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Antecedents to Ethical Investing Behaviour

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Abstract. Ethical investing is an approach in which an individual makes financial decisions based on his or her own personal ethical code. Ethical investing aims to assist sectors that have a good effect, such as renewable energy, while still generating a profit. The study was conducted among 159 individuals responding to queries. Theory of Planned Behavior (TPB) was devised to assess the antecedents to usage intention and scales were adopted from literature. Nonparametric procedures were used to draw the inferences. The study revealed usage of ethical principles in investment decisions has crossed the nascent stage and appears to be in the positive growth part of the curve. The antecedents to usage intention are significantly positively related to usage intention. It could also bring out the significant positive relation between actual usage of ethical principles and financial satisfaction along with subjective wellbeing.

Keywords: *Ethical Investing, Financial Wellbeing, Investment Behaviour, Theory of Planned Behaviour*

INTRODUCTION

Ethical investing is any investment approach that considers both financial return and social/environmental benefit in order to achieve societal change that proponents deem beneficial. The concept is popular with different related concept names that include Socially Responsible Investing, ESG Investing, Impact Investing and so forth. (1,2) Research interest is flowing into this dimension of academic pursuits like never before. The political atmosphere of societal awareness for the environment, civil rights protection, fear of nuclear energy, and other issues all contribute to ethical investing. (3) Despite previous debate, the SRI niche is still expanding, and SRI funds may want to maintain their identity by offering unique products, investing in companies that improve corporate sustainability, and effectively balancing economic and ESG strategies through innovative or cleaner production methods, among other things. (4)

Increased environmental, social, and governance (ESG) standards in ethical investments boost future profits while also having external societal and environmental implications. As a result, businesses that follow ethical environmental standards may be considered part of the answer to climate change. The progress of green and sustainable conversion may be safeguarded and potentially accelerated by boosting enterprises that function

responsibly. Aside from the environmental considerations, social factors in ethical investments ensure that workers are treated fairly. As a result, ethical investments may be used to address humanitarian injustice and inequity.(5)

Research Problem

Risk and return are traditionally considered to be important considerations in the creation of investment portfolios in finance theory. However, there is evidence that an increasing proportion of investors want to consider moral or social considerations when making investment decisions. There is growing evidence of systematic initiatives to include moral or social concerns into portfolio design in addition to standard financial criteria. (6)

The Big Five personality characteristics have been demonstrated to be significant indicators of life satisfaction and subjective well-being on several occasions.(7) The present study aims to study the antecedents of behavioral intention of individuals towards ethical investing along with financial satisfaction and subjective wellbeing employing the Theory of Planned Behaviour approach.

Financial satisfaction is one of many domain satisfactions that collectively contribute to one's Subjective Wellbeing. (7) The present study also aims to assess the relationship between the two constructs from financial and individual behaviour.

Research Hypotheses

The primary antecedents of Usage Intention, namely Attitude, Subjective Norms, and Perceived Behavioral Control, are interpreted using Ajzen's terminology. The degree to which the individual has a positive or negative appraisal of the behaviour in issue is the first predictor of behavioural intention in the TPB model. The second antecedent of behaviour intention is the subjective norm, which is described as the impact of social pressure as seen by the person (normative beliefs), and it is weighted by the individual (motivation to comply). People's perceptions of how easy or difficult it is to do the behaviour of interest are referred to as perceived behavioural control, noted as the third antecedent to Usage Intention.(8)

Considering the importance of the influence of antecedent to behavioral intention, the first hypothesis is framed:

H₁: Attitude, Subjective Norms and Perceived Behavioral Control are positively correlated to Behavioral Intention

Theoretical support states that actual usage of ethical investing results in financial satisfaction and subjective wellbeing. Keeping the spirit of literature in mind, the second and third hypotheses are framed:

H₂: Actual Usage of Ethical Investing is positively correlated to Financial Satisfaction

H₃: Actual Usage and Financial Satisfaction are positively correlated to Subjective Wellbeing

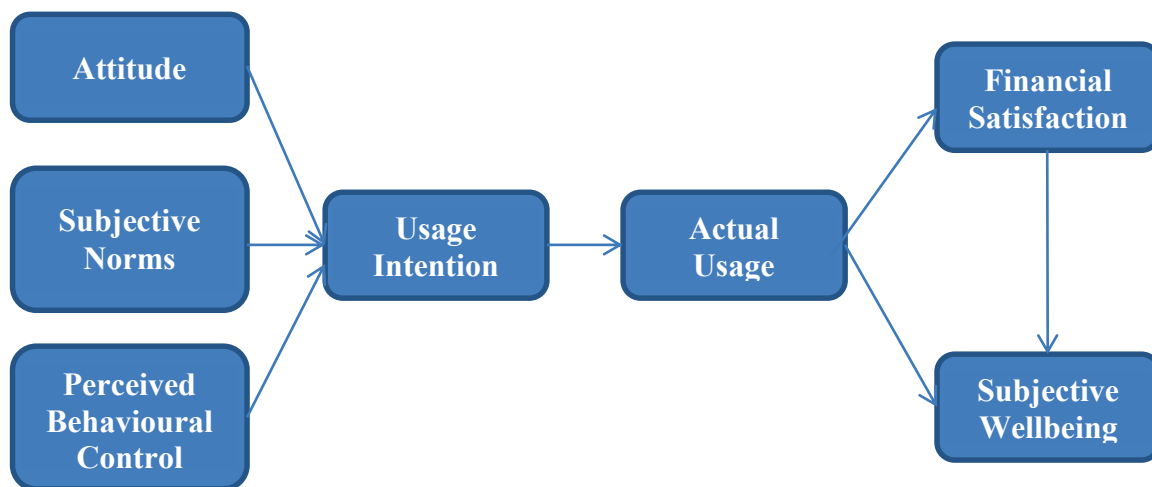


FIGURE 1. Conceptual Model of the Study

METHOD

Convenience sampling has been used to collect the responses from individuals using structured questionnaires shared across social media and related platforms.. The measures have been adapted from previous studies.(7–10) 159 responses were received as part of the data collection out of which 54.7% was from female and 45.3% from male individuals with salary or other income. Average age of the individuals participated in the survey was 32.04. The individuals in the sample included 52.8% of employed individuals and 18.9% of self-employed individuals. 20.8% of the individuals in the sample were graduates and 49.1% were post graduates. 71.7% of the individuals in the sample attribute themselves as risk neutrals.

Cronbach's Alpha for all the constructs of the study was above 0.7 (Table 1) and are found to be eligible for further statistical procedures. Test normality produced significant p values (< 0.05) and it could be observed that the data is not normally distributed. Nonparametric procedures are adopted to draw inferences on the hypotheses.

RESULTS

Analysis of the collected information provided support to the research hypotheses of the study. Significant positive responses were received with respect to all constructs under study viz., Attitude, Subjective Norms, Perceived Behavioral Control, Usage Intention, Actual Usage, Financial Satisfaction and Subjective Wellbeing. Table 1 shows the significant values reported in support of the same.

TPB approach could evidence the antecedents of travel intention of visitors. Actual Usage of Ethical Investing Principles, Financial Satisfaction and Subjective Wellbeing were assessed further to infer on the correlation between the constructs.

Correlation analysis shows that there exists a significant positive correlation between the antecedents to Usage Intention of Ethical Investing Principles. And hence H_1 is supported ($p < 0.001$). Further analysis also showed that Actual Usage of Ethical Investing Principles is positively correlated to Financial Satisfaction which supports H_2 ($p < 0.001$). Financial Satisfaction is significantly positively correlated to Subjective Wellbeing. Hence, H_3 is also supported ($p < 0.001$).

Tables

TABLE 1. Reliability, Normality and Descriptive Statistics

Constructs	Cronbach's Alpha	P Value (SW Test)	Mean	Median	SD	Z	P Value (Wilcoxon Signed Rank Test)
Attitude [4 items]	0.866	0.000	3.5660	3.5000	0.74866	-8.167	0.000
Subjective Norms [4 items]	0.898	0.000	3.4292	3.2500	0.86380	-5.422	0.000
Perceived Behavioural Control [4 items]	0.875	0.000	3.4009	3.2500	0.92479	-4.953	0.000
Usage Intention [3 items]	0.924	0.000	3.3836	3.0000	0.92412	-4.813	0.000
Actual Usage [5 items]	0.951	0.000	3.2264	3.0000	1.00129	-2.559	0.011
Financial Satisfaction [5 items]	0.701	0.000	3.4642	3.4000	0.71947	-7.471	0.000
Subjective Wellbeing [5 items]	0.872	0.000	3.4189	3.4000	0.89238	-5.695	0.000

Source: Researchers' Computations (11,12)

TABLE 2. Correlation Matrix

		Attitude	Subjective Norms	Perceived Behavioral Control	Usage Intention	Actual Usage	Financial Satisfaction	Subjective Wellbeing
Attitude	Spearman's rho	—						
	p-value	—						
Subjective Norms	Spearman's rho	0.748 ***	—					
	p-value	< .001	—					
Perceived Behavioral Control	Spearman's rho	0.719 ***	0.822 ***	—				
	p-value	< .001	< .001	—				
Usage Intention	Spearman's rho	0.710 ***	0.791 ***	0.752 ***	—			
	p-value	< .001	< .001	< .001	—			
Actual Usage	Spearman's rho	0.682 ***	0.715 ***	0.749 ***	0.830 ***	—		
	p-value	< .001	< .001	< .001	< .001	—		
Financial Satisfaction	Spearman's rho	0.441 ***	0.363 ***	0.354 ***	0.493 ***	0.529 ***	—	
	p-value	< .001	< .001	< .001	< .001	< .001	—	
Subjective Wellbeing	Spearman's rho	0.543 ***	0.413 ***	0.408 ***	0.511 ***	0.548 ***	0.692 ***	—
	p-value	< .001	< .001	< .001	< .001	< .001	< .001	—

Note. H_a is positive correlation

Note. * $p < .05$, ** $p < .01$, *** $p < .001$, one-tailed

Source: Researchers' Computations(11,12)

Plot

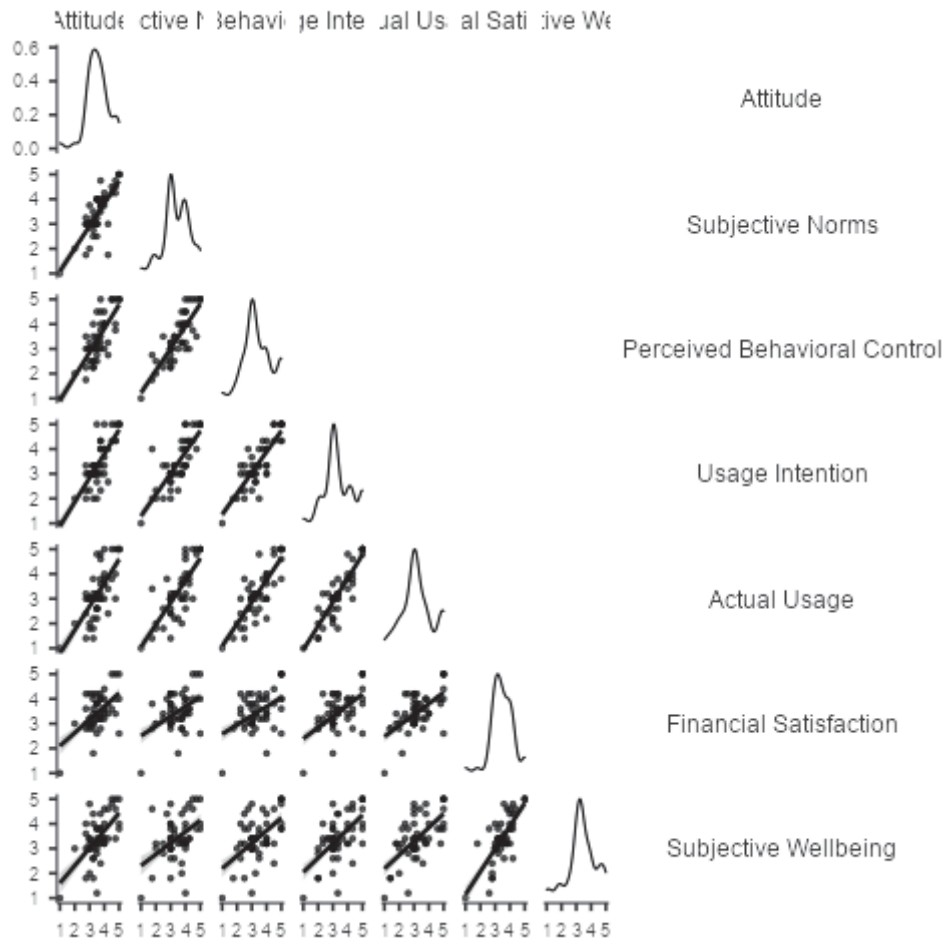


FIGURE 2. Correlation Diagram with Density (11,12)

CONCLUSION

The research used Theory of Planned Behaviour approach to study the usage intention and actual usage of ethical investment principles. Usage intention and financial has been found to be promising though not really higher values. The positive spirit towards the antecedents and usage intention is expected to persist and contribute towards the widespread and growth in ethical investing. The evidence from collected responses is predominantly supporting the subjective wellbeing also. The post covid regime expects the launch of more investment schemes in tune with ethical investment principles.

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