The Influence of ESG on Local Consumer Behaviour

by

Ainsley Mifsud

A dissertation submitted in partial fulfillment of the requirements of the Master of Science in Insurance and Risk Management at the University of Malta

September 2024

Abstract

The notion of Environmental, Social and Governance (ESG) has emerged as a fundamental component of modern business strategy. This research study seeks to examine how ESG factors impact consumer behaviour, shedding light on the shifting paradigms of commerce and consumption. The literature reviewed, particularly in respect to the consumer behaviour theory, was useful in understanding consumer behaviour from a theoretical perspective and outlined the different components that drive consumer decision-making. A quantitative approach was implemented to gain a better understanding of the links between key variables. Using a self-administered online questionnaire, the author collected primary data from Maltese individuals over 18 years of age. Data collected was analysed through statistical analysis, which led to a number of observations. The study found that when making decisions for everyday products, not all ESG factors are considered equally important. Environmental variables are regarded as the most influential, followed by social factors, while governance aspects are considered as the least effective. It was also established that the majority of the demographic characteristics have no influence on how much an individual is prepared to pay for ESG transparency since the tests produced statistically insignificant results. Lastly, the findings revealed that while consumers value ESG transparency from the companies they purchase from, they are not always willing to pay more for it. Consequently, these results have addressed a gap in the literature, which companies may use to gain a competitive advantage over their rivals, while also laying the groundwork for future researchers.

Keywords: *Environmental, Social, Governance, Consumer Behaviour, Everyday Products*

Acknowledgments

First and foremost, I would like to express my sincere gratitude to my supervisor, Dr. Jonathan Spiteri, for his invaluable guidance, feedback and support throughout this study. His extensive knowledge and experience in the field were instrumental in the completion of this dissertation.

I am also deeply thankful to all the survey respondents who dedicated their time and effort in participating in this study. Your contribution provided the essential foundation for this work.

To my family, thank you for your constant love, encouragement, and understanding. You have been my pillars of strength, especially during the most challenging moments. Your belief in me has been a driving force throughout my academic journey.

A special thank you to my boyfriend, Ricky, for your unwavering support, patience and encouragement. You have been by my side every step of the way, offering comfort and motivation when I needed it most.

Lastly, I want to acknowledge my guardian angel, my beloved grandmother. Though you are no longer with us, I feel your presence guiding me every day. Your wisdom and love continue to inspire me and I dedicate this achievement to your memory.

Table of Contents

List of Tables

List of Figures

Chapter 1: Introduction

1.0 Introduction

Section 1.1 of this Chapter provides some background information on the subject being researched while Sections 1.2 and 1.3, respectively, include the aim of the study and the statement of the problem that the study seeks to address. Sections 1.4 to 1.5 cover the research question and the methodology employed in the study, whereas Section 1.6 to Section 1.7 outline the structure of the study and draw a conclusion to the introduction.

1.1 Background of study

> "*Global climate change is not a future problem. Changes to Earth's climate driven by increased human emissions of heat-trapping greenhouse gases are already having widespread effects on the environment: glaciers and ice sheets are shrinking, river and lake ice is breaking up earlier, plant and animal geographic ranges are shifting, and plants and trees are blooming sooner*" (NASA 2023).

This statement highlights how climate change is having a detrimental effect on the world's ecology due to the extensive use of natural resources and fossil fuels. A report released by the World Meteorological Organization in 2023 indicated that the impact of greenhouse gases in the atmosphere increased by 50% between 1990 and 2022, with carbon dioxide (CO_2) being responsible for around 80% of this rise (WMO 2023).

In response to threats posed by climate change, the Paris Agreement, a critical global convention, was initiated in 2015 under the United Nations Framework Convention on Climate Change. According to the United Nations (2015), it sets a primary objective of "*limiting global temperature rises to below 2 degrees Celsius, with a more ambitious target of 1.5 degrees Celsius*". By submitting nationally determined contributions, each country outlines its efforts to lower greenhouse gas emissions. The agreement emphasises transparency, accountability, and a cooperative approach to address climate-related issues in a collective manner.

Although the term 'ESG' is typically linked to environmental issues such as climate change and resource scarcity, it actually stands for Environmental, Social and Governance. The acronym denotes a set of standards employed by stakeholders to evaluate and measure a company’s sustainability and ethical impact. When considering social aspects, attention is given to socio-economic disruptions that lead to increased inequality among individuals or groups (Semet 2020). This is because inequality exacerbates poverty, fosters prejudice, and ultimately contributes to social unrest. From a governance perspective, an organisation's internal behaviour is assessed. While assessing a company, the governance concerns that are considered encompass its capacity to mitigate fraudulent activities, adherence to business ethics, executive compensation practices, and the diversity within its board (PwC 2019).

In 2005, the United Nations (hereafter referred to as UN), published the “Who Cares Wins” report which first combined the three pillars and introduced the ESG concept (Wan, Dawod et al. 2023). The report was published after former UN Secretary General Kofi Annan encouraged 50 chief executive officers from major financial institutions to participate in a collaborative effort aimed at encouraging the inclusion of environmental, social, and governance aspects in their purchasing decisions (Kell 2018).

The growing significance of ESG considerations led to an increased emphasis on transparent and comprehensive reporting. The European Commission implemented legislative measures focused on furthering sustainable finance in the European Union (EU), such as the Sustainable Finance Disclosure Regulation (SFDR) and the Taxonomy Regulation. These measures aim to provide uniformity in assessing companies’ environmental, social and governance practices, thereby facilitating ESG disclosure (DeLoach 2023). In the United Kingdom (UK), the Financial Conduct Authority (FCA) has adopted laws demanding financial advisors to disclose the impact of their investments on ESG components (KPMG 2023). In addition, the UK government launched a Green Finance Strategy, promoting ecologically beneficial, financial and investing activities. In the United States, the Securities and Exchange Commission (SEC) is actively working to create ESG disclosure requirements for publicly listed corporations (DeLoach 2023).

These initiatives align with the broader global sustainability agenda, exemplified by the United Nations' development of the Sustainable Development Goals (SDGs) in 2015, comprising a set of 17 global goals. The aim behind these goals is to promote sustainable practices in the social, economic and environmental realms in order to tackle the major challenges facing the world. The SDGs tackle several issues including clean water, gender equality, health, education, poverty and climate change.

Cernev and Fenner (2020) denoted that the goals are interrelated as they acknowledge the complexity and interdependence of global concerns. They offer a thorough framework that enables countries and stakeholders to cooperate in the pursuit of a future that is more resilient, sustainable, and egalitarian. Every goal contains distinct objectives and metrics that act as a road map for managing work and tracking progress.

1.2 Aim of study

From a young age, the author has had a profound compassion for the environment. The journey began in primary school, when the author enrolled in the EkoSkola programme, where they understood the importance of safeguarding the environment to improve overall quality of life. Throughout the years, actively engaging in environmental volunteering and selecting ESG-related academic units at university, heightened their interest and awareness of the need to cultivate a sustainable lifestyle.

Furthermore, witnessing the increasing urgency of global environmental challenges and the growing emphasis on corporate social responsibility, the author was drawn to the interplay of business and sustainability. This is precisely due to the fact that climate change, pollution and resource depletion are no longer abstract notions, but real-world threats that people face on a daily basis. Consequently, the prospect of investigating how ESG considerations shape consumer behaviour was inherently appealing, resonating with a commitment to encourage positive change through informed decision-making.

This indicates that the motivation to embark on a study exploring the impact of environmental, social and governance factors on local consumer behaviour was mainly driven by personal motivations. Nevertheless, other factors, including societal relevance and the acknowledgment of the influential role these factors play in shaping modern business environments, also played a role in shaping the decision.

In terms of societal relevance, as surveys conducted by big companies show that consumers are becoming more conscious of the impact of their purchasing decisions on the planet and society, the author saw the investigation of the intricate dynamics of ESG influence as a means to contribute meaningfully to the ongoing discourse on sustainable business practices.

Moreover, the rapidly evolving business landscape, in which ESG considerations are increasingly incorporated into corporate strategies, added a logical dimension to the motivation. This is because businesses that invest in environmentally friendly technology and socially conscious practices not only strengthen their operational resilience, but also benefit from a competitive edge over their competitors. Understanding the dynamics of consumer behaviour in response to companies adopting ESG principles became not only intellectually stimulating but also directly relevant to the evolving nature of commerce. Thus, it provides an opportunity for the author to investigate a phenomenon with real-world repercussions for businesses and consumers alike, shedding light on the shifting paradigms of commerce and consumption.

1.3 Statement of the problem

Over the years, there has been a growing emphasis on environmental, social, and governance considerations in business, reflecting an improved awareness of sustainable corporate practices. While research has explored how ESG principles may be integrated into organisations, there is still a notable gap in understanding how ESG factors directly affect consumer behaviour and decision-making processes, particularly within the local context. Despite the increase in corporate ESG disclosures and initiatives, it is still unclear to what extent Maltese customers take into account ESG factors in their purchasing decisions.

The absence of empirical knowledge on the exact processes by which ESG variables influence consumer preferences, brand loyalty, and purchase intent hinders organisations from developing tailored strategies to align with consumer values and expectations. Moreover, the varied composition of ESG elements poses challenges to the investigation of their respective and combined effects on consumer behaviour.

The significance of addressing this gap is underscored by the increasing consumer demand for socially responsible and sustainable products and services. Without a thorough understanding of how ESG elements influence consumer decision-making, businesses risk misalignment with evolving market preferences and may miss out on chances to differentiate their brands.

Therefore, the main aim of this thesis is to conduct an empirical investigation into how ESG elements affect consumer behaviour in Malta. Through the identification of the particular ESG dimensions that most resonate with consumers and an examination of the underlying mechanisms influencing these preferences, this study aims to offer insightful information to businesses that want to strategically incorporate ESG considerations into their operations and marketing strategies.

1.4 Research question

The research intends to examine how ESG components impact consumer behaviour in Malta, by examining the ways in which a company's public image and ESG performance affect consumer purchasing decisions. The primary research question driving this study is: *'In the local context, to what extent do consumers consider ESG factors when making purchasing decisions for everyday products?'*

For the sake of this thesis, the term 'everyday products' refers to essential items that individuals use on a daily basis in order to meet basic needs and carry out common tasks. Examples include toiletries, clothing, food, beverages, electronic devices and motor vehicles.

To address the research question, the following objectives will be explored:

i. Assess how a company's environmental sustainability performance affects consumer perceptions of its products and brand.
ii. Analyse the extent to which consumers perceive brands with strong ESG commitments as more trustworthy and socially responsible in comparison to those with weaker or no commitments.

iii. Establish how governance practices, such as transparency and ethical leadership, influence consumer attitudes towards a brand or company.

1.5 Methodology

For this study, the author intends to employ a quantitative method of research due to its ability to systematically measure patterns and relationships on a larger scale. By using statistical analysis, quantitative techniques provide a structured approach to detect important patterns in the data, which enhances the validity and consistency of the study's conclusions. This methodological decision is in line with the research goal of revealing insights into the complex interactions between consumer behaviour and ESG considerations.

Surveys are an essential component of this quantitative method, providing an efficient way of collecting large amounts of data on customer attitudes, perceptions, and behaviours concerning ESG components. The vast number of responses makes it possible to thoroughly investigate different customer viewpoints in Malta, resulting in a better understanding of the complex processes at play.

The objective measurement of variables and comparative analysis enhances the study's validity, offering insights into the relative importance of different ESG factors in influencing consumer behaviour. The former reduces the possibility of biases inherent in subjective evaluations, whilst the latter allows for the investigation of different consumer groups, scenarios or variables. Furthermore, considering the extensive nature of this study, the effectiveness of quantitative research in allocating time and resources is a critical factor to take into account. This approach guarantees that the research may comprehensively address the multifaceted dimensions of ESG influence on local consumer behaviour within the constraints of available resources by enabling the systematic collection, processing, and analysis of large datasets.

1.6 Outline of thesis

As illustrated in Figure 1, the remaining chapters will be divided as follows:

- **Chapter 2** sets out the Literature Review and discusses key concepts relevant to the study.
- **Chapter 3** provides a description of the Methodology used in the study and how it was carried out.
- **Chapter 4** presents a detailed analysis and discussion of the results.
- **Chapter 5** depicts the key findings of the study and proposes a number of suggestions and areas for future research.

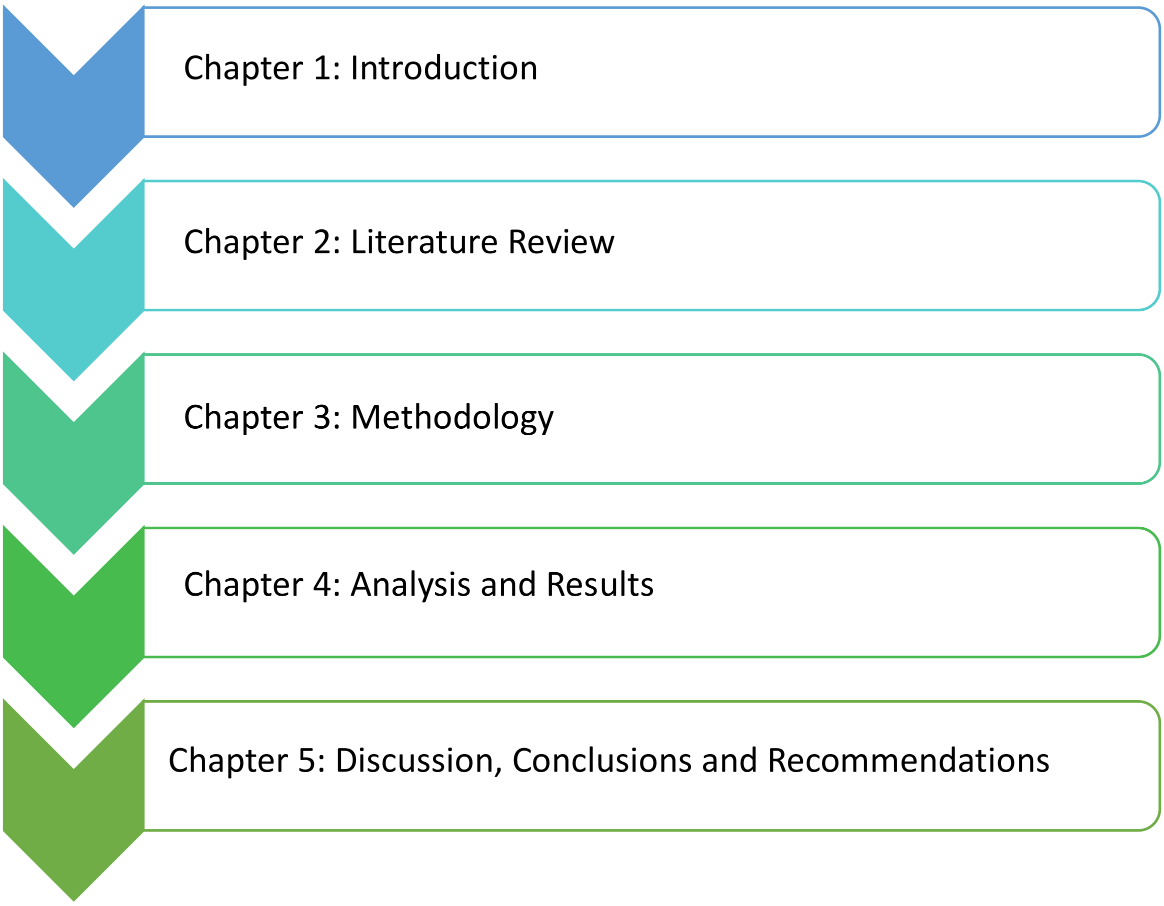

Figure 1: Dissertation Overview

1.7 Conclusion

In the course of this research, the author seeks to examine the extent to which consumers in Malta incorporate environmental, social, and governance considerations into their decision-making processes when purchasing household goods. By employing real-world case studies of companies that neglected the distinct elements of ESG, the author seeks to illustrate how these practices impact the purchasing decisions of their consumers.

Chapter 2: Literature Review

2.0 Introduction

This chapter will explore the existing literature to understand the relevance of ESG and how it influences consumer purchasing decisions. Section 2.1 will delve into the individual components that make up ESG, highlighting the most relevant concerns in every component. Section 2.2 will explore the consumer behaviour theory and how it evolved by time. Finally, Section 2.3 will discuss the evolving relationship between ESG and consumer decision-making, drawing on practical examples from different companies.

2.1 The 3 Pillars of ESG

The environmental pillar is concerned with how the operations of an organisation impact the environment (Senadheera, Withana et al. 2021). It encompasses factors related to companies' environmental impact including emissions of greenhouse gases, use of renewable energy sources, water and energy efficiency, and waste management, all of which can threaten a company's prolonged financial viability and existence (Billio, Costola et al. 2022).

While it is not the only contributor, climate change is a significant and overarching concern within the environmental pillar. By definition, climate change is "the shift in the state of climate that can be observed through variability of its components and lasts for a relatively long period of time, typically decades" (UNFCCC 1992). The prevailing climate change is primarily ascribed to the elevated levels of carbon dioxide (CO_2) in the atmosphere, a consequence of human activities such as the combustion of fossil fuels, deforestation, industrial processes, and widespread reliance on combustion engines (Tiefenbacher 2022).

Ruth (2020) noted that in conjunction with the incorporation of SDGs and adherence to the Paris Agreement as measures to combat climate change, companies around the world are embracing environmentally sustainable practices. For example, as part of its Sustainable Living Plan, which was introduced in 2010, the global consumer goods company Unilever has set ambitious targets, such as reaching net-zero emissions from its products by 2039 and having all of its plastic packaging recyclable, reusable, or compostable by 2025 (Mohrman, Shani 2011). This aligns with the perspective of Paul Polman, former CEO of Unilever, who emphasised that companies are now realising the imperative to move beyond mere sustainability goals and actively engage in restorative, and regenerative actions.

Despite the efforts made by companies around the world, the Emissions Gap Report of 2023 revealed that “unless countries deliver more than they have promised, the world is heading for a temperature rise far above the Paris Agreement” (UNEP 2023). As a result, experts claim that unprecedented action by all countries is required, with a particular emphasis on low and middle-income countries that contribute significantly to current emissions. While shifting away from the reliance on fossil fuels, urgent development requirements need to be addressed simultaneously.

The social pillar takes into account how a business handles its interactions with its suppliers, customers, employees, and the local communities where it operates. According to Billio, Costola et al. (2022), social factors encompass employment equality, gender diversity, employee training, health and safety standards, human rights considerations, product safety, and transparency of the supply chain.

According to Ruth (2020), positive employee relations play a pivotal role in influencing the performance of a firm, establishing them as a cornerstone of the social pillar. This is particularly relevant given the fact that employees are drawn to businesses that embrace sustainability as they seek purpose-driven employment. While individuals like Robert Riche oppose the advocacy for corporate social responsibility, Pava (2008) discovered that companies that neglect it, pose dangers and risks, particularly in a world characterised by escalating global economic interdependence.

Edmans (2011) highlighted that employee satisfaction can be regarded as an intangible asset. When employees feel appreciated and engaged, they are more likely to stay with the firm, lowering staff turnover and improving organisational stability. This, in turn, promotes increased productivity since experienced and devoted employees contribute more effectively to the company's success (Oswald, Proto et al. 2015, Jowitt n.d).

Google, for instance, experienced a notable 37% increase in employee satisfaction following its investment in employee support. This substantial improvement was realised through the implementation of appealing benefits, such as flexible work schedules, on-site amenities, and opportunities for professional development (Krapivin 2018).

The governance pillar evaluates a company's leadership, organisational structure, and decision-making protocols. These encompass the composition of the board, executive compensation practices, safeguarding shareholder rights, upholding ethical conduct, ensuring transparency, and complying with the applicable laws and regulations (Billio, Costola et al. 2022, Nakajima 2021).

Mohamed (2004) indicated that the effectiveness of corporate governance within a company is critical, as it directly influences a company’s ability to satisfy societal expectations and its overall performance. On the one hand, while the majority of companies contribute to civil society, others adopt opportunistic approaches with the aim of gaining profit from unacceptable practices including child labour which emphasises the need for stricter regulatory measures. On the other hand, as per Ali and Khan (2022), having effective corporate governance in place helps to prevent corruption in commercial transactions, creating difficulties for corrupt practices to flourish and establish themselves within a firm.

As outlined in the Millstein Report, published in 1998, the effectiveness of corporate governance in attracting capital is dependent on addressing four critical areas: fairness, transparency, accountability, and responsibility (Mohamed 2004). These concepts became even more significant in the aftermath of the Enron scandal, as Enron's corporate governance failures exposed systemic concerns that led to one of the biggest bankruptcies in US history.

The incident highlighted a lack of accountability among top executives who organised premeditated financial manipulations. The board of directors fell short in fulfilling its oversight responsibilities, failing to thoroughly examine the company’s complex financial processes. Moreover, financial reporting procedures were compromised, allowing fraudulent strategies to go unnoticed (Huu Cuong 2011). The governance breakdown was further intensified by conflicts of interest among executives, mishandling of employee interests, and regulatory loopholes. This led to the introduction of legislative reforms, such as the Sarbanes-Oxley Act, aiming to enhance transparency, accountability, and ethical conduct within corporate governance (Vinten 2002).

2.2 The Consumer Behaviour Theory

2.2.1 *Defining consumer behaviour*

Engel, Blackwell et al. (1990) and Schiffman and Kanuk (1997) argue that consumer behaviour is a field of study that has emerged over the last half a century, with no historical body of research of its own. As a matter of fact, the conceptual framework was extensively drawn upon from different scientific fields, including psychology (the study of mind and behaviour), sociology (the study of society), social psychology (the study of individual behaviour within a group), anthropology (the study of humankind) and economics (Mostert 2002).

Over time, the concept of consumer behaviour has been constantly refined and improved. According to Engel, Blackwell et al. (1990), consumer behaviour may be defined as the diverse actions that individuals undertake to obtain, use, and discard of consumer products, alongside the decision-making process that precedes and shapes these behaviours. This definition emphasises the fact that making an acquisition is merely one step in a process that constitutes consumer behaviour. Schiffman and Kanuk (1997) characterised consumer behaviour as "the behaviour that consumers display in searching for, purchasing, using, evaluating and disposing of products, services and ideas".

From an economics perspective, economists believe that customers make rational judgements and buy products or services based on the idea of maximising benefits. This entails consumers maximising utility by assessing the level of utilitarian and informational reinforcement provided by the brands they choose to purchase (Foxall 2017). Nonetheless, other scholars have observed that consumers are not always completely rational, and identified instances where the behaviour of consumers differs significantly from the norms of economic theory (Kahneman, Tversky 2000). Their decision-making process may be influenced by other factors, including personal attitudes and changes in tastes.

Garcia-Torres (2004) employed the concept of "utility" to measure consumer behaviour, drawing support for his perspectives from the marginal utility theory and the information asymmetry theory. According to Sazanova (2020), the marginal utility theory sheds light into how rational consumers navigate market decisions, particularly in their pursuit of maximising satisfaction within the confines of their budgetary limitations, whereas the information asymmetry theory operates under the assumption that markets are characterised by incompleteness. As sellers possess more knowledge about a product or service compared to the buyers, the buyers are placed at a disadvantage. In turn, this may affect consumer decision-making processes and results, leading to market inefficiencies.

2.2.2 *Models of human behaviour*

In this section, models of human behaviour will be analysed, to enhance understanding of human behavioural patterns, namely the Marshallian economic model, Veblenian social-psychological model, the Pavlovian learning model and the Freudian psychoanalytical model. Furthermore, Maslow's hierarchy of needs theory will be explored to offer insights into the importance of understanding the influence of needs and motivation on consumer behaviour.

a) The Marshallian economic model

This model was established by the economist Alfred Marshall in the late 19th and early 20th centuries. His work laid the foundation for economics and had a significant impact on the development of modern economic theory. According to this model, as consumers cannot influence the price of any commodity on the market, they must act in a rational manner in order to spend their income on goods or services that will provide the most satisfaction to them (Mostert 2002).

b) The Veblenian social-psychological model

Thorstein Veblen, an American economist and sociologist, pioneered the Veblenian social-psychological model, which combines economic and sociological theories. Bagwell and Bernheim (1996) claim that Veblen introduced the notion of conspicuous consumption, arguing that individuals engage in conspicuous consumption, not for the mere material satisfaction derived from the goods themselves, but rather to portray their wealth and social status to others. In fact, the concept of Veblen effects relates to circumstances in which demand for a commodity rises as its price rises, which contradicts the rule of demand. This phenomenon transpires when a commodity is viewed as a status symbol, and its attractiveness rises in tandem with its price, representing the social standing that comes with acquiring the good (Arrow, Dasgupta 2009).

c) The Pavlovian learning model

According to Saini (2022), this model was developed by the Russian psychologist, Ivan Pavlov. In the 1890s, his experiments with dogs set the groundwork for understanding how correlations between stimuli and responses impact behaviour. In these experiments, Pavlov would ring the bell every time before giving the dog a piece of meat and would closely evaluate every response of the dog by measuring the amount of saliva produced. The study produced a stimulus-response model of human behaviour based on four key concepts: drive, cue, response, and reinforcement (Mostert 2002).

d) The Freudian psychoanalytical model

Sigmund Freud, the Austrian neurologist and psychologist is credited with creating this paradigm, which has had a profound effect on psychology by shaping ideas about psychopathology, personality, development, and therapeutic approaches. As indicated by Thornton and Argoff (2009), the model suggests that the human soul is divided into three components: the id, the ego and the superego.

The id follows the pleasure principle, seeking rapid fulfilment of primitive instincts and desires. The ego operates on the reality principle, bridging the gap between the impulses of the id and the restrictions of reality. The superego embodies internalised cultural and moral ideals, and it strives for perfection and morality. While some aspects of Freud's theories have faced criticism and revision over time, his work remains influential in shaping the understanding of the unconscious mind and human behaviour (Nash 2018).

e) Maslow’s hierarchy of needs

This psychological theory was presented by the American psychologist, Abraham Maslow in 1943. Maslow's hierarchy of needs offers valuable insights into the theory of consumer behaviour by outlining the motivating factors behind human actions through a structured hierarchy of essential needs (Poston 2009). As portrayed in Figure 2, Maslow categorised these needs into five distinct levels.

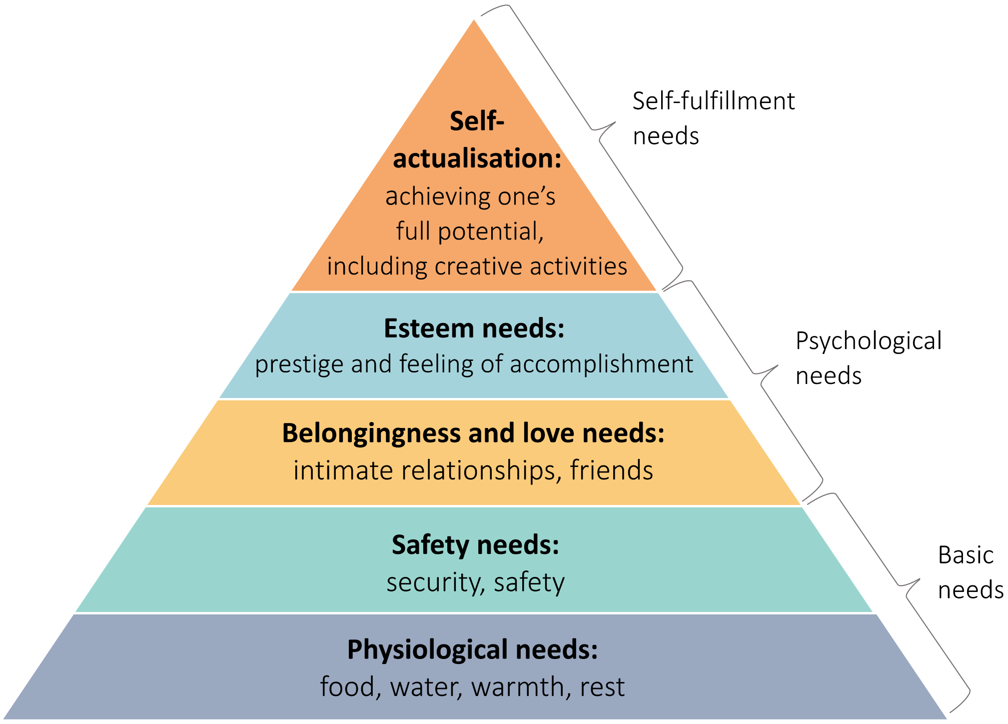

Figure 2: Maslow's Hierarchy of Needs - Author's rendition (Poston 2009, pg. 348)

At the base of the hierarchy are physiological needs which comprise the fundamental biological necessities for human survival such as air, food, water and rest. After physiological needs are addressed, Trivedi and Mehta (2019) noted that people seek safety and security. This includes physical safety as well as order, predictability and control in one's environment. Every individual's safety needs may change based on where they are in their lives. For instance, if an individual loses their employment, fear and worry can negatively affect their social life and even lead to a regression (Poston 2009). Once an individual's basic needs are satisfied, the need for belongingness and love becomes salient. This involves establishing intimate connections, cultivating friendships and forming part of a group, which contributes to feelings of acceptance, belonging and affection (Mcleod 2024, Trivedi and Mehta 2019).

After these needs are fulfilled, the fourth level of hierarchy includes esteem needs. Maslow split these needs into two categories, self-esteem and the desire for respect and admiration from others. The first category includes self-confidence, self-respect and achievement whereas the second category refers to recognition of one's value and contributions (Mcleod 2024). At the pinnacle of the hierarchy lie the self-actualisation needs which include identifying an individual's full potential and realising that potential. Although every individual has the potential for self-actualisation, most people do not achieve it. In fact, Trivedi and Mehta (2019) observed that this need is rarely fully satisfied but instead people shift between different levels of the hierarchy throughout their lifetime.

Although it remains an effective theory, Maslow’s hierarchy of needs has encountered several criticisms throughout the years. Schiffman and Kanuk (1997) argue that the main issue with Maslow’s hypothesis lies in its inability to undergo empirical testing, suggesting that there is a lack to precisely measure the degree of satisfaction required for one need to trigger the emergence of a higher-level need. Additionally, critics contend that Maslow’s hierarchy is a product of the individualistic, Western approach and may not be broadly applicable in other cultures and nations (Mostert 2002). Furthermore, Maslow’s theory presents a model that proposes that before a person can reach their full potential and self-actualise, they must first satisfy their lower-level needs. However, critics claim that this is not always the case since individuals often balance several needs at once (Mcleod 2024). Despite these criticisms, Maslow's hierarchy of needs remains an effective tool for measuring and understanding human behaviour.

2.2.3 *Models of consumer behaviour*

This section will delve into the prevalent models of consumer behaviour, with the aim of illustrating how the limitations of human behaviour models prompted the development of consumer behaviour models.

i) Consumer behaviour model developed by Nicosia

Nicosia’s model of consumer behaviour, introduced by Francesco Nicosia in 1966, offers a theoretical framework aimed at understanding the decision-making process of consumers (Milner, Rosenstreich 2013).

As illustrated in Figure 3, Nicosia’s model consists of four major fields. Field one deals with perception and is subdivided into two parts. The first part focuses on the company's marketing environment and communication efforts, which influence consumer attitudes, the competitive landscape and the traits of the target market. The second part delineates consumer attitudes, encompassing factors such as experience and personality, which ultimately shapes their perception of the company's product based on their interpretation of the message (Prasad, Jha 2014). Following perception, consumers engage in search and evaluation, actively seeking out additional information to complement their current understanding. This field entails acquiring information from different sources and assessing the options that are available while considering factors such as price, quality and brand reputation. After weighing these factors, consumers proceed to the third field, the act of purchase. Milner and Rosenstreich (2013) noted that this stage is also referred to as the decision-making process during which time the consumer decides whether or not to purchase the good or service. The fourth and final field addresses feedback. Upon completing a purchase, consumers may experience post-purchase behaviour that may result in feelings of satisfaction or cognitive dissonance. Depending on whether expectations were met, these feelings may subsequently impact future purchasing decisions and attitudes towards the particular product or brand (Milner, Rosenstreich 2013; Prasad, Jha 2014).

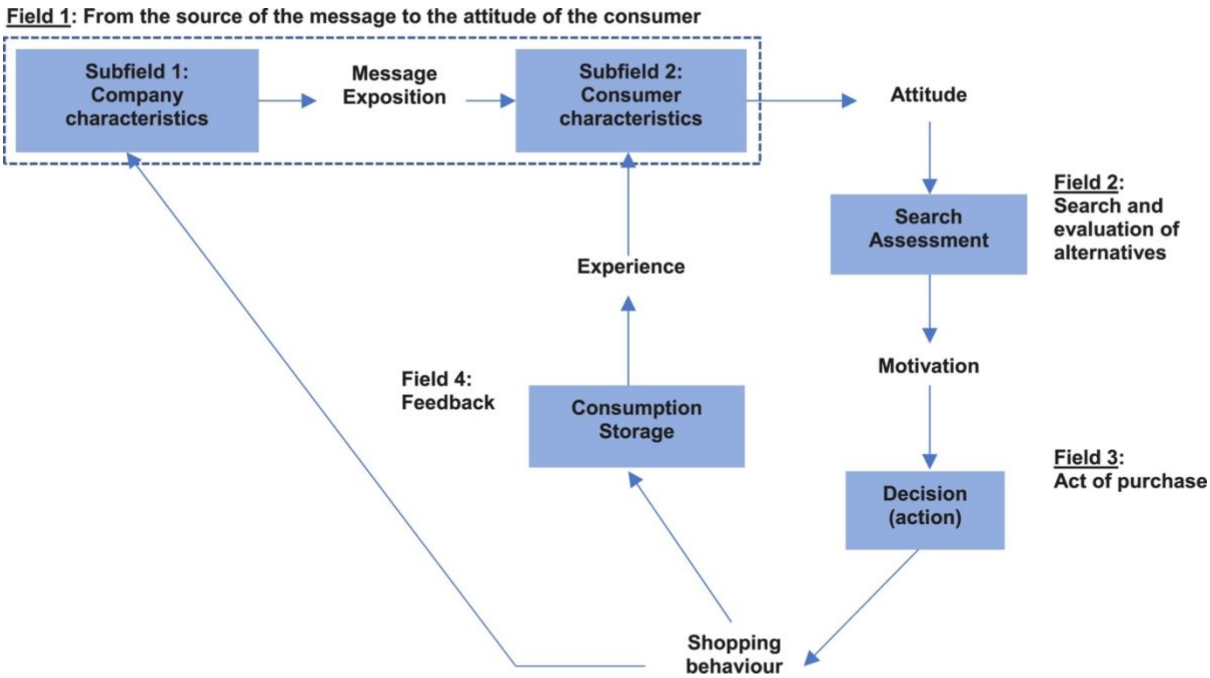

Figure 3: Model of Consumer Behaviour by Nicosia (Reina Paz and Rodriguez Vargas 2023)

ii) Consumer behaviour model developed by Engel, Kollat and Blackwell

The Engel, Kollat and Blackwell (EKB) model of consumer behaviour was initially introduced in 1968. Since its inception, Prasad and Jha (2014) implied that the model has undergone several changes in order to enhance its capacity to describe the fundamental interactions between components and sub-components. According to Reina Paz and Rodriguez Vargas (2023), these components constitute the five stages of this model.

The process begins with the consumer identifying a need or problem that has to be addressed. This may result from different factors including product depletion, dissatisfaction with a current product, or exposure to new products on the market (Panitapu 2013). Following problem identification, the consumer engages in a search to acquire pertinent information about potential solutions, which consists of five distinct steps: exposition, attention, understanding, acceptance and retention (Mostert 2002, Prasad and Jha 2014). Once consumers have obtained sufficient information, the next stage entails comparing the advantages and disadvantages of different products to ascertain which one fulfils their needs. Based on their evaluation, consumers make a purchase decision considering factors such as price, availability, reputation and personal preferences. Following the purchase, consumers assess their decision and the results may lead to feelings of satisfaction or dissatisfaction. Mostert (2002) highlighted that during this stage, if consumers are pleased with their purchase, they provide positive feedback. However, if they are dissatisfied, they will seek additional information through external searches.

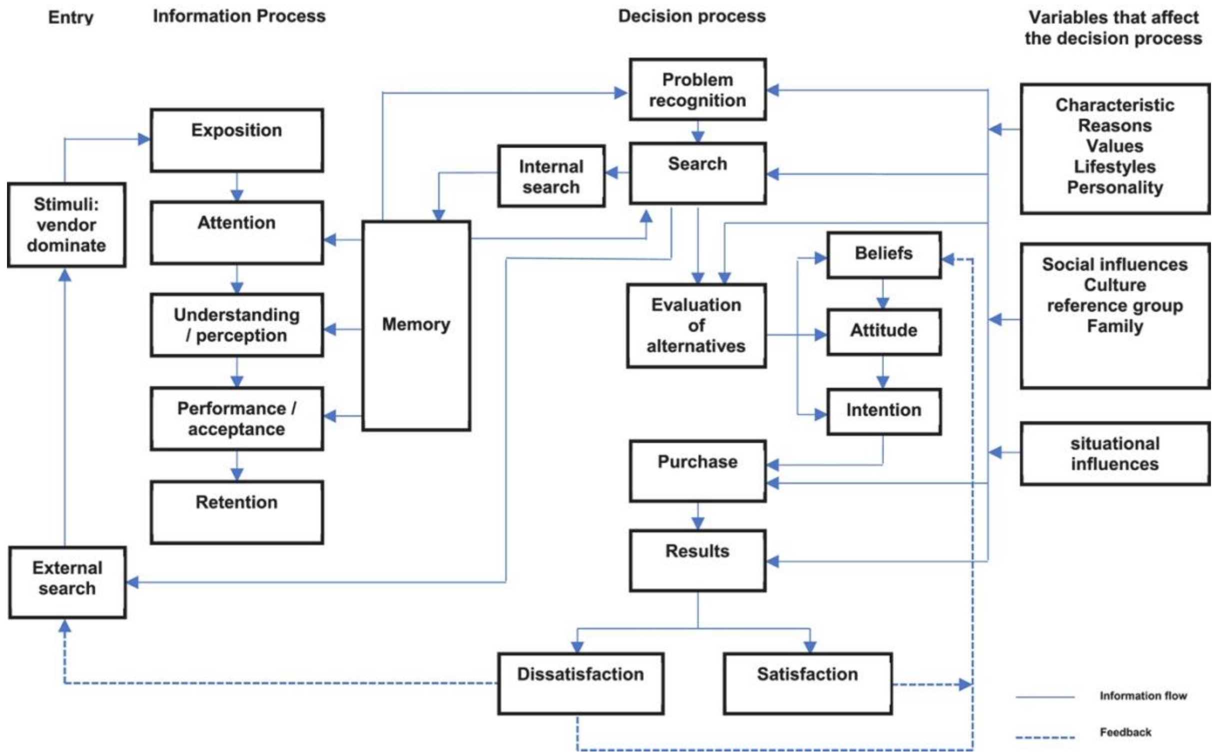

Figure 4: Model of Consumer Behaviour by Engel, Kollat and Blackwell (Reina Paz and Rodriguez Vargas 2023)

iii) Consumer behaviour model developed by Howard-Sheth

John Howard and Jagdish Sheth established the Howard-Sheth Model in 1969 as a comprehensive framework for understanding the complexity of consumer behaviour. Kandasamy (2015) stated that the model emphasises the psychological processes that drive consumer decision-making, concentrating on four essential components: inputs, perceptual and learning constructs, outputs and external variables.

Input variables consist of different types of information that affect the consumer's decision-making process. These include individual characteristics, social influences and marketing stimuli such as advertising and promotions (Prakash 2016). The next component refers to the consumer's cognitive and emotional reactions to the inputs, which Prasad and Jha (2014) considered to be the central component of the model and split them into two categories. Perceptual constructs pertain to the way consumers interpret and process information, while learning constructs encompass the acquisition of knowledge and skills through experience. The third component of the model (outputs), depicts the outcomes influenced by perceptual and learning variables, reflecting consumers' reactions to these factors (Mostert 2002). Milner and Rosenstreich (2013) emphasise the fact that the fourth component, external variables, is not directly involved in the decision-making process but might influence it. Factors such as financial position, time pressure and religion are a few examples of external variables that might influence the behaviour of consumers.

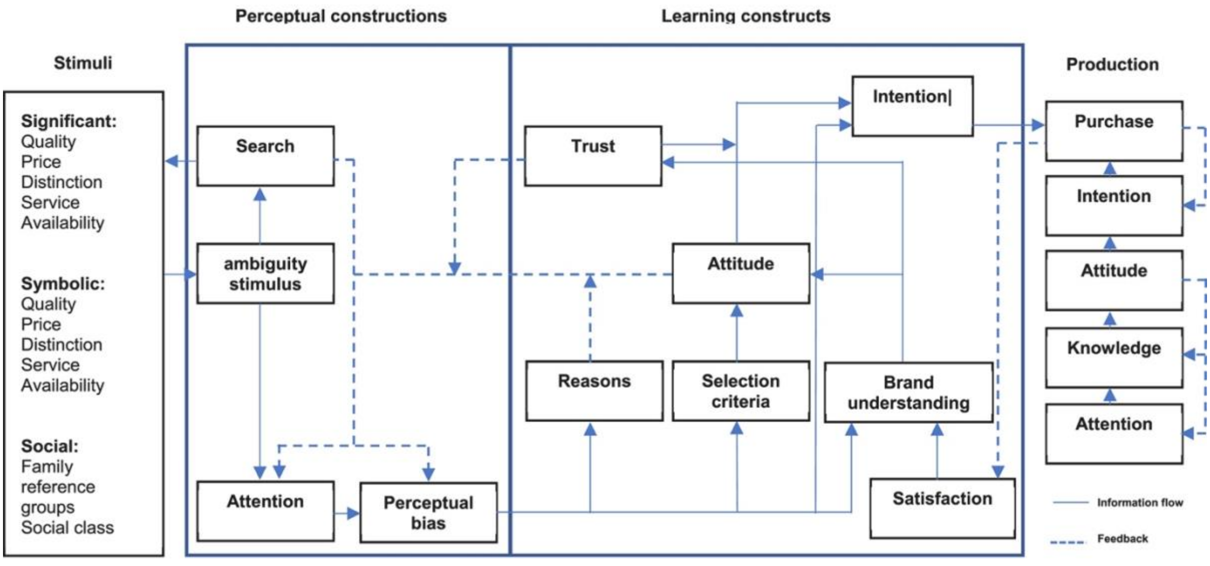

Figure 5: Model of Consumer Behaviour by Howard and Sheth (Reina Paz and Rodriguez Vargas 2023)

2.3 The Evolving Relationship Between ESG and Consumer Decision-Making

2.3.1 *The Impact of Environmental Concerns on Corporate Practices and Consumer Purchasing Behaviour*

Environmental concerns, encompassing issues such as climate change, emissions and waste management have played a significant role in shaping consumer purchasing decisions (Ogiemwonyi, Alam et al. 2023). In addition, the emergence of environmentalism has heightened awareness of the consequences of human activities on the planet's ecosystems. According to Kotler and Armstrong (2011), the term 'environmentalism' denotes a collective effort among citizens, businesses and government entities alike to safeguard and enhance the present and future living environment.

Empirical evidence suggests that consumers have become more conscious of the environmental footprint associated with the products they purchase. Kanchanapibul et al. (2014) highlighted that modern consumers "are more concerned with green consumption rather than attractive advertising". In addition, findings from a survey conducted by the EU in 2012 revealed that 77% of Europeans expressed a willingness to invest more money in environmentally-friendly products, provided they were assured of their genuine eco-friendly nature (European Union 2013). Similarly, a more recent survey carried out in 2021 by PwC indicated that nearly half of the investors were willing to withdraw investments from companies perceived as inadequately addressing sustainability concerns (PwC 2021). These studies suggest that, generally speaking, consumers are trying to make environmentally sound decisions and are prepared to pay more for sustainable products as their concerns grow. What companies are doing, however, does not always align with what consumers want.

Kotler and Armstrong (2011) emphasised that some companies have only taken minimal measures to address environmental concerns, primarily aiming to avoid new regulations and silence environmental activists. In the fashion industry, H&M has been accused of greenwashing, in which Petter (2020) implied that the company's sustainability initiatives were regarded as superficial attempts to divert attention from environmental concerns rather than genuine efforts to address them. Despite implementing a scorecard system to educate customers about the environmental attributes of each product, critics argue that these efforts were misleading since they only addressed a limited aspect of the overall impact (Britten 2022, Stern 2022).

Meanwhile, other companies have acted not out of coercion or short-term gains but rather because they recognise it as the ethically responsible choice (Kotler, Armstrong 2011). For instance, Patagonia, an outdoor apparel company, exemplifies a proactive approach to environmental stewardship. Since 1985, the company has contributed 1% of its sales to environmental causes (Dunkley, Jones 2022). Furthermore, the company appointed Earth as its sole shareholder and recent statements made by the company's founder, Yvon Chouinard, suggest an ongoing commitment of allocating the remaining profits, following reinvestment in the business, towards addressing climate change (McCormick 2022). While it was never Patagonia's primary objective, Pereira (2023) stated that the company's commitment to environmental conservation has driven consistent revenue growth over the years, with sales quadrupling to approximately $1 billion annually, resulting in around $100 million in revenue each year.

Shifting focus from the apparel sector, Tesla has attracted considerable interest for its endeavours to transform the automotive sector by manufacturing electric vehicles, which are designed to reduce reliance on fossil fuels and lower carbon emissions (Tesla 2022). Yet, the company faced criticism for its reliance on raw materials such as cobalt in the production of electric vehicle batteries, a mineral associated with unethical mining techniques (Hale 2023). In addition, Dunn et al. (2015) have raised concerns about the management of end-of-life electric vehicle batteries and the problems associated with waste generation and recycling.

Moving on to the technology sector, Apple has acknowledged the pressing environmental challenges of its time, prompting active measures to minimise its environmental footprint (Apple 2023). Notably, the company has made significant investments in renewable energy to help power its operations in a sustainable manner. As per Chen (2023), Apple's Cork facility in Ireland has relied solely on renewable energy since 2008. This effort successfully converted the facility to using renewable energy sources such as wind power, preventing the release of approximately 1.8 million kilograms of carbon dioxide in that same year.

In addition, Apple introduced a product recycling program in 2013, allowing customers to return their old devices for recycling or trade-in (Gibbs 2013). This program has been recognised for its potential to promote resource conservation by reusing elements from recycled products and minimise waste. It is also in line with the company's objective to achieve carbon neutrality by 2030, as it prioritises not only waste reduction but also the ethical sourcing of resources and the efficient utilisation of water resources (Chen 2023). Implementing this strategy had a positive impact on the company’s financial performance, leading to a 33 percent increase in revenue in 2021, while their net emissions remained constant (Apple 2022).

2.3.2 *The Effect of Social Concerns on Corporate Practices and Consumer Purchasing Behaviour*

Over the years, there has been a growing recognition on the evolution of consumer purchasing behaviour beyond factors such as product attributes and price, towards a greater emphasis on societal concerns and ethical considerations (Shah, Asghar 2023). As per Kim et al. (2018), researchers have noted a shift in consumer attitudes and behaviour, with ethical sourcing emerging as a growing concern in recent years.

Mohr et al. (2001) contended that socially responsible consumers will, by definition, participate in socially responsible consumption behaviour. According to his notion, socially conscious consumers choose goods or services from companies they believe benefit society over goods and services considered to be harmful to society. This minimises risks to society and maximises any long-term gains. More recently, Egels-Zandén and Sörum (2015) discussed how consumers are demanding greater transparency from companies, seeking products and brands that align with their values and beliefs. Moreover, Banker (2021) explored the link between ethical sourcing and consumer loyalty through a survey and discovered that consumers are more inclined to support brands that demonstrate a commitment to upholding ethical standards in their supply chains.

Nonetheless, there have been instances of companies engaged in unethical practices that negatively impacted their reputation and image. As outlined by Wazir (2001), dating back to the 1980s, Nike faced scrutiny regarding labour exploitation, including allegations of poor working conditions, insufficient wages, forced unpaid overtime, and the involvement of child labour within its supplier factories. Fritz (2018) stated that following these accusations, Nike experienced a significant setback to its brand, resulting in public outcry and a surge of negative media, especially driven by the publication of a popular magazine featuring an image of a child stitching a ball, bearing the Nike logo on its front cover. The alleged exploitation of workers within its supply chain led to a loss of consumer confidence, resulting in considerable damage to the company's reputation. Nike found itself in a precarious position, where the challenges it faced not only tarnished its market standing but also jeopardised its long-term viability (Elsaleiby 2022).

In response, Nike's co-founder Phil Knight publicly announced in 1998, a commitment to overhaul Nike's supply chain. Subsequently, the company followed through on its commitment, embarking on a transformative journey to enact positive changes within its supply chain (Elsaleiby 2022). According to Nisen (2013), Nike invested in improving labour conditions, including fair wages and eliminating child labour by collaborating with advocacy groups and non-governmental organisations to foster a more responsible supply chain.

More recently, while the online fast-fashion retailer Shein has gained popularity for its wide range of products and competitive prices, the company has faced criticism and controversy in relation to several ethical concerns (Williams 2022). The company has been accused of copyright infringement, intense scrutiny over alleged forced labour practices and brutal working conditions for the workers involved in manufacturing their clothing (Bangalore 2023). The company has also been criticised for its environmental impact, with claims of inadequate efforts to mitigate its detrimental impact on the environment (Wolfe 2023). Additionally, Das (2022) revealed that there have been allegations suggesting that Shein appropriated designs from small independent artists and claimed them as its own. Despite such accusations, Shein has asserted its dedication to conducting business responsibly and ethically, highlighting a zero-tolerance policy regarding forced labour, child labour, and human trafficking (Perretti 2023).

Yet, in light of these ethical concerns, consumers have exhibited mixed reactions towards Shein. Upon becoming aware of the company's environmental and business practices, some consumers have opted to disassociate themselves from the brand and seek alternative options (Bangalore 2023). Nevertheless, reports indicate that Shein still continues to maintain its popularity among consumers, suggesting that the reaction is not uniform and varies across different groups. While some consumers prioritise ethical considerations and opt for sustainable options, others favour affordability and convenience in their purchases.

2.3.3 *The Influence of Governance Concerns on Corporate Practices and Consumer Purchasing Behaviour*

More than ever, companies are under tremendous pressure to provide the latest, cheapest and most popular product on the market. As a result, companies might be tempted to use unethical methods of cost-cutting to keep up with the trends (Molitor 2019). The struggle between meeting customer demand for low-cost goods and considering ethical and environmental production practices has already resulted in a number of scandals. In particular, the examples that follow will demonstrate how shortcomings in governance may significantly impact consumer trust, brand perception and market standing.

The Volkswagen emissions scandal exposed a profound misalignment with governance principles and stands as a turning point in corporate history. In 2015, Volkswagen admitted that it had installed 'defeat devices' in its diesel cars to rig emissions testing, giving the impression of conformity even when the cars were releasing pollutants forty times higher than the legal limits in the United States (Poier 2020). Aside from violating environmental regulations, the case highlighted serious governance shortcomings inside the company. Ameen (2020) underscored that the scandal exposed lack of monitoring, accountability and ethical conduct from the top levels of the organisations including the chief executive officer, Martin Winterkorn.

As a result, the company suffered severe consequences, including reputational damage, financial losses and legal consequences. Sawayda, Reddick et al. (2022) underlined that there was a notable decrease in consumer trust and brand loyalty, which consequently led to a substantial decrease in market share. The financial repercussions of litigation, regulatory penalties and an extensive car recall, resulted in a considerable decline in stock value, with billions of dollars spent on settlements and compensations (Hotten 2015).

In the medical industry, the Theranos scandal, which occurred in 2015, exposed fraudulent and deceptive practices by the healthcare technology company Theranos and its founder, Elizabeth Holmes. According to Clayton (2022), the company claimed to have pioneered ground-breaking blood-testing technology capable of conducting different diagnostic tests with only a few drops of blood drawn from a finger prick. This enabled a more efficient and cost-effective method compared to conventional testing methods, attracting millions in investments.

However, investigations by journalists and authorities discovered that Theranos had overestimated the capabilities of its technology and deceived investors, medical experts and the general public about the accuracy and reliability of their blood tests (O'Brien 2018). In contrast to the company's claims, investigations found that the device, Edison, was unreliable and prone to errors (Kandel 2020).

Following the scandal, Theranos and its executives faced a number of legal and regulatory actions. O'Brien (2018) stated that the U.S. Securities and Exchange Commission accused Theranos, Elizabeth Holmes and former president Ramesh Balwani of significant fraud, asserting that they had obtained more than $700 million from investors through deceptive and inaccurate statements regarding the company's technology, operations, and financial status. In addition, criminal accusations of wire fraud and conspiracy to perpetrate wire fraud were brought against Holmes and Balwani, and were each sentenced to more than 11 years in prison (Lee 2022).

The repercussions of the Theranos scandal were profound. The company's worth, previously valued at nine billion dollars, fell to virtually nothing, resulting in its dissolution in 2018. Crow (2018) implied that investors including renowned companies such as Walgreens lost millions of dollars, while patients who had received inaccurate test results from Theranos were exposed to potential health hazards and emotional turmoil. Elizabeth Holmes, once praised as an innovative entrepreneur and highly esteemed person in Silicon Valley, became a symbol of corporate misconduct and deception, facing both legal implications and criticism from the general public (Laker 2023).

2.4 Conclusion

This chapter has shed light on the key components comprising ESG, delved into the consumer behaviour theory and examined the dynamic interplay between ESG factors and consumer decision-making. As pointed out in the review, it is not only the issues themselves that hold significance, but also how they are perceived and understood by consumers. Given the lack of research on this topic in the local context, the literature reviewed will be further explored to examine the behaviour of Maltese consumers, aiming to contribute valuable insights to the existing body of research in Malta.

Chapter 3: Methodology

3.0 Introduction

The preceding chapter provided a comprehensive overview of the literature available on ESG, examining each pillar in detail, as well as exploring the consumer behaviour theory and the evolving relationship between ESG and consumer decision-making. Yet, the literature failed to address how environmental, social and governance factors influence consumer purchasing behaviour within the local context. As a result, given that this study was conducted in Malta, it will shed light on the relevant factors, thereby addressing a gap in the literature, particularly as ESG continues to gain prominence.

This chapter will address the methodology employed to conduct this study, including the data collection and analysis techniques used to achieve the objectives outlined in the introduction of this research. In particular, it will answer the research question that drives the study:

"*In the local context, to what extent do consumers consider ESG factors when making purchasing decisions for everyday products?*".

Section 3.1 to Section 3.2 will describe the research process and the forms of data suitable for this study, together with the choice between a quantitative or qualitative approach. Section 3.3 to 3.4 will respectively detail the sampling criteria and the data collection methods used. Section 3.5 to 3.6 will address the data analysis tools used to analyse the responses and the limitations of the research. Finally, Section 3.7 will provide an overall conclusion to this chapter.

3.1 Research Approach

According to Creswell and Clark (2007), inductive reasoning and deductive reasoning are the two primary forms of thinking used in research. The inductive approach refers to a methodical process for examining qualitative data, wherein the analysis is likely to be guided by specific evaluation purposes. Inductive reasoning follows a bottom-up approach, where the researcher begins by gathering empirical data relevant to their topic of interest through various methods including observations, interviews and experiments (Thomas 2006). After collecting a substantial amount of data, the researcher conducts a rigorous analysis to identify patterns and commonalities. Through this analysis, themes and ideas emerge from the observed patterns which are used to develop theories or overarching principles that explain the phenomena revealed by the data. Finally, the newly developed theories or principles are further examined and refined through additional study and analysis to assess their validity and applicability outside of the particular data set.

In contrast, the deductive approach differs from the inductive approach in that it involves a top-down approach to research. Deductive research starts with a social theory, following which researchers test its validity using empirical data. This data is collected through methods such as surveys and existing data sources, in which statistical tools are used to analyse the data and determine whether the data supports or refuses the hypotheses. Based on this analysis, conclusions are drawn about the validity of the hypotheses, which help prove or disprove the original theory. According to Blackstone (2012), this approach refers to a methodical process for examining quantitative data, such as scientific investigations.

Given the availability of literature and the nature of the study, several factors influenced the decision of the author to choose a deductive research approach. Firstly, the author focused on the consumer behaviour theory, which, as evidenced in previous chapters, has a substantial body of existing literature. Secondly, while empirical evidence on ESG as a whole may be limited, there is considerable empirical research on the individual pillars that constitute ESG. Thirdly, aligning with the research question, as the author seeks to explore the attitudes of Maltese people towards ESG, a deductive approach was deemed most appropriate.

3.2 Research Method

Following the research approach chosen, quantitative analysis was adopted for this type of study. Gathering opinion from the general public, particularly through a questionnaire, was highly effective in addressing the research question of this study. Quantitative analysis allowed the author to analyse numerical data from a sufficiently large sample using statistical methods, thereby identifying patterns and significant correlations between variables. Consequently, the author was able to draw conclusions on the study that either support or refute the hypotheses.

3.2.1 *Questionnaire Design*

The questionnaire, as shown in Appendix A, consisted of 18 questions in total, split into five sections. The first section included demographic questions, which were essential to achieve the objectives of the study.

It is important to note that each question in the questionnaire was written in a straightforward manner, using generic terms rather than specific terminology to prevent any confusion for the participants. This was in line with the questionnaire design proposed by Acharya (2010), who recommended the use of simple language in order to reduce the cognitive load on the participants. To further help the participants in understanding the questions, each question was kept as concise as possible and supported by examples.

In line with Krosnick (2017), English was chosen as the optimal language for the questionnaire. This is due to the fact that although the target audience of the study are Maltese citizens, ESG terminology is generally easier to comprehend in English rather than in Maltese.

3.2.2 *Section A of the Questionnaire*

The first section of the questionnaire primarily focused on gathering demographic information. Questions 1-5, in particular, inquired about gender, age, level of education, employment and income in order to gain a comprehensive understanding of each participant's background. The inclusion of these questions was critical since previous literature indicated that factors such as gender, level of education and income influence consumers' purchasing behaviour. As a result, the data gathered from this questionnaire provided useful information about consumer behaviour in the local setting, especially with regards to ESG.

Questions 6-8 investigated the respondents' familiarity with the concept of ESG, its importance to them and the frequency with which they seek information about a company's ESG practices before making a purchasing decision. Given that there is hardly any literature on the subject within the local context, these questions attempted to address this gap and investigate the views of the Maltese society on ESG.

3.2.3 *Section B of the Questionnaire*

The second section of the questionnaire addressed the environmental pillar of ESG. Question 9 specifically inquired about the likelihood of the respondent to purchase products from companies that prioritise environmentally friendly practices, such as using recycled components or minimising pollution emission in their products. On the other hand, Question 10 asked whether the respondent has ever chosen one product over another because it was marketed as environmentally friendly. The aim behind these two questions was to determine whether the Maltese society aligns with or deviates from existing literature on Europeans' willingness to spend more on environmentally-friendly products and withdraw investments from companies perceived as insufficiently addressing sustainability issues.

3.2.4 *Section C of the Questionnaire*

The third section of the questionnaire focussed on the social pillar of ESG. Question 11, in particular, inquired about the importance of the respondent to support companies that demonstrate a commitment to social causes, such as diversity and inclusion and good working conditions for employees. Meanwhile, Question 12 examined whether the respondent has ever refused to purchase a good or service from a company due to its social policies or practices. These two questions sought to determine whether the Maltese population agrees with Shah and Asghar (2023) in that it supports the growing recognition of consumer purchasing behaviour towards a greater emphasis on societal concerns and ethical considerations, or not.

3.2.5 *Section D of the Questionnaire*

The fourth section of the questionnaire tackled the governmental pillar of ESG. Question 13 assessed the extent to which respondents are influenced by a company's governance structure, particularly its transparency and ethical leadership, when making purchasing decisions. In contrast, question 14 probed whether the respondents were more inclined to trust and purchase from companies that adhere to strong corporate governance practices. Both questions attempted to gain a deeper understanding of how respondents evaluate their purchasing decision, specifically whether shortcomings in governance, such as bribery and corruption affect their perception of a brand, as exemplified by the Volkswagen scandal.

3.2.6 *Section D of the Questionnaire*

The fifth and final section of the questionnaire collected the respondents' overall perceptions on ESG. In Question 15, respondents were presented with the statement, "*Companies that prioritise environmental, social and governance concerns are more likely to earn my loyalty as a customer*," and were asked to indicate their level of agreement with this statement. This enabled the author to assess the attitudes of the respondents and facilitated the comparison of responses across different groups.

Question 16 asked the respondents to indicate how likely they are to prioritise ESG issues when purchasing different categories of everyday products including personal care products, household items, healthcare products, modes of transport, electronic devices, clothing and accessories, and food and beverages. The aim behind this question was to gather valuable information to help the author address the research question driving the study.

Question 17 explored whether the participants would be willing to pay a premium for everyday products from companies that provide transparent information about their ESG initiatives. Respondents who ticked 'Yes' were directed to Question 18, where they were asked how much more they would be willing to pay (options included up to 5%, up to 10%, up to 20%, up to 50%, or more than 50%). On the other hand, respondents who ticked 'No', were directed to submit the questionnaire.

3.3 Sample Selection

For the purpose of this study, the target audience was Maltese individuals over 18 years of age, who were invited to fill out a questionnaire that included various demographic and socioeconomic questions to achieve the objective of the research question. This approach was necessary to gather perspectives from individuals with diverse backgrounds, demographics, and socioeconomic values, allowing for appropriate conclusions about the different perceptions of ESG and its impact on consumer behaviour.

A sample size calculator was used to determine the appropriate target sample size for this study and ensure that the survey results are statistically significant. Based on a population estimate of 563,443 as reported by the National Statistics Office (2024), and using a confidence level of 95% along with a 5% margin of error, the desired sample size for the study was determined to be 384 participants.

3.4 Data Collection Method

Random sampling was the technique used in this study. Given that the questionnaire targeted Maltese individuals over 18 years of age, the only condition imposed was that respondents had to be adults to participate in the survey. According to Thompson (2012), random sampling is a technique used in research where a sample is selected from a broader population in such a way that each member of the population has an equal chance of being selected. This method minimises selection bias and allows for generalisation of the results to the broader Maltese population.

To collect the necessary data, the author decided to use a self-administered questionnaire format. This method was adopted specifically through online surveys, which allowed respondents to complete the questionnaire at their leisure and without the need for the researcher to be present. Nowadays, online surveys have become the standard approach, replacing conventional means of sending out self-administered questionnaires to large groups of people in person or by mail (Wolf 2008). Apart from being efficient, this approach is relatively cost-effective when compared to other data collection tools. It reduces the overall research costs whilst speeding up the data collection process.

Google Forms was chosen as the platform to create and administer the questionnaire to the general public. Its user-friendly interface allowed for easy creation and customisation of surveys, ensuring that the questionnaire is accessible and straightforward for all respondents. Additionally, robust features of the platform such as automated data collection, real-time response tracking and seamless integration with Google Sheets, greatly facilitated the data analysis stage. Furthermore, by allowing respondents to complete the survey on various devices including smartphones and computers, it expanded the reach to a wider audience.

Before distributing the survey to the general public, ethical approval was requested on 12th April 2024, and approved on the same day under the reference number: FEMA-2024-00370. The questionnaire was circulated across different social media platforms including Facebook and LinkedIn. The author shared the link to the questionnaire on their personal profiles, leveraging their network to maximise reach and engagement. By using these platforms, the author was able to reach different audiences and ensure a wider demographic participation. To some extent, this resulted in a snowball sampling approach, in which some respondents not only completed but also distributed it within their own networks.

The author successfully collected all 384 responses within a span of two months, allowing the results of the survey to be generalised with a high level of confidence and accuracy. The ability to achieve the intended number of responses within the set timeframe emphasises the effectiveness of the distribution and sampling strategies used.

3.5 Data Analysis Tools

SPSS Statistics was the software used to analyse all the responses of the questionnaire. As the data needed to be imported from an Excel or CSV format, the use of Google Forms proved advantageous, as it allowed for the easy export of responses in either of these formats. Before starting the analysis, given that SPSS is more adept at handling numeric variables, the author converted categorical responses (eg. Yes/No, Male/Female) into numeric codes to facilitate data processing. For instance, 'Yes' was assigned the code 1 and 'No' was assigned the code 2.

The initial tests carried out were non-parametric, a statistical method that does not rely on assumptions about the specific distribution of the data (Nahm 2016). In particular, Friedman's 2-way ANOVA by ranks was used to conduct tests for related samples since more than two groups were involved. This test was conducted twice: first, to compare responses to the first question regarding the influence of environmental, social, and governance factors; and second, to compare responses to the second question concerning the same factors.

In addition to the non-parametric tests, parametric tests were conducted to provide further insights into the data. According to Vrbin (2022), "parametric tests are appropriate when the data follows a normal distribution, the sample variances are equal and the data is measured on an interval or ratio scale". That being said, even if a survey does not follow a normal distribution, regressions can still be useful in interpreting survey data. For this study, two forms of regression analysis were used: linear regression and binary logistic regression. Schneider et al. (2010) state that the former is employed to investigate the relationship between one or more independent variables X (eg. gender, age, income) and a dependent variable (Y) that is continuous. The latter, on the other hand, is a statistical approach used to describe the relationship between an independent variable and a dichotomous dependent variable, which has only two potential answers: yes or no (Tripepi et al. 2008).

3.6 Limitations

Despite all efforts made to produce credible and relevant research, the study was still subject to certain shortcomings.

The relatively recent establishment of ESG as a formalised topic, as well as the lack of existing research on the subject in Malta are two significant limitations of the study. Despite ESG's increasing relevance in recent years, the general public still has limited knowledge and comprehension of it. This lack of familiarity could have impacted the quality and depth of responses, compromising the reliability of the findings. Moreover, within the local context, the author did not find any research on the impact of ESG on local consumer behaviour and barely any literature on ESG in general. As a result, the findings could only be compared to empirical data carried out in other countries rather than research conducted in Malta.

Having said that, it is important to note that while ESG is relatively new as a formalised topic, its underlying principles such as environmental stewardship, social responsibility and governance practices have long been part of business and ethical discourse. This may help alleviate some of the limitations posed as even if they were not entirely familiar with ESG terminology, most respondents could still grasp the fundamental ideas.

In terms of the research approach chosen, although the adoption of quantitative research methodologies made it possible to identify links, it hindered the ability to understand the underlying motives of consumer behaviour. This illustrates that while quantitative methods are useful for identifying trends, they are unable to present the in-depth understanding that qualitative research methods such as interviews are capable of providing.

Furthermore, the questionnaire's potential for inconsistency between respondents' stated and actual behaviours poses another limitation. This phenomenon, also known as social desirability bias, can cause respondents to give responses that, rather than accurately representing their actual behaviours and beliefs, they feel are more socially acceptable or anticipated (Grimm 2010). Consequently, this may result in data that does not appropriately reflect the true behaviours or opinions of the participants.

Yet, a number of measures were taken to mitigate the impact of the limitations associated with the research approach chosen. To begin with, as the survey was anonymous, participants were free to answer questions honestly and freely without worrying about being judged. Participants were also made aware that they could withdraw from the survey at any time, ensuring that they did not feel coerced into providing information they were uncomfortable sharing. Additionally, sensitive questions, such as those relating to income were not mandatory to further reduce potential discomfort. This strategy sought to respect the privacy of the respondents and encourage honest engagement without the pressure of disclosing personal information they might prefer to keep private.

On top of that, the questionnaire focused on products that people use on a daily basis, rather than on a specific niche market. The questions were thus more relevant to a wider audience and easier for respondents to answer since they pertained to everyday products that people use on a daily basis. As a result, the measures taken sought to create an environment that encouraged honesty and accuracy, thereby enhancing the reliability of the collected data.

3.7 Conclusion

In conclusion, the methodology employed in this study was carefully designed to ensure the collection of comprehensive and reliable data. The author employed a deductive research approach to test the hypothesis derived from existing theories. A survey was distributed to gather data, with the sample consisting of Maltese individuals aged 18 and over. The data collection method was facilitated through Google Forms and circulated through social media to ensure broad reach and diverse participation. The collected data was analysed using SPSS to provide robust insights into the research question. Despite these strengths, limitations were acknowledged. Nonetheless, the approach and tools employed were carefully selected to maximise the reliability and validity of the study's finding.

Chapter 4: Analysis and Results

4.0 Introduction

The ensuing chapter will focus on analysing the findings from the surveys. Section 4.1 will present descriptive statistics for the variables in this study, providing an overview of the data. Following this, Section 4.2 will delve into a more detailed discussion of the results obtained through the use of different statistical tests. This includes the application of nonparametric tests, such as Friedman's two-way ANOVA by ranks and the use of parametric tests, including regression analysis. Finally, Section 4.3 will conclude this chapter by highlighting the key findings drawn from the survey.

4.1 Descriptive Statistics

Table 1 below presents a summary of the descriptive statistics for all the variables included in the questionnaire:

Descriptive Statistics

	Minimum	Maximum	Mean	Standard Deviation
Gender	1	2	1.54	0.50
Age	1	6	2.48	1.38
Highest educational level attained	1	5	4.06	0.98
Type of employment	1	8	1.55	1.16
Level of income	1	5	1.52	0.76
Familiarity with the concept of ESG	1	5	2.61	1.12
Level of significance on ESG when making purchasing decisions	0	10	5.27	2.17
Frequency of concern for ESG practices before making a purchase decision	1	5	2.13	0.89
Likelihood of supporting companies that prioritise environmentally friendly practices	1	5	3.45	0.95
Impact of environmental marketing on purchasing behaviour	0	5	2.80	0.93
Significance on supporting companies that are committed to social causes	1	5	3.41	0.95
Extent to which social policies or practices influence consumer behaviour	0	2	1.45	0.50
Frequency with which corporate governance shapes consumer behaviour	0	5	2.83	0.88

Influence of good governance on consumer trust and purchasing decisions	0	2	1.19	0.40
Importance of ESG concerns in fostering brand loyalty and customer commitment	0	5	3.78	0.75
Likelihood of prioritising ESG when purchasing personal care products	1	5	3.47	1.01
Likelihood of prioritising ESG when purchasing household items	1	5	3.40	0.94
Likelihood of prioritising ESG when purchasing healthcare products	1	5	3.55	1.13
Likelihood of prioritising ESG when purchasing different modes of transport	1	5	3.38	1.00
Likelihood of prioritising ESG when purchasing electronic devices	1	5	3.19	0.98
Likelihood of prioritising ESG when purchasing clothing and accessories	1	5	3.18	1.01
Likelihood of prioritising ESG when purchasing food and beverages	1	5	3.43	1.04
Willingness to pay more for everyday products from companies that offer transparent information about their ESG initiatives	0	2	1.58	0.51
Amount of premium willing to pay more	0	4	0.72	0.85

Table 1: Descriptive Statistics

4.1.1 *Gender*

As shown in Table 1, the variable 'Gender' has a mean of 1.54, indicating that the survey was conducted slightly more frequently among females than males. This is further confirmed in Figure 6 below, which provides a visual representation of the gender distribution.

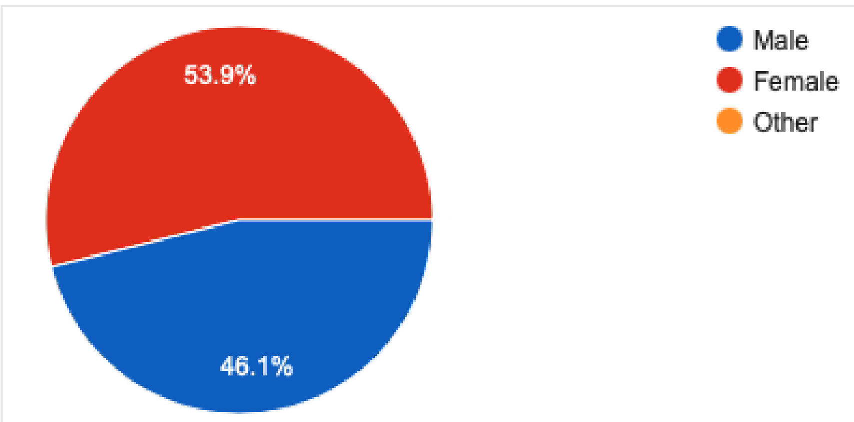

Figure 6: Gender Distribution

The standard deviation, that is, the measure of the spread around the mean is ±0.50. Given that it is less than half of the mean suggests that although the majority of responses are concentrated around the mean, there is some spread in the data.

4.1.2 *Age*

As indicated in Table 1, the variable 'Age' has a mean of 2.48, implying that the sample population was skewed towards younger age groups. In fact, as depicted in Figure 7 below, the majority of the respondents, 33.1%, were within the 18-24 age group.

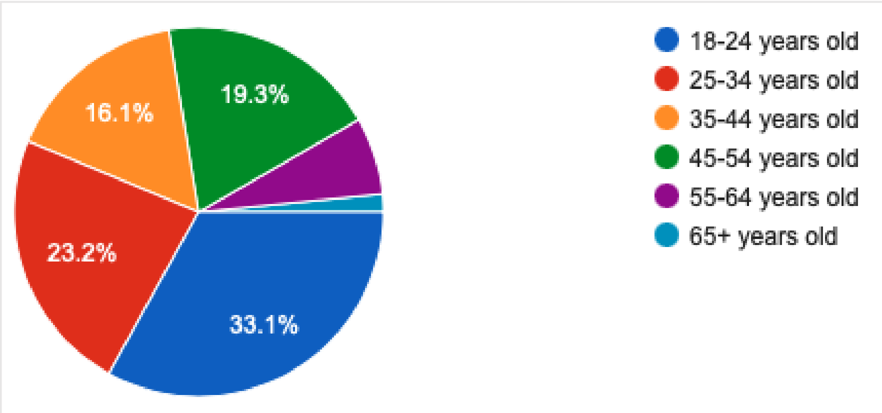

Figure 7: Age Distribution

This may be attributed to the fact that, as discussed in the previous chapter, the author distributed the survey on social media platforms that are more typically used by younger people. The standard deviation is ±1.38, which is more than half the mean. This indicates that while the average respondent was in a younger age group, there is significant variability, with a wide range of ages represented in the sample.

4.1.3 *Highest educational level attained*

Table 1 shows that this variable has a mean of 4.06, indicating that most of the respondents fall between undergraduate and postgraduate levels, with a slight skew towards the undergraduate level. This is consistent with Figure 8 below, which shows that 72.6%, or the majority, hold either an undergraduate or a postgraduate degree. Meanwhile, the standard deviation is equal to ±0.98. This value indicates that most responses are clustered relatively close to the average value, represented by the mean. In practical terms, it denotes that the majority of the respondents do not deviate significantly from the mean, demonstrating that the data followed a consistent pattern with limited outliers.

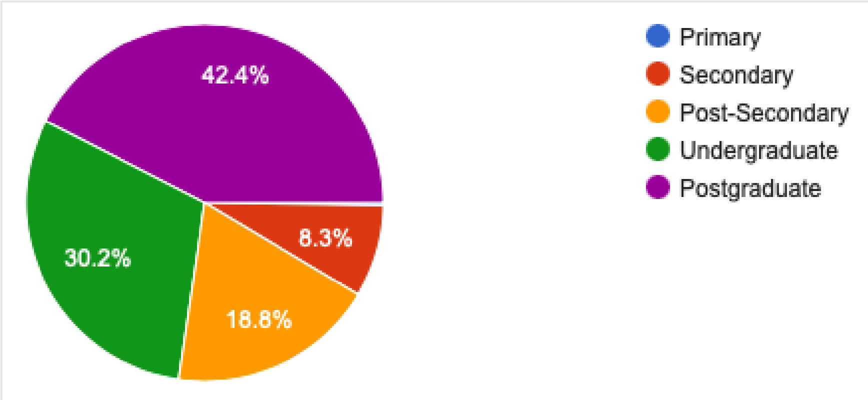

Figure 8: Educational Level Distribution

4.1.4 *Type of employment*

Another key variable considered is the type of employment. From Table 1, the mean for this variable is equal to 1.55. Given that 'Full-time' was assigned the code 1 and 'Part-time' was assigned the code 2, a mean of 1.55 suggests that the average value is slightly skewed towards full-time employment but also includes a significant number of part-time employees. Indeed, as shown in Figure 9 below, the majority of the respondents, 70.3%, are employed on a full-time basis, followed by 18% who are employed on a part-time basis.

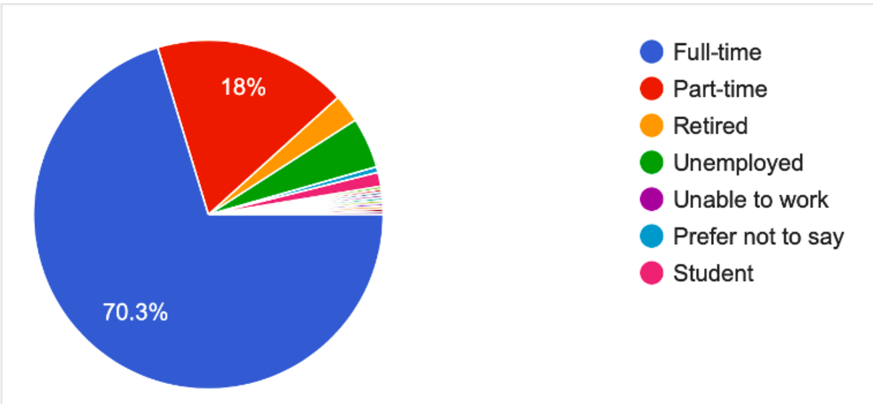

Figure 9: Employment Type Distribution

With respect to standard deviation, it has a value of ±1.16. A standard deviation of ±1.16 indicates that there was a moderate spread in the type of employment among respondents. This suggests that while full-time employees were the most common, there was still a notable presence of other types of employment (e.g. part-time, retired and unemployed).

4.1.5 *Level of income*

The mean of this variable is equal to 1.52, suggesting that the average value of the sample lies between the first and second income categories, that is, €0 - €29,999 and €30,000 - €59,999. This indicates that the majority of the respondents form part of the low-income or lower-middle income category, as evidenced in Figure 10 below.

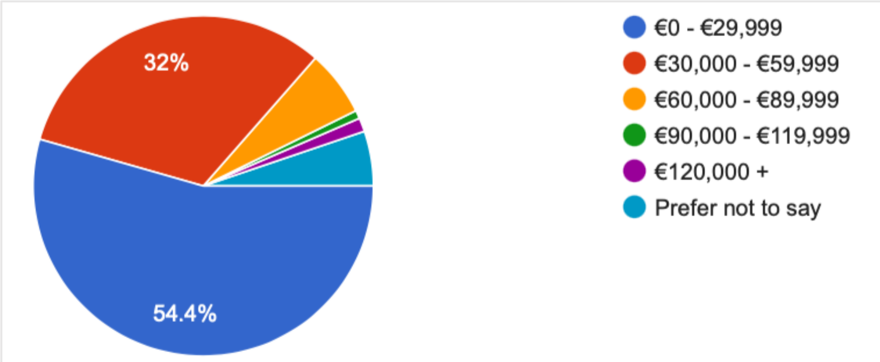

Figure 10: Income Level Distribution

Meanwhile, the standard deviation is equal to ±0.76 which suggests that although there is some variability in the income distribution, the standard deviation indicates that the majority of respondents' income levels do not deviate much from the mean.

4.2 Statistical Testing

4.2.1 *Nonparametric Tests*

In the following section, the author will discuss the outcomes of the nonparametric tests that were carried out. As outlined in Chapter 3, nonparametric tests are statistical tests that do not rely on assumptions about the specific distribution of the data.

The following nonparametric tests were conducted to analyse the data from related samples.

<u>Test 1: Influence of Environmental, Social, and Governance Factors on Purchasing Decisions</u>

The first nonparametric test on related samples was carried out using Friedman's 2-way ANOVA by ranks in SPSS. The test was designed to explore whether respondents gave equal consideration to the first question concerning environmental, social and governance factors when making purchasing decisions. Friedman's 2-way ANOVA by ranks was employed since the test involved more than two samples. The aim of the assessment was to establish whether these factors are prioritised uniformly or if some factors are given more weight than others in their decision-making process. According to Table 2 below, the null hypothesis was that the distributions of responses to the three different factors – environmental friendliness of products, commitment to social causes and company governance structure were identical. In other words, it assumes that respondents do not differentiate between these three factors when making purchasing decisions.

Hypothesis Test Summary

	Null Hypothesis	Test	Sig.^{a,b}	Decision
1	The distributions of How likely are you to purchase products from companies that prioritise environmentally friendly practices (e.g. using recycled components or minimising pollution emissions in their products)?, How important is it for you to support companies that demonstrate a commitment to social causes (e.g., diversity and inclusion, good working conditions for employees)? and How frequently does a company's governance structure (e.g., transparency, ethical leadership) influence your purchasing decisions? are the same.	Related-Samples Friedman's Two-Way Analysis of Variance by Ranks	<.001	Reject the null hypothesis.

a. The significance level is .050.

b. Asymptotic significance is displayed.

Table 2: Hypothesis Test Summary (1)

However, the test results indicated otherwise. As demonstrated in the table above, the reported significance level, or p-value, was less than 0.001. This indicates that the likelihood of observing differences among the distributions by chance is less than 0.1%, suggesting that the results are highly statistically significant. Given this significance level, the decision is to reject the null hypothesis. This means that there is sufficient evidence to conclude that the respondents do not consider all three factors as equally important, but instead prioritise environmental, social and governance factors differently when making purchasing decisions.

In fact, as depicted in Figure 11 below, respondents tend to prioritise environmental and social factors more highly than governance factors when making purchasing decisions. This prioritisation is evident from the higher mean ranks assigned to environmental and social concerns, as well as the more balanced distributions observed for these factors. The differences in mean ranks demonstrate the fact that respondents do not value all three factors equally. Governance, in particular, is regarded as being the least influential, as shown by its lower mean rank of 1.58. This implies that while environmental and social concerns are important in shaping purchasing behaviour, for the majority of the respondents, governance is less of a deciding factor.

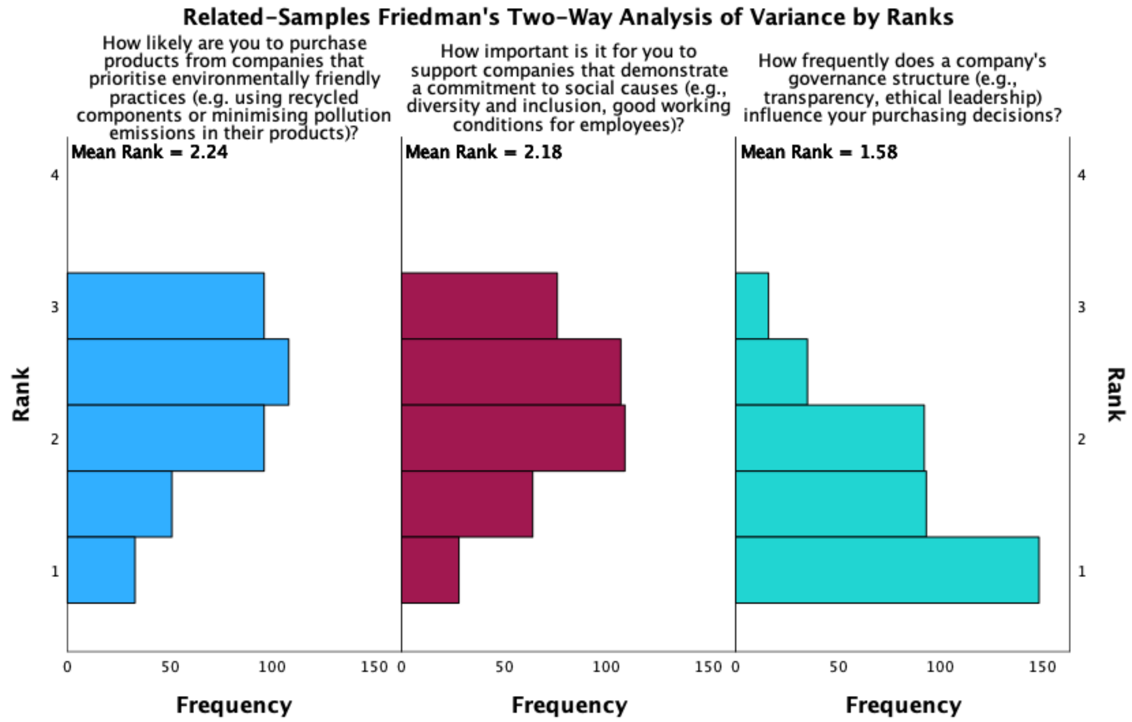

Figure 11: Analysis of Variance by Ranks (1)

<u>Test 2: Influence of Environmental, Social, and Governance Factors on Purchasing Decisions</u>

The purpose of the second test was to establish whether respondents gave equal consideration to the second question concerning environmental, social and governance factors in their decision-making process. In this case, both Friedman's 2-way ANOVA by ranks and manual testing were used since not all distributions were of the same type.

Friedman's 2-way ANOVA by ranks was used to compare the distributions of responses to the following survey questions, namely *"whether participants have ever chosen one product over another because it was marketed as environmentally friendly"* and *"whether participants are more likely to trust and purchase from companies with strong corporate governance practices".* As per Table 3 below, the null hypothesis was that the distributions of the responses to the two questions were the same. In other words, it assumed that the respondents do not distinguish between these two questions when making purchasing decisions.

Hypothesis Test Summary

	Null Hypothesis	Test	Sig.[a,b]	Decision
1	The distributions of Have you ever chosen one product over another because it was marketed as environmentally friendly? and Are you more likely to trust and purchase from companies with strong corporate governance practices? are the same.	Related-Samples Friedman's Two-Way Analysis of Variance by Ranks	<.001	Reject the null hypothesis.

a. The significance level is .050.

b. Asymptotic significance is displayed.

Table 3: Hypothesis Test Summary (2)

Yet, the results of the test proved otherwise. The null hypothesis was rejected as the reported significance level, or p-value, was less than 0.1%, which is much less than the standard significance threshold of 5%. This indicates that the distributions of the responses to the two questions are different, with a notable difference between participants' choices for environmentally friendly products and their trust in companies with strong governance practices.

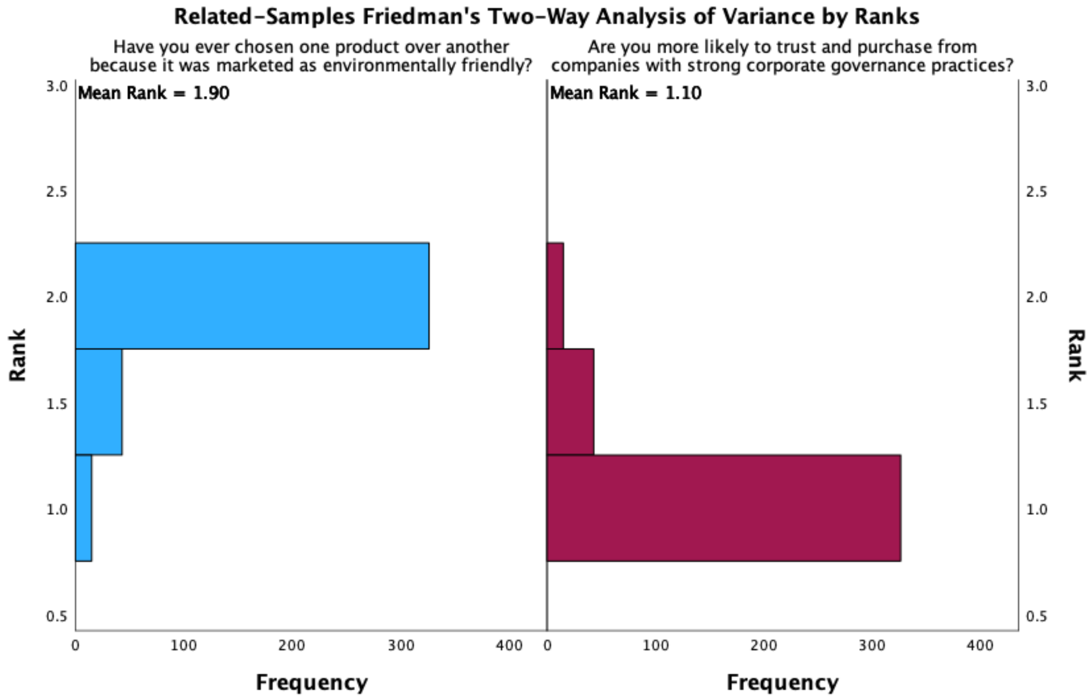

Figure 12: Analysis of Variance by Ranks (2)

This point is further illustrated in the above chart. The mean ranks indicate that respondents place more importance on environmental factors in their purchasing decisions compared to governance factors. Specifically, the mean rank of 1.90 suggests that environmental friendliness plays a considerable role in influencing respondents' choices when selecting products. On the other hand, the mean rank of 1.10 for the question relating to trust and purchase likelihood from companies with strong corporate governance practices indicates that governance factors are much less influential.

Additionally, a manual test was conducted to compare the distribution of responses to the question: *"Have you ever refused to purchase a good or service from a company due to its social policies or practices?"*. The average number of respondents who selected 'Yes' or 'No' out of 383 is represented in the pie chart below. In particular, 54.8% indicated that they have previously refused to make a purchase from a company due to its social policies or practices, while 45.2% responded that they have not. This suggests that when making purchasing decisions, the majority of the respondents are indeed influenced by a company's social policies or practices.

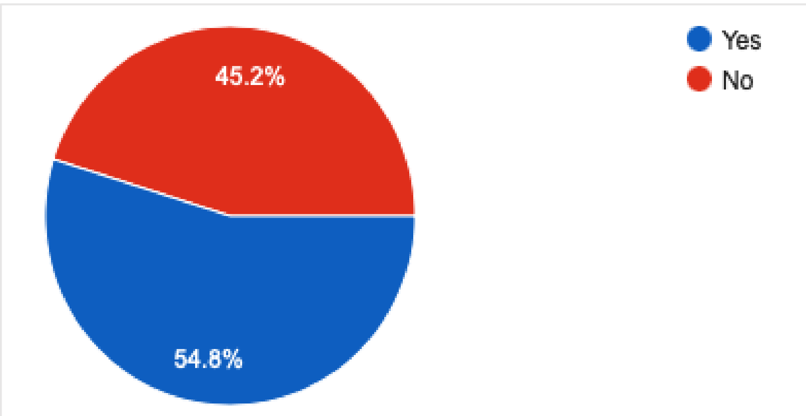

Figure 13: Impact of Social Policies on Purchasing Decisions

The results obtained using both methods illustrate the significance of ethical considerations in consumer behaviour. According to the Friedman test, respondents give more weight to environmental factors than governance factors when making purchasing decisions, suggesting that, while governance practices are important, they are not as influential as environmental factors in shaping consumer preferences. Moreover, the results from Figure 13 supported this idea by demonstrating that a substantial portion of consumers are willing to take a stand against companies with unfavourable social practices.

Overall, the outcomes of Tests 1 and 2 are somewhat consistent with the findings of the literature. In terms of environmental practices, the test results support the empirical findings of Kanchanapibul et al. (2014), indicating that modern consumers are indeed more concerned with environmentally friendly consumption. This shows that increased environmental awareness may be influencing consumers' purchase intentions towards more sustainable consumption and purchasing decisions.

Similarly, the test results corroborate the findings of both Mohr et al. (2001) as well as Shah and Asghar (2023), indicating that consumers are in fact, becoming more socially conscious consumers and placing a greater emphasis on societal concerns. This is owing to the fact that the majority of the respondents revealed that they had previously opted not to purchase from a company due to its social practices. This type of conduct is in line with the models of consumer behaviour identified in the literature review, particularly in that consumers base their decisions on the information acquired during the evaluation stage of their decision-making process.

In contrast, despite the corporate scandals revealed in the literature review from big companies such as Volkswagen, the test findings suggest that governance is still regarded as the least important element when making purchasing decisions. This may either be the result of lack of awareness or perceived irrelevance of these factors when making decisions for everyday products.

4.2.2 *Regression Analysis*

In the following section, the author will delve into the results obtained from the two regression analyses that were carried out. Given the nature of the responses, both binary logistic and linear regression were used for this study.

<u>Regression 1: Willingness to Pay a Premium for Transparency in ESG initiatives – A Binary Logistic Regression</u>

This regression analysis aimed to explore the factors influencing people's willingness to pay a premium for everyday products from companies that provide transparent information about their ESG initiatives. The analysis considered the following independent variables:

- Gender
- Age
- Level of education
- Type of employment
- Level of income
- Familiarity with the concept of ESG
- Level of agreement to the statement: "Companies that prioritise environmental, social and governance concerns are more likely to earn my loyalty as a customer."
- Priority given to ESG issues when purchasing everyday products, including personal care products, household items, healthcare products, modes of transport, electronic devices, clothing and accessories, and food and beverages.

Variables in the Equation

		B	Sig.
Step 1[a]	Gender	.226	.366
	Age	-.034	.724
	Level of Education	.351	.008
	Employment	-.178	.089
	Income	-.084	.644
	How familiar are you with the concept of ESG (Environmental, Social, and Governance)?	-.110	.332
	Please indicate your level of agreement with the following statement: "Companies that prioritise environmental, social and governance concerns are more likely to earn my loyalty as a customer."	-.569	.002
	To what extent would you prioritise ESG issues when deciding to purchase personal care products? (eg. soap, shampoo, toothpaste and skincare items)	-.014	.937
	To what extent would you prioritise ESG issues when deciding to purchase household items? (eg. cleaning supplies, kitchenware and appliances)	-.289	.083
	To what extent would you prioritise ESG issues when deciding to purchase healthcare products? (eg. medications, vitamins and medical supplies)	.157	.271
	To what extent would you prioritise ESG issues when deciding to purchase modes of transport? (eg. cars, bicycles and electric scooters)	-.078	.618
	To what extent would you prioritise ESG issues when deciding to purchase electronic devices? (eg. smartphones, laptops and tablets)	.157	.356

To what extent would you prioritise ESG issues when deciding to purchase electronic devices? (eg. smartphones, laptops and tablets)	.157	.356
To what extent would you prioritise ESG issues when deciding to purchase clothing and accessories?	-.242	.107
To what extent would you prioritise ESG issues when deciding to purchase food and beverages?	-.077	.619
Constant	2.881	.003

Table 4: Regression 1 – Variables in the Equation

The table above lists the significance levels (Sig.) and coefficients, often known as B values, for each independent variable in the model.

The first variable, gender, shows a positive coefficient of 0.226, suggesting that males may be somewhat more willing to pay a premium for products made by companies with transparent ESG practices. Nonetheless, the significance level of 0.366 indicates that this relationship is not statistically significant, as it is well over the significance threshold of 0.05. In other words, gender has little to no impact on the likelihood of paying a premium for such products.

Age has a negative coefficient of -0.034, indicating that older individuals may be less willing to pay a premium. However, with a significance level of 0.724, this result is also not statistically significant. Hence, similar to gender, age does not seem to have a big impact on whether or not customers are prepared to pay extra for products with transparent ESG practices.

The variable pertaining to the level of education yields a more persuasive outcome. The negative coefficient of -0.351 implies that highly educated people are less inclined to pay a premium for products made by companies with transparent ESG practices. Moreover, the p-value of 0.008 indicates that this relationship is statistically significant, confirming that education has a considerable impact on consumer behaviour. This result suggests that in general, highly educated people tend to be more sceptical of premium pricing or perhaps hold higher expectations for companies to provide ESG transparency at no additional cost.

Employment has a negative coefficient (B = -0.178) and a significance value of 0.089. While this result does not firmly establish employment as a key factor, it suggests that employed individuals may be slightly less willing to pay a premium for these products. Yet, given that the p-value exceeds the threshold of 0.05, this result should be interpreted in a cautious manner.

As indicated by the negative coefficient of -0.084 and the p-level of 0.644, income has no significant effect on the willingness to pay a premium. This comes as a bit of a surprise because one would assume that individuals with higher income would be more inclined to bear the extra expenses associated with ESG disclosure. However, the findings suggest that besides income, people take into account other factors.

With regards to familiarity with ESG concepts, despite the negative coefficient of -0.110, this variable does not seem to significantly impact the likelihood of paying a premium, as indicated by the p-value of 0.332. This finding suggests that merely being informed about ESG concerns does not necessarily translate into a willingness to pay a premium for products from companies that are transparent about these issues.

Interestingly, the level of agreement with the statement "*Companies that prioritise environmental, social, and governance concerns are more likely to earn my loyalty as a customer*" is one of the most significant factors in this analysis. In this case, the coefficient is equal to -0.569 and the p-value is 0.002, indicating a strong and statistically significant relationship. This finding implies that, while consumers may express loyalty to firms that prioritise ESG issues, this does not necessarily indicate that they are prepared to pay a premium for their products. The inverse relationship might indicate that customers expect firms to be upfront about their ESG initiatives without demanding a higher premium for it.

In terms of the extent to which people prioritise ESG concerns when purchasing different everyday products (personal care items, household items, healthcare products, modes of transport modes, electronic devices, clothing, food and beverages), all of them produced statistically insignificant results. Although the coefficients vary, all p-values are higher than

0.05, suggesting that the choice to pay more for ESG transparency is not substantially influenced by these particular purchasing criteria.

In summary, the regression analysis shows that while level of education and agreement with the importance of ESG in fostering customer loyalty do significantly influence people's willingness to pay a premium, the other variables do not. As such, the findings imply that although customers value ESG transparency, they are not necessarily willing to pay more for it, indicating a complex interplay of values and expectations in their purchasing decisions.

<u>Regression 2: Evaluating the Additional Amount Consumers Are Willing to Pay for ESG Transparency – A Linear Regression</u>

This regression analysis sought to determine the additional amount consumers are willing to pay for everyday products from companies that provide transparent information about their ESG initiatives, using the same independent variables as in the previous regression.

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.353[a]	.125	.092	.812

a. Predictors: (Constant), Gender, Age, Level of Education, Employment, Income, How familiar are you with the concept of ESG (Environmental, Social, and Governance)?, Please indicate your level of agreement with the following statement: "Companies that prioritise environmental, social and governance concerns are more likely to earn my loyalty as a customer.", To what extent would you prioritise ESG issues when deciding to purchase the following everyday products? [Personal Care Products], [Household Items], [Healthcare Products], [Modes of Transport], [Electronic Devices], [Clothing and Accessories], [Food and Beverages].

Table 5: Regression 2 – Model Summary

Table 5 shows that the R Square value is equal to 0.125, demonstrating that 12.5% of the variance in the dependent variable (y) is accounted for by the independent variables included in the model. As the R Square value is less than 50%, it suggests that the model is not a good fit.

Coefficients[a]

Model		Unstandardized Coefficients B	Sig.
1	(Constant)	-.178	.606
	Gender	-.016	.861
	Age	-.017	.645
	Level of Education	-.112	.023
	Employment	.046	.245
	Income	.094	.170
	How familiar are you with the concept of ESG (Environmental, Social, and Governance)?	.025	.556

Please indicate your level of agreement with the following statement: "Companies that prioritise environmental, social and governance concerns are more likely to earn my loyalty as a customer."	.227	<.001
To what extent would you prioritise ESG issues when deciding to purchase the following everyday products? [Personal Care Products (eg. soap, shampoo, toothpaste and skincare items)]	-.065	.324
To what extent would you prioritise ESG issues when deciding to purchase the following everyday products? [Household Items (eg. cleaning supplies, kitchenware and appliances)]	.141	.024
To what extent would you prioritise ESG issues when deciding to purchase the following everyday products? [Healthcare Products (eg. medications, vitamins and medical supplies)]	-.091	.087
To what extent would you prioritise ESG issues when deciding to purchase the following everyday products? [Modes of Transport (eg. cars, bicycles and electric scooters)]	-.074	.205
To what extent would you prioritise ESG issues when deciding to purchase the following everyday products? [Electronic Devices (eg. smartphones, laptops and tablets)]	.093	.146
To what extent would you prioritise ESG issues when deciding to purchase the following everyday products? [Clothing and Accessories]	.092	.100
To what extent would you prioritise ESG issues when deciding to purchase the following everyday products? [Food and Beverages]	.002	.971

a. Dependent Variable: If yes, how much more would you be willing to pay?

Table 6: Regression 2 – Coefficients

The above table suggests that out of all the independent variables, only three of them produce statistically significant results. Among these is the level of education which has a negative coefficient of -0.112 and a p-value of 0.023. This implies that people with higher education are less inclined to pay more for ESG transparency. Put differently, as education increases, the willingness to pay a premium for ESG transparency tends to decrease.

Another significant variable is the level of agreement with the statement "Companies that prioritise environmental, social and governance concerns are more likely to earn my loyalty as a customer". The p-value of less than 0.001 suggests that those who agree with the statement are also significantly more prepared to pay a higher premium. This relationship is further supported by the positive coefficient of 0.227, which demonstrates a strong correlation between ESG loyalty and the desire to pay more.

While other variables such as income and product-specific ESG priorities show some trends, they fall short of statistical significance, except for household items. The results show a strong positive relationship for household items, indicating that consumers are inclined to spend more on appliances such as air conditioners and washing machines if the manufacturers place a high priority on ESG transparency.

As a result, findings of this test highlight the complexity of consumer decision-making when taking into account ESG considerations. The outcome of this regression proved that while demographic factors may seem intuitively essential, consumers' willingness to pay more for ESG transparency is further driven by their underlying beliefs and product goals.

All things considered, the regression analyses produced intriguing results. Firstly, from all the demographic factors, level of education was the only factor that produced statistically significant results. Meanwhile, income did not produce significant outcomes, suggesting that, as Kahneman and Tversky (2000) pointed out, consumers are not always fully rational. This may imply that moral issues take precedence over financial ones, which may be connected to the increasing trend of conscious consumption. Gender did not yield statistically significant results either, which may be explained by changing consumer attitudes over time.

Secondly, the findings from the regression analyses suggest that consumers' purchasing decisions are highly influenced by ethical considerations. Therefore, this finding might suggest a change in the models of consumer behaviour outlined in the literature review to reinforce this idea. Finally, considering the absence of previous literature on this topic in the local context, the regression analysis yielded interesting results. These findings not only laid the groundwork for future research but also provided insight into how ESG factors influence consumer behaviour in Malta.

4.3 Conclusion

The findings from both non-parametric and parametric tests offered insights into consumers attitudes towards ESG within the local context. The results of the non-parametric tests indicated that most of the survey findings were consistent with the findings of the literature, suggesting that consumers' attitudes on ESG are comparable across countries. However, the parametric tests, particularly the regression analyses, stood apart. Due to the lack of existing literature on this topic in the local context, direct comparisons with other studies were impossible, highlighting the unique contribution of these results to the field.

Chapter 5: Discussion, Conclusions and Recommendations

5.0 Introduction

Section 5.1 of this chapter will provide an overview of the study as a whole, summarising the main aspects of each chapter. Section 5.2 will outline the significance of the study by focusing on the findings and discussing their significance for businesses and policymakers. Section 5.3 will then make recommendations for future research in order to address any shortcomings that were identified in the study and expand on the findings. Finally, Section 5.4 will wrap up the study with a concluding remark.

5.1 Summary of Study

In recent years, the growing importance of sustainability in business practices has led to a heightened focus on environmental, social and governance factors. However, despite the increasing emphasis on sustainable corporate practices, there is a limited understanding of how consumers perceive these factors and how they influence their purchasing decisions. Existing research has mainly focused on corporate strategies, leaving a significant gap in the understanding of consumer behaviour.

The study sought to address this gap by examining how consumer perceptions of ESG shape their purchasing decisions, providing insights into the role of sustainability in modern consumer markets. In order to achieve this, the research question that motivated this study was:

'In the local context, to what extent do consumers consider ESG factors when making purchasing decisions for everyday products?'

A quantitative research approach was chosen to address the research question. A self-administered online questionnaire was distributed to Maltese individuals over 18 years of age and 384 responses were collected. The survey combined closed-ended and Likert-scale questions to objectively assess levels of ESG and purchasing behaviour. The data collected was analysed through the use of SPSS, using both non-parametric and parametric tests to identify correlations between consumer perceptions and decision-making.

The results suggest that, on average, consumers consider ESG factors only to a certain extent. This implies that while consumers do value ESG transparency, it does not necessarily translate into a willingness to always pay a higher premium for it. In fact, the author concluded that household items were the only category of everyday products for which the respondents were willing to pay more for it, provided that the manufacturers they were purchasing from prioritised ESG. As a result, this study has addressed a gap in literature that companies might leverage to gain a competitive advantage over their rivals. In addition, it has established a solid foundation for researchers to build upon in the future.

5.2 Significance of Study

From the results obtained, the author can deduce that when making purchasing decisions for everyday products, not all ESG factors are considered equally important. In fact, the findings of the Friedman tests clearly demonstrated this, with environmental factors emerging as the most influential, indicating that consumers have a significant preference for products and companies that prioritise sustainability and eco-friendly practices. Social aspects were classified as the second most influential. This implies that while less influential than environmental factors, social factors still have a significant role in shaping consumer behaviour. On the other hand, governance factors were regarded as the least influential, implying that they are given little importance by consumers when compared to the rest.

Companies might leverage from this finding by aligning their ESG efforts with the priorities of consumers. Given that environmental factors are the most valued by consumers, companies stand to gain from prioritising environmental sustainability in their operations and communications. A few ways to do this includes investing in green technologies, reducing carbon footprints and highlighting environmental accomplishments in public. For example, a firm that invests in renewable energy and minimises waste might use these efforts in its marketing campaigns to better line with customer interests and perhaps gain a competitive advantage over its counterparts.

This finding should also be taken into account by policymakers when creating ESG reporting standards and guidelines. It indicates that incorporating environmental considerations more heavily into ESG disclosure regulations may coincide with consumer preferences and generate more meaningful behaviour by companies. Additionally, this can motivate businesses to include environmental sustainability into their operations.

Concurrently, the regression analyses revealed the complex reality of consumers' decision-making process. The findings revealed that while demographic factors may seem important, the majority of them yielded statistically insignificant results. On the contrary, those that produced statistically significant results, such as level of education, demonstrated that highly educated people are sceptical to pay additional premium for products made by companies with transparent ESG practices.

As such, when targeting highly educated consumers, it may be necessary for companies to re-evaluate their pricing strategies and communication techniques. This is due to the possibility that this group may not be willing to pay a higher premium, even if ESG practices and transparency are crucial. Therefore, companies should concentrate on proving the inherent worth of their ESG practices beyond just transparency, perhaps by highlighting innovation or long-term cost benefits. Companies, for example, might explore alternative ways to integrate ESG considerations into their products or services without necessarily raising the cost.

Policymakers should also take this consumer response into consideration when creating policies that provide incentives for ESG practices. If the objective is to increase the adoption of ESG practices, financial incentives or subsidies may be more successful than depending solely on consumer willingness to pay a higher premium. For example, giving tax incentives to companies that reach significant ESG targets or providing subsidies for environmentally friendly technology might help to promote the adoption of ESG practices without putting a financial burden on consumers.

5.3 Recommendations for Future Research

In order to overcome the limitations acknowledged in Chapter 3, the author put forward the following recommendations, which other researchers may find useful in the future.

Firstly, in terms of the research methodology, the use of qualitative methodologies in conjunction with quantitative research carried out may significantly contribute to an improved understanding of ESG and its influence on consumer behaviour. This is because the use of interviews or focus groups will allow future researchers to acquire a better understanding of the motivations and thought processes that drive consumers' purchasing decisions. As a result, this would provide a better understanding of why certain ESG factors are given priority over others.

Secondly, when compared to cross-sectional studies, the use of a longitudinal approach may be practical for future researchers as it will allow them to gain a better understanding of how consumer behaviours towards ESG evolve over time. As opposed to capturing a snapshot of consumer attitudes, this approach will enable the monitoring of changes in consumer behaviour in response to shifts in environmental conditions, societal values or corporate practices.

Finally, given the growing influence of social media platforms, it would be interesting for future researchers to look at how platforms such as TikTok, Facebook and Instagram influence consumer perceptions of ESG initiatives. For instance, analysing the importance of online reviews and influencer marketing may assist businesses in developing more effective strategies for encouraging sustainable purchases in today's day and age.

5.4 Concluding Remark

In concluding this study, which has examined the intricate relationship between ESG and consumer behaviour, the author has gained a broader understanding of the ways in which ESG may influence consumer behaviour and decision-making. Reading a variety of published papers, articles, and dissertations has broadened the understanding of the author in this intriguing topic, which is continuously evolving.

Finally, the author hopes that this study will contribute to society as a whole since environmental, social, and governance concerns are critical for establishing a sustainable, impartial and transparent society.

References

ACHARYA, B., 2010. Questionnaire design. *Central department of population studies*, pp. 2-3.

ALI, N. and KHAN, K.I., 2022. Corporate Governance, Financial Accounting Information and Control Mechanisms: A Way to Combat Corruption. *Journal of Business and Social Review in Emerging Economies*, 8(1), pp. 197-208. DOI:10.1007/978-3-642-44955-0_17

AMEEN, K., 2020. Failure of Ethical Compliance: The Case of Volkswagen. *International Journal of Science and Management Studies*, 3(1), pp. 7-13.

APPLE, 2022-last update, Environmental Progress Report [Online]. Available: https://www.apple.com/environment/pdf/Apple_Environmental_Progress_Report_2022.pdf [Mar 10, 2024].

APPLE, 2023-last update, Environmental Progress Report [Online]. Available: https://www.apple.com/environment/pdf/Apple_Environmental_Progress_Report_2023.pdf [Mar 10, 2024].

ARROW, K.J. and DASGUPTA, P.S., 2009. Conspicuous Consumption, Inconspicuous Leisure. *The Economic Journal*, 119(541), pp. F497-F516. https://www.jstor.org/stable/40271412

BAGWELL, L.S. and BERNHEIM, B.D., 1996. Veblen Effects in a Theory of Conspicuous Consumption. *The American Economic Review*, 86(3), pp. 349-373. https://www.jstor.org/stable/2118201

BANGALORE, S., 2023-last update, Shein's mounting ethical concerns may be pushing some Gen Z shoppers to look elsewhere [CBS News], [Online]. Available: https://www.cbsnews.com/news/shein-controversy-why-is-it-so-popular/ [Mar 12, 2024].

BANKER, S., 2021-last update, Do Consumers Care About Ethical Sourcing? [Forbes], [Online]. Available: https://www.forbes.com/sites/stevebanker/2021/10/05/do-consumers-care-about-ethical-sourcing/?sh=6400b44c5f50 [Mar 11, 2024].

BILLIO, M., COSTOLA, M., HRISTOVA, I., LATINO, C. and PELIZZON, L., 2022. Sustainable finance: A journey toward ESG and climate risk, SAFE Working Paper, No. 349, *Leibniz Institute for Financial Research SAFE*. Available: https://www.econstor.eu/bitstream/10419/253382/1/1800630409.pdf

BLACKSTONE, A., 2012. *Principles of Sociological Inquiry: Qualitative and Quantitative Methods.* Washington: Saylor Academy.

BRITTEN, F., 2022-last update, Fashion brands pause use of sustainability index tool over greenwashing claims [The Guardian], [Online]. Available: https://www.theguardian.com/fashion/2022/jun/28/fashion-brands-pause-use-of-sustainability-index-tool-over-greenwashing-claims [Mar 8, 2024].

CERNEV, T. and FENNER, R., 2020. The importance of achieving foundational Sustainable Development Goals in reducing global risk. https://doi.org/10.1016/j.futures.2019.102492

CHEN, Z., 2023. Analysis and Synthesis of the Environmental Progress of Apple Inc. from 2008 to 2022. *Advances in Economics, Management and Political Sciences*. 27, pp. 97-103. DOI: 10.54254/2754-1169/27/20231220.

CLAYTON, J., 2022. Elizabeth Holmes: Has the Theranos scandal changed Silicon Valley? [BBC], [Online]. Available: https://www.bbc.com/news/technology-58469882 [Mar 17, 2024].

CRESWELL, J. and CLARK, V., 2007. *Designing and Conducting Mixed Methods Research.* United States: Sage Publishing

CROW, D., 2018-last update, Blood-testing group Theranos to dissolve following fraud scandal [Financial Times], [Online]. Available: https://www.ft.com/content/8e1e43d6-b0b7-11e8-8d14-6f049d06439c [Mar 17, 2024].

DAS, S., 2022-last update, 'They took my world': fashion giant Shein accused of art theft [The Guardian], [Online]. Available: https://www.theguardian.com/artanddesign/2022/mar/06/they-took-my-world-fashion-giant-shein-accused-of-art-theft [Mar 12, 2024].

DELOACH, L., 2023-last update, ESG Reporting Is Already Required. Here's What You Need To Know [Forbes], [Online]. Available: https://www.forbes.com/sites/jimdeloach/2023/09/13/esg-reporting-is-already-required-heres-what-you-need-to-know [Dec 8, 2023].

DUNKLEY, E. and JONES, G. 2022-last update, Patagonia founder hands company to trust to tackle climate crisis [Financial Times], [Online]. Available: https://www.ft.com/content/18b65e37-945a-4237-ae48-31ab1906ec58 [Mar 8, 2024].

DUNN, J.B., GAINES, L., KELLY, J.C., JAMES, C., and GALLAGHER, K.G., 2015. The significance of Li-ion batteries in electric vehicle life-cycle energy and emissions and recycling's role in its reduction, *Energy & Environmental Science,* 8(1), pp. 158-168 https://doi.org/10.1039/C4EE03029J

EDMANS, A., 2011. Does the stock market fully value intangibles? Employee satisfaction and equity prices. *Journal of Financial Economics*, 101(3), pp. 621-640. https://doi.org/10.1016/j.jfineco.2011.03.021

EGELS-ZANDÉN, N., and SÖRUM, N., 2015. Supply Chain Transparency as a Consumer or Corporate Tool: The Case of Nudie Jeans Co. *Journal of Consumer Policy,* 39. DOI:10.1007/s10603-015-9283-7.

ELSALEIBY, A., 2022. Global Ethical Sourcing: The Case of Nike.

ENGEL, J., BLACKWELL, R. and MINIARD, P., 1990. *Consumer Behavior.* Birmingham: Dryden Press.

EUROPEAN UNION, 2013-last update, Attitudes of Europeans towards building the single market for green products [Online]. Available: https://europa.eu/eurobarometer/surveys/detail/1048 [Mar 8, 2024].

FOXALL, G.R., 2017. Behavioral Economics in Consumer Behavior Analysis. *Perspectives on behavior science*, 40(2), pp. 309-313. https://doi-org.ejournals.um.edu.mt/10.1007/s40614-017-0127-4

FRITZ, R., 2018. From Sweatshops to Sustainability: The Case Study of Nike, Inc. DOI:10.13140/RG.2.2.36352.17928.

GARCIA-TORRES, M.A., 2004. Consumer behaviour: utility maximization and the seek of novelty.

GIBBS, S., 2013-last update, Apple launches iPhone trade-in scheme in the UK [The Guardian], [Online]. Available: https://www.theguardian.com/technology/2013/oct/15/apple-iphone-trade-in-scheme-uk [Mar 10, 2024].

GRIMM, P., 2010. Social Desirability Bias. *Wiley International Encyclopedia of Marketing*. https://doi.org/10.1002/9781444316568.wiem02057

HALE, K., 2023-last update, Tesla Is Coming Clean On Its Scope 3 Emissions Impact... What About Cobalt? [Forbes], [Online]. Available: https://www.forbes.com/sites/korihale/2023/05/11/tesla-is-coming-clean-on-its-scope-3-emissions-impact-what-about-cobalt/?sh=690fe9f247d6 [Mar 9, 2024].

HOTTEN, R., 2015-last update, Volkswagen: The scandal explained [BBC News], [Online]. Available: https://www.bbc.com/news/business-34324772 [Mar 16, 2024].

HUU CUONG, N., 2011. Factors Causing Enron's Collapse: An Investigation into Corporate Governance and Company Culture. *Corporate Ownership and Control*. 8, pp. 585-593. DOI:10.22495/cocv8i3c6p2.

JOWITT, H., n.d. Putting the wellbeing of employees into the ‘S’ of your ESG strategy [Online]. Available: https://www.cisi.org/cisiweb2/docs/default-source/cisi-website/putting-the-wellbeing-of-employees-into-the-%27s%27-of-your-esg-strategy [Dec 20, 2023].

KAHNEMAN, D and TVERSKY, A., 2000. *Choices, Values and Frames*. New York: Cambridge University Press

KANCHANAPIBUL, M., LACKA, E., WANG, X. and CHAN, H.K., 2014. An empirical investigation of green purchase behaviour among the young generation. *Journal of Cleaner Production*, 66, pp. 528-536. https://doi.org/10.1016/j.jclepro.2013.10.062

KANDASAMY, C., 2015. Models of Consumer Behaviour - A Study. Asia Pacific Journal of Research Vol: I, Issue XXIX.

KANDEL, D., 2020. Elizabeth Holmes and the Theranos Scandal. DOI: 10.13140/RG.2.2.29685.81124

KELL, G., 2018-last update, The Remarkable Rise Of ESG [Forbes], [Online]. Available: https://www.forbes.com/sites/georgkell/2018/07/11/the-remarkable-rise-of-esg/ [Dec 8, 2023].

KIM, S., COLICCHIA, C., and MENACHOF, D., 2018. Ethical Sourcing: An Analysis of the Literature and Implications for Future Research. *Journal of Business Ethics,* 152(4). DOI:10.1007/s10551-016-3266-8.

KOTLER, T. and ARMSTRONG, G., 2011. *Principles of Marketing*. New Jersey: Prentice Hall.

KPMG., 2023-last update, 2023 UK Green Finance Strategy [KPMG], [Online]. Available: https://kpmg.com/home/insights/2023/04/2023-uk-green-finance-strategy [Dec 8, 2023].

KRAPIVIN, P., 2018-last update, How Google's Strategy For Happy Employees Boosts Its Bottom Line [Forbes], [Online]. Available: https://www.forbes.com/sites/pavelkrapivin/2018/09/17/how-googles-strategy-for-happy-employees-boosts-its-bottom-line/?sh=9c21c4a22fc4 [Dec 17, 2023]

KROSNICK, J.A., Questionnaire Design. Cham: *Springer International Publishing*, pp. 439-455. DOI: 10.1007/978-3-319-54395-6_53

LAKER, B., 2023-last update, Elizabeth Holmes' Legacy: A Tale Of Leadership, Strategy, And The Question Of Reparations [Forbes], [Online]. Available: https://www.forbes.com/sites/benjaminlaker/2023/06/18/elizabeth-holmes-fall-from-grace-a-case-study-in-leadership-strategy-and-corporate-accountability/ [Mar 17, 2024].

LEE, D., 2022-last update, Elizabeth Holmes sentenced to more than 11 years for Theranos fraud [Financial Times], [Online]. Available: https://www.ft.com/content/3ab080c9-c13d-40b3-a697-9c58fd9e218c [Mar 17, 2024].

MCCORMICK, E., 2022-last update, Patagonia's billionaire owner gives away company to fight climate crisis [The Guardian], [Online]. Available: https://www.theguardian.com/us-news/2022/sep/14/patagonias-billionaire-owner-gives-away-company-to-fight-climate-crisis-yvon-chouinard [Mar 8, 2024].

MCLEOD, S., 2007. Maslow's hierarchy of needs. *Simply psychology*, 1(1-18).

MILNER, T. and ROSENSTREICH, D., 2013. A review of consumer decision-making models and development of a new model for financial services, pp. 106-120.

MOHAMAD, S., 2004. The Importance of Effective Corporate Governance. *SSRN Electronic Journal*. DOI: 10.2139/ssrn.617101.

MOHR, L.A., WEBB, D.J. and HARRIS, K.E., 2001, Do consumers expect companies to be socially responsible? The impact of corporate social responsibility on buying behavior. *Journal of Consumer Affairs*, 35(1), pp. 45-72. DOI: 10.1108/JCM-02-2018-2568

MOHRMAN, S.A. and SHANI, A.B., 2011. Organizing for sustainability. 1st edition. Bingley England: Emerald Press, pp. 41-72.

MOLITOR, M., 2019. The Effect of Corporate Scandals on Customer Loyalty - A Case Study on Primark. Available: https://essay.utwente.nl/78555/2/Molitor_BA_BMS.pdf [Apr 15, 2024].

MOSTERT, P.G., 2002. Buying Behaviour of South African Internet Users, pp. 36-95.

NAHM, F.S., 2016. Nonparametric statistical tests for the continuous data: the basic concept and the practical use. Korean journal of anesthesiology, 69(1), pp. 8-14. https://doi.org/10.4097/kjae.2016.69.1.8

NAKAJIMA, T., 2021. ESG Investment in the Global Economy. Singapore: Springer Singapore https://link-springer-com.ejournals.um.edu.mt/book/10.1007/978-981-16-2990-7

NASA., 2023-last update, The Effects of Climate Change [NASA], [Online]. Available: https://climate.nasa.gov/effects/ [Dec 8, 2023].

NASH, J., 2018-last update, Psychoanalysis: A History of Freud's Psychoanalytic Theory [Positive Psychology], [Online]. Available: https://positivepsychology.com/psychoanalysis/ [Feb 29, 2024].

NISEN, M., 2013-last update, How Nike Solved Its Sweatshop Problem [Business Insider], [Online]. Available: https://www.businessinsider.com/how-nike-solved-its-sweatshop-problem-2013-5 [Mar 10, 2024].

NSO., 2024-last update, World Population Day: 11 July 2024, [NSO], [Online]. Available: https://nso.gov.mt/world-population-day-11-july-2024/ [July 15, 2024].

O'BRIEN, S.A., 2018-last update, Theranos founder Elizabeth Holmes charged with massive fraud [CNN Business], [Online]. Available: https://money.cnn.com/2018/03/14/technology/theranos-fraud-scandal/index.html [Mar 17, 2024].

OGIEMWONYI, O., ALAM, M.N., ALSHAREEF, R., ALSOLAMY, M., AZIZAN, N.A. and MAT, N., 2023. Environmental factors affecting green purchase behaviors of the consumers: Mediating role of environmental attitude. *Cleaner Environmental Systems*, 10. https://doi.org/10.1016/j.cesys.2023.100130

OSWALD, A.J., PROTO, E. and SGROI, D., 2015. Happiness and Productivity. *Journal of Labor Economics*, 33(4), pp. 789-822. https://doi.org/10.1086/681096

PANITAPU, M.K., 2013. Models of Consumer Behaviour. https://dx.doi.org/10.2139/ssrn.2275391

PAVA, M.L., 2008. Why Corporations Should Not Abandon Social Responsibility. *Journal of Business Ethics*, 83(4), pp. 805-812. https://doi.org/10.1007/s10551-008-9666-7

PEREIRA, D., 2023-last update, Is Patagonia Profitable? [Online]. Available: https://businessmodelanalyst.com/is-patagonia-profitable/ [Mar 8, 2024].

PERRETTI, V., 2023-last update, Shein's confidential IPO filing raises excitement amid ethical concerns [Online]. Available: https://theticker.org/12965/business/sheins-confidential-ipo-filing-raises-excitement-amid-ethical-concerns/?return [Mar 12, 2024].

PETTER, O., 2020-last update, H&M accused of 'greenwashing' over plans to make clothes from sustainable fabric [The Independent], [Online]. Available: https://www.independent.co.uk/climate-change/news/hm-greenwashing-sustainable-circulose-venetia-falconer-manna-a9312566.html [Mar 8, 2024]

POIER, S., 2020. Clean and Green – The Volkswagen Emissions Scandal: Failure of Corporate Governance? Problemy Ekorozwoju, 15(2), pp. 33-39. DOI: 10.35784/pe.2020.2.04

POSTON, B., 2009. Maslow's hierarchy of needs. *The Surgical technologist*, 41(8), pp. 347-353.

PRAKASH, A., 2016. Howard Sheth Model of Consumer Behaviour. *Deliberative Research*, 30(1), pp. 43-47

PRASAD, R.K. and JHA, M.K., 2014. Consumer buying decisions models: A descriptive study. *International Journal of Innovation and Applied Studies*, 6(3), pp. 335-351.

PWC., 2019-last update, Environmental, Social & Governance. What's it all about? [Online]. Available: https://www.pwc.com/mt/en/publications/sustainability/esg-what-is-it-all-about [Dec 10, 2023].

PWC., 2021-last update, Companies failing to act on ESG issues risk losing investors, finds new PwC survey, [Online]. Available: https://www.pwc.com/gx/en/news-room/press-releases/2021/pwc-esg-investor-survey-2021.html [Mar 8, 2024].

REINA PAZ, M.D. and RODRÍGUEZ VARGAS, J.C., 2023. Main theoretical consumer behavioural models. A review from 1935 to 2021. *Heliyon*, 9(3). https://doi.org/10.1016/j.heliyon.2023.e13895

RUTH, J, 2020. Reliability of ESG Ratings - A Qualitative and Quantitative Assessment, Masters Thesis, Hec Liege Management School, Belgium.

SAINI, N., 2022. Understanding Models of Consumer Behaviour, 10(12), pp. D383-D384. https://www.ijcrt.org/papers/IJCRT2212362.pdf

SAWAYDA, J., REDDICK, K., and YARBROUGH, C., 2022. Volkswagen Cleans Up Reputation After Emissions Scandal: Auburn University. Available:

https://harbert.auburn.edu/binaries/documents/center-for-ethical-organizational-cultures/cases/vw.pdf

SAZANOVA, S., 2020. Theory of Consumer Behavior in Economic Science. *Economic studies & analyses*, 14(1), pp. 24-31. DOI: 10.37355/acta-2020/1-02

SCHIFFMAN, L. and KANUK, L., 1997. *Consumer Behaviour.* New Jersey: Prentice Hall College.

SCHNEIDER, A., HOMMEL, G., and BLETTNER, M., 2010. Linear regression analysis: Part 14 of a series on evaluation of scientific publications. *Deutsches Arzteblatt International*, 107(44), pp. 776–782. https://doi.org/10.3238/arztebl.2010.0776

SENADHEERA, S.S., WITHANA, P.A., DISSANAYAKE, P.D., SARKAR, B., CHOPRA, S.S., RHEE, J.H. and OK, Y.S., 2021. Scoring environment pillar in environmental, social, and governance (ESG) assessment. *Sustainable Environment*, 7(1) https://doi.org/10.1080/27658511.2021.1960097

SEMET, R., 2020. The Social Issue of ESG Analysis, *SSRN Electronic Journal*. http://dx.doi.org/10.2139/ssrn.3838372

SHAH, S.S., and ASGHAR, Z., 2023. Dynamics of social influence on consumption choices: A social network representation. Heliyon, 9(6): e17146. https://doi.org/10.1016/j.heliyon.2023.e17146

STERN, M., 2022-last update, H&M Case Shows How Greenwashing Breaks Brand Promise [Forbes], [Online]. Available: https://www.forbes.com/sites/retailwire/2022/07/13/hm-case-shows-how-greenwashing-breaks-brand-promise/?sh=19cb1e011171 [Mar 8, 2024]

TESLA, INC., 2022-last update, 2022 Tesla Impact Report [Online]. Available: https://www.tesla.com/ns_videos/2022-tesla-impact-report.pdf [Mar 9, 2024].

THOMAS, D.R., 2006. A General Inductive Approach for Analyzing Qualitative Evaluation Data. *The American journal of evaluation*, 27(2), pp. 237-246. DOI: 10.1177/1098214005283748

THOMPSON, S.K., 2012. Sampling, 3rd edition. Hoboken, N.J.: Wiley.

THORNTON, D. and ARGOFF, C.E., 2009. Chapter 43 - Psychological Constructs and Treatment Interventions. In: C.E. ARGOFF and G. MCCLEANE, eds, Pain Management Secrets (Third Edition). Philadelphia: Mosby, pp. 328-341.

TIEFENBACHER, J.P., 2022. Environmental Management: Pollution, Habitat, Ecology, and Sustainability, pp. 279-294.

TRIPEPI, G., JAGER, K.J., DEKKER, F.W. and ZOCCALI, C., 2008. Linear and logistic regression analysis. *Kidney international*, 73(7), pp. 806–810. https://doi.org/10.1038/sj.ki.5002787

TRIVEDI, A.J. and MEHTA, A., 2019. Maslow's Hierarchy of Needs-Theory of Human Motivation. *International Journal of Research in all Subjects in Multi Languages*, 7(6), pp. 38-41.

UNITED NATIONS., 2015. Paris Agreement. [Online] Available: https://unfccc.int/sites/default/files/english_paris_agreement.pdf

UNITED NATIONS ENVIRONMENT PROGRAMME., 2023. Emissions Gap Report 2023: Broken Record – Temperatures hit new highs, yet world fails to cut emissions (again). Nairobi. https://doi.org/10.59117/20.500.11822/43922

UNFCCC., 1992. United Nations Framework Convention on Climate Change. Available: https://unfccc.int/resource/ccsites/zimbab/conven/text/art01.htm

VINTEN, G., 2002. The corporate governance lessons of Enron. Corporate governance (Bradford), 2(4), pp. 4-9.

VRBIN, C.M., 2022. Parametric or nonparametric statistical tests: Considerations when choosing the most appropriate option for your data. *Cytopathology*, 33(6), pp. 663-667. https://doi.org/10.1111/cyt.13174

WAN, G., DAWOD, A.Y., CHANAIM, S. and RAMASAMY, S.S., 2023. Hotspots and trends of environmental, social and governance (ESG) research: a bibliometric analysis. *Data Science and Management*, 6(2), pp. 65-75. https://doi.org/10.1016/j.dsm.2023.03.001

WAZIR, B., 2001-last update, Nike accused of tolerating sweatshops [The Guardian], [Online]. Available: https://www.theguardian.com/world/2001/may/20/burhanwazir.theobserver [Mar 11, 2024].

WILLIAMS, D., 2022-last update, Shein: the unacceptable face of throwaway fast fashion [The Guardian], [Online]. Available: https://www.theguardian.com/fashion/2022/apr/10/shein-the-unacceptable-face-of-throwaway-fast-fashion [Mar 12, 2024].

WMO., 2023-last update, Greenhouse Gas concentrations hit record high. Again. [World Meteorological Organization], [Online]. Available: https://wmo.int/news/media-centre/greenhouse-gas-concentrations-hit-record-high-again [Dec 8, 2023].

WOLFE, I., 2023-last update, How Ethical Is SHEIN? Why It Gets Our Lowest Rating [Online]. Available: https://goodonyou.eco/how-ethical-is-shein/ [Mar 12, 2024].

WOLF, J., 2008. Self-Administered Questionnaire. Encyclopedia of Survey Research Methods, 5(2). https://doi.org/10.4135/9781412963947

Appendix

Questionnaire:

Analysing the Influence of Environmental, Social and Governance (ESG) Factors on Consumer Purchasing Behaviour

Dear Participant,

I am a student at the University of Malta, reading for an MSc in Insurance & Risk Management. Currently, I am carrying out research for my dissertation, entitled "The Influence of ESG on Local Consumer Behaviour" under the supervision of Dr. Jonathan Spiteri.

The aim of my dissertation is to explore the influence of Environmental, Social and Governance (ESG) factors on consumer purchasing behaviour for everyday products within the local context. For the purpose of this study, I would like to kindly invite you to participate in this short survey. The estimated completion time of this survey is of 5 minutes.

Should you agree to participate, I guarantee that:

- You will not be asked to enter any sensitive information that may identify you and your anonymity throughout this research is guaranteed. Only I, Ainsley Mifsud will have access to the data, which shall be stored on a secure drive. All data will be stored for a maximum of two years before being destroyed.
- All information provided in this survey will be used solely for the purpose of this dissertation. Your responses will assist in the development of new knowledge and insights related to ESG.
- Participation is entirely voluntary, and you are free to quit the survey at any moment and for no reason. All data collected prior to quitting the survey will be deleted from records. You are free to withhold your responses or close the window at any time. Many of the questions are also not compulsory to respond.
- There is no deception in the data collection of this questionnaire, and no risks (either physical or otherwise) are foreseen.
- Your rights under the General Data Protection Regulation (GDPR) and the Malta Data Protection Act 2018 to access, rectify, and where applicable erase your data from records will be upheld at any time, upon request.

Your participation and time to contribute to this research are greatly appreciated.

Should you require any information or clarifications, please do not hesitate to contact me via email on ainsley.mifsud.20@um.edu.mt.

Sincerely,

Ainsley Mifsud.

By clicking 'Next' to continue, you are consenting to take part in this study.

* Indicates required question

Demographics

1. Gender *

Mark only one oval.

- Male
- Female
- Other

2. Age *

Mark only one oval.

- 18-24 years old
- 25-34 years old
- 35-44 years old
- 45-54 years old
- 55-64 years old
- 65+ years old

3. Level of Education *

Mark only one oval.

- Primary
- Secondary
- Post-Secondary
- Undergraduate
- Postgraduate

4. Employment *

Mark only one oval.

- Full-time
- Part-time
- Retired
- Unemployed
- Unable to work
- Prefer not to say
- Other: ______________________

5. Income *

Mark only one oval.

- €0 - €29,999
- €30,000 - €59,999
- €60,000 - €89,999
- €90,000 - €119,999
- €120,000 +
- Prefer not to say

6. How familiar are you with the concept of ESG (Environmental, Social, and Governance)?

Mark only one oval.

- Not familiar at all
- Slightly familiar
- Moderately familiar
- Very familiar
- Extremely familiar

7. On a scale of 1 to 10, how important are ESG factors in influencing your purchasing decisions

Mark only one oval.

	1	2	3	4	5	6	7	8	9	10	
Not	◯	◯	◯	◯	◯	◯	◯	◯	◯	◯	Extremely important

8. Do you actively seek information about a company's ESG practices before making a purchas decision?

Mark only one oval.

- ◯ Never
- ◯ Rarely
- ◯ Sometimes
- ◯ Often
- ◯ Always

Influence of Environmental Factors

9. How likely are you to purchase products from companies that prioritise environmentally friendly practices (e.g. using recycled components or minimising pollution emissions in their products)?

Mark only one oval.

- ◯ Highly unlikely
- ◯ Unlikely
- ◯ Neutral
- ◯ Likely
- ◯ Highly likely

10. Have you ever chosen one product over another because it was marketed as environmenta friendly?

Mark only one oval.

- Never
- Rarely
- Sometimes
- Often
- Always

Influence of Social Factors

11. How important is it for you to support companies that demonstrate a commitment to social causes (e.g., diversity and inclusion, good working conditions for employees)?

Mark only one oval.

- Not important at all
- Slightly important
- Moderately important
- Very important
- Extremely important

12. Have you ever refused to purchase a good or service from a company due to its social policies or practices?

Mark only one oval.

- Yes
- No

Influence of Governance Factors

13. How frequently does a company's governance structure (e.g., transparency, ethical leadership) influence your purchasing decisions?

Mark only one oval.

- Never
- Rarely
- Sometimes
- Often
- Always

14. Are you more likely to trust and purchase from companies with strong corporate governanc practices?

Mark only one oval.

- Yes
- No

Overall Perception

15. Please indicate your level of agreement with the following statement:

“Companies that prioritise environmental, social and governance concerns are more likely t earn my loyalty as a customer.”

Mark only one oval.

- Strongly disagree
- Disagree
- Neutral
- Agree
- Strongly agree

16. To what extent would you prioritise ESG issues when deciding to purchase the following everyday products?

Mark only one oval per row.

	Highly unlikely	Unlikely	Neutral	Likely	Highly likely
Personal Care Products (eg. soap, shampoo, toothpaste and skincare items)	⬭	⬭	⬭	⬭	⬭
Household Items (eg. cleaning supplies, kitchenware and appliances)	⬭	⬭	⬭	⬭	⬭
Healthcare Products (eg. medications, vitamins and medical supplies)	⬭	⬭	⬭	⬭	⬭
Modes of Transport (eg. cars, bicycles and electric scooters)	⬭	⬭	⬭	⬭	⬭
Electronic Devices (eg. smartphones, laptops and tablets)	⬭	⬭	⬭	⬭	⬭
Clothing and Accessories	⬭	⬭	⬭	⬭	⬭
Food and Beverages	⬭	⬭	⬭	⬭	⬭

17. Would you be willing to pay a premium for everyday products from companies that provide transparent information about their ESG initiatives?

Mark only one oval.

⬭ Yes

⬭ No

18. If yes, how much more would you be willing to pay?

Mark only one oval.

- Up to 5%
- Up to 10%
- Up to 20%
- Up to 50%
- More than 50%