

Attitude Towards Investment Risk With Geared Capital for Entrepreneurial Development: Examination of Cultural Influence in Ghana

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Risk in funding business with geared capital, a means to develop entrepreneurship and control unemployment in society, a challenge to governments and parents, is the focus of this study. Some people question the suitability of curricula of shaping students as entrepreneurs however, others blame funding risk and not skills acquisition. The study investigated the preponderances of risk with geared capital, in different cultures and behavioural settings and its influence on entrepreneurial initiatives in Ghana, sampling 205 potential investors. It came out that gender, age, education, marital status and dependency show varying significance in choosing and accepting risk, with the desire for contractual relation and security over their investment. The study concludes that people from different environments and cultural disposition react differently towards risk and may prefer bond to secure their investment, affirming a conventional finance practice of exchanges for value.

Keywords: culture, demographics, disposition, entrepreneurship, investment risk

Introduction

Taking risk associated with finance has been acknowledged as a key element for SMEs to succeed in their drive to build productive capacities, in a world of competition, to create jobs and contribute to poverty alleviation in developing countries like Ghana. Without finance to initiate entrepreneurship creates unemployment, a serious challenge of Governments, and among the youth who have graduated from educational institutions of higher learning. In Ghana it is anticipated that the situation will even get worse if the Government policy of free Senior High School turn out more students into the system. The clarion call is on the educational system to create avenue for people to take initiative to create jobs for themselves. This call faces the argument of funding. Entrepreneurs have the challenge of finance to acquire new technologies to grow and build their capacities to linkup in the global markets. Securing funds at right amounts, right time and at right terms and conditions, either equity or debt, could be stumbling block for people with good intent and purpose to start their own businesses. Risking personal savings as start-up equity into a business may not be enough and

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therefore borrowing as preferable option to support the funding may also increase the owner's risk. Risk averse investors shun any possibility of loss of reward and investment or financial asset (The Report Ghana, 2019). The choice of equity or debt capital, should be efficiently and optimally combined to avoid risk of financial distress. In Ghana it is not easy for the young firm to raise equity capital from the financial market or access long-term debt capital and therefore, exposed to short-term loan facility that may be available (The Report Ghana, 2019; Sarpong, 2016). Small and medium scale firms focus more on short-term debt instruments as their initial working capital and funding long-term projects. The incidence of high-interest rate and short-period maturity puts pressure on the business (Interias, 2015; Group Nduom, 2017). This affects operational cost and may lead to capital flight detrimental to start ups to be competitive with the possibility of forcing them out of business. In recent times, from 2017 to date (2020), the financial industry in Ghana has suffered severe setbacks of liquidity and solvency from micro finance institutions and commercial banks in short-term finance schemes (The Report Ghana, 2019). It is a serious risk affecting the mobilization of surplus funds and savings in Ghana (Interias, 2015; Group Nduom, 2017). Limited liability on the part of owner/manager firms shirking the responsibility of honouring their liability, as against public limited liability firms, presents risk to investors or providers of capital. In an attempt to avoid this risk investors may adopt different strategies to secure their investment including rent seeking. Rent seeking can be more profitable than productive activities (Mensah, Aboagye, Addo, & Buatsi, 2010). With the problem of the short-term financial market and unpreparedness of investors to accept equity to make the necessary funds available for entrepreneurial and business development, the long-term debt capital can be a good option. Accepting long-term debt instruments in funding a business puts the onerous responsibility on managers and entrepreneurs to accept liability to pay reward and capital when due. It focuses on exchange transaction to pay price for value and satisfies the conventional and cultural practice that existed before the entity and limited liability concepts. In Obeng (2017) it was found out that financiers and investors prefer security on assets which presupposes the preference of long-term secured debt capital. Relying much on debt, geared capital, has the potential of financial distress. However, to limit the discussion of funding small business with long-term debt on risk of financial distress in isolation will not help and may be a great disservice to the investing community. To have a complete understanding of choosing the best financial instrument to finance businesses in Ghana, the cultural and demographic dispositions and other environmental factors and their influence on behaviour towards risk need to be considered. Mulili and Wong (2010) observed that developing countries differ from developed countries in a wide variety of ways. Therefore, there is the need for developing countries to develop their own models that consider the culture, political, and technological conditions found in each country. The study is investigating the problem of risk in financing business in less endowed economies like Ghana, and the best way to mobilize such funds as influenced by cultural factors in accepting long-term debt capital as preferred choice. Looking at the current liquidity and solvency challenges be devilling the financial industry of banks and other financial institutions with depositors losing their funds (Sarpong, 2016), it is becoming clear that the investor in Ghana leans on debt capital to finance economic activities. This goes against the capital structure theory that debacle the idea of gearing in finance because of financial distress. The study looked at culture of the people on the basis of gender, age, marital status, education, and dependency and how these influence their behaviour towards risk taking in advancing funds for business. These variables are of great influence on all manner of socio-cultural settings. As observed by Nukunya (2003) traditionally the African society has been characterized by post-figurative lifestyle, hereditary succession, age as basis of status and rigid adherence to custom. In simple terms social

stratification could be on the basis of age, physical strength, and sex (Nukunya, 2003). The rest of the paper covers: review of literature, methodology, data presentation and analysis, findings and discussion.

Review of Literature

Equity Capital

Equity capital represents the personal investment of the owner(s) in the business. Investors assume the risk of losing their money and the responsibility to indemnify the business of its debt if the business fails. With the advent of public finance and shareholding, the entity and limited liability concepts is prominent with shareholders, as owners of the company (Al-Malkawi, Rafferty, & Pillai, 2010), have the right to vote and elect directors of the company who elect corporate officers (Ross, Westerfield, & Jaffe, 2002). Shareholder return of dividend is paid at the discretion of the board of directors when they declare it. There is no liability or obligation to declare and pay dividend and therefore there is no default on the part of the company or be under any threat of bankruptcy. Shareholders have perpetual interest in the company with no contractual rights to receive dividend, or any maturity period to receive their principal amount. They are exposed to greater risk of losing their investment when the firm is leveraged even in owner-managed firms. This could be an advantage for small business owners to go for equity finance but that is not the case. Other socio-cultural and economic dispositions could influence investment decisions dependant on management behaviour and other prevailing socio-economic conditions. Some experiences gained over time may influence an investor to avoid dilution of ownership, to protect the family's integrity, social capital, and network, and avoid succession conflicts. Investors with these values may prefer debt financing to equity which then may hinder pooling equity resources of potential investors for formidable business initiative. Davy Select (2018) summarizes risk of investing in shares as: risk of capital loss, volatility risk, market risk, sector specific risk, stock specific risk, timing risk, and exchange rate risk. In the absence of relevant information investors in their preference ordering may want to limit their risk and therefore go for portfolio that offers contractual relation of asset security and regular returns (Obeng, 2017). It is the responsibility of managers to provide the relevant information to potential investors and work to make enough revenue over cost to pay investors good returns as motivator to attract equity capital (Dess, Lampkin, & Tailor, 2005).

Debt Capital

Long-term debt in capital structure is funding with contractual obligation on the business to pay fixed interest and principal to bondholders at stipulated time. Failure to honour this obligation may call for bankruptcy proceedings/liquidation against the firm. The contractual relation to pay interest and principal really edges and compels management to perform and achieve more than necessary to meet the debt obligation to avoid liquidation. This has been the tradition and convention on investment assets until the modern development of entity and limited liability concepts. Investors with high propensity to avoid dilution of ownership, to protect the family's integrity, avoid complacency due to mistrust and avoid succession conflicts, may prefer debt financing to equity despite threat of financial distress occasioned by leverage as proposed by capital structure theory.

Cultural Influence on Risk and Investment Decision

Culture is a set of collective ideas and understanding of behaviours accepted as guiding principles to ensure harmony in all the engagements of people of common descent and ancestry. Nigel citing Hofstede (1980)

asserted culture as the collective programming of the mind which distinguishes the members of one human group from another. There are societal norms and value systems adopted by group of people who identify themselves as sharing common heritage and prefer some state of affairs over others (Gelles & Levine, 1999; Hofstede, 1980; Wetherly, 2011). According to Wetherly (2011), the social-cultural environment consists of the whole range of behaviours and relationships in which individuals engage in their personal and private lives including; the characteristics of the population (e.g. age, sex, race or ethnicity, class), values and attitudes, lifestyles and relationships.

Due to cultures and their effect on the attitude of people towards business, any available opportunity in an environment may be taken differently from among the groupings. Understanding these dynamics is appreciating the use of cultural differences to gain strategic advantage (Ball, 2002). Studies have shown that differences in cultural values impact the judgment of most professionals (Patel et al., 2003; Doupnik & Richter, 2004; Doupnik & Riccio, 2006) meaning cultural values could have impact on choice of financial assets and risk. The needs, goals, and aspiration of men are in most cases crafted by socialization processes in a way and manner that they influence investment decisions and choices (Rokeach & Regan, 1980; Etzioni, 1991; Agyemang & Ansong, 2016). The interaction between social behaviour and economic behaviour of the individual in the quest for his self-interest helps in making choices and preferences founded on their values and sentiments (Agyemang & Ansong, 2016). People of common descent may also share some beliefs which dictate their actions in the process of breaking new grounds and taking advantage of opportunities. Beliefs are shared ideas about how the world operates (Gelles & Levine, 1999), summaries and interpretations of the past, explanations of the present, or predictions for the future (see also Nukunya, 2003 p. 1). They may be based on common sense, folk wisdom, religion, or science, or on some combination of these. Values on the other hand describe what ought to be which may be abstract, shared standards of what is right, desirable, and worthy of respect. Norms are rules of what people are to do or not do, say or think in a given situation, depicting how to behave. Some norms are sacred, mores, and violation of them are almost unthinkable. In environments where poverty is endemic choice of capital may be influenced by immediate returns as a norm. The risk exposure of the shareholder in terms of loss of returns or investment is not contemplated by an investor with limited disposable income but may want an investment vehicle that promises regular return and repayment of capital at the right time and contracted with persons he/she can trust (Obeng, 2017).

The attitude of preference for debt capital exhibited by the Ghanaian investor as observed by Obeng (2017) suggests that the long-term debt need to be developed to facilitate business funding in Ghana. This can facilitate business, entrepreneurship, and economic development to enhance and sustain employment opportunity as against the use of short-term funds that eventually cripple business growth. In the Ghanaian culture families secure loan to finance common objectives like funeral, health challenges and settlement of disputes and obligations using family property as collateral and from personal contribution. Where personal contributions are made, they are taken as loans or voluntary. In essence the individual members' holdings are protected without being absorbed by others to dilute their interest. Loans are also contracted and secured by common family property to finance economic engagement and education of the young and needy members of the family. In some other cases, the extended family system thrives on deferred income principle. This ensures that the young ones in the family contribute their services to the economic activities of the matured and the grownups. In future the young in turn are assisted in their developmental pursuits; either in education, trade, or vocation as a payoff for their earlier service that gave them the deferred income which is utilized for their development.

The economic activity or business created therefore has some communal engagement with majority of the family members having some stake and holdings. It becomes difficult to bring in new members outside the family to contribute to the financing of the business to dilute ownership. The best option to go for additional funding may be to secure debt finance.

Knitted environments with cohesive relationships ensure culture of communalism and inclusiveness with the members having a common goal of ensuring their security. Any outsider is an intruder and is accepted only when the person acts responsibly to satisfy their interest and security. This interest of environmental protection and social security embodied in corporate social responsibility (CSR) has created a cultural dimension influencing investment decision. Though investors may not agree on what the topmost corporate social responsibility (CSR) is, they are becoming more conscious of the relevance of CSR. A study in Australia in 2007 contended that seven of ten investors in Australia admitted their preference for shares in firms that are socially and environmentally responsible (Australian Securities Exchange, 2007). Capgemini and RBC in their survey on wealth management in 2014 revealed that more than half of the high net worth people expressed “driving social influence” as extremely relevant and almost nine out of ten expressed it as relevant. This is a counter of an aspect of investment preference behavior that places emphasis on the neoclassical hypothesis that they are purely self-interested wealth maximizers (Agyemang & Ansong, 2016). Etzioni (1991) observed that individuals do render the final decision, however within the context of values, beliefs, ideas, and guidelines instilled in them by others, and reinforced by their social circles. The interaction between social and economic behaviors helps people to make choices and preferences founded on their values and sentiments. Feather (1995), Rokeach (1973), and Schwartz (1992; 1994) in their respective works also advocated for the sentimental and guiding roles of values in all facets of people’s lives. Rokeach (1973) proposes the structure of universal human values, terminal values that are possibly self-oriented or community-oriented, interpersonal or intrapersonal in nature. This is in line with Etzioni’s (1991) position that societal values have a portion in the values a person possesses and that, human values whether self-centered or community-centered play a key role in the lives of individuals as well as how they observe things. These observations on cultural values could work against any theoretical propositions.

Cultural Practices and Development of Small and Family Businesses

Economic and business activities are carried out in different societies with different people and mind sets. People from different localities may behave and have different practices, beliefs, norms, attitude, perception, aspirations, expectations, and other features and characteristics of human life and development at any given time and space. These characteristics and behaviour can influence choices of risk of activities and how to be funded. Financial theories consider that non optimality of capital structure has negative effect on the firm’s performance, profitability, stability leading to financial distress and bankruptcy. However, debt is an effective mechanism to mitigate agency costs in relieving manager-shareholder conflicts. Similarly, debt maturity choice allows the firm to discipline entrenched managers (Chang, Wee, & Yi, 2010). National culture, along with corporate governance factors, influences investor’s debt maturity choice (Chang, Wee, & Yi, 2010), therefore, risk-averse lenders offer or, borrowing firms use short-term debt when the surrounding economic environment becomes more uncertain and ambiguous. Social-cultural environment of business is not homogenous or fixed. They are diverse and dynamic, and change is the hallmark of modern societies (see also Nukunya, 2003). Business may operate according to distinctive instrumental rationality of profit and loss; it is influenced by the

social-cultural settings in which it is embedded and at the same time affects the wider culture and society which can be positive or negative (Wetherly, 2011). The values and attitudes of business people are shaped by the culture and society in their role as managers, employees, and consumers (Wetherly, 2011). For most developed economies, the family business sector is estimated to account for over two thirds of all enterprises and about half of the GDP economic activity (Poutziouris, 2001; Gersick, Hampton, & Lansberg, 1996), the backbone of the private economy and contributing to national socio-economic and entrepreneurial development (Connolly & Jay, 1996; Poutziouris & Chittenden, 1996; Neubauer & Lank, 1998; Leach & Bogod, 1996; Romano, Tanewski, & Smyrnios, 2000). Conflicting family and business politics can undermine strategically planned ownership, leadership and management succession which can derail the development of the family firm. To safeguard family ownership, controlled financial independence from outsiders, owner-managers of family firms often overlook growth opportunities (or even eschew growth) owing to heavy dependence on internally generated funds and limited access to external, long term risk equity capital options (Poutziouris, 2001).

Sourcing supplementary external capital to finance liquidity and other capital requirements that must result from generational, management or ownership transitions is increasingly central to their survival and sustainable development (Poutziouris, 2001). Family businesses tend to rely on retained earnings for their survival and development and sceptical about fast-growth plans, as such plans often entail relinquishing control and become dependent on external investors (Poutziouris, 2001). The debt capital becomes the eventual choice of small and family businesses, which needs to be developed strategically as securitized instrument. It is important to understand that people undertake economic activity with some personal goals and drive which underlies the success or failure of the business. The attachment of such personal interest and inner satisfaction and glow is so valuable that any dilution and alienation is of concern and great cost to such initiators of the business enterprise. They may not want to go their dream of heritage to such business. This is the bed rock of entrepreneurial spirit to get something done and a dream comes to fruition. In some cases, such a drive may be motivated by the socio-economic environment, which in turn will direct the network and funding of the business which may not be easy to let go. Entrepreneurial activity is such a vital source of innovation, employment and economic growth it is embedded in a social context due to the contentment of socio-cultural factors in the decision to create new businesses (Thornton & Ribeiro, 2011; Aldrich & Zimmer, 1986; Carree & Tharik, 2003; Parker, 2004; Stovey, 1994; VanStel et al., 2005; Wennekers & Thurik, 1999; Birch, 1979).

Financing business does not only involve cash and physical assets but also other virtual resources or social capital that goes a long way to sustain the development, grow and success of the business. Social capital, of tangible and virtual resources, facilitates actors' attainment of goals, and accrues to actors through social structure a network of relationships (Thornton & Rebeiro-Soriano, 2011). Social networks create relationship through which one receives opportunities to use financial and human capital in which ownership is not solely the property of an individual, but is jointly held among members of a network (Thornton & Rebeino-Soriano, 2011; Burt, 1999). In most part of developing world particularly Ghana, economic activities are carried out with assistance, in the form of financial, human resources, expert advice, property and material coming from other members and close relation of a family and friends and at times the community as a whole. In such situations it may be difficult to put monetary values as to how each member in the network is contributing as capital to help go public. As distinct from rational choice perspectives, the social embeddings perspective emphasizes that in embedded context, entrepreneurial agency, the ability to garner entrepreneurial ideas and the resources to develop them, is shaped by implicit norms and social mores. Thus, social capital is conceptualized

as a set of resources embedded in relationships (Thornton & Rebien, 2011; Burt, 1992). It is difficult then for most close and family held enterprises to go public and dilute ownership. It is imperative therefore that the development of the bond market as long-term sources of funding is vital. It evolves on exclusion of outsiders, excess claimed on group members' restriction on individual freedom and downward levelling of norms in social networks, with strong ties that enable group members to obtain privileged access to resource and bar others from securing the same assets (Portes & Landolt, 2000). Further, the particularistic preferences granted members of a clan or circle of friends are commonly at the expense of the universalistic rights of others. This phenomenon of unequal rights to entrepreneurial resources often frames, the differences among ethnic entrepreneurship groups, or among entrepreneurial resources in different regions or countries. The consensus is that entrepreneurship is facilitated by cultures that are high in individualism, low in uncertain avoidance, low in power distance, and high in masculinity (Hayton, George, & Zahra, 2002). Thornton and Ribeiro Soriano (2011) observed that institutions are constituted by culture and social relations, and human and social and cultural capital are often antecedents to acquiring financial capital and other resources needed to start a business. They emphasized that there is increasing evidence that individuals and entrepreneurs are socially embedded in network structures (Andrich & Zummer, 1986; Casson & Delle Gusta, 2007; Johannisson, 1988) which are situated within a specific cultural context (Hofstede, 2001).

People make decisions, not necessarily considering national or global policy outcomes and not overshadowed by their individuals' interest. People make certain decisions with the integrity and goodwill of their families being the focus. Families and households and their members may act and decide their economic engagements on the basis of the family's best interests and values. To protect these values such small and family businesses may rely purposefully on their internal resources, in the absence of which they may secure external debt as the best option to avoid the risk of dilution of family interest.

Influence of Demographic Variables on Rational Investment and Behavioural Biases

In addition to the behavioural factors, investors' demographic characteristics have significant effect on the rational investment and behavioural biases of investors (Kumar & Goyal, 2016). In Kumar and Goyal (2016) observations were made as to how demographic characteristics influence rational investment. Lin (2011) analysed that individual investors follow the rational decision-making process to select their investment products and also prone to various behavioural biases. Mathuraswamy and Rajendran (2015) found that family composition, biological make-up, psychological factors, and lifestyle of individual investors influence the investment rationality. Bhandari and Deaves (2006) found that men are more confident than women. With respect to the relationship between demographic characteristics and disposition effect, Da Costa et al. (2008) identified that males are more prone to disposition effect than females. Dhar and Zhu (2006) found that individuals employed in professional occupations and high-income earners have lower disposition effect. With respect to the relationship between demographic characteristics and herding bias, Lin (2011) found that females are more involved in herding behaviour than males. He identified that young investors are more prone to herd behaviour than older ones.

Disposition Effect and Hindsight Bias

Investors characteristics, believes, and attitudes influence and dictate their investment behaviour and decision, with disposition effect as to the tendency to realize the gains, while reluctant to realize losses (Shefrin & Statman, 1985). Kahneman and Tversky's (1979) prospect theory states that people become more risk-averse

after experiencing gains while risk seekers after suffering from the losses. Research studies have supported the existence of disposition effect (Barber, Lee, Liu, & Odean, 2007; Shapira & Venezia, 2001; Weber & Camerer, 1998; Grinblatt & Keloharju, 2000; Jordan & Diltz, 2004). Literature affirms that investors sell those funds which realized positive returns and are reluctant to sell the loss-making funds (Barber et al., 2003), with individual investors, nonprofessional and low-income group investors more prone to disposition effect than the professional investors (Shapira & Venezia, 2001; Dhar & Zhu, 2006; Shafran et al., 2009; Goetzmann & Massa, 2008). There is also hindsight bias of investors predicting possible future event happening (Fischhoff & Beyth, 1975, in Kumar & Goyal, 2016). In the Ghanaian context families are content with preserving family values and property with the conviction that the next generation and their ancestors will not deal with them and their offspring leniently and they will pay a prize for any shortcomings on their part. No one man can dispose of family property except on consensus and for a good cause. Any person who may cause the disposition of family property has to work to redeem the asset or property. This is synonymous to debt obligation and the development of the debt market may strengthen family bond of supporting entrepreneurial development.

Methodology

Introduction and Design

A descriptive design with the survey research strategy was employed for data collection. The survey strategy is appropriate when addressing a work of broad setting to help achieve economy (Saunders, Levis, & Thornhill, 2007). The population for the study was potential investors in Ghana. The study selected purposefully, a sample of 205 members of the investing public to respond to structured questionnaires. Forty volunteers were selected and given the requisite training and skills to administer the questionnaire to get the best data for the study.

Limitations. The major limitation of the study was about data collection from the potential investors who may come from different backgrounds and cultures. Cultural differences can affect the responses and defile the technical position of investment decision. These may influence the outcome of the study and therefore call for further studies.

Data Presentation and Analysis

Estimation technique. The study used the LOGIT model to establish the relationship between the dependent variable, attitude towards risk, as to how investors cultural disposition, characteristics and behaviour will influence their acceptance of risk associated with capital choice of equity or debt to finance entrepreneurial innovation or initiative and the independent variables of: sex, age, marital status (MarSt), education (Educ), dependents (Dep). Generally, the LOGIT model is formulated as follow:

$$L_i = \ln \left(\frac{P_i}{1 - P_i} \right) = \beta_1 + \beta_2 X_i + \mu_i \quad (1)$$

To estimate (1), we need, apart from X_i , the values of the regress and, or logit, L_i . The dependent variable, risk attitude is such that $P_i = 1$ if an individual is risk averse, and $P_i = 0$ if the individual accepts risk.

Empirical model specification. The conceptual model of the study is developed based on risk attitude of investors in making investment decision focusing on:

- (1) Risk of loss of reward;
- (2) Risk of loss of capital invested;

(3) Risk of loss of reward and capital.

The empirical model formulated by the study to be estimated is as follows:

$$Prob(Risk\ attitude=1|Xi)=b_0+b_1Sex_i+b_2Age_i+b_3MarSt_i+b_4Educ_i+b_5Dep_i+e_i$$

From the empirical model, risk attitude towards capital choice which takes the value of one if an individual is risk averse and zero if the individual is risk lover. *Sex* is a dummy variable equal to one if female and zero if male. *MarSt* is marital status categorized as married (value of 1) and not married (value of 0). *Educ* is the education dummy variable that takes value 1 if individual has tertiary education and zero if not, and *Dep* is number of dependents which takes value 1 and value of zero if individual has no dependent.

Table 1

Background Characteristics of Respondents

Variables	Total	Preferred choice of capital	
		Shares (%)	Bond (%)
Gender			
Male	129	92 (71.3)	37 (28.7)
Female	76	42 (55.2)	34 (44.3)
Age group (years)			
Below 20	13	12 (92.3)	1 (7.7)
20-30	81	55 (67.9)	26 (32.1)
31-40	70	40 (57.1)	30 (42.9)
41-60	40	26 (65.0)	14 (35.0)
Above 60	1	1 (100.0)	0 (0.0)
Marital status			
Married	97	62 (63.9)	35 (36.1)
Single	98	68 (69.4)	30 (30.6)
Widowed	10	4 (40.0)	6 (60.0)
Education background			
Basic	24	15 (62.5)	9 (37.5)
Secondary	68	55 (80.9)	13 (19.1)
Diploma	42	32 (76.2)	10 (23.8)
Bachelor's degree	53	19 (35.9)	34 (64.2)
Masters	16	11 (68.8)	5 (31.3)
Professional	2	2 (100.0)	0 (0.0)
Have dependants			
Yes	197	116 (66.3)	59 (33.7)
No	32	18 (60.0)	12 (40.0)
Total	205	134 (65.4)	71 (34.6)

Source: Field survey (2017).

Table 2

Summary Statistics of Background Characteristics and Dependent Variables

Variable	N	Mean	Std dev.	Min	Max
Background characteristics					
Gender (M = 0; F = 1)	194	0.335	0.473	0	1
Age group (years)	205	2.683	0.876	1	5
Marital status	205	1.576	0.586	1	3

(Table 2 to be continued)

Educational background	205	2.888	1.234	1	7
Have dependants	205	0.854	0.354	0	1
Dependent variables					
Risk of loss of reward	200	0.660	0.475	0	1
Right of contractual agreement	201	0.876	0.331	0	1
Asset security on capital	196	0.607	0.490	0	1
Right to enforce payment	197	0.880	0.326	0	1
Capital maturity and repayment right	198	0.323	0.469	0	1
Capital with contractual right of return	197	0.251	0.435	0	1
Capital and returns secured on assets	197	0.244	0.430	0	1

Source: Field survey (2017).

Table 3

Logit Regression Analyses Between the Independent and Dependent Variables

Independent variables	Dependent variable						
	Risk of loss of reward (odds ratio)	Right for contractual obligation (odds ratio)	Asset security on capital (odds ratio)	Right to enforce payment of capital (odds ratio)	Capital no maturity sold at owner's risk (odds ratio)	No contractual right of return and capital (odds ratio)	Capital and return secured on asset (odds ratio)
Sex	0.955 (0.360)	0.598 (0.340)	0.4594** (0.1568)	0.4271 (0.2338)	0.5919 (0.2223)	1.28311 (0.5278)	0.6947 (0.2969)
Age	0.435 (0.186)	0.438 (0.290)	1.325 (0.5446)	0.5619 (0.3456)	0.2155*** (0.0939)	1.0237 (0.5544)	1.583 (0.7619)
Marital status	2.130 * (0.839)	5.416*** (3.590)	0.5335* (0.2019)	0.2127*** (0.1299)	1.1840 (0.4698)	0.18034*** (0.07937)	0.4053074 (0.1850)
Education	1.054 (0.382)	0.079*** (0.0471)	0.9156 (0.3231)	0.13701*** (0.07828)	2.2139*** (0.8083)	5.1795*** (2.2699)	3.485445 (1.354)
Dependants	15.474 *** (10.010)	1.168 (1.364)	4.0441*** (2.0305)	11.809*** (8.439)	1.4617 (0.7085)	2.7200 (1.6760)	1.2950 (0.8454)
Constant	0.181 (0.117)	18.924 (15.842)	0.7729 (0.3457)	9.686244 (5.988)	0.5885 (0.2623)	0.0956371 (0.06309)	0.1713 (-1.0260)
N	179	188	185	183	187	183	186
LR chi-sq. ($p > \chi^2$)	0.0001	0.0000	0.030	0.0000	0.0005	0.0000	0.0031
Pseudo R-square	0.1149	0.2122	0.0730	0.1995	0.0934	0.1606	0.0909

Notes. * $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$. Standard errors in parentheses; Independent variables were coded as follows: Sex (0 = male; 1 = female); Age (0 = under 30 years; 1 = 30 years & over); Marital Status (0 = Not married; 1 = married); Education (0 = below tertiary; 1 = Tertiary); Dependants (0 = No dependants; 1 = Dependants). Source: Field survey (2017).

Findings

Stata 14.0 was used to run the logit models.

Model one investigated how persons accept risk associated with investment assets with high returns. The model has likelihood ratio chi-square (LR^2) test of 26.69 and Prob $> \chi^2$ of 0.0001 which tells us that the model as a whole fit significantly better than an empty model and correctly specified. It came out that married persons and persons with dependants accept the risk associated with investment with high returns. They have p -values (χ^2) of 0.055 at 5% significant level and 0.000 at 1% significant level respectively. Females do not accept risk and therefore may prefer bond to equity which confirms other studies. Persons aged over 30 years and those with tertiary education are risk averse and may prefer bond to equity.

Module two investigated if investors expect contractual right for payment of reward in choosing capital asset. The model has likelihood ratio chi-square (LR^2) test of 28.80 and $\text{Prob} > \chi^2$ of 0.0000 which tells us that the model also fit significantly better and correctly specified. It came out that married persons and persons with tertiary education want investment with contractual relation. They have p -values (χ^2) of 0.011 and 0.000 at 1% significant level. Investors are risk averse and may prefer bond to equity.

Model three studied investors and their expectation of security of their investment over the assets of the business. The model has likelihood ratio chi-square (LR^2) test of 17.98 and $\text{Prob} > \chi^2$ of 0.0030 which in general terms fit significantly better than an empty model and correctly specified. It came out that females and persons with dependents want investments secured on the assets of the business. They have p -values (χ^2) of 0.023 at 5% significant level and 0.005 at 1% significant level respectively. It affirms the fact that investors are risk averse and in the absence of security of assets they may prefer bond to equity.

Model four investigated how investors are influenced by legal right as creditors and be paid at maturity in their investment decision. The model has likelihood ratio chi-square (LR^2) test of 27.61 and $\text{Prob} > \chi^2$ of 0.0000 which proffers significantly the fitness of the model better than an ordinary model and correctly specified. It came out that married persons and persons with dependents want investments that pays them their capital at maturity as creditors. They have p -values (χ^2) of 0.011 and 0.001 at 1% significant level respectively. It affirms the fact that investors are risk averse and in the absence of security of assets they prefer legally backed securities like bond to equity.

Model five investigated how investors may be influenced by investment with no maturity but sold at investor's risk in their investment decision. Module five, Logit regression of investment with no maturity but sold at investor's risk. The model has likelihood ratio chi-square (LR^2) test of 21.92 and $\text{Prob} > \chi^2$ of 0.0005 indicating that the model as a whole fit significantly better than an uncharacterized model and correctly specified. The results show that persons aged over 30 years and persons with tertiary education want investments into perpetuity and sold them at their own risk. They have p -values (χ^2) of 0.029 and 0.001 at 5% significant level and 0.0005 at 1% significant level respectively. It affirms the fact that aged and advanced persons may secure assets with longer period of maturity to secure their regular returns and may wish to sell or not as and when expected. Such investors may go in for bonds in the CONSOL. They can prefer equity when assured of the security of their returns and investment which is not feasible in terms of limited liability and entity concept associated equity funding

Model six investigated acceptance of risk associated with higher returns with no contractual right for returns and capital, where investors can lose their investment. The model has likelihood ratio chi-square (LR^2) test of 33.14 and $\text{Prob} > \chi^2$ of 0.0000 which tells us that the model fit significantly and correctly specified. It came out that married persons and persons with tertiary education accept the risk of losing their investment associated with high returns. They have with p -values (χ^2) of 0.000 at 1% significant level. However, the study is revealing that investors in general prefers some form of contractual relation and security over their investment and may prefer bond to equity.

Model seven investigated Logit regression of investment with higher and irregular returns but not secured. The model has likelihood ratio chi-square (LR^2) test of 17.84 and $\text{Prob} > \chi^2$ of 0.0031 which tells us that the model as a whole fit significantly better than an empty model and correctly specified. It came out that married persons and persons with tertiary education accept the risk of losing their investment associated with higher and irregular returns. They have p -values (χ^2) of 0.048 at 5% significant level and 0.001 at 1% significant level

respectively. However, the study is revealing that investors in general prefers some form of contractual relation and security over their investment and may prefer bond to equity.

Conclusions

Gender, Age, and Education

The issue of risk attitude towards investment with high return in terms of gender, age, and education came up as not being significant. Females, the aged above 30 years, and people with tertiary education are risk averse and may not go for equity even though equity may pay higher returns. In general terms, investment decision can be made by any of the sexes of any age and educational status as and when, where, and how to carry it out. The level of risk acceptable is a matter of choice dependent on individual expectations. It is in order to postulate that in the Ghanaian society the issues of gender, age, or education are not barriers to economic development and progress of any individual. Men and women of any age and level of education rub shoulders in every area of human endeavour, economic activities, space and event for laurels without limitation. Avoidance of high risk by such investors is an indication of preference for bond to equity. It is the attitude and behaviour demonstrated by a person in a given space that may compel other members of society to hold on resources available to that person in order to reduce or avoid risk of loss of investment. It is common knowledge and perception of many in Ghana that parents and other relations discriminate on the basis of gender against women in making decision on investing in their children. A second look should be made because such decisions could be made on the basis of attitude demonstrated by the beneficiaries, the children, in making some form of choices which predicts risks parents cannot accept. Children who demonstrate their readiness to take up venture or risk to invest and achieve accepted objectives get the support of all but not the insolent. Therefore, parents and their relations invest in their children on account of seriousness to take risk and control themselves well to achieve the required objectives in life and not necessarily by gender. The development of the bond market to support entrepreneurial initiatives in Ghana can target the females, aged, and higher educated persons to invest in bonds. The affirmation is in line with Lin (2011) who established that individual investors follow the rational decision-making process to select their investment products and also prone to various behavioural biases. Mathuraswamy and Rajendran (2015) found that family composition, biological make-up, psychological factors and lifestyle of individual investors influence the investment rationality. Zaidi and Tauni (2012) indicated that both age and education do not have any significant impact on overconfidence bias. Moreover, Bhandari and Deaves (2006), Da Costa et al. (2008), Dhar and Zhu (2006) all found out differences in risk attitudes and behaviour towards investment decisions dependent on family composition, biological make-up, psychological factors and lifestyle of individual investors. Individuals in terms of gender, age, or education not in any social network is greatly exposed to risk with no support therefore, investing in debt capital is in order

Marital Status and Dependency

Marital status and dependency were seen to have significant influence on attitude towards risk. Marital status and dependency can change the independent outlook, conviction, and mental frame of a person. An individual entering into any relationship may have to surrender his/her right to be in association with others. In marriage and family settings the issue of independence is limited or sacrificed to achieve some common values, cultures, and general good. The rate of dependency on one and another becomes real and unavoidable. This can

influence risk taking. For family, religion, cultural values, and norms, persons may have varying commitments that may compelled them to take up risky and high yielding investment assets for immediate satisfaction and dam the consequences and give up certain investment drive for the simple reason of meeting family and social values and needs. In developing the bond and any policy on entrepreneurial initiatives persons in good marriages and families of substance should be well assessed to determine their level of entrepreneurial skills of risk taken and their seriousness to take responsibility of obligations, liabilities in their business dispositions. Marital status and dependency create social network with members taking opportunities available among members and debar others implicating their unpreparedness of dilution of their interest. In such social network debt capital is preferred (Thornton & Ribeiro, 2011; Aldrich & Zimmer, 1986; Carree & Tharik, 2003; Parker, 2004; Stovey, 1994; VanStel et al., 2005; Wennekers & Thurik 1999; Birch, 1979).

In all investors have common aspirations for contractual relation, enforceability of right for return and repayment of capital, security on business assets that can be realised to pay investors their due no matter the gender, marital status, age, education, or dependency status. Therefore, in the absence of equity assuring investors of their returns and security on their investment, may prefer bond. Summary of implications are that:

- The choice of bond is an affirmation of age conventional and cultural practice of exchange transaction where value is exchanged for value. There is a price to be paid for any product demanded. No one goes to the exchange market with empty hands and basket and expects his/her fill. When people give out funds for investment there is expectation of reward (price) and security over the investment to realize a fair value;
- Capital structure in the cultural perspective of investors is irrelevant. It is an indication of responses of investors to financial information on the business in the market as understood in cultural, environmental characteristics, and other psychological impinges acting as catalyst to make rational investment decision (Obeng, 2020). Entrepreneurs should therefore be responsible for their actions and inactions and reward fund providers according to their due. They should not hide behind the concepts of entity and limited liability to escape responsibility to fund providers. To develop the bond as securitized instrument to support small business and entrepreneurial innovations somebody should be responsible and accountable to the business liabilities. Entrepreneurs should see their compensation as an appropriation of profits and not as an expense to the detriment of other stakeholders where they can borrow to pay their compensation with nothing to providers of capital (Obeng, up).

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