

Investing in SRI Mutual Funds –An initiative to Sustainable development (General perspective of Delhi/NCR Investors)

Dr Ankita Nagpal¹, Mansi Chadha²

¹Associate Professor Lingaya's Vidyapeeth

²Research Scholar Lingaya's Vidyapeeth

e-mail: ankitadhamija@gmail.com¹, mansi.chhabra85@gmail.com²

Abstract:

Purpose: *The article examines the awareness level of SRI mutual funds among Indian Investors and their perception regarding the return and risk associated with them.*

Design/Methodology/approach: *To analyze the results one way empirical variance (ANOVA), chi-square analyses, descriptive analysis and factor analysis were used. Standardized questionnaire was supplied to 132 mutual funds Investor of Delhi/NCR.*

Findings: *Indian financial specialists were benefit arranged and not morally situated. Age & qualification have little impact and revenue impacts the speculator type, female buy more SRI reserve then men. An overall viewpoint of SRI reserves, they offered not so much returns but rather more hazardous as contrast with Normal assets*

Research limitations/Implications: *The study will be benefited for Asset Management Company to assist the awareness programs for investors and should launch SRI funds*

Originality/Value: *Research unravels the relation of type of investor and demographic profile relate to socially responsible funds. A general view of Indian investors on SRI funds contributes to literature by trying to fill this gap.*

Keywords: *Ethical funds, socially responsible funds, awareness, perception, Indian investors*

1. INTRODUCTION OF THE STUDY

Ethical investment is an investment that hires investors for their portfolio and investment policy, using their social, moral, religious values. Many investment management firms are providing ethical and socially responsible investment with a rising demand for ethical funds. In a particular category of investor which is genuinely ethical, they value more ethical objectives than ordinary investors, and monetary returns are favoured according to personal value.

Perspectives of Socially Responsible Investing (SRI)

Investors are still thinking of starting investing in socially responsible companies to earn

higher returns at lower risk as a new idea still not common in India. SRI is a hybrid type of investment that combines the decision on the investment in non-financial objectives, such as environmental, social and moral. Ethical investment, on the other hand, is a different idea in that businesses have moral behaviour, killing animals to produce drugs is absolutely ethical and testing animals to make drugs. Investors are likely to invest in businesses that are considered immoral.

The companies that use this index, before selecting the mutual fund, are subject to ESG guidelines and they review the ESG index before choosing a mutual fund. Most SRIs avoid investing in companies that place people's lives in Danger Company whose operations are disruptive or harmful to the environment and those with poor human rights records or employment policies and practices. Both the financial needs of the investor and an investment impact on society are considered by SRI.

Investments which are socially conscious, involved in supporting the good side of business, are often concerned with the sectors and firms which are 'evil for society.' Participating businesses

Investment called "sinful" from SRI screens in gambling, cigarettes, guns and alcohol. Socially Conscious Investors Approach- Investors use three main strategies: investment selection screens; investment support and community investment for vulnerable areas.

1. Screening – Several socially accountable investment funds do not support abortion drug makers, embryo testing procedures, and armaments-related operations. This method creates an SRI buy-list of companies interested in products/practices that are environmentally friendly. The method of screening excludes companies that do not satisfy requirements.

2. Shareholder advocacy – The purpose of this strategy is to influence policies of the company and to make the shareholder benefit from an appreciation of company stock prices and dividends along with a shift in company policies.

3. Public Investment – Enable investors to participate in beneficial non-funded ventures.

Growth perspective of SRI in India

First SRI Mutual Fund launched by ABN AMRO in March 2007. It is now under management by BNP Paribas and is now valued at \$10,14M, which shows the investment interest in the form of SRI funds following the global financial crisis.

Formation of ESG Index- The ESG Index was created in 2007 and comprises a distinct and specific methodology that quantifies ESG activities of the sector and translates them into a score system that ranks every company in the Indian market against its competitor.

Launch of BSE Tasis Shariah 50 Index In January 2008, it was established to facilitate the financial inclusion of Indian Muslims and to magnetize investment flows of foreign funds based on shariah standards. The BSE Tasis Shariah 50 Index was established.

Launch of Emerging Market Disclosure Project (EMDP) The EMDP was introduced in 2008. EMDP was initiated in 2011. It is aimed at assessing and enhancing ESG reporting levels in emerging markets such as Brazil, India, Indonesia, South Africa and South Korea.

National Action Plan on Climate Change (NAPCC) On 30 June 2008 the National Climate Change Action Plan (NAPCC) began. The National Missions end in 2017 with the goal of having comprehensive Climate Change action plans by December 2008.

Introduction of Taurus Ethical Fund The Taurus Mutual Fund launched in 2009 to provide unit investors with a capital appreciation and income distribution through diversified equity Portfolios focused on Shariah norms. The fund's key objective is to provide the capital and income appreciation.

Global Reporting Initiative- GRI is a non-profit organisation that supports economic development. Global news project- It developed standards for the reporting of sustainability called ESG, Triple Bottom Line (TBL), CSR.

Launch of GREENEX In 2012, the company initiated BSE Greenex with the introduction of GREENEX. It is a new stock index that helps investors pursues green enterprises. GREENEX has 20 companies that fulfill energy efficiency requirements, which enable investors to benefit from the associated cost savings. The index enables investors to track enterprises which invest in efficient energy.

Launch of CARBONEX In November 2012, the production of CARBONEX was initiated. The weighted carbon-adjusted float is determined by each stock in the index based on carbon performance and industrial tilt factors.

2. LITERATURE REVIEW

Lewis and Mackenzie (2000) address questions such as who invests in SRI, SRI understanding, return and demand elasticity. Questionnaire answered by 1146 investors Results showed that SRIs produce a lower return than standard investors, even if they perform worse than usual investments and suggested that SR investors are somewhat inelastic in terms of their losses. Increased shareholding activism among SR investors has been investigated for **Lewis and Mackenzie (2,000b)**. Investors were found to favour the existing avoidance activities of firms deemed "poor" and the reward of businesses considered good." Questions by the 1146 investors SR- investors were found. Failure to embrace more progressive reforms. The ability of consumers to invest in "green shares" is being studied in **Getzner and Grabner Krauter (2001)**. Machine helped 400 customer telephone interviews. Expected benefit, knowledge of the climate, education and earnings has clarified the consumer's desire to invest in "green equities." **Mc Lachlan and Gardner (2004)** equate investors with "traditional" and "socially accountable." 55 "conventional" and 54 "SRI" responded to the questionnaire. SR investors are more concerned than traditional investors with ethical concerns. Ethical investment from a Jewish viewpoint. **Mark S. Schwartz, Meir Tamari, Daniel Schwab (2007)**. This was a document of definition. It should be all about engaging in the wider goal of developing, exploring and understanding a global collection of business ethic concepts for the entire investment world. The aim of Jewish business ethics should not be to establish a new religious mutual fund. **Carmen Valor, marta de la Cuesta and Beatriz Fernandez(2010)** Discuss the latest investment strategies, choice and impediment for SRI growth of individuals and finance consultants. Interviews with 400 investors on the standardised questionnaire took place.

The main challenge is that Informational demand is lacking, SRI products need to produce good returns for investors. Three dimensions: product type, SRI strategy and criteria applied must be based on changes. **Nilsson, Jonas (2009)** explored the value of the financial return

and the social obligation of SR investors classified in different segments. 563 SR investors were analyzed using the cluster analysis method. Three SR-investors segments have been created. The first chapter, which was mostly profit-oriented,' shows SR investors prioritize financial benefit over social responsibility. The latter section called social responsibility over financial return "mainly concerned with social responsibility." The third group deals with both the financial and social returns. **Saqib Murtaza (2013)** explored Socially Responsible Investors' Risk perception, developed a socio- demographic comporment trend, and analyzed the direct effect, through risk perception of the social factors (religion and influence of families) and the indirect impact of age, education and income. The awareness of Shariah investment in India was checked by **Dharani Munusamy (2016)**. 159 Ethical Investors of Chennai have been studied. Results indicate an effect on shariah investment respondents' trading expectations of knowledge, motivation and risk and return perception. The Spanish investor's socio-demographic and attitudinal profile, **Maria Manuela Palacios-Gonzalez (2019)** analyzed 415 potential investors, is more intentional to invest in socially responsible ways. **Ankita Nagpal (2020)** explains Indian investors' perceptions of socially responsible mutual funding, Indian investors' motivation for investment in mutual funds was benefit alone, socially accountable investors found that the funds were riskier and less profitable than conventional mutual fund.

3. RESEARCH GAP

It is an emerging topic in Indian context; Most studies deal with Ethical Investment/SRI viewpoint in USA, Great Britain, Spain, and Jews. In studies Group is segmented by the socially responsible investors and Non-socially responsible investors and examines their perspective, their demographic differences, relationship between financial and Ethical belief by the investors. In this paper we targeted the Indian investor (Delhi/NCR) and examine their perspective about Ethical Investment. Gap of the study is whether the Indian investor accepts the idea of green investment/ Ethical Investment in mutual funds; to examine the opinion of Indian investor they give more value to their beliefs, morals or financial returns.

- There was limited study in Indian context, investors perspective is not studied as far.
- Only segmented sample size is taken in previous research and compare them with Non SR investors, this paper examine the general view of investors about Green/Ethical investing.
- Previous studies is in the context of investing in 'green shares 'But no one studied the area whether investor is investing in Ethical Mutual funds.
- A void in the analysis was the key factors considered by the Indian investor when investing in socially responsible mutual funds. This study looks at important factors that should be reviewed by investors prior to investment.

4. OBJECTIVE OF THE STUDY

In previous studies only developed countries perspective was studied for SR investors, Objective will give an overall view of Delhi/NCR investor's regarding Ethical investing, In India Ethical Mutual funds are designed on ESG (Environmental, social, Governance) guidelines; Investor prefer funds which are truly ethical or they invest in profit oriented

mutual funds.

1. To analyze the risk and return perception on socially responsible Mutual funds.
2. To analyze the association between demographic variables (Gender, Age Income,

Qualification) and type of Investor.

5. To determine factors responsible for Ethical Investment based on respondent's perception on socially responsible mutual funds.

Hypothesis Tested:

The Ethical Investment Perception of the Investor studies demographically (age, sex, investor income, qualification).

Age: There are a number of studies that indicate a negative association between age and investments in SR, but no one studied the impact of age on the type of investor.

Ho: No substantial difference is made between the investor's age and investor groups.

H1: There are substantial variations between investor age and investment categories.

Gender: SR investment for women is more risky than non-SRI investment than for women. SR investment is more risky. The risk differential of SR-NS investments was viewed by ethical investors. This paper explores the effect of gender on the socially responsible purchase of funds.

Ho: There is no important connection between gender and SRI funds

H1: Gender and purchase of SRI funds are closely related

Investor's income: Higher profits were linked to constructive green investment behavior. Investor income and green investment in the USA are directly related. In this paper we study: Ethical investment affects income

Ho: There is no connection between investor income and investor type

H1: there's a link between investor income and investment type

Qualification: Previous studies have shown a poor link with SR investment in higher education. Education between SRI and non-SRI investments has been slightly different. We have therefore analyzed the effect on ethical investment of qualifications

Ho: There is no substantial relation between qualification and investor form

H1. There is an essential link between qualification and investor type

5. DATA ANALYSIS

KMO was 619 and important Bartlett's sphericity trial sponsored the factor analysis in order to extract independent variables correlated with ethical investing. The factors analysis was conducted in 19 statements relevant to socially responsible investments. SPSS Software was used for the primary component analyses. The underlying reasons for Ethical Investment were established by the Varimax rotation. Articles have been extracted with a value greater than one and a loading factor greater than 0.5 has been preserved. 19 objects collected 5

variables illustrating a variance of 82.8%

Total Variance Explained

Component	Initial self values			Sum of squared Extraction Loadings			Sum Squared loadings rotation		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	1.937	27.670	27.670	1.937	27.670	27.670	1.372	19.601	19.601
2	1.322	18.893	46.562	1.322	18.893	46.562	1.339	19.132	38.733
3	.938	13.398	59.961	.938	13.398	59.961	1.055	15.064	53.797
4	.865	12.362	72.323	.865	12.362	72.323	1.024	14.627	68.425
5	.736	10.513	82.836	.736	10.513	82.836	1.009	14.411	82.836
6	.682	9.737	92.573						
7	.520	7.427	100.000						

Method of extraction: Principal Component Analysis.

KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.	.619
Bartlett's Test of Approx. Chi-Square	78.266
Sphericity	
df	21
Sig.	.000

Communalities

	Initial	Extraction
Bought SRI mutual fund	1.000	.747
Why choose SRI positive	1.000	.941
Positive criteria	1.000	.956
Return comparison between ethical and traditional fund	1.000	.915
Heard index SRI	1.000	.804
SRI indices in Financial market	1.000	.673
Preferred investments	1.000	.762

Rotated Component Matrix^a

	Component				
	1	2	3	4	5
Heard index SRI	.884				
SRI indices in Financial market	.739				
Preferred investments		.799			
Bought SRI mutual fund		.793			
Return comparison between ethical and traditional fund			.949		
Why choose SRI positive				.955	
Positive screening					.956

Extraction Method: Principal Component Analysis.

Rotation Method: Varimax with Kaiser Normalization.

The major five factors associated with Ethical investing based on SRI mutual funds are extracted from factor analysis

- a. Socially Responsible Index- Respondent felt that before investing in SRI funds, Index Criteria is important for Ethical investing. These types of Funds have different Index.
- b. Preferred Investments- Investor preference was one of the important criteria for Ethical Investment. Investor's preferred Ethical funds over Traditional or Unit trust funds.
- c. Return comparison between Ethical and Traditional funds- Respondent felt that

Return was an important factor for investing. If Ethical funds gave better returns than Traditional funds.

d. Positive Criteria for Choosing SRI funds – Respondents invest for high returns but choosing SRI funds gave security and returns both. These positive Criteria attract the respondent to choose SRI funds

e. Positive Screening- Respondents felt Positive screening considered as an important factor for investing in SRI funds. Ethical Investor considered positive screening during investment.

Demographic Profile of type of investor in sample

Variables	Hypothesis	P	Test applied	Results
Age	H1	>0.5	ANOVA	Null hypothesis not rejected
Income of Investor	H2	<0.5	ANOVA	Null hypothesis not accepted
Gender	H3	<0.5	Chi-square test	Null hypothesis not accepted
Qualification	H4	>0.5	Chi-square test	Null hypothesis not rejected

Result of Hypothesis-1

Researcher applied ANOVA in the three age groups of respondents to test the first hypothesis for the category of investor. The result shows that the value reaches 0.05. This implies that the zero-hypothesis has not been dismissed and that the respondent's age has little effect on the respondent form.

Result of Hypothesis -2

Researcher applied F-testing to purchase SRI funds and gender to carry out the second hypothesis. The results demonstrated that the importance of significance is less than .05. This implies zero agreed hypotheses. The results suggest that the transactions of SRI funds and

gender are linked. Assumptions violate the F-test used for Chi-square test.

Result of Hypothesis-3

Researcher applied ANOVA to the investment form to test the 3rd Hypothesis on the basis of income across the four groups of respondents. Results suggest that the variance is homogeneous, but that the meaning value is less than .05. Each of the average differences is not equal to the average difference in the other groups. Turkey therefore showed 0.05 value. Revenue has an effect on the investment form.

Result of Hypothesis-4

Researcher used the F-test on the form and qualification of investors to test the fourth hypothesis. The outcome showed that the value for importance reaches .05. This illustrates a non-rejected zero hypothesis. In conclusion, the qualification with the form of investor is not related. Assumptions violate the F-test used for Chi-square test.

Perception of risk and return for ethical investment as compare to traditional funds –

Perception of risk and return for ethical investment in contrast to the conventional funds Data indicates profitable returns from ethical funds but risky compared with traditional

reciprocal funds. In contrast to other age groups, young age (15-35) spends most in ethics funds, Age of 21.8%

In contrast to conventional funds, ethical funds are considered to have a comparable risk under 15-35. In comparison, 20.8% of respondents said ethical funds are more volatile than conventional funds. Seven percent of middle-aged respondents thought that ethical funds were riskier than conventional funds. Just 0.6 percent found that ethical funds are less volatile than conventional funds than a greater proportion of the old age respondents in the study.

In the opinion of 30,5% respondents of under 15 years (15-35), ethical funds gave better income compared to conventional funds, in which 13,1% reported that ethical funds gave lower returns; 10,5% reported that ethical funds had better returns than the age of 35,5% (35-55). Ethical funds gave improved returns, just 1 percent of respondents under age (55-75).

6. LIMITATIONS OF STUDY:

1. The sample is too small. Sample has more proportion of Young investor.
2. Only two factors about perception of investor has been studied i.e. Risk and Return
3. Study is limited to time frame
4. Most of the respondent doesn't give reliable information
5. Due to small sample size only 5 factors has been Extracted. There would be more important factors for ethical investing.

Managerial Implication:

Companies should come up with more Ethical funds. Awareness among the investors about these funds is challenging task. Companies should adapt different schemes which not only give value/morals also give better returns in a long run. Indian investor has a mindset they invest more in profitable funds and give least priority to Ethics/morals .Company redesign funds which covers both profit as well as ethics to the Indian investor. This study would be beneficial for Asset management companies for designing ethical funds and considered important factors for investing.

7. CONCLUSIONS:

Younger investor are samples, more mutual funds are invested by males. Investments into mutual funds are highly educated investors with a middle income category. In the procurement of socially responsible funds, gender has an impact. The investment fund is preferred by the investors, (28.8%) offers protection for investment in renewable goods, with high returns (27.3%) and Ethical or religious regions contribute only (15.2%). (42.4%) lead to a lack of knowledge; it means that investors do not understand that socially responsible funds are not participating in socially responsible funds because of this. The return on investment (47.7%) is higher (18.2%), and only Ethical is a benefit offered to investors. Indian investors are more profitable than ethical. Age and efficiency have little impact on investment form. On the other hand, revenue affects the investor type. Five considerations include a socially conscious index,

Chosen ethical investment in traditional funds, comparison of return between ethical and conventional funds, favorable requirements for the choice of SRI funds and constructive screening considered to be key elements of investment in ethical funds. An extensive outlook for SRI funds of delhi/NCR investors, offered smaller yields and are uncertain as contrast to normal mutual assets. Good deeds will give good returns in future, if our investor's believe in this way they considered as socially responsible investor and bring more gains.

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