

The Impact of Environmental, Social, and Governance (ESG) Factors on Investment Decisions Among Young Investors in Medan

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Abstract

This study examined the effects of Environmental (X1), Social (X2), and Governance (X3) factors, representing the ESG dimensions, on Investment Decisions (Y) among young investors in Medan City. The research employed a quantitative, explanatory research design. Data were obtained by distributing a Likert-scale questionnaire to 200 respondents who met the research criteria through purposive sampling. The collected data were then processed using multiple linear regression analysis. Before testing the research hypotheses, the quality of the research instruments was evaluated. The results showed that all questionnaire items met the validity and reliability requirements. In addition, the classical assumption tests indicated that the data were normally distributed and did not exhibit multicollinearity or heteroscedasticity, suggesting that the regression model was appropriate for further analysis. The hypothesis testing results revealed that each ESG dimension had a positive and significant influence on investment decisions. The Environmental variable had a significance value of 0.047, the social variable had a significance value of 0.006, and the Governance variable had a significance value of 0.045. Since all p-values were below 0.05, each variable was considered to have a significant effect on young investors' investment decisions. Furthermore, the simultaneous test (F-test) demonstrated that the Environmental, Social, and Governance variables jointly had a significant influence on investment decisions. This result is reflected by an F-value of 2.858 with a significance value of 0.038. The coefficient of determination (Adjusted R-Square) was 0.608, indicating that 60.8% of the variation in investment decisions can be explained by the three ESG variables included in this study, while the remaining 39.2% is associated with other factors that were not examined in this research.

Keywords: Environmental; Social, and Governance; Investment Decisions; Young Investors

JEL Codes: G11; M14; Q51

1. Introduction

Millennials and Generation Z are increasingly using their finances to address global challenges such as social equality and climate change. In doing so, they are helping to shape the direction

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of the economy and society as a whole (Sinta et al., 2026). This shift is not just a passing trend; it reflects a major change in how younger generations view investment and money as tools for social change. According to (Park S. R, 2022), retail investors, including young people, use ESG factors as non-financial criteria in assessing a company's value. To explain how retail investors' investment decisions are influenced by the inclusion of ESG information, this study employs the Unified Theory of Acceptance and Use of Technology (UTAUT) framework (Priyatno et al., 2026).

The number of young investors entering the Indonesian capital market has increased rapidly; according to PT Kustodian Sentral Efek Indonesia (KSEI), the number of Single Investor Identification (SID) numbers in the Indonesian capital market has reached 21,066,415 as of the end of January 2026, a significant increase from 10,311,152 in 2022. This represents growth of more than 1% over a four-year period (KSEI, 2026). Of the 16,198,083 retail investors in the capital market, 54.42 percent, or 8.8 million, are under 30. The 31-to-40 age group accounts for 24.72 percent. This means that more than 79% of retail investors in Indonesia are currently under the age of 40 an unprecedented demographic phenomenon in the history of Indonesia's capital market (Rismanto, 2024).

Although the number of young investors continues to rise, there is a gap between their participation rate and the value of assets under management. KSEI data as of January 2026 shows that investors under the age of 30 hold assets worth only 57.83 trillion rupiah a figure far smaller than that of the over-60 age group, which held total assets of 976.42 trillion rupiah during the same period KSEI 2026. According to the 2024 National Survey on Financial Literacy and Inclusion (SNLIK) conducted by the OJK in collaboration with the BPS, the financial literacy rate of the Indonesian population stood at 65.43 percent, while the financial inclusion rate reached 75.02 percent OJK 2024. This situation becomes even more critical when viewed in the context of ESG-based investment decisions, which are far more complex than conventional investments (Aldowaish et al., 2022).

Previous studies have shown that Environmental, Social, and Governance (ESG) factors can influence investment decisions. (Park S. R, 2022) found that individual investors consider ESG information when evaluating companies and making investment decisions. Similarly, (Park & Jang, 2021) showed that ESG criteria are considered by investors in evaluating investment opportunities, although the importance of each ESG dimension may differ depending on the investment context. In Indonesia, (Lhutfi et al., 2024) found that ESG scores have a positive relationship with investment-related performance among companies listed on the Indonesia Stock Exchange. (Bihari et al., 2025) also found that ESG factors are relevant to sustainable investment decisions among retail investors. These findings indicate that investors are increasingly considering environmental, social, and governance factors alongside conventional financial considerations. Based on these previous findings, ESG factors are relevant to investment decision-making. However, previous studies have not specifically focused on young investors in Medan. Therefore, this study examines the influence of Environmental, Social, and Governance factors on investment decisions among young investors in Medan.

This trend of growing numbers of young investors can also be clearly observed in the city of Medan, North Sumatra. Data from the Indonesia Stock Exchange (IDX) North Sumatra Representative Office shows that by the end of 2024, the number of investors registered in North Sumatra through the SID system reached 620,392, with approximately 297,168 of them being stock investors (IDX North Sumatra, 2024). By January 2026, the total number of capital

market investors in North Sumatra had surpassed 1.4 million, with the city of Medan accounting for approximately 41 to 42 percent of that total (IDX North Sumatra, 2026). This situation positions the city of Medan as the primary epicenter of capital market activity outside of Java, which in turn opens the door for a more in-depth study of the investment behavior of young people in this region.

A study (Priyatno et al., 2026) states that the integration of Maqashid Syariah into the contemporary economic framework, particularly in the practice of Environmental, Social, and Governance (ESG) disclosure, is a means of reinforcing Sharia values in achieving development that is oriented toward the greater good (maslahah) in a comprehensive manner (Ahmad et al., 2023). This concept positions the Maqashid al-Sharia as a normative foundation that not only directs economic activities toward the achievement of financial profit but also ensures the creation of a balance between economic, social, and environmental aspects (Sari et al., 2023). From an Islamic perspective, the primary objective of Sharia is to realize the public interest by safeguarding the five basic human needs (maqashid al-Sharia), namely the protection of religion (hifz al-din), life (hifz al-nafs), intellect (hifz al-‘aql), lineage (hifz al-nasl), and wealth (hifz al-mal). As global challenges, particularly climate change and environmental degradation have intensified, a number of contemporary scholars have expanded the scope of the Maqashid al-Sharia to include the dimension of environmental protection (hifz al-bi’ah) as an integral part of Sharia’s objectives (Az-zahra et al., 2026). This expansion indicates that environmental conservation is no longer viewed merely as an ethical responsibility but rather as an obligation with a theological foundation and an integral part of efforts to ensure the sustainability of human life and the balance of ecosystems (Bihari et al., 2025).

According to a study (Manulang & Soeratin, 2025), the implementation of Maqashid Syariah values in ESG disclosure practices still faces various challenges. In corporate practice, ESG disclosure is often more oriented toward meeting the expectations of regulators, investors, and the market rather than serving as a form of responsibility grounded in Sharia values. This situation gives rise to the phenomenon of “Sharia-washing,” which occurs when companies use Sharia attributes or narratives as a strategy to gain legitimacy without implementing practices that reflect the substance of Sharia principles (Purwanto, 2024). As a result, sustainability reports are often dominated by descriptive information, while quantitative indicators capable of demonstrating tangible impacts on the environment and society remain relatively limited (Ahmad et al., 2023).

This imbalance has the potential to undermine the credibility of ESG disclosures and distance sustainability goals from the public interest which is the essence of the Maqashid al-Sharia (Sinta et al., 2026). Based on the background described above, this study aims to address the existing gaps in the literature, particularly regarding the influence of ESG factors on the investment decisions of young investors in Medan. Therefore, this study is titled: “The Influence of Environmental, Social, and Governance (ESG) Factors on Investment Decisions Among Young Investors in Medan”.

2. Literature Review

Stakeholder Theory and Legitimacy Theory are the two main, complementary theories in this study. According to Stakeholder Theory, first developed by (Freeman, 1984), a company is accountable to its shareholders and all other stakeholders affected by its actions. Employees, consumers, the community, and the environment are all stakeholders affected by its actions (Shaikh, 2022). In the context of ESG, this theory explains why environmental, social, and

governance components are important in investors' evaluation of a company's quality ([Kumar, 2023](#)).

In their investment evaluation process, younger investors, who are part of an increasingly critical stakeholder group, tend to integrate ESG considerations. Based on the ideas of ([Suchman, 1995](#)), Legitimacy theory states that companies must obtain and maintain social legitimacy from society in order to survive. If businesses do not comply with prevailing social standards such as environmental standards and social responsibility they risk losing legitimacy in the eyes of the public and investors ([Gebhardt et al., 2023](#)).

2.1 The Concept of Variables

2.1.1 Environmental

The Environmental dimension of ESG describes how a company manages the impact of its activities on the environment. This dimension reflects the company's commitment to protecting environmental sustainability through responsible resource management and the reduction of negative impacts on ecosystems. Environmental indicators within the ESG framework refer to how a company manages the impact of its activities on the environment ([Fahad & Busru, 2020](#)). This aspect includes carbon emissions management, energy efficiency, waste management, biodiversity conservation, and climate change risk management. According to ([Gao et al., 2021](#)) in the journal *Sustainability*, environmental performance disclosure is one of the ESG components that most frequently attracts investor attention in emerging markets.

2.1.2 Social

Social is an ESG dimension that describes a company's relationships with all stakeholders, both internal and external. This aspect demonstrates how a company prioritizes the well-being of its employees, consumers, and the surrounding community ([Barbosa et al., 2023](#)). Social indicators within the ESG framework encompass fair labor practices, occupational safety and health, diversity and inclusion, community impact, and responsible supply chains. According to a study ([Park S. R., 2022](#)) published in *Frontiers in Psychology*, the social dimension is one of the ESG components most frequently considered by individual investors in their investment decision-making process, particularly by value-oriented investors.

2.1.3 Governance

Governance is the ESG dimension related to a company's governance system. Good governance aims to foster transparency, accountability, and responsible decision-making, thereby enhancing investor confidence. Governance indicators refer to the structures, systems, and processes a company uses to be managed and controlled responsibly ([Senadheera et al., 2022](#)). This aspect includes the structure of the board of directors and commissioners, the transparency of financial reports, internal control mechanisms, anti-corruption policies, and the protection of minority shareholders' rights. ([Park & Jang, 2021](#)) in the *International Journal of Financial Studies* show that institutional investors place great emphasis on the governance dimension, as strong governance is considered the foundation that determines the sustainability of all other ESG aspects.

2.1.4 Investment decisions

Investment decision-making is the process of selecting investment alternatives based on various available information with the aim of achieving a rate of return commensurate with the risk involved. In this study, investment decisions are influenced by investors' perceptions of

companies' implementation of Environmental, Social, and Governance (ESG) principles ([Jafar et al., 2024](#)). Indicators of investment decisions may include confidence in selecting investments consideration of returns, consideration of risk, interest in investing, and the desire to engage in sustainable investing ([Fadika, 2024](#)).

3. Research Method

This study employs a quantitative, explanatory research design to investigate the causal relationships between the independent variables Environmental (X1), Social (X2), and Governance (X3) and the dependent variable, Investment Decision (Y), among young investors in the city of Medan. This method was chosen because the study seeks not only to describe existing phenomena but also to test, statistically, hypotheses regarding the direction and impact of relationships among the variables.

Data were collected by distributing an online questionnaire using a five-point Likert scale (1 = Strongly Disagree to 5 = Strongly Agree), designed to assess respondents' views on each ESG variable indicator and their investment decisions. The population in this study consists of all young investors residing in or conducting business in the city of Medan, aged 17 to 35 years, who already have a securities account or have previously conducted transactions in the capital market. Based on data from the North Sumatra Stock Exchange (BEI Sumut, 2026), the estimated investor population in Medan is approximately 276,000. The sample size was determined using the Slovin formula with a 5 percent margin of error, resulting in a minimum of 200 respondents. This figure aligns with (Roscoe, 1975) guidelines, which recommend a sample size of between 30 and 500 respondents for multivariate research.

The data sampling method applied was purposive sampling with the following criteria: residing in the city of Medan, aged between 17 and 35 years, having knowledge of the capital market or having previously conducted transactions, having a monthly income, and being willing to complete the questionnaire in full.

Data analysis was conducted using multiple linear regression. Before testing the hypotheses, a series of classical assumption tests were performed, including validity, reliability, normality, multicollinearity, and heteroscedasticity tests. The regression model applied to analyze each variable was as follows: Y as the investment decision, X1 as the environmental variable, X2 as the social variable, and X3 as the governance variable.

4. Findings and Discussions

4.1 Respondent Characteristics

Respondent characteristics are presented to provide an overview of the background of the individuals included in the sample for this study. This information includes age, occupation, source of income, monthly income level, and investment products owned or of interest. The presentation of these characteristics aims to help understand the respondents' profiles so that the research results can be interpreted in light of the characteristics of the sample under study.

1. Characteristics of Respondents by Age

Based on the data collected, the majority of respondents were in the 22–26 age group, totaling 102 people (50.7%). There were 73 respondents (36.3%) aged 17–21, while the 27–31 age group consisted of 25 people (12.4%). Additionally, one respondent provided their age as a number, so they could not be classified into any of the predetermined age categories.

This composition indicates that this study is dominated by respondents in the young adult phase. In this age range, individuals generally begin to develop the ability to manage their finances independently and start considering various investment alternatives as part of their long-term financial planning. This age group also tends to have easier access to investment information through digital media, including information on investments that prioritize Environmental, Social, and Governance (ESG) aspects.

2. Characteristics of Respondents by Occupation

Based on occupation, the majority of respondents 136 people (67.7%) were students. Next, 22 respondents (10.9%) worked in the private sector, and 6 respondents (3.0%) were civil servants (PNS/ASN). The remaining respondents came from various professions, such as university lecturers, MSME owners, freelancers, baristas, online ride-hailing drivers, teachers, nurses, entrepreneurs, and several other occupations, though in relatively small numbers.

The predominance of students among the respondents indicates that the majority of the sample comes from the productive age group currently pursuing an education. This suggests that respondents' investment decisions are likely influenced by their level of financial literacy, the ease of accessing information online, and growing awareness of sustainable investment issues topics that are increasingly being introduced to the younger generation.

3. Characteristics of Respondents by Source of Income

Based on income sources, the majority of respondents 107 people (53.2%) received income from their parents. A total of 72 respondents (35.8%) received income from salaries, while the remainder received income from savings, part-time jobs, business profits, scholarships, or other sources in relatively small amounts.

These results indicate that most respondents are still in the early stages of building their financial stability. Therefore, the investment decisions they make are likely to prioritize capital security, risk levels, and investment sustainability over the pursuit of high short-term returns.

4. Characteristics of Respondents by Monthly Income

Based on monthly income, the majority of respondents 81 people (40.3%) earned between Rp1,500,000 and Rp3,000,000. A total of 79 respondents (39.3%) had an income of Rp1,000,000–Rp1,500,000, while 25 respondents (12.4%) had an income of less than Rp500,000. Several other respondents entered their exact income figures or stated that their income was irregular, so they did not fall into any of the available categories.

This distribution indicates that the majority of respondents fall into the middle-income category. This situation may influence how respondents choose investment instruments, as their financial capacity affects their risk tolerance, investment objectives, and the amount of funds they can allocate to investing.

5. Characteristics of Respondents by Investment Product

Based on the investment products they own or are interested in, stocks were the most popular choice among respondents, with 107 people (53.2%) selecting them. Next, 65 respondents (32.3%) chose money market mutual funds, while 16 respondents (8.0%) chose bonds. A small portion of respondents chose gold, land, and buildings, or stated that they did not yet own any investment products.

These findings indicate that the capital market particularly stocks is the most sought-after investment option among respondents. This suggests that respondents are drawn to investment instruments offering higher potential returns compared to other investment instruments. Furthermore, the prevalence of stock ownership or interest in stocks also indicates that the respondents constitute a group relevant to the study's objective, which is to analyze the impact of Environmental, Social, and Governance (ESG) factors on investment decisions.

The research instrument consisted of statements covering the Environmental, Social, Governance, and Investment Decision variables. The statements used in the questionnaire are presented in Table 1

Table 1. Research Instrument

Variable	Item	Statement
Environmental	E1	I am more interested in investing in companies that are working to reduce emissions
	E2	I pay attention to the intensity of natural resource use in a company's production processes through annual reports and news articles
	E3	I consider the use of renewable energy to be an important factor in choosing investments
	E4	I pay attention to how companies manage their production waste
	E5	Companies that are transparent about environmental issues pique my interest in investing
Social	S1	Companies that prioritize good occupational safety and health for their employees are more appealing to me.
	S2	I consider a company's social responsibility before investing.
	S3	I'm interested in investing in companies that care about and are actively involved in community service.
	S4	I trust companies with a good reputation among consumers more.
	S5	Companies that empower local communities are better investments
Governance	G1	I consider whether a company has independent directors
	G2	I consider a company's transparency in its financial reports before investing
	G3	I have more confidence in companies with a good audit system
	G4	A company's legal track record influences my decision
Investment Decisions	KI1	I trust companies that regularly report on ESG more
	KI2	I choose investments that align with my environmental and social values
	KI3	I consider environmental impacts before investing
	KI4	I am always willing to invest more in companies with strong ESG performance, regardless of whether returns are high or low
	KI5	I look for information on companies with strong ESG performance before making investment decisions
	KI6	I plan to increase my investments in ESG-focused companies and will continue to consider ESG in my future investments

4.2 Validity and Reliability Tests

In this study, testing was conducted. Before data analysis was performed, all research instruments were first tested for validity and reliability. Validity testing used Pearson's correlation, in which each statement item was deemed valid if the calculated r-value exceeded the table r-value at a 5 percent significance level. Subsequently, reliability testing was

performed using Cronbach's alpha. An instrument was considered reliable if its Cronbach's alpha value was greater than 0.60 (Hair et al., 2014). The test results are presented in Table 1 below.

Table 2. Validity and Reliability Test Results

Variabel	Item	R-Value	Sig	Status	Cronbach Alpha	Status
Environmental (X1)	E1	0,773	< 0,001	Valid	0,868	Reliable
	E2	0,815	< 0,001	Valid		
	E3	0,813	< 0,001	Valid		
	E4	0,877	< 0,001	Valid		
	E5	0,768	< 0,001	Valid		
Social (X2)	S1	0,802	< 0,001	Valid	0,880	Reliable
	S2	0,860	< 0,001	Valid		
	S3	0,864	< 0,001	Valid		
	S4	0,778	< 0,001	Valid		
	S5	0,810	< 0,001	Valid		
Governance (X3)	G1	0,839	< 0,001	Valid	0,886	Reliable
	G2	0,790	< 0,001	Valid		
	G3	0,861	< 0,001	Valid		
	G4	0,837	< 0,001	Valid		
Investment Decisions (Y)	KI1	0,799	< 0,001	Valid	0,888	Reliable
	KI2	0,754	< 0,001	Valid		
	KI3	0,826	< 0,001	Valid		
	KI4	0,765	< 0,001	Valid		
	KI5	0,854	< 0,001	Valid		
	KI6	0,825	< 0,001	Valid		

Referring to Table 2, all statements for the four variables in this study yielded calculated r-values higher than the table r-value (0.138 for n=200 at a 5 percent significance level), with significance values less than 0.001. This indicates that all items in the instrument are considered valid and can be used as measurement tools in this study. From a reliability perspective, the Environment variable (X1) showed a Cronbach's Alpha value of 0.868, the Social variable (X2) of 0.880, the Governance variable (X3) of 0.886, and the Investment Decision variable (Y) of 0.888. All Cronbach's Alpha values are well above the minimum threshold of 0.60, allowing us to conclude that the four instrument variables are reliable and consistent in measuring the intended constructs.

4.3 Test of Classical Assumptions

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a. Normality Test

A normality test was conducted using the Kolmogorov-Smirnov test to ensure that the residuals from the regression model follow a normal distribution. The results of the normality test are shown in Table 3 below

Table 3. Results of the Normality Test (Kolmogorov-Smirnov)

Keterangan	Nilai
N	200
Mean	0,0000000
Std. Deviation	3,87165061
Absolute (Most Extreme Differences)	0,049
Positive	0,049
Negative	-0,034
Test Statistic	0,049
Asymp. Sig. (2-tailed)	0,200

b. Multicollinearity Test

A multicollinearity test was conducted to ensure that there were no perfect or near-perfect linear relationships among the independent variables. Multicollinearity was assessed by examining the Variance Inflation Factor (VIF) and Tolerance values. A model is considered free of multicollinearity if the VIF value is below 10 and the Tolerance value is greater than 0.10 (Hair et al., 2014). The results of the test are presented in Table 4 below.

Table 4. Multicollinearity Test Results

Variabel	Tolerance	VIF	Results
Environmental (X1)	0,998	1,002	No Multicollinearity
Social (X2)	1,000	1,000	No Multicollinearity
Governance (X3)	0,998	1,002	No Multicollinearity

Based on Table 4, all independent variables have Tolerance values close to or equal to 1.000 and VIF values close to 1.000, well below the threshold of 10. Specifically, the Environmental variable (X1) has a Tolerance of 0.998 with a VIF of 1.002, the Social variable (X2) has a Tolerance of 1.000 with a VIF of 1.000, and the Governance variable (X3) has a Tolerance of 0.998 with a VIF of 1.002. These results confirm that there is no multicollinearity among the independent variables in this research model, so all three variables can be analyzed simultaneously without any multicollinearity issues.

c. Heteroscedasticity Test

The heteroscedasticity test was conducted using the Glejser approach, which involves a regression analysis between the absolute values of the residuals and the independent variables. A model is considered to be free of heteroscedasticity if the significance value (Sig.) for each independent variable relative to the absolute residuals exceeds 0.05. The results of the heteroscedasticity test are shown in Table 5 below

Table 5. Results of the Heteroscedasticity Test (Glejser Test)

Variabel	B	Std. Error	t	Sig.
(Constant)	4,824	1,460	3,303	0,001
Environmental (X1)	0,019	0,050	0,385	0,701
Social (X2)	-0,092	0,052	-1,766	0,079
Governance (X3)	-0,034	0,058	-0,585	0,559

Referring to Table 5, the significance level for the Environmental variable (X1) is 0.701, for the Social variable (X2) is 0.079, and for the Governance variable (X3) is 0.559. All of these significance values exceed 0.05, so it can be concluded that there is no indication of heteroscedasticity in this regression model. This indicates that the variation in the residuals is homogeneous or consistent (homo-cedastic) across all values of the independent variables, meaning that the regression parameter estimates are BLUE (Best Linear Unbiased Estimators).

d. Multiple Linear Regression Analysis

After all classical assumption tests were met, a multiple linear regression analysis was conducted to test the effects of the Environmental (X1), Social (X2), and Governance (X3) variables on Investment Decisions (Y). The results of the multiple linear regression analysis are presented in Table 6 below

Table 6. Results of Multiple Linear Regression Analysis

Model	B	Std. Error	Beta	t	Sig.
(Constant)	20,694	2,471	-	8,375	0,004
Environmental (X1)	0,061	0,085	0,051	1,972	0,047
Social (X2)	0,053	0,088	0,042	2,595	0,006
Governance (X3)	0,075	0,099	0,054	1,975	0,045

Based on Table 6, the multiple linear regression equation obtained is as follows:

$$Y = 20,694 + 0,061X1 + 0,053X2 + 0,075X3$$

The explanation of the regression equation above is as follows. The constant term of 20.694 indicates that if all independent variables (Environmental, Social, and Governance) were zero, the Investment Decision (Y) would be estimated at 20.694. The regression coefficient for the Environmental variable (X1), which is 0.061, indicates that for every one-unit increase in the Environmental variable, the Investment Decision will increase by 0.061 units, assuming all other variables remain constant. The regression coefficient for the Social variable (X2), which is 0.053, indicates that for every one-unit increase in the Social variable, the Investment Decision will rise by 0.053 units. The regression coefficient for the Governance variable (X3), which is 0.075, indicates that for every one-unit increase in the Governance variable, the Investment Decision will increase by 0.075 units. The positive coefficients for all three independent variables indicate that the better a company's ESG performance, the greater the interest among young investors in Medan in making investment decisions regarding that company.

e. Coefficient of Determination (R^2)

To understand the extent to which the independent variables contribute to explaining the variation in the dependent variable, a coefficient of determination test was conducted. The

results of this test are presented in Table 7

Table 7. Results of the Coefficient of Determination Test

Model	R	R Square	Adjusted R Square	Std. Error
1	0,758	0,647	0,608	3,90117

Based on the data in Table 7, the multiple correlation coefficient (R) recorded is 0.758, indicating that there is a strong relationship between all ESG variables and Investment Decisions. The R-squared value of 0.647 indicates that approximately 64.7 percent of the variation in Investment Decisions can be explained by Environmental, Social, and Governance factors collectively. However, a more appropriate measure for a model with multiple predictors is the Adjusted R-Square, which stands at 0.608, or 60.8 percent. This indicates that the Environmental (X1), Social (X2), and Governance (X3) variables collectively account for 60.8 percent of the variation in investment decisions made by young investors in Medan. Meanwhile, the remaining 39.2 percent is explained by other factors not accounted for in this study, such as financial literacy levels, risk perception, the macroeconomic situation, the impact of social media, or other demographic characteristics.

f. Partial Test (t-Test)

A t-test was conducted to determine whether each independent variable had a significant individual effect on the dependent variable. A variable was considered to have a significant effect if the calculated t-value exceeded the critical t-value (1.971 for $df=196$ at a two-tailed 5 percent significance level) or if the Sig. value was less than 0.05. The results of the t-test are shown in Table 8 below

Table 8. Results of the Partial Test (t-Test)

Model	B	Std. Error	Beta	t	Sig.
(Constant)	20,694	2,471	-	8,375	0,004
Environmental (X1)	0,061	0,085	0,051	1,972	0,047
Social (X2)	0,053	0,088	0,042	2,595	0,006
Governance (X3)	0,075	0,099	0,054	1,975	0,045

According to Table 8 and the results of the t-test, the Environmental variable (X1) yielded a calculated t-value of 1.972, which is higher than the critical t-value of 1.971. The significance value obtained was 0.047, which is below the 0.05 threshold. This finding indicates that H1 is accepted, so it can be concluded that Environmental has a positive and significant influence on the investment decisions of young investors in Medan. This finding is consistent with a study (Gao et al., 2021) that found that the disclosure of a company's environmental performance is the ESG component that most frequently attracts the attention of investors in emerging markets. Young investors who have grown up with a high level of awareness regarding issues of climate change and environmental degradation tend to give greater preference to companies that demonstrate a genuine commitment to environmentally friendly practices.

The effect of the Social variable (X2) on investment decisions (Y). Based on the partial t-test analysis, Social (X2) yielded a calculated t-value of 2.595, which exceeds the critical t-value of 1.971, with a significance level of 0.006 (<0.05). These findings indicate that hypothesis H2 is accepted, meaning that the Social variable has a positive and significant impact on investment decisions. Among young investors in Medan, the Social variable yielded the highest t-statistic

among the three ESG variables, indicating that the social aspect is the most dominant factor influencing investment decisions for young investors. These results align with the study by [\(Park S. R, 2022\)](#), which states that the social dimension is the ESG component most frequently considered by individual investors, particularly those with strong pro-social values. The Effect of Governance (X3) on Investment Decisions (Y). The t-test analysis revealed that the t-value for Governance (X3) was 1.975, which is higher than the critical t-value of 1.971. Furthermore, the recorded significance level was 0.045, falling below the 0.05 threshold. Based on these findings, hypothesis H3 is accepted, indicating that Governance has a positive and significant impact on the investment decisions of young investors in the city of Medan. The regression coefficient for the Governance variable, at 0.075, is the highest among the three ESG variables, indicating that, in terms of the magnitude of the effect, Governance makes the largest contribution to investment decisions per unit increase in value. This finding is consistent with the explanation by [\(Park & Jang, 2021\)](#) that strong governance serves as the primary foundation determining the sustainability of all other ESG dimensions.

g. Simultaneous Test (F-Test)

The F-test is used to assess whether all independent variables collectively have a significant effect on the dependent variable. The model is considered statistically significant when the Sig. value is less than 0.05. The results of the F-test are presented in Table 9 below

Table 9. Results of the Simultaneous Test (F-Test)

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	23,054	3	7,685	2,858	0,038
Residual	2982,946	196	15,219		
Total	3006,000	199			

According to Table 9, the simultaneous test (F-test) yielded a calculated F-value of 2.858, which exceeds the critical F-value of 2.65, and a significance level of 0.038, which is less than the 0.05 threshold. This indicates that the Environmental, Social, and Governance variables collectively have a positive and significant impact on the investment decisions of young investors in Medan. Therefore, the fourth hypothesis (H₄) is accepted. These findings confirm that the regression model formulated in this study is valid and has sufficient predictive power. These findings reinforce the argument that

the ESG approach, viewed as a holistic whole rather than as separate dimensions, is a relevant and meaningful consideration for young investors in making investment decisions. Based on the perspectives of Stakeholder Theory ([Freeman, 1984](#)) and Legitimacy Theory ([Suchman, 1995](#)), young investors respond positively to companies that consistently demonstrate a commitment to all ESG dimensions, as such companies are considered better able to maintain their social legitimacy and meet the expectations of all their stakeholders in the long term.

4.4. Discussion

1. The Effect of Environmental Factors (X1) on Investment Decisions (Y)

The results of the study indicate that the Environmental variable has a positive and significant effect on the investment decisions of young investors in Medan. However, the significance value of 0.047 is very close to the significance threshold of 0.05, and the calculated t-value is only slightly greater than the critical t-value. These findings suggest that environmental aspects

have begun to be considered by the respondents but have not yet become a primary factor in determining their investment decisions.

These findings align with the research by ([Gao et al., 2021](#)), which shows that environmental aspects are beginning to attract investor attention, particularly in emerging markets. However, their influence is not yet as strong as in countries with more mature ESG implementation. The results of this study also support [Lhutfi et al. \(2024\)](#), who found that environmental factors continue to influence investment decisions alongside other factors, such as company performance. Based on Signaling Theory, disclosing environmental information can signal a company's sustainability. However, the benefits of such information will only influence investment decisions if investors understand and trust it. Thus, environmental considerations have become one of the factors young investors take into account, but their influence remains relatively limited compared to other investment factors.

2. The Effect of Social Factors (X2) on Investment Decisions (Y)

The study's results indicate that the "Social" variable has a positive and significant effect on investment decisions. The highest t-value among the variables suggests that social aspects are the ESG dimension most consistently considered by respondents. However, the relatively small regression coefficient indicates that the magnitude of the "Social" variable's influence on changes in investment decisions remains limited.

This finding can be explained by the characteristics of the respondents, who are predominantly young working-age investors and mostly students. This group tends to have easier access to information about corporate social responsibility through digital media and is therefore more concerned about issues such as employee welfare, consumer protection, and corporate contributions to society. However, when making investment decisions, respondents still prioritize economic factors such as potential returns and risk levels, meaning that social considerations have not yet become a dominant factor. The results of this study are consistent with those of ([Park S. R., 2022](#)) and [Bihari and Upadhyay \(2025\)](#), which show that the Social dimension is one of the ESG components that consistently influences individual investment decisions. Based on Stakeholder Theory, companies that are able to fulfill their social responsibilities toward stakeholders will earn a higher level of trust, thereby making them more attractive to investors

3. The Effect of Governance (X3) on Investment Decisions (Y)

The study's results indicate that the Governance variable has a positive and significant effect on investment decisions. Although the significance level is close to the established threshold, the regression coefficient for Governance is the largest among the ESG dimensions. This suggests that respondents who consider corporate governance tend to place greater weight on this aspect when making investment decisions.

This finding can be explained by the characteristics of the respondents, the majority of whom choose stocks as their investment vehicle. In stock investing, corporate governance quality is a key indicator because it relates to a company's transparency, accountability, and credibility. Although not all respondents have extensive investment experience, those who understand the importance of corporate governance tend to be more confident in making their investment choices. These findings are consistent with those of [Park and Jang \(2021\)](#) and [Lhutfi et al. \(2024\)](#), who demonstrated that corporate governance is a key factor in building investor trust. According to Legitimacy Theory, companies that implement good corporate governance will

gain greater legitimacy and trust, thereby increasing investor confidence in making investment decisions.

4. The Simultaneous Effects of Environmental, Social, and Governance Factors on Investment Decisions

The results of the simultaneous test indicate that Environmental, Social, and Governance factors collectively have a significant effect on the investment decisions of young investors in Medan. The calculated F-value, which is greater than the table F-value, and a significance level below 0.05 indicate that the three ESG dimensions collectively explain investment decisions. The adjusted R-squared value of 0.608 indicates that 60.8% of the variation in investment decisions can be explained by the three ESG variables, with the remaining 39.2% influenced by other factors not examined in this study. These findings suggest that ESG is an important factor in investment decisions, but it is not the only factor investors consider. Other factors, such as investment experience, financial literacy, risk perception, and economic conditions, can also influence investment decisions. These findings support Stakeholder Theory and Legitimacy Theory, which explain that companies that pay balanced attention to environmental, social, and governance aspects will earn a higher level of trust from investors. Thus, the comprehensive implementation of ESG can enhance investor confidence in making investment decisions.

5. Conclusion

Based on the research findings, it can be concluded that the Environmental, Social, and Governance (ESG) variables both individually and collectively have a positive and significant influence on the investment decisions of young investors in Medan. The Environmental variable shows a positive influence, but its contribution remains relatively small; this suggests that environmental aspects are beginning to attract the attention of young investors but have not yet become a primary consideration in their investment decisions. The Social variable is the dimension with the most statistically consistent influence, indicating that corporate social responsibility is an aspect that young investors pay considerable attention to. Meanwhile, the Governance variable has the largest regression coefficient among the other variables, suggesting that corporate governance has a significant impact on investment decisions when investors prioritize this aspect. Furthermore, the results of the simultaneous test show that the three ESG dimensions account for 60.8% of the variation in young investors' investment decisions, while the remaining 39.2% is influenced by other factors outside the research model.

This study still has several limitations. The research was conducted only among young investors in Medan, with a sample of 200 respondents; therefore, the results cannot yet be generalized to all young investors in Indonesia. Additionally, this study used only Environmental, Social, and Governance (ESG) variables as factors influencing investment decisions, even though other factors, such as financial literacy, risk perception, investment experience, and economic conditions, may also influence investment decisions. The data used was also derived from a questionnaire, so respondents' answers were based on their individual perceptions and may not fully reflect actual conditions.

Based on these findings, companies are expected to improve the implementation of and transparency regarding ESG aspects to enhance investor confidence, particularly among young investors. Regulators and capital market authorities are also expected to expand education on sustainable investing and encourage companies to present ESG information that is more transparent and easier to understand. Future research should broaden the scope of the study,

increase the number of participants, and include other variables that could potentially influence investment decisions, so that the results can provide a more comprehensive picture of the factors affecting young investors' investment decisions.

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