ESG Fund Preferences of Young Investors in Turkey: Insights from Sustainable Finance

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***Abstract*— In recent years, there has been a remarkable increase in the supply of socially responsible investment products; however, the influence of environmental, social, and governance (ESG) factors on young investors’ preferences has not been sufficiently explored. This study aims to identify the key factors shaping young adults’ preferences and motivations regarding ESG funds. Using a structured survey, data were collected from 101 participants aged 18–35 in Turkey, capturing their demographic characteristics, financial literacy, sustainable financial literacy, and investment motivations. The findings show that knowledge of ESG concepts is limited, with male participants reporting slightly higher levels of awareness than female participants. Consistent with earlier literature, financial literacy levels were modest overall, with female students scoring slightly lower. Sustainability was rated as moderately important in investment decisions, with women attributing slightly greater importance than men. When asked about their primary motivation for sustainable investment, most participants cited return and risk, while environmental and social considerations ranked lower, though they were more emphasized by female respondents. These results contribute to the literature on sustainable finance in emerging markets by highlighting the role of demographic factors, financial literacy, and sustainability awareness in shaping young investors’ perspectives. The study also provides implications for policymakers, financial institutions, and investment managers seeking to align ESG products with the expectations and priorities of the next generation of investors..**

***Keywords*— ESG funds, young investors, investment preferences, sustainable investment, emerging markets.**

I. Introduction

In recent years, the global financial landscape has undergone a substantial transformation driven by the growing emphasis on sustainability and responsible investment. Environmental, social, and governance (ESG) factors have become central to investment decision-making, influencing how both individuals and institutions allocate financial resources. While the supply of ESG-related investment products has expanded significantly, empirical evidence on how young investors evaluate ESG funds compared to traditional investment products remains limited [1]. Given that younger generations are poised to shape the future of capital markets, understanding their attitudes, motivations, and preferences regarding ESG investments is of both academic and practical significance.

Prior research indicates that investors’ willingness to invest in ESG products is shaped not only by financial considerations such as expected returns and risk levels but also by personal values and sustainability preferences [2], [4]. Apostolakis et al. [2] and Lagerkvist et al. [3] showed that fund attributes—including sustainability orientation and financial literacy—significantly influence individual preferences. Similarly, Gómez Sánchez and Tobon [4] highlighted that younger investors often face trade-offs between ethical ideals and financial realities, revealing a generational dimension in investment behavior. However, sustainable financial literacy—the ability to incorporate sustainability knowledge into financial decision-making—has rarely been explicitly integrated into studies examining investment behavior. This study addresses this gap by analyzing not only traditional financial literacy but also sustainability-oriented awareness and knowledge as separate factors affecting investment-related perceptions.

Another underexplored aspect concerns demographic differences, particularly gender-based variations in ESG investing. Evidence suggests that men and women may prioritize different factors and motivations when evaluating traditional versus sustainable investments [2], [4]. By explicitly investigating gender-based differences, this study contributes a more nuanced understanding of how young investors assess ESG funds, highlighting the interplay between demographic characteristics, personal values, and financial considerations.

Broader financial literature underscores the complexity of the relationship between sustainability and financial performance. Friede, Busch, and Bassen [5] conducted a meta-analysis of over 2,000 empirical studies and found that the majority reported a positive association between corporate sustainability practices and financial outcomes. Nonetheless, the multidimensional nature of sustainability complicates investors’ interpretation of its effects on expected return and risk, rendering ESG fund evaluation more subjective and influenced by both cognitive assessments and emotional attitudes [5]. This study situates itself within this context by examining how sustainability considerations, alongside traditional financial concerns, influence the investment motivations of young adults..

II. Methodology

A. Aim and Objectives

The primary aim of this study is to examine how young adults in Turkey perceive ESG-oriented investment products

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compared to traditional alternatives. Specifically, it investigates the extent to which ESG criteria influence their evaluations and the motivations underlying their investment preferences. By doing so, the study seeks to identify the importance young adults assign to sustainability in financial decision-making and to explore how financial literacy, sustainable financial literacy, and demographic characteristics shape these perceptions.

B. Research Design

This study employed a structured survey design to investigate young adults’ knowledge, literacy levels, and motivations regarding ESG funds. The questionnaire was developed based on established studies on financial literacy, sustainable financial literacy, and ESG information use. In particular, insights from Amel-Zadeh and Serafeim [6], Varmaz, Riebe, and Hegner [7], and Lusardi and Mitchell [8] were used to inform the survey items. The survey consisted of four main sections: (i) demographic characteristics (e.g., gender, education, income), (ii) knowledge of ESG concepts, (iii) financial and sustainable financial literacy, and (iv) motivations for sustainable investment.

C. Participants

The target population consisted of young adults aged 18–35. Data were collected through an online survey administered in August 2022. A total of 101 participants completed the questionnaire in full. Of the respondents, 51.5% were female and 49.5% were male..

D. Survey Structure

The questionnaire comprises four main sections. The first section collects demographic data, such as age, gender, education level, income group, and occupation. The second section evaluates participants’ financial literacy using the widely recognized “Big Three” questions developed by Lusardi and Mitchell [8], which assess knowledge of interest rates, inflation, and risk diversification. The third section measures sustainable financial literacy, focusing on participants’ awareness and understanding of ESG-related concepts and sustainable investment practices. The fourth section investigates investment preferences and motivations by asking participants to self-assess the importance of sustainability in their investment decisions and to indicate which factors (e.g., return, risk, environmental considerations, ethical/social impact, government incentives, or peer influence) most strongly drive their willingness to invest in ESG funds

III. RESULTS

Survey responses are analyzed using SPSS. Descriptive statistics will provide an overview of participant characteristics and responses. The influence of gender on investment preferences, financial literacy, sustainable financial literacy, is assessed using t-tests.

Our sample consists of 51.5% female and 49.5% male participants (see Figure 1). Respondents were asked to assess their income group (low, medium, high). The results show that 66% identified as medium-income, 19% as low-income, and 15% as high-income. In terms of education, 54% of the sample hold a bachelor’s degree, 16% are high school graduates, 27% hold a master’s or doctorate degree, and 3% are associate degree graduates.

Participants also evaluated their knowledge about sustainable investment (“Knowledge ESG”) on a scale from 1 (“never heard of it”) to 4 (“good”). The overall average was 2.31, with male participants reporting slightly higher knowledge levels than females; however, the difference was not statistically significant.

Financial literacy was measured using the “Big Three” questions developed by Lusardi and Mitchell [7], [8], which assess knowledge of interest rates, inflation, and risk diversification. On average, students answered 2.33 questions correctly. Female participants scored marginally lower than male participants, but again, the difference was not significant. This lower female score is consistent with prior literature.

Finally, participants rated the importance of sustainability in investment decisions on a scale from 1 (“strongly not important”) to 5 (“very important”). The average rating was 3.52, indicating that sustainability is moderately important in investment decision-making. Female participants rated sustainability slightly higher than male participants, but the difference was not significant.

TABLE 1. DESCRIPTIVE STATISTICS

	All	**Female**	**Male**	**T-stat**
Gender	100%	50.5%	49.5%	
Knowledge ESG	2.31	2.18	2.44	0.31
Financial Literacy	2.33	2.28	2.35	0.61
Importance of Sustainability for Investment Decision	3.52	3.57	3.48	0.75

Note: The column “All” shows the values for all participants (female and male). The column “T-stat” reports the t-statistics from the t-test of equal averages between female and male students.

TABLE II. MOTIVATION FOR MAKING SUSTAINABLE INVESTMENTS

Motivation	Total	Female	Male
Return	41.58%	43.14%	40.00%
Risk	27.72%	23.53%	32.00%
Environmental Impact	11.88%	15.69%	8.00%
Ethical/Social Impact	7.92%	11.76%	4.00%
Government Incentives/Tax Advantage	4.95%	1.96%	8.00%
Peer Influence	5.94%	3.92%	8.00%

Participants were also asked: “Which of the following factors would motivate you the most to invest sustainably?” The results indicate that 41.58% of respondents considered return to be the most important factor, making it the primary motivation. Gender differences were observed: female participants emphasized return, while male participants placed more importance on risk.

Environmental and ethical/social impacts were considered important by a smaller portion of respondents, but again, females assigned greater importance to these factors than males. Conversely, male participants were more likely to identify government incentives/tax advantages and peer influence as motivating factors compared to female participants.

IV. Conclusion

The descriptive statistics and motivation analysis reveal several insights into young investors' attitudes toward sustainable investing. While both genders show moderate awareness of ESG concepts and value sustainability in investment decisions, men report slightly higher knowledge and financial literacy levels, though not significantly so. The main driver of sustainable investment is financial return, followed by risk considerations, with women giving greater weight to sustainability-related motives and men to external influences such as incentives and peers. These findings highlight the importance of considering gender-based perspectives when developing policies and financial products aimed at promoting sustainable investment behavior among young adults..

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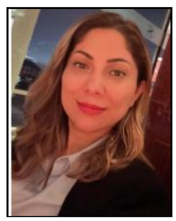

Füsun Küçükbay was born in Turkey on January 1, 1976. She received her Ph.D. in business administration from Ege University, Turkey, in 2009. Her major field of study is finance and economics.

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