



A STUDY ON PERCEPTION TOWARDS SOCIALLY RESPONSIBLE INVESTMENT BEHAVIOUR AMONG RETAIL INVESTORS IN CHENNAI

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Abstract

Socially responsible investing (SRI) is a trillion dollar industry in the US. It is an investment strategy that focuses on balancing financial returns with social good. The investors seek to marry financial return with corporates' performance on three crucial metrics – economic, social & governance (ESG) factors. Though this development has been seen worldwide, the Indian investor has largely ignored this phenomenon. Of late, India is however witnessing a plethora of activities both on the voluntary as well as obligatory with respect to reporting on ESG factors. This paper focuses on the prospects of SRI in India in the light of increasing corporate obligation on ESG factors.

Need of the Study

World over, investors have a spate of financial scams. India too has not been an exception with the Satyam fiasco. An offshoot of these financial scams in the western world has been the development of socially responsible investing and increased share holder activism.

Investors believe that by making responsible investment decisions, they would be able to influence responsible behavior among companies. In the US markets as well as in most European markets more than 10% of the funds invested has been in SRI funds. In India the phenomena is yet to catch on. Investors also believe that by sacrificing short term returns, they are gaining in the long term. This is so as companies focusing on ESG factors, will be less risky when compared to other companies & hence lead to better returns in the long run. Thus it is a win-win situation for all concerned.

The investors' in the Indian Capital Market is considered to be relatively younger when compared to the international investors. With the growing maturity of the Indian investor combined with increased investor activism, this study aims to find the prospects of investors going in for SRI.

Scope of the Study

- The study is confined to retail investors residing in Chennai city
- The study focuses on perception towards SRI
- This study can find potential of SRI among investors in Chennai

Objectives of the Study

- To find the awareness of retail investors in Chennai of SRI
- To study the intention among retail investors to invest in SRI
- To identify which of the ESG factors is important for retail investors
- To find the factors that act as barrier for investors to invest in SRI

Research Methodology

A survey was conducted among retail investors in Chennai. The sample size selected was 125. Descriptive Research design has been used for the study. Non probability sampling method, ie convenience sampling method has been used in this study.

Reliability & Validity of the Research Instrument

S. No	Questionnaire	No. of items	No. of cases	Cronbach alpha score
1	A Study on Perception towards Socially Responsible Investment Behaviour among Retail Investors in Chennai	20	100	0.725

The pilot study was performed with 20 samples initially to assess the suitability of the questionnaire design. Based on the response entertained by them and analysis of the same questionnaire was found to be suitable for the study.

The Alpha value found using SPSS was 0.725. Hence Reliability of the questionnaire is acceptable



Tools Used for Analysis

The data collected has been analysed using SPSS.

Research Review

Escrig-Olmedo, Elena et al in their research, ‘Sustainable Development and the Financial System: Society’s Perceptions About Socially Responsible Investing’ found that that SRI is at an early stage and Spanish investors need more exact information regarding social, environmental, and governance criteria in order to invest in socially responsible companies and products.

Wagemans Frank A.J., C.S.A. (Kris) van Koppen & Mol, Arthur P.J. in ‘The effectiveness of socially responsible’ found that SRI shareholder is rapidly growing and is evolving from a niche market to a mainstream form of investment. The different types of shareholders have different motivations for practising SRI and follow different strategies and methods.

Renneboog , Luc.,Ter Horst Jenke., and Zhang,Chendiin ‘Socially responsible investments: Institutional aspects, performance, and investor behavior’ conclude that the existing studies hint but do not unequivocally demonstrate that SRI investors are willing to accept suboptimal financial performance to pursue social or ethical objectives.

Hill, Ronald Paul., Ainscough, Thomas ., Shank, Todd., &Manullang, Daryl, in ‘Corporate Social Responsibility and Socially Responsible Investing: A Global Perspective’, suggest that being viewed as socially responsible by investors may impact positively the valuation of firms over the long run, providing them with the opportunity to "do well while doing good"

Data Analysis

Awareness of SRI

S. No	Awareness of SRI	No. of Respondents	% Analysis
1	Aware	19	15%
2	Not Aware	106	85%

Concerns about Investing in SRI

S. No	Financial Product	No. of Respondents	% Analysis
1	Low return	53	42%
2	Doubts about relationship between ethics and returns	46	37%
3	Lack of information & support	26	21%

Reasons for Investing/Intention to Invest in SRI

S. No	Intention	No. of Respondents	% analysis
1	High Returns	46	37%
2	Lesser Risk	33	26%
3	Ethical Reasons/ Feeling Good	39	31%
4	Social pressure to more responsible behaviour	26	21%

ESG Factors Affecting Investment Decision

S. No	ESG Factors	No. of Respondents	% Analysis
1	Environment factors are the most important factor to be considered by investors according to me	54	43%
2	Diversity & Equality in employment are the most important factor to be considered by investors according to me	24	19%
3	CSR activities are the most important factor to be considered by investors according to me	47	38%

Hypotheses

H1: Age of an investor plays a significant role in decision to invest in SRI

H2: Investment choice in SRI is affected by gender

H3: Knowledge of investments impacts decision to invest in SRI



Summary of Findings

Profile of Investors – The study finds that 77% of investors are male. It is also found that 74% of investors are young investors less than 40 years of age. Also majority of investors (64%) prefer to invest mutual funds & stock market. Also 58% of investors are long term investors.

Investors & SRI – Majority of investors (85%) are unaware of the concept of SRI. 42% of investors are wary of investing in SRI because of the fear of low return. Most of investors would invest in SRI only if these SRI's give a high returns. Among ESG factors considered, environmental factors are considered the most important followed by Governance & then social factors.

From hypotheses, it is found that age & gender do not play a role in decision in SRI. But if investors are confident in their knowledge, they decide to invest in SRI.

Suggestions

The growing trend towards SRI worldwide, is yet to take off in a big way in India. With growing maturity of investors, the interest towards SRI will also increase. In this light, asset management companies focusing on SRI funds can focus on young investors with high level of self confidence & knowledge on investment in share markets

Conclusion

SRI market globally is yet to catch the fancy of investors in India. However, with the maturing of the Indian financial markets, this segment presents a potential for mutual fund AMC to exploit. Growing concerns on climate change, impact of El Nino, effects of extreme climate vagaries will lead to growing tribe of SRIs. The Mutual fund AMC needs to lay the ground now to exploit this nascent market

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