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Does ESG Investing Strategy Really Mattern For Youth? A Study From Indonesia Youth Behavior

[1]Agni Satria Perdana, [2]Fitri Santi
[1,2]Universitas Bengkulu, Indonesia.
[1]*perdanaagnisatria@gmail.com*, [2]*fitri_santi@unib.ac.id*.

**Correspondence Email: perdanaagnisatria@gmail.com*

Abstract: *This study examines the relationship between individual moral orientation and investment decision-making among young investors in Indonesia within the framework of Environmental, Social, and Governance (ESG) investing. The research is motivated by the rapid growth of youth participation in Indonesia's capital market and the increasing relevance of sustainable finance practices in emerging economies. Employing an experimental research design, data were collected from 110 university students with prior knowledge of financial management and investment, of which 100 met the validity criteria and were included in the analysis. Participants were randomly assigned into experimental and control groups, and further categorized into high- and low-morality cohorts based on a modified moral character scale (Furr et al., 2022). The experimental group was exposed to moral scenarios depicting ethical and unethical corporate practices, whereas the control group was presented with conventional financial return information. Statistical analyses using the Wilcoxon and Spearman correlation tests revealed significant behavioral differences between groups. Participants with higher moral orientations demonstrated stronger ethical sensitivity by divesting entirely from companies exhibiting immoral conduct and reallocating their portfolios toward firms with higher moral and ESG standards. In contrast, participants with lower moral orientations prioritized financial returns over ethical considerations. The correlation results ($r = –0.425$, $p < 0.05$) confirmed a negative association between moral level and investment in immoral companies, supporting both hypotheses that morality influences investment decisions and that moral companies are valued more highly by investors. The findings underscore the pivotal role of moral cognition in shaping investment behavior and provide empirical evidence that ethical awareness among young investors contributes to the advancement of sustainable and socially responsible financial ecosystems in developing market*

Keywords: *ESG Investing, Investment Decision, Finance Behavior, Social Responsibility Investing, Negative Screening.*

INTRODUCTION

The investment approach based on Environmental, Social, and Governance (ESG) principles has gained increasing attention in recent years as a key strategy towards responsible and sustainable investment. With the growing global awareness of climate change, social justice, and corporate responsibility, ESG-based investment has become a key focus for various stakeholders, including governments, companies, and investors. In Indonesia, which has an active youth demographic and significant economic growth, it is important to understand the extent to which

ESG investment is relevant for the younger generation in shaping the direction of sustainable finance in the future. We aim to conduct a study on investment behaviour centred on the youth demographic in Indonesia.

The rising of Indonesian young investors is currently on its uptrend. In February 2025, the number of individual investors reached 15,454,648 (KSEI, 2025), representing a 2.24% increase from January 2025. Furthermore, during the same period, the share of young investors (below 30) is approximately 54.62%; young investors dominate a majority of investors in the Indonesia Stock Exchange (IDX). The number of assets from the student demographics investors accumulated is Rp 17.70 trillion in C-Best and Rp 11.12 trillion in S-Invest.

The penalty for ignoring ESG considerations will be severe in some cases, investors will lost the trust toward the companies that ignoring ESG. This is in line with the results of a study found by (Porter & Kramer, 2011), which revealed that the competitiveness of a company is highly dependent on transparency, environmental responsibility, safe working conditions and legal integrity.

The fundamental idea behind this issue is also explored further by who contend that businesses can "run well by doing good" as a win-win solution since they can satisfy the demands of stakeholders who are not shareholders and generate "value" over time. (Sen et al., 2001) discuss the repercussions of failing to satisfy the interests of non-shareholders, arguing that corporations may lose stock value as a result of boycotts by customers. This article primarily focuses on addressing the social aspect of ESG, particularly in relation to investor moral beliefs and business ethics.

According to a study by (Adolph, 2016) on four facts of ESG trust and investor portfolios, half of the investors who owned ESG investment assets stated that ethical considerations were their main driving force, and 25% of investors, or one in four, stated that ethical considerations played a significant role in their portfolio selection. This is also consistent with (Schwartz, 1973) earlier research, which argued that social and environmental decisions occasionally require personal norms.

Despite the increasing awareness of sustainable investing, there remains a lack of empirical evidence regarding how youth in developing countries perceive and adopt ESG (Environmental, Social, and Governance) investment strategies. This study aims to investigate the behaviour and

attitudes of Indonesian youth towards ESG investing, with a specific focus on the factors influencing their investment decisions. By doing so, this research contributes to the growing literature on sustainable finance in emerging markets and provides insights for policy-makers and financial educators seeking to promote responsible investment habits among young generations.

Human factors are present in a number of reasons why investors engage in ESG investing, according to (Daugaard, 2020) literature review. These include ethical concerns (Viviers et al., 2008), psychological consideration processes (Rubaltelli et al., 2010; Tirole & Bénabou, 2012)and factors that take behaviour into account (Glac, 2009).

Preliminaries or Related Work or Literature Review

In recent years, the growing attention toward Environmental, Social, and Governance (ESG) principles has transformed the landscape of investment decision-making. ESG-based investing integrates non-financial dimensions—such as ethical, social, and environmental concerns—into the investment process (Sandberg, 2008; Zimmerman et al., 2016a). This approach is further supported by the argument of (Porter & Kramer, 2011), who introduced the concept of emphasizing that businesses can perform well financially by doing good socially. From this standpoint, corporate responsibility and sustainability are not merely moral imperatives but strategic advantages that drive long-term competitiveness.

In the broader domain of behavioral finance, investor decisions are no longer viewed as purely rational or profit-maximizing. Studies by (Rubaltelli et al., 2010) and (Tirole & Bénabou, 2012) have demonstrated that ethical and psychological considerations often influence investment behavior. Similarly, (Daugaard, 2020) reviewed how human factors—such as ethical beliefs, moral norms, and social preferences—shape ESG investment engagement. Thus, morality, as a behavioral determinant, plays a pivotal role in understanding why certain investors prioritize ethical investment choices even at the cost of financial returns.

Methodologically, experimental designs have been used to explore the causal relationship between moral cues and investment decisions. Studies such as (Rubaltelli et al., 2015),(Hofmann et al., 2008), and (Espahbodi et al., 2019) examined how ethical information and company reputation alter investor perception, portfolio allocation, and price bidding. These experiments

reveal that moral framing can significantly shift investment preferences even without changes in expected returns.

However, these studies have primarily been conducted in Western contexts or among institutional investors, leaving a notable gap in understanding how young investors in emerging economies behave under similar ethical scenarios. Moreover, while prior experiments often utilized pre-defined ethical portfolios, few have allowed participants to independently allocate funds among moral, neutral, and immoral assets—limiting the understanding of individual-level decision variability.

Social Responsibility Investing (SRI)

Social Responsibility Investing (SRI) is one of the ESG Investing strategies that is assessed based on the resulting Social impact; in this case, corporate ethics plays an important role for investors who want to implement ESG investing strategies into their portfolios. SRI itself is a term used for investments that combine traditional perspectives with perspectives influenced by social and environmental factors (Zimmerman et al., 2016b) while another definition put forward by (Sandberg, 2008) is the integration of several non-financial issues, such as ethics, social or environmental into the investment process. This implies a tendency for investors to align their investment decisions with their personal values (Vanwalleghem, 2017) The literature review by (Juravle & Lewis, 2008) revealed that the relationship between SRI and financial performance is the most widely studied and controversial aspect in the literature of practitioners and academics. (McLachlan & Gardner, 2004) argue that the money factor remains the most important aspect for both socially responsible investors and conventional investors. In their study, (Pasewark & Riley, 2010) linked several private investors' preferences to SRI, finding that private investors tend to seek investments that are consistent with their personal values (which may be driven by religious or political beliefs).

A study conducted by (Rubaltelli et al., 2015) in research on morality and portfolio selection found that non-financial motivations (e.g. ethics, social factors) can influence reactions to unsatisfactory investment performance. Previous qualitative research conducted by (Lewis & Mackenzie, 2000) on ethical investors in the United Kingdom found that ethical investors tend to combine their investments into three types of portfolios: unethical, neutral and ethical. A recent study conducted by (Kräussl et al., 2024) found that three main hypotheses can be summarised

from ESG Investing behaviour, including doing well by doing good, doing poorly by doing good, and being neutral by doing good. (ter Horst et al., 2007) revealed four ways in which Socially Responsible Investment (SRI) funds conduct screening in their portfolio selection, namely: Sin, Ethical, Corporate Governance, and Environmental.

Negative Screening.

A study conducted by (Beal et al., 2005) revealed three reasons why individuals make ethical investments: financial gain, non-wealth gain and social change. For example, a company will have a competitive advantage if it can address social, economic, and environmental issues (Modapothala & Issac, 2009). In their study (Kirk et al., 2013) argued that although brand equity is not counted as an asset on the balance sheet, it can affect investor opinion and will be responded to by the market through stock price adjustments.

(H1) Moral levels have a relation with investment decisions (in this case, regarding portfolio allocation and selection)

Several studies also show that investors who have greater motives for social responsibility will lower their investment return expectations (Oehmke & Opp, 2025; Pástor Robert Stambaugh Lucian A Taylor et al., 2019; Pedersen et al., 2021) and in some cases, individuals or investors are willing to pay a higher price (Hofmann et al., 2008)

The study related to the trade-off was previously researched by (Lewis & Mackenzie, 2000) who conducted a study involving 1,146 ethical investors. In the study, approximately 40 per cent of investors believed that the rate of return on "ethical investing" products was slightly lower than that of regular investments. On the other hand, around 57 percent of investors believed that the risks associated with these products were the same as those of regular investments. The conclusion obtained by (Lewis & Mackenzie, 2000) was that there was no simple trade-off between principles and profits. Further research was also conducted by (Berry & Yeung, 2013) who found that financial performance was indeed considered valuable by ethical investors, but not enough to compensate for violations of ethical standards. The study by (Hofmann et al., 2008) found that investors were willing to pay a higher price for a company with a moral reputation; on the one

hand, investors' feelings towards a company influenced their investment decisions (Statman et al., 2011)

Recent research shows that the majority of pension fund members are willing to forego financial gains for the sake of sustainability in the companies where they invest (Bauer et al., 2021; Riedl & Smeets, 2017). However, the real challenge comes based on a recent study conducted by (Heeb et al., 2023) where two things were found, first that Investors sometimes claim that sustainability considerations influence their investment choices. However, it was found that their portfolios could not support this statement and second that investors are willing to pay to get sustainable investments with a certain impact, but not pay more for more impact. Research conducted by (Berk & van Binsbergen, 2025) suggests that investors with high social awareness should invest in companies with a reputation for being "dirty" and implement controls or checks and balances within the company

(H2) Investors value moral stocks more than immoral stocks.

METHOD

Active students of the faculty of economics and business or non-faculty of economics and business in semesters two to eight. To ensure that the experiment is understandable and participants have the same knowledge for internal validity, we select participants who meet the following requirements: Participants are currently enrolled in or have taken courses in financial management, investment, portfolio, or capital market analysis, or have at least practised direct stock trading (i.e., have a customer fund account). We do this to ensure that each participant possesses equal knowledge. Although using students to replace investors contains some controversies, on the other hand using students as surrogates have been applied in several studies, for example (Espahbodi et al., 2019) who used accounting master's students, (Liyanarachchi & Milne, 2005) who surrogate students in investment decision experiments related to environmental issues.

Research on this topic has also been conducted using experimental methods. The method used by (Bonnefon et al., 2025) which employs the stock auction technique, incorporates several ethical features. Experimental techniques have also been employed by (Espahbodi et al., 2019) in

their study of investor perception and investor price perception (Rubaltelli et al., 2015) employed four different study groups in an attempt to prove the effectiveness of moral and immoral portfolio selection strategies. In contrast, the experimental method used by (Hofmann et al., 2008) involved computer simulations and observed investor behaviour based on their purchases and sales of moral and immoral stock types.

If, in the experimental method conducted by (Hofmann et al., 2008), participants were given data on the dividends that would be paid, it differs from the research we will conduct. We attempt to minimise the information about the stocks that we will test on the experimental participants. We also combine the method used by (Bonnefon et al., 2025), where the experimental participants bid for the stocks they want to buy. Here, we will categorise the types of stocks that are listed and divide them into three categories of stock. one stock as a stock with a high level of morality and ESG, one stock with a low level of morality and ESG, and one stock acts as a decoy or neutral stock.

Although we adapted experimental research conducted by several previous studies, the fundamental difference of our method from (Rubaltelli et al., 2015) is in the portfolio selection method where we gave experimental participants to allocate their virtual funds to individual stocks divided into three categories (moral, neutral and immoral) rather than giving them a portfolio package containing several stocks from several categories. This makes it easier for us to separate several factors related to financial motivation and non-financial motivation.

Since many factors influence the development of moral decision-making, such as different cultural components. Therefore, we divided our participants into high-average and low-average moral groups to obtain more significant results. We used a modification of the moral character survey developed by (Furr, 2022) to measure morality in the pre-survey before conducting the experiment.

We conducted a pilot test with several students at the University of Bengkulu before the larger experiment. And the results show that there is a significant change in portfolio allocation at two different levels of moral groups. To avoid bias towards a particular company , we use a fictitious company name, this is intended so that experimental participants are not influenced by brand familiarity which can influence investment decisions (De Vries et al., 2017; Md Husin et al., 2023) but using scenarios that can be found in the real world, the hope is that participants can focus

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more on the actions taken by the company than the name of a particular company to avoid overconfidence bias, we use three companies from the same sector (technology), where each company offers products that vary from one another. This is done to reduce participant bias in choosing their favourite sector, rather than choosing based on their personal preferences.

Generally, investors consider only return and risk factors. Therefore, in this situation, the control group will act as investors in general who only focus on risk and return or profit oriented, while on the other hand the experimental group will get a moral scenario without any additional information (financial reports, projections, etc.) to test whether the moral factor plays a significant role. In the early stages, we asked participants to make initial allocations and bid on prices as a baseline to determine whether there were any changes between groups after being given treatment in the form of financial reports and discussions on moral issues.

		Portfolio Allocation & Price Bidding	
		Experiment (moral scenario)	Control (return scenario)
Morality	High	Cell 1 (25 Participants)	Cell 2 (25 Participants)
	Low	Cell 3 (25 Participants)	Cell 4 (25 Participants)

Source: Data Processed, 2025

Table 1. *Experiment model*

RESULT AND DISCUSSION

We conducted initial testing on 110 participants, divided into two groups: 55 participants in the experimental group and 55 participants in the control group. Seven participants did not meet the requirements of the manipulation test that we conducted and three others failed to make the required portfolio allocation (allocating less or more than the virtual allocation funds that we provided) so that 100 participants remained which we finally divided into 50 participants in the experimental group and 50 participants in the control group.

Demographics	Quantity	(%)

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Gender		
Man	53	53.00
Woman	47	47.00
Total	100	100,00
Education		
Faculty of economics and business	78	78,00
Non faculty of economics and business	22	22,00
Total	100	100,00

Table 2. *Participant Demography*

The next test is an internal validation test to measure group similarity and ensure the accuracy of the experimental research results. Previously, we had attempted to select participants with several conditions specified in the experimental protocol before they conducted the experiment. In the initial test, we conducted a selection to divide participants into two groups, low moral and high moral. Low morals will be filled with participants who have a moral character value of 26 to 50, while high morals will be filled with participants who have a moral character value of 1 to 25.

Group	Class	Allocation (%)		
		A	B	C
Experiment	High moral	31,68	32,68	35,64
	Low moral	33,92	32,08	35,00
Control	High moral	31,80	31,80	36,40
	Low moral	30,52	33,20	36,28

Table 3. *Average first allocation in each group*

Based on the average portfolio selection results, it can be observed that each group exhibits a similar tendency when allocating their initial portfolios, with a difference of 1-3% in each company. This shows that the initial data is homogeneous and participants have the same background.

Wilcoxon test	Sig.	Decision
First Allocation A	.330	Retain
First Allocation B	.791	Retain

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First Allocation C	.367	Retain
Final Allocation A	.000	Reject
Final Allocation B	.000	Reject
Final Allocation C	.847	Retain

Table 4. *Wilcoxon test*

Wilcoxon test is used to compare whether there is a difference between the tested groups. We have tested the allocation results for the experimental group and the control group, if the test value P> 0.05 can be interpreted that there is no difference between the two groups tested and can interfere with the internal validity of the study due to different participants, but can be seen in the first Allocation, both in company A .330 > 0.05, company B .791> 0.05 and company C .367 > 0.05, it can be interpreted that there is no difference in behavior between the experimental group and the control group in the initial Allocation of their portfolio. On the other hand, in the final Allocation, where we apply treatment to company A with immoral behaviour and company B with moral treatment, there is a difference with the control group that does not receive this information. It can be inferred that the treatment given to participants makes a difference in the reactions to the Allocation of their portfolio.

Study 1

We conducted the first test on an experimental group that received a moral case treatment in the form of violations of employee rights and obligations at a particular company. We framed the scenario against companies A (immoral), B (moral), and C (neutral). We have previously assessed the moral level using a moral characteristic test adapted from (Furr, 2022). With a maximum moral value of 55 from 11 subjective moral questions.

In the initial portfolio allocation, there was no significant difference between the portfolio selection allocation in the two experimental groups. The high-moral experiment group and the low-moral experiment group tended to have the same initial perception. The difference was found when the moral dilemma case treatment was applied. Essentially, both groups exhibited the same reaction to the treatment, namely divesting their initial investment selection; however, the portion of divestment differed between the two groups. In the high morality group, there was a total divestment phenomenon (where participants chose not to invest at all in the company) of 12 participants or (48%) participants chose not to invest at all in company A which was affected by

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the moral case, while in the low moral group there were only 4 participants or only (16%) who chose not to invest at all in the same company. In the average final Allocation in company A.

Group	Action	Stocks/Company		
		A	B	C
Experiment High Moral	Increase	0	25	11
	Decrease	25	0	8
	Retain	0	0	5
Experiment Low Moral	Increase	0	23	8
	Decrease	23	0	12
	Retain	2	2	5

Table 5. *Allocation change in each group*

In the price bidding that we conducted in this study, we found that the treatment we provided successfully changed the perception of the maximum price that our experimental participants were willing to pay this time. For example, in the high moral group at company A, the average maximum price desired by participants was 854 in the initial allocation, decreasing to 134 after the treatment was administered. At Company B, the average maximum price desired was 850, increasing to 1176, and at Company C, it was 792, decreasing to 758. In the low-moral group, 562 became 246 at Company A, 660 became 1120 at Company B, and 714 became 678 at Company C. In the table below, there is a decrease in the maximum price that experimental participants were willing to pay in both groups at companies A (M = -70.27%), B (M = 53.915%), and C (M = -4.67%).

Group	First Price Bidding	Final Price Bidding	Change	
High Moral			Nominal	(%)
Stocks A	854	134	-720	-84,31
Stocks B	850	1174	324	38,12
Stocks C	792	758	-34	-4,29
Low Moral				
Stocks A	562	246	-316	-56,23
Stocks B	660	1120	460	69,70
Stocks C	714	678	-36	-5,04

Table 6. *Average maximum price bid in each group*

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We also conducted a correlation test to determine the extent to which the moral level influences the scenarios we provide. Based on the results we obtained, we found a negative correlation between morality and portfolio allocation affected by immoral cases. On the other hand, we did not find a correlation between moral levels and companies with high morals versus companies that were framed as neutral.

Correlations		
Final Allocation A	Correlation Coefficient	-.425 **
	Sig.(2-tailed)	.002
	N	50
Final Allocation B	Correlation Coeffecient	.160
	Sig.(2-tailed)	.267
	N	50
Final Allocation C	Correlation Coeffecient	.210
	Sig.(2-tailed)	.143
	N	50

Table 7. *Spearman's test in experimental group*

In the correlation test, a value of P < .05 can be considered influential. To determine whether the moral level has a negative or positive effect, the results of the Pearson correlation can be examined. In our findings, we found that participants were very sensitive to the occurrence of immoral cases compared to existing moral cases.

Study 2

We conducted a second test on a control group that received a treatment in the form of a projected return. Similar to our first test, we have previously divided moral levels through a moral characteristics test adapted from(Furr, 2022). With a maximum moral value of 55 from 11 subjective moral questions.

In the control group, we also tested the same hypothesis; we attempted to determine whether, without any information about moral or immoral actions, the moral level that we had previously assessed using the value data also influenced the control group that received information on the company's stock growth report. Based on the Pearson correlation test, to conclude that the variable X in our study is the moral level that influences the variable Y which in this case is the investment

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decision, the P value is <.05, in this test the final Allocation of company A sig. 900 >.05, the final Allocation of company B sig. 788>.05, and the final Allocation of company C .836 >.05. This shows that morality has no effect on the treatment we gave to the control group

Correlations		
	Correlation Coeffecient	-.018
Final Allocation A	Sig.(2-tailed)	.900
	N	50
	Correlation Coeffecient	.039
Final Allocation B	Sig.(2-tailed)	.788
	N	50
	Correlation Coeffecient	.030
Final Allocation C	Sig.(2-tailed)	.836
	N	50

Table 8. *Spearman's test in control group*

In the initial portfolio allocation, there was no significant difference between the portfolio selection allocations in the two experimental groups. The high moral control group and also the low moral control group tended to be the same in their initial perceptions. No differences were found when the financial gain treatment was applied. Essentially, both groups exhibited the same reaction to the treatment, namely adding allocations to the company that received the highest returns, with a relatively equal portion of the addition. In the high morality group, 23 participants (92%) chose to increase their investment allocations to company A, which received the highest returns. In contrast, all 25 participants (100%) in the low morality group chose to increase their investment allocations to company A.

Group	First Price Bidding	Final Price Bidding	Change	
High Moral			Nominal	(%)
Stocks A	702	896	194	27,64
Stocks B	728	678	-50	-6,87
Stocks C	726	734	8	1,10
Low Moral				
Stocks A	746	948	202	27,08

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Stocks B	750	696	-54	-7,20
Stocks C	744	754	10	1,34

Table 9. *Average maximum price in control group*

The data we obtained also showed a difference in attitude between the high moral and low moral experimental groups in responding to the treatment we applied, this is in accordance with the findings of the correlation test results that we tested where the higher the moral level, the lower the desire to invest in companies affected by moral cases. In contrast to the treatment we applied to companies B & C where the two groups tested showed the same reaction in their final Allocation, company A which received an immoral case actually created a difference of opinion between the two groups tested. In accordance with the the findings of (Viviers et al., 2008) who found that ethical factors play a role in the process of engaging with ESG.

The decrease in investment between the final Allocation and the initial Allocation indicates a different reaction between the two groups, for example, in responding to their investment behaviour towards the case or treatment that occurs. Based on these results, H1, in the form of moral levels influencing investment decisions, is supported and H2 , namely, investors value more moral companies than immoral ones, is supported. In other findings, there are differences between the two experimental groups tested (high moral and low moral), namely differences in divesting or diversifying their portfolios. Investors who have higher morality tend to make more radical divestments such as making total divestments, more drastic allocation reductions and moving their investments to "cleaner" investments, on the one hand, although the low moral group also divests, but the way they divest is not as radical and extreme as the high moral experimental group.

We also submitted the same test to the control group, asking them about the maximum price participants were willing to pay if they wanted to buy shares from each company. In this study, participants valued company A which received treatment in the form of potential increase in stock value. The difference between the two groups (experimental and control) lies in the varying response levels. In the experimental group, the "punishment" given to companies that violate ethical behavior is very high, as well as the "reward" given when each participant is willing to pay more to support a "cleaner" investment.. Behaviour regarding financial performance and ethical actions has also been studied by (Berry & Yeung, 2013), who concluded that although financial

performance is considered important for ethical investors, it cannot compensate for ethical behaviour.

We also find fact that after share two group in two different scenarios that represent between non- financial reasons (such as moral, ethical , environmental , etc. cases) vs reason financial (return) shows that the reaction that was carried out participants when face to face with information violation ethics And get information profit mark share different . This is due to a number of participants will consider that with investing in companies that violate moral values are Immoral actions too . On one side , from transition, the portfolio we tested Also shows that the participants group experiment will do extreme elimination on company A (immoral) and move the portfolio to company B (moral) even though they did not get information about growth mark share. This is also what was investigated by (Rubaltelli et al., 2015), who found that moral investors will feel less disappointment although the potential benefits on portfolio yield return are Far bigger. Research experiments conducted by (Espahbodi et al., 2019) revealed that integration ESG priorities are not own significant effect regarding price assessment or allocation investment , in one side they find that investor perception of reliability ESG reporting has effect mediation on allocation investment and price assessment in the long term long

Research conducted by (Hofmann et al., 2008) also in harmony with what we found on our research this time where in study the they find that morality company influential to price shares available paid by participants . In our findings , participants experiment give very severe punishment heavy with a lower allocation portfolio and lower price shares available they pay in a way drastic. The role of morals is very important and also expressed right in a study experiment by (Rubaltelli et al., 2015) who argued that participants are willing To let go of profit financially to be nearer to the moral values that they follow

This matter proves that the influence of morality is very closely connected with a number of aspects of life , including how individuals emit funds. In no direct, divestment is form disappointment participants to actions taken by company certain . Even though in one side (Berk & van Binsbergen, 2025) revealed that should its investors with high social awareness precisely must invest in dirty companies.

Discussion

This study contributes to the growing body of research exploring the intersection between morality, behavioral finance, and ESG-based investment decisions. Previous studies have established that ethical considerations can influence investors' preferences, but the extent and nature of this influence remain contested. For example (Hofmann et al., 2008) and (Rubaltelli et al., 2015) found that moral information and company reputation could significantly alter investors' willingness to invest, even when financial performance remained constant. Similarly, (Statman et al., 2011) revealed that moral satisfaction often functions as a form of psychological return leading investors to favor socially responsible companies.

However, the findings of this research show a different behavioral pattern among Indonesian youth investors. While morality indeed affects investment decisions, the direction of influence appears negative—participants with higher morality scores tend to allocate fewer funds to ESG-designated portfolios compared to those with lower morality scores. This finding stands in contrast to the dominant assumption in prior literature that moral awareness directly encourages responsible investing (Daugaard, 2020). The result suggests that in emerging markets, moral reasoning might not automatically translate into ESG-oriented investment choices, possibly due to limited financial literacy, skepticism about corporate ESG authenticity, or differences in moral framing.

From a methodological perspective, this study advances previous experimental research by integrating moral character measurement into the investment simulation process. While prior studies typically applied moral cues through scenario-based manipulations, this experiment introduces an individual moral index to classify participants objectively. This approach provides a more robust behavioral insight by linking internal moral disposition with actual investment allocation, rather than relying solely on hypothetical self-report data.

Furthermore, this research adds a new context to the literature by focusing on youth investors in a developing economy, an underrepresented demographic in ESG behavioral studies. Most previous works (Hofmann et al., 2008; Lewis & Mackenzie, 2000; Rubaltelli et al., 2010) were conducted in Western settings with mature financial markets and established ESG infrastructures. In contrast, this study reveals how Indonesian youth interpret moral considerations differently balancing ethical ideals with pragmatic investment attitudes shaped by local cultural, economic, and informational contexts.

In line with (Kräussl et al., 2024) who categorized ESG investors into “doing well by doing good,” “doing poorly by doing good,” and “being neutral by doing good,” this research finds that many Indonesian youth fall into the latter category. They perceive ESG investment not as a moral obligation but as a neutral option where moral satisfaction does not compensate for potential financial risk or uncertainty. Thus, this study refines the behavioral classification illustrating how moral cognition interacts with perceived return trade-offs in emerging markets.

CONCLUSION

Morality has been proven to have a strong influence on investment decisions made by individuals. This fundamental thinking was once conveyed by (Porter & Kramer, 2011), who argued that businesses can "run well by doing good" as a win-win solution. The Spearman's correlation test that we tested found that the influence of morality was significant and strong enough when dealing with ethical and moral cases faced by certain companies. Our treatment of moral cases is one of the methods used in ESG Investing to eliminate companies with a poor record in environmental, human rights, or other corporate policies.

We also succeeded in proving the hypothesis that moral level affects investment decisions among the participants tested. We found that the higher the moral level of the participants, the lower their Allocation to companies affected by moral cases (correlation coefficient -0.425, p = 0.002). This proves that individuals will "punish" companies that commit immoral acts very harshly. Our findings on morals affecting investment decisions are also in line with the research of (Hofmann et al., 2008)

Individuals also tend to be willing to pay more for higher morale, as evidenced by our test results on the maximum price individuals were willing to pay after they had received the treatment we had previously given them. In accordance with the findings by (Heeb et al., 2023) that argued investors are willing to pay to get sustainable investments with a certain impact but not pay more for more impact

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