

Ethics or Returns: How Ethical-Financial Trade-Offs Shape Investor Decision-Making

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ABSTRACT

Behavioral economists and ethical theorists have long debated whether investors act on moral values or financial incentives when making investment decisions. While prior research has examined investor attitudes toward ESG and socially responsible investing, existing research has not directly measured how individuals respond to explicit ethical-financial trade-offs at the moment of decision, or whether behavior shifts as the size of those trade-offs changes. To address this gap, a survey was distributed to 323 participants in the New York City metropolitan area, presenting each with paired investment scenarios in which ethical ratings and projected financial returns were systematically varied. A Profit Preference Score (PPS) was calculated to quantify each participant's tendency to choose profit over ethics across eleven scenarios. The study began from the assumption that investors who claim ethical values would maintain those preferences even as financial incentives grew. Through the research process, however, it was instead revealed that during small and large trade-offs, ethical factors strongly shaped participant behavior. However, during moderate trade-offs, participants were significantly profit-oriented — meaning that investors acted ethically primarily when doing so cost them relatively little financially and the ethical gap between options was modest. Additionally, investment knowledge, political ideology, gender, and investor experience significantly predicted profit preference, while education level did not. Therefore, this study concludes that ethical investing is not a stable moral commitment but a flexible preference shaped by financial pressure and individual characteristics. These findings suggest that environmental, social, and governance (ESG) initiatives may be most effective not when they only appeal to investor morality, but when they also align with competitive financial returns.

INTRODUCTION

Investors have been acting irrationally for hundreds of years. In classical economic theory, rational investors are expected to make decisions that maximize financial returns, ignoring non-financial factors such as morality or social impact. However, real-world investment behavior often contradicts this assumption. Throughout history, people have often considered morality when deciding where money should go, long before the modern language of sustainability existed. Early examples include 18th-century Quaker communities refusing to invest in the slave trade or Methodists opposing

Sep 2026
Vol 11, No 3.

investments in alcohol in accordance with their religion (“A History of Impact Investing”). Over the past half-century, there has been a larger movement of investing being not only framed as a financial calculation, but as a reflection of personal ethics as well, which raises questions about how individuals balance moral values against the pursuit of profit. In the 1970s, the first term used to describe this type of investing was Socially Responsible Investing (SRI). Organized movements against issues like apartheid and the Vietnam War used SRI to describe where investors would selectively support companies addressing these social issues and who avoided sin industries (“A Brief History of ESG: From Pioneer to Mainstream”).

The term SRI, although still used today, has now evolved into corporate social responsibility (CSR) and environmental, social, and governance (ESG), which first started to emerge in the late 1990s. In 2004, the term “ESG” was officially coined by the UN Global Compact in a research paper, where it was used to outline a set of metrics used to measure an organization’s environmental and social impact (Krantz). Unlike early SRI, which primarily focused on avoiding sin industries such as tobacco, gambling, and adult entertainment, ESG expanded ethical investing into a wide web of concerns, including emissions, workplace diversity, supply chain and labor practices, and community impact. With the proliferation of social movements such as Black Lives Matter and #MeToo, demands for transparency and accountability allow new factors to come into play, causing investors to have to think about whether their holdings reflect their views on racial equity, gender fairness, and human rights (Johnson). As these dilemmas continued multiplying, ethical investing became less about just excluding objectively evil stocks and more about finding the trade-off between financial performance and societal impact.

Although interest in SRI has grown, it still contradicts the most fundamental principle in economics: the market is amoral. Stock prices only reflect the financial information of the company, such as expected risks and returns, not the ethical consequences of a firm’s behavior. Pollution, unsafe labor conditions, and lack of diversity are not highlighted in the profit and loss statement, or may not appear at all, so it is therefore not factored into the stock price. S&P Global quantifies these metrics from raw data and converts them into an ESG score to give investors an indicator of the company’s social governance. For example, for the Environmental dimension, they focus on topics such as biodiversity, climate strategy, and decarbonization strategy, while for the Social dimension they look at ones such as community relations and human rights, and for the Governance dimension they look at topics related to business ethics and innovation management (“ESG Scores and Raw Data”). However, this disconnect between social governance and stock price reinforces behavioral finance research indicating that many investors rely on financial cues rather than ethical ones when selecting investments (De Bortoli et al.). Ethical theorists similarly note that without intentionally considering morals, the market will always reward efficiency and profitability rather than social responsibility, effectively making ethical concerns invisible in financial systems (Kolers). Overall, this suggests that SRI and ESG frameworks were designed to fit moral reasoning onto a system that was never meant to be moral.

A major criticism of ESG investing is that ESG rating systems lack the standardization found in traditional financial reporting, creating significant confusion for investors trying to make ethical choices.

There are many independent rating agencies that produce these scores, all using different methodologies. For example, major providers include MSCI, Sustainalytics (Morningstar), S&P Global, ISS ESG, LSEG (formerly Refinitiv), and Bloomberg. In theory, ESG scores should be able to represent a single reliable measure of corporate ethics to be compared across firms.

To develop these scores, information from corporate sustainability reports, regulatory filings, media coverage, government records, and more is combined. Despite sharing the same general goal, ESG scores vary significantly across different agencies because each defines and measures corporate responsibility differently. Most agencies evaluate firms relative to other companies in the same industry rather than against a universal ethical standard while assigning differing levels of importance to environmental, social, and governance issues, but this framework comes with a caveat. Since the indicators and weights assigned vary across agencies, the same company may receive significantly different ESG scores, making it difficult for investors to confidently identify ethical companies. Furthermore, weighting requires agencies to resolve conflicts between competing ethical values. For example, if a renewable energy company depends on mining operations associated with labor abuses, strong environmental performance and weak social performance are collapsed into one score that hides the tension.

Research on ESG score divergence finds that different rating agencies vary substantially when scoring the same company, having only a correlation of 0.54, compared to a correlation of 0.99 for traditional credit ratings (Berg). In some cases, companies ranked in the top ESG quartile by one agency are placed in the bottom half of another. These ratings allow firms to appear socially responsible under one framework while performing poorly on another, potentially discouraging investment and pushing individuals back toward traditional profit-based indicators that are standardized and concrete. As a result, the lack of a unified ESG standard may help explain why investor behavior often fails to align with stated commitments to sustainability and social responsibility. Recent international initiatives seek to improve the consistency and transparency of sustainability disclosures, such as the Corporate Sustainability Reporting Directive and the ESG Ratings Regulation in the European Union. In the European Union, the ESG Ratings Regulation supervises rating providers through the European Securities and Markets Authority, while the Corporate Sustainability Reporting Directive standardizes the disclosures. The United States has no equivalent supervisory system for rating providers. These initiatives aim to improve transparency, comparability, and consistency in sustainability reporting across firms and rating providers.

LITERATURE REVIEW

Ethical and moral foundations of investment decision-making

A growing body of literature examines the role of ethics, sustainability, and moral values in shaping investment behavior. Much of this research suggests that many investors claim to prioritize ethical impact, particularly regarding sustainability and CSR. Jain and Chawla have found that pro-environmental values significantly influence interest in green opportunities, especially among retail investors motivated by sustainability commitments rather than solely financial outcomes (Jain and Chawla). However, Jain and

Chawla's study focuses primarily on retail investors with pre-existing environmental values, limiting its generalizability to investor populations who may not enter the market with strong sustainability commitments.

Ethical theorists such as Kolers argue that morally driven investing requires a trade-off—when supporting socially responsible companies, investors often must give up other factors, such as high financial returns or accepting more risk, in order to support companies that match their moral values (Kolers). Kolers also argues that participation in markets is never morally neutral, arguing that investors bear complicity for corporate harm, even when their individual investments have negligible causal impact (Kolers). This view frames ethical investing as a form of moral participation, in which investors are ethically accountable for the broader consequences of market systems. However, Kolers' framework assumes investors are aware of and actively reasoning about their moral complicity. Behavioral research has challenged this idea, as many investment decisions are made pragmatically rather than through deliberate moral reflection.

In contrast, legal scholarship argues that fiduciary duties have constrained ethical investing by prioritizing financial return over ethical investing, especially in institutional contexts. However, modern interpretations of fiduciary responsibility increasingly allow SRI when it aligns with long-term shareholder value (Sanders). This framework positions ethics not as an intrinsic justification for investment decisions, but as a permissible factor when it supports financial sustainability. Sanders' legal analysis is primarily descriptive of institutional investors, however, and does not account for how individual retail investors, without any formal fiduciary duty, weigh ethical concerns without that structural constraint.

Furthermore, Kourtoglou et al. frame ethical investing through a Stoic point of view. Stoicism is an ancient Greek and Roman philosophy that teaches self-control, rational thinking, and resilience. Regarding modern investing, Stoicism suggests that ethics must be grounded in objective rationality to function within corporate governance. Their philosophical approach challenges Kolers' emphasis on moral obligation by insisting that genuine ethical decisions are not just based on subjective preference. At the same time, their work supports Sanders by demonstrating that well-structured ethical governance systems enhance corporate stability and risk management, promoting long-term value creation (Kourtoglou et al.). While Kourtoglou et al.'s Stoic framework is philosophically rigorous, it was developed in the context of organizational governance rather than individual investor behavior, making its direct applicability to retail decision-making limited.

Taken together, these theoretical frameworks reveal a fundamental tension. While Kolers argues that moral obligation should drive investment behavior from the ground up, Sanders and Kourtoglou et al. suggest that ethics only function effectively within structured institutional and governance frameworks. This leaves the behavior of individual retail investors largely unexplained.

Variation in ethical investor preferences

While the studies above focus on the theoretical insight into ethical investing, empirical research complicates these claims by revealing that investors vary significantly regarding their behavior. For example, Abidin et al. use a fuzzy inference system to group investors based on what parts of ESG they prefer, finding that ethical preferences vary widely and affect perceptions of investment performance. Their analytical approach shows that investors do prioritize ethics under certain market conditions, but not consistently (Abidin et al.). Their fuzzy inference system models investor preferences statistically, but cannot explain the psychological mechanisms driving those preferences, which is a gap that survey-based approaches better address. The contrast between algorithmic modeling and philosophical argument demonstrates that ethical investment is neither fully based on principle nor fully based on performance.

Behavioral and psychological research further explains the mechanisms behind these preferences. Suh and Yoo examine how consumer sustainability decisions depend on moral regulation, or the mental process by which individuals justify or condemn their own behavior. Their findings show that the type of sustainability claim matters. Namely, consumers are more likely to sacrifice performance when the sustainability claim relates to their personal moral identity (Suh and Yoo). Although conducted in the context of consumer goods purchases rather than financial investment decisions, this mechanism provides a potential explanation for why individuals may accept financial sacrifices when ethical considerations are most noticeable. This connects to Kolers' moral participation argument while also introducing the nuance that ethical behavior depends on whether a moral concern is important enough to activate guilt avoidance or moral self-consistency. This study examines whether participants' investment choices are consistent with moral regulation in financial decision-making.

These findings partially support Kolers' argument about moral participation in markets, but they also introduce important nuances. Rather than acting on ethical principles consistently, according to Abidin et al. and Suh and Yoo, investors appear to engage in ethical behavior selectively, particularly when moral considerations are important. This suggests that ethical investing is not only driven by abstract moral obligation, but instead depends on the extent to which ethical issues intersect with personal identity and become sufficiently noticeable to influence behavior.

Organizational and social influences on ethical investing

Liu et al. examine CSR through the lens of employee behavior, finding that CSR initiatives truly have an impact on the company, whether it be through employee well-being or more green efficiency. Though not directly about investors, they demonstrate that morality and sustainability commitments can influence behavior when they become connected to identity and perceived social impact (Liu et al.). This, in turn, reinforces Suh and Yoo's findings that moral behavior is more likely when ethical considerations are also part of their identity.

Social movements and external pressure further influence ethical investment norms. Johnson examines this argument in a corporate governance context, researching how the Black Lives Matter movement forced firms to adopt many socially responsible governance reforms. She argues that external social pressure reshapes investor expectations and increases the moral scrutiny applied to corporations (Johnson). These findings suggest that political and social environments can influence the ethical considerations investors bring to financial decisions.

Taken together, Liu et al. and Johnson reveal that ethical investing cannot be understood solely as an individual moral choice. Instead, moral values are affected by identity, culture, and institutional frameworks, making ethical investing a socially influenced phenomenon. These findings suggest that investor behavior may reflect not only individual preferences but also the social and ideological context investors bring to their decisions.

Psychological determinants of investor decision-making

Behavioral finance research consistently demonstrates that investment decisions are not purely rational, but influenced by stable personality traits and cognitive biases. De Bortoli et al. draw on the Five Factor Model of personality, including dimensions such as neuroticism, extraversion, and conscientiousness, to provide strong evidence that personality traits shape investor risk tolerance and portfolio choices. Their behavioral-finance approach shows that decision-making is not purely rational, but that it is instead filtered through stable psychological characteristics (De Bortoli et al.). This complements Suh and Yoo's findings that moral behavior depends on psychological predispositions, not just available financial information. However, De Bortoli et al. measure general investment behavior and risk tolerance rather than the specific ethical-financial trade-off scenarios examined here.

Similarly, Yudhistira and Dalimunthe classify investors in Indonesia into behavioral types based on decision-making patterns, showing that different investor groups weigh different variables when selecting investments (Yudhistira and Dalimunthe). Despite having different sample areas than De Bortoli et al., both of their findings align, suggesting that investor identity types predict decision patterns. This literature emphasizes that investment choices emerge from individual psychological profiles rather than uniform responses to market information. Additionally, Yudhistira and Dalimunthe's sample is drawn exclusively from Indonesian investors, whose cultural and institutional context differs substantially from the U.S.-based sample in this study.

Notably, De Bortoli et al. and Yudhistira and Dalimunthe converge on a conclusion that qualifies Kolers' assumption of moral deliberation. Due to the fact that investment decisions are filtered through stable personality traits and cultural behavioral types rather than ethical reflection, moral deliberation may operate under narrower conditions than Kolers' framework anticipates. Rather than rejecting moral participation as a framework for understanding investment behavior, these findings suggest that its influence may depend on the psychological and situational conditions surrounding a decision. The present study examines when ethical considerations become sufficiently salient to influence investor choices.

Research Gap

Despite decades of research on ethical investing, a critical gap remains. While prior research examines investor attitudes towards ethics or identifies the existence of trade-offs, existing research has not directly measured how individuals respond to explicit ethical-financial trade-offs at the moment of investment decision-making. In particular, limited attention has been paid to whether and how that response shifts as the size of these trade-offs increases (Jain and Chawla; Kolers). This distinction is essential, because attitude-based research cannot fully explain why investors who claim to prioritize ESG may continue investing in ethically questionable industries. When ethical companies receive no positive investor impact from being labeled as ethical, there is no incentive for companies to improve their ethical practices (Katz). Without a study bridging this gap, the scholarly community lacks the empirical foundation needed to explain the persistent disconnect between stated ESG commitments and actual capital flows. This study addresses this gap by presenting investors with controlled scenarios where ethical and financial returns are directly traded off, generating behavioral evidence about how profit preference actually operates under pressure. Therefore, this study seeks to answer the following research question: how do trade-offs between ethics and financial returns shape investor decisions, and how does this relationship vary across investors?

METHOD

In order to analyze how individuals balance moral values and financial returns when making investment decisions, a survey was distributed. All participants were adults, including college students, early-career adults, and middle-aged adults. Participants provided informed consent before beginning the survey.

A survey-based approach was selected over other methods such as interviews or market observation for several reasons. Interviews would capture investor attitudes and reasoning in hindsight, but cannot isolate how the size of a financial trade-off influences a decision at the moment it is made. Secondly, observational studies of real market behavior cannot control for the countless variables that affect real investment decisions such as company reputation and peer influence. On the other hand, a controlled survey design allows the attributes presented in the investment choices to be systematically manipulated while keeping the structure of the investment choices consistent across scenarios, making it appropriate for answering a research question about how trade-off size specifically shapes investor behavior. This design allows differences in participant choices across scenarios to be attributed primarily to the manipulated attributes rather than differences in the presentation of the choices. This approach generates behavioral evidence rather than attitudinal evidence, directly addressing the gap identified in prior research.

The survey had multiple variables that were analyzed. Firstly, the participants were asked basic demographic questions about their age, gender, level of financial literacy, and previous investing experience. Investment knowledge, ESG familiarity, and investor type were self-reported measures and

therefore reflect participants' perception of their own characteristics rather than objectively assessed measures.

Then, the final section of questions presented participants with a series of paired investment scenarios. In each scenario, participants were shown two fictional stocks represented through graphs of their past performance. Both stocks had similar volatility and were the same price, but their expected financial return over the next year and ethical ratings differed. By controlling for price and volatility, the study kept these financial attributes consistent across options in each scenario, allowing differences in participant choices to be attributed primarily to the ethical and financial trade-off rather than other financial considerations. Ethical ratings were defined to the participants using ESG-related criteria such as environmental impact, labor practices, and corporate governance so that they could understand the meaning behind the number rating. Participants chose between each stock in the paired scenario and rated their confidence using a Likert scale. The forced-choice format provided a behavioral measure of the primary outcome rather than asking participants to self-report how ethical they considered their investment behavior. Confidence ratings were collected as a secondary measure but were not included in the analyses presented in this study, which focus on investment choice.

Eleven scenarios were used, where the difference in ethical rating and profitability were varied systematically across each. Scenarios were purposefully designed across three levels of trade-off magnitude: small (scenarios 4, 7, 11), moderate (scenarios 2, 6, 8, 10), and large (scenarios 1, 3, 5, 9). These classifications were based on the magnitude of the differences in projected financial returns and ethical ratings between the two options. This within-subjects design, where each participant responded to all eleven scenarios, allows for a repeated measures analysis that captures how the same individual's behavior shifts as the stakes change.

The survey was administered digitally using Google Forms. Sampling locations were selected to capture a range of income levels and investor experience. Surveys were distributed in the waiting room of two New York City suburban train stations that serve commuter populations with median household incomes of \$180,000 and \$133,000 in 2023, respectively, as well as a neighborhood in New York City itself. The train stations captured higher-income individuals more likely to have investment experience, while the New York City neighborhood location provided access to a broader income range. The method of administration was to approach people who came off the train and ask them to scan the QR code leading to the survey, then complete it. The survey was administered anonymously, and no personally identifying information was collected beyond general demographics. Each participant was asked to complete 31 questions, consisting of nine demographic questions, eleven investment scenarios, and eleven confidence ratings.

RESULTS

A total of 323 respondents participated in this survey, with participants drawn primarily from the New York City metropolitan area. The sample was nearly evenly split by gender, with 49.85% identifying as men and 49.23% as women. Participants had a mean and median age of 43 years old. In terms of education, most respondents reported moderate to high attainment levels, with 38.08% holding a bachelor's degree and 26.63% having completed a graduate degree. Income levels were more varied but skewed toward the lower end, with 37.07% reporting annual incomes below \$50,000 and 27.10% earning between \$50,000 and \$100,000. Politically, respondents leaned liberal, with 50.15% identifying as liberal or very liberal, compared to 24.46% identifying as moderate.

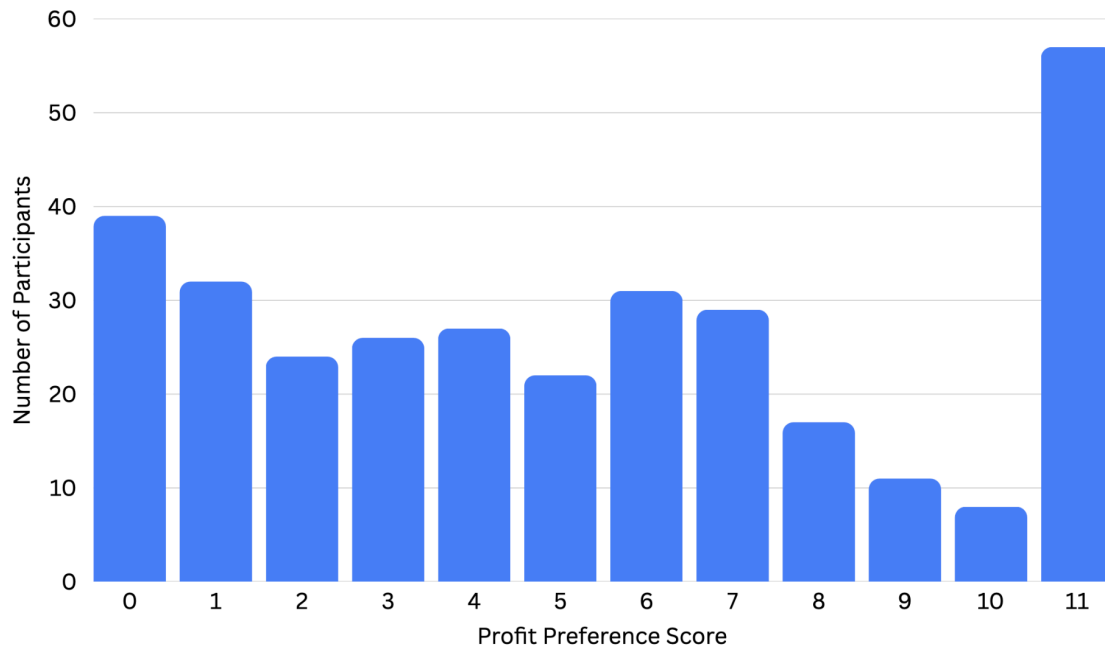
Regarding investing behavior, 25.70% of respondents were not currently investing, while 37.46% reported passive investing and 36.84% identified as active investors. The largest group of respondents (33.75%) rated their investing knowledge as a 3 out of 5, indicating a moderate level of knowledge. Familiarity with ESG terms followed a similar pattern, with responses spread across levels but centered around moderate familiarity.

A Profit Preference Score (PPS) was calculated to measure the extent to which participants prioritized financial returns over ethical considerations when making investment decisions. In the eleven scenarios, one stock would be higher profit than the other, while the other stock had a higher ethics score. If the investor chose the higher profit stock, it was coded as a 1, while if they chose the higher ethics it was coded as a 0. Adding up all of these scores would give a numerical value for their preference for profit, with higher scores indicating stronger preference for profit. Descriptive statistics indicated that the mean PPS was $M = 5.29$ ($SD = 3.75$), with scores ranging from 0 to 11. The distribution was bimodal rather than centrally clustered. Thirty-nine participants (12.1%) received a score of 0 and fifty-seven (17.6%) received a score of 11, indicating that 29.7% of the sample chose according to a single criteria across all eleven scenarios.

Table 1: Descriptive Statistics of the Profit Preference Score

	N	Minimum	Maximum	Mean	Std. Deviation
Preference	323	.00	11.00	5.2848	3.75317
Valid N (listwise)	323				

Figure 1: Distribution of Profit Preference Scores

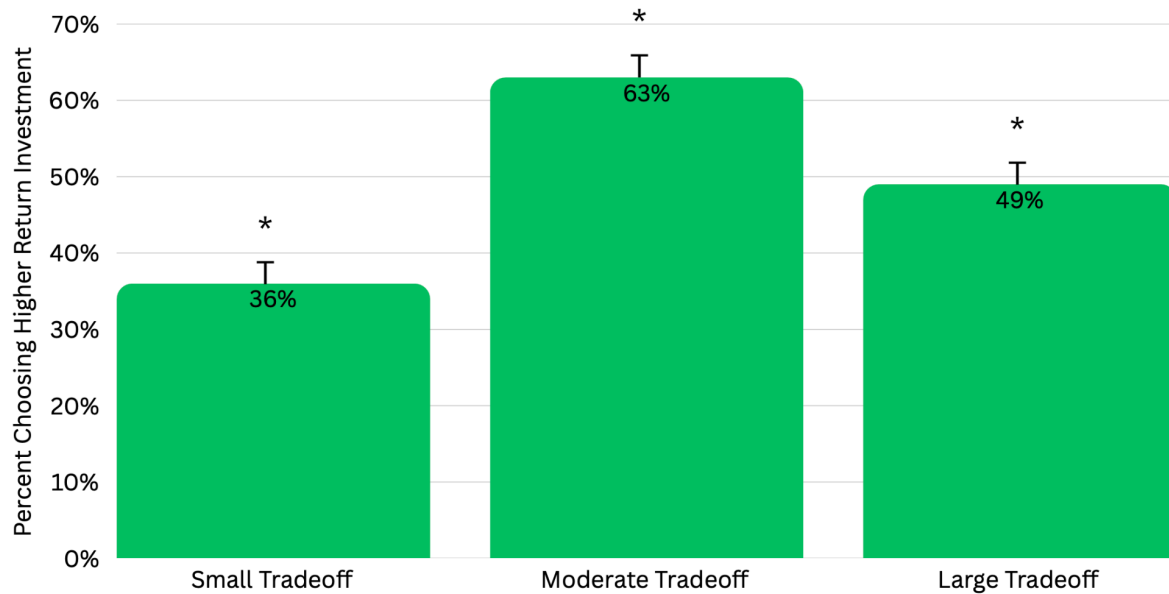


A repeated measures ANOVA was conducted to examine whether the size of the trade-off between profit and ethical considerations influenced investment decisions. Mauchly's test indicated that the assumption of sphericity was violated ($p < .001$), so Greenhouse-Geisser corrections were applied. There was a statistically significant effect of trade-off size on PPS, $F(1.69, 542.82) = 38.11$, $p < .001$, partial $\eta^2 = .106$. However, profit-oriented choices did not increase consistently with trade-off size. Instead, profit preference peaked during moderate trade-offs before declining during large trade-offs. Participants selected the higher-return investment in 36% of small trade-off scenarios, 63% of moderate trade-off scenarios, and 49% of large trade-off scenarios.

Table 2: Tests of Within-Subjects Effects of Differing PPS Trade-Offs

Source		Type III Sum of Squares	df	Mean Square	F	Sig.	Partial Eta Squared
TradeOff	Sphericity Assumed	51.647	2	25.824	38.112	<.001	.106
	Greenhouse-Geisser	51.647	1.686	30.637	38.112	<.001	.106
	Huynh-Feldt	51.647	1.694	30.495	38.112	<.001	.106
	Lower-bound	51.647	1.000	51.647	38.112	<.001	.106
Error(TradeOff)	Sphericity Assumed	436.353	644	.678			
	Greenhouse-Geisser	436.353	542.815	.804			
	Huynh-Feldt	436.353	545.355	.800			
	Lower-bound	436.353	322.000	1.355			

Figure 2: Profit Preference Peaked During Moderate Ethical-Financial Trade-Offs



Next, for the demographic variables, one-way ANOVAs were run to examine differences in PPS across demographic variables. A one-way ANOVA was conducted to examine differences in PPS across political affiliations. Mean PPS tended to increase from very liberal participants ($M = 3.97$, $SD = 3.72$) to conservative participants ($M = 6.34$, $SD = 3.60$), before flattening slightly among very conservative participants ($M = 6.31$, $SD = 3.74$). The differences between groups were statistically significant, $F(4, 318) = 4.40$, with a p-value of .002.

Table 3: PPS Separated by Political Orientation

Preference			
Political	Mean	N	Std. Deviation
Very liberal	3.9692	65	3.72479
Somewhat liberal	4.9072	97	3.54754
Moderate	5.6962	79	3.83758
Conservative	6.3939	66	3.60290
Very conservative	6.3125	16	3.73664
Total	5.2848	323	3.75317

A one-way ANOVA was conducted to examine differences in PPS across levels of investment knowledge. Mean PPS increased as knowledge levels increased, from no understanding ($M = 3.07$, $SD = 3.38$) to excellent understanding ($M = 7.30$, $SD = 3.52$). The differences between groups were statistically significant, $F(4, 318) = 6.84$, with a p-value of $< .001$.

Table 4: PPS Separated by Knowledge of Investing

Preference			
Knowledge	Mean	N	Std. Deviation
No understanding	3.0741	27	3.38465
Limited understanding	4.6049	81	3.75726
Basic understanding	5.2110	109	3.54357
Good understanding	5.9242	66	3.74293
Excellent understanding	7.3000	40	3.51699
Total	5.2848	323	3.75317

A one-way ANOVA was conducted to examine differences in PPS across investor types. Mean PPS increased from people who did not currently invest ($M = 3.37$, $SD = 3.40$) to those who actively invest ($M = 6.19$, $SD = 3.69$). The differences between groups were statistically significant, $F(2, 320) = 16.44$, with a p-value of $< .001$.

Table 5: PPS Separated by Investor Type

Preference			
Type	Mean	N	Std. Deviation
No, I do not currently invest	3.3735	83	3.39552
Yes, I invest, but decisions are mostly passive	5.7025	121	3.60704
Yes, I actively invest	6.1933	119	3.68983
Total	5.2848	323	3.75317

A one-way ANOVA was conducted to examine differences in PPS across levels of familiarity with ESG terminology. Mean PPS tended to increase from very unfamiliar participants ($M = 4.52$, $SD = 3.68$) to very familiar participants ($M = 6.45$, $SD = 3.91$). These differences were not statistically significant, $F(4, 318) = 2.11$, with a p-value of $.079$, although a significant linear trend was present $F(1, 318) = 6.92$, $p = .009$.

Table 6: PPS Separated by ESG Term Familiarity

Preference			
Familiarity	Mean	N	Std. Deviation
Very unfamiliar	4.5192	52	3.67552
Unfamiliar	5.0877	57	3.69981
Neutral	4.9882	85	3.73049
Familiar	5.4459	74	3.64200
Very familiar	6.4545	55	3.91019
Total	5.2848	323	3.75317

A one-way ANOVA was conducted to examine differences in PPS across gender. Mean PPS was lower for women ($M = 3.96$, $SD = 3.43$) than men ($M = 6.63$, $SD = 3.62$), with a p-value of $< .001$, $F(2, 320) = 23.45$, indicating statistical significance. Three participants identified as nonbinary; this group is reported descriptively only, as the sample size is too small to support inference.

Table 7: PPS Separated by Gender

Preference			
Gender	Mean	N	Std. Deviation
Nonbinary	3.3333	3	1.52753
Male	6.6273	161	3.61735
Female	3.9623	159	3.42900
Total	5.2848	323	3.75317

A one-way ANOVA was conducted to examine differences in PPS across income levels. Mean PPS generally increased from participants earning under \$50k per year ($M = 4.51$, $SD = 3.60$) to those earning \$300k+ per year ($M = 6.14$, $SD = 3.99$), with a p-value of $.044$, $F(4, 316) = 2.48$, indicating statistical significance.

Table 8: PPS Separated by Income

Preference			
Income	Mean	N	Std. Deviation
Under \$50k	4.5126	119	3.60053
\$50-\$100k	5.6782	87	3.69001
\$100k-\$200k	5.8939	66	3.70085
\$200k-\$300k	5.0000	12	4.04520
\$300k+	6.1351	37	3.98722
Total	5.3178	321	3.74149

A one-way ANOVA was conducted to examine differences in PPS across levels of educational attainment. Mean PPS scores were relatively similar across groups, ranging from participants with a high school diploma ($M = 4.95$, $SD = 3.84$) to those with a graduate degree ($M = 5.59$, $SD = 3.85$). The differences between groups were not statistically significant, $F(4, 318) = 0.36$, with a p-value of .834, indicating no meaningful relationship between education level and PPS.

Table 9: PPS Separated by Education Level

Education	Mean	N	Std. Deviation
Some high school	5.8333	6	3.43026
High school diploma	4.9474	38	3.84108
Some college	4.9857	70	3.64550
Bachelor's degree	5.3171	123	3.77072
Graduate degree	5.5930	86	3.84823
Total	5.2848	323	3.75317

DISCUSSION

The findings of this study suggest that while individuals do consider ethical factors when making investment decisions, financial returns ultimately play a dominant role. The overall mean PPS of 5.29 falls near the midpoint of the scale, but the bimodal distribution indicates that this average reflects two opposed groups rather than a population of neutral attitudes regarding profit and ethics. The most significant finding is that this preference is not fixed, but instead highly sensitive to context. During small trade-offs, participants were relatively likely to prioritize ethical investments because they did not sacrifice much financial return – it was cheap to be ethical. However, profit-oriented choices increased substantially during moderate trade-offs, showing that participants became more willing to sacrifice ethical considerations when the financial advantage was meaningful and attainable. Interestingly, this trend did not continue during the largest trade-offs. Instead, profit preference declined, suggesting that ethical concerns partially resurfaced when participants were presented with extremely unethical options. One possible explanation is that excessively unethical investments trigger stronger moral resistance, causing individuals to reject them despite their greater financial returns in order to not be greedy. Since individual investment decisions are rarely public, this resistance likely reflects a need to maintain a sense of self rather than to meet a moral perception to others. This is consistent with Kolers' argument that ethical investing inherently involves trade-offs, where pursuing moral outcomes often requires sacrificing financial returns (Kolers). Overall, the results indicate that investors do not simply become more profit-oriented as financial incentives increase. Rather, profit preference peaks during moderate trade-offs before declining when ethical costs become especially noticeable.

This pattern closely aligns with behavioral and psychological research on decision-making. Suh and Yoo's concept of moral regulation suggests that individuals act ethically when doing so aligns strongly with their identity or triggers moral self-consistency, but may abandon these principles when competing incentives become too great (Suh and Yoo). Similarly, Abidin et al. demonstrate that investor preferences for ethical considerations vary depending on market conditions and perceived performance trade-offs, reinforcing the idea that ethical decision-making is not stable across contexts (Abidin et al.). The non-linear trend observed in this study refines this framework, suggesting that participants systematically adjusted their decisions based on the size of financial reward instead of adhering to their ethical principles. In this sense, ethical investing may be better understood not as a fixed moral stance, but as a flexible preference that diminishes under increasing financial pressure.

Further supporting this interpretation, both investment knowledge and experience were significantly associated with higher PPS scores. Participants with greater familiarity and engagement with financial markets were more likely to prioritize profit, which likely reflects efficiency-oriented thinking. This finding aligns with Sanders' argument that financial systems and fiduciary expectations prioritize returns, often constraining the role of ethics in decision-making (Sanders). As individuals become more familiar with these systems, they may focus on norms that prioritize profitability, potentially at the expense of ethical concerns. Additionally, this trend reflects broader behavioral finance research suggesting that investor decision-making is shaped by learned strategies and cognitive frameworks rather than purely moral reasoning (De Bortoli et al.). In contrast, less experienced participants may rely more heavily on intuitive or value-based reasoning, leading to lower PPS scores. This suggests that investor experience moderates the effect of trade-off size, with more experienced individuals placing greater weight on financial incentives as trade-offs increase.

Political ideology also emerged as a significant predictor of investment preferences, with more conservative participants demonstrating higher PPS scores than their more liberal counterparts. This finding is consistent with Johnson's research on how social and political movements shape expectations around corporate responsibility, suggesting that individuals' broader ideological environments influence how they evaluate ethical considerations in markets (Johnson). Conservative perspectives, which often emphasize market efficiency and limited regulation, may lead individuals to prioritize profit. Conversely, liberal perspectives are often associated with greater concern for social responsibility and corporate accountability, which may explain the lower PPS scores observed in this group. These results reinforce the idea that investment decisions are shaped by broader cultural and ideological frameworks.

Gender differences further highlight the role of psychological and social factors in financial decision-making. Male participants demonstrated significantly higher PPS scores than female participants, suggesting a greater willingness to prioritize financial returns over ethical considerations. This is a pattern that has been documented in studies of behavioral finance, indicating that decision-making is shaped by stable psychological traits and risk preferences (De Bortoli et al.). For example, women may exhibit greater caution and consideration of broader impacts. In the context of this

study, these differences in personality and risk tolerance translated into differing willingness to sacrifice morals for financial gain.

In contrast, education level and ESG familiarity did not show statistically significant relationships with PPS, suggesting that formal education alone does not meaningfully shape how individuals navigate ethical trade-offs in investing. This finding challenges the assumption that increased education leads to more ethically informed decision-making. This pattern is consistent with Kourtoglou et al.'s argument that ethical decision-making requires structured reasoning rather than simply knowledge acquisition (Kourtoglou et al.). While familiarity showed a general upward trend in PPS, the lack of statistical significance suggests that passive exposure without engagement may not be enough to change underlying preferences.

Limitations

Several limitations should be considered when interpreting these findings. The sample was geographically concentrated in the New York City metropolitan area and may not fully represent broader populations with different socioeconomic or cultural backgrounds. Additionally, the use of hypothetical scenarios introduces the possibility that participants' stated preferences may not fully reflect real-world behavior, particularly in situations involving financial risk or ethical consequences. In addition, investment knowledge, ESG familiarity, and investor type were self-reported, so these variables may partly reflect participants' self-perception rather than measured characteristics. The single ethical score presented in each scenario also combines many different ethical dimensions, meaning the study measures responses to a complex ethical signal rather than to any specific ethical concern. Social desirability bias may also have influenced responses, as participants may have been inclined to present themselves as more ethically conscious than they would be in practice. This bias would lower rather than inflate profit preference, suggesting that the PPS values reported here are conservative estimates.

Implications

Despite these limitations, the study provides meaningful insight into how individuals balance profit and ethics in investment decisions. Overall, these findings suggest that ethical investing is not simply a matter of personal values, but rather a dynamic process shaped by financial incentives, experience, and ideological beliefs. This reinforces the idea that not all investor characteristics significantly affect responses to trade-offs, suggesting that trade-off size remains the dominant factor in decision-making. The strong influence of trade-off size highlights the importance of economic context in shaping behavior, reinforcing Kolers' claim that market participation involves unavoidable moral compromises, while also supporting empirical findings that ethical preferences fluctuate depending on situational factors (Kolers; Abidin et al.). This has important implications for corporations and financial institutions looking to promote socially responsible investing. The findings suggest that simply presenting high ESG scores or emphasizing ethical performance may not be sufficient to influence investor behavior when financial returns are perceived as significantly lower. Instead, ethical attributes appear to matter most when they do not require substantial financial sacrifice, showing that ESG initiatives may be more effective when they are aligned with competitive financial performance rather than positioned as trade-offs. This reinforces

Sanders' argument that ethical considerations are most influential when they are integrated into long-term value creation rather than presented as independent moral appeals (Sanders). In this sense, ESG information alone may function more as a secondary consideration rather than a primary driver of investment decisions.

Future Research

Future research could build on these findings by examining how real financial stakes influence investor behavior, or by exploring how different forms of ethical information affect investor decisions. For example, instead of a broad ethical score or ESG rating, future researchers can give explicit examples of what the company is doing that is morally questionable or admirable.

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APPENDIX

Survey Questions

Section 1 - Demographic/Screening

1. How old are you?
2. Gender:
3. Highest education completed
 - a. Some high school / High school diploma / Some college / Bachelor's / Graduate degree
4. Approximate annual income (optional):
 - a. Under \$50k / \$50-100k / \$100-200k / \$200-300k / \$300k+
5. Do you currently manage or make decisions about any investments (stocks, mutual funds, ETFs, retirement accounts) for yourself?
 - a. Yes, I actively invest
 - b. Yes, I invest, but decisions are mostly passive (index funds, set-and-forget)
 - c. No, I do not currently invest
6. Which of the following have you personally purchased before? (select all that apply)
 - a. Individual stocks
 - b. Mutual funds
 - c. ETFs
 - d. Bonds
 - e. Cryptocurrency
 - f. I have not purchased any of these
7. How familiar are you with the terms “ESG”, “SRI”, “sustainable”, or “socially responsible”?
 - a. 1 = Very unfamiliar, 2 = Unfamiliar, 3 = Neutral, 4 = Familiar, 5 = Very familiar
8. How knowledgeable are you about investing?
 - a. 1 = No understanding, 2 = Limited understanding, 3 = Basic understanding, 4 = Good understanding, 5 = Excellent understanding
9. Political orientation
 - a. 1 = Very Liberal, 2 = Somewhat Liberal, 3 = Moderate, 4 = Somewhat Conservative, 5 = Very Conservative

Section 2 - Forced-choice experimental trials

You will see 11 Scenarios where there are two fictional stocks with their expected annual return (simple percent that represents expected profit) and ethical rating (1 = very poor ethics to 10 = excellent ethics). Both stocks have similar volatility. Please select the stock you would choose to invest in today. Also respond to the confidence question (1 = Not at all, 2 = Not confident, 3 = Neutral, 4 = Confident, 5 = Very confident).

1. A: 6% APR / Ethics 8 — B: 10% / Ethics 3
2. A: 7% APR / Ethics 7 — B: 9% / Ethics 4
3. A: 5% APR / Ethics 9 — B: 11% / Ethics 2
4. A: 6.5% APR / Ethics 6 — B: 8% / Ethics 5
5. A: 4% APR / Ethics 9 — B: 12% / Ethics 4
6. A: 7% APR / Ethics 8 — B: 10% / Ethics 6
7. A: 8% APR / Ethics 5 — B: 9% / Ethics 3
8. A: 5.5% APR / Ethics 8 — B: 7.5% / Ethics 5
9. A: 3% APR / Ethics 10 — B: 12% / Ethics 2
10. A: 9% APR / Ethics 6 — B: 10% / Ethics 5
11. A: 6% APR / Ethics 7 — B: 6.5% / Ethics 6

Table 10: ANOVA of PPS Based on Knowledge of Investing

			Sum of Squares	df	Mean Square	F	Sig.
Preference * Knowledge	Between Groups	(Combined)	359.418	4	89.854	6.842	<.001
		Linearity	344.367	1	344.367	26.221	<.001
		Deviation from Linearity	15.051	3	5.017	.382	.766
	Within Groups		4176.378	318	13.133		
	Total		4535.796	322			

Table 11: ANOVA of PPS Based on Political Orientation

			Sum of Squares	df	Mean Square	F	Sig.
Preference * Political	Between Groups	(Combined)	237.788	4	59.447	4.398	.002
		Linearity	226.037	1	226.037	16.724	<.001
		Deviation from Linearity	11.751	3	3.917	.290	.833
	Within Groups		4298.007	318	13.516		
	Total		4535.796	322			

Table 12: ANOVA of PPS Based on Investor Type

			Sum of Squares	df	Mean Square	F	Sig.
Preference * Type	Between Groups	(Combined)	422.530	2	211.265	16.436	<.001
		Linearity	359.384	1	359.384	27.959	<.001
		Deviation from Linearity	63.147	1	63.147	4.913	.027
	Within Groups		4113.266	320	12.854		
	Total		4535.796	322			

Table 13: ANOVA of PPS Based on Gender

			Sum of Squares	df	Mean Square	F	Sig.
Preference * Gender	Between Groups	(Combined)	579.716	2	289.858	23.446	<.001
		Linearity	482.285	1	482.285	39.011	<.001
		Deviation from Linearity	97.431	1	97.431	7.881	.005
	Within Groups		3956.080	320	12.363		
	Total		4535.796	322			

Table 14: ANOVA of PPS Based on Income

			Sum of Squares	df	Mean Square	F	Sig.
Preference * Income	Between Groups	(Combined)	136.287	4	34.072	2.479	.044
		Linearity	86.349	1	86.349	6.282	.013
		Deviation from Linearity	49.938	3	16.646	1.211	.306
	Within Groups		4343.301	316	13.745		
	Total		4479.589	320			

Table 15: ANOVA of PPS Based on Investing Familiarity

			Sum of Squares	df	Mean Square	F	Sig.
Preference * Familiarity	Between Groups	(Combined)	117.345	4	29.336	2.111	.079
		Linearity	96.111	1	96.111	6.917	.009
		Deviation from Linearity	21.234	3	7.078	.509	.676
	Within Groups		4418.451	318	13.894		
	Total		4535.796	322			

Table 16: ANOVA of PPS Based on Education Level

			Sum of Squares	df	Mean Square	F	Sig.
Preference * Education	Between Groups	(Combined)	20.692	4	5.173	.364	.834
		Linearity	11.646	1	11.646	.820	.366
		Deviation from Linearity	9.046	3	3.015	.212	.888
	Within Groups		4515.104	318	14.198		
	Total		4535.796	322			

