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# Perceptions about Social Responsible Investing among Academic Staff: Evidence from the University of Cape Coast, Ghana

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***Authors' contributions***

*This work was carried out in collaboration between both authors. Author DA designed the study, performed the statistical analysis, wrote the protocol and wrote the first draft of the manuscript. Author ME managed the literature searches. Both authors read and approved the final manuscript.*

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## ABSTRACT

**Aims:** The study focused on the perceptions about social responsible investing (SRI) among academic staff. The target population for the study were staff of the University of Cape Coast.
**Study Design:** The study employed the cross-sectional survey research design.
**Place and Duration of Study:** The study took place between September 2016 and December, 2016 at the University of Cape Coast, Ghana. The data was collected from Academic Staff of the University.
**Research Methodology:** Three hundred and two (302) questionnaires were given out for data collection but in all, a total of two hundred and eighty-five (285) responses were received and were used for the study. Descriptive statistics such as frequencies, percentages, Structural Equation Modelling were used to analyse the responses gathered. The Smart PLS and SPSS software were employed in the processing of the data collected.
**Results:** The study revealed that the knowledge about SRI concept was relatively low these

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respondents. However, it was observed these respondents were not much familiar with the principle of SRI in making investment decisions.

**Conclusion:** It was evident that social responsible investing ideology is not well diffused even among the learned communities such as the university. This can be attributed to the inadequate research on this subject matter by the research community, especially those from Ghana. It is, therefore, necessary that attention be turned to this critical area of research. For corporate bodies, it is an area where firms can obtain a competitive advantage, by reviewing their policies to incorporate such responsible behaviour.

*Keywords: Social responsible investing; perception; academic staff.*

## 1. INTRODUCTION

Social Responsible Investing (SRI) appears to be an increasingly important component of financial markets in a number of countries. In the United States, for example, it was estimated that more than 11% of all equity and fund holdings were in Social Investment Forum (SIF) funds [1]. In the United Kingdom, 59% of the largest pension funds, representing 78% of all pension assets, had incorporated social issues into their investment decisions by 2000 and this number had grown significantly over the years [2,3]. In other countries, Ghana and South Africa, the SRI industry is at an earlier stage of development. However, in South Africa, this appears to be growing at a rapid pace. This form of investment is gaining an increasingly significant share of overall investments [4,5,6,7,8,9]. Currently, SRI has become common as ordinary investors realise the power they hold to influence companies for the better. As such, SRI is moving towards positive screening with investment in companies whose products and services have a sustainable effect on society and the environment. Furthermore, investors are realising that socially responsible investments can perform just as well as other types of investment.

In spite of the increasing realization of the power of investors to influence companies for the better service delivery, there is little evidence of the perception of investors about SRI among potential investors in Ghana. This pioneering work sought to fill the gap in literature by analysing the perception of potential investors, whether SRI is a criterion in making their investment decision. Among other things, the paper will look at the relationship between the main variables of the study (deferring, environmental, financial, governance and social factors). The choice of academics for the study was due to the perceived level of knowledge of academics on matters of environmental, social and governance. Besides, the income levels of these academics make them potential investors. The rest of the paper is divided as follows; part 2, is devoted to the review of literature; part 3 for the methods and materials; part 4 is the results and discussion and part 5 for the conclusions.

## 2. LITERATURE REVIEW

Social responsible investing integrates social and environmental issues into the traditional investment decision process. This has emerged as a new concept in investment due to the growing concerns for corporate social responsibility [10]. This practice dates back many hundreds of years and was rooted in some religions. For many centuries, most religious investors whose traditions support peace and non-violence have actively avoided investing in enterprises that profit from products designed to harm fellow human beings. Many avoid the “sin” stocks, those companies in the alcohol, tobacco, and gaming industries [11]. The recent roots of social investing is traced through many civil liberty and civil rights campaigns of previous century. During that time, a series of social and environmental movements, from civil rights and women’s rights to the anti-war and anti-nuke movements, served to increase the awareness around issues of social responsibility [12]. These concerns also broadened to include management and labour issues.

Over the past years, the Bhopal, Chernobyl, and Exxon Valdez incidents, along with vast amounts of information on global warming, ozone depletion, and the concomitant risks to life on the planet, have brought the seriousness of environmental issues to the forefront of social investors’ minds. Having protested discrimination in South Africa, the apartheid system, investors also began to look more achingly at the employment practices of companies in the United States [13]. Most recently [14], issues of human

rights and safe working conditions in factories around the world producing goods for U.S. consumption have become rallying points for investors who expect both excellent financial performance and good social and environmental performance from the firms in which they invest.

Although social responsible investment is not a new subject, there is yet no known explanation as to what its definition really is. Over the years, academic literatures have referred to a broad genre of investment practices that integrated the consideration of environmental, social and governance (ESG) issues by a perplexing array of names. Some of the common names include socially responsible investment, ethical investment, sustainable investment and, more recently, responsible investment [15]. These different terms used to refer to this concept have resulted in a confusion regarding the exact meaning of this practice. For this study, SRI is defined as an investment practice that incorporates ESG issues and ethical issues into investment decisions.

The theory of planned behaviour (TPB) predicts one's intention to engage in a behaviour at a specific time and location. It postulates one' behaviour is driven by one's intentions that is a function of an attitude toward that behaviour, subjective norms, and perceived behavioural control. The decision to undertake social responsible investment is driven by one's attitude to engaging in such behaviour. That is, attitude is a predictor and trigger of human behaviour. Human behaviour is under the voluntary control of the individual. Therefore, potential investors have the power to control where (type of securities) and how to invest based on available information. In social responsible investment, investors' decisions are often based on the integrated social contract theory (managers' ethical decisions), and the signalling theory (firms' responsibility to engage in voluntary disclosure) [16].

According to [10], SRI which integrates social and environmental criteria into the traditional investment decision process, has emerged due to the growing concerns for corporate social responsibility. However, the definition of the concept still remains unresolved. In effect, several terminologies such as socially responsible investment, ethical investment, sustainable investment and, more recently, responsible investment have been used in literature [17,18,19]. [20] found that in building their investment portfolio, such investors consider companies that make a contribution to society. In evaluating companies for investment, preference is given to firms that have outstanding employer-employee relations, companies that make and sell safe and useful products and demonstrate respect for human rights around the world [19,20,21]. [22] found evidence that provides support for the existence of direct and indirect effect of participation in a human right on investment. Furthermore, considerations by such investors are a company's position on issues of corporate governance, climate change and carbon emission, political contribution, gender discrimination, investment in gambling and weapons [23,24]. [25] also concluded that social and explicit cultural variables have a measurable effect on investment.

Literature documents mixed results on the issue of social responsible investment. Existing evidence differs from one country to country and sector by sector. However, it is found to have gained grounds in developed than developing countries. [10] posit that the concept is already prevalent in developed countries but still gaining momentum towards emerging markets. For instance, evidence from South Africa indicates that while investors appear to have a grasp of ESG issues, there was sparse evidence of actual mainstream investment decisions. What was missing especially, was how they integrate ESG issues into investment decision making. Therefore, the perception about SRI though low in South Africa, it is still growing. In the Spanish market, SRI has a low perception among investors, though there are a lot of SRI funds available. According to [26], in the Spanish SRI market, many investors are unaware that the returns on SRI are the same as with any other fund in the same category, given that the management approach is the identical. The absent of relevant SRI information means investors continuously, rely on existing financial information such as returns on assets, growth prospects and other market information in making investment decisions. For instance, a 2013 PricewaterhouseCoopers report [27] indicated that investors believe providing return on capital employed is crucial in their evaluation of a firm. Other studies that posit investors rely on accounting, and financial information includes [28,29]. [30] concludes that retail investors currently are most concerned with economic performance information, followed by governance, and then corporate social

responsibility information. [25] observed occupational and educational variables were the most important determinants when making investment decisions. Most of these investors were women in their late middle age, highly educated, with middle and higher incomes. Their findings show lack of awareness of SRI financial products on the market.

Several studies [31,32,33,34,35,36] referred to SRI as being "young," against theory that seems to suggest SRI is an old practice. Besides, none of these studies had indicated the age of this "young SRI." Moreover, with respect to age, some studies have indicated younger age among other things in determining stakeholders who are much more interested in SRI. According to [37], age, gender, level of education and income have been used to explain the behaviour of both social investors and conventional investors [34]. Results from previous studies [38] have found that social investors are often younger with higher level of education. Furthermore, social investors are normally females of younger age, more educated [39]; and are often much more concerned about the environmental than financial performance. [40] found that one's CSR inclination varies with the level of education. However, [41] concludes that one's CSR awareness depends less on the level of education. Meanwhile, previous studies [42] suggest the SRI market is in the hands of those with the most knowledge. This is a motivation for the current study that seeks to explore the extent of individual investor knowledge and information on social, ethical and environmental investment. SRI investors have a higher level of education and knowledge and consequently, have a higher interest investing in SRI funds. At the same time, a higher income may be too much of a generalisation since a high level of education does not automatically guarantee a higher income [43].

From the previous studies, the majority of SRI investors behaved just like other rational investors; preferring financial performance of their investments, although they are much more interested in social and environmental effect of their investments. Thus, one can conclude that SRI is not an act of charity or an attempt to ameliorate a guilty conscience [21,43,44,38]. From the reviewed literature, a hypothesised relationship between deferring, environmental, financial, governance and social factors was proposed.

## 3. METHODS AND MATERIALS

This study focuses on the staff, potential investors, who are deemed to be knowledgeable, in issues of CSR and SRI. The total population of the employees in the institution is 1,400 people. A sample of 302 staff was selected for the study based on the [45] Table. A scale format involves the use of a special rating scale that asks respondents to indicate the extent of agreement with a series of statements to a given subject [46].

The SRI concept is rooted in the CSR philosophy. It is based on three tenets – environmental, social and governance (ESG) indicators. The questionnaire was constructed with reference to the elements and issues in the literature. The issues in the questionnaires were based on what empirical studies and theory described under the issues of ESG factors. The study employed mainly primary data sourced using self-administered questionnaires with a rating scale.

### 3.1 Structural Equation Modelling

The study employed structural equation modelling (SEM) to examine effects among the variables. SEM considers the element between each latent constructs and observed indicators. SEM is a blend of two statistical methods of factor analysis and path analysis into one broad statistical method [47,48]. According to [47], SEM consists of two-parts 1) measurement of the part that relates the observed variable with latent variable through confirmatory factor analysis, and structural part 2) that establishes the relationship between the latent variables with regression simultaneously.

The software employed for data processing included the Statistical Package for Social Sciences (Version 21.0) for generating the descriptive statistics and Smart PLS (3.0) for the assessment of the reliability and validity of the measurement and the structural models. Partial Least Squares impact on the analysis model (i.e. structural inner model) that examines the association between latent variables. In order to deal with this, it is expected that individual average extracted variance (AVE) is bigger than the squared correlation amid the constructs originating from the measurement model. Based on this, the concluding model is obtained by dropping constructs with factor loadings of less than 0.5.

## 3.2 Measurement of Variables

### 3.2.1 Financial factors (FF)

Financial factors (FF) were measured using indicators of financial performance such as return on capital, potential for growth, price of security, dividend policy, annual report of the firm, track records of directors.

### 3.2.2 Non-financial factors (NF)

Non-financial factors (NF) were measured using constructs such as environmental, social, governance and deterring factors.

### 3.2.3 Environmental factors (EF)

The indicators used included environmental policies of the firm, environmental management systems, pollution control, extent of water pollution, hazardous and solid waste, recycling efforts, level of toxic chemicals produced by the firm, energy efficiency and organization's level of emissions.

### 3.2.4 Social factors (SF)

Included indicators such as respect for human rights, product safety, workplace with health and safety, working conditions of employees, treatment of customers, stakeholder relations, diversity of workforce, equal opportunities, labour relations and social solidarity.

### 3.2.5 Governance factors (GF)

Included indicators such as accounting quality, information transparency, audit quality, shareholder rights, board structure, board skills, independence directors, separation of chairmanship and chief executive officer (CEO) as well as independent leadership.

### 3.2.6 Deterring factors (DF)

Included indicators such as activities related to pornography, gambling-related activities, activities that abuse the environment, supporting abortion practices, activities that abuse and human and labour rights, activities relating to tobacco and alcohol, lack of transparency in business practices, support for repressive or dictatorial regimes, activities related to armaments and animal testing.

## 4. RESULTS AND DISCUSSION

The study sought the opinions of respondents on the different aspects of investment as well as social investment. Appendix 1 provides the socio-demographics of respondents in the study.

## 4.1 Knowledge on Socially Responsible Investment

In spite of the increasing realisation of the power of investors to influence companies, results from the survey showed half of the respondents (50.2%) did not have an idea about social responsible investment. Meanwhile, 49.8% of the respondents confirmed that they had heard of social responsible investment.

The results have an implication for how these potential investors respond to corporate entities' conduct of business in this society. As a way to gain further insight into the dynamics of social responsible investments, the demographic background of respondents with respect to their response to the question of whether they have heard of social responsible investing was explored. From Table 1, the results from the analysis of the age of respondents indicate those who answered in the affirmative were more for age range 46-55 (27), 56-65 (13) and 66+ (1). This is compared with those who responded *No* to the question that was asked. Responses from the younger age group (18-24) had less people (7) out of (10); the 25-34 group had 63 out of 114 responding in the negative. Similar response was observed for the 35-45 group, where 48 out of 94 responded in the negative. This result suggests people in the older age brackets (35 years and above) tend to have an idea about social responsible investing that the younger generation.

From the results, (103) out of the total respondents fell within the GHS1000-GHS5000 income bracket, had not heard of social responsible investing. Unfortunately, these respondents have the potential to invest. The remaining 84 responded in the affirmative.

It was also observed that awareness level increased with the level of education. After the first degree level, it is observed that the number who responded in the affirmative increases, compared to those who said "No" to the question posed.

**Table 1. Idea about social responsible investment**

| Have you heard of socially responsible investing? | | | Number | Percentage |
|---|---|---|---|---|
| Response: | Yes | | 142 | 49.8 |
| | No | | 143 | 50.2 |
| | | | **285** | **100%** |
| | | **Yes** | **No** | **Total** |
| Sex | Male | 96 | 98 | **194** |
| | Female | 45 | 46 | **91** |
| | | **141** | **144** | **285** |
| Age | 18-24 | 3 | 7 | 10 |
| | 25-34 | 51 | 63 | 114 |
| | 35-45 | 46 | 48 | 94 |
| | 46-55 | 27 | 16 | 43 |
| | 56-65 | 13 | 10 | 23 |
| | 66+ | 1 | 0 | 1 |
| | | **141** | **144** | **285** |
| Income level | < 1000 | 1 | 1 | 2 |
| | 1000-5000 | 84 | 103 | 187 |
| | 5001-10000 | 50 | 34 | 84 |
| | 10001-15000 | 6 | 5 | 11 |
| | 15000+ | 0 | 1 | 1 |
| | | **141** | **144** | **285** |
| Education | Diploma (HND) | 3 | 1 | 4 |
| | First degree | 22 | 43 | 65 |
| | Second degree | 72 | 72 | 144 |
| | Third degree | 44 | 28 | 72 |
| | | **141** | **144** | **285** |

*Source: field data, 2016*

## 4.2 Financial Factors of Investment

Making investment decisions require the consideration of several factors that can potentially affect its outcome, including financial and non-financial indicators. From the six (6) indicators used to represent financial factors, *returns on capital* received the highest rating (4.58) in terms of the factors considered by these potential investors before investing. This implies many people, especially those who took part in the study, made their investment decisions largely influenced by expected returns. At the extreme end, the results imply these potential investors are not so much concerned with the tract records of directors, as long as they receive returns on their monies invested in a business.

This is followed by firm's potential for growth (4.17), the price of the share (3.81); dividend policy (3.61), nature of the annual report of the firm (3.28) and track records of directors (3.20) in that order. The implication is that investors consider returns on capital invested as a priority for making investment decisions, but barely look at the track record of the directors of a firm before investing. According to a 2013 Pricewater houseCoopers report, investors believe providing return on capital employed is often a crucial part of their analysis of the company's performance and stewardship.

**Table 2. Financial factors**

| Financial factors | Mean |
|---|---|
| Return on capital | 4.58 |
| Potential for growth | 4.17 |
| Price of security | 3.81 |
| Dividend policy | 3.61 |
| Annual report of the firm | 3.28 |
| Track records of directors | 3.20 |

*Source: Field data, 2016*

## 4.3 Perception about Indicators for Making Investment Decisions

One of the issues investigated as part of this study was the perception of the respondents about the indicators to be considered in making investment decisions. Investors would include the ESG factors into their investment schemes while investing and these factors according to the

priority of the investor, are environmental policies of the firm, environmental management systems, their pollution control in the community and the hazardous and solid waste produced by the firm (see Table 3). The firm's level of emissions was their least priority, signalling their low level of environmental awareness and concern. This is because the level of carbon emissions or all emissions in general are not measured, therefore, these potential investors are not conscious of the possible danger of level of emissions produced by firms and its effect on the environment and health.

In the case of the social factors, investors prioritized respect for human rights, product safety, workplace health and safety, and working conditions of employees before investing. The social factor valued by most of these potential investors is respect for human rights. This is in line with the findings in [21,19] and [20] who opined that in evaluating companies for investment, preference is given to firms with outstanding employer-employee relations, companies that make and sell safe and useful products and demonstrate respect for human rights around the world.

Respondents prioritized the factors for governance factors (Table 4) as follows; accounting quality of the firm, information transparency, audit quality of the firm's accounts, shareholder rights and firm's board structure. The implication is that the nature of the people on the board; its size and composition are not a priority in considering to invest in companies by these potential investors. Their initial pre-occupation in investing in a company would be the accounting quality of the firm. This is followed by information transparency. This implies the companies must disclose to potential investors, as much as, possible critical information required in making investment decisions.

In addition to the governance issues, respondents were asked to indicate and rank some factors that could deter (a.k.a. the negative screening before investment) someone from investing in a company. From Table 4, it was observed investors indicated that their highest deterring factor is when they realize the firm supports or takes part in activities related to pornography, followed by firms that engage in gambling. In the respondents' view, they would refrain from investing in a company that

**Table 3. Environmental and social factors**

| Environmental factors | Mean | Social factors | Mean |
|---|---|---|---|
| Environmental policies of the firm | 5.98 | Respect for human rights | 7.00 |
| Environmental management systems | 5.91 | Product safety | 6.71 |
| Pollution control | 5.71 | Workplace with health and safety | 6.46 |
| Extent of water pollution | 5.62 | Working conditions of employees | 6.43 |
| Hazardous and solid waste | 5.56 | Treatment of customers | 6.37 |
| Recycling efforts | 5.45 | Stakeholder relations | 6.05 |
| Level of toxic chemicals from the firm | 5.29 | Diversity of workforce | 5.70 |
| Energy efficiency | 5.20 | Equal opportunities | 5.60 |
| Organisation's level of emissions | 5.20 | Labour relations | 5.47 |

*Source: Field data, 2016*

**Table 4. Governance and deterring factors**

| Governance factors | Mean | Deterring factors | Mean |
|---|---|---|---|
| Accounting quality | 6.14 | Activities related to pornography | 6.55 |
| Information transparency | 6.02 | Gambling-related activities | 6.52 |
| Audit quality | 5.87 | Activities that abuse the environment | 6.48 |
| Shareholder rights | 5.78 | Abortion practices | 6.40 |
| Board structure | 5.52 | Activities that abuse & human and labour rights | 6.40 |
| Board skills | 5.38 | Activities relating to tobacco and alcohol | 6.20 |
| Independence directors | 5.26 | Lack of transparency in business practices | 6.11 |
| Separation of chairmanship and CEO | 5.08 | Support for repressive or dictatorial regimes | 6.04 |
| Independent leadership | 4.91 | Activities related to armaments | 5.73 |
| | | Animal testing | 5.07 |

*Source: Field data, 2016*

promotes or engages in such activities. This supports the social and the cultural views of the people in this society. Similar finding was also obtained in [25] who concluded that social and explicit cultural variables have a measurable effect on investment. The least of their consideration were companies that engage in animal testing.

## 4.4 Test of the Theoretical Model

There was the need to probe further into the relationship between the main variables of the study (DF, EF, FF, GF and SF). A hypothesised relationship between some of these variables and their constructs, based on theory, resulted in the model displayed in Fig. 1. Moreover, after the initial analysis, factors measuring a variable that loaded poorly were removed. Only the constructs that met the SEM criteria were maintained in the model. The output presents a test of the direction, strength and level of significance of the path coefficients (gammas).

### 4.4.1 Measurement model

As a requirement, the results from the SEM conform to various validity and reliability checks such as construct validity, which was assessed using the convergent and discriminant validity tests.

### 4.4.2 Convergent validity

Convergent Validity is the extent to which items measuring the same concept agree [49,48]. From Table 5, it was observed the factor loadings and composite reliabilities, all exceeded the 0.5 and 0.7 benchmark respectively, set by [50]. With composite reliability ranging from 0.721 to 0.806 and a minimum factor loading of 0.539, this was enough evidence of convergent validity.

### 4.4.3 Discriminant validity

Three tests for checking discriminant validity produced results that justify this criterion was met

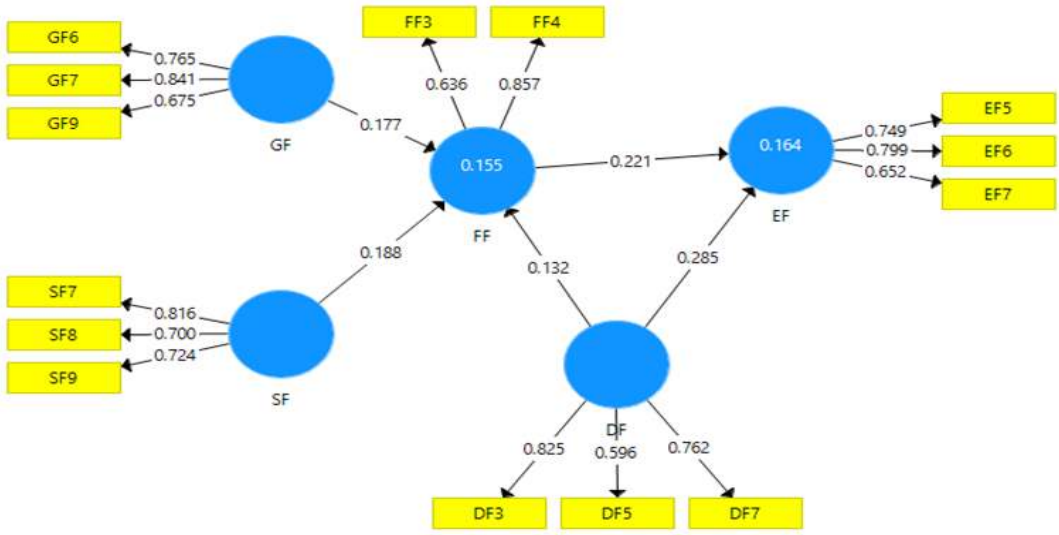


Fig. 1. Test of the research model (PLS, n=285)

**Fig. 1. Test of the research model (PLS, n=285)**

**Table 5. Construct reliability and validity**

| | Cronbach's Alpha | rho_A | Composite Reliability | AVE |
|---|---|---|---|---|
| DF | 0.582 | 0.624 | 0.775 | 0.539 |
| EF | 0.580 | 0.597 | 0.779 | 0.542 |
| FF | 0.257 | 0.282 | 0.721 | 0.570 |
| GF | 0.640 | 0.663 | 0.806 | 0.583 |
| SF | 0.620 | 0.642 | 0.792 | 0.560 |

by the model. This includes the Fornell-Larcker Criterion (FLC), Cross Loadings (CLs) and Heterotrait-Monotrait Ratio (HTMT). The FLC showed the square root of the AVE of each construct is higher than its highest correlation with any other construct [51]. For CLs, it is observed from the Table 6 that an indicator's outer loadings on a construct is higher than all its cross loadings with other constructs. Finally, HTMT Ratio (as it is required) indicated values of 0.85 and below.

## 4.5 Structural Model

As indicated in theoretical model (Fig. 1) five relationships were tested using the path analysis presented in Table 7. In the first relationship, DF was seen to have a significant causal relationship with EF ($\beta = 0.285, \rho<0.00$). This implies that as people consider DF in making the investment decisions, it results in much more consideration for EF as well. Alternatively if people perceive a company to have less problems, DF, then they would focus less on EF in making investment decisions in such companies. This implies, companies ranked low on deterring issues are likely to rank low on environmental issues as well.

Furthermore, the results showed a significant relationship between DF and FF ($\beta = 0.221, \rho<0.00$). This implies as the firm engages in environmentally friendly activities, it is favoured by investors as a suitable organisation to invest in, thus boosting their finance and financial performance. Similar observations were made for GF and FF ($\beta = 0.177, \rho<0.00$); SF and FF ($\beta = 0.188, \rho<0.00$). Also, the results show that EF, GF and SF significantly influenced FF. Thus, firms that work on their environmental, governance and social indicators can create positive image for the firm. Such image could positively impact on the firm's financial outcome or performance.

**Table 6. Discrimant validity**

| **Fornell-Larcker criterion** | | | | | |
|---|---|---|---|---|---|
| | **DF** | **EF** | **FF** | **GF** | **SF** |
| DF | **0.734** | | | | |
| EF | 0.345 | **0.736** | | | |
| FF | 0.272 | 0.298 | **0.755** | | |
| GF | 0.401 | 0.497 | 0.325 | **0.763** | |
| SF | 0.368 | 0.477 | 0.326 | 0.505 | **0.748** |
| **Cross loadings** | | | | | |
| | **DF** | **EF** | **FF** | **GF** | **SF** |
| DF3 | **0.825** | 0.304 | 0.248 | 0.252 | 0.232 |
| DF5 | **0.596** | 0.146 | 0.139 | 0.237 | 0.230 |
| DF7 | **0.762** | 0.276 | 0.193 | 0.399 | 0.357 |
| EF5 | 0.250 | 0.749 | 0.254 | 0.366 | 0.314 |
| EF6 | 0.314 | 0.799 | 0.213 | 0.465 | 0.400 |
| EF7 | 0.180 | 0.652 | 0.191 | 0.235 | 0.343 |
| FF3 | 0.165 | 0.166 | 0.636 | 0.238 | 0.163 |
| FF4 | 0.239 | 0.271 | 0.857 | 0.257 | 0.309 |
| GF6 | 0.339 | 0.391 | 0.244 | 0.765 | 0.392 |
| GF7 | 0.310 | 0.381 | 0.286 | 0.841 | 0.357 |
| GF9 | 0.271 | 0.376 | 0.207 | 0.675 | 0.428 |
| SF7 | 0.301 | 0.393 | 0.303 | 0.388 | 0.816 |
| SF8 | 0.318 | 0.388 | 0.229 | 0.391 | 0.700 |
| SF9 | 0.182 | 0.264 | 0.169 | 0.358 | 0.724 |
| **Heterotrait-Monotrait ratio (HTMT)** | | | | | |
| | **DF** | **EF** | **FF** | **GF** | **SF** |
| DF | | | | | |
| EF | 0.555 | | | | |
| FF | 0.664 | 0.746 | | | |
| GF | 0.659 | 0.799 | 0.800 | | |
| SF | 0.598 | 0.775 | 0.740 | 0.815 | |

**Table 7. Results from the structural model**

| **$R^2$: EF = 0.158; FF = 0.155;**<br>**$R^2$ Adjusted: EF = 0.164; FF = 0.146**<br>**$Q^2$: EF = 0.077; FF = 0.071** | | | | |
|---|---|---|---|---|
| | **Coefficients** | **F-squared** | **T statistics** | **P values** |
| DF -> EF | 0.285 | 0.090 | 4.601 | 0.000 |
| DF -> FF | 0.132 | 0.016 | 2.090 | 0.037 |
| FF -> EF | 0.221 | 0.054 | 3.785 | 0.000 |
| GF -> FF | 0.177 | 0.026 | 2.887 | 0.004 |
| SF -> FF | 0.188 | 0.030 | 3.188 | 0.002 |

The structural model was evaluated for reliability using the path coefficient, the $Q^2$ and the Adjusted $R^2$. From the theoretical model, two dependent variables EF and FF were set up. The Adjusted $R^2$ for the two (*EF = 0.16; FF = 0.15*) showed several factors in each case are unaccounted for by the model. Meanwhile, the Adjusted $R^2$ though low suggests about 16% and 15% respectively of them are explained by only the independent variable that actually affects the dependent variable.

Meanwhile, as [52] suggests, $R^2$ is more likely to be small for such perception and human behaviour studies, because human behaviour is difficult to predict. In such cases, emphasis is laid on the statistical significance of the exogenous variables. Results from the Table 7 showed a statistically significant predictors ($\rho<0.00$) between the endogenous and the exogenous variables, except for DF and FF ($\beta=0.132, \rho<0.05$). Furthermore, the predictive relevance of the dependent variables ($Q^2$*: EF = .077; FF=.071*) are more than zero for each of the variables in Table 6. The $Q^2$ values above zero indicated that the values are well reconstructed and that the model has predictive relevance.

Among other issues the study documents, companies that ranked low on deterring factors would be ranked low of environmental factors. Furthermore, investors favour firms with better deterring records. Such firms, therefore, become the target for investment which ultimately impacts positively on such firm's financial performance. Moreover, governance indicators ranked high impacts positively on the finances of the firm. Firms with high ordered social indicators also experiences improved finances.

## 5. CONCLUSION

The results suggest more than 50% of the respondents had not heard about the concept of social responsible investing. Furthermore, more than 50% of the males and females responded in the negative when they were asked if they had heard of this concept before. Also, the older generation (35 and above) had relatively more people responding in the affirmative than the younger generation.

On the elements considered before investment, return on investment was found to be of prior interest to the sample selected. Although the majority indicated they had not heard of the concept "social responsible investing," they were, however, conscious of its principles and ideals. This is reflected in the fact that they would consider a company's environmental policies, respect for human right and accounting quality before investing in it. These potential investors were not ready to invest in companies that engage in or support pornographic activities, gambling and their related activities.

Generally, it was evident that social responsible investing ideology is not well diffused even among the learned communities such as the university. This can be attributed to inadequate research on this subject matter by the research community. It is therefore, necessary that attention be turned to this critical area of research. For corporate bodies, it is an area where they can obtain a competitive advantage by reviewing their policies and incorporating such corporate responsible behaviours.

The results have implication for theory. Existing finance theories do not incorporate ESG issues in their prepositions. This study, therefore adds to any existing theories in setting the platform for analysing investors' decision to choose a firm based on its ESG ranking and score. For policymakers, the study highlights the importance of ESG to the investor, hence, the need to formulate, implement and enforce such policies. For practice, corporate entities need to highlight ESG practices, since it can attract investors.

## COMPETING INTERESTS

Authors have declared that no competing interests exist.

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# APPENDIX

**Appendix 1. Social demographics of respondents**

| Variable | Description | Number | Frequency | Percent |
|---|---|---|---|---|
| **Gender** | Male | 285 | 194 | 68.1 |
| | Female | | 91 | 31.9 |
| **Age (years)** | 18 – 24 | 285 | 10 | 3.5 |
| | 25 – 34 | | 114 | 40.0 |
| | 35 – 45 | | 94 | 33.0 |
| | 46 – 55 | | 43 | 15.1 |
| | 56 – 65 | | 23 | 8.1 |
| | 66 and above | | 1 | 0.3 |
| **Education** | | | | |
| | First degree | 285 | 65 | 22.8 |
| | Second degree | | 114 | 50.5 |
| | Third degree | | 70 | 24.6 |
| | Others | | 6 | 2.1 |
| **Income level** | | | | |
| | Ghc 1,000 – 5,000 | 285 | 187 | 65.6 |
| | Ghc 5,001 – 10,000 | | 84 | 29.5 |
| | Ghc 10,001 – 15,000 | | 11 | 3.9 |
| | Others | | 3 | 1.1 |

*Source: Field data, 2016*

**Appendix 2. Educational level and income level of respondents**

| Education | Income level | | | |
|---|---|---|---|---|
| | **Ghc 1,000 - 5,000** | **Ghc 5,001 - 10,000** | **Ghc 10,001 - 15,000** | **Others** |
| First Degree | 56 (29.9%) | 9 (10.7%) | 0 (0%) | 0 |
| Second Degree | 110 (58.8%) | 33 (39.3%) | 0 (0%) | 1 |
| Third Degree | 20 (10.7%) | 41 (48.8%) | 8 (72.7%) | 1 |
| Others | 1 (0.6%) | 1 (1.2%) | 3 (27.3%) | 1 |
| Total | 187 | 84 | 11 | 3 |

*Source: Field data, 2016*

**Appendix 2: Questionnaire**

**Demographics**

1. Gender :
   Male [ ]
   Female [ ]
2. Age
   18-24 years [ ]
   25 – 34 years [ ]
   35 – 45 years [ ]
   46 – 55 years [ ]
   56 – 65 years [ ]
   66 and above [ ]
3. Education
   First Degree [ ]
   Second degree [ ]
   Third degree [ ]
   Others (specify) ……

4. Income level
   Ghc 1,000 – 5,000 [ ]
   Ghc 5,001- 10,000 [ ]
   Ghc 10,001 – 15,000 [ ]
   Others (specify) ……
5. Do you invest?
   Yes [ ]
   No [ ]
6. If no why? Tick one
   Lack of information on investment [ ]
   Not enough funds [ ]
   I am just not interested [ ]
   Other (specify)……

7. What are the financial factors you would consider before making investment? Rank the following in order of importance. (1) Least important and 6 most important.

| **Factors** | **Rank 1-6** |
|---|---|
| Return on capital | |
| Price of shares | |
| Potential for growth | |
| Dividend policy | |
| Annual report of the firm | |
| Track records of directors | |

8. Have you heard of Socially Responsible Investment?
   Yes [ ]
   No [ ]
9. To what extent do you agree to the following regarding what organisations do to be socially responsible? 1 is least agreed and 7 is most agreed.

| **Statements** | **1** | **2** | **3** | **4** | **5** | **6** | **7** |
|---|---|---|---|---|---|---|---|
| They must provide benefits for everyone involved | | | | | | | |
| They must develop relationships with employees and customers | | | | | | | |
| They must establish partnership with local communities | | | | | | | |
| They must obtain competitive advantage | | | | | | | |
| They must make more donations and charity | | | | | | | |
| They must be involved in corporate social responsible | | | | | | | |

10. What are the environmental factors you would consider in making an investment decision? Rank them in order of importance. (1)- Least important and (9) – most important.

| **Environmental factors** | **Rank from 1-9** |
|---|---|
| Organisation's level of carbon emissions | |
| Environmental policies of the firm | |
| Environmental management systems | |
| Level of toxic chemicals produced by the firm | |
| Extent of water pollution | |
| Pollution control | |
| Energy efficiency | |
| Hazardous and solid waste | |
| Recycling efforts | |

11. What are the social factors you would consider in making an investment decision? Please rank them in order of importance. (1) - least important and (10) – most important.

| Social factors | Rank from 1-10 |
|---|---|
| Stakeholder relations | |
| Working conditions of employees | |
| Respect for human rights | |
| Diversity of workforce | |
| Workplace health and safety | |
| Product safety | |
| Treatment of customers | |
| Labour relations | |
| Equal opportunities | |
| Social solidarity | |

12. What are the Governance factors you would consider in making an investment decision? Rank them in order of importance. (1)- Least important and (9) – most important.

| Governance factors | Rank from 1-9 |
|---|---|
| Board structure | |
| Independence of directors | |
| Independence of leadership | |
| Separation of Chairmanship and CEO | |
| Shareholder rights | |
| Accounting quality | |
| Audit quality | |
| Board skills | |
| Information transparency | |

13. Overall, which of the following would you consider in making an investment decision? Rank them in order of importance. (1) – Least important and (4) – most important.

| Investment factors | Rank from 1 – 4 |
|---|---|
| Environmental factors | |
| Social factors | |
| Governance factors | |
| Financial factors | |

14. Which financial product have you bought?
    - Christian community mutual fund [ ]
    - Databank Ark fund [ ]
    - Islamic investment fund [ ]
    - Other (specify)……..
15. Why would you invest in an organisation?
    - High returns [ ]
    - Security of investing in sustainable products [ ]
    - Advice from institutional financial advisor [ ]
    - Ethical or religious reasons [ ]
    - Social pressure for more responsible behavior [ ]
    - Other (specify) …….
16. Why would you not invest in an organisation that considers social and environmental variables?
    - Low returns [ ]
    - Doubts about relationship between ethics and returns [ ]
    - Failure to publicise the existence of SR products [ ]
    - Lack of support or endorsement by the state [ ]
    - Charity and donation [ ]
    - Other (specify) ……..

17. Which of the following will deter you from investing in an organisation? Rank from the most deterrent to least deterrent with 1 – 10. 1 for least deterred and 10 for most deterred.

| **Deterring factors** | **Rank from 1-10** |
|---|---|
| Gambling-related activities | |
| Activities relating to tobacco and alcohol | |
| Activities that abuse the environment | |
| Activities related to pornography | |
| Abortion practices | |
| Animal testing | |
| Activities that abuse and human and labour rights | |
| Support for repressive or dictatorial regimes | |
| Lack of transparency in business practices | |
| Activities related to armaments | |

18. Why would you choose a traditional investment over a Socially Responsible Investment? Because it is
    - Safer [ ]
    - Similarly risky [ ]
    - Riskier [ ]
19. To what extent would environmental, social and governance factors influence your investment decisions?
    - Really influences [ ]
    - Influences [ ]
    - Does not influence [ ]



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