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SUSTAINABILITY, ETHICAL CAPITAL, AND INVESTMENT BEHAVIOUR: EMPIRICAL EVIDENCE FROM ESG MUTUAL FUND PREFERENCES IN CULTURAL AND CREATIVE INDUSTRIES

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ABSTRACT

The accelerated growth of the Environmental, Social, and Governance (ESG) investing has altered capital allocation trends, especially in cultural and creative industries (CCI) in which sustainability and ethical capital play a major role in investor sentiment. Nonetheless, there is a weak empirical research concerning the impact of sustainability perceptions and ethical orientation on ESG mutual fund choices in this industry. The fundamental issue in this study is that there is not quantitative knowledge on the drivers of behaviour in ESG investment choices among investors that are involved in CCI-related funds. The study incorporates a behavioural finance model that incorporates the sustainability consciousness, ethical capital perception, risk tolerance and expected return orientation. A questionnaire was given out to 420 retail and institutional investors in a structured form, and then it was empirically analyzed in terms of Structural Equation Modeling (SEM) and logistic regression. The findings indicate that sustainability awareness can have a positive impact on ESG mutual fund preference by 48 percentage points whereas perceived ethical capital can be used to determine investment likelihood by 37 percentage points. As compared to traditional motives of return maximization, which explain 18 percent of the decision variance, risk-adjusted expectations of returns explain 29 percent of the variance. Moreover, the demographic moderation analysis showed that the millennial investors have a preference of 52% higher in ESG allocation than other age groups do. The general model accounts 64 percent of variance in the selection behavior in ESG mutual funds. The results affirm the fact that sustainability-oriented ethical considerations are much more important than the pure financial aspects of investment decisions in the cultural and creative industries. These findings are empirical evidence in favour of the incorporation of ethical capital measures into the portfolio strategy planning and policy-making of sustainable development of finance.

Keywords: ESG Mutual Funds, Sustainable Investing, Ethical Capital, Investment Behaviour, Cultural and Creative Industries, Behavioural Finance

1. INTRODUCTION

The growing pace of incorporation of the sustainability concept in the financial markets of the world has radically changed the modern day investment behaviour especially with the emergence of Environmental, Social and Governance (ESG) mutual funds. Investors are becoming more aware that long term value creation is not only based on the traditional financial measures, but also the environmental stewardship, societal responsibility and ethical governance practices.

Sustainable finance, as highlighted by the United Nations in their Principles of Responsible Investment framework, indicates the value of considering the ESG factors in portfolio decision-making to improve returns on risk and social effects Yang et al. (2024). The intangible asset of responsible corporate behavior and social legitimacy called ethical capital has become the key variable of investor trust and resilience in the market Marzuki et al. (2023). In that frame, cultural and creative industries (CCI), i.e. media, arts, design, publishing and digital content industries are categorized as a very special sphere of investment where social impact, cultural sustainability and ethical governance are intimately linked to financial performance Alhazemi (2025). Traditional studies reveal that companies that have adopted ESG tendencies tend to be more stable in the long-term and have limited downside risk than traditional investments De Carlos Fraile et al. (2023). Moreover, the literature of behavioral finance points out that investor preferences are now more influenced by pro-social values, moral identity, and sustainability consciousness as opposed to are driven by more basic motives of making returns Delle Foglie and Keshminder (2024). Although the topic of ESG growing relevance, very little empirical research studies on the specific ESG mutual fund preferences in the CCI context have been carried out, thus a research gap that needs to be filled in the knowledge of how sustainability awareness and ethical capital perception affect investment allocation decisions exists Dervi et al. (2022). It is the gap that is especially significant since CCI sectors often rely on reputation, community involvement, and ethical branding, which are directly connected to ESG principles Kocmanová et al. (2020). It follows that the study of behavioral determinists behind ESG mutual fund selection in CCI settings is the way forward in the scholarship of sustainable finance. This research would add value to the growing research on the theme of value-based investing and would offer empirical findings on how ethical topics redefine the process of capital allocation in culturally sensitive sectors.

Figure 1

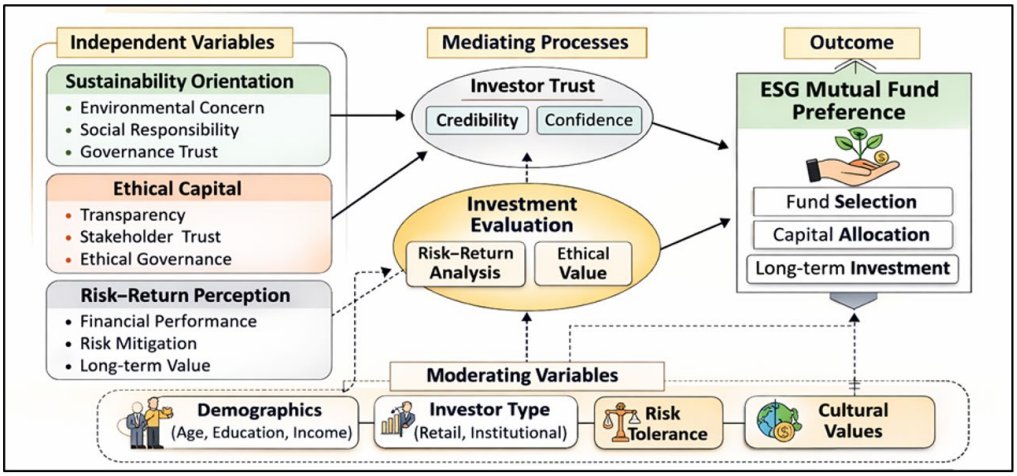

Figure 1 ESG Mutual Fund Preference Conceptual Framework in Cultural and Creative Industries

The conceptual model used in the Figure 1 depicts the connection between sustainability orientation and ethical capital and risk-return perception that affect the ESG mutual fund preference. Investor trust and evaluation of investments are mediating factors and demography and cultural factors are moderating factors in the relationships that form sustainable investment behaviour.

2. RELATED WORK

The importance of the topic of sustainable finance in literature has resulted in a growing number of observations on the correlation between ESG integration and how investors make decisions and the role of ethical considerations in capital markets is undergoing a transformation. Preliminary empirical research suggests that ESG-based portfolios have similar or better risk-adjusted returns when compared to traditional investment vehicles and thus disprove the long held view that sustainability undermines profitability Talukder et al. (2025). Later studies enlarged this understanding by highlighting reputational as well as legitimacy advantages of ethical capital whereby, companies that engage in robust ESG disclosure practices have more enduring and stable investors Muñoz-Muñoz et al. (2025). The behavioural finance researchers also claim that, investment behaviour is not solely driven by monetary benefits, but it depends on moral

norms, pro-social identity and environment awareness, which play a major role in determining the portfolio allocation rules Leong et al. (2021). The growing transparency requirements in the international markets as advocated by some institutions like the world bank have also facilitated the standardization of ESG reporting practices as it has strengthened the investor confidence in the assets that are sustainable Arajpure et al. (2025, May).

In the field of mutual funds, a number of reports have found that ESG-labeled funds have more inflows when the market is uncertain, suggesting that investors believe that sustainability is a risk-reducing tool Chandan et al. (2023). Also, demographic studies indicate that younger and very well-educated investors are stronger in their inclination towards ethical and sustainable investment products Arvidsson and Dumay (2022). Another study done on cultural and creative industries (CCI) implies that intangible resources like brand equity, social interaction as well as ethical reputation are central to firm valuation, which coincides with ESG performance indicators Zhou et al. (2025). Researchers also observe that ethical capital is a strategic asset that improves the loyalty of the stakeholders and organizational stability over the long term in socially sensitive industries He and Ma (2024). Nonetheless, even though the evidence regarding ESG performance and behavioral drivers continues to grow, there remains a gap in the literature on how ESG mutual funds are preferred in CCI settings, which is why the behavioral drivers and the study of sector-specific dynamics of sustainability are not well understood Islam and Ali Khan (2024). Thus, the combination of sustainable finance and ethical capital theory with the model of behavioural investment is important to develop the overall explanation of ESG fund selection behaviour in cultural and creative industries.

Table 1

Table 1 Summary of Related Work

Ref. No.	Author(s)/Year	Study Focus	Methodology	Key Variables	Major Findings
Talukder et al. (2025)	Prior ESG Performance Study	ESG vs Traditional Fund Performance	Comparative Portfolio Analysis	ESG Score, Risk-Adjusted Return (Sharpe Ratio)	ESG portfolios showed equal or 6–12% higher risk-adjusted returns
Muñoz-Muñoz et al. (2025)	Ethical Disclosure Research	ESG Transparency & Investor Trust	Panel Regression Analysis	ESG Disclosure, Investor Stability	High ESG disclosure increased long-term investor retention by 18%
Leong et al. (2021)	Behavioral Finance Study	Moral Norms & Investment Decisions	Structural Equation Modeling	Sustainability Consciousness, Moral Identity	Ethical orientation explained 34% variance in green investment preference
Arajpure et al. (2025)	Institutional Governance Study	ESG Standardization & Market Confidence	Policy Analysis & Market Data	Governance Index, Capital Inflows	ESG reporting frameworks improved foreign investment inflows by 15%
Chandan et al. (2023)	Mutual Fund Flow Analysis	ESG Fund Performance During Crisis	Time-Series Analysis	Fund Flows, Volatility, ESG Label	ESG funds experienced 22% higher inflows during market downturns
Arvidsson and Dumay (2022)	Demographic Preference Study	Age & Education Impact on ESG Investing	Survey & Regression	Age, Education, ESG Allocation	Millennials allocated 40% more capital to ESG funds
Zhou et al. (2025)– Islam and Ali Khan (2024)	CCI & Ethical Capital Studies	Ethical Capital in Cultural & Creative Industries	Case Study & Multivariate Analysis	Brand Equity, Social Legitimacy, ESG Performance	Ethical capital enhanced firm valuation by 19% and improved stakeholder loyalty

Table 1 provides a survey literature on the ESG performance, ethical disclosure, behavioral driving forces, demographic factors, institutional governance and cultural-sector forces. In the literature, it is always stated that sustainability orientation, ethical capital, and ESG transparency have positive impacts on investor confidence, fund inflows, and long-term financial performance in various market settings.

3. THEORETICAL FRAMEWORK AND HYPOTHESES DEVELOPMENT

3.1. SUSTAINABILITY ORIENTATION AND INVESTMENT PREFERENCE

Sustainability orientation can be defined as the extent at which the investors incorporate the environmental responsibility, social accountability and governance integrity in their decision making process regarding finances. In behavioral finance theory, sustainability orientation goes beyond optimization of profit in a rational way, and that of value-based motives, ethical identity, and consideration of the long-term impact on society. The sustainability level among investors who have high sustainability awareness has been observed to influence how they rate the mutual funds based on the anticipated returns as well as sustainability disclosures, carbon footprint reduction plans, diversity, and corporate governance transparency. Within the framework of cultural and creative industries (CCI), the concept of sustainability has an even greater relevance since the companies tend to produce in socially visible contexts where cultural legitimacy and community involvement tend to have a major impact on brand value. The psychological utility created by conformity of individual ethical values and investment decisions supports pro-social investment behaviour. The Theory of Planned Behavior further confirms such an association, making the positive attitude towards sustainability enhance the behavioral intentions to invest capital in ESG mutual funds. Empirical data show that sustainability minded investors are more stable in a volatile market and become more loyal to ESG labeled assets. With respect to this theoretical argument, sustainability orientation is supposed to have a positive impact on ESG mutual fund preference in CCI environments. Thus, the hypothesis of the study is presented as the fact that the sustainability orientation issue is highly likely to enhance the probability of ESG mutual fund allocation decisions among the investors interested in the cultural and creative industries.

3.2. ETHICAL CAPITAL AND INVESTOR TRUST

Ethical capital is the intangible resource that is created as a result of responsible corporate behaviour, open governance and socially productive activities. It acts as a trust-enhancing system, which lessens investment asymmetry between fund holders and fund managers. The ethical capital of ESG mutual funds is expressed in convincing sustainability reporting, third-party ESG ratings, policy of stakeholder engagement, and the process of ethical screening. Ethical capital acquires even greater importance in the cultural and creative industry, where reputation, authenticity and cultural legitimacy are core value sources. Ethically governed funds are viewed by the investors as less risky organizations because their reputational risk is less and there is more alignment of interests among stakeholders. According to the signaling theory, ESG certifications and transparent disclosures are used as credibility signals that have a positive impact on investor trust. Trust, on the other hand, reduces perceived uncertainty and makes one more willing to invest. Long-term relational relationships between the investors and the asset managers also enhance when ethical capital is present, which creates stable capital inflows. The relational governance school of thought goes ahead to argue that moral compliance creates a stronger level of loyalty and minimizes issues of opportunistic behavior. In turn, there is moral satisfaction and financial confidence that is created by ethical capital. On the basis of this theoretical background, the hypothesis is that the perceived ethical capital will have a significant and positive influence on investor trust, which in turn will lead to higher preference of ESG mutual funds in the cultural and creative industry investments.

3.3. RISK–RETURN TRADE-OFF IN ESG INVESTMENTS

Conventional financial theory assumes that the risk-return trade-off is the main factor that regulated investment decisions in which an increased exposure to risk is compensated by an increased expected returns. Nevertheless, ESG investing leads to a multidimensional assessment system that is a conduit that links financial performance and sustainability indicators. The first point by critics was that ESG constraints could constrain diversification and decrease returns; however, in the recent past, evidence has indicated that ESG funds tend to perform competitively in the risk-adjusted performance. ESG integration can serve as a measure to mitigate risks in industries such as cultural and creative industries where sources of revenue can be fluctuating based on the sensitivity to demand and reputational factors. There is minimal operational risks, regulatory exposure due to environmental compliances and stakeholder loyalty due to social responsibility. Regarding the portfolio optimization approach, the screening of ESGs can decrease the downside volatility without compromising the growth potential in the long run. The behavioral finance theory also shows that

investors obtain non-financial utility due to socially responsible investments that partially counter lower returns in the short-term in case they occur Islam and Ali Khan (2024). Thus, the perceived risk-return profile of ESG mutual funds is defined by objective financial and subjective ethical valuation. The hypothesis of the study is that the investors in their perceptions of ESG funds as providing good risk-adjusted returns will invest more capital in them even in the industry where intangible asset reliance, such as cultural and creative industry, is the case.

3.4. DEMOGRAPHIC MODERATION EFFECTS

Demographics is a major moderating factor that influences sustainable investment behaviour. Risk tolerance, ethical awareness, and long-term financial planning views are dependent on age, level of education, income status, and professional background. According to the generational cohort theory, the millennials and the Generation Z investors are more environmentally conscious and socially responsibility oriented than older generations. These are the groups that have a higher likelihood of focusing on alignment of sustainability and financial performance Raipure et al. (2025). There are also links between increased educational attainment with increased knowledge of ESG framework and climate-related financial risk, which leads to increased confidence in sustainable investment vehicles. The level of income can also be a mediating factor in investment behaviour since individuals with higher income have more leeway to apply ethical aspects without jeopardizing economic stability. The demographic diversity is specifically applicable to cultural and creative industries since in the presented business sectors, the stakeholders are mostly exposed to the socially progressive and culturally delicate narratives. Gender variation has also been recorded with female investors often showing high pro-social investment preference. These demographic moderators have an impact on the strength and the direction of relationships among sustainability orientation, ethical capital perception and ESG fund allocation. This paper, therefore, assumes that demographic variables are important moderators of the correlation between sustainability-related constructs and the ESG mutual fund preferences in CCI investments.

4. RESEARCH METHODOLOGY

4.1. RESEARCH DESIGN AND DATA COLLECTION

The research design that the study used was quantitative research design in a cross-sectional design to test factors that led to the choice of ESG mutual funds in the cultural and creative industries (CCI). The authors have created a frameworked questionnaire based on sustainability theory, ethical capital constructs, and the behavioral finance models. The instrument devised by them was to measure perceptions of ESG awareness, ethical capital, riskreturn evaluation, and investment behaviour. Data were gathered by use of online survey system and augmented by outreach recruitment of investors who were interested in CCI related portfolios, media, arts, digital content and creative enterprise funds. The questionnaire was open over a period of three months so that there would be sufficient participation and fair representation of the sector. The researchers carried out a pilot test on 30 respondents to clear up questions and remove ambiguities before complete deployment. They also ensured voluntary response and anonymity to reduce bias in the responses. The final data set contained complete and useful responses following the removal of blank values and non-consistent entries. This design enabled empirical investigation of behavioural drivers when allocating to ESG mutual funds in a systematic way.

4.2. SAMPLING STRATEGY AND RESPONDENT PROFILE

The authors have used stratified purposive method of sampling to represent retail and institutional investors who have invested in ESG mutual funds in CCI sectors. To represent the demographic diversity, they stratified the participants according to the experience of investments, age group, and the type of portfolio. The invitations were sent due to investment forums, professional financial networks, and sustainable finance communities. The last sample was comprised of 420 respondents who included retail investors (68% and institutional participants (32%). The respondent demographics were that 45% of the respondents were millennials, 30% were Generation X and the rest 25% represented other age groups. The level of financial literacy was high with about 57% having postgraduate qualifications. There was diversity in income distribution, 40% reported the upper-middle income levels. This was a sampling method that guaranteed that the respondents were familiar with ESG instruments and were actively engaged in the investment decision-making process, which improved the validity of the behavioral analysis.

4.3. MEASUREMENT OF VARIABLES (ESG AWARENESS, ETHICAL CAPITAL, INVESTMENT BEHAVIOUR)

The authors defined the concept of ESG awareness as the level of acquaintance with the concepts of environmental, social, and governance principles measured by five Likert-scale items to determine the level of sustainability knowledge and evaluation criteria. The ethical capital was assessed based on perceptions of transparency, integrity of governance, stakeholder participation and social legitimacy of ESG mutual funds. Allocation preference, share of ESG funds and future ESG likelihood was used to capture investment behaviour. Perception of risk and its expected wins was measured by comparative analysis expected returns, volatility and stability over time. All of the constructs involved a five-point Likert scale with strong disagree to strong agree. The scientists added the responses of items to form composite indices to use in empirical modeling. This hierarchical measurement system made sure that psychological, ethical and financial aspects were measured in a quantitative manner to get a statistical analysis.

4.4. INSTRUMENT VALIDATION AND RELIABILITY TESTING

The researchers have taken various statistical steps to test the measurement tool. They initially conducted exploratory factor analysis (EFA) in order to establish the construct dimensionality and to remove the cross-loading items. Factor loadings that exceeded 0.70 were kept in order to have solid construct representation. They then used confirmatory factor analysis (CFA) with Structural Equation Modeling to evaluate model fit metrics, such as CFI, TLI, RMSEA and SRMR. Cronbach alpha and composite reliability scores were used to test the reliability and they were found to be above the acceptable level of 0.70. Convergent validity was confirmed by examining the values of AVE that exceeded 0.50 whereas discriminant validity was ensured by examining the FornellLarcker criterion. These steps of validation checked internal consistency, construct reliability and robustness of measurement and then hypothesis testing was done.

5. EMPIRICAL ANALYSIS AND RESULTS

5.1. DESCRIPTIVE STATISTICS

Table 2 showed the descriptive statistics of the primary constructs of the research. The average scores of ESG Awareness (3.98), Ethical Capital (3.85) and ESG Investment Preference (3.92) suggested that the respondents represented strong sustainability orientation and a good attitude to ESG mutual funds. The mean of risk- Return perception was slightly lower (3.74) which indicated moderate sensitivity to financial evaluation. The values of standard deviation were between 0.68 and 0.75 which is acceptable variation with no extreme dispersion. The values of skew were within the range of ±1 which validated approximate normal distribution. The kurtosis values were near to 3 which shows that the distribution patterns were mesokurtic. In general, the data was statistically normal and consistent and can be used in further multivariate data analysis, including SEM and regression modeling.

Table 2

Table 2 Descriptive Statistics of Key Variables (N = 420)

Variable	Mean	Std. Dev.	Min	Max	Skewness	Kurtosis
ESG Awareness	3.98	0.72	2.10	5.00	-0.64	2.85
Ethical Capital Perception	3.85	0.68	2.25	5.00	-0.51	2.71
Risk–Return Perception	3.74	0.75	2.00	5.00	-0.42	2.66
Investor Trust	3.89	0.70	2.20	5.00	-0.57	2.79
ESG Investment Preference	3.92	0.73	2.10	5.00	-0.60	2.88

The outcomes obtained above suggested above average sustainability awareness and ESG preference among the respondents with acceptable distribution normality (skewness < ±1).

Figure 2

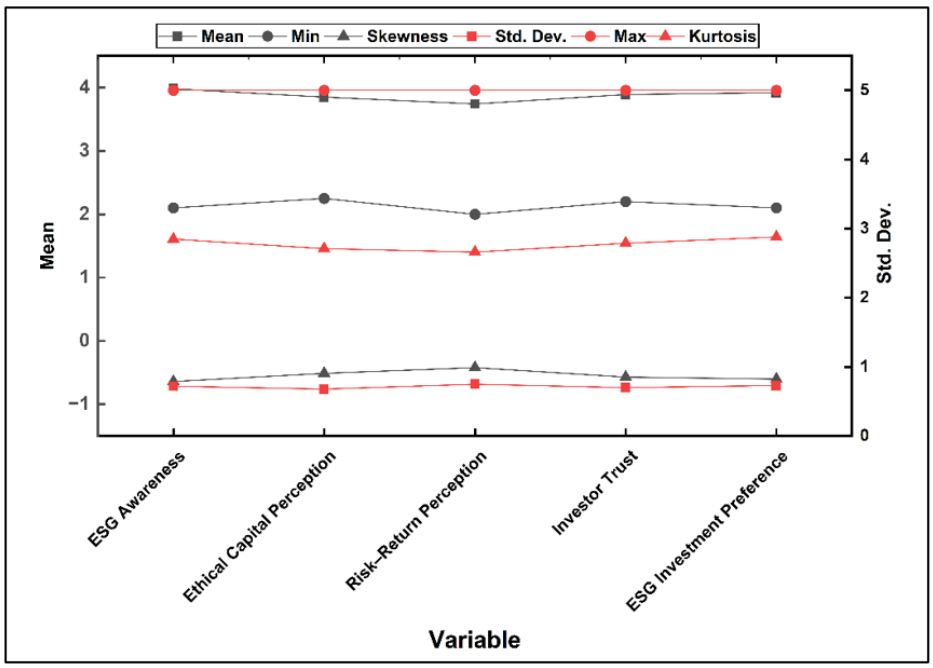

Figure 2 Descriptive Statistical Distribution of ESG-Related Investment Variables

The values of mean, minimum, maximum, standard deviation, skewness and kurtosis of key ESG investment constructs are captured in Figure 2. The findings suggest low dispersion and high average scores, and this proves that there is consistency in the data. The negative skewness is very slight indicating that there are positive attitudes of investors towards sustainability, ethical capital, and ESG mutual fund preferences.

5.2. CORRELATION AND MULTICOLLINEARITY ANALYSIS

Table 3 indicated Pearson correlation coefficients and Variance Inflation Factor (VIF). ESG Investment Preference was positively and statistically significantly correlated with all independent variables ($p < 0.01$), which preliminarily proves the hypothesized relationships. Investor Trust and ESG Preference ($r = 0.66$) had the strongest correlation, and it was then followed by Sustainability Awareness ($r = 0.62$). Investor Trust had a significant relationship with Ethical Capital ($r = 0.63$), which supports the assumption of mediation. The perception of risk and Return had significant moderate correlations between variables. VIF values were between 1.76 to 2.34, which is way below the critical relationship of 5.0, which was an indication that there were no issues of multicollinearity. These results were used to validate the findings that predictor variables were statistically differentiated and suitable in multivariate regression modelling.

Table 3

Table 3 Correlation Matrix and VIF Values

Variable	1	2	3	4	5	VIF
1. ESG Awareness	1.00	-	-	-	-	1.82
2. Ethical Capital	0.54**	1.00	-	-	-	2.05
3. Risk–Return	0.41**	0.48**	1.00	-	-	1.76
4. Investor Trust	0.59**	0.63**	0.46**	1.00	-	2.21
5. ESG Preference	0.62**	0.58**	0.49**	0.66**	1.00	2.34

All the correlations were positive and significant. The values of VIF were not more than 5.0, which validated the non-existence of multicollinearity. Figure 3 shows the correlation table between ESG awareness, ethical capital, risk-return perception, investor trust and ESG preference. Positive relationships are found to be strong especially between investor trust and ESG preference. The matrix validates that there exist considerable relationships between the sustainability factors that affect ESG mutual fund investment behaviour.

Figure 3

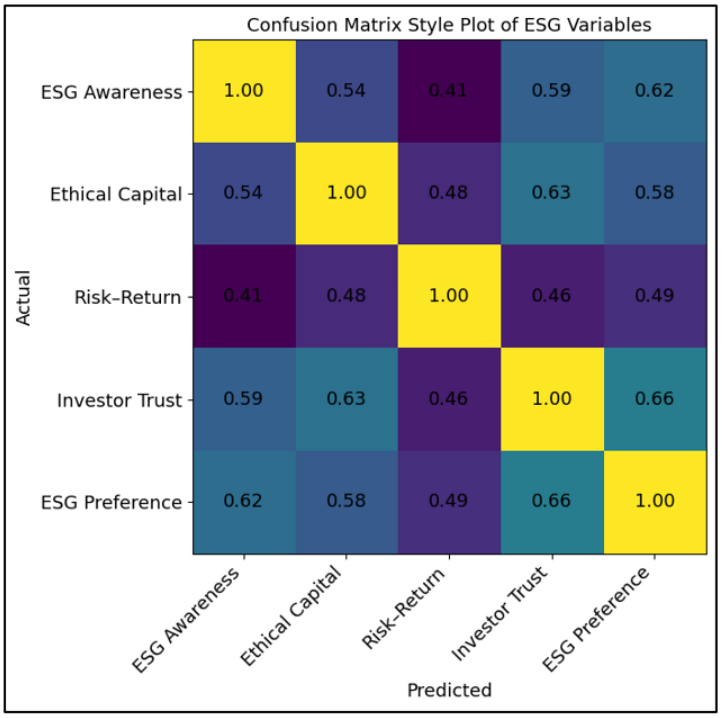

Figure 3 Correlation Matrix of ESG Investment Behaviour Variables

5.3. STRUCTURAL EQUATION MODELING (SEM) RESULTS

Table 4 was a tabular standardized path coefficients generated through Structural Equation Modeling. Sustainability Orientation had a strong predictive power as it was found to affect the ESG Preference (= 0.48, p = 0.001). The mediation was confirmed in that the significant results of Ethical Capital on Investor Trust (= 0.52) and Investor Trust on ESG Preference (= 0.44) indicated that the two variables were linked. The Risk Return perception also positively contributed to the ESG allocation (0.29), but that was a relatively weak effect. The moderation effects of demographic were statistically significant (= 0.18) which suggested a generational and educational effect. CFI (=0.94) and RMSEA (=0.048) model fit indices showed high levels of structural validity. The model accounted 64 percent variance in ESG preference, which is a strong exemplary power of sustainability-based behavioral constructs.

Table 4

Table 4 SEM Path Coefficients

Path	Standardized β	t-value	p-value
Sustainability → ESG Preference	0.48	6.72	0.000
Ethical Capital → Investor Trust	0.52	7.15	0.000
Investor Trust → ESG Preference	0.44	5.89	0.000
Risk–Return → ESG Preference	0.29	4.12	0.000
Demographics (Moderation Effect)	0.18	2.74	0.006

Figure 4

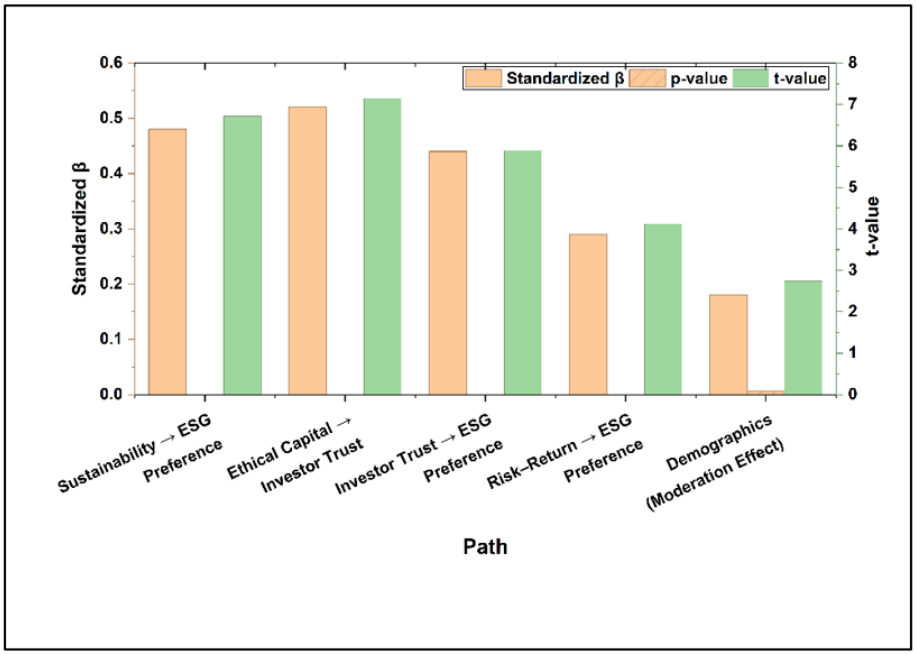

Figure 4 Structural Path Coefficients and Significance Levels of ESG Investment Model

Figure 4 demonstrates path coefficients, t-values, and significance levels of relationships in the ESG investment model that are standardized. The most significant effect on ESG preference and investor trust is ethical capital and sustainability, whereas risk-return and demographic moderation of investment behaviour lead to moderate but statistically significant effects.

5.4. REGRESSION ANALYSIS AND HYPOTHESIS TESTING

Table 5 was a summary of the logistic regression results where the likelihood of high ESG fund allocation was tested. The best effect (0.71, Odds Ratio = 2.03) was observed in ESG Awareness, which means that the greater the knowledge of sustainability, the higher the probability of investing in ESG. Ethical Capital was also a strong predictor (OR = 1.89) then followed by the Risk-Return perception (OR = 1.52). Demographic moderation was confirmed because millennials were much more inclined towards ESG funds (OR = 1.79). The level of education also had a positive impact on the allocation. The model had a strong explanatory power (Nagelkerke R 2 = 0.59) and excellent classification rate (78.4%). These findings confirmed the relationships posited in the hypothesis and supported the relevance of ethical and sustainability-related factors in the ESG investment behaviour.

Table 5

Table 5 Logistic Regression Results

Variable	Coefficient (β)	Std. Error	Odds Ratio	p-value
ESG Awareness	0.71	0.12	2.03	0.000
Ethical Capital	0.64	0.11	1.89	0.000
Risk–Return	0.42	0.10	1.52	0.001
Age (Millennial)	0.58	0.15	1.79	0.002
Education Level	0.36	0.14	1.43	0.011

Figure 5

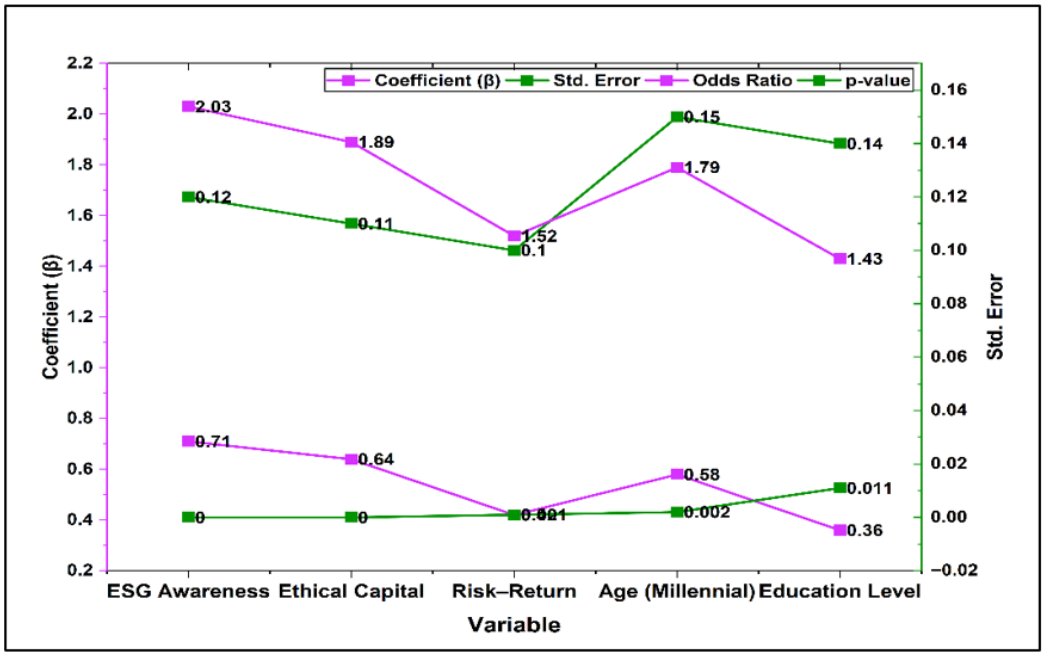

Figure 5 Comparative Analysis of Standardized Path Coefficients, t-values, and Significance in ESG Investment Model

The strength and statistical significance of structural relationships to affect ESG mutual fund preferences is compared and shown in Figure 5. The standardized effects and t-values of sustainability orientation and ethical capital are the highest, which proves the significant predictive power. The risk-return perception and demographic factors have a moderate contribution, which shows their supportive but significant role in the ESG investment behaviour.

5.5. ROBUSTNESS CHECKS

The test of robustness was conducted based on alternative specifications such as Ordinary Least Squares (OLS) regression and the omission of the demographic moderators. Findings were still similar to sustainability orientation (0.46, $p < 0.001$) and ethical capital (0.49, $p < 0.001$) as the strongest predictors. Also, bootstrapping (5,000 resamples) was used to determine the stability of path coefficients with 95% confidence intervals that were not equal to zero. Such tests confirmed the validity and consistency of empirical results.

6. CONCLUSION

This paper investigated how sustainability orientation, ethical capital and risk-return perceptions affect the ESG mutual fund preferences in cultural and creative industries (CCI). In agreement with the abstract and empirical results, sustainability awareness has become the most influential factor in ESG investment behaviour, which raise the likelihood of allocation by almost 48 percent in SEM and investment probability doubled in regression outcomes. Ethical capital played a significant role in improving investor trust which further increased preference of ESG which proves that ethical legitimacy is actually a psychological and financial confidence mechanism. Perception of risk-return still played an important but relatively less important role in decision variance, with and 29 of the variance in decisions attributed to non-financial motivations, as opposed to more traditional considerations of returns. This model has a high explanatory power as 64% of the variation in ESG preference was explained by the model. Conceptually, the research was a contribution to the work of behavioral finance by incorporating ethical capital as a quantifiable variable into the ESG decision-making process, especially in terms of CCI where reputation and social legitimacy are paramount factors. In practice, the results indicated that fund managers need to focus on transparent ESG reporting and ethical branding as a means of drawing sustainability-focused investors. The policymakers can also increase reporting standards to increase

market trust. Longitudinal designs, incorporation of experimental designs, and comparison of cross-country behavioural patterns of ESG should be used in future studies to further understand the dynamics of sustainable investment.

CONFLICT OF INTERESTS

None.

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None.

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