lesser third-party assurance countries, such as Peru, identify how eye-washy compliance can lead to its lowered trust by investors (Loza Adaui, 2020). In such developing

countries, the issue is usually how to connect the dots between compliance with regulations and sustainable integration. Limited enforcement, a deficiency of digital transparency tools, and the absence of sufficient education of investors are the factors that restrain the effectiveness of SR.

1.7 Research Gap

Although there is literature in support of the increasing relationship between SR and the decision-making process of the investors, several research gaps are still present:

a. **Contextual Influences**

Existing studies often focus on single-country or broad regional contexts, limiting understanding of how specific cultural, political, and institutional environments shape the investor response to SR. As Amin (2025) and Liu et al. (2019) argue, comparative studies in diverse emerging markets are crucial to identify context-specific mechanisms that influence SR's effectiveness.

b. **Digital Communication and SR**

Most research centres on formal reports, overlooking how digital media, social platforms, and real-time disclosures influence investor perceptions of corporate sustainability (Raiyan Haider & Jasmima Sabatina, 2025). Future studies should explore how digital communication complements or challenges traditional SR.

c. **Standardisation and Measurement of Impact**

While ESG metrics are widely used, there is still no universally accepted framework to verify the real-world impact of sustainability disclosures. Studies should investigate how verifiable, comparable, and credible metrics can be developed and implemented globally (Franzoni & Avellino, 2019).

d. **Behavioural Insights**

Behavioural theory of finance has largely been left out when researching SR. Future research can examine how sustainability information responds to cognitive biases,

heuristics, or in these fortunately segregating effects (i.e., institutional vs. retail investors) (Misiuda & Lachmann, 2022).

e. **Longitudinal Studies and Causality**

       The limitation of longitudinal studies compared to cross-sectional methods makes the use of the method not very helpful in terms of the inferential capacity to causality and long-term results. Longitudinal studies can be better suited to gauge the impact of the new change in the SR practices with reference to the investor confidence and the firm valuation.

f. **Quality and Credibility of Sustainability Reports**

       Even though sustainability reporting or SR has brought much noise to the developed and emerging economies and by implication the matter of quality and credibility of the resultant reports on the subject have, therefore, taken very critical places in the comparison and contrast on its role on the behavior of the investors in the market. Such a question as, sustainable or not sustainable sustainability report, can no longer be rated on a rigorous scale of what it presents in respect of environmental, social and governance (ESG) issues but on how well, reliably, transparently and regularly it information is published. The shareholders have now become significantly smarter and they would require knowing that the sustainability reports are not just genuine but also inculcating or on one end genuine in the context of corporate activity.

2. RESEARCH METHODOLOGY

2.1 Purpose of the Research, Hypotheses, and Model

This section identifies the research methodology that is based on the findings of the comprehensive literature review that was carried out in Chapter 2. The research synthesised theoretical learning with empirical findings to indicate the impact of sustainability reporting (SR) on the investment decision of investors with the use of two of the newly emerged economies, i.e. Bangladesh and Lithuania. The study is guided by the need to understand how to appreciate the influences of quality, credibility, and content of ESG disclosures in the context of the umbrella of SRI and governed by the confidence attached to the investors in the conduct of the investors. The study is a two-stage study. It is the initial step that assumes a theoretical type of study that is stipulated by three superb theories, namely Legitimacy Theory, Stakeholder Theory and Signalling Theory (Suchman, 1995; Freeman, 1984; Spence, 1978). The theories support the theoretical issue of the purpose of the issuing of sustainability reports by firms and the perception of these writings by investors and their reaction. To find the literature on this topic systematically, the peer-reviewed journals, conference proceedings and institutional reports (e.g., Adams and Abhayawansa, 2022; Kostiuchenko et al., 2022; Astuti et al., 2023) were reviewed.

The second step in this theoretical scheme is the empirical testing or collecting primary information. The investors in both Bangladesh and Lithuania took part in a structured type of questionnaire, whereby the perception was measured as well as the decision-making behaviour and exposure to the SR and ESG disclosures. The constructs that have already been developed during this time, as well as employed in the prior research of the empirical one (e.g., Misiuda and Lachmann, 2022; Reimsbach et al., 2017; Roque, 2024), were operationalised to conduct the survey. The analysis of data was conducted with the assistance of SPSS and, in case it is required, AMOS. The current work is especially timely, due to the conditions of the global development of the ESG investing business, and the increased demand to report corporate governance. Regardless of this increase, it is indicated by the current literature that the perception and actions of SR can be changed radically by the impact of regional/cultural environment, report quality, and shareholders' sophistication (Liu et al., 2019; Loza Adaui, 2020; Mohammed et al., 2021).

H1: Sustainability reporting has a significant impact on investor decision-making in emerging economies.

In order to test this hypothesis, a multiple linear regression analysis was be applied in which case, exposing to sustainability reporting can be assumed as the independent variable and decision making of investors may be assumed as the dependent variable. It shall be gathered through a structured questionnaire Likert scale questionnaire that would be distributed to institutional and retail investors in Bangladesh and the representatives of the emerging economies with shifting ESG- Lithuania. The survey questionnaire contained questions that sought to establish the frequency, depth, and effectiveness of sustainability reports in making investment decisions. The control variables were the demographic variables, which include the age of investor, the experience in investment, the level and type of education in investment (retail or institutional), which were included in the regression model. Existence of statistically significant, positive and regression coefficient ($p < 0.05$), was be used to test the validity of the hypothesis that sustainability reporting exposure has a positive relationship with informed investment choices or position altered due to the analysis of the sustainability reporting exposure. Data shall be analysed using SPSS.

There are several studies that are employed in the literature, consider this study. In reality, on the case of Reimsbach et al. (2017), it is the interaction between the sustainability disclosures and the third-party assurance that also has a very significant impact on whether the investors trust. Also, Astuti et al. (2023) and Dienes et al. (2016) believe that the operational efficiency and transparency the investors wanted not just the long-term performance but also to mitigate the risks was be achieved with the help of SR. In the same manner, Siegrist et al. (2019) reveal that ESG disclosures can have an influence on the corporate image and the investment valuation in a positive way. The ever-growing sustainability ratings, including listing on Dow Jones Sustainability Index (DJSI), correlate with the additional investor interest and stock rating as is depicted by Hawn et al. (2014) in the real world. Such effects are contextual yet the role of SR is not as significant in the country where the culture of symbolic disclosure is not as prioritized or the officials do not impose their regulations as powerful as in Liu et al. (2019) and Loza Adaui (2020).

H2: Investor trust significantly moderates the relationship between sustainability reporting andk investor decision-making.

In order to test H2, moderation analysis was be carried out using the PROCESS macro-Model 1 in SPSS. To determine the trust of the investor, Likert scale resources would be adopted by gauging perceived credibility, reliability and transparency of the sustainability reports. The model was comprised of the information of the key impacts of the Sustainability Reporting (SR) and Investor Trust in first step and then a term relationship was be inserted (SR × Trust) in step two of the regression. Noble interaction ($p < 0.05$) was denote how it was interact around an important interaction to state that the relationship, SR and investment behavior is not always always there in the same form depending on the outcome of the level of trust established on the reported sustainability information on an investor.

This method of research is quite literature-based. Third-party guarantee indicates that credibility and trustworthiness of SR is a prominent aspect that results in the establishment of investor responses (Misiuda & Lachmann, 2022). This is attributed to the fact that trust in their belief increases the perceived usefulness and reliability of the ESG information which result into doing more activities where this information is accessible to the investors. On the same note, Reimsbach et al. (2017) also reported that professional investors put more emphasis on the confirmed sustainability reports that are deemed truthful, that is. Trust is a major determinant of how they utilize and process SR. Moreover, Roque (2024) addresses the issue of investor trust on ESG disclosures as a measure of trust that generates an impression of high long-run value and quality governance of a business. This falls in accordance with the Signaling Theory which credibly ensures the decrease in information imbalance, and transparency. On the other hand, the analysis by Mohammed et al. (2021) and other participants (including Nicolò et al., 2023) also shows the lack of credibility (e.g. greenwashing or symbolic reporting) could annul the trust of investors and make the sustainability communications effective (even regarding the disclosures).

Further, Balluchi et al. (2020) highlight the net effect of the regulatory bits that ensure disclosure standards and assurance practice where the quality of the disclosure and investor confidence is guaranteed, particularly to the European context like Italy. It is why it is logical to suppose that the mitigating role of trust in Lithuania (where its systems are more EU-oriented) would have better chances of success than in Bangladesh, which lacks well-developed ESG structures as well – yet another aspect that Liu et al (2019) and Amin (2025) both are trying to address. Hence, not only was the analysis be an undertaking to seek to test the statistical moderation effect of investor trust but also uphold a lot of knowledge regarding how trust was

moderate or reduce the role that SR was have in influencing investment behavior. This would be directly justified by your second focal point of your research study which is the control factor of incumbent investor trust in emerging markets scenarios (Franzoni & Avellino, 2019).

H3: The perceived quality of sustainability reports significantly influences investor decision-making.

To test H3, simple linear regression was be conducted in which the independent variable was be perceived quality of sustainability report (SR) and dependent variable was be investor decision-making. The measure of the perceived quality was be likert-scale items that measure the quality of the report such as its clarity, completeness, objectivity, meeting global standards (e.g., GRI, SASB, TCFD), and the third-party assurance. These measures reflect the important dimensions that have been adopted with emphasis on the quality framework of SR. The questionnaire responses were coded and analysed using SPSS, and the statistically significant coefficient ($p < 0.05$) was used to prove the hypothesis. The assumptions on the model were be verified by diagnostic tests (Multicollinearity and heteroscedasticity tests). The hypothesis has its basis on the extremely high empirical and theoretical literature. Misiuda and Lachmann (2022) restate that sustainability disclosure to the investors is received and used in relation to the quality of the report and certain determinants in more specific cases, such as the assurance, as well as the accuracy of the report. Their systematic review of 27 articles did indicate that high-quality SRs would always be associated with investor confidence and action. Similarly, Balluchi et al. (2020) reveal that the quality of disclosure that was increased by legislation in the EU, led to an increase in the market transparency, as well as investor reacting, particularly in Italy (Hess, 2014).

Additionally, it was established that the standards and transparency as SR quality indicators were both significantly and positively correlated with financial values such as earnings per share and return on assets which demonstrates that the reports quality and investment appeal are interrelated (Akin and Gungor Tanc 2024). The importance of the quality of the stories and a tone is also stressed by Yekini et al. (2014) because the researchers identified the fact that investors may be more positively responding to the SRs that may demonstrate a clear view of both achievements and failures. In theory, Signaling Theory proves that quality disclosures turn out to be indicators of a good management and performance (Spence, 1978; Rudyanto and Pirzada, 2020). The bad or unclean disclosures, their turn, may be considered as an attempt at greenwashing that is known to decrease the level of investor confidence, and fits the impact on decision-making as explained by Nicolò et al. (2023). According to Reimsbach et al. (2017),

another fact that was also supported by the authors stated that Investors use quality and consistency of ESG narratives as credibility evaluations of firms and long-term orientation. In line with this, based on the isolation of the effect of the quality of SR, this hypothesis is a direct response to a crucial dimension of perceptions and behavior change among investors in response to non-financial information. It further supports the third research question about the influence of perceived quality and credibility of sustainability reports on investment decisions, especially in the area of Bangladesh and Lithuania, where the quality level and its implementation differ quite considerably (Liu et al., 2019; Amin, 2025).

H4: Environmental, social, and governance (ESG) disclosures each have a significant influence on investor decision-making.

To test H4, it was be necessary to use a multiple linear test, with the decision made by the investor being a dependent variable and environmental, social and governance disclosures three independent variables. The survey instrument was including Likert-scale questions that was individually reflect the perceptions of the investors to the environmental practices (e.g., carbon reporting, climate risk), social performance (e.g., labor practices, community impact) and the governance integrity (e.g., board transparency, anti-corruption policies). They were be grounded on the universal reporting standards, such as GRI, TCFD and SASB. It is supposed to identify the statistically significant predictors ($p < 0.05$) of investor decisions and the significant similarity of the components with each other in the terms of standardized beta coefficients (Hengelbrock et al., 2010).

The literature has enough evidence "in order to prove this hypothesis. Going by Lanza et al. (2020), ESG elements are independent non-financial metrics which have now formed an active component of risk-return analysis of the investor. Siegrist et al. (2019) also confirm that any such a performance of such environmental governance is regarded by investors as operational resilience and ethical leadership, which has a direct influence on the decision to invest in the portfolio. Jamil et al. (2021) and Hoang et al. (2018) also report the relevance of sectoral ESG risk but conclude that they are industry and geographically defined, but they have to be studied separately as opposed to viewing them as a stable index.

Furthermore, Mohammed et al. (2021) found out that companies that report on ESG have stronger investors participation, particularly when some of the disclosures are on the level of going beyond the requirements and reflect the actual strategic direction. Loza Adaui (2020) and Liu et al. (2019), in their turn, suggest that symbolic disclosures, especially in situations when the degree

of governance is lower, may not have any impact on investors, and the quality and transparency of each of the ESG spheres are essential. The research, testing H4 and its sub-hypotheses, was contribute to the comprehension of the features of the ESG reporting that are going to deliver the optimal outcomes in the example of an emerging market, where the regulatory maturity and the expectations of the stakeholders fail to match as well, i.e., in Bangladesh and Lithuania (Hess, 2014).

2.2 Research Model
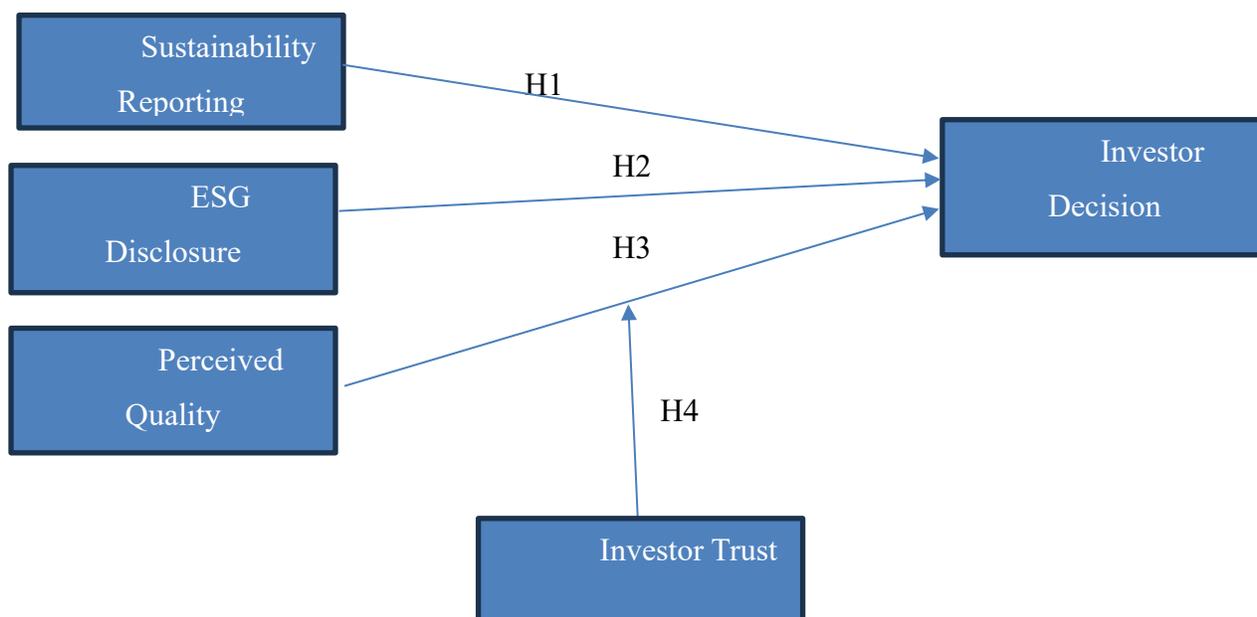
Figure 1: Model of the Study

Source: Self illustration

2.3 Data Collection and Research Instruments

The research relies on the survey-based type of research design used in the article by Reimsbach et al. (2017), Misiuda and Lachmann (2022) and Roque (2024) to determine the impact of sustainability reporting (SR) and ESG disclosure on the decision made by investors in the context of Bangladesh and Lithuania. It was be carried out in the institutional and retail investors with a structured online questionnaire that was be explained in Appendix A over the emails and trade forums and in the LinkedIn online network profession circles. The members are individuals involved in the financial market and are putting the information available on sustainability into action or use it as a reference in their assessment of the investment. -The survey was be aimed at assessing the opinions of investors and the response to SR, credibility of

ESG reporting, and how credibility of investors can impact decision-making behaviour. Questions included in the questionnaire was be Likert type and close-ended questions and the constructs was be presented as validated instruments that have been used in the studies in the sustainability premise and research on investor behavior in the past (e.g., Balluchi et al., 2020; Akin and Gungor Tanc, 2024; Misiuda and Lachmann, 2022; Dienes et al., 2016). The statistical analysis of data was be conducted with the help of SPSS and the relativity and validity was be determined with the **r**eferences to Cronbach alpha and Factor analysis. Following instruments was be utilized for questionnaire:

a. **Sustainability Reporting (SR)**

This is a scale which analyses access, review and incorporation of sustainability reporting in the investment decision-making by investors. The Hijazin et al. (2025) were adapted. The statements which include: I consider the sustainability report of a company when deciding to invest in it are considered. Sustainability disclosures is one of the key factors in my financial analysis.

b. **Investor Trust in Sustainability Reporting**

To measure the investor trust in SR, Shaban and Barakat, (2023) adjusted the items that aimed at measuring credibility, transparency and trust in third-party assurance. Part of the sample questions was included: I believe in the credibility of sustainability reports published by companies. I was having a better incentive to invest in the independently checked companies with sustainability information.

c. **Expected Perception of Sustainability Reports**

This instrument measures investor mark on report handsomeness, completeness, equilibrium, and standardization (e.g. GRI, SASB). Balluchi et al. (2020) and Yekini et al. (2014) sourced products. Some of the statements include: The sustainability reports that I possess are properly understood. I find out that companies incur the disclosure of ESG information internationally. The sustainability report is authored in an objective angle of either winning or adversity. Signaling Theory has quality constructs that fit the scale scale was be important in testing H3. A 5-point Likert scale is used.

d. **ESG Disclosure (Environmental, Social, Governance)**

Environmental disclosure includes climate risks, emission disclosure, waste management. Astuti et al. (2023) and Siegrist et al. (2019) do. Sample item: The long run risks of a firm may be assessed with the help of the environmental disclosures. Social Disclosure involves diversity, employee welfare and engagement to the community. As Patara and Dhalla (2022) and Hoang et al. (2018) state. Sample item: Before investing I would be able to judge the work of a company with respect to its social responsibility. Board transparency and Anti-corruption provisions together with shareholder provisions are included in Governance Disclosure. Reimsbach et al. (2017) and Balluchi et al. (2020) found this to be true. The practice of good corporate governance was making me wiser in accepting the claims of sustainability of a company.

e. **Investor Decision-Making**

This is one of the dependent variables which are the actual investment decisions or planned investment based on the effect of sustainability disclosures. Different items in this scale according to the Hijazin et al., (2025) scale include: I have used a company due to the power of a sustainability report of the company. I would not dare to make an investment in a firm with poor ESG performance.

2.4 Data Collection Procedure

Given the cross-national comparative design of the study and the direct data on the study obtained through the survey form, data collection process was comprised of designing it with care and thoroughness to determine the validity, data standardization and transparency. The population sample was purposive and it was made up of institutional and retail investors of Bangladesh and Lithuania as the two emerging markets with growing interest in ESG reporting and responsible investment. The selection criterion was as follows: (1) they must be actively engaged in the investment decision (personal or professional), (2) they must receive the information regarding sustainability reporting in the process of decision making and (3) they must be acquainted with the ESG ideas. The survey was be conducted online on the platforms of LinkedIn, investment forums which was also be accessible on social media investor communities across August to October 2025. The last questionnaire was distributed in English as well as without any translation to Lithuanian and Bengali so that the response can be offered to the maximum audience and be comprehended. The questionnaire structured that the likeness items of question are categorized under various constructs that are defined in the hypothesis of research, including the sustainability reporting exposure, investor decision making behavior,

investor trust, perceived quality of reports and reactions to ESGs components. The reliability and construct validity were high, and all constructs were built on the base of a powerful instrument that was previously used in studies (e.g., Misiuda and Lachmann, 2022; Reimsbach et al., 2017; Balluchi et al., 2020; Yekini et al., 2014). A pilot sample of 20 subjects was conducted to show how clear the items were, and their structure, and sensitivity in relation to language.

Table 1: Research Variables, Measurement, and Data Sources (Misiuda and Lachmann, 2022; Reimsbach et al., 2017; Balluchi et al., 2020; Yekini et al., 2014)

Variable	Description	Measurement	Data Sources
Independent Variable	Sustainability Reporting (SR) exposure – perceived frequency and use of SR in decision-making	Likert-scale (1–5); composite score based on investor agreement with SR engagement statements	Hijazin et al. (2025)
Dependent Variable	Investor Decision-Making – actions or intentions based on sustainability information	Likert-scale (1–5); composite behavior score: intention to invest, avoid, or increase stake based on SR	Balluchi et al. (2020), Yekini et al. (2014)
Moderating Variable 1	Investor Trust – moderates the link between SR and investment actions	Composite index: perceived credibility, transparency, and reliability of SR (Likert-scale, validated trust items)	Shaban and Barakat, (2023)
Moderating Variable 2	Perceived Report Quality – influences how SR impacts investor behavior	Report Quality Score (0–10): clarity, completeness, balance, standards used (GRI/SASB), assurance indicators	Reimsbach et al., 2017

2.5 Data Processing and Analysis

Data processing was initiated by cleaning and screening of all the survey responses to eliminate incomplete responses, duplication of responses and responses that are illegible. Google sheets were used to find the statistical analysis and subsequently, it was exported to SPSS and Stata. Objects coded 1 were doubly scored by reverse coding respondents and multi-item-constructs were averaged out to produce composite scores. The initial descriptive statistics (mean, SD, range) have been obtained to get an idea of how significant variables were spread. Analyses of reliability were done using Cronbach alpha in evaluating internal consistency of all multi-item's scales (target 0.70). Dimensionality was constructed with the aid of the exploratory factor analysis (EFA) to reduce the number of indicators that are multicollinear.

It was examined through the multiple linear regression to fade out the influence of the sustainability reporting on the investor decision-making (H1), the interaction of the factors of investor trust (H2) and perceived report quality (H3) was estimated with the assistance of the moderation analysis (hierarchical regression with the use of the PROCESS macro-Model 1). In order to test the H4, a series of regression developed (regression multiple and simple regression) were used to test the independent effect of the Environmental, Social and Governance disclosures (H4a, H4b, H4c) on investment behavior.

The dummy variables were added to capture the cross-national differences between Bangladesh and Lithuania. Independent samples t-tests were there to learn about the difference in mean in the scores of the variables in the different countries and this also lends credence to the comparative framework. The dataset was also tested to verify the multicollinearity (Variance Inflation Factor), heteroscedasticity (BreuschPagan test), and normality of residual (ShapiroWilk test) as a technique of overcoming the fragility. Skewed distributions that were needed were normalised through the application of logarithmic transformations. The level of statistical significance was set at $p < 0.05$ and 95 per cent confidence number in order to ascertain the precision of the estimation of the levels of effect. This approach showed that a rigorous and context-sensitive study of the effectiveness of the disclosures of ESG and the quality of perceived reporting on sustainability could influence the investor decision making in two emerging markets innovation to the ESG literature and sustainable finance process

3. FINDINGS

This chapter displays the empirical findings in the context of the quantitative analysis, which was done to address the hypotheses related to the issue of the connection between the aspects of sustainability reporting (SR) and the process of decision-making by investors within the realm of applying these proposals to the emerging markets. Using the results gathered through the 316 respondents in Bangladesh and Lithuania as a basis, the chapter presents the most significant statistical analyses described as descriptive statistics, reliability tests, regression models, and effects of moderation as strategies to provide support to all the hypotheses. The results indicate that the relationship between exposure to sustainability reporting and investor decision-making is substantial and statistically significant, thus proving that SR is a key element in affecting investment behaviour. Furthermore, the mediating status of investor trust is confirmed, as well as showing how much trust investors reserve for SR, either supporting or undermining its effect significantly. The perceived quality of the sustainability reports also proved to be a strong predictor of the investment decisions, highlighting the significance of credibility and fullness when reporting ESG. This chapter provides a strong analysis of the way sustainability reporting, trust, report quality, and ESG disclosures are jointly involved in the determination of the strategic behaviors of investors. This chapter establishes the base of the next part of the discussion, in which the findings will be put into the context of available literature and theoretical frameworks.

Table 2: Reliability Statistics for Research Constructs

Scale	Cronbach's Alpha	Number of Items
Sustainability Reporting (SR) Exposure	0.830	4
Investor Trust in Sustainability Reporting	0.831	4
Perceived Quality of Sustainability Reports	0.868	4
ESG Disclosure Impact	0.827	3
Investor Decision-Making Behavior	0.797	4

Cronbach's Alpha was used to test the internal consistency of all the measured constructs, and the findings are that all the scales have a high reliability. The Perceived Quality of Sustainability Reports scale showed the highest reliability (α=0.868), next Investor Trust in Sustainability Reporting (α=0.831), and Sustainability Reporting Exposure (α=0.830), which showed interrelation of the items in the scale as well as strong consistency in the measure of the

intended construct. The ESG Disclosure Impact scale was also proven to have high reliability (α=0.827), even with its small number of items, which shows the strength of the items. Finally, Investor Decision-Making Behaviour presented maintainable reliability (α= 0.797), which should be noted as lower than the others, yet still exceeding the traditional level of 0.70. Overall, these reliability coefficients hint at the fact that the survey instrument is statistically robust and can be analysed further.

Table 3: Demographic Characteristics of Respondents (N = 316)

Demographic Variable	Category	Frequency	Percentage (%)
Age	Under 25	69	21.8
	25–34	73	23.1
	35–44	65	20.6
	45–54	64	20.3
	55+	45	14.2
Gender	Male	167	52.8
	Female	149	47.2
Country of Residence	Lithuania	190	60.1
	Bangladesh	126	39.9
Investor Type	Retail Investor	133	42.1
	Institutional Investor	183	57.9
Investment Experience	Less than 1 year	146	46.2
	1–3 years	108	34.2
	4–6 years	57	18.0
	More than 6 years	5	1.6

The sample size was 316 respondents and the level of distribution was quite even with a majority being between 2534 years (23.1) and below 25 (21.8) implying that the sample was relatively young. The proportion of gender was almost even, 52.8 percent of the respondents being males and 47.2 percent being female. The majority of the respondents were living in Lithuania (60.1%), and the other 39.9% ones in Bangladesh, which justified a cross-national comparative structure. The majority of institutional investors (57.9%) were involved in the decision-making process concerning ESG and professions were represented by these investors.

Regarding experience in investing, four out of five (46.2) were less experienced with less than one year working in investment, and 34.2 were less experienced with one to three years, indicating that the research targeted new investors that had less than 6 years of experience.

Table 4: Descriptive Statistics of Key Variables (N = 316)

Variable	N	Minimum	Maximum	Mean	Standard Deviation
Sustainability Reporting (SR) Exposure	316	4.00	20.00	13.36	3.65
Investor Trust in Sustainability Reporting	316	4.00	20.00	13.46	3.28
Perceived Quality of Sustainability Reports	316	4.00	19.00	13.62	3.30
ESG Disclosure Impact	316	3.00	15.00	10.43	2.65
Investor Decision-Making Behavior	316	4.00	20.00	13.99	3.66

The descriptive statistics of the five most important constructs indicate that there is a moderately high average score for all the variables measured. The highest mean score (M = 13.99, SD = 3.66) was registered in investor decision-making behavior, which would suggest a rather intensive interest in the aspects of sustainable investments among the respondents. Comparably high mean also presented by perceived quality of sustainability reports (M = 13.62) and investor trust (M = 13.46), indicating that in general, investors are assuming that sustainability disclosures are credible and well-prepared. The exposure to sustainability reporting (M = 13.36) also indicates a significant amount of familiarity or exposure on sustainability information. ESG disclosure reported carried a slightly lower mean (M = 10.43, SD = 2.65) and this fact could be interpreted as the varying attitude towards real effects of ESG elements on investment decisions. Generally, the statistics indicate a sample that is highly enlightened and responsive to corporate disclosures of sustainability-related information.

H1: Sustainability reporting has a significant impact on investor decision-making in emerging economies.

Table 5: Impact of Sustainability Reporting on Investor Decision-Making

Variable	Mean B	Std. Error	Standardised Beta (β)	t-value	p-value	R²	F-value	Sig.
Sustainability Reporting (SR) Exposure	0.718	0.039	0.716	18.192	.000	0.513	330.94	.000

Dependent Variable: Investor Decision-Making Behaviour

Hypothesis H1 that the sustainability reporting (SR) impacts greatly on investor decision-making in the emerging economies is strongly supported by the results. This was compared with a simple linear regression which was statistically significant, $F (1, 314) = 330.94$, $p =.001$ and it means that SR exposure is a significant predictor of investor behavior. The regression coefficient of SR exposure was $B = 0.718$ (SE = 0.039), and standardized beta (β) of 0.716 which indicates a very positive correlation. The exposure to sustainability reporting can only explain a variance of about 51.3 percent of the variance in the way investors make decisions, indicated by the R^2 value of 0.513. This relationship is highly significant and robust, as evidenced by a high t-value (18.192) and a significantly high p-value (< .001). These results are in line with other theoretical framework Signaling Theory (Spence, 1978) which postulates that sustainability reporting is a signal of managerial quality and long-term orientation. They also coincide with the Legitimacy Theory (Suchman, 1995) and according to the theory companies publish sustainability reports to achieve compliance with societal expectations and to receive legitimacy among capital market actors. This can be further supported by the Stakeholder Theory of (Freeman, 1984) which brings to the fore the way SR meets the needs of stakeholders (mainly the investors) in terms of transparency and accountability. These results are also supported by empirical evidence. Reimsbach et al. (2017) and Misiuda and Lachmann (2022) demonstrated a positive investor response to transparent and strong sustainability reporting in the case of investors, particularly professionals. According to Astuti et al. (2023) and Dienes et al. (2016), SR helps to increase transparency and efficiency of operations which is a major issue to risk-careful investors. In addition, Hawn et al. (2014) established that companies that belong to the sustainability indices, such as the DJSI, experience growing investor interest, and this further indicates the relevance of SR in the market. The regional factor, however, cannot be disregarded Liu et al. (2019) and

Loza Adaui (2020) mention that the institutional and cultural contexts of such countries as Bangladesh and Lithuania moderately affect the influence of SR. Therefore, it can be concluded that H1 is accepted, and the analysis result proves that sustainability reporting is increasingly accurate in the formation of the investment decisions of investors, especially in the complex situations of the emerging economies where transparency, governance, and ESG considerations are being prioritized.

H2: Investor trust significantly moderates the relationship between sustainability reporting and investor decision-making.

Table 6: Investor Trust Moderates the Relationship Between Sustainability Reporting and Investor Decision-Making

Source	Coefficient (B)	SE	t	p	95% CI (LLCI)	95% CI (ULCI)
Constant	-10.3571	1.6773	-6.1747	.000	-13.6574	-7.0567
Sustainability Reporting (SR)	1.8211	0.1561	11.6652	.000	1.5139	2.1283
Investor Trust (ITSR)	1.4416	0.1566	9.2074	.000	1.1336	1.7497
SR × Investor Trust (Interaction)	-0.1022	0.0115	-8.8468	.000	-0.1249	-0.0794

These findings are in favor of Hypothesis H2, which means that investor trust is a key factor that reduces the connection of sustainability reporting (SR) with investor decision-making. Investor decision-making behaviour variance accounted by the overall model is 61.91 per cent (R^2=.6191), and the interaction degree (SR × Investor Trust) is significant (B = -0.1022, p < .001), indicating the existence of a moderating effect. The interaction term coefficient is negative, indicating the decreasing marginal effect of SR as the level of investor trust increases. With a low level of trust (16th percentile), the impact of SR on decision-making is significant (B = 1.0039, p <.001), but it decreases at median (B = 0.3909) and high levels of trust (B = 0.1866), although it is significant. This shows that the lower the trust, the greater the role of SR in influencing investor decisions, and the higher the trust, the smaller the incremental role of SR This could be due to investors who have higher trust depending on SR regularly and therefore do not need it anymore. It is consistent with the Signalling Theory (Spence, 1978), which holds that trust increases the interpretability of the signals (SR) but decreases novelty. It also resonates with the results of the studies by Reimsbach et al. (2017) and Misiuda and Lachmann (2022), who highlighted the importance of credibility and assurance when it comes to investor response to ESG disclosures. Unless the emergent markets can overcome challenges to greenwashing (Mohammed et al., 2021; Nicolò et al., 2023), the trust in the emergent markets becomes a gatekeeper to define whether SR was have a significant impact on investment behaviour. H2 is therefore accepted,

confirming that investor trust not only influences investment decisions directly but also alters the strength of the impact of sustainability reporting.

H3: The perceived quality of sustainability reports significantly influences investor decision-making.

Table 7: Effect of Perceived Quality of Sustainability Reports on Investor Decision-Making

Source	Coefficient (B)	SE	Standardized Beta	t	p-value	95% CI (LLCI)	95% CI (ULCI)
Constant	2.155	0.543	—	3.971	.000	—	—
Perceived Quality of Sustainability Reports	0.869	0.039	0.785	22.426	.000	—	—

R = 0.785, *R²* = 0.616, *F* (1, 314) = 502.91, *p* < .001, Std. Error of Estimate = 2.27

The results are a good statistical explanation of Hypothesis H3 that holds that the perceived quality of sustainability reports plays a significant role in investor decision-making. The regression is very significant F (1, 314) = 502.91, p < .001) with a large value in R^2 at 0.616 which means that the perceived quality of the sustainability reports explicates a high percentage of 61.6 in investor decision-making behavior. B = 0.869 (p < .001) is the unstandardized coefficient of the perceived quality and B = 0.785 (p < .001) is the standardized beta between the perception of quality of reports and financial decisions of the investor. This indicates that when the investors perceive the sustainability reports to be transparent, exhaustive, compliant with the standards (e.g., GRI, TCFD), and credible (the third-party support is often available), the latter has a much higher chance of making their decisions with reference to the information presented in the reports. Such findings align with the current studies by Misiuda and Lachmann (2022) and Balluchi et al. (2020), who have noted that report quality is the determinant of credibility that, in turn, contributes to more investor confidence and participation. It is also associated with Signalling Theory (Spence, 1978), in which the high-quality disclosures are effective signals of organizational competence and transparency.

H4: Environmental, social, and governance (ESG) disclosures each have a significant influence on investor decision-making.

Table 8: Effect of ESG (Environmental, Social, and Governance) Disclosures on Investor Decision-Making

Source	Coefficient (B)	SE	Standardized Beta	t	p-value
Constant	1.992	0.464	—	4.290	.000
ESG Disclosure Impact	1.150	0.043	0.833	26.656	.000

$R = 0.833$, $R^2 = 0.694$, $F (1, 314) = 710.54$, $p < .001$, Std. Error of Estimate = 2.03

Hypothesis H4, which is that ESG (Environmental, Social, and Governance) disclosure decision has a considerable influence on investor decision, is empirically supported by the regression results. The model is important with the value of the $F (1, 314) = 710.54$ and the p value equals.001. The R^2 value lies in the range of 0.694, meaning that nearly 70 per cent of the change in the decision-making behaviour of an investor can be explained by the perceptions of ESG disclosure impact, which is quite a high percentage of explanation. Inconsistent regression coefficient (B = 1.150) and the standardized beta (B= 0.833) also show that relationship among the perceived ESG disclosure effect as well as the way in which the investors make decisions is highly strong. It implies that the more the investors perceive the information on the ESG to be valuable, strategic, and trustworthy, the better prepared people are to include it into their choices. The findings are in close relation to the prior literature. These illustrations prove that ESG disclosures are non-financial indicators of performance, which are slowly included in the measurement of investor risks (Lanza et al., 2020; Siegrist et al., 2019). Also, the findings establish what Jamil et al. (2021) and Mohammed et al. (2021) argue when they state that ESG disclosure has elevated investor interest especially when the disclosures represent actual performance as opposed to symbols. The results also prove Signaling Theory to be correct (Spence, 1978): The strong ESG disclosure rises as the signal of responsibility, ethical principles, and quality of governance and thus alters the investor perceptions and investor choices especially in the un-certain institutional environment like Bangladesh and Lithuania. In this way, H4 has been accepted, which indeed confirmed that every dimension of the ESG environmental, social, and governance is a meaningful factor as a group when choosing the investment decisions in the emerging economies.

3.1. Discussion

H1: Sustainability Reporting Has a Significant Impact on Investor Decision-Making

The H1 findings obtained with a high level of empirical confirmation show that the effect of sustainability reporting (SR) on the decision-making process of investors in emerging markets is significant and positive, thus coming before other sources such as Adams and Abhayawansa (2022) and Reimsbach et al. (2017). The regression model explains more than half the variance ($R^2 = 0.513$) in investor behaviour, that sustainability disclosed is not just a formality, but a fundamental tool through which investors can consider corporate trustworthiness as well as long-term opportunities. It is especially relevant when the case of Bangladesh and Lithuania is considered, where regulatory frameworks and capital market maturity are different, as demand for ESG transparency is rising. These findings can be adequately explained by the Stakeholder Theory, which implies that the companies should report on sustainability practices to receive the acknowledgement of compliance with the expectations of the most significant stakeholders, like investors (Freeman, 1984). Furthermore, SR is used as a tool to fit in the norm of society and gain capital by acquiring legitimacy according to the Legitimacy Theory. The Signaling theory also extends further to provide that SR is a sign of a competent management and risk-sensitivity (Spence, 1978). The empirical evidence presented by Astuti et al. (2023) and Siegrist et al. (2019) also confirm the argument that the disclosure of ESG raises corporate image and investor confidence. In order to narrow down to the practical aspects, the findings show that the businesses in the developing economies should put emphasis on quality and transparent sustainability reporting, as it is the one that was attract informed investors. It is the application of SR in the subversion of the information asymmetry which makes it an important aspect of the company communication strategies. To the investors, especially where the law is weak, it was be clear that SR is a proxy of ethical behaviour and strategic vision, and it establishes that H1.

H2: Investor Trust Significantly Moderates the Relationship Between Sustainability Reporting and Investor Decision-Making

The moderation result of H2 shows that the level of investor trust plays a large role in mediating between sustainability reporting and investment decision-making. This is statistically significant (interaction effect $p < .001$) with the conditional effects showing that SR has the greatest effect on investor behavior at low trust in the report (B = 1.00 at low trust) and minimal at high trust (B = 0.19 at high trust). This is a two-way relationship implying that SR exerts more influence

in a case where investor trust has been established and that signifies the gatekeeping impact of trust. It corresponds to Reimsbach et al. (2017) and Misiuda and Lachmann (2022), who emphasize the fact that the credibility and the assurance of the third party, perceived honesty of the disclosures of sustainability are highly important in the investor reaction. The sense of trust might compromise a much-needed prism with the help of which the investors was view the ESG information in the new markets where the cases of greenwashing and token disclosures are more common than anywhere else (Liu et al., 2019; Mohammed et al., 2021). The relationship is anchored on Signaling Theory and emphasizes on the role of trust in enhancing or constraining the effectiveness of corporate signals e.g. SR. SR is a significant source of information in case there is a low level of trust. When trust levels are high, investors are able to act on previous impressions and minimally in regard to current disclosure and this reduces the marginal influence of SR to a small extent. This in the real life brings out the importance of the pressure, third party guaranteed reporting practices, and integrity. Especially, in such nations as Bangladesh, the independent verification should be imposed by the regulators to increase the trust. The study affirms H2 and points out the truth that being an investor trust is not a passive element- it determines the way SR was determine the course of its influence in financial decision-making.

H3: The Perceived Quality of Sustainability Reports Significantly Influences Investor Decision-Making

As indicated in the H3 results, the relationship between the perceived quality of sustainability reports and investor decision-making, with a very high value of R^2 of 0.616 and a standardised beta of 0.785, is significant and positive. This confirms that the presence of sustainability reporting does not trigger responses among investors, but rather the presence of a quality sustainability reporting, such as the findings by Balluchi et al. (2020) and Misiuda and Lachmann (2022). All these indicators of quality, such as clarity, objectivity, completeness, and adherence to the international standards (e.g., GRI, TCFD), can allegedly increase the investment confidence and interest tremendously. It can also be compared to the results that were presented in the research conducted by Yekini et al. (2014), who emphasized that it is balance in narratives (disclosures of failures) that contributes to the presence of perceived authenticity and credibility. It lies in Signaling Theory whereby quality disclosures are seen as a measure of corporate competence, governance and strategic fit. Such quality of reports can serve as differentiating in the markets, where the risks of symbolic or compulsive disclosures are high (as some of the findings of the research by Loza Adaui, 2020), and a company can gain investor loyalty and reputation in the market. In practical terms, the findings point to the fact that the checkbox reporting should not be the only one used by the companies. These markets should be strategized

according to the credibility of reports, storytelling and alignment of standards, and their need is possible especially in markets like Bangladesh and Lithuania, where the ecosystem of ESGs is still emerging. H3 is put in place and this has determined that investors are concerned with quality and not the quantity of disclosure.

H4: Environmental, Social, and Governance (ESG) Disclosures Each Have a Significant Influence on Investor Decision-Making

Results of the regression analysis show that H4 is highly supported, which is the summation of ESG disclosure as a construct explaining 69.4% variance of the invested decision-making (R^2 0.694). It can be concluded that ESG disclosures are highly effective predictors of the behaviour of investors in the emerging markets, the high strength of the beta coefficient (B= 0.833) and the significant p-value can prove it. This fact can be attributed to the growing recognition internationally that non-financial metrics of performance, such as ESG data, are needed in long-term performance estimation (Lanza et al., 2020; Siegrist et al., 2019). The aspects that are being initiated by the investors through their portfolio approaches are environmental risks, social responsibility, and corporate governance. The change may be traced in such markets as Lithuania, where EU regulatory systems are moving towards ESG integration, or in Bangladesh, where ESG risks begin to gain relevance. In theory, the Stakeholder Theory would be used to justify such an action, as businesses was provide ESG information about the needs of the collective and retail classes. Legitimacy Theory and Signaling Theory also explain a way companies allow ESG discourse to make companies more accountable and depict the long-term strategic value (Spence, 1978; Freeman, 1984). As a practical matter, the findings reveal that the companies should focus on all three ESG pillars during their reporting, such as environmental stewardship, social impact and governance integrity, in order to be appealing to investors to the maximum. Further, industry customization may make it more relevant as different industries are more concerned with ESG dimensions. H4 is accepted and proved that not symbolic; but ESG disclosures are also the component of the investor assessment and the portfolio allocation in the dynamic market.

CONCLUSION

The novelty of the present research was connected to the idea of examining the relationship between sustainability reporting (SR), ESG disclosures, and investor decision-making behaviour using the examples of developing economies in Bangladesh and Lithuania. Based on the Stakeholder Theory, the Legitimacy Theory and Signalling Theory, the results highlight the critical implications of the quality of non-financial reporting and disclosure in defining the contemporary investment behaviour pattern. Across all hypotheses tested, the results consistently showed statistically significant relationships:

- H1 confirmed that SR exposure significantly influences investor decision-making.

- H2 demonstrated that investor trust moderates this relationship, such that SR is more impactful at lower levels of trust, suggesting trust acts as a gateway filter.

- H3 validated that the perceived quality of sustainability reports is a key determinant of investor behavior.

- H4 established that individual ESG dimensions—environmental, social, and governance—each significantly impact investment decisions.

With these results, the argument in favour of the emerging market investing logic being shifted to the more financial one, with the wholly ESG-informed decision, is suggested. Investors are also seeking data, which reduces their credibility, applicability and quality of presentation and attest against the credibility, commitment, and transparency of reported information, ensuring the need to have reliable, open, and assured reporting systems. The study is the input of additional theoretical frameworks regarding sustainability reporting and its effects on investor behaviour because it introduces the moderating effects of investor trust to the study. It depicts a mixture of the core of theory: The Stakeholder Theory (satisfying all the diverse expectation of investors and other stakeholders) and the Legitimacy Theory (corporate image with the expectation of the society is in tandem with the corporate image), and the Signaling Theory (SR is the pointer of the quality of management and the strength of the business as the work is carried out long-term). Remarkably, the findings of the current research close a section of the literature regarding the subject of emerging markets by proving that the quality and credibility of sustainability reports do not always pose out to be implied by those who invest: the analysis of the given information is an objective matter, and the perception of trusts varies enormously, based on the regulation, culture, and institutional climate of a specific country. The study has great practical implications to the

firms, investors, regulators, and the sustainability reports designers. One the one hand, the businesses practicing within the emerging economies must pay attention to the elaboration of the high-quality, standardized, and independently verified sustainability reports. It must not be symbolic or superficial in disclosures and be candid, balanced and specific with respect to reportage. When it comes to investors, institutional and retail, the pressing need to develop a robust evaluation system that would assess the feasibility and the disclosures of the SR and ESG of the company is evident in the scenario when regulation in specific spheres can be light, and the danger of the greenwash is present. There is the need to increase ESG disclosure provisions and auditing to the regulators particularly in the countries where the study was conducted like Bangladesh. A more united and mature system in Lithuania, directed towards the structures of the EU, demonstrates the relevance of the organized directives to the development of responsible corporate ethics and investor confidence. Lastly, much concern should be attached by report designers on the tone and the comprehension of the narratives. The inclusion of both the stories of success and failures in a specific ratio was not only enhancing the level of credence but was also advance the interests and trust of investors.

Even though the results of the empirical part are well-grounded, the recent research also leaves specific perspectives for future study. The current study can be expanded in future studies to encompass additional growing economies such as India, Nigeria or Indonesia, to which comparative knowledge was be acquired, and the results can be generalised. Subsidiary research would also be conducted to further subdivide the ESG dimensions and explore the aspects, be it environmental, social or governance dimension, that have the most significant impacts on investor decision-making within specific sectors. The longitudinal research studies would also be helpful in studying the dynamics of the SR practices and reactions of investors over time but the experimental research design would enable the researcher to test the causality more directly like whether an improvement in the quality of SR was directly led to changes in the portfolio allocation. Furthermore, it is possible to talk about the future usage of technology to build investor confidence. Possible requests to enhance the sustainability report based on blockchain, artificial intelligence-based SR checkers and ESG real time dashboard, among others, can be developed to enhance the level of transparency and responsibility in communicating with investors. Lastly, this researcch presents strong empirical and theoretical reasons that can be used to support the more strategic contribution of sustainability reporting in the new financial markets. It proceeds to state that SR is not a mere check box/compliance measure but a powerful communicative tool capable of moving investor perceptions and behavior in a significant way. The imperatives of being

more open, responsible, ethically acting, as the dynamics of demand to such tendencies suggest, are compelling both the firms and the authorities to become streamlined that the sustainability disclosures become not just plausible, but suggestive of corporate principles, and performance. Last but not least, governance cannot be an issue when a perfect fit to the expectations of the investors and it is one of the decisive preconditions of the market trust, stability and competitive advantage in the long run.

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APPENDIX 1

The Impact of Sustainability Reporting and ESG Disclosures on Investor Decision-Making in Emerging Economies: A Comparative Study Between Bangladesh and Lithuania.

Investor Questionnaire

Section A: Demographic Information

Kindly choose or complete the relevant answers.

1. Age

    a. Under 25   b. 25–34   c. 35–44   d. 45–54   e. 55+

2. Gender

    a. Male   b. Female   c. Other: _____

3. Country of Residence

    a. Bangladesh   b. Lithuania

4. Investor   Type

    a.   Retail   Investor   (Individual)

    b. Institutional Investor (Bank, Fund, etc.)

5. Investment   Experience

     a. Less than 1 year   b. 1–3 years   c. 4–6 years   d. More than 6 years

    Sustainability Reporting and Investor Behavior Questionnaire

    Section: Sustainability Reporting (SR) Exposure

    Please respond to the following statements regarding sustainability reporting by companies you would invest in by rating them based on their relevance.

No.	Items	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
1.	I regularly review sustainability reports before making investment decisions.	1	2	3	4	5
2.	I actively seek out ESG-related disclosures before committing to an investment.	1	2	3	4	5
3.	I rely on sustainability disclosures as a key source of non-financial information.	1	2	3	4	5
4.	I prefer to invest in firms that are transparent about their environmental and social impacts.	1	2	3	4	5

Section: Investor Trust in Sustainability Reporting

Please give your rating as to how much you can trust sustainability reporting by companies you would consider investing in.

No.	Items	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
5.	I trust the credibility of the sustainability reports provided by companies.	1	2	3	4	5
6.	I find sustainability information more trustworthy when it is third-party assured.	1	2	3	4	5

7.	I believe that most firms report honestly on both their ESG achievements and shortcomings.	1	2	3	4	5
8.	I feel more confident investing in firms whose sustainability reports are transparent and detailed.	1	2	3	4	5

Section: Perceived Quality of Sustainability Reports

Please evaluate the quality of sustainability reports you have read recently.

No.	Items	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
9.	The sustainability reports I read are clear and easy to understand.	1	2	3	4	5
10.	These reports follow internationally recognized standards (e.g., GRI, SASB, TCFD).	1	2	3	4	5
11.	Companies provide a balanced view of both strengths and weaknesses in their ESG performance.	1	2	3	4	5
12.	I find the ESG content to be well-integrated with the firm's financial information.	1	2	3	4	5

Section: ESG Disclosure Impact

Please suggest the level of influence of ESG factors on your investment decisions.

No.	Items	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
13.	Environmental reporting (e.g., climate risk, energy use) influences my investment choices.	1	2	3	4	5
14.	Social disclosures (e.g., labor practices, diversity, community impact) affect how I evaluate firms.	1	2	3	4	5
15.	I consider governance transparency (e.g., ethics, board structure) before investing.	1	2	3	4	5

Section: Investor Decision-Making Behavior

Kindly rate the following statements according to your real investment actions and plans.

No.	Items	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
16.	I have invested in companies based on their sustainability performance or ESG disclosures.	1	2	3	4	5
17.	I avoid investing in firms that disclose poor environmental or social practices.	1	2	3	4	5
18.	I consider ESG transparency as a long-term value indicator.	1	2	3	4	5

19.	I am wasing to pay more or accept lower returns for firms that excel in ESG practices.	1	2	3	4	5

APPENDIX 2

H1:

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.716[a]	.513	.512	2.55493
a. Predictors: (Constant), Sustainability Reporting (SR) Exposure				

ANOVA[a]						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	2160.255	1	2160.255	330.937	.000[b]
	Residual	2049.695	314	6.528		
	Total	4209.949	315			
a. Dependent Variable: Investor Decision-Making Behavior						
b. Predictors: (Constant), Sustainability Reporting (SR) Exposure						

Coefficients[a]						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	4.390	.547		8.029	.000
	Sustainability Reporting (SR) Exposure	.718	.039	.716	18.192	.000

H2: Investor trust significantly moderates the relationship between sustainability reporting and investor decision-making.

Run MATRIX procedure:

***************** PROCESS Procedure for SPSS Version 4.2 ****************

Written by Andrew F. Hayes, Ph.D.   www.afhayes.com
Documentation available in Hayes (2022). www.guilford.com/p/hayes3

****
Model: 1
   Y: IDMB
   X: SR

W: ITSR

Sample
Size: 316

****
OUTCOME VARIABLE:
 IDMB

Model Summary
R	R-sq	MSE	F	df1	df2	p
.7868	.6191	5.1398	169.0302	3.0000	312.0000	.0000

Model
	coeff	se	t	p	LLCI	ULCI
constant	-10.3571	1.6773	-6.1747	.0000	-13.6574	-7.0567
SR	1.8211	.1561	11.6652	.0000	1.5139	2.1283
ITSR	1.4416	.1566	9.2074	.0000	1.1336	1.7497
Int_1	-.1022	.0115	-8.8468	.0000	-.1249	-.0794

Product terms key:
 Int_1   :   SR   x   ITSR

Test(s) of highest order unconditional interaction(s):
	R2-chng	F	df1	df2	p
X*W	.0956	78.2667	1.0000	312.0000	.0000

   Focal predict: SR (X)
      Mod var: ITSR (W)

Conditional effects of the focal predictor at values of the moderator(s):

ITSR	Effect	se	t	p	LLCI	ULCI
8.0000	1.0039	.0813	12.3532	.0000	.8440	1.1638
14.0000	.3909	.0669	5.8422	.0000	.2593	.5226
16.0000	.1866	.0768	2.4292	.0157	.0355	.3378

*********************** ANALYSIS NOTES AND ERRORS ************************

Level of confidence for all confidence intervals in output:
 95.0000

W values in conditional tables are the 16th, 50th, and 84th percentiles.

------ END MATRIX ----
* Encoding: UTF-8.
preserve.
set printback=off.

H3: The perceived quality of sustainability reports significantly influences investor decision-making.

Variables Entered/Removed[a]			
Model	Variables Entered	Variables Removed	Method
1	Perceived Quality of Sustainability Reports[b]	.	Enter
a. Dependent Variable: Investor Decision-Making Behavior			
b. All requested variables entered.			

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.785[a]	.616	.614	2.27014
a. Predictors: (Constant), Perceived Quality of Sustainability Reports				

ANOVA[a]						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	*Regression*	2591.742	1	2591.742	502.907	.000[b]
	Residual	1618.207	314	5.154		
	Total	4209.949	315			
a. Dependent Variable: Investor Decision-Making Behavior						
b. Predictors: (Constant), Perceived Quality of Sustainability Reports						

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	2.155	.543		3.971	.000
	Perceived Quality of Sustainability Reports	.869	.039	.785	22.426	.000
a. Dependent Variable: Investor Decision-Making Behavior						

H4: Environmental, social, and governance (ESG) disclosures each have a significant influence on investor decision-making.

Variables Entered/Removed[a]

Model	Variables Entered	Variables Removed	Method
1	ESG (environmental, social and governance) Disclosure Impact[b]	.	Enter
a. Dependent Variable: Investor Decision-Making Behavior			
b. All requested variables entered.			

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.833[a]	.694	.693	2.02710
a. Predictors: (Constant), ESG (environmental, social and governance) Disclosure Impact				

ANOVA[a]						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	2919.683	1	2919.683	710.535	.000[b]
	Residual	1290.267	314	4.109		
	Total	4209.949	315			
a. Dependent Variable: Investor Decision-Making Behavior						
b. Predictors: (Constant), ESG (environmental, social and governance) Disclosure Impact						

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.992	.464		4.290	.000
	ESG (environmental, social and governance) Disclosure Impact	1.150	.043	.833	26.656	.000
a. Dependent Variable: Investor Decision-Making Behavior						

Coefficients^a