Impact of Environmental, Social, Governance Factors on Consumers' Behavior in the Light of Digital Transformation

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ABSTRACT

With increasing concern for the environment and a rise in ethical consumerism, Environmental, Social, and Governance (ESG) factors have become important in shaping how companies are seen and held accountable. This study explores how ESG practices influence consumer behavior, especially in the context of digital transformation (DT). The focus is on university students in Nepal, a group known for their comfort with digital technology and awareness of social and environmental issues. Based on Stakeholder Theory and the Theory of Planned Behavior, the study views ESG as a broad concept that includes environmental care, social responsibility, and good governance. It also looks at how digital transformation affects the relationship between ESG practices and how consumers connect with brands. The study used a descriptive and causal-comparative research approach, collecting primary data through a structured questionnaire with a 5-point Likert scale. The survey was completed by 206 university students from the Kathmandu Valley. Tests for reliability and validity showed that the measurement tools were strong and consistent. The descriptive results indicated that students had positive views of brands that follow ESG principles, especially in governance and the environment. Further analysis using correlation and regression showed that environmental and governance factors significantly positively impacted consumer behavior. However, the social factor did not show a meaningful effect. The regression model accounted for 35.8% of the changes in consumer behavior, suggesting that ESG practices play an important role in shaping consumer choices. Moderation analysis utilizing PROCESS Macro indicated that digital transformation significantly amplifies the relationship between ESG dimensions and consumer behavior, particularly in the environmental domain. However, as DT levels increase, the marginal influence of social and governance practices on consumer behavior shows a diminishing trend, suggesting that technological mediation may recalibrate the salience of traditional ESG signals. These findings imply that DT enhances the transparency, accessibility, and trustworthiness of ESG disclosures, thereby fostering deeper consumer engagement with ethically and environmentally responsible brands. This study adds to the current body of knowledge by showing, through data, how digital transformation influences the relationship between ESG practices and consumer behavior. It highlights the important role digital tools play in promoting ethical and sustainable consumer choices. The findings suggest that companies should include ESG principles in their core strategies and use digital platforms to clearly share these efforts with consumers. The study recommends that businesses develop ESG approaches that suit the needs and preferences of digitally active consumers. It also shows that combining sustainability with digital innovation can give companies a competitive edge. These results offer useful guidance for business leaders, marketers, and policymakers working to improve ESG communication in today's digital environment.

Keywords: Brand trust, Consumer loyalty, Digital engagement, Ethical consumption, Sustainability

1. Introduction

In an era of increased environmental consciousness and mounting calls for corporate responsibility, Environmental, Social, and Governance (ESG) has become indispensable for gauging a company sustainability, moral behavior, and transparency (Khadka et al., 2024; Nielsen & Villadsen, 2023). Encompassing efforts like ecological conservation, social justice, and accountable leadership, the ESG framework offers a holistic yardstick for evaluating business practices. This multidimensional framework not only enhances firms' reputational capital but also increasingly influences consumer behavior (Clement et al., 2022; Dahal, 2021). With global awareness of environmental boundaries and social interdependence on the rise, consumers, particularly younger generations, are demanding greater corporate commitment to sustainability awnd social justice (Lee & Roh, 2023).

Stakeholder Theory posits that firms must consider all stakeholders, including ethically aware university students whose purchasing choices increasingly reflect ESG values (Freeman, 2014). Ajzen's (1991) 'Theory of Planned Behavior (TPB)' posits that one's attitudes shape actions, the influence of social norms, and perceived behavioral control. Digital platforms strengthen these factors by delivering clear ESG disclosures, influencing consumer perceptions and guiding more ethical purchasing decisions. Digital transformation (DT) further strengthens this process by enhancing ESG data accessibility and credibility (Wang & Esperança, 2023), while also reducing corporate responsibility costs and improving stakeholder engagement effectiveness (Bhandari et al., 2022; Bhattarai et al., 2020; Ghimire et al., 2024), thereby deepening students' ESG-informed brand loyalty.

Consumers aware of social and environmental issues tend to favor companies that practice ethical leadership, embrace environmental stewardship, and promote social inclusivity (Ghimire et al., 2023; Liu et al., 2024; Sabate & Sabate, 2019). As global awareness of sustainability and ethical issues rises, consumers are becoming more discerning about the implications of their purchasing decisions (Sweeney & Soutar, 2021). Most consumers today place sustainability at the forefront of their buying decisions, with studies showing that 70% actively seek brands committed to sustainable practices (McKinsey & Company, 2022). Deloitte (2023) indicated that 61% of consumers are willing to pay a premium price for products demonstrating robust ESG results, underscoring the financial value of sustainability in consumer purchasing decisions. Strategic integration of ESG elements thus transforms them from compliance requirements into competitive advantages, fostering consumer loyalty and enhancing long-term financial performance (Eccles et al., 2014; Karki et al., 2024; Lee & Rhee, 2023). As brand choices increasingly reflect ethical concerns, consumer behavior becomes a conduit through which societal and environmental progress is promoted.

Consumers react strongly to environmental harm and ethical lapses in how products are made and used, and many are prepared to spend more money on goods that reflect their commitment to sustainability (Adıguzel, 2020; Atulkar & Kesari, 2018; Rai & Dahal, 2024). Firms that embed ESG into their operational and marketing strategies strengthen consumer relationships and encourage responsible consumption (Helfaya et al., 2023; Khanchel et al., 2023). Still, the existing literature lacks empirical examination of how ESG initiatives, particularly when mediated by digital transformation, influence consumer behavior.

This study investigates how ESG practices influence consumer behavior among university students, addressing a gap in the literature mainly focused on financial outcomes. It additionally explores the role of digital transformation as a moderating variable affecting the relationship between ESG initiatives and consumer behavior. The research aims to identify key consumer behavior drivers, evaluate ESG components' impact, and explore how digital tools shape ethical consumption. Findings offer insights for businesses seeking to align with value-driven consumer expectations in the digital age.

2. Literature Review and Hypothesis Development

Freeman (1984) established Stakeholder Theory, emphasizing that corporate success depends on effectively addressing the expectations of all stakeholders, including consumers. This perspective is reinforced by Al-

Swidi et al. (2022) and Khalil & Khalil (2022) study, which highlighted a growing demand for consumer accountability in ESG compliance. Similarly, Hayat et al. (2020) and Herjanto et al. (2021) underlined the significance of transparent communication in cultivating consumer trust. Notably, Herjanto et al. (2021) found that sustainability awareness influenced 92% of consumer decisions, while Khalil and Muneenam (2021) reported a slightly lower 86% influence driven by environmental and health concerns, indicating a variation in consumer priorities depending on the ESG attribute emphasized. Hasan et al. (2024) found that among university students in Yemen, the environmental component of ESG had the most significant impact, especially when facilitated through digital platforms. This observation aligns with the trust-building mechanisms proposed by Stakeholder Theory. Ahmed et al. (2024) similarly confirmed that digital platforms enhance ESG-related attitudes and behaviors, particularly among younger consumers. The importance of ESG factors in shaping consumer preferences diverges when identifying which ESG dimension carries the most significant influence.

Ajzen's (1991) TPB provided a helpful framework for comprehending how social norms and attitudes are influenced by ESG elements in behavioral intentions. Ahmed et al. (2024) demonstrated that among Chinese consumers engaged in online fashion renting, ESG-related attitudes and subjective norms significantly predict sustainable intentions, consistent with Tripopsakul and Puriwat (2022) study that found social ESG dimensions strongly influence customer engagement in Thailand, with brand trust serving as a key mediating factor. Both studies emphasize the normative role of social ESG elements, though they differ in contextual emphasis. Ahmed et al. (2024) highlighted digital environments and sustainable habits, whereas Tripopsakul and Puriwat (2022) underscored emotional trust as a mechanism of engagement.

Sergeeva et al. (2023) and Maier et al. (2024) both traced evolution of ESG frameworks from reactive corporate social responsibility (CSR) practices to proactive strategic imperatives, building upon the foundational insights introduced in the 2005 United Nations report "Who Cares Wins" (UN, 2015). While Sergeeva et al. (2023) emphasized the significance of ESG in enhancing organizational performance and meeting stakeholder expectations, Maier et al. (2024), through a comprehensive systematic literature review of 81 studies, underscore ESG's growing relevance in shaping consumer empowerment and promoting ethical consumption behaviors. This consumer-centric perspective is further supported in the study of Bhattacharya and Korschun (2008) argued that authentic alignment with ESG values fosters deeper consumer-brand identification. The divergence in focus organizational outcomes in Sergeeva et al. (2023) versus consumer behavior in Maier et al. (2024) illustrates the multifaceted role of ESG as both a tool for institutional accountability and a driver of value-based consumer engagement.

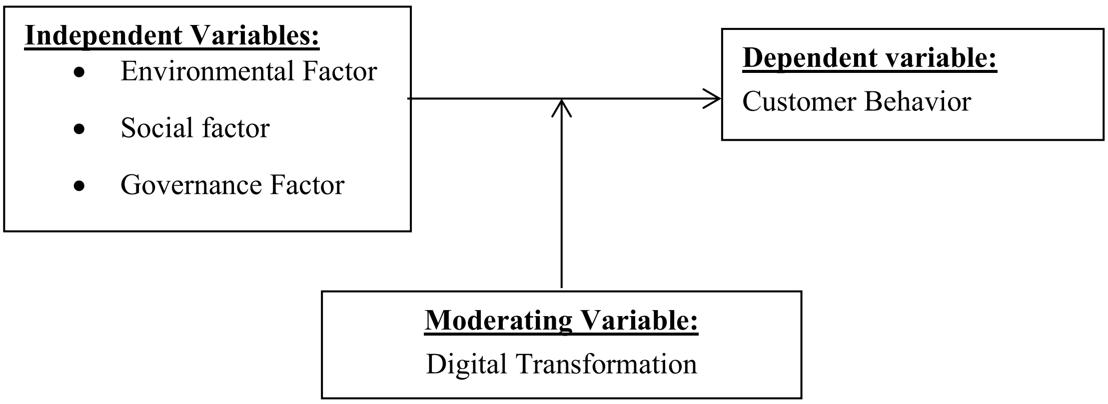
Nugroho et al. (2024) and Lee and Rhee (2023) investigated the differentiated effects of ESG dimensions on consumer responses, identifying a pattern wherein environmental initiatives demonstrate relatively weak or inconsistent influence on brand perception and consumer behavior. Nugroho et al. (2024) found that while ecological practices positively influence CSR alignment, their behavioral impact was less consistent than social and governance dimensions. Lee and Rhee (2023) highlighted that consumer views, brand image, and loyalty were all positively impacted by social and governance actions through the mediating effect of brand attachment, while environmental initiatives had little impact. This indicates that consumers may be more receptive to ethical and social engagement than purely ecological appeals.

Lee (2024), drawing on Construal Level Theory, reinforced this trend by demonstrating that social and governance efforts reduce psychological distance and increase purchase intentions, while environmental factors remain largely ineffective. In contrast, Hasan et al. (2024) provided evidence that ecological ESG practices hold the strongest influence on university students in Yemen, highlighting a regional divergence in consumer priorities. Together, these studies underscore the importance of contextualizing ESG strategies, as cultural and demographic variations appear to determine which dimensions of ESG most effectively shape consumer behavior. Lee (2024) found that social and governance actions effectively reduce psychological distance and enhance purchase intentions, whereas environmental initiatives have a less pronounced effect. This contrasts with Ahmed et al. (2024), who found environmental attitudes influential, suggesting cultural or behavioral differences in how consumers interpret ESG signals. These findings indicated that social and governance ESG components consistently foster ethical consumer behavior, and the impact of environmental messaging may vary based on consumer context and psychological framing.

Tripopsakul and Puriwat (2022) and Lee and Rhee (2023) emphasized brand trust and attachment as mediators between ESG initiatives and consumer loyalty in Thailand highlighting environmental and social initiatives as trust-builders, with trust in turn driving engagement. Lee and Rhee (2023) showed that brand attachment similarly links ESG to brand loyalty, particularly via social and governance pillars. This mediating role is echoed by Seok et al.'s (2024) study, which demonstrated that customer satisfaction mediates ESG's impact on firm value in South Korea. Studies agreed on the importance of emotional and satisfaction-based mechanisms but vary in emphasis on brand trust versus satisfaction, reflecting differences in methodological focus and market maturity. Seok et al. (2024) extended the mediating mechanism to a firm-level outcome by demonstrating that customer satisfaction mediates the positive relationship between ESG practices and firm value in the South Korean market.

Maier et al. (2024), in a comprehensive systematic literature review spanning ten years, affirm a beneficial association between ESG strategies and consumer behavior. This integrative perspective aligns with the empirical findings of Seok et al. (2024) and Lee (2024). Hasan et al. (2024) demonstrated digital transformation moderates the impact of environmental ESG in Yemen, while Ahmed et al. (2024) found digital platforms amplify subjective norms in China's fashion market. Tripopsakul and Puriwat (2022) focus on the impact of environmental messaging on social media to enhance trust. Collectively, these studies agree on digital transformation's role as an ESG multiplier, though each emphasizes a different mechanism, norm amplification, or trust formation, showcasing the multifaceted utility of digital platforms.

Smith (2020) highlights that Millennials and Gen Z are increasingly demanding ESG alignment, a trend echoed in a study by Edelman (2016), which found that 63% of global consumers prefer socially responsible brands. Bhattacharya and Korschun (2008) and Fournier and Avery (2011) further demonstrate that socially responsible branding enhances loyalty and social media advocacy. These generational insights are consistent with the findings of studies conducted on young, tech-savvy college students by Hasan et al. (2024) and Ahmed et al. (2024).



(Source: Hasan et al., 2024)

Figure 1. Conceptual Framework

Environmental Factor

The environmental dimension of ESG pertains to how firms manage their ecological impact through sustainable practices such as minimizing emissions, conserving resources, and adopting renewable energy (Sullivan & Mackenzie, 2021). Growing consumer awareness around health and environmental issues influences purchasing decisions (Kumar & Ghodeswar, 2015). Addressing environmental concerns provides firms with a competitive edge, enhancing profitability and customer loyalty (Billio et al., 2021; Dahal et al., 2023), prompting many to integrate sustainability into their corporate social responsibility (CSR) initiatives (Dedunu & Sedara, 2023).

H1: Environmental practices and Customer Behavior are significantly correlated.

Social Factors

Social influence refers to the alteration of an individual's attitudes or behaviors due to interactions with others, impacting adoption decisions (Liang et al., 2017). Mandatory ESG disclosures and enforced socially responsible investment reduced pollution but were also associated with declining firm profitability and stock returns (Chen et al., 2018). Nonetheless, social responsibility initiatives have been shown to positively impact brand equity and corporate reputation (Gurung et al., 2024; Sharma & Jain, 2019).

H2: Social practices and Customer Behavior are significantly correlated.

Governance Factors

Positive consumer reviews enhance business performance under the effective leadership of customer relationships (Galbreath & Rogers, 1999). Governance practices significantly influence consumer purchasing behavior and brand perception, with transparency and accountability fostering stronger customer relationships (Dedunu & Sedara, 2023). As a key ESG component, governance is essential for long-term sustainability, risk management, and aligning stakeholder interests, while also mitigating corruption and promoting ethical corporate conduct (Gompers et al., 2003; Shrestha et al., 2023).

H3: Governance practices and Customer Behavior are significantly correlated.

Moderate Role of Digital Transformation

Digital transformation enhances ESG performance by enabling efficient resource use and reducing environmental impact, thereby fostering greater customer trust and loyalty (Lu et al., 2024). It also facilitates transparent stakeholder engagement and ethical practices, attracting socially conscious consumers through the strategic use of digital technologies (Dahal et al., 2025; Nambisan et al., 2019).

$H4_a$: The association between customer behavior and environmental practices is considerably moderated by digital transformation.

$H4_b$: The association between customer behavior and social practices is considerably moderated by digital transformation.

$H4_c$: The association between customer behavior and governance practices is considerably moderated by digital transformation.

3. Research Methods

Research Design

This study employed a combination of descriptive and causal-comparative research designs. A descriptive research design provides information about the descriptive characteristics, while a causal-comparative research design allows for the identification of a relationship between variables. The study is cross-sectional, with the individual as the unit of analysis.

Population and Sample

University students within the Kathmandu Valley were selected as the study population due to their advanced proficiency with digital technologies and heightened sensitivity to social and environmental issues. Additionally, this group's purchasing behaviors and brand loyalty often reflect contemporary consumer values, offering meaningful insights into evolving market trends. Using nonprobability convenience sampling, 206 students were selected. A research questionnaire was distributed online to 250 students, and 206 responded, yielding a response rate of 82.4%.

Data Collection Method

Using the primary survey method, a closed-ended questionnaire with a 5-point Likert scale, i.e., Strongly Agree (1) to Strongly Disagree (5), data were collected from university students of Kathmandu Valley. The data are collected online via Google Forms. Twenty-eight sets of questionnaires were mailed to the students, where Environmental, Social, and Governance each factor consists of 5 items, digital transformation consists of 7 items, and consumer behavior consists of 6 items.

Table 1: Number and source of items under each construct

Variable Type	Construct	No of items	Source
	Environmental Factor	5	(Moisescu, 2015);
	Social Factor	5	(Maigan, 2020);
Independent Variable	Governance Factor	5	(Tripopsakul & Puriwat, 2022).
Moderating variable	Digital Transformation	7	Hossain et al., 2020).
Dependent Variable	Consumer's Behavior	6	(Rich et al., 2010); (Kosiba et al., 2020).

Methods of Data Analysis

Cronbach's Alpha: A reliability analysis was performed using Cronbach's alpha to assess the internal consistency of the constructs. Reliability was considered satisfactory for constructs with alpha values greater than 0.70 (Simsek & Noyan, 2013).

Descriptive statistics, including frequency distributions, mean scores, and standard deviations, were used to provide an overview of the respondents' demographic and general characteristics.

Inferential analyses explored the important connections between key factors and concluded applicable to the broader population.

Correlation analysis was explicitly used to evaluate the direction and magnitude of the correlations between variables.

Process Macro has been used to test for moderation effects. The study employed the Process Macro (Hayes, 2018) in SPSS, a robust regression-based tool that simplifies the analysis of complex models with interaction terms. This facilitated the evaluation of whether digital transformation moderated the relationship between ESG factors and consumer behavior. Interaction effects were analyzed, and the significance of the moderation was determined through p-value assessments.

Regression Analysis was used to evaluate the effect of independent variables on the dependent variable, following the procedure of Naveed et al. (2020), Sultan et al. (2018), and Karmacharya (2023).
Regression model in the study: $Y= f(X_1+X_2+X_3)$………………..(i)

Functional association between dependent and independent variables:

$Y= ß0 + ß_1 X_1 + \beta_2X_2 + \beta_3X_3 +$ …………………………………(ii)

Where,

Y= consumers Behavior; β0 = Constant; X1 = Environmental Factors; X2 = Social Factors; X3 = Governance Factors; ε = Error

4. Data Analysis and Results

Respondents profile

Table 2 displays the respondents' demographic profile, which features a relatively homogeneous sample in terms of educational background and marital status, with notable variation in income levels. Most participants were male (60.7%), indicating a gender imbalance that may influence the generalizability of the findings. Age distribution is heavily skewed towards the 22–24 age group (70.4%), suggesting the sample primarily comprises young adults, potentially university students or early-career professionals. This is supported by the high proportion (92.2%) of respondents holding a bachelor's degree. Income distribution indicates a fairly even spread, with 38.8% earning between Rs. 50,000 and Rs. 100,000 monthly, 32% earning less than Rs. 50,000, and 29.1% earning more than Rs. 100,000, reflecting a mix of socioeconomic backgrounds. Furthermore, the overwhelming majority of respondents are unmarried (89.3%), which may influence lifestyle-related responses in the study. The relatively low representation of master's degree holders (7.8%) and minimal presence of older age groups suggest limited academic and experiential diversity.

Table 2: Demographic profile

Characteristics	Categories	Frequency	Percentage
Gender	Male	125	60.7
	Female	81	39.3
Age	16-18	1	0.5
	19-21	41	19.9
	22-24	145	70.4
	24 and above	19	9.2
Monthly Income	Above 100000	60	29.1
	Less than Rs 50000	66	32

	Between Rs 50000-100000	80	38.8
Marital Status	Married	18	8.7
	Unmarried	184	89.3
	Others	4	1.9
Educational	Bachelor’s	190	92.2
	Master's	16	7.8
	Total	206	100

(Source: Questionnaire survey)

Reliability Analysis

The reliability analysis (Table 3) indicates a satisfactory to high level of internal consistency across all constructs. The Environmental Factor (α = 0.865) and Consumer Behavior (α = 0.838) constructs exhibited excellent internal reliability, suggesting that items within the scale consistently measure intended dimensions. The Social Factor (α = 0.799) and Governance Factor (α = 0.745) also demonstrate acceptable reliability, with values above the minimum acceptable level of 0.70, indicating that the items within these constructs are adequately correlated. The consistent reliability across all variables, each comprising 5 to 6 items, supports the robustness of the measurement instruments used in the study. Overall, the reliability metrics validate the scales' suitability for further statistical analysis.

Table 3: Reliability analysis

Constructs	Cronbach’s Alpha	Items
Environmental Factor	.865	5
Social Factor	.799	5
Governance Factor	.745	5
Consumer's behavior	.838	6

(Source: SPSS Output)

Descriptive Analysis

This part consists of descriptive statistics or central tendencies measurement of constructs of dependent and independent variables, with each item measured on a 5-point Likert scale based on Strongly Agree (1), Agree (2), Neutral (3), Disagree (4), and Strongly Disagree (5).

Table 4: Descriptive analysis of environmental factors

Environmental Factor Statement	Mean	Std. Deviation
The company I use tries its best to reduce or completely eradicate negative environmental impacts.	2.40	0.915
The brand I use minimizes resource usage without causing environmental damage.	2.28	0.962
The company I use is committed to using eco-friendly materials.	2.39	0.980
I utilize a brand that efficiently manages waste disposal and recycling initiatives.	2.30	0.819
The company I use is dedicated to efficient trash management and recycling disposal.	2.13	0.757

The descriptive analysis of the Environmental Factor (Table 4) shows generally low mean scores across all five statements, ranging from 2.13 to 2.40. This suggests that respondents perceive the brands they use as performing well in terms of environmental sustainability practices. Standard deviations range between 0.757 and 0.98, reflecting moderate variability in responses. Overall, the data highlight a perceived efficiency in brands' environmental commitments from the consumer's perspective, potentially signaling an agreement between corporate sustainability claims and consumer trust or awareness. The study's findings underscore the importance of transparent and verifiable environmental practices to enhance consumer perception and engagement.

Table 5: Descriptive analysis of social factors

Social Factor Statement	Mean	Std. Deviation
The brand I employ honors customs, culture, and societal conventions.	2.19	0.827
The brand I use enhances societal well-being.	2.18	0.727
The brand I use respects traditions, culture, and social norms.	2.27	0.884
The brand I use improves people's quality of life and long-term welfare.	2.16	0.749
My brand supports both economic and social progress.	2.24	0.724

(Source: SPSS Output)

The descriptive analysis of the Social Factor (Table 5) indicates a consumer agreement with statements related to brands' social responsibility, with mean scores ranging between 2.16 and 2.27. This suggests a prevalent perception among respondents that their brands contribute to social norms, societal well-being, or long-term human development. The statement receiving the mean score (2.16) pertains to brands benefiting long-term societal welfare, highlighting a powerful perception of sustained social impact. Similarly, mean scores for cultural respect and quality-of-life enhancement highlight sufficient social engagement from the consumer's viewpoint. The findings suggest that brands are perceived as strong contributors to social development, which could impair brand trust and loyalty in increasingly socially conscious markets.

Table 6: Descriptive analysis of governance factors

Environmental Factors Statement	Mean	Std. Deviation
The company that I use operates in complete compliance with the law.	2.19	0.777
The brand I use is focused on fulfilling its obligations to its partners and stakeholders.	2.19	0.744
Achieving economic performance is given priority by the ethical principle of the brand I use.	2.17	0.626
The ethical standards policy of the brand I use is more important than its financial performance.	2.15	0.785
The brand I associate with prioritizes ethical governance and transparency in its ESG practices, ensuring fair and responsible decision-making.	2	0.674

(Source: SPSS Output)

The descriptive statistics for the Governance Factor (Table 6) reveal the perception of ethical and legal compliance among the brands evaluated by respondents. Mean scores range narrowly from 2.00 to 2.19, suggesting a consumer perception regarding corporate governance practices. All items addressing legal compliance, stakeholder responsibility, and ethical prioritization over financial performance reinforce the perception that brands demonstrate accountability and integrity in their operations. These findings suggest consumers view brands they use as committed to high governance standards. The standard deviations are relatively low, indicating a shared viewpoint among respondents and a limited divergence in opinion.

Table 7: Descriptive analysis of consumers' behavior

Consumer's Behavior Factor Statement	Mean	Std. Deviation
I have strong feelings about the brand I use.	1.92	0.631
For a long time, I can keep using the brand I use.	2.01	0.722
When I interact with the brand I use, I get excited.	1.85	0.727
I have a lot of good feelings regarding the brand I use.	1.91	0.664
I fully support the brand that I use.	2.12	0.752
I am proud of the brand I use.	2.03	0.701

(Source: SPSS Output)

The descriptive analysis of Consumer Behavior (Table 7) indicates consumer engagement and emotional connection with the brands in question. Mean scores range from 1.85 to 2.12, suggesting that respondents exhibit passion, satisfaction, and loyalty toward the brands they use. The lowest mean (1.85) pertains to the emotional experience during brand interaction, indicating a sufficiency of positive affective response. Statements related to long-term usage (mean = 2.01) and brand pride (mean = 2.03) reflect strong brand attachment and high advocacy potential. Standard deviations reflect moderate agreement among respondents, with relatively consistent perceptions of weak consumer brand relationships. Findings suggest that consumers maintain both transactional and emotional relationships with the brands they use. Strengthening brand authenticity, transparency, and value alignment could be critical to enhancing consumer loyalty and advocacy.

Table 8: Descriptive analysis of independent and dependent variables

Variables	mean	Std deviation	skewness	Kurtosis
Environmental	2.3122	0.7029	0.596	-0.098
Social	2.2347	0.6037	0.326	-0.314
Governance	2.1531	0.4989	0.424	-0.179
Consumer's Behavior	1.9965	0.5404	-0.058	-0.371

(Source: SPSS output)

The descriptive analysis of the variables in Table 8 reveals generally low mean scores, suggesting an overall positive or agreement perception of ESG practices and consumer behavioral engagement. The Environmental factor recorded the highest mean (M = 2.31), while Consumer's Behavior, the dependent variable, had the lowest (M = 1.99), underscoring strong consumer-brand relationships. Standard deviations indicate moderate variability, with Environmental factors exhibiting the most excellent dispersion (SD = 0.703), implying more diverse views among respondents regarding environmental practices. In contrast, Governance (SD = 0.499) showed the least variability, reflecting greater consensus on brands' governance shortcomings.

Skewness values for all ESG factors are positive, indicating distributions slightly skewed to the right, where more respondents agree on the statement. Consumer behavior, however, displayed near-zero skewness (-0.058), suggesting a relatively symmetrical distribution of responses. Kurtosis values for all variables are negative, pointing to flatter-than-normal distributions, implying that responses are spread more evenly around the mean without pronounced peaks.

Correlation Analysis

Pearson correlation analysis displays direction, strength, and bivariate link between the variables in a study.

Table 9: Correlation between independent and dependent variables

	Consumer's	Environmental factor	Social	Governance
Consumer's behavior	1			
Environmental Factor	0.547**	1		
Social Factor	0.474**	0.704**	1	
Governance factor	0.483**	0.553**	0.435**	1

(Source: SPSS Output, 2024)

The correlation analysis in Table 9 reveals statistically significant positive associations between independent variables and the dependent variable. Among three ESG dimensions, the Environmental factor exhibits the strongest positive correlation with Consumer's Behavior ($r = 0.547$, $p < 0.01$), suggesting that perceptions of environmental responsibility strongly influence consumer behavior. This is followed by Governance ($r = 0.483$) and Social ($r = 0.474$), which also show moderate positive correlations, indicating that ethical practices and social contributions are meaningful, though slightly less influential, predictors of consumer attitudes and engagement. Furthermore, correlations among the independent variables, Environmental and Social factors, strongly correlate ($r = 0.704$), implying that consumers may perceive environmental and social initiatives as interlinked aspects of brand responsibility. Moderate correlations between Governance and Environmental ($r = 0.553$) and Social ($r = 0.435$) factors reflect an interconnected understanding of ESG dimensions.

Table 10: Regression analysis

	B	Sig	Tolerance	VIF	R square	F value
Constant	0.617	0				
Environmental factor	0.221	0.001	0.429	2.333	35.800	37.557 Sig(0.000)
Social Factor	0.137	0.056	0.501	1.997		
Governance factor	0.256	0.000	0.690	1.450		

(Source: SPSS Output)

The regression analysis (Table 10) shows the predictive effect of ESG factors on consumer behavior. The model yielded a highly significant F-value, demonstrating that the regression model fits the data well and that the independent variables collectively account for a sizable amount of the variance in consumer behavior. The R2 statistic shows that the three ESG characteristics account for roughly 35.8% of the variation in customer behavior.

The governance factor emerged as the most significant predictor of consumer behavior, followed closely by the environmental factor. Positive coefficients indicate that improved perceived governance and ecological responsibility are associated with enhanced consumer engagement and loyalty. In contrast, the social factor (B = 0.137, p = 0.056) is slightly higher than the levels of statistical significance (p > 0.05), indicating a comparatively weaker influence in this context. Multicollinearity diagnostics show acceptable levels, with Tolerance values > 0.1 and VIF values < 5, indicating no serious multicollinearity concerns among the independent variables.

Table 11: Moderating analysis

Variable	Digital Transformation	Effect	P value
Environmental factor	1.4286	0.4477	0.000
	1.8571	0.3520	0.000
	2.4286	0.2244	0.000
Social Factor	1.4286	0.5050	0.000
	1.8571	0.3684	0.000
	2.4286	0.1862	0.008
Governance Factor	1.4286	0.4349	0.000
	1.8571	0.3354	0.000
	2.4286	0.2026	0.040

(Source: SPSS Output)

The moderation analysis (Table 11) examined the way digital transformation influences the association among ESG factors and consumer behavior. The results demonstrate significant effects at various levels of digital transformation, suggesting that digital initiatives may amplify the influence of each ESG dimension. The impact of the Environmental factor on consumer behavior increases as digital transformation progresses, with the effect at the highest level of digital transformation reaching a significant but lower value compared to the lower digital transformation levels. Social factors also show a significant moderating effect of digital transformation, with a decreasing trend in effect size as the level of digital transformation increases. At the highest digital transformation level, the effect size is significantly lower than at lower levels, with a significant p-value, indicating that at higher levels of digital transformation, the social factor's influence on consumer behavior weakens, but remains statistically significant. Similarly, the effect of governance factors diminishes with increased digital transformation. The highest level shows a significant but reduced effect, compared to lower levels.

The findings highlight that while digital transformation moderates the association between governance and consumer behavior, its impact remains essential. The highest level shows the least effect but is still statistically significant. Digital transformation, while important in shaping consumer perceptions, may reduce the impact of traditional ESG dimensions as companies increasingly rely on technology and innovation in their business practices.

Hypothesis Testing

Table 12: Hypothesis testing

S.N.	Hypothesis	Result
1	Environmental practices and customer behavior are significantly correlated.	Accepted
2	Social practices and customer behavior are significantly correlated.	Rejected
3	Governance practices and customer behavior are significantly correlated.	Accepted
4	The association between customer behavior and environmental practices is considerably moderated by digital transformation.	Accepted
5	The association between customer behavior and social practices is considerably moderated by digital transformation.	Accepted
6	The association between customer behavior and governance practices is considerably moderated by digital transformation.	Accepted

(Source: SPSS Output)

5. Discussions

Depending on stakeholder theory, the study examined the effect of ESG practices on consumer behavior toward brands under digital transformation. The study found that all ESG practices have a significant impact on consumer perception of brands. Customers are more likely to respond favourably and purchase from companies that implement ESG practices. Study found environmental aspects of ESG significantly influence consumer behavior highlighting environmental factors are very important in determining the attitudes and actions of consumers, finding similar to Bae et al. (2023) but contradicts Bae et al. (2023) study on governance factor and social factor that found no significant impact governance factor and significant effect on social factor. Additionally, Bae et al. (2023) found direct relationships between ESG attributes and brand trust. This study extends the literature by incorporating DT as a moderator, showing relationship between ESG practices and consumer behavior is strengthened in digitally advanced settings. Study findings align with study of Luchs et al. (2010) indicating that consumers are increasingly prioritizing environmental concerns when making purchasing decisions This suggests that businesses that focus on reducing their environmental footprint and engaging in sustainable practices can enhance their appeal to consumers, especially those who consider environmental impact as a significant criterion in decision making processes. It aligns with Mifsud (2024), the study found the impact of ESG factors on local consumer behavior, but not all ESG factors are considered equally important for everyday products. Environmental variables are regarded as the most influential, followed by social factors, while governance aspects are considered the least effective, which contradicts this study. The study also aligns with the findings of Rastogi et al. (2025), which highlights the positive impact of ESG practices on consumer behavior, especially in the fashion industry. As awareness of social and environmental issues grows, ESG practices become more important in shaping customer loyalty and business performance.

Aligning with Rastogi et al. (2025), Duan et al. (2023) findings show that consumers' value of ESG practices can influence firms' ESG strategies through their behavior. The study finds that ESG-related incidents reduce consumer engagement, particularly among ESG-conscious individuals. Similar patterns are observed in online behavior. Using extreme heat as a trigger for sustainability awareness, the study provides causal evidence that heightened ESG concern leads consumers to adjust their purchasing behavior, encouraging firms to improve ESG performance. Consistent with the findings of Rastogi et al. (2025), using survey data from Greece, the findings of Boufounou et al. (2023) reveal that ESG performance influences consumer decisions, with environmental and social factors being the most important. Social indicators are relevant to urban and suburban customers, while urban consumers place more value on governance performance and prioritize environmental performance.

The findings of this study align with those of Nugroho et al. (2024), who demonstrated a strong effect of environmental factors on Taiwan and Indonesian consumer behavior. In addition to Lee and Rhee's (2023) study, environmental practices did not positively influence brand attitude, image, or attachment. Although environmental concerns may be overshadowed by immediate economic and survival needs due to ongoing conflicts and economic hardships. However, the study’s findings suggest that environmental consciousness is growing among young consumers, indicating a shift towards more sustainable consumer behavior. The study found that social practices do not significantly affect consumer behavior toward the brand, consistent with the findings of Nugroho et al.'s (2024) study. Indeed, social practices, such as community involvement or ethical business operations, can enhance the brand’s image, as customers view these brands more favorably, associating them with positive values. Governance practices are found to positively affect consumer behavior toward the brand, similar to the study of Nugroho et al. (2024). While environmental elements had no direct impact, Koh et al. (2022) discovered that social and governance aspects had a beneficial impact on brand trustworthiness, image, and perceived quality.

Environmental and governance practices significantly impacted consumer behavior, similar to the study of Ahmed et al. (2024) and Hasan et al. (2024). The study by Maier et al. (2024) highlighted the growing trend of conscious consumption, where ESG factors significantly influence consumer behavior arguing that ESG practices can influence consumer purchasing decisions and promote sustainable behavior, thereby enhancing relationships between companies and consumers, that aligns with this study findings demonstrating that ESG practices positively affect consumer behavior, contributing to the development of conscious consumption patterns. The study found that governance factors significantly impact consumer behavior, similar to the findings of Lee (2024). However, this study found that environmental practices, particularly sustainability efforts, play a crucial role in shaping consumer attitudes, as well as social factors, which have an insignificant relationship with consumers’ behavior, which contrasts with Lee’s (2024) findings that highlighted the immediate benefits of social and governance activities. The study by Leonelli et al. (2024) shows that while consumers prefer ESG-responsible firms, they rarely check ESG reports directly. When given positive information about a firm’s environmental, social, or governance efforts, purchase intentions rise, especially for social signals and those who view complete reports. Additionally, a study by Seok (2024) supports the view that ESG performance substantially impacts firm value in environmentally sensitive industries, especially when customer satisfaction plays a mediating role. Each ESG dimension distinctly influences firm value: the environmental and governance aspects directly enhance value through sustainable practices and transparent leadership. In contrast, the social aspect primarily boosts customer satisfaction, with its effect on firm value becoming more significant under certain industry conditions.

This study incorporates the moderating role of digital transformation to enhance the impact of ESG practices on consumer behavior. Digital transformation significantly moderates the relationship between ESG practices and consumer behavior. By leveraging digital platforms, companies can enhance transparency and effectively communicate their sustainability efforts, which fosters greater consumer trust and engagement (Hamed & Nasr, 2023). Findings align with the study of Nguyen (2022), which found that digital tools enable consumers to access and verify information about companies' ESG practices, thereby amplifying the influence of ESG on purchasing decisions. According to Chen and Ren (2025), a 1% increase in digital transformation results in a 0.048% improvement in ESG outcomes, especially in the environmental dimension. This suggests that digital transformation considerably enhances ESG performance. Digital transformation thus facilitates informed consumer choices, encouraging more sustainable purchasing behaviors by making ESG practices more visible and credible. This study reveals a strong link between the three ESG pillars, brand trust, and customer engagement. The findings indicate that the governance pillar has the second most significant impact on brand trust, following the environmental pillar. It also indicated that social factors have an insignificant relationship with consumer behavior. These findings are consistent with Tripopsakul and Puriwat (2022), who also highlighted the significant influence of environmental factors on brand trust while noting that social and governance factors, though impactful, have a comparatively more minor effect on brand trust.

6. Conclusion

This study analyzed the impact of ESG on consumer behavior, taking Environmental, Social, and Governance factors as independent variables and consumer behavior as the dependent variable. The study data were collected by distributing a structured five-point Likert scale questionnaire. The study was conducted on 206 individuals using convenience sampling. A descriptive and causal-comparative research design is employed for this study. The collected data were analyzed using several statistical methods, including reliability analysis, demographic profiling, descriptive and inferential statistics.

Correlation highlights a positive association between ESG factors and consumer behavior. The regression analysis shows that the governance factor has a greater influence on consumers’ behavior. Environmental and governance practices have a significant relationship with the consumer’s behavior, while the relationship between social practices and consumer behavior is not significant. Digital transformation was found to significantly moderate the relationship between environmental, social, and governance factors and consumer behavior, where the most substantial effect is seen on the environmental variable, followed by social and governance.

This study highlights the increasing significance of ESG practices in influencing consumer behavior and emphasizes the vital moderating role of digital transformation. It provides valuable insights on the way digital technologies strengthen ESG initiatives' impact, presenting businesses with strategic opportunities to build consumer trust and promote sustainable consumption.

7. Implications

This study provides empirical evidence of the direct impact of ESG practices on consumer behavior and brand perception. To maintain and strengthen brand credibility, firms must effectively communicate a sustainable vision and embed ESG principles into core business strategies. Aligning brand identity with sustainability enhances customer trust and loyalty, offering a strategic advantage in brand management. The findings offer critical insights for marketers developing ESG-focused communication strategies. Managers are encouraged to tailor ESG initiatives to the expectations of specific markets, while policymakers should implement regulations and incentives promoting transparency, accountability, and ethical governance to support responsible corporate practices and consumer confidence.

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