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The Relationship Between Dimensions of Perfectionism and the Tendency Toward Ethical Investment

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Abstract

Purpose: This study examines the relationship between distinct dimensions of perfectionism and the tendency toward ethical investment among individual investors in Tehran's Stock Exchange. While previous research has highlighted the influence of perfectionism on ethical decision-making, limited attention has been given to how specific perfectionist traits—self-oriented, other-oriented, and socially prescribed—relate to ethical investment behavior

Design/methodology/approach: An applied, descriptive-survey research design was employed for conducting the research. Data were collected via a standardized questionnaire distributed to 384 individual investors on the Tehran Stock Exchange, selected using a non-random convenience sampling method. The questionnaire measured self-oriented, other-oriented, and socially prescribed perfectionism (each with 10 items), as well as ethical investment tendency (4 items). Reliability and validity were confirmed using Cronbach's alpha, expert review, and confirmatory factor analysis. Structural equation modeling (SEM) with LISREL 12 was used to assess the hypothesized relationships.

Findings: Results revealed a significant positive relationship between socially prescribed perfectionism and the tendency toward ethical investment, while self-oriented and other-oriented perfectionism showed no significant relationships. This suggests that external social pressures, rather than internal or interpersonal standards, are more predictive of ethical investment tendencies among Iranian investors. This study provides practical insights for companies seeking to attract ethical investors through CSR initiatives and value-driven communication.

Keywords: Self-Oriented Perfectionism, Other-Oriented Perfectionism, Socially Prescribed Perfectionism, Ethical Investment

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1. Introduction

Numerous studies suggest that emotional and affective personality variables influence information processing. These differences play a crucial role in effective decision-making. One such personality variables that affects thinking and decision-making processes is *perfectionism* (Ghasemi, 2014). Frost et al. (1990) defined perfectionism as a set of exceedingly high standards for performance that are closely tied to self-evaluation. More broadly, perfectionism describes an individual's behavioral tendencies governed by personal performance standards, critical self-evaluation, and concern over meeting others' expectations (Hamachek, 1978; Burns, 1980).

Perfectionist investors tend to spend considerable time and effort evaluating stock options and assigning value to their investments due to their high expectations (Sprotles & Kendall, 1986). In essence, perfectionism can be characterized by high standards, high quality, and lofty expectations as a foundation for decision-making.

Ethical investment, also referred to as socially responsible investment (SRI), reflects investors' preference for firms with strong corporate social responsibility (CSR) practices. Although the literature on ESG and sustainable finance is expanding, little is known about how perfectionist traits influence the tendency to invest ethically

Ethical investment is defined as the integration of personal values, social considerations, and economic factors in the investor's decision-making process (McLachlan & Gardner, 2004). Bruyn (1987) describes ethical investment as social screening—monitoring industrial activities through a socio-ethical lens and establishing standards for capital allocation that serve the common good. His definition expands ethical investment beyond merely directing capital to organizations with economic purposes to include allocating capital to enhance the social and economic well-being of society. In this view, ethical investment represents a deliberate and informed decision-making process based on ethical factors, distinguishing it from traditional investing by prioritizing societal welfare (Aulia, 2024).

The tendency toward ethical investment refers to the preference for investing in companies that positively contribute to society (e.g., those that uphold employee values, environmental protection, product safety, and human rights), or avoiding companies that potentially harm society (e.g., tobacco industries, weapons manufacturers, or companies producing health-damaging products). This tendency may also involve selecting firms with strong corporate social responsibility (CSR) and excluding those with negative social impacts. CSR practices can serve as strategic resources for business operations (Oliver & Holzinger, 2008), enhancing firm value (Fuoli, 2012), and meeting societal expectations. Conversely, negative CSR events may threaten a firm's interests (Liu & Anbumozhi, 2009), lead to social and political pressure, and ultimately jeopardize operations and stock prices (Cho, 2009).

Since perfectionist investors make investment decisions based on personal values, they consider both financial and non-financial returns and assess whether an investment aligns with their values. Therefore, socially responsible actions by companies can help them meet investors' standards and enhance their perceived value. This study addresses this gap by

examining the relationship between perfectionism dimensions and ethical investment behavior among individual investors in Tehran Stock Exchange. The research contributes theoretically by linking personality psychology with behavioral finance and practically by offering insights into how investor traits shape ethical portfolio choices.

2. Theoretical Framework

Traditional economic and financial theories assume that investors behave in a fully rational manner when making decisions, meaning they assess all factors carefully and select the most logical course of action while avoiding risk (Chandra, 2008; Raeeszadeh et al., 2016). However, researchers have challenged this assumption, suggesting that investor behavior often deviates from rationality (Barberis et al., 1998). This criticism led to the emergence of a new school of thought known as behavioral finance, which integrates insights from psychology and behavioral decision-making to explain financial behaviors that traditional models fail to address (Emsakpur et al., 2021).

Behavioral finance examines how individuals interpret information to make informed investment decisions. In other words, it focuses on the influence of psychological processes on decision-making (Raee & Fallahpour, 2004). Phillips et al. (2001) argue that ethical investing carries inherent risk and is often pursued only by ethically motivated individuals. However, some investors engage in ethical investing because they believe it can generate higher returns.

MacLachlan and Gardner (2004) investigated how investors make financial decisions, comparing decision-making styles between ethical and traditional investments. They found that ethical investors tend to display higher levels of perfectionist traits. Building on this foundation, the present study further explores the relationships between these constructs.

2.1. Perfectionism

Historically, until the 1990s, perfectionism was conceptualized as a unidimensional construct, primarily focused on internalized perfectionistic thoughts and self-directed cognitive patterns (Burns, 1980). Perfectionism has measurable effects on financial attitudes and behaviors. Wang and McGroarty (2022) showed that perfectionistic striving positively predicts financial risk tolerance and wealth accumulation, while perfectionistic concerns are associated with lower gambling expenditure. These findings highlight how distinct aspects of perfectionism influence financial well-being differently. In the early 1990s, however, a shift occurred—perfectionism began to be defined as a multidimensional construct. Two groups of researchers—Frost et al. (1990), and Hewitt and Flett (1991a)—independently proposed multidimensional models and developed distinct scales (both named MPS, or Multidimensional Perfectionism Scale) to assess it. According to Hewitt and Flett (1991b), perfectionism comprises three dimensions:

- *Self-Oriented Perfectionism (SOP):* This is an intrapersonal dimension reflecting behaviors and thoughts driven by internal expectations. It involves setting unrealistic standards for oneself, engaging in harsh self-evaluation,

focusing on one's flaws and weaknesses, and generalizing these expectations across various areas of life. This dimension also includes a strong motivational drive to achieve perfection and avoid failure—those with self-oriented perfectionism are highly driven to attain their perfectionistic goals.

- *Other-Oriented Perfectionism (OOP):* This is an interpersonal dimension where the individual imposes unrealistically high standards on others. It includes expecting others to be perfect, critically evaluating their performance, and emphasizing their faults. People high in this trait often engage in rigid, punitive interpersonal behavior when others fail to meet these standards.
- *Socially Prescribed Perfectionism (SPP):* This dimension involves the belief that others (e.g., society, family, peers) have excessively high expectations of the individual. It includes feelings of pressure to meet these unrealistic standards, fear of negative evaluation, and the belief that one is constantly being judged.

Each of these dimensions captures different motivational, emotional, and behavioral tendencies, making perfectionism a complex and nuanced personality trait.

2.2. Ethical Investment

Ethical investment is a concept that has gained significant public attention since the 1990s. However, there is still no universal agreement on its definition, in part due to the various terms used interchangeably with it—such as *socially responsible investment*, *sustainable investment*, *values-based investing*, *green investment*, and *environmental or social investment*. Despite the variety of names, the three most commonly used terms are: Ethical Investment, Socially Responsible Investment (SRI), Sustainable Investment (Louche, 2004).

Bruyn (1987) defines ethical investment as a form of social screening used to monitor industrial activities from a socio-ethical perspective and to set standards for capital allocation that serve the public good. According to him, ethical investing involves not only directing capital to economically valuable organizations but also to those that aim to promote social and economic welfare. He emphasizes that this approach represents a deliberate and value-driven investment strategy based on ethical considerations, distinguishing it from traditional investing that prioritizes financial return alone.

Cowton (1994) offers a more focused definition, viewing ethical investment as the application of ethical and social criteria in the selection and management of investment portfolios. He contrasts this with conventional investment, which focuses solely on financial return and risk. Ethical investors, he argues, consider not only future returns and risks but also the sources of those returns, the nature of the company's products or services, and how and where the business is conducted.

Wall (1995) describes ethical investing as the buying and selling of stocks based on environmental and social criteria. Similarly, Sparkes (1995) suggests that ethical investing aims to raise the standards of those active in the financial sector through selective screening of securities. He presents ethical investing as a philosophy that integrates moral and environmental objectives with financial goals. Later,

Sparkes (2001) expanded his definition, describing socially responsible investment as the strategic combination of social/environmental objectives with financial returns, aiming to achieve market-level performance while upholding ethical values.

2.3. Literature Review

In recent years, both domestic and international researchers have increasingly focused on the role of perfectionism and ethical considerations in financial and occupational decision-making. Numerous studies have sought to examine the impact of psychological and moral dimensions on economic and investment behaviors. For instance, Goulet-Pelletier (2025) investigated mediators like doubts, empathy, and emotions during DT tasks with 282 students, replicating the negative link between perfectionism and DT (with a smaller effect size). Analyses showed openness and empathy positively related to DT, while primary negative emotions hurt originality; positive and secondary negative emotions helped it, underscoring the value of promoting excellencism over perfectionism. Moeinoddin et al. (2025) also found that professional ethics and spiritual intelligence have a positive and significant influence on perfectionism levels among accountants. Wang and McGroarty (2022) investigated whether perfectionism influence financial risk tolerance, wealth accumulation, and gambling behavior. Their findings indicate that perfectionistic striving increased financial risk tolerance and liquid wealth (via investment knowledge), while perfectionistic concerns reduced wealth and inhibited gambling expenditure.

Azmi et al. (2020), in their analysis of ethical and Sharia-compliant investment funds, concluded that ethical screening may incur additional costs, potentially leading to underperformance due to limited investment options and weak managerial skills. Hoseinpour et al. (2021) demonstrated that psychological well-being and perfectionism led to increased ethical decision-making among accountants, though the mediating role of procrastination was not significant. In a study, Lin et al. (2018) found a positive and significant relationship between perfectionistic decision-making styles and the tendency toward ethical investment. Sandberg and Nilsson (2015) explored investors' ethical standards, highlighting the dilemma between moral purity and practical effectiveness in socially responsible investing. Huang et al. (2016) emphasized that perceived negative moral intensity and the implementation of corrective actions influence ethical investment intentions. Eskandari (2015) confirmed the direct impact of perfectionism on the emotional intelligence of public sector employees. Javadi (2014) explored the simultaneous consideration of ethical and financial criteria in portfolio selection and concluded that ethical goals did not significantly alter the financial quality of the investment model.

Rekabdar and Soleimani (2011) found that different types of perfectionism influence individuals' attitudes toward entrepreneurship, with *normal perfectionism* being associated with more positive attitudes. Additionally, Lewis (2001) compared ethical/green investors with conventional investors in the UK, finding that even traditional investors sometimes engage in ethical investment due

to socio-political dissatisfaction. Hofmann et al. (2007) applied Jones's (1991) ethical decision-making model to show that high perceived moral intensity enhances ethical judgment in investment contexts.

Despite numerous studies examining the impact of perfectionism on decision-making and professional ethics, the precise combination of different dimensions of perfectionism (self-oriented, other-oriented, and socially prescribed) with the tendency toward ethical investing—especially among individual investors in Iran's Stock Exchange—has been less explored. Previous research has primarily focused on the general relationship between perfectionism or psychological factors and ethical decision-making, rather than specifically on ethical investment behavior. Although Lin et al. (2018) investigated the relationship between perfectionism and ethical investing, the cultural and behavioral patterns of the Iranian market differ significantly from Western societies, necessitating localized research. Therefore, this study aims to fill this gap by examining the role of the three dimensions of perfectionism in the tendency toward ethical investing in Tehran Stock Exchange.

2.4. Research Framework

Based on the study and examination of the relationships among the research constructs, the conceptual model can be illustrated as Figure 1. In this model, the variables of self-oriented, other-oriented, and socially prescribed perfectionism are considered as independent variables, and the tendency toward ethical investing is regarded as the dependent variable.

Based on the model outlined above (Figure 1), the research hypotheses can be proposed as follows:

H_1: There is a relationship between self-oriented perfectionism and the tendency toward ethical investing.

H_2: There is a relationship between other-oriented perfectionism and the tendency toward ethical investing.

H_3: There is a relationship between socially prescribed perfectionism and the tendency toward ethical investing.

3. Research Method

This study is applied in purpose and descriptive-survey in method. Since it was conducted among individual investors in the Tehran Stock Exchange, it is considered field research. The statistical population includes all individual investors of the Tehran Stock Exchange. Given the unlimited population size, Cochran's formula was applied to determine the sample size (n = 384) and a non-random convenience sampling method was employed to select participants from the Tehran Stock Exchange. To obtain 384 valid and usable questionnaires, a larger number of questionnaires were distributed among Tehran Stock Exchange investors to ensure the required sample size was achieved. Finally, structural equation modeling (SEM) was used to test the research hypotheses.

To measure the research variables, a standardized questionnaire was used, which included the dimensions of perfectionism (self-oriented perfectionism (SOP), other-oriented perfectionism (AOP), socially prescribed perfectionism (SPP)), and the tendency toward ethical investing (EN). Each perfectionism dimension consists of 10 items. Self-oriented perfectionism reflects an individual's tendency to set strict and unrealistic standards for oneself. Other-

oriented perfectionism indicates the inclination to impose extreme standards on the behavior of others. Socially prescribed perfectionism captures the perceived pressure to meet expectations and standards imposed by others (Homayounfar et al., 2018). The tendency toward ethical investing is measured by 4 items and reflects an individual's inclination to invest based on personal values, social considerations, and economic factors (Lin et al., 2018).

To assess validity, the questionnaire was reviewed by five experts who are experienced investors in the stock market. Cronbach's alpha test was used to determine reliability. The questionnaire was designed in three sections: the first section contained a brief explanation of the variables and their definitions; the second section included demographic questions; and the third section consisted of questions related to measuring the research variables. The questions were scored based on a five-point Likert scale ranging from "Strongly Disagree" to "Strongly Agree."

4. Results and Discussion

The research findings indicate that 87% (334 individuals) of the respondents were male, and 13% (50 individuals) were female. Regarding the age distribution, the highest frequency was among individuals aged 30 to 40 years, accounting for 40.1% (154 individuals), while the lowest frequency, 3.4% (13 individuals), belonged to those over 60 years old. Concerning the duration of investment in the stock market, the largest group, 38.5% (148 individuals), had invested for 5 to 10 years, whereas the smallest group, 9.6% (37 individuals), had invested for more than 15 years. In terms of education, the majority of respondents held a master's degree with 45.8% (176 individuals), and the smallest group held only a diploma with 5.2% (20 individuals). Descriptive statistics for the research variables are presented in Table 1.

To assess the normality of the data, the Kolmogorov-Smirnov (K-S) test was used. Since the p-value in this test is greater than 0.05, the null hypothesis is not rejected; therefore, the assumption that the data follow a normal distribution is confirmed (See Columns 7 & 8 in Table 1).

4.1. Model Validity and Fitness Assessment

In this study, content validity was employed to evaluate the questionnaire's validity. Initially, the questionnaire was reviewed by several experts and professors, whose feedback was incorporated through minor formal revisions, leading to unanimous approval. Subsequently, using Lawshe's model and expert evaluations, two quantitative indices—the Content Validity Ratio (CVR) and Content Validity Index (CVI)—were calculated. Based on Lawshe's criteria and the obtained results, the content validity of the research questionnaires was confirmed. Furthermore, the overall structure of the questionnaires was examined and validated through confirmatory factor analysis (CFA). According to this method, factor loadings below 0.3 are considered weak and excluded; loadings between 0.3 and 0.6 are acceptable, while those above 0.6 are deemed highly desirable (Homayounfar and Arasteh, 2019). The role of knowledge-based leadership in the innovative performance of public sector. *Knowledge Retrieval and Semantic Systems*, *11*(38), 117–146.

). The standardized factor loadings for other-oriented perfectionism, socially prescribed perfectionism, and the tendency toward ethical investing exceeded 0.3 across all items, confirming the factorial structure of these scales. However, one item (SOP6) in the self-oriented perfectionism scale had a factor loading below 0.3 and was removed. After its removal, the validity was reassessed and found to meet the required threshold. Additionally, convergent validity for all research variables, presented in Table 2, indicated high validity with values exceeding 0.5. Reliability also was assessed using Cronbach's alpha coefficients, all of which exceeded 0.7, demonstrating that the questionnaires employed are reliable and internally consistent (See Table 2).

To evaluate the fit of the structural model and test the research hypotheses, several fit indices were used. One common general index that accounts for free parameters in calculating fit is the normalized chi-square, which is computed by dividing the chi-square value by the model's degrees of freedom. A value between 1 and 3 is considered acceptable and indicative of a good model fit (Kline, 2010).

$$\frac{X^2}{df} = \frac{2729.86}{1086} = 2.514 \qquad (1)$$

Other fitness indices also fall within the acceptable range, as shown in Table 3.

4.2. Testing Hypotheses

After validating the structural model, the next step is to test the research hypotheses. In this stage, the model will be analyzed based on both significance values (p-values) and standardized coefficients. Figure 2 illustrates the model with standardized coefficients.

Next, the research hypotheses were tested using structural equation modeling (SEM) to assess the effects of independent variables on the dependent variable. The results, presented in Table 4, are based on structural models analyzed through LISREL software, including standardized coefficients and t-values.

The path coefficient between self-oriented perfectionism and the tendency toward ethical investment was calculated at -0.09. Since the corresponding t-value is -0.40, which falls within the non-significant range of [-1.96, +1.96], this relationship is not statistically significant. Therefore, there is no significant relationship between self-oriented perfectionism and ethical investment tendency.

As shown in Table 4, the path coefficient for other-oriented perfectionism and ethical investment tendency is -0.21. The associated t-value is -1.46, and the path sign is negative. This t-value lies within the non-significant range of [-1.96, +1.96], indicating that this relationship is also not statistically significant. So, there is no meaningful relationship between other-oriented perfectionism and ethical investment tendency.

On the other hand, the path coefficient for the relationship between socially prescribed perfectionism and ethical investment tendency is 0.62. The corresponding t-value is 3.24, and the path is positive. Since this t-value lies outside the non-significant range. So, it can be concluded that the relationship is statistically significant. Therefore, there is a positive and meaningful relationship between socially prescribed perfectionism and the tendency toward ethical investment.

5. Conclusion

This study examined the relationship between different dimensions of perfectionism and the tendency toward ethical investment among individual investors in the Tehran Stock Exchange. The results indicate a significant and positive association between socially prescribed perfectionism and ethical investment, while no significant relationships were found for self-oriented and other-oriented perfectionism. This finding aligns with Lin et al. (2018) but diverges regarding the role of internal perfectionist dimensions, suggesting that social expectations are stronger predictors of ethical investment in the Iranian context. This study contributes to behavioral finance and personality psychology by demonstrating that perfectionism is not uniformly related to ethical investment behavior. Specifically, only socially prescribed perfectionism drives ethical investment tendencies, highlighting the importance of social and cultural pressures in shaping financial decision-making. For practitioners and managers, the findings underscore the value of corporate social responsibility (CSR) initiatives in attracting investors who are sensitive to social expectations. Companies that emphasize transparency, ethical conduct, and societal engagement are more likely to appeal to investors with socially prescribed perfectionist traits. Furthermore, raising awareness about ethical investment may encourage broader participation beyond this specific investor group.

Overall, the results emphasize the role of personality traits—particularly socially driven ones—in financial decision-making, offering both theoretical and practical implications for scholars, managers, and policymakers

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Tables

Table 1. Descriptive Statistics

Variable	Mean	Standard Deviation	Variance	Minimum	Maximum	K-S Statistics	Sig.
Self-oriented perfectionism	2.90	0.70	0.48	1.22	4.78	1.22	0.10
Other-oriented perfectionism	3.10	0.64	0.41	1.30	4.90	1.29	0.08
Socially prescribed perfectionism	2.86	0.67	0.44	1.20	4.50	1.21	0.11
Tendency toward ethical investing	3.01	0.93	0.87	1	5	0.94	0.34

Table 2. Validity and Reliability Indicators by Research Variables

Variable	Convergent Validity (AVE)	Cronbach's Alpha	Composite Reliability (CR)
Self-oriented Perfectionism	0.55	0.76	0.82
Other-oriented Perfectionism	0.51	0.75	0.81
Socially Prescribed Perfectionism	0.52	0.76	0.82
Ethical Investing	0.62	0.79	0.86

Table 3. Significance and Model Fit Indices

Fitness Index	*RMSEA*	*Chi-square/df*	*SRMR*	*GFI*	*NNFI*	*NFI*	*CFI*	*IFI*
Acceptable Threshold	<0.08	≤3	<0.5	>0.9	>0.9	>0.9	>0.9	0–1
Obtained Value	0.063	2.51	0.04	0.97	0.94	0.95	0.94	0.96

Table 4. Results of causal relationships between research variables

Independent Variable	Path Direction	Dependent Variable	t-value	Standardized Coefficient	Result
Self-Oriented Perfectionism	→	Ethical Investment Tendency	-0.40	-0.09	Rejected
Other-Oriented Perfectionism	→		-1.46	-0.21	Rejected
Socially Prescribed Perfectionism	→		3.24	0.62	Approved

Figures

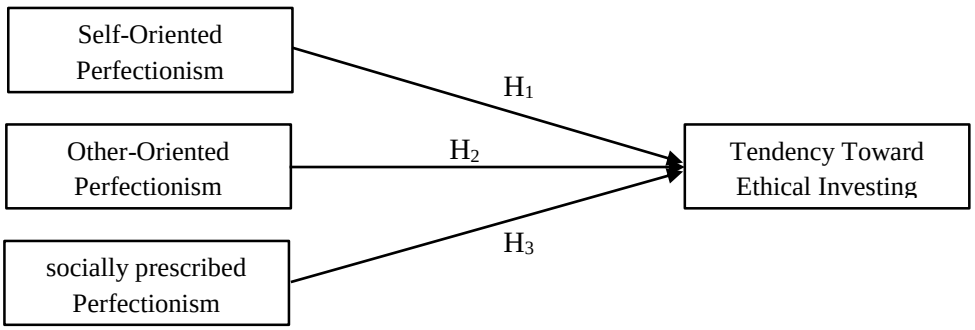
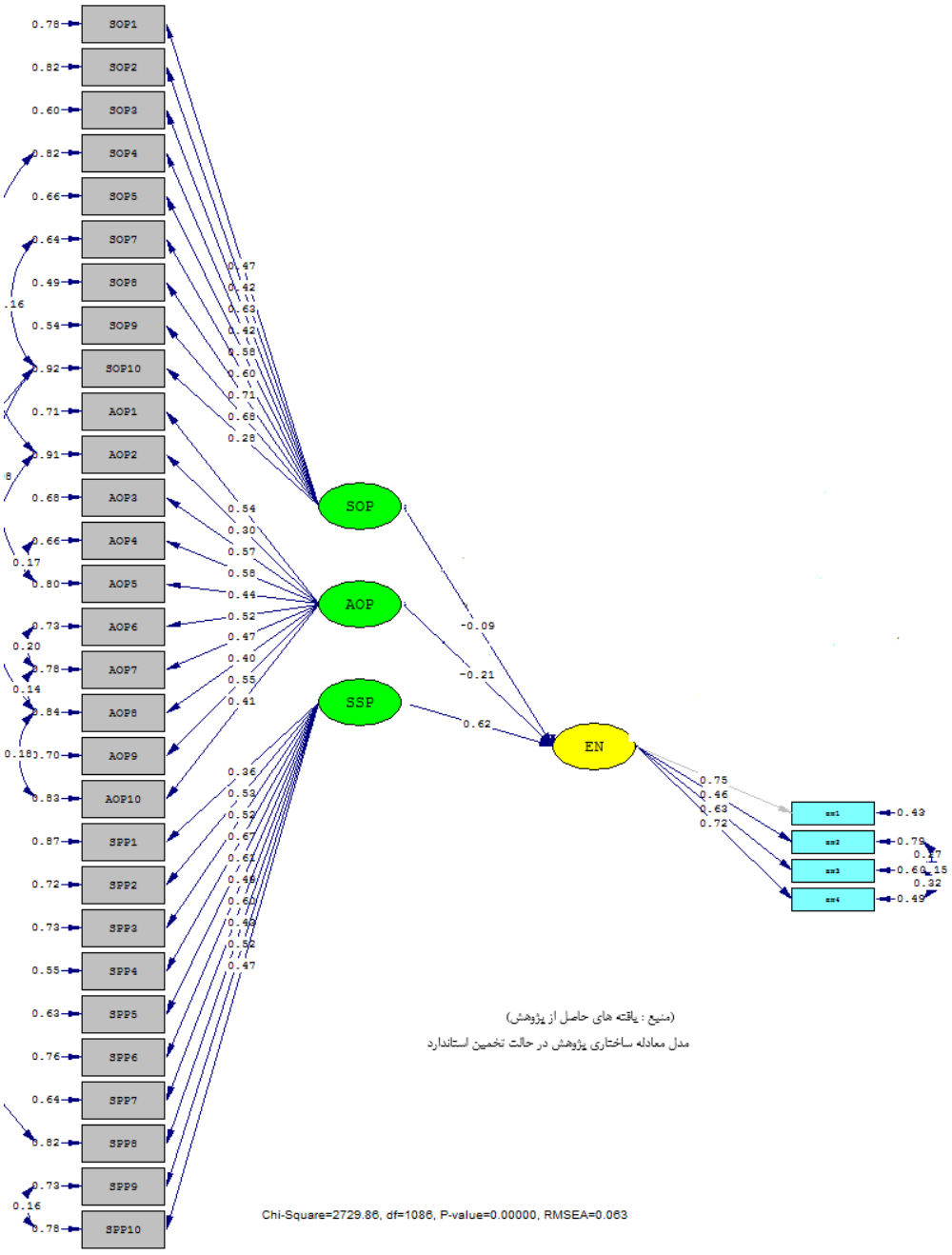


Figure 1. Conceptual model



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مدل معادله ساختاری پژوهش در حالت تخمین استاندارد

Figure 2. Model with standard coeffici

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