



A STUDY ON INVESTORS PERCEPTION AND ATTITUDE TOWARDS SOCIALLY RESPONSIBLE INVESTMENT

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Abstract: Socially Responsible Investing (SRI) has emerged as a prominent strategy for investors seeking to align financial objectives with ethical, environmental, social, and governance (ESG) considerations. Socially Responsible Investment (SRI) means investing in companies, organisations, or funds that not only provide financial returns but also strategies involve choosing companies that prioritize social justice, ethical beliefs, environmental sustainability and corporate responsibility. In other words, it is an investment strategy that balance financial profit with positive social impact. Despite the increasing popularity of SRI, its market performance remains a subject of debate. Some studies suggest that socially responsible investments can match or even outperform conventional portfolios due to strong corporate governance, risk mitigation, and long-term sustainability factors. However, others argue that restricting investments based on ethical considerations may limit diversification and lead to lower returns. This study aims to explore the financial performance of SRI compared to traditional investment strategies, examining key factors that influence returns, risk profiles, and investor behavior. In addition, this paper tries to have a deeper insight into Indian investors' awareness level and behaviours toward SRI.

Keywords: Socially Responsible Investing (SRI), Environmental, Social, and Governance (ESG), Market Performance, Sustainable Investment, Investor Behaviour, Financial Returns.

1. INTRODUCTION:

Earlier risk and return on the money invested were the only criteria for investment decision-making, but now non-financial factors (social, ethical, and environmental factors) are also being considered while making an investment (Sparks, 2002; Michelson *et al.*, 2004; Sandberg *et al.*, 2008; Domini, 2001). These non-financial factors are generally related to social and environmental concerns, and now governance is also being considered as an important part of it. Corporate scandals have increased the importance of work ethics, transparency, and quality of management. If governance is considered filtering criteria for investment, then it can increase the returns for the investors and shareholders' value (Sandberg *et al.*, 2008). This type of investment is termed socially responsible investment (SRI) or ethical investment. In recent years, Socially Responsible Investing (SRI) has gained significant traction as investors increasingly seek to align financial goals with ethical, environmental, and social values. SRI involves the integration of environmental, social, and governance (ESG) criteria into investment decisions, aiming to generate both financial returns and positive societal impact. According to Epstein and Freedman (1994), shareholders want companies to adopt responsible ways of operations and produce safe, quality products while maintaining the environment and its safety. The growth of SRI is dependent on many factors including availability of SR funds, SR funds' popularity, SR fund's financial performance, companies' performance on ESG issues, rules and regulations about SRI and the investment behaviour of individual investors.

Many academic and professional deliberations and legal interventions are being made to make the world more sustainable in every aspect. UN sustainable development goals, Paris agreement, and recent climate change conference COP26 make all the efforts to make the world sustainable for future generations. Hence sustainability cannot be ignored by these developing nations including India, The rise of sustainable finance is driven by growing awareness of climate



change, corporate accountability, and stakeholder activism, leading to a shift in traditional investment strategies. Despite the increasing popularity of SRI, its market performance remains a subject of debate. Tripathi and Bhandari (2014) highlighted that lack of awareness among investors and lack of required ESG information as the prime cause of the slow growth of SRI in India. Raut *et al.* (2020) highlighted the low number of ethical investment opportunities to be the main cause of the slow development of SRI. Some studies suggest that socially responsible investments can match or even outperform conventional portfolios due to strong corporate governance, risk mitigation, and long-term sustainability factors. However, others argue that restricting investments based on ethical considerations may limit diversification and lead to lower returns. This study seeks to explore the financial performance of SRI compared to traditional investment strategies, examining key factors that influence returns, risk profiles, and investor behaviour, SRI awareness level, attitude towards the importance of environmental, social, and governance (ESG) issues, willingness to invest in SRI avenues and obstacles in SRI investment decision-making by Indian investors. This study is a modest attempt to contribute to the academic literature by filling this research gap by examining Indian individual investors' awareness level about SRI, attitude, willingness, and obstacles factors significant for them in socially responsible investing.

2. LITERATURE REVIEW:

- **Hoepner, A. G., Schopohl, L., & Yu, P.** Title: The Role of ESG Ratings in Investment Decision-Making. Key Findings: ESG rating inconsistencies create challenges for investors. Unified ESG rating standards could improve transparency and investor confidence.
- **Eng-Tuck Cheah, Dima Jamali, Johnnie E.V. Johnson, Ming-Chien Sung (2011)** Title: Drivers of Corporate Social Responsibility Attitudes: The Demography of Socially Responsible Investors
- **Pooja Mehta Manjit Singh; Manju Mittal (2020)** Title: Socially responsible investments and proposed conceptual framework Available to Purchase
- **Fatemi, A., Glaum, M., & Kaiser, S. (2021)** Title: ESG Performance and Financial Performance: The Role of Disclosure Practices Key Findings: Transparent ESG disclosures attract investors and improve stock liquidity. Poorly disclosed ESG strategies can lead to higher volatility and lower investor confidence.
- **Albuquerque, R., Koskinen, Y., & Zhang, C. (2022)** Title: Do ESG Investors Make a Financial Trade-Off? Key Findings: ESG investors do not sacrifice financial returns when investing in sustainable firms. Firms with strong social and governance practices attract more long-term investors.
- **Renu Jonwall, Seema Gupta, Shuchi Pahuja (2022)** Title: A comparison of investment behaviour, attitudes, and demographics of socially responsible and conventional investors in India Free
- **Nofsinger, J., & Varma, A. (2023)** Title: Socially Responsible Funds and Market Volatility. Key Findings: SRI funds demonstrate lower volatility during financial crises compared to traditional funds. ESG-based investment strategies provide downside protection during market downturns.
- **Bauer, R., Koedijk, K., & Otten, R. (2023)** Title: The Financial and Ethical Impact of Socially Responsible Investing Key Findings: Ethical investing has grown rapidly, with increasing institutional demand. SRI portfolios perform better in the long term, especially in low-carbon industries.
- **Hoepner, A. G., Schopohl, L., & Yu, P.** Title: The Role of ESG Ratings in Investment Decision-Making. Key Findings: ESG rating inconsistencies create challenges for investors. Unified ESG rating standards could improve transparency and investor confidence.
- **Renu Jonwall, Seema Gupta, Shuchi Pahuja (2023)** Title: Socially responsible investment behaviour: a study of individual investors from India

3. OBJECTIVES:

- To analyse the market performance of Socially Responsible Investing.
- To investigate investor awareness behaviour and preferences regarding Socially Responsible Investing.
- To know the major benefits and challenges that affect investors to go towards the SRI.



4. RESEARCH METHOD/METHODOLOGY:

Research design: This study analyses and collection of data in systematic manner that aims to combine research purpose and it applied here is purely descriptive. Here the sample size is 115 and out of 115 only 103 people are responded.

Data collection: Data are collected from both primary sources and secondary sources. Primary data for the study have been collected through a self-structured questionnaire. Secondary data were sourced from literature review of journal, articles, previous studies, and reports related to Socially Responsible Investing (SRI) and investors behaviour. Descriptive statistics are used to identify the importance of variables for individual investors.

Tools of data collection: The collected data is analysed and interpreted by using various mathematical and statistical tools like percentage, tables, diagram and bar chats etc. to present the findings in a clear and understandable manner.

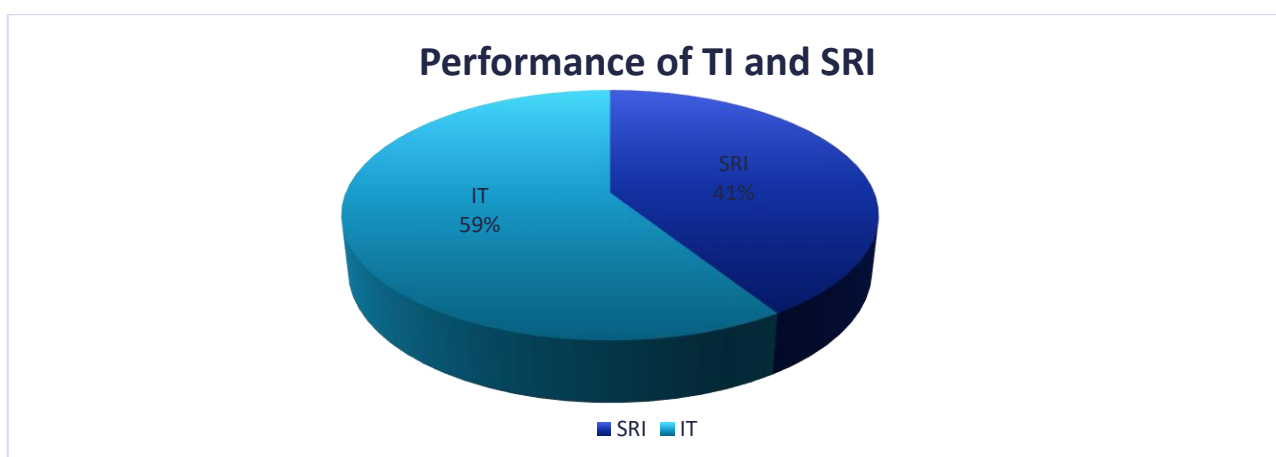
5. RESULTS :

The descriptive statistics indicate a low level of SRI awareness; the majority of the investors agreed that ESG issues are significant in investing and showed a willingness to invest in SRI avenues. However, the investors were not willing to accept lower returns from SRI. Most investors found, lower returns on SRIs, no tax benefit, lack of information about SRIs, and low liquidity as important obstacles in SRI investing. The study suggests that the issuers must provide adequate information about SRI avenues and probable risk and returns involved in these, while the regulators must make efforts to educate investors in India. This research on Socially Responsible Investing (SRI) and Its Market Performance provides valuable insights into the financial viability, investor behavior, and market trends associated with SRI. Based on primary data analysis, the study draws the following key finding:

- SRI Performance is Competitive with Traditional Investments. The comparative financial analysis indicates that SRI portfolios offer returns that are either comparable to or, in some cases, superior to traditional investments. Risk-adjusted return metrics suggest that strong corporate governance and sustainability practices contribute to long-term financial stability, dispelling the myth that ethical investing compromises profitability.
- Investor Perception and Behavior Indicate a Generational Shift. Survey findings reveal that younger investors (18-35 years) are more inclined towards SRI, driven by ethical values and sustainability concerns. However, a significant portion of investors still perceive SRI as riskier or less diversified, indicating the need for greater awareness and education on sustainable investment benefits.
- Individual investors' investment behaviour has always been an important area of research. If an individual investor considers ethics and values in investment decisions, then his investment behaviour changes accordingly. Such investors consider ethical, environmental, social and governance issues in investment decisions. SR investors expect both financial and social returns from their investments.
- There are many challenges under SRI which negatively affect the investor's investment decision. These challenges highlight the need for clearer guidelines and more consistent practices. Overall, addressing these challenges is crucial for SRI's growth and effectiveness.

6. ANALYSIS :

Objective - 1 To analyze the market performance of Socially Responsible Investing

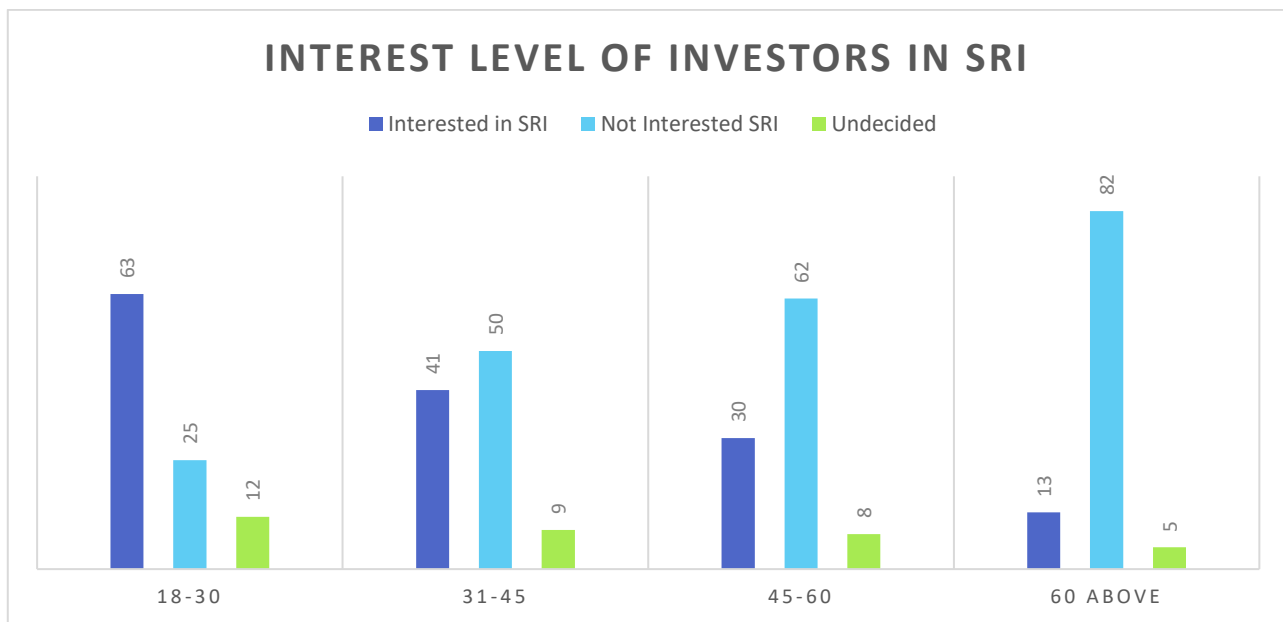




The results of the survey indicate that while traditional investments are still the preferred choice for many investors, there is a growing interest in SRI. Investors are increasingly looking for ways to align their investments with their values and to make a positive impact on society. As the demand for SRI continues to grow, it is likely that we will see more investment products and options become available.

Objective-2

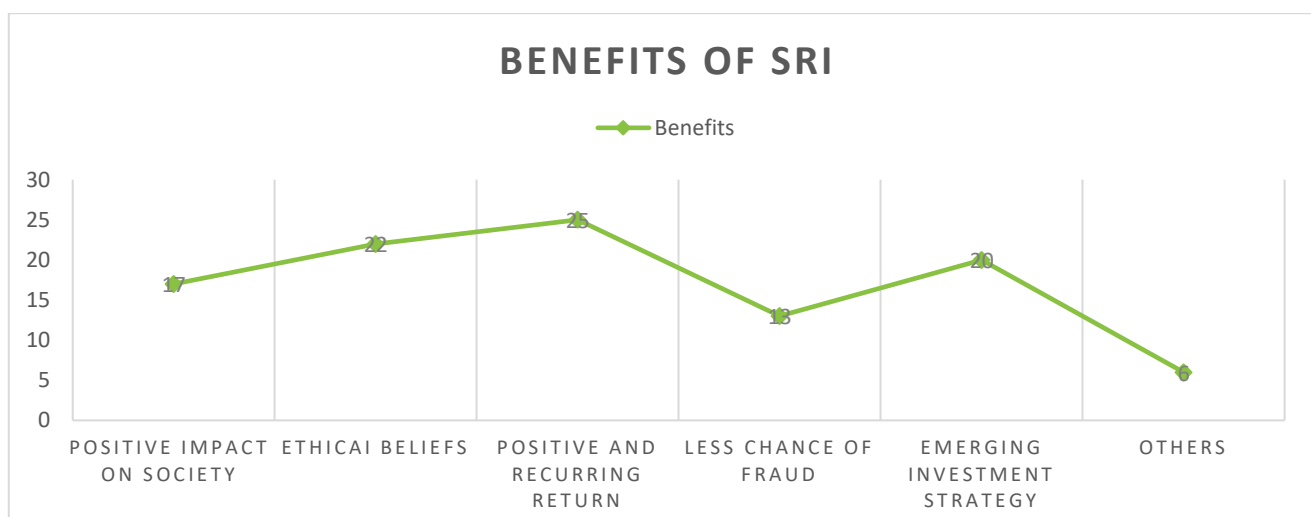
To investigate investor behavior and preferences regarding Socially Responsible Investing



- The 18-30 age group shows the highest interest in SRI, with 63% of respondents indicating a desire to invest in SRI.
- The 31-45 age group also shows a strong interest in SRI, with 41% of respondents indicating a desire to invest in SRI.
- The 46-60 age group shows a slightly lower interest in SRI, with 30% of respondents indicating a desire to invest in SRI.
- The 60 and above age group shows the lowest interest in SRI, with 13% of respondents indicating a desire to invest in SRI.

Objective – 3

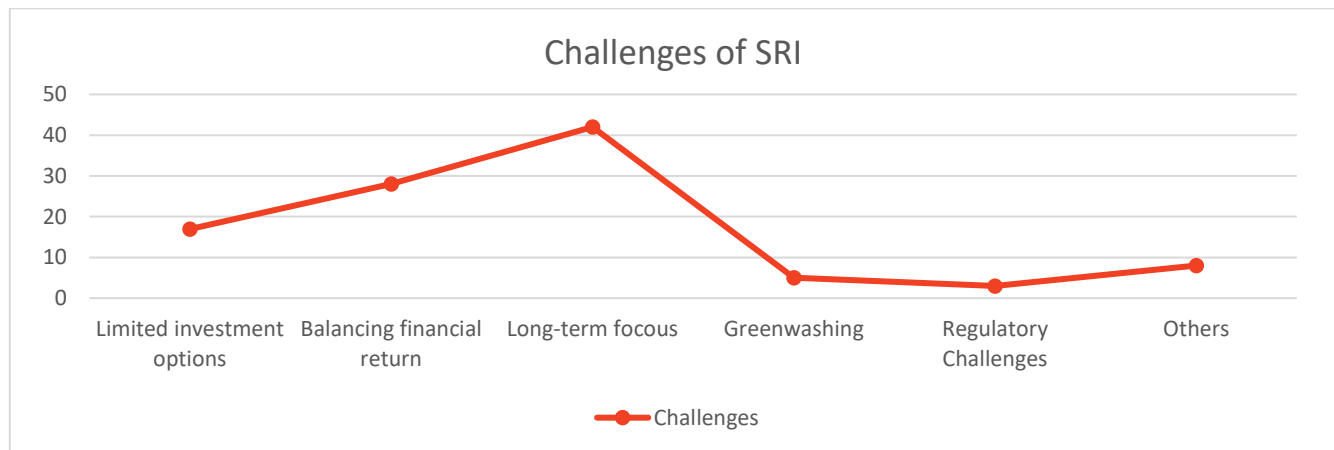
(A) Benefits of SRI





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(B) Challenges under SRI



There are many challenges under SRI which negatively affect the investor's investment decision. These challenges highlight the need for clearer guidelines and more consistent practices. Overall, addressing these challenges is crucial for SRI's growth and effectiveness.

7. CONCLUSION:

This study concludes that Socially Responsible Investing is not only a sustainable investment strategy but also a financially viable one. As awareness grows and regulatory frameworks evolve, SRI is likely to become a mainstream investment approach rather than a niche market. Investors, policymakers, and financial institutions must work together to improve transparency, education, and accessibility to enhance SRI adoption and maximize both financial returns and positive societal impact.

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