The impact of financial analysts’ spirituality on their socially responsible investing decisions: a mediating role of social consciousness

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Abstract

Purpose – This paper aims to contribute to the social aspect of corporate social responsibility literature by examining the influence of financial analysts’ spirituality on their socially responsible investing (SRI) decisions relating to a profitable organization, which is alleged by the media to employ children as laborers in hazardous works in Pakistan. This study also investigates whether analysts’ social consciousness mediates between their spirituality and investing decisions.

Design/methodology/approach – A scenario-based survey was administered to 124 financial analysts at leading financial institutions in Pakistan. Data were analyzed using regression, analysis of variance and mediation analysis on SPSS 26.

Findings – The findings demonstrate that financial analysts’ spirituality negatively influences their SRI decisions to invest in a profitable organization, which is alleged to employ children in hazardous work that may harm them physically and psychologically. The findings also express that analysts’ social consciousness intervenes in the association between analysts’ spirituality and SRI decisions.

Practical implications – The findings of this study may interest regulators, multinational firms and researchers in recognizing the importance of individuals’ values for increasing socially responsible investments and addressing social issues such as the exploitation of children.

Declarations of interest: All authors declare that they have no conflict of interest.

Funding: This research did not receive any specific grants from funding agencies in the public, commercial or not-for-profit sectors.

Ethical approval: All procedures performed in this study involving human participants were in accordance with the ethical standards of our respective institution.

Informed consent: Informed consent was obtained from all individual participants included in the study.
Social implications – This study encourages firms to recognize the importance of spiritual and socially conscious corporate conviction while designing strategies and policies. For example, the financial industry may incorporate fundamental personal values such as stewardship, dignity and fairness into its investment plans.

Originality/value – This study provides rigorous insights and contributes to contemporary studies by providing empirical evidence that individuals’ intrinsic values and consciousness drive their judgments.

Keywords Spirituality, Socially responsible investment decisions, Social consciousness, Child labor, Financial analysts, Pakistan

Paper type Research paper

1. Introduction

Socially responsible investing (SRI) refers to value-based investing practices that incorporate environmental, social and ethical considerations into investment decisions to avert investing in corporations that may have catastrophic effects on the environment and society (Trinks and Scholtens, 2017; Cruz et al., 2020; Shahid et al., 2022). Investors may consider not only firms’ financial performance but also the social and environmental goals of corporate social responsibility (CSR) practices when making their investment decisions (Benson et al., 2006; Scholtens and Sievänen, 2013; Miralles-Quiros et al., 2017). SRI decisions require financial analysts to consciously scrutinize investment projects, specifically considering intrinsic value-based social objectives and financial targets (Cruz et al., 2020; Nath, 2021). Riedl and Smeets (2017, p. 2508) suggest that “intrinsic social preferences play a dominant role” and call for further examination of individuals’ values that may influence their broader SRI decisions. Importantly, decisions for selecting appropriate investment options depend on individuals’ considerations of society (Scholtens and Sievänen, 2013; Van Dooren and Galema, 2018; Cruz et al., 2020). Socially responsible individuals also ensure that investment meets specific social, moral and ethical criteria (Trinks and Scholtens, 2017; Apostolakis et al., 2018; Cruz et al., 2020). Studies have extensively examined several factors associated with SRI decisions (Dilla et al., 2019; Hernaus, 2019; Cruz et al., 2020; Shahid et al., 2022). For example, Dilla et al. (2019) find that investors’ tendency to hold their investment in socially responsible funds depends on the association between firms’ environmental performance and financial returns. Furthermore, Hernaus (2019) reports a positive relationship between firms’ SRI strategies and financial returns.

However, prior studies have largely ignored to examine whether and how individuals’ spirituality may influence their SRI decisions. This study contributes to the CSR literature by examining the influence of financial analysts’ intrinsic spirituality on their SRI decisions relating to a profitable organization, which is alleged by the media to employ children as laborers in hazardous works in Pakistan. This study also examines whether individuals’ social consciousness mediates the relationship between spirituality and SRI decisions. Spirituality is referred to as “the personal relationship or experience with God or the divine that informs an individual’s existence and shapes their meaning, purpose and mission in daily life” (Roof, 2015, p. 588). Spirituality, as an intrinsic ethical value, promotes the quest for purpose in life, connection with divine truths, connection with humanity and focuses on giving back to communities and stakeholders (Lata and Chaudhary, 2020; Obregon et al., 2022). In contrast, social consciousness is defined as the “level at which one is aware of how others influence him or her and how his or her actions may affect others” (Schlitz et al., 2010, p. 21). Both concepts are intertwined because individuals’ spirituality develops the ethical foundation of their social consciousness.

Prior literature has extensively examined the governance and environmental aspects of CSR (Morris et al., 2023; Al-Mawali, 2023; Guo et al., 2023). However, social aspects of CSR
have been mainly ignored, and there have been calls in the literature for further examination (Bradley and Botchway, 2018; Zeng et al., 2022; Mooneeapen et al., 2022). This study responds to these calls by examining financial analysts’ decisions to invest in a profitable organization that is accused of employing children for hazardous work. Given the increased industrialization, the employment of children has been the subject of regulatory and societal concerns and has received attention from the International Labour Organization (ILO) and the United Nations Commission for Human Rights (Chachar and Mian, 2022; Tribune, 2022; Aman et al., 2023). Importantly, United Nations Sustainable Development Goal Target 8.7 calls on the world to “take immediate and effective measures to eradicate forced labor, end modern slavery and human trafficking and secure the prohibition and elimination of the worst forms of child labor, including recruitment and use of child soldiers, and by 2025 end child labor in all its forms” [United Nations (UN), 2015 p. 20]. According to an estimation by the ILO, out of the 246 million child laborers, 179 million are employed in hazardous work worldwide (United States Department of Labor, 2017; Dawn, 2022; Tribune, 2022). The child labor problem is particularly severe in the Asia-Pacific region, where on average, 19% of children aged 5–14 are economically active (ILO, 2019; Dawn, 2022). Pakistan is an appropriate setting for this study because, according to the Global Slavery Index (2018), the country ranks eighth among 193 countries in the pervasiveness of child labor and employs approximately 19 million children, as estimated by ILO [1]. Pakistan has made legislation for firms both at the federal and provincial levels to prohibit the employment of children under 18 for hazardous work (Kanwal et al., 2019; Tribune, 2022). Regrettably, by violating these laws, firms continuously employ children as laborers under hazardous conditions at their manufacturing sites (Kanwal et al., 2019; Dawn, 2022; Tribune, 2022).

Prior literature has focused mainly on the responsibilities of multinational corporations in dealing with the employment of child labor (Winstanley et al., 2002; Crane and Kazmi, 2010). Global agencies, governments, regulators, activist groups and researchers have called for more research to examine the exploitation of child labor (Siddiqui and Uddin, 2016; Christ et al., 2019; Kreander and McPhail, 2019). However, despite its deep entrenchment in global and national economies and societies in emerging countries, little research attention has been given to examining how professionals may respond to the dilemma of employing child labor (Beaulieu and Pakrashi, 2013; Shahid, 2021; Aman et al., 2023). Responding to these calls, this study examines whether financial analysts’ spirituality and SRI decisions could be harnessed as a moral foundation to tackle the employment of child labor in industries for hazardous work that may physically and psychologically harm them.

The construct of individuals’ spirituality has received research attention in recent years (Asutay et al., 2021; Obregon et al., 2022). As discussed earlier, spirituality is the connection between individuals and God, which shapes the purpose of life. This relationship manifests individuals’ religious practices and philosophical beliefs about intellectual claims (Astrow et al., 2001; Korac-Kakabadse et al., 2002). Evidence shows that spirituality is a vital source of fundamental ethical and moral values and significantly influences business professionals’ decision-making by considering the concerns of diversified stakeholders (Suriyankietkaew and Kantamara, 2019; Asutay et al., 2021). McCuddy and Pirie (2007) suggest that the combination of spirituality and financial decision-making is vital for the success of businesses. Given that spirituality is about belongingness to society, the individual dynamics of spirituality in the globalized business environment are very critical (Biebman and Tischier, 2008; Karakas and Sarigollu, 2019). Importantly, the research on individuals’ spirituality is in its formative stages and requires extensive inclusion in the established research streams (Lata and Chaudhary, 2020). There have been calls in the literature for empirical research to elucidate the dynamics and effects of individuals’ spirituality
Responding to these calls, this study further unpacks the black box of spirituality. Social consciousness plays a fundamental role in the development of society (Schlitz et al., 2010). Social consciousness is individuals’ awareness of their society, including their political outlooks (Westheimer and Kahne, 2004), economic development (Blackburn, 2012) and CSR (Schlitz et al., 2010). Professionals’ social consciousness enables them to understand how their actions and behaviors may influence others and how others affect them (Schlitz et al., 2010). Studies suggest that individuals’ intrinsic beliefs and values develop a sense of social responsibility and strengthen their social consciousness (Berman, 1997; Du et al., 2014), which may help them make SRI decisions. Prior literature suggests that individuals, driven by their values, are more conscious of society and the environment, likely to be more concerned about corporate performance and believe in their potential to bring about change (Tregidga, Kearins and Collins, 2019). Studies report that individuals’ perceived social consciousness plays an intervening role in their perceptions, attitudes and ethical decision-making (Walker and Kent, 2013; Marques, 2017; Salmones et al., 2020). Therefore, current research extends this stream of research and further explores whether analysts' social consciousness mediates the association between their spirituality and SRI decision-making patterns.

Financial analysts face challenging financial and social environments and therefore require individual-, organizational- and national-level endeavors to improve their professional decision-making (Cruz et al., 2020). These professionals often experience a lack of purpose in their lives, isolation from social circles and perceive their work, family life and faith as separate compartments (Cavanagh and Bandsuch, 2002; Atif and Zubairi, 2020; Asutay et al., 2021). Evidence shows that these professionals consider their spirituality and motivations as a guide for ethical and moral conduct to improve their socially responsible decision-making (Astrachan et al., 2020; Asutay et al., 2021; Obregon et al., 2022). Given the increased globalization and turbulent societal and political landscape, the dynamic and unpredictable business environment has underscored the criticality of promoting professionals’ spiritual values that encourage collective well-being and foster socially responsible behaviors within society. Importantly, these professionals “may have divergent beliefs concerning the relevance and financial implications” of CSR engagements (Hinze and Sump, 2019, p. 147). Additionally, Hinze and Sump (2019, p. 148) call for survey-based empirical research to highlight “the role of individual characteristics” in examining how financial analysts process CSR information for their decision-making. This study contributes to the literature by providing insights into financial analysts’ SRI decision-making relating to the continuous employment of child labor in firms.

The findings of this study establish that analysts’ spirituality is negatively associated with their SRI decisions. Consistently, the results also report that analysts who score higher on the spirituality scale are reluctant to invest in this firm. We adopted the simple mediation model to analyze the potential mediation path, which has also been used in recent investment behavioral research (Phang and Hoang, 2021). The results demonstrate that analysts’ social consciousness mediates the relationship between their spirituality and investing decisions. This study has significant implications for the financial industry, firms, regulators, global agencies and researchers for harnessing professionals’ spirituality and consciousness into strategic decision-making.

The paper is structured as follows. Section 2 provides literature, develops theories and hypotheses. Section 3 provides the methodology, and Section 4 describes the outcomes. Section 5 provides a conclusion, including implications, limitations and future directions.
2. Literature review and hypotheses development

2.1 Spirituality and socially responsible investing decisions

This study applies social cognitive theory to develop the theoretical framework. Importantly, social cognitive theory estimates “the ability of an individual to engage in a targeted behavior, based on internal and external parameters and their interrelationships” (Martin et al., 2014, p. 2). These internal and external cues influence subjects’ behavior, such as engaging in prosocial behaviors and making decisions that are considered ethical (Otaye-Ebede et al., 2020). Based on social cognitive theory, Wood and Bandura (1989) consistently propose that an individual’s beliefs, such as spirituality, provide a foundation for ethical and moral conduct and motivate individuals to engage in behaviors that are beneficial for the well-being of society. Furthermore, prior studies suggest that individuals’ spirituality develops a web of moral values that activates their moral imagination and provides a foundation for their moral judgment, enabling them to strive for moral excellence (Gull and Doh, 2004; McGhee and Grant, 2017).

Individuals guided by spirituality demonstrate ethical behaviors and are more likely to be loyal and honest, have integrity and consider societal well-being (Hartman, 1998). Spirituality also induces a sense of purpose and adds sacredness and importance to personal and economic activities (Mitroff and Denton, 1999). Roof (2015, p. 587) suggests that spirituality also “offers one the hope of making a difference, not just a living.” Evidence shows that subjects’ spirituality plays a significant role in shaping positive perceptions (Shuck et al., 2011), reducing deviant behavior (Ahmad and Omar, 2014), increasing organizational commitment and job satisfaction (Asutay et al., 2021), making ethical business decisions (Anderson and Burchell, 2021) and promoting sustainable and ethical behavior (Astrachan et al., 2020). Prior studies suggest that spiritual individuals are more humanist, concerned about perceiving the differences between right and wrong (Giacalone and Jurkiewicz, 2003) and highly engaged in prosocial behaviors (Ghumman et al., 2016).

A few studies suggest that spirituality also develops a sense of business ethics by framing guidelines for appropriate and responsible behavior (Giacalone and Jurkiewicz, 2003; Rahmawati et al., 2019; Ghosh and Mukherjee, 2020). Scholars suggest that the connection between spirituality and ethics moves beyond self-interests, as individuals seriously consider the impact of their actions on other people, prompting more ethical conduct (Knights and O’Leary, 2006; Driscoll and McKee, 2007). Fry (2005) reports that spirituality promotes a sense of social responsibility for communal well-being. Furthermore, Giacalone and Jurkiewicz (2003, p. 85) provide evidence that spiritual individuals are more likely to recognize “a questionable business practice as ethical or unethical.” Vitell et al. (2005) state that highly spiritual individuals consider ethics important in their lives. Therefore, these individuals are ethically more conscious and less likely to consider financial gains that go against moral and ethical standards.

As discussed earlier, SRI decision-making focuses on ethical considerations and investors’ intrinsic values. Prior studies suggest that subjects with higher ethical inclinations may align investment options with their moral values (Scholtens and Sievänen, 2013; Kolbel et al., 2020; Nath, 2021). Importantly, socially responsible individuals consciously adopt investing patterns that support social changes, discourage social injustice and encourage firms to create positive environmental and social impact (Scholtens and Sievänen, 2013; Kolbel et al., 2020; Nath, 2021). Indeed, SRI stresses that organizations’ investment returns should be triggered by their ethical and moral responsibilities (Richardson and Cragg, 2010; Dawkins, 2018). Studies also suggest that organizations should manage their businesses by creating a balance among the planet, people and profit (Boatright, 2013; Dawkins, 2018). As discussed earlier, financial analysts’ SRI decisions are examined in the social context of firms’
employment of child labor for hazardous work. This study suggests that analysts scoring higher on the spirituality scale are likely to be more concerned about society and, hence, less tolerant toward firms’ employment of children for hazardous works that may harm them physically and psychologically. Therefore, this study suggests the following hypothesis:

H1. Analysts’ spirituality is negatively associated with their investing decisions.

2.2 Mediating role of analysts’ social consciousness

Spirituality helps people communicate purpose and meaning in social, personal and professional life and establish a consciousness of community that exceeds their economic self-interests (Ashmos and Duchon, 2000). Evidence suggests that individuals’ deeply held personal values, such as spirituality and religiosity, make them concerned about society, the environment and overall communal well-being (Fry, 2005; Du et al., 2014). Consistently, Ladhari and Tchetgna (2017) state that socially conscious individuals are more concerned about the well-being of fellow humans and the socio-economic progression of their society. As discussed earlier, individuals’ spirituality focuses on broader societal well-being and guides their behaviors and decision-making patterns. Consistently, social consciousness strengthens individuals’ awareness and understanding of societal challenges and ethical underpinnings. This study suggests that both spirituality and social consciousness are intertwined, and provide the moral and ethical basis for making decisions. Therefore, we suggest that there is a positive relationship between individuals’ spirituality and social consciousness. Based on these reasons, we develop the following hypothesis:

H2a. Analysts’ spirituality has a significant positive impact on their perceived social consciousness.

Social consciousness has been recognized as an explanatory factor in understanding how professionals evaluate social aspects of corporate information (Ladhari and Tchetgna, 2017; Marques, 2017; Saloneses et al., 2020). Studies suggest that when making ethical decisions, socially conscious individuals are likely to be aware of firms’ social practices and influence firms to bring about social change (Walker and Kent, 2013; Tregidga et al., 2019). Additionally, Trundle (2011) provides evidence that individuals’ social consciousness is likely to significantly impact corporate social activities, resulting in firms’ philanthropic initiatives for the well-being of diverse stakeholders. Furthermore, Martin et al. (2021) provide evidence that socially conscious individuals prefer investment projects that are beneficial for the social and economic development of their communities. This study suggests that socially conscious analysts are less likely to invest in a highly profitable firm that is alleged to employ children for hazardous work. Based on these arguments, the following hypothesis is developed (Figure 1):

H2b. Analyst’s social consciousness has a significant negative impact on their socially responsible investing decisions.

3. Method

The research instrument was administered to 150 analysts at leading financial institutions in Pakistan. Specifically, we selected those analysts who met a specific criterion; they had at least five years of professional and four years of investment experience. These analysts play
an influential role in the economic development of the country by facilitating the mobilization of domestic and international SRI investment, thus promoting financial stability.

The research instrument was largely pilot-tested to improve the readability and clarity of the information provided [2]. The research instrument accompanied a cover letter to provide guidelines to participants for completing the survey. The research instrument contained the following components:

- a scenario that provided information about a profitable firm faced with media allegations of employing child labor for hazardous work and questions to capture participants’ SRI decisions;
- a set of questions to measure participants’ spirituality; and
- questions to capture participants’ social consciousness and their demographic details.

The scenario is adapted from Shahid et al. (2022) [3]. Specifically, the scenario included information about a firm having increased profitability and financial performance over the past five years. However, a well-reputed news agency in the country claimed that the firm employs child labor for hazardous work at one of its production units [4]. After providing the information, participants were asked two questions about their likely SRI decisions. Importantly, we measure these decisions for both short-term and long-term gains. Specifically, participants were asked, “How much more or less likely would you be to invest in the company for short-term/long-term gains?” on a seven-point Likert scale anchored by 1 (much less likely) and 7 (much more likely).

Section 2 of the research instrument contains components to capture their demographic data, which specifically includes gender, age, professional/job experience and experience in trading stocks. The last component of the research instrument included a Daily Spiritual Experience Scale (DSES) to measure participants’ spirituality, developed by Underwood (2011). The scale has been largely validated by various researchers in different contexts, such as the USA (Roof, 2015), China (Lo et al., 2016) and Pakistan (Ahmad and Mushtaq, 2019). The scale comprises 16 items and measures subjects’ spirituality on a seven-point Likert scale with anchors of 1 (strongly disagree) to 7 (strongly agree).

In the last section of the research instrument, a single-item scale was also added to measure subjects’ perceived social consciousness. Specifically, this measure was adopted from Lichtenstein et al. (2004) and further validated in the USA (Walker and Kent, 2013) and Spain (Salmones et al., 2020). Subjects were instructed to evaluate the statement “I consider myself to be a socially conscious person” on a seven-point Likert scale with anchors of 1 (least conscious) to 7 (most conscious). This section also collected analysts’ demographic information, such as gender, age, professional/job experience and stock trading experience.

**Figure 1.**
Proposed theoretical model

Source: Figure by the authors
Managers of financial institutions were contacted to get approval for conducting this study at their respective institutions. After getting approval, the lead researcher gave managers sealed envelopes, including a cover letter and research instruments. Specifically, the managers were requested to administer these envelopes to financial analysts by carefully considering the selection criteria. The researcher collected these envelopes containing completed instruments later.

4. Data analysis
4.1 Descriptive statistics
The research instruments were administered to 150 financial analysts. Of these, 26 were eliminated for providing incomplete responses, leaving a final sample of 124 analysts and a response rate of 82%. The results show that 50.8% of the respondents were male, and 92% were aged between 33 and 36. Additionally, all analysts had an average of five years of professional experience and four years of experience in trading stocks. We also controlled these demographic variables in our analysis. Despite the inclusion of controlled variables, our results remain unchanged (Table 1).

Cronbach’s alpha was used to test the reliability of the spirituality scale. In this study, the alpha value for spirituality is 0.883, which is consistent and comparable with previous studies, such as 0.890 in Underwood (2011). Table 2 summarizes descriptive statistics and zero-order correlations for subjects’ spirituality, social consciousness, SRI decisions and controlled demographic variables. Specifically, analysts’ spirituality and social consciousness were negatively correlated with their SRI decisions. However, age, gender, work and investment experience did not significantly correlate with SRI decisions.

4.2 Hypothesis testing
Hypotheses were tested using continuous measures of spirituality, and short-term, long-term, and aggregate SRI decisions, which helped us fully confirm the results. To test H1, the direct

<table>
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<tr>
<th>Demographic variables</th>
<th>N</th>
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</tr>
<tr>
<td>Male</td>
<td>63</td>
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</tr>
<tr>
<td>Female</td>
<td>61</td>
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<tr>
<td>Age</td>
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<tr>
<td>33–36</td>
<td>115</td>
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<tr>
<td>37–40</td>
<td>9</td>
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<tr>
<td>Professional/job experience</td>
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<tr>
<td>5–7</td>
<td>88</td>
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<td>8–10</td>
<td>21</td>
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<td>11–13</td>
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<tr>
<td>Experience in buying and selling shares</td>
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<td>4–6</td>
<td>102</td>
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<tr>
<td>7–9</td>
<td>13</td>
<td>10.5</td>
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<td>10–12</td>
<td>9</td>
<td>7.3</td>
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**Table 1.** Demographic details

Source: Table by the authors
impact of analysts’ spirituality on their SRI decision, a simple regression was conducted. Table 3 shows that analysts’ spirituality negatively influences their decisions to invest in short-term ($\beta = -0.356; p < 0.001$), long-term ($\beta = -0.332; p < 0.001$), and aggregate ($\beta = -0.375; p < 0.001$) SRI decisions. These results provide evidence that analysts’ spirituality is negatively associated with SRI decisions. Hence, our $H1$ is supported, suggesting that spiritual individuals are less likely to invest in a highly profitable firm that is alleged to employ child laborers.

To test $H1$ using categorical spirituality data, we further conducted an analysis of variance (ANOVA). According to DSES, subjects’ spirituality scores were grouped into “high spirituality” and “low spirituality” groups based on their median values. Specifically, the median value for determining high or low spirituality scores was 5.06. Of the 124 subjects, 65 who scored greater than 5.06 were categorized as the “high spirituality” group, and 59 participants who scored less than 5.06 were codified as the “low spirituality” group. Panel A of Table 4 shows a significant difference between higher (mean = 5.64, SD = 0.473) and lower spirituality groups (mean = 4.31, SD = 0.472) with the value of $F = 240.96 (p < 0.001)$, as reported in Table 3.

ANOVA provides the pattern of analysts’ high (low) spirituality scores and investment decisions for both “short-term” and “long-term gains,” taken independently. Panel B of Table 4 shows a substantial variance between the mean values of spirituality and SRI decisions for both short- and long-term gains. Specifically, analysts who score high on spirituality are unwilling to invest in the organization for both short-term ($n = 65$, mean = 3.50) and long-term gains ($n = 65$, mean = 3.95), compared to those who score lower (short-term, mean = 4.42; long-term, mean = 5.01). These findings also support $H1$.

To test $H2a$ and $H2b$, we used the Baron and Kenny (1986) mediation method. Specifically, this method suggests that for establishing mediation, the independent variable

<table>
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<th>Variables</th>
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<th>SD</th>
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<th>4</th>
<th>5</th>
<th>6</th>
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<tr>
<td>1. SRI decisions</td>
<td>4.42</td>
<td>2.03</td>
<td>-0.375**</td>
<td>-0.289**</td>
<td>-0.036</td>
<td>0.103</td>
<td>-0.020</td>
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<td>5.03</td>
<td>0.81</td>
<td>-0.375**</td>
<td>-0.248**</td>
<td>0.896</td>
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<td>3. Social consciousness</td>
<td>5.02</td>
<td>1.73</td>
<td>-0.289**</td>
<td>-0.248**</td>
<td>-0.149</td>
<td>-0.167</td>
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<td>0.213*</td>
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<td>5. Age</td>
<td>1.07</td>
<td>0.26</td>
<td>0.103</td>
<td>-0.074</td>
<td>-0.167</td>
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<td>0.549**</td>
<td>0.579**</td>
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<td>6. Work experience</td>
<td>1.41</td>
<td>0.69</td>
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<td>0.211*</td>
<td>0.549**</td>
<td>0.407**</td>
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<td>7. Investment experience</td>
<td>1.25</td>
<td>0.57</td>
<td>0.105</td>
<td>0.048</td>
<td>0.091</td>
<td>0.579**</td>
<td>0.407**</td>
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Notes: $N = 124$; *$p < 0.05$; **$p < 0.01$

Source: Table by the authors

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<td>$R^2$</td>
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<tr>
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<td>$t$</td>
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<td>$\beta$</td>
<td>-0.332</td>
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</table>

Table 3
Impact of spirituality on SRI decisions

Source: Table by the authors
should have a significant impact on the mediating variable. Consistently, the mediating variable must significantly influence the dependent variable. We found that analysts’ spirituality is positively related to their social consciousness ($0.581$, $p < 0.01$). However, investor’s social consciousness is negatively related to their SRI decisions ($−0.821$, $p < 0.01$). These results suggest that the relationship between investors’ spirituality and SRI decisions is mediated by their social consciousness.

We also used the SPSS PROCESS macro after satisfying the statistical assumptions of Hayes et al. (2017) to examine whether and how analysts’ spirituality influences their SRI decisions through social consciousness. We used PROCESS for data analysis because it does not rely on the normality of the sampling distribution and produces more accurate results (Hayes et al., 2017). Additionally, it also allows for conducting rigorous mediation and moderation analyses. As discussed earlier, we controlled for gender, age, work experience and investment experience. However, the inclusion of these variables did not change our mediation results.

Specifically, we conducted a simple mediation analysis in PROCESS (Model 4). In Table 5, our results show that social consciousness partially mediates the association between analysts’ spirituality and their investing decisions (indirect effect $= −0.2379$, SE $= 0.1252$, 95% CI $[−0.0332, −0.5208]$). However, the total effect is significant (total effect $= −1.7263$, SE $= 0.3861$, 95% CI $[−0.9619, −2.4906]$). Similarly, the direct effect of analysts’ spirituality on their SRI decisions is also significant (direct effect $= −1.4884$, SE $= 0.3906$, 95% CI $[−0.7150, −2.2617]$). These results also support our $H2a$ and $H2b$.

### Table 4.
Categorization of spirituality and analysis of variance

<table>
<thead>
<tr>
<th>Spirituality</th>
<th>N</th>
<th>Mean</th>
<th>SD</th>
<th>Sum of squares</th>
<th>df</th>
<th>Mean square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>High</td>
<td>65</td>
<td>3.50</td>
<td>2.008</td>
<td>25.952</td>
<td>1</td>
<td>25.952</td>
<td>6.670</td>
<td>0.01</td>
</tr>
<tr>
<td>Low</td>
<td>59</td>
<td>4.42</td>
<td>1.931</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>total</td>
<td>124</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### Table 5.
Simple mediation analysis – PROCESS Model 4

<table>
<thead>
<tr>
<th>Effect</th>
<th>Bootstrapped SE</th>
<th>95% CI upper bound</th>
<th>95% CI lower bound</th>
</tr>
</thead>
<tbody>
<tr>
<td>Indirect effect</td>
<td>$−0.2379$</td>
<td>0.1252</td>
<td>$−0.0332$</td>
</tr>
<tr>
<td>Direct effect</td>
<td>$−1.4884$</td>
<td>0.3906</td>
<td>$−0.7150$</td>
</tr>
<tr>
<td>Total effect</td>
<td>$−1.7263$</td>
<td>0.3861</td>
<td>$−0.9619$</td>
</tr>
</tbody>
</table>

**Source:** Table by the authors
5. Conclusion

This paper develops an understanding of how finance professionals’ intrinsic spiritual values and social consciousness play an influential role in creating awareness for communal well-being, enhancing socially responsible behaviors and improving ethical decision-making. Specifically, this study finds that financial analysts’ spirituality is negatively associated with their decisions to invest in a profitable organization that is suspected of employing children for hazardous work. This research proposes that analysts’ fundamental spirituality promotes the quest for purpose in life, acts as a guide for their moral and ethical conduct, and, therefore, considers the collective welfare of the larger society. The results further demonstrate that analysts’ social consciousness partially mediates the association between their spirituality and SRI decisions. Our findings show that analysts, driven by their spiritual values and social consciousness, are more likely to consider children’s well-being. Therefore, they do not prefer to invest in the firm either for “short-term” or “long-term” gains, irrespective of the firm’s increasing profitability.

The findings of this study have both theoretical and practical implications. These findings provide rigorous insights for financial analysts screening investment projects, considering the social and environmental repercussions of corporate activities. This study is an attempt to make firms aware of the ubiquity of professionals’ spirituality in understanding their socially responsible decision-making patterns. It encourages these organizations to consider the broader well-being of diverse stakeholders. Addressing cognitive factors “might be relevant to better uncovering the black box of financial analysts’ decision-making process” and their evaluation of firms’ CSR engagements (Hinze and Sump, 2019, p. 148). Therefore, this study emphasizes encouraging a spiritual corporate conviction while designing strategies and policies. For example, the financial industry may incorporate fundamental SRI values such as stewardship, dignity and fairness into its corporate decisions to tackle controversial and important social challenges.

As such, SRI motivations are complicated; this study suggests that investing strategies must be holistic and multi-pronged and empower professionals with deeply entrenched spiritual values. The findings may also appeal to these conventional investors for supporting ethical corporate practices and holding firms answerable and accountable to diverse stakeholders, including society (Angelidis and Ibrahim, 2004).

This study also creates awareness to develop a sense of social consciousness among professionals about recognizing irresponsible corporate conduct and enhancing SRI. For example, the findings may also interest global bodies such as the United Nations Commission for Human Rights, the International Labour Organization, Global Reporting Initiatives and the International Integrated Reporting Council in further developing frameworks to report corporate social activities.

This study may also interest global firms and supply chains in understanding the factors that may discourage their employment of children as laborers. Consequently, firms could contribute to achieving the United Nations Sustainable Development Goal of eliminating the worst form of child labor at their production sites. For monitoring corporate social practices, firms may also consider appointing professionals who are more likely to consider societal well-being compared to individuals whose sole objective is to make financial gains.

This study has some limitations that offer avenues for further research. First, we used financial analysts with relevant professional and investment experience as subjects. Future studies may consider studying professional investors to provide rigorous insights into SRI decision-making. Second, a scenario-based survey design was adopted in this study. This research design provides reliable and valid results when appropriately implemented. This study addressed this limitation by accurately developing research instruments. However,
the scenario may not include the complex dynamics of firms’ financial and non-financial information that are necessary for investment judgment. Future studies may consider adopting mixed-research methods to achieve more comprehensive insights into the complexity associated with individuals’ personal and religious values and their financial decisions. Third, this study used a single-item scale to measure participants’ social consciousness. Future studies may use a multi-item scale to enhance its reliability and validity. Fourth, this study was conducted in Pakistan. Future research may consider conducting comparative studies of South Asian, Middle Eastern, European, African and Oceanian countries.

Notes
1. According to Pakistan Bureau of Statistics and Child Rights Movement of National Secretariat, approximately 12.5 million children, aged 4–14, are working under squalid conditions in factories (Dawn, 2022; Tribune, 2022; Chachar and Mian, 2022; Aman et al., 2023).

2. For pilot-testing, the research instrument was provided to accounting and finance academics, and financial analysts to improve its readability and understandability. They were interviewed for getting their rigorous insights. After getting their feedback, multiple editorial changes were mad. Afterwards, the research instrument was circulated to 15 financial analysts. These analysts were requested to complete the research instrument and comment on its clarity and relevance. After getting their feedback, minor changes were made, and the research instrument was circulated for final data collection.

3. Shahid et al. (2022) developed scenario about a hypothetical company which was highly profitable and financially progressing for the past three years. However, the company was alleged by a leading newspaper of the country for violating environmental law and discharging industrial waste without treatment into one of the rivers near its site. We adapted it as per our research objectives and added consistent information relating to social aspect of CSR, i.e. violating labour laws and employing children for hazardous works, as shown in the research instrument provided in Appendix A.

4. These allegations were raised by the leading news agency of Pakistan, which is renowned for its journalistic precision, honesty and reliability.

References


**Further reading**


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Appendix 1. Research instrument

Survey on Socially Responsible Investment Decisions in Pakistan.

Dear Participant,

My name is ____________ and I would like to invite you to participate in this survey. The purpose of this questionnaire is to examine various factors that are important in making socially responsible investment decisions in Pakistan.

The questionnaire consists of three parts and takes about 20 minutes to complete. Part one includes a scenario in which respondents are asked to provide their investment decisions. Part two collects demographic data and part three comprises questions about respondents’ attributes. Please answer all questions. Your responses are very important for the research, which will contribute to understanding your judgments.

Please note that participation in this survey is voluntary and questionnaires are anonymous. If you do not agree to participate, you can simply return the questionnaire. Completion and return of the questionnaire will denote your consent to participate. Any information you provide will be treated in strict confidence. The results of data analysis will be reported in aggregate form for research purposes only, and no attempt will be made to identify any individual or institution. Also, your responses to the survey will not be considered as being representative of any organizations. The results of the data analysis will be published as a separate journal article or conference paper. No individual will be identified in any publication of the results. Only the investigators will have access to the data. Participants may also request a summary of the results directly from me.

Thank you very much for your time and cooperation in this study. For further details of this study, please do not hesitate to contact us. Your assistance will be very important and valuable for the successful completion of this research.

Yours sincerely
Section 1: Relevant Information

Instructions:
Below is summary information about Anzeels Textile Mill Limited. Assume that you are interested in buying shares in Anzeels. You are required to consider the summary information provided below in answering eight questions related to your investment judgment. Note that the information provided below does not include all the information that would be available if you were evaluating the company in real practice. However, for the purpose of this study, make your judgments based only on the information provided below.

Summary information for Anzeels Textile Mill Limited

Anzeels Textile Mill Limited was established in 2000 and its shares are listed on the Pakistan Stock Exchange. The company is principally engaged in the manufacturing and sale of yarn, fabrics and garments products. The company has the most modern and organized textile production setups in Punjab and KPK and exports its products to more than ten destinations around the globe. More recently, the company has started the discussion with potential partners in Australia and plans to export garments products in the near future. During the last decade, the company has successfully increased its market share in the textile sector by continuously expanding its business and is beginning to enjoy a competitive advantage in the market.

Specifically, the last three years have been marked by significant expansions for the company which contributed to its further growth and development. During these years, compared to other textile companies, the company has performed better than the industry average. According to the audited financial report of the company for the year ended 30th June 2022, the total assets of the company has shown a steady increase of 43% from PKR 31,800 million in 2021 to PKR 45,532 million in 2022. Moreover, the net profit of the company has also increased by 88% from PKR 1,448 million in 2021 to PKR 2,721 million in 2022. Furthermore, during the financial year, the share price of the company has also increased 14% from PKR 742.1 to PKR 846.2, and as a result, the dividend payout increased 40% from PKR 100 per share in 2021 to PKR 140 in 2022, as well. Overall, financial indicators are positive and highly favourable.

However, a leading news agency, namely Dawn, has raised allegations that the company is not in compliance with labour laws set by the Government of Pakistan. The newspaper specifies that the company is violating labour laws by employing a significant number of children under the age of fourteen, at one of its manufacturing sites in KPK. The company has strongly denied and declared that these allegations are baseless. The company has further stated that it has an effective human resource department to monitor the activities of supervisors and workers at all manufacturing sites. Anzeels limited is also aware that any allegation of violating child labour regulations may lead to the cancellation of plans to export. Given the growing importance of child labour issues in Pakistan, these allegations may also influence local investors and other stakeholders of the company.

(continued)
Instructions: Assume that you are interested in buying shares in Anzeels. Based on the summary information provided, you are required to answer the following questions by encircling the relevant number on a scale of 1 to 7 provided below.

Questions

1. How much more or less likely would you be to invest in the company if you are primarily interested in short term gains?

   1  2  3  4  5  6  7
   Much less likely
   Much more likely

2. How much more or less likely would you be to invest in the company if you are primarily interested in long term gains?

   1  2  3  4  5  6  7
   Much less likely
   Much more likely

Section 2: Demographics

Please provide the following information about yourself by placing a cross (X) in the appropriate box or by providing relevant details.

<table>
<thead>
<tr>
<th>What is your gender?</th>
<th>□ Male</th>
<th>□ Female</th>
</tr>
</thead>
</table>
| What is your age?    | □ 29-32 | □ 33-36 | □ 37-40 | □ Other _______
| How many years of full-time work experience do you have? | □ 2-4 years | □ 5-7 years | □ 8-10 years | □ 11-13 years | □ Other_______ |
| How many years have you been buying /selling shares? | □ 1-3 years | □ 4-6 years | □ 7-9 years | □ 10-12 years | □ Other_______ |
| Anzeels textile mill limited has allegations of violating: | □ Environmental laws | □ Labour laws |
| The financial indicators of Anzeels textile mill limited are: | □ Favorable | □ Unfavourable |

(continued)
Section 3: Personal Values

Instructions: Please indicate how much you agree or disagree with each of the following statements by placing a cross (X) at the relevant number.

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<tbody>
<tr>
<td></td>
<td>Strongly Disagree</td>
<td>Disagree</td>
<td>Somewhat disagree</td>
<td>Neutral</td>
<td>Somewhat agree</td>
<td>Agree</td>
<td>Strongly agree</td>
</tr>
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<td>1</td>
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</tbody>
</table>

S1 I feel God’s presence.  
S2 I experience a connection to all of life.  
S3 During worship, or at other times when connecting with God, I feel joy which lifts me out of my daily concerns.  
S4 I find strength in my religion or spirituality.  
S5 I find comfort in my religion or spirituality.  
S6 I feel a deep inner peace or harmony.  
S7 I ask for God’s help in the midst of daily activities.  
S8 I feel guided by God in the midst of daily activities.  
S9 I feel God’s love for me, directly.  
S10 I feel God’s love for me, through others.  
S11 I am spiritually touched by the beauty of creation.  
S12 I feel thankful for my blessings.  
S13 I feel a selfless caring for others.  
S14 I accept others even when they do things I think are wrong.  
S15 I desire to be closer to God or in union with the divine.  
S16 In general, I feel closer to God.  
S17 I consider myself to be a socially conscious person.  

Thank you very much for your participation!

Thank you for taking the time to complete this survey. Your assistance is very important to the success of the project and is greatly appreciated. All answers will be treated in strict confidence. If there is anything else related to your investment judgments, or if there are any other comments you would like to make, please do so in the space provided.

Please make sure that you have answered all questions, otherwise, we will not be able to perform statistical analysis.

Thank you very much for your participation.