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CSR as Factor Influencing Investment Decisions Made by Individual Investors

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Abstract:

Purpose: *The factors influencing investment decisions of investors is worth to analyse due to importance of stock exchange in the modern economy. The professional investors society is highly diverse and at the same time their investment decisions are remarkably influenced by their owners' strategy and internal policy as well as legal restrictions. On the other hand, the factors considered during investment decisions process making by the individual investors are devoid of the influence of these elements. It should also be mentioned that individual investors' impact significantly influences the stock exchange liquidity. Therefore, the study will cover the issue of factors influencing the investment decision-making process with particular emphasis on the issues of Corporate Social Responsibility (CSR).*
Design/Methodology/Approach: *In the article, the following research methods were used: analysis of the literature of the subject, description, comparison and desk research. The theory was complemented with author's survey on the individual investors sample. The results of research conducted in 2020 and 2024 were presented. The study analyzes the issue to what extent CSR influences investment decisions made by Polish individual investors?*
Findings: *The research has demonstrated that financial results are still the key factor whether to invest in a given company. There is also social acceptance for activities undertaken in the field of CSR. Nevertheless, investors considered CSR factor as having the lowest impact on their investment decision.*
Practical Implications: *The discussion should focus around the usefulness of various parts of the integrated reporting for external stakeholders, especially individual investors. Particular attention should be paid to the part presenting non-financial data, which is currently perceived as non important factor influencing investment decisions.*
Originality/value: *Analysis of issues such as factors influence the investment decision-making process of individual investors, company compliance with CSR, individual investors, unethical or non-ecological practices.*

Keywords: *Behavioural finance, CSR, individual investors, investment decision.*

JEL classification: *D14, G41, O16, Q56.*

Paper Type: *Research study.*

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1. Introduction

In today's socio-economic environment, information is made available quickly and to a wide range of recipients. This undoubtedly also affects society, and in particular the group of individual investors. Individual investors are a special group because they have decided to take care of their future financial situation on their own, without waiting for outside help.

Knowing that the profit from bank deposits would never make them millionaires, they decided to take the risk and invest in the stock market. This is what makes individual investors unique compared to the entire society: they are ambitious, they actively raise awareness of investing, they have a higher tendency to take risks, they are motivated to achieve financial security, become wealthy, accumulate funds for their future retirement and become independent from the state pension system. In addition, they actively expand their knowledge of investing and have a higher risk exposure.

Another factor that strongly influences modern society is the promotion of sustainable economic development and the pursuit of building a zero-emission world. Initially, these were only noble slogans supported by voluntary UN resolutions.

Currently, we are witnessing broad, global media campaign supported by legal regulations and severe financial and non-financial penalties for both enterprises and management staff. As a result, we are witnessing the ESG revolution that is currently taking place (Environmental - Social - Governance).

However, we can already observe further revolutions on the horizon. These are: Industry 5.0 (Towards a sustainable, human-centric and resilient European industry), as well as the parallel revolution related to the active and wide use of artificial intelligence by modern society.

However, it should be clearly emphasized that technology should serve people and that people should be the priority of economic development. Therefore, we should always formulate a vision of sustainable development as a heliocentric economic system in which humans have been and will always be at the center.

Currently, we can observe legislative pressure for sustainable changes that also includes sustainable finance with capital investment. Optionally used ESG elements in investment process are being transformed into obligatory factors. As a result, sustainable investment from subsidiary trend, will become dominating one. Undertaking sustainable transformation cannot be separated from the issue of investors‘ society acceptance, the following research question were formulated: To what extent CSR (Corporate Social Responsibilities) influences investment decisions made by Polish individual investors?

2. Literature Review

The concept of CSR originated from religion, when investors tried to applied their private ethical principles to their investment strategies. These earliest forms of ethical investments involved avoiding ‘sinful’ industries as alcohol, tobacco and gambling (Camilleri, 2017).

Different forms of sustainable finance such as divestment and boycott were associated with companies making profits from warfare in 60s. As a consequence of a heightened sensitivity to environment, the new concept developed that corporations bore some responsibility towards the environment they operated in (Colle *et al.*, 2009). That idea was named as corporate citizenship and later evolved into corporate social responsibility (CSR). Then new form of responsible investment was developed that scrutinizes companies based on environmental, social and corporate governance (ESG) issues named positive screening and best-in-class investing.

Simultaneously, doubts concerning the trustworthiness of sustainable image have been formulated (Boulstridge and Carrigan, 2000). The questions are: how much the implementation of sustainable factors is a matter of necessity? How much this process is a matter of naivety and greenwashing? (Dziawgo, 2014; Freitas Netto *et al.*, 2020).

However, there is no doubt that with the appropriate level of financing, achievable through various financial instruments, it is not possible to reconstruct the economy without taking into account a future well-being of next generations (Dziawgo, 2021).

Many studies have been conducted that indicate positive relationship between CSR and the financial performance of enterprises (Margolis and Walsh, 2003; Allouche and Laroche, 2005; Margolis *et al.*, 2007; Wood, 2010; Orlitzky, 2011; Pagkalou *et al.*, 2024). However, there are many critical voices suggesting that the costs associated with implementing CSR activities may exceed the benefits, which negatively affects the competitiveness of enterprises (McWilliams and Siegel, 2000; Brammer and Millington, 2008; Benabou and Tirole, 2010).

It is not the subject of this paper, which mainly discusses the importance of CSR in the context of taking this factor into consideration by investment decision process by individual investors.

At the same time, the issues of factors influencing investment decisions made by investors are still the subject of scientific considerations for many years. Some of them are dedicated to individual investors. Especially behavioral finance studies concentrate on explaining investor behavior and its influence on investment decision making since the 70s. Behavioral finance does not contradict the paradigms of traditional finance that investors possess rational behavior, but it proposes the application of psychological decision-making processes in the identification and forecasting of financial markets (Baker *et al.*, 2021; Lee *et al.*, 2019). It should be emphasised that the personality of each investor is different due to various preferences and ethos but usually they base their investment decisions on objectives, profitability and risk associated with it (Gakhar, 2019).

The literature on the subject contains many studies analyzing factors that directly or indirectly influence individual investment decisions. As an example, we can mention Potter (1971) who identifies six factors, dividends, rapid growth, investment for saving purposes, quick profits through trading, professional investment management and long-term growth that affect individual investors' attitudes towards their investment decisions.

Obamuyi (2013) identified that the five most influencing factors on individual investors decisions are: past performance of stock, expected stock split/capital increases/bonus, dividend policy, expected corporate earnings and get-rich-quick. Whereas the five least influencing factors include religions, rumors, loyalty to the company's products/services, opinions of members of the family and expected losses in other investments.

Hemalatha (2019) analyzed the following factors: capital appreciation, tax benefit, expected return, liquidity, risk minimization, financial security. The study attempts to find out influences of demographical profile on the factors influencing investment decision such as age, gender, qualification, occupation, annual income, level of computer knowledge, period of internet usage and period of online trading usage.

Patil and Bagodi (2021) studied 14 attributes of individual investors in India, such as past performace of shares, expected bonus shares, result of technical analysis, stock marketability, expected corporate earning, condition of financial statements, affordable share price, information obtained from Internet, insiders information, rumours, expected stock plit or capital increase, press coverage, current economic indicators, recommendations from analysts and financial advisors.

Mathew and Kumar (2022), on the other hand, identified the return, risk and past performance of stocks as the three main factors considered by individual investors when making investment decisions.

Sachdeva and Lehal (2023) confirmed following factors significantly influence investment decision making: firm image, accounting information, neutral information, advocate recommendation and personal financial needs.

3. Materials and Methods

In the process of developing this article, the following research methods were used, i.e., the analysis of the literature of the subject, desk research, observations, descriptive and comparative analysis as well as questionnaire methods. The theory aspect was complemented with empirical studies - survey results on Polish individual investors. Research carried out on the sample of individual investors should be considered valuable, because of the reason that there is a lack of research on the important elements for sustainable development activities within that group of participants on the capital market. Hence, the above-mentioned research has a unique character.

The aim of the survey was to show an introductory analysis of behavior, opinions and preferences of individual investors in Poland concerning importance of chosen factors on their investment decisions. In particular, attention was paid to the currently notable issue of CSR. The study analyzes the issue to what extent CSR influences investment decisions made by Polish individual investors?

The survey was conducted on the basis of the author's project and requested by Polish Individual Investors Association in 2020 and repeated in 2024. In 2020, the study was conducted on a sample of 306 individual investors between December 2019 and January 2020.

In 2024, the study was conducted on a sample of 260 individual investors between April and June. A research tool was used in the form of an electronic questionnaire addressed to association members using the e-mail contact database. Thus the study collected feedback using targeted sampling techniques. The PS IMAGO PRO software was used for data analysis.

4. Surveys Results on Individual Investors

4.1 Samples Characteristics

The results of research presented below may serve as an introductory indication of the opinion of Polish individual investors on the topic of readiness to take some CSR elements into consideration, during the investment decision process, as well as the impact of other factors influencing investment decisions.

It should be emphasised that conducted study is based on a sample that does not represent a given population. Therefore, when characterizing the sample of individual investors, consideration should be given not so much to factors such as age, gender or education level. The key factors for the value of opinions formulated by this group are the number of years of investing in the stock market and the information in which assets the financial resources are invested in, as level of investment risk acceptance.

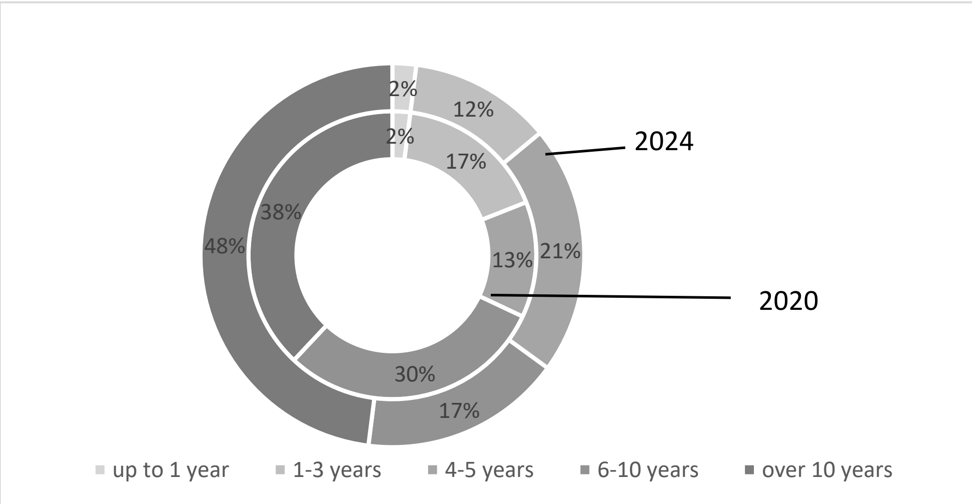
It can be assumed that the range of up to 4 years can be considered as an initial period for gathering knowledge and experience in the field of direct, self-investing by individual investors. On the other hand, people who have been investing in the stock market for 4 to 10 years can be considered as 'experienced'. Moreover, people investing in the stock market for over 10 years can certainly be considered "veterans" (Dziawgo, 2021)

It should be emphasized that individual investors belong to the group of approximately 60% of the Polish society that has savings. They seem to be the most financially educated part of this group, since they have decided to invest in the stock market on their own. Therefore, getting to know opinions of this group seems to be of particular value.

In the case of the conducted research, the sum of investors 'experienced' and 'veterans' constitutes for 81% of the research sample in 2020 survey and 86% in 2024 (Figure 1). It can be concluded that the respondents participating in above-mentioned research have experience of investing in the capital market.

Therefore they have legitimacy to discuss on the topic of determinants influencing their investment decision, based on their past experience. They are also entitled to participate in discussions about the impact of CSR on their investment decisions.

Figure 1. *Experience in investing measured by number years of investment (%).*

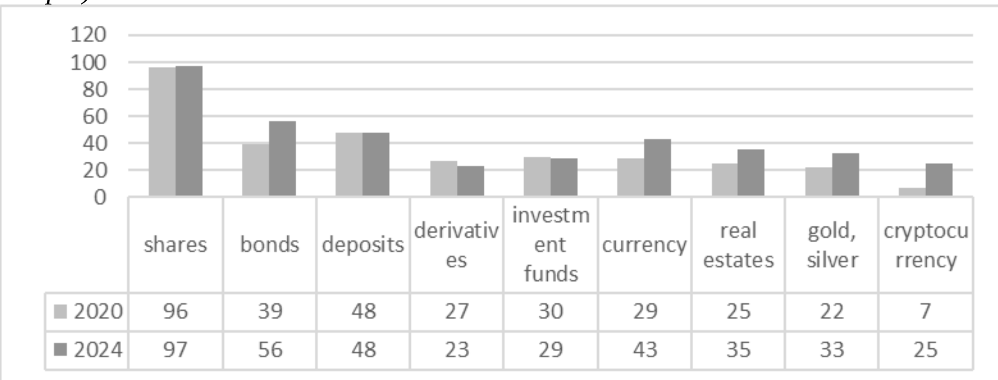


Source: *Own survey.*

When analyzing the structure of respondents by type of investments (Figure 2), it should be noted that respondent groups are dominated by people investing in shares (over 96-97%). Moreover, many investors simultaneously invest in bonds, derivatives and investment funds. The half of them have bank deposits, but they also invest in real estates, precious metals and cryptocurrencies.

Therefore it can be concluded that investors from the analyzed groups invest in various range of assets and diversified their financial expositions to better manage the investment risk.

Figure 2. *Range of answers to the question: 'What do you invest your money in? Please, indicate all ways of investing money you use' (calculated as percentage of sample).*



Source: Own survey; multiple-choice answers.

Based on the data, it can be concluded that individual investors from the studied group are investors aware of the risks associated with investing in the stock market. Therefore, they diversify their investments both within the financial market and outside the financial market (by investing in real estates or gold). They invest on the stock exchange both directly and indirectly, with the help of investment funds.

Simultaneously, these investors keep cash in bank deposits, they can use it in the event of potential investment opportunities, while securing their financial needs in the event of incurring losses on investments in the stock market. This confirms the cognitive value of the opinions expressed by the surveyed group of investors.

4.2 Survey Results Concerning Factors Influencing Investment Decisions

In order to determine the level of importance of selected factors in the investment decision-making process, investors were asked to assign weight to individual elements. The obtained results are summarized in Table 1. The results marked in gray are those that do not differ by more than 3 percentage points for both years analyzed. The difference at this level can be considered insignificant. What is most notable, is the fact that despite the 4 years difference, both surveys provide very similar results. Therefore we can assume that the importance of analyzed factors are representative for that group of investors.
Moreover, it should be emphasized that among the analyzed 9 factors, the financial result factor clearly dominates (84%-87% of responses as important). At the same time, only 4% of investors indicated this element as irrelevant.

However, after closer analysis, it should be commented that these investors declared to invest only when using technical analysis. Therefore, such answer should not be surprising. It is also worth noting the great importance attached to strategy quality – as much as 71% vs. 5% in the 2024 study. At the same time, the importance of this factor increased by 5 percentage points compared to the 2020 study.

To sum up, it can be stated that out of 9 analyzed factors, financial result level and strategy quality are the most influencing factors implicating investment decisions of individual investors.

It also cannot be ignored that the only factor, importance of which has been established at the other extreme is CSR. This factor is only important to 14% and not important to 56% of respondents in the 2024 study. At the same time, the importance of this factor has clearly decreased compared to the 2020 study (respectively, a decrease from 25% to 14% as an important element vs. an increase from 44% to 56% as an insignificant element). Hence, conclusion can be formulated that CSR for individual investors is definitely not the crucial factor influencing their investment decisions.

For better visualization of the analyzed issue, let's decompose the obtained results after excluding "neutral" answer and combine answers "agree" and "strongly agree" (as total yes) vs "disagree" and "strongly disagree" (as total no). Hence, the difference in the non-importance of CSR compared to other factors is clearly visible. At the same time, the least negative responses were recorded in the case of financial results level and quality of strategy.

Table 1. *Range of answers to the question: 'What factors determine whether you invest in a given company?'*

Specification	strongly disagree	disagree	neutral	agree	strogly agree	total yes	total no
financial result level	2 (2)	2 (2)	12 (9)	35 (35)	49 (52)	84 (87)	4 (4)
quality of reports	4 (4)	7 (6)	27 (27)	41 (36)	21 (27)	62 (63)	11 (10)
quality of strategy	2 (2)	3 (8)	24 (24)	41 (41)	30 (25)	71 (66)	5 (10)
brand/prestige	6 (6)	16 (14)	34 (31)	27 (35)	17 (14)	44 (49)	22 (20)
dividend level	7 (6)	12 (11)	25 (20)	31 (33)	25 (30)	56 (63)	19 (17)
management board stability	6 (2)	10 (6)	24 (25)	30 (44)	30 (23)	60 (67)	16 (8)
sector in which company operates	4 (3)	10 (10)	21 (20)	32 (41)	33 (26)	65 (67)	14 (13)
corporate social responsibility (CSR)	31 (16)	25 (28)	30 (31)	9 (20)	5 (5)	14 (25)	56 (44)
communication policy (IR quality)	4 (4)	6 (7)	29 (25)	38 (37)	23 (27)	61 (64)	10 (11)

Note: *- data in brackets refer to the results obtained in the survey in 2020. - gray color indicates the results that do not differ from each other within +/- 3% in both studies.*
Source: *Own survey.*

Table 2, in turn, contains a cross-table presenting the number of years of investors' investment and the impact of the CSR factor on made investment decisions. As it can be seen, the impact of the importance of the CSR factor decreases with the investor's investment experience measured by the number of years of investing.

Table 2. *Cross-table for experience of investing * CSR impact on investment decisions (number of indications).*

Specification		What factors determine whether you invest in a given company? CSR factor					Total
		no	rather no	no significance	rather yes	yes	
Number of years of investing experience	up to 1 year	0	3	1	1	1	6
	1-3 years	6	10	13	0	1	30
	4-5 years	20	12	16	3	4	55
	6-10 years	11	18	11	2	2	44
	over 10 years	44	22	37	17	5	125
Total		81	65	78	23	13	260

Source: *Own survey in 2024.*

At the same time, respondents were allowed to indicate in an open question other factors that were important to them when deciding to invest in a given company. Some respondents provided open-text response. In particular, investors also mentioned the following issues:

- current price level,
- company potential/long-term competitive advantages,
- shareholding structure,
- loyalty program offered for shareholders,
- regularity of dividend payments,
- historical share price stability,
- personal opportunity to meet with the management board,
- recommendations.

Table 3 in the end of document summarizes the statistical analysis of the relationship between factors influencing investment decision using the Spearman's Rho. The occurrence of statistically significant correlation is marked in gray. In particular, it should be noted that for the years of investing, only disinvestment due to poor CSR is stasistically significant.

4.3 Survey Results Concerning Sustainable Investing

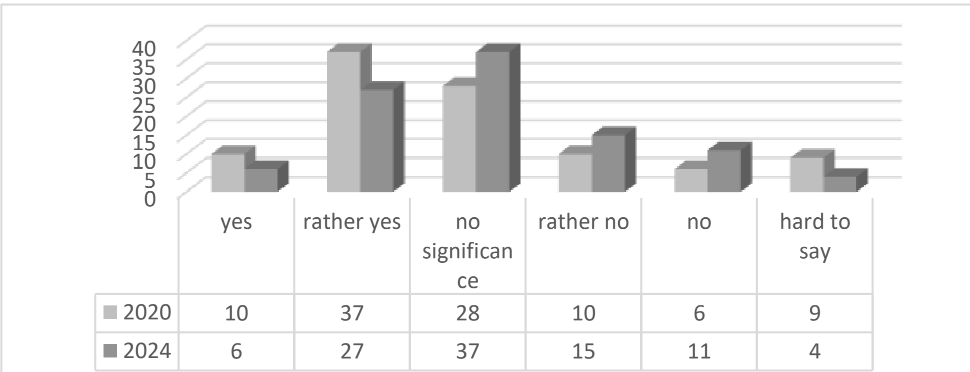
The results presented in the previous section indicate that CSR does not play a major role in investment decisions. This part presents the results of two subsequent questions that were directly dedicated to CSR issues. As presented below, the results obtained are not compatible with those previously indicated.

They show that individual investors pay attention to responsible development issues in the process of making investment decisions, although this is not a significantly important factor for them. This may result due to the survey construction and background effect. When CSR is put in the same basket with classic factors, it's significance is visibly lower. Otherwise, when question only concentrate of CSR, it's signifance visibly increases. It can be assumed that the structure of the question also influenced this different results.

The results obtained in this study show that individual investors still pay attention to the issues of CSR in the process of making investment decisions (Figure 3). Approximately, 33% respondents in 2024 and 47% in 2020 declared such impact. However, what is noteworthy here, is a clear decline in the importance of CSR over time. Compared to the previous section, where only 14% of investors declared a positive impact (and 25% in 2020), the result is twice as high.

At the same time, declarations about the lack of influence of CSR on investment decisions have also decreased significantly compared to the previous section (Table 1), where 56% of respondents in 2024 and 44% in 2020 declared its lack of importance. Meanwhile, in the analyzed question, the negative percentage of indications decreased to 26% in 2024 and 16% in 2020. This is also a two-fold decrease. And, as before, there was an increase in negative responses over time.

Figure 3. *Range of answers to the question: 'Does the company's compliance with the principles of Corporate Social Responsibility has positive impact on your investment decisions?' (%)*

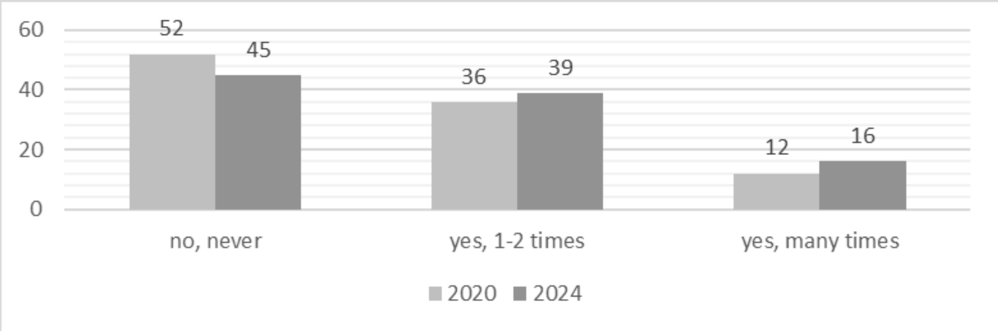


Source: *Own survey.*

The result of 33% should be interpreted as not satisfactory. It means that one third of investors confirm the CSR impact on their investment decisions. It should be expected that along with the increase in the number of years of investing on the stock exchange, the CSR impact on their investment decisions also increases.

Nevertheless, rho Spearman correlation did not confirm such statistically significant correlation (p = 0.187). Respondents were also asked if they had ever given up their investment due to non-financial factors like companies unethical or non-ecological practicies. The obtained results are shown in Figure 4.

Figure 4. *Range of answers to the question: 'Have you ever given up an investment due to unethical/non-ecological companies practices?' (%)*



Source: *Own survey.*

It should be noted that the decision to abandon the investment was made by as many as 48% of investors (in 2020) and 55% (in 2024). This indicates the inclusion of individual non-financial preferences in investment decisions. Hence, it can be concluded that lack of consent to specific activities of companies in the field of CSR, results in making a decision to abandon the investment by individual investors. It is also worth emphasizing the increasing number of indications of abandoning investments over time.

These decisions of disinvestment due to non-CSR companies practices are associated with the numbers years of investment (this relationship is statistically significant with Spearman's rho = 0.138, significance = 0.027 lower than 0.05; (see Table 3).

Thus, the obtained results confirm that Polish individual investors take into consideration corporate social responsibility during investment decision process through negative screening.

Nevertheless, the current level of CSR consideration should be assessed as relatively low. This is in sharp contrast to global promotional and legal efforts to enforce specific CSR actions. It should be clearly emphasized that in the modern economy, terms such as sustainable development and corporate social responsibility are very often used. Meanwhile, despite such intensive activities, the achieved effect is relatively mediocre.

5. Conclusions

So far, not many studies have been conducted on the direct social acceptance of activities aimed at transforming modern economy towards sustainability in individual investors society.

As the research presented in the paper shows, the individual investors community is aware of corporate social responsibility factor influencing modern business activity.

However, this does not significantly translate into their individual investment decisions. When considering the CSR factor against other classic factors influencing investment decisions, it is perceived as the least significant. In a study conducted in 2024, only 5% recognized CSR as a factor significantly influencing their investment decisions, and 9% considered it important. At the same time, 31% of individual investors considered the CSR factor to be unimportant and 25% to be of little importance.

Individual investors also indicated that the company's compliance with CSR principles does not significantly influence their investment decisions. In the 2024 study, only 6% of individual investors declared such significant positive impact, while 27% declared a minor impact.

However, individual investors are beginning to take negative approach screening into account in their investment decisions. Over half of them declared that they had already withdrawn from investments due to unethical or non-ecological behavior of the company. In the 2024 study, 39% of investors declared that they had withdrawn from investments 1-2 times for such reasons, while 16% declared multiple (at least 3) disinvestments.

It can therefore be concluded that the CSR factor already has some influence on investment decisions made by Polish individual investors, although this influence is currently not strong.

The findings provide insights for both theoretical and practical application in understanding investors behavior. Discussing the factors that influence investment decision-making can help various parties understand investors' investment decision-making preferences.

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Table 3. *Correlation between different factors influencing decision of investment measured by Spearman's Rho.*

Specification		1	2	3	4	brand	6	7	sector	CSR	IR	11	12
1. experience	Rho	1	-,040	,052	,029	,056	-,029	,037	-,039	-,016	,000	,083	,138*
	sig.	.	,526	,426	,657	,392	,649	,574	,542	,812	,998	,187	,027
2. financial results	Rho	-,040	1	,327**	,252**	,039	,082	,232**	,005	-,007	,172**	,044	,022
	sig.	,526	.	<,001	<,001	,543	,198	<,001	,943	,916	,007	,480	,729
3. quality of reports	Rho	,052	,327**	1	,519**	,137*	,118	,425**	,112	,278**	,556**	,175**	,100
	sig.	,426	<,001	.	<,001	,034	,065	<,001	,082	<,001	<,001	,006	,118
4. quality of strategy	Rho	,029	,252**	,519**	1	,308**	,037	,452**	,159*	,183**	,391**	,065	,130*
	sig.	,657	<,001	<,001	.	<,001	,561	<,001	,013	,005	<,001	,311	,040
5. brand/prestige	Rho	,056	,039	,137*	,308**	1	,263**	,186**	,332**	,232**	,253**	,141*	-,001
	sig.	,392	,543	,034	<,001	.	<,001	,004	<,001	<,001	<,001	,027	,982
6. dividend level	Rho	-,029	,082	,118	,037	,263**	1	,135*	-,019	,163*	,185**	,111	-,087
	sig.	,649	,198	,065	,561	<,001	.	,036	,768	,012	,004	,080	,171
7. management board stability	Rho	,037	,232**	,425**	,452**	,186**	,135*	1	,064	,224**	,438**	,110	,211**
	sig.	,574	<,001	<,001	<,001	,004	,036	.	,322	<,001	<,001	,086	<,001
8. sector in which company operates	Rho	-,039	,005	,112	,159*	,332**	-,019	,064	1	,210**	,163*	,092	,004
	sig.	,542	,943	,082	,013	<,001	,768	,322	.	,001	,011	,151	,954
9. CSR	Rho	-,016	-,007	,278**	,183**	,232**	,163*	,224**	,210**	1,000	,262**	,551**	,311**
	sig.	,812	,916	<,001	,005	<,001	,012	<,001	,001	.	<,001	<,001	<,001
10. communication (IR quality)	Rho	,000	,172**	,556**	,391**	,253**	,185**	,438**	,163*	,262**	1	,107	,073
	sig.	,998	,007	<,001	<,001	<,001	,004	<,001	,011	<,001	.	,095	,255
11. CSR positive impact on investment decisions	Rho	,083	,044	,175**	,065	,141*	,111	,110	,092	,551**	,107	1	,382**
	sig.	,187	,480	,006	,311	,027	,080	,086	,151	<,001	,095	.	<,001
12. disinvestment due to poor CSR	Rho	,138*	,022	,100	,130*	-,001	-,087	,211**	,004	,311**	,073	,382**	1
	sig.	,027	,729	,118	,040	,982	,171	<,001	,954	<,001	,255	<,001	.
** Significant at 0.01.													
* Significant at 0.05.													

Source: *Own survey (2024).*