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Integrating Social and Governance Factors into Financial Decision-Making and Investment

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ABSTRACT:

Primarily, investors used to prefer investing in sectors and companies which seems to gain superior monetary outcome. The theory of Stakeholder integration in business practices emerged as a tactical initiative, emphasizing implication of social and governance factors in business practices to maintain long-term financial health. A significant change in investment strategies has occurred due to integration of social and governance factors in financial decision making. Financial performance of the company is directly impacted by social factors like corporate social responsibility (CSR) and fair labor practices. Organizations committed to social and economic wellbeing of their communities tend to experience more customer loyalty and perceived as more responsible businesses. This perception can lead to a competitive advantage, as customers and investors are attracted toward companies and support the companies that prioritize community welfare.
The implication of social and governance (SG) factors in financial decision making of textile industry was investigated. For investigation the research methodology adopted include the research paradigm, instrument design, data collection methods, and sampling techniques, aligning with academic standards and latest studies in similar fields.
The analysis of the study focuses on the interrelationships between social and governance factors, investor trust, social commitment, and financial decisions. It highlights how strong governance practices and social responsibility impact investor confidence, which subsequently influences financial decision-making. The path coefficients in the model show significant positive relationships, indicating that companies' commitment to social and governance aspects plays a crucial role in shaping investment strategies.
By emphasizing social commitment and adopting robust governance practices, companies can improve their financial performance, strengthen investor trust, and achieve long-term sustainability.

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Introduction

BR kumar (2024) narrated that profitability and long-term sustainability, social and governance factors integration in financial decision making and investment strategies has become crucial. Primarily, investors used to prefer investing in sectors and companies which seems to gain superior monetary outcome. Nevertheless, firms who are solely focused on monetary gain struggle for long term stability. The theory of SG integration in business practices emerged as a tactical initiative, emphasizing implication of social and governance factors in business practices to maintain long-term financial health (J Hill, 2020).
Social factors include wide range of elements including CSR, community engagement, and fair labor practices, foster stakeholder trust and loyalty (M Aldalaty, 2024). CSR is responsible in gaining wide customer base by winning their trust and customer satisfaction which results in customer loyalty, financial and strategic benefits for the organizations (L Leclerc-Machado 2022). Transparency, ethical leadership and complying with the regulations are the governance factors which enhances

accountability, reduce risks and most importantly build investors' confidence, strategic planning and risk management. (Oprean-Stan 2020). Social and governance factors integration can lead to the stable operations, trust, and long-term value by fostering loyalty among employees and customers (M Celestin 2024). For each sector it depends what kind of policies align with organizational objectives and stakeholder properties when it comes to broader implication (K Gupta 2020). Implication of these factors position companies for resilience and adaptability in global markets (D Settembre 2021). In order for good relationships with stakeholders, all organizations must make sure that their social initiatives are consistent with the needs of the societies (Stahl, G. K 2020). Public perceptions, goodwill, and investment are shaped by socially appropriate initiatives and labor practices (Kumar R 2024).

Community-building companies, therefore, can expect customer loyalty as well as good market positioning (J Wongsansukcharoen 2022). The making of such social policies into corporate operational matters would provide the edge towards competitiveness and sustainable financial growth (I Farida 2022). Unethical behavior and regulatory noncompliance guarantee that a company is not related with governance practices strong as such (B Sibanyoni). Competitive Advantage for a Firm and Institutional investors flock toward companies with board systems that emphasize transparency through their reporting and stronger oversight (R Saha, 2020). Corporate actions of firms with stakeholder expectation are the aptest assurance of long-term financial health (CP Efunniyi 2024). Besides, this conformance is indispensable in a rapidly changing environment where global marketing thrives on compliance and adaptability to gain a competitive edge. The synergy between social and governance factors enhances organizational adaptability and competitive positioning (D Jamali 2008). SG integration ensures higher return as these practices bring forth operational efficiency and reduced management risk (a Guva 2022). Investors increasingly prioritize businesses that align with ESG principles, as this alignment ensures resilience in times of economic or regulatory shifts (AL Olteanu 2023). The integration of SG factors thus becomes not just a value-driven decision but also a critical strategic necessity for sustainable success (K Tsilionis 2022).

Investor preferences are ever changing but at present, most companies with excellent governance and socially responsible behaviors are now taking center stage, together with financially performing organizations (Q Wu 2022). As well, there is a direct correlation between trait and supply to enhanced perception by investors and every market valuation and effective relationship with multi-stakeholders (F Stocker 2021). Moreover, the phenomena present themselves much more in the financial markets where ESG integration is considered a very good indicator for effective risk management, ethical leadership, and sustainable value creation (Wang, 2023). Findings from empirical studies show that organizations with SG principles into their decision-making processes handle the market and legal challenges more efficiently. So companies that focus on SG factors attract socially responsible investors for a contention of a funding advantage," (Kim, 2023). Governance frameworks helped reduce compliance, operational, and reputational risks (CP Efunniyi). Solid SG practices correlate with higher valuation multiples based on investor confidence in long-term growth potential (G,Tan).

Despite these advancements, there are challenges in effectively incorporating SG factors into financial strategies. Many investors and financial institutions struggle to balance immediate financial returns with long-term social and governance commitments. This gap highlights the need for robust frameworks that enable organizations to fully leverage SG factors for financial and societal benefits (J Wang, 2024).

This research aims to explore the benefits and challenges associated with integrating social and governance factors into financial decision-making and investment strategies. The study focuses on the interplay between critical variables, including social factors, governance factors, social commitment, investor trust, and financial decision-making. Social factors, such as fair labor practices and community engagement, are essential in fostering social commitment, which strengthens corporate reputation and stakeholder loyalty. Governance factors, including ethical leadership and accountability, reinforce investor trust and confidence, promoting sustainable growth.

Social commitment and investor trust act as bridging mechanisms, linking SG integration to enhanced financial performance (A Rawashdeh 2024). Together, these variables provide a foundation for reshaping financial strategies toward more responsible and impactful practices. By analyzing these interconnections, the study aims to offer actionable insights for companies and investors, driving a shift toward more sustainable financial ecosystems.

Social factors such as corporate social responsibility (CSR), community engagement, employee welfare, diversity and inclusion, and fair labor practices are increasingly integral to the financial decision-making process of companies (V Knadpal 2024). These factors are not merely ethical considerations but also play a key role in enhancing a firm's financial performance, improving its market positioning, and mitigating potential risks. In particular, businesses operating in industries such as textiles, where labor conditions and ethical practices are highly scrutinized, benefit from integrating socially responsible practices into their operations (F Saeed 2022). By fostering a socially responsible image, companies can cultivate trust among employees, consumers, and investors, which ultimately contributes to greater profitability and long-term sustainability.

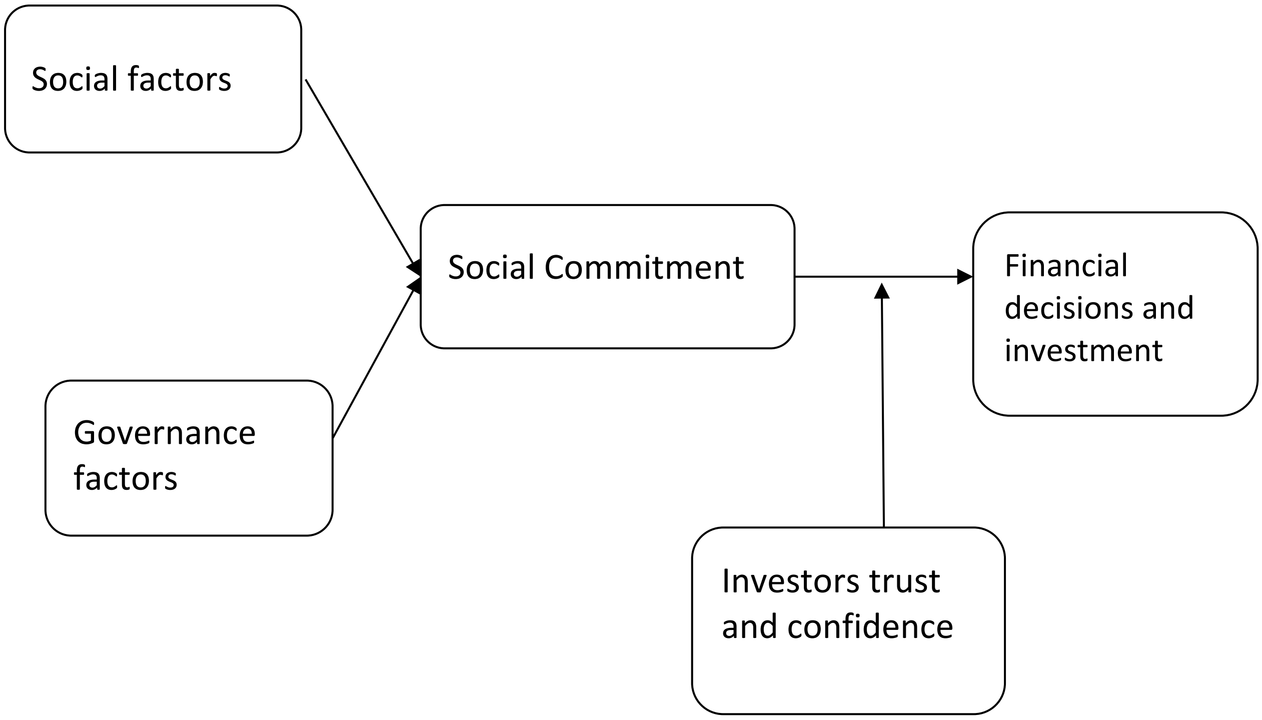
Raise Brand Reputation: It is one of the prime ways social prospects would impact the respective financial outcomes. The perceptions of being ethical, fair in labor policies, or engaged in any form of partnership with an organization are also seen by the organizations from customers and employees-a more positive one. Therefore, this perception is believed to work on customers' loyalty and employees' retention, leading to increased productivity and innovation rates. CSRs in the view of Wang (2024) provide better competitive strategy positions for the firms in the market wherein those firms charge premiums on their goods and services. Consumers, however, demonstrate the changing trend now, on-the-move demanding an exposition toward the environmental and social effects of what they buy (Liang & Renneboog, 2020).

SRPs will create direct possible focus sources for organizations concerning the avoidance of some reputational or legal risks. Herein comes the estrangement of the organization from consumers, investment support, and a legislative body-the cost of failure to meet an ethical standard. Organizations that espouse and practice such values as fair labor and employee welfare will not attract expensive and public relations disaster-generating lawsuits. In addition, these activities also contribute to a well-nurtured and engaged workforce, which results in lower employee turnover and improvement in employee satisfaction. The research conducted by Curzi (2013) states that organizations that introduced diversity and inclusiveness policies performed better, leading to lower turnover of employees and thus creating more employee involvement, typically precursors for better performance in financial results.

The social aspects always create these kinds of faces in changing times on the financial situation-spelled with or shadowed by defects. The performance management system bears evidence of the relationship of CSR and financial performance. Aligning corporate goals with CSR goals delivers performance that benefits both business and society, and the performance management systems in place will usually show this. According to Rupp (2020), CSR activities contribute directly to employee commitment, which results in organizational performance. Employees tend to stay longer with such companies because they are likely to be ethical in their conduct and socially responsible among many. More recent studies have made it even more of a necessity to consider social factors in financial decision-making. For instance, CSR is no longer seen solely in the light of maximizing brand image but as a strategic initiative that may directly affect the bottom line of a company. Such companies are likely to be quite profitable in adopting CSR strategies relevant to environmental sustainability and social equity because the consumer demand for ethically-produced goods continues to rise with time (Aguinis & Galvas, 2022). Some companies have adopted employee welfare-based and fair labor-based approaches that have enabled them to attract and therefore retain talent, enriching such companies' productivity and innovation (J Wang 2024).

The components of social existence are intrinsic part of the financial decision-making because they establish person’s internal and external perceptions of the firm. It is this combination of CSR, employee welfare and ethical business activities that places value into organizational strategies-strategies that build reputation and form sources of income for the long haul. Through consideration of social responsibility, businesses can establish better ties with their stakeholders, mitigate risks, and ensure sustainability in their growth. Aligning the ethical leadership, accountability, effectiveness of boards, and organizational transparency within and across companies is what is called the governance factors. These attributes will also not without the trust of investors which would lay the foundation of financial performance over time. Additionally, it has been responsible for the promotion of financial stability and reducing the possibility of fraud, mismanagement, regulatory non-compliance, etc. Most somehow create environments where there is ethical leadership combined with transparency in reporting; hence, the social investors will attract value chains to find and keep sustained long-term relationships (Müller 2021).Governance is really all about affecting the extent and areas within which it informs decision-making for an organization; such governance structures provide that the organization pursues a mission concerned more with long-term preservation than mere short-term immediate financial gains. Accountability and transparency will engender a culture in which the organization makes more informed decisions through its financial and societal outcomes (Tirole, 2022). An example is ethical leadership and clear governance that will set lines of actions for an organization to shape environments that embed ESG in the long-term corporate strategies of the organization, taking the opportunity of the fact that these naturally align organizational objectives with broader social objectives (OA Ajay, 2024). The trust that it creates generates mountains of investment fund towards the company from the investors. On the other hand, companies that have extremely transparent governance cycles and strong social action programs will be able to engender more fantastic trust by potential investors. It will be easier for such companies to afford risky but future-benefiting investment strategies.

Investors will even prefer to cohabit with such organizations that prove they have business ethics and environmental sustainability programs. For investors, high confidence translates into reduced perceived risk and becomes a basis for more innovative and bold investment strategies that drive future growth (Choi & Wang, 2022). This well-established trust features great governance that provides a guarantee for competitiveness for companies in a market that becomes even more and more dynamic. Governance elements are those changes that ensure the greater ethical behaviour and accountability by promoting transparency in leadership and that serve as a pillar for getting the assurance of investors toward financial stability and increased confidence from investors in the financial sustainability of the organization. Utilizing the governance processes with AI-enabled tools will close the preparedness arc that enables organizations to make better decisions based on more strategic and informed choices. In that light, go on to the ironclad governance elements that guarantee success during the long and dramatic financial run to the market and beyond.



1. <u>LITERATURE REVIEW:</u>

This is now an important change in investment strategies with taking into considerations social and governance factors into financial decision making (GC Landi 2022). By concentrating on the financial returns with the sustainable societal outcomes, this broadened the scope of investment (C Fu 2023). Social factors like corporate social responsibility (CSR) and fair labor practices directly affect the financial performance of the company (X Partalidou 2020). Organizations presenting a responsible image are often envisaged to have higher customer loyalty and are considered as better businesses (N Glaveli 2021). This perception results into competitive advantage as customers and investors are drawn to and favor companies which care about the community welfare. Besides, companies that treat their employees fairly often witness loyalty among employees, high morale at work, and, thus, better overall performance (S Handoyo 2024). Such company employees develop new skills towards improved productivity, which eventually improves profitability for the company. A synergy exists between social responsibility and financial performance, indicating that community involvement and fair labor practices are crucial for companies intending to achieve massive financial success (Gherghina, 2024).

SG integration is an integration that actually forms a sustainable business operation and practice because many things in governance and social issues are now recognized as determining factors of both short run and long-term financial success (MT Lee 2022). On the foundation of the introductory research framework, the relationship among the variables is the basis for many hypotheses.

Social Factors and Social Commitment

Strengthening an organization's social commitment is mainly reliant on social elements, such as diversity, community involvement, and ethical work practices. These elements boost outward reputation, internal cohesiveness, and stakeholder connections. Social commitment is increasingly recognized as a key driver of sustainable growth, enabling companies to meet the demands of stakeholders while creating shared value (Kim 2024).

Diversification within organizations signifies the representation of variety of perspectives, skills, knowledge and cultural experiences. Research shows that diverse teams lead to improved innovation, better decision-making, and higher financial performance (McKinsey & Company, 2020). Initiatives for diversity, such as leadership programs for underrepresented groups or equitable hiring practices, foster a sense of belonging, directly influencing employee satisfaction and productivity (Kim, 2024). Moreover, diversity is increasingly linked to consumer trust; with socially conscious customers favouring brands that actively promote equality (Lee & Park, 2022). One of the important aspects of social commitment is community engagement which connects the businesses with local enjoinment in which they operate Programs like charitable collaborations, educational sponsorships, and community development projects improve a company's brand and goodwill.

According to the research, organizations investing in community engagement enjoy higher consumer loyalty and brand equity (J. Kumar 2020). For example, businesses engage in local employment initiatives and environmental preservation initiatives experience increased customer satisfaction and employee satisfaction**.** Ensuring workers wellbeing and moral values depends on fair labor practices. These entail enabling opportunities for skill development, equitable wages, as well as secure working environments.

According to J Wang (2024), companies that prioritize fair labor practices experience reduced turnover rates and higher employee engagement, leading to increased productivity. Ethical labor standards also mitigate risks associated with legal penalties and reputational damage, which are critical considerations in industries like manufacturing and retail. Effective social policies help organizations to strengthen their bond with stakeholders, including employees, consumers, and investors. Freeman's stakeholder theory (1984) emphasizes the importance of addressing stakeholder concerns to achieve organizational success. Recent studies have demonstrated that organizations that have strong social policies have greater capacity to handle threats that pulls conscious investors. (Carroll & Shabana, 2010; Müller, 2021). For example, a business that deliberately engaged in employee well-being and diversity friendly initiatives, increase employee commitment towards the company's success results in high retention and low recruitment expense.

H1: As indicated by Duby (2023) companies integrating social responsibilities in their core business strategies outperform their counterparts when it comes to financials and operational metrics.

2.1 Governance Factors and Social Commitment

In order to align organizational operations with social expectations, governance factors like transparency, accountability and moral leadership are important (TO Jejeniwa 2024). These factors promote organization's adherence to social commitment as its strategies are both efficient and effective. By providing understandable accurate, transparent and accessible information about organization's procedures and outcomes, the investors' trust develops. Accountability and transparency lower the risk of poor management and unethical conduct, which ensures that staff will be held accountable for their activities not the business. A pillar of governance, ethical leadership lays a strong emphasis on moral judgment and integrity, encouraging a culture that puts the good of society ahead of personal benefit (Sial .h2023). The expectations and demand of investors, workers and society are taken into account by governance factors according to the stakeholder theory Sial.h. (2023) discovered that the businesses with reliable and reparent governance system perceived as more reputable by stakeholders which increate the good will of the company.

H2: Implementation of effective governance frameworks ensures confidence and credibility which improves their capacity to comply with social commitment (Claessens & Yurtoglu, 2013).

2.2 Social Commitment and Financial Decision-Making and Investment:

Stakeholder theory highlights the importance of aligning organizational actions with stakeholder's requirements**.** Organizations boost their profitability and social commitment by focusing on these needs. Prioritizing social commitment attract socially conscious investors, which increase effectiveness of business and financial decisions and increase the attractiveness of investment (Lu 2024). As these companies are perceived as more reliable and robust, their alignment with the stakeholder interest brings more sustainability and growth. Stakeholder theory highlights the importance of aligning organizational actions with stakeholder's requirements. Organizations boost their profitability and social commitment by focusing on these needs. Prioritizing social commitment attract socially conscious investors, which increase effectiveness of business and financial decisions and increase the attractiveness of investment (Lu 2024). The alignment of a company with stakeholder interest can help make the company more sustainable and grow in this business environment, which adds to the perception that these companies are more reliable and stronger. Like the way the businesses work is in tune with the ever-evolving values of the society; that is how strong social beliefs help one company to keep competitive distance from the other. These businesses exhibit social responsibility, openness, and moral leadership which align with the interests of contemporary investors and consumers. Societal change would, thus, enhance their market position, risk treatments, and brand equity. For example, socially interested organizations attract large clientele passionate men and women maximizing their attention toward quality and socially responsible companies. These companies are also viewed as lower-risk opportunities for investment; therefore, even socially responsible investors interested in balancing returns against social effects would have a broader scope as they look for investments and are willing to invest in the company which maintains its customers. (Sial h,2023).

H3: Companies with high social responsibility commitment will attract more socially responsible investors, raising their appeal in terms of financial decision making and investments. (Lu 2024).

2.3 Moderating Role of Investor Trust and Confidence:

Investor confidence possesses a competency called trust and serves as a very interesting variable in the relationship between social involvement and financial-decision making. It could, in effect, enhance the roles of social responsibility by cushioning it from perceived risks on a firm's reputation. Trust is expected to build a strong relationship between the investors and the companies when the goals of the businesses align with societal values, such as ethical labor practices, sustainability, and transparency against time. Such practices bring about less investor skepticism, which makes them more willing to accept confident contributions in both short and long terms to such undertakings. Investor trust translates risks associated with downturns in business into simple functions (Wang 2021). For example, socially responsible investments take time to show returns. Such outflows would be seen to have risk attached to them in the absence of trust. With existing trust, investors will rather see them strategically than risky and boost inflow and make finances sounder. Kim (2024) indicate that trust will more often than not improve the process through judgmental interventions associated with the financial function and boost innovative reaches as well as strategic flexibility. Well-trusted firms find it more convenient to procure funding to finance their socially responsible ventures as they tend to enhance their overall marketplace standing.Above this, trust enables the firm to gain access to socially sensitive investors, investors who gave priority to ethical and sustainable practices over financial returns. Such socially conscious investors are expected to deal with firms demonstrating a long-term commitment to socially and governance principles. Financial returns will be enhanced as one of the results of such partnership will be increased access to enduring capital, leading to greater innovation and improving market credibility.

H4: Socially committed firms having high attributes of investor trust (Kim 2024)

2. Methodology

3.1 Research Methodology

This section focuses on practical implication of SG factors in financial decision-making. The research methods adopted for investigation include the research paradigm, the design of the instruments, the collection of data, and sampling techniques in every aspect, with qualification instead to academic standards and newest studies in such fields.

This study is focused on the fusion of social and governance (SG) issues within financial decisions in textile sector. The massive population of this research area is brimming with factories and industries; therefore, it is instrumental to show and explain how these SG practices can influence financial decision making and investments.

The choice of the textile sector arises from the high density of factories and industries in the research location. This is, hence, a very rich and easily accessible context in which to study SG practices, financial decisions, and investment strategies.

3.2 Research Paradigm and Approach

It employs an objective and measurable construct, which is the positivist paradigm adopted by the study to address research questions. The current investigation adopted positivist paradigm focusing on objective, quantifiable data in order to deal with research concerns. Hypotheses are tested and conclusion is made from statistical data, which is suitable for studies using the positivist approach. As hypothesized by Saunders (2019), a quantitative research approach permits researchers to test measurable relationships between variables and maintain data accuracy and credibility. .

The deductive approach forming the research lays down hypotheses generated through available theories with the capability of then testing them using empirical data. Such an approach, according to the studies conducted by Bitektine and Haack (2015), attaches worth on being deductive in insight generation relevant across industries.

3.3 Instrument Design

The questionnaire was specifically designed to study relationship between SG factors and decision making. The questionnaire has different parts including Demographics, Social factors, and Governance factors, Organizational adaptability and Elements for financial decision-making

The measurement scale employed was a five-point Likert-type questionnaire (1 = strongly disagree, 5 = strongly agree), which translated the responses into tangible numerical data and ensured standardization. This instrument was pilot-tested with 50 respondents in the textile sector. This step guaranteed the reliability and clarity of the instrument. According to Nunnally and Bernstein (1994), a reliability score on the above scale should be less than 0.80. The instrument had Alpha values above this in all the sections.

3.4 Data Collection

The research has used the primary data by distributing questionnaire to mid to senior level workers and managers in textile sector. The audience were those who participates in creating strategies, financial planning or who work on SG practices in companies. The questionnaires were distributed through email and whatsapp. While collecting data ethics were strictly followed. Data was collected from voluntary participants were assured of confidentiality and were clearly explained the purpose of data collection.

3.5 Sampling Techniques

This study has used random sampling technique making sure that the sample is suitable for textile sector study or sample represents textile sectors. According to the selected population have knowledge of SG factors and its implementation for building strategies and financial decision-making. The sample include top to mid-level managers and workers of textile sectors.

Under the guidelines of usage of Equations (1)- (3), the sample size was determined by Rao-soft:"data" software (Rao-soft, Inc. 2011, Seattle, WA, USA) considering sufficient respondents

$$x = Z(^{c}/_{100})^2 r(100 - r) \quad (1)$$

$$n = N\,x/((N - 1)E^2 + x) \quad (2)$$

$$E = \mathrm{Sqrt}[(N - n)x/n(N - 1)] \quad (3)$$

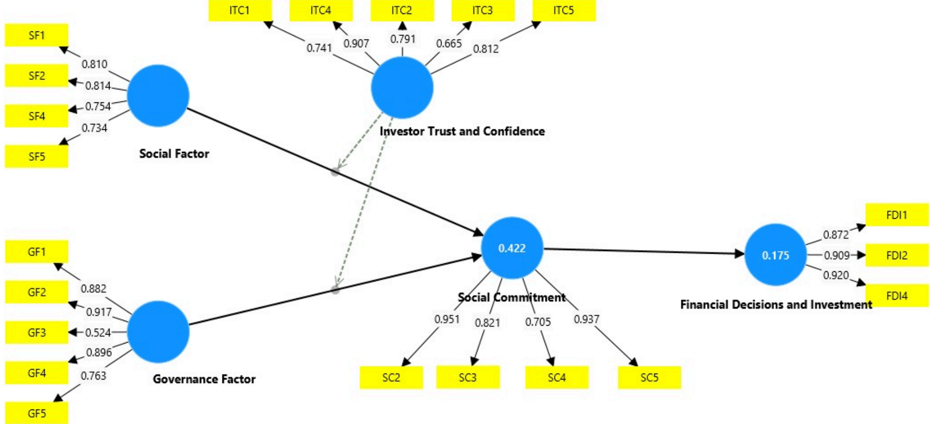
With 5% margin of error and 95% of confidence lever, given samples were questionnaire. 400 questionnaires were distributed but only 320 were valid. Some responses were not perceived as valid and some were not completed. Both type of questionnaire was excluded. The samples have covered diverse range of small medium enterprises to get more detailed insights of industrial practices.

3.6 Framework for Analysis

The relationship patterns between SG factors integration and financial and investment decision making studied using statistical analysis. The collected data was analyzed using the techniques factors analysis and regression modelling. The methodology used aligns the studies and recent findings. Validating the research framework and testing hypotheses efficiently, this quantitative method proves to be effective for studying corporate practices.

3.7 Analysis:

In the analysis of the study, the relationship among social factors, governance factors, investors' trust, social commitment and financial decisions is highlighted. Governance and socially responsible conscious actions greatly impact investors trust and confidence which in return influence financial decision-making. In the model, positive relationship between social commitment and governance factors has been tracked which actually shape the company's strategies. This proves the importance of this relationship for improving social and financial outcomes of the organization.



Confirmatory factor analysis fig 1.1

4.1 Reliability and Validity:

Reliability and validity of constructs were evaluated by means of Cronbach's Alpha, Composite Reliability (rho a and rho c), and Average Variance Extracted (AVE). Financial Decisions and Investment were very reliable as shown by the result of the analysis indicating a Cronbach's Alpha of 0.885, a composite reliability of 0.928, and an AVE of 0.811, evidence of internal consistency and convergent validity. Governance Factor revealed good reliability with an alpha of 0.869, composite reliability of 0.902, and AVE of 0.656, confirming the explanatory power of that construct. Similarly, Investor Trust and Confidence attained: Cronbach's Alpha of 0.844, composite reliability of 0.890, and AVE of 0.620. Sufficient reliability and validation results were thus obtained. Highly reliable construct, Social Commitment, was further perceived to have an alpha of 0.876, composite reliability of 0.917, and AVE of 0.738. Thus, confirming it to be highly robust. Synergized, Social Factor recorded acceptably reliable measures with an alpha of 0.783, composite reliability of 0.860, and AVE of 0.606. These results therefore validate that the constructs adequately measure their respective variables, indicating the applicability of the instrument in analyzing the integration of social and governance aspects into financial decisions and investment strategies.

Table 1 reliability and validity:

Variables	Cronbach's alpha	Composite reliability (rho_a)	Composite reliability (rho_c)	Average variance extracted (AVE)
Financial Decisions and Investment	0.885	0.915	0.928	0.811
Governance Factor	0.869	0.910	0.902	0.656
Investor Trust and Confidence	0.844	0.868	0.890	0.620
Social Commitment	0.876	0.887	0.917	0.738
Social Factor	0.783	0.784	0.860	0.606

4.2 Discriminant validity:

Heterotrait-Monotrait (HTMT) ratio, used for discriminant validity ensured that constructs are distinct from one another. According to the data, all HTMT values fall under the commonly accepted threshold of 0.85, which is the surety of adequate discriminant validity. For instance, an HTMT value of 0.499 was for Financial Decisions and Investment and Governance Factor relation, which shows weak relationship between two variables. And with that, Investor Trust and Confidence show very low correlations with Social Commitment (0.585) and Governance Factor (0.340), again underscoring discriminant validity. Social Factor also maintains distinctiveness, such as 0.210 with Governance Factor and 0.500 with Financial Decisions and Investment. Among those variables, Investor Trust and Confidence × Governance Factor and Investor Trust and Confidence × Social Factor have also shown acceptable HTMT values (0.408 and 0.435, respectively), thus ensuring that constructs remain theoretically distinct. Thus, solid discriminative validity shall further support the integrity of the measurement model in further analyses.

Variables	Financial Decisions and Investment	Governance Factor	Investor Trust and Confidence	Social Commitment	Social Factor	Investor Trust and Confidence x Governance Factor	Investor Trust and Confidence x Social Factor
Financial Decisions and Investment							
Governance Factor	0.499						
Investor Trust and Confidence	0.606	0.340					
Social Commitment	0.463	0.313	0.585				

Social Factor	0.500	0.210	0.661	0.675			
Investor Trust and Confidence x Governance Factor	0.186	0.408	0.291	0.140	0.384		
Investor Trust and Confidence x Social Factor	0.340	0.318	0.435	0.237	0.468	0.632	

Table 2: Discriminant validity

4.3 Path coefficient:

The path coefficient indicates very significant results for the relations being studied. Governance Factors directly impact Social Commitment at a path coefficient of .222 with a highly significant p-value of .000. This indicates a strong role in promoting social commitment. Likewise, Investor Trust and Confidence positively influence Social Commitment (0.247, p = 0.000), reflecting its relevance in augmenting this construct. Social Commitment demonstrates a solid relationship with Financial Decisions and Investment, at a path coefficient rating of 0.419, at p = 0.000. Social Commitment has, thus, confirmed its importance as a construct driving financial decisions. Social Factor also significantly affects Social Commitment (0.459, p = 0.000), underlining its influence. Interactions like Investor Trust × Governance Factor moderately affected Social Commitment (0.069, p = 0.045), though the effect size is smaller. However, Investor Trust × Social Factor does not indicate the statistics significantly applied to this relationship (0.020, p = 0.229), suggesting limited interactive effects in this context. Overall the outcome has shown the direct relation between social and governance factors and its cascading influence on financial decision-making within the research framework.

Table 03: Path coefficient

Variables	Original sample (O)	Sample mean (M)	Standard deviation (STDEV)	T statistics (|O/STDEV|)	P values
Governance Factor -> Social Commitment	0.222	0.225	0.058	3.824	0.000
Investor Trust and Confidence -> Social Commitment	0.247	0.250	0.073	3.386	0.000
Social Commitment -> Financial Decisions and Investment	0.419	0.421	0.061	6.880	0.000
Social Factor -> Social Commitment	0.459	0.458	0.072	6.342	0.000
Investor Trust and Confidence x Governance Factor -> Social Commitment	0.069	0.067	0.041	1.695	0.045
Investor Trust and Confidence x Social Factor -> Social Commitment	0.020	0.020	0.027	0.744	0.229

4.4 Total effect:

Investor Trust and Confidence also affects Financial Decisions and Investment (0.103, p = 0.002) and Social Commitment (0.247, p = 0.000). Social Factor exerts a notable direct and indirect impact on Financial Decisions and Investment (0.192, p = 0.000) through Social Commitment (0.459, p = 0.000). Investor Trust × Governance Factor interaction show a weak relationship on Financial Decisions and Investment (0.029, p = 0.058) and a moderate effect on Social Commitment (0.069, p = 0.045). Investor Trust × Social Factor exhibits negligible influence on both Financial Decisions and Investment (0.008, p = 0.233) and Social Commitment (0.020, p = 0.229). The results have highlighted the main role of social commitment affecting financial decision making and investment decisions. **The table shows total effect analysis. Overall the relationship of variables is examined. The analysis**

showed that the governance factors have direct relation with financial decisions and investments. (0.093, p = 0.001) of financials decision making and investment and social commitment (0.222, p = 0.000) showed its important involvement.

Table 4: total effect

Variables	Original sample (O)	Sample mean (M)	Standard deviation (STDEV)	T statistics (|O/STDEV|)	P values
Governance Factor -> Financial Decisions and Investment	0.093	0.095	0.029	3.154	0.001
Governance Factor -> Social Commitment	0.222	0.225	0.058	3.824	0.000
Investor Trust and Confidence -> Financial Decisions and Investment	0.103	0.105	0.035	2.962	0.002
Investor Trust and Confidence -> Social Commitment	0.247	0.250	0.073	3.386	0.000
Social Commitment -> Financial Decisions and Investment	0.419	0.421	0.061	6.880	0.000
Social Factor -> Financial Decisions and Investment	0.192	0.193	0.046	4.161	0.000
Social Factor -> Social Commitment	0.459	0.458	0.072	6.342	0.000
Investor Trust and Confidence x Governance Factor -> Financial Decisions and Investment	0.029	0.029	0.018	1.570	0.058
Investor Trust and Confidence x Governance Factor -> Social Commitment	0.069	0.067	0.041	1.695	0.045
Investor Trust and Confidence x Social Factor -> Financial Decisions and Investment	0.008	0.008	0.012	0.730	0.233
Investor Trust and Confidence x Social Factor -> Social Commitment	0.020	0.020	0.027	0.744	0.229

Discussion

This research investigates that how Social and Governance (SG) factors in affects financial decision-making and investment strategies within the textile sector. The research indicates the interrelationship of factors providing significant insights into both theory and practices. The analyses have shown the strong positive relationship between social factors and community engagement and social commitment. This proves the hypothesis that socially responsible practices enhance stakeholder loyalty and corporate reputation (Liang & Renneboog, 2020). The textile sector can benefit from the initiatives that enhance employee welfare and community engagement while implementing labor practices. Governance factors, including transparency, accountability, and ethical leadership, significantly influence social commitment. The second hypothesis which indicates strong governance factor integrated system increases trust and goodwill according to the studies by Claessens and Yurtoglu (2013). These factors include transparency, accountability and ethical leadership affecting social commitment indirectly. As for the textile sector, it has increased the goodwill and reputation which lead to gain stakeholder trust and attracted more shareholders but most importantly gained long term stable profitability. Social commitment as a mediating variable has proven the studies by Lu (2024) indicating that implementation of better planning and efficient planning improves financial performance and thus attract investors. This proves that businesses should integrate factors that promote social commitment to stay competitive and attract socially responsible customers. The moderating role of investors shows the impact of SG factors. The factors indicate the impact on financial decision making and social commitment. The relation is weak between social commitment and financial decision making. The research has used stakeholder theory to show that how important it is to create strategies and polices that balances profitability with social commitment and legal obligations. The results show that practical implication of integration in their strategies. Adopting fair labor practices and social responsible actions if applied by company can improve financial performance and sustainable financial growth.

5. Implications

The results of this study offer several valuable implications for different stakeholders, including businesses, policymakers, and academic researchers.

5.1 Practical Implications:

The integration of social and governance factors in operations and financial planning is specifically important in textile sector. These factors are important to gain competitive edge against the competitor, better financial performance, investors and gain long term stability. Companies should focus on these initiatives to make sure alignment with legal and global standards.

Governments and policy makers can create legal regulations and policy using this research to encourage businesses to position their operations according to the social and governance factors. This will ensure transparency in businesses operations and financials. Furthermore, the companies will become socially responsible which will lead to more ethical and accountable businesses practices. In this way companies will develop sustainable practices, increasing both profitability and social commitment.

5.2 Theoretical Implications:

Future research can expand on this framework to explore the specific mechanisms through which social and governance factors influence financial outcomes in different industries. This research supports the existing literature on social and governance factors. It uses the idea that how investors trust and confidence and better financial performance is gained through SG integration. This emphasizes the importance of integration while evaluation corporate success.

This holistic approach can help managers align their strategies with broader sustainability goals, which can lead to enhanced organizational reputation and customer loyalty. Manager can use this research for implementing SG in decision making and operations planning decisions. Alongside the governance obligations, manager will be able to achieve employee welfare and community engagement. This will help managers to build strategies that achieve sustainability, organizational reputation and customer loyalty.

The importance of sustainability in financial decision making on international scale is highlighted in this research. As investors specifically focus on social and governance factors, organizations position and design their operations by integrating social and governance factors, which thus attract more investment in the organization. This becomes the competitive edge for the company. This shift towards sustainable finance can promote global economic stability and environmental stewardship. Companies applying SG factors gain sustainable finance eventually gain global economic stability.

6 Conclusion and recommendation:

6.1 Conclusion:

This research has highlighted the vital role of social and governance (SG) factors in influencing financial decision-making processes within the textile sector. The findings demonstrate that robust governance and social commitment lead to stronger investor trust, which subsequently enhances the quality of financial decisions. This study establishes that companies prioritizing social responsibility and transparent governance frameworks can achieve better financial performance and long-term growth. Furthermore, the relationship between SG factors and financial outcomes underscores the importance of integrating these elements into strategic decision-making to foster sustainability and create value for all stakeholders.

6.2 Recommendations:

As per the findings, it is suggested that textile companies implement extensive strategies that involve social and governance factors into their core financial decision-making frameworks. This will help boost investor confidence and improve overall financial performance. Secondly, both management and staff should be introduced with the training programs to raise awareness about the importance of SG factors both management and staff. Policymakers should also mention incentives to encourage businesses to adopt best practices in governance and social responsibility. Finally, continuous monitoring and evaluation mechanisms should be established to assess the effectiveness of these SG initiatives and ensure they align with global standards and best practices. Lastly, for measuring the success of SG initiatives make sure they align with international standards and efficient methods ongoing monitoring and evaluation should be put in place.

Research Limitations:

The study faced several limitations, including a relatively small sample size from the textile sector, which might limit the generalizability of the findings across different industries. The sample size was small and was only bound to textile sector. Additionally, the research was cross-sectional, capturing the result in the time the research was taken place. It does not confirm if the studies applied for longer period. The reliance on self-reported data might have led to biases, as respondents could have provided socially desirable responses. The data was collected through questionnaire, there are chances of biasness in the data as respondents may respond according to their desire instead of giving the accurate answers. The study was bounded by short time and limited resources, limiting the depth of data collection and analysis.

Future Research:

Future studies should use the large sample size and conduct both cross sectional and longitudinal studies to track the impact of SG factors more clearly. The research has been conducted in only textile sector, however the researchers should conduct the research in different industries in diverse context which will clarify SG factors influence in financial decision making in each sector. Moreover, to gain deeper insights and more precise knowledge of SG factors influence on financial planning and profitability of the organization qualitative approach like interviews can be employed. The research can focus on more strategic drivers like market dynamics, innovation, environmental sustainability and carbon footprint.

Research contribution:

Warda has contributed in concept building, data collection, methodology and data assembling while Muhammad Rafique has supervised and contributed in analysis. Both authors have read the research and agreed on publishing the paper.

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Conflict of interest:

Authors have no conflict of interest.

Ethical Considerations

The research is adhered to strict ethical standards, as mentioned by the Higher Education Commission (HEC) and other ethical guidelines. Contributors were already informed by the purpose of research and were also informed by their right to withdraw at any stage. Data confidentiality and concealment were taken care of throughout the research process.

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