THE INNOVATIVE INTEGRATION AND INCITEMENT OF SOCIALLY RESPONSIBLE INVESTMENT

Athipan Saksri, Pongsa Pornchaiwiseskul
Chulalongkorn University
Bangkok, Thailand

Abstract— **This research is an invaluable part of "The Innovative Integration and Incitement of Socially Responsible Investment". This phase aims to review the socially responsible investment studies, to construct the socially responsible investment framework and to analyze the important factors that influence socially responsible investment behavior. 424 samples were gathered from recent investors and prospective investors in Thailand via online and face to face questionnaires.**

Socially responsible investment is an investment approach which considers Environmental, Social and Governance (ESG) in making decision process. The incremental ESG concernment is leading to the increasing in this research field. The widespread literature is an empirical study and theoretical background study based on Socially Responsible Investment.

The result in this literature review can generate the framework by defining SRI behavior rely on 3 factor groups: demographic factor, financial factor and social responsible factor. Multinomial logistic regression was used to extract factors that influence the level of SRI behavior. Some factors from 3 groups can explain the level of SRI behavior and indicate prospective SR investor.

Index Terms— **Socially responsible investments (SRI), Mutual Fund, Sustainable Investing, Sustainable development, Ethical Investment.**

I. INTRODUCTION

Infinitive demand under limited resources leads to the eventual scarcity. Actually, everyone faces with the basic problem on gathering capital in life. Almost all of them haven't known their mind how to be enough but try to gain more and more. In Macroeconomic, economic development goals have been mainly aimed to generate GDP or GNP while microeconomic based on maximized profit and maximized utility assumption.

Money is one of the most important components for driving an economic system. Without money, the economic mechanism will absolutely be disrupted. However, money accumulation objective should fail to consider other condition. Materialism is the substantial cause of world problem.

Unlike conventional investment which is the main concerns on risk and return, Socially Responsible Investment (SRI) is an investment method which concerns on Environmental, Social and Governance (ESG) in decision making process. Since 1960, SRI was founded in USA and it becomes favorable until present. In EU, SRI value growth was about 336 percent (2005-2009) and SRI value on 31st December 2009 equal 4,986 billion Euros (Eurosif, 2010. European SRI market study called at 15.10.2010.) and since then annual growth rate was more than 35 percent. By the end of April 2014, the Principles for Responsible Investment has more than 1,260 signatories and total signatory asset under management (AUM) has more than US$ 45 trillion (UNPRI, 2012)

According to His Majesty King Bhumibol Adulyadej's speech (4th December 1998) about the philosophy of sufficiency economy: "…This sufficiency means to have enough to live on. Sufficiency means to lead a reasonably comfortable life, without excess, or overindulgence in luxury, but enough. Some things may seem to be extravagant, but if it brings happiness, it is permissible as long as it is within the means of the individual…" This philosophy is compounding with 3 pillars: Moderation, Reasonableness and Risk management

Considering the conventional investment, socially responsible investment and donation in philosophy of sufficiency economy can illustrate in Table I. This table shows six critical views (goal, return, risk, monitoring, sustainability and philosophy of sufficiency economy conformity) in each transaction method (conventional investment, socially responsible investment and donation).

Transaction / Critical View	Conventional Investment	Socially Responsible Investment	Donation
1. Goal	Maximize return	Maximize return under ESG concerns	Temporarily problem relief
2. Return	Probability to get high return in short term and middle term, not secure in long term	Sustainable return in long term	No return
3. Risk	Risk from not consider ESG issue	Risk from limited ESG asset, lower diversification	Donation may not use in line the objective
4. Monitoring	Monitor only risk and return	Monitor risk, return and ESG	Not monitor
5. Sustainability	Not sustain	Sustain	Not sustain
6. Conformity of Sufficiency economy	Not conform	Conform	Not conform

TABLE I. Comparison of Conventional investment, Socially Responsible Investment and Donattion on six critical views

Conventional investment is focus on risk and return without considering other impact from each unit of money that invests. Each unit of money can generate to four types of business:

1. Business that make high return and concern on ESG
2. Business that make high return but not concern on ESG
3. Business that make low return but concern on ESG
4. Business that make low return and not concern on ESG

Each unit of money has chance to destroy environmental, social and governance. Conventional investment is not sustain in long term because it has risk for that investors and the next generation

However the people who do not invest may face with an inflation problem and may cause the severe problem when they are older. In macroeconomic view, the countries which not invest will not have GDP or GNP growth that necessary for their population.

Donation is necessary but not enough to serve someone's need in long term because donations can just temporarily problem relief. In the worst case, it can make people who get the donation weaker and dependent than before. Donation must still happen but it should act in the appropriate time at the right situation. Nonetheless donation should not be expected that it will be happen in the future because the receivers will not intend to develop themselves. Most donations are rarely monitor the result from each donation, so it hard to measure

Socially responsible investment is the investment that conforms to the Philosophy of sufficiency economy. It considers ESG and has chance to get competitive return.

The main contributions of this paper are three-fold. First, this is the first paper that attempt to identify the prospective socially responsible investors in Thailand. Second, this is the first paper that tries to discuss socially responsible investment, conventional investment and donation in philosophy of sufficiency economy dimension. Third, this is the first effort to extract factors that influence willingness to invest on SRI.

II. HYPOTHESES

A. Demographic hypotheses
Gender: According to findings of Junkus and Berry (2010), Beal and Goyen (1998), Tippet and Leung, 2001, women will invest in socially responsible investment more than men
Age: Junkus and Berry (2010), McLachlan and Gardner (2004), Tippet and Leung (2001), Rosen et al. (1991) found younger investors will invest in socially responsible investment than older investors
Marital status: Junkus and Berry (2010) Socially responsible investors will likely to be single than married or divorced
Educational level: Junkus and Berry (2010), McLachlan and Gardner (2004), Tippet and Leung (2001), Rosen et al. (1991) found socially responsible investors will be more educated
Income: Greene (2001);Tippet and Leung (2001) Socially responsible investors will have higher levels of income which conflict with Junkus and Berry (2010), Rosen et al. (1991) that found Socially responsible investors will have lower levels of income. While Lewis and Mackenzie (2000) found SR investors are frequently middle-income professionals.
Religion: Peifer (2011) socially responsible investors will admire in the religion

B. Investment characteristic hypotheses
Investment Objective: socially responsible investors will likely to invest for long-term capital growth than just generating income
Risk Tolerance: socially responsible investors will have more risk tolerance
Holding Period: socially responsible investors will have more holding period
Timeframe: socially responsible investors will have more investment timeframe
Investment Literacy: socially responsible investors will have better level of Investment literacy

C. Socially responsible characteristic hypotheses
This part used 5 Likert scale to extract the investors' attitude and their behavior on ethics and social responsibility. Factor analysis was used to diminish variables by Principle Component Analysis method. The questions were reviewed from Gladish, P.G., Benson, K. and Faff, R. (2012) and appropriately rectified with Thailand surrounding.

III. RESEARCH DESIGN

A. Sample selection
The samples in this study gathered from investors and prospective investors in Thailand by online and face to face questionnaire. For online questionnaire asked for cooperation from the members of Value Investor Association (Thailand), the members of settrade (SET: Stock Exchange of Thailand) and the members of Wealthmagik-Forum (http://forum.wealthmagik.com/). The face to face questionnaire gathered from Maruey Library (Stock Exchange of Thailand Building)

B. Ordinal Logistic Regression
Ordinal logistic regression was used to reveal the relationship between three groups of independent variable and willingness to invest on socially responsible investment. Willingness to invest in SRI (WSRI) was extracting by ordered categorical variable:

$WSRI_i$ = 0 those who will not invest in SRI.
= 1 those who will invest 1-25% of their budget in SRI.
= 2 those who will invest 26-50% of their budget in SRI.
= 3 those who will invest 51-75% of their budget in SRI.
= 4 those who will invest 76-100% of their budget in SRI.

WSRI is designed to extract SRI level. By using ordinal logistic regression and considering three groups of factors: demographic characteristic factors, investment characteristic factors and socially responsible characteristic factors

IV. Results
The demographic characteristics are showed in Table II. All 424 respondents were divided to 202 Male (47.6%) and 222 Female (52.4%). Majority of respondents were between 18-30 years old, 31-40 years old, 41-50 years old, 51-60 years old and more than 60 years old subsequently. About 71 percent were single and most were Buddhism (95.5%). About half, held Master's degree, were corporate officer and held assets 1-5 Million Baht.

	Number of respondents	%
Gender		
Male	202	47.6
Female	222	52.4
Total	424	100
Age		
18-30	200	47.1
31-40	161	38.0
41-50	44	10.4
51-60	13	3.1
> 60	6	1.4
Total	424	100
Marital Status		
Single	301	71.0
Married	118	27.8
Divorced/Widowed	5	1.2
Total	424	100
Religion		
Buddhism	405	95.5
Christianity	12	2.8
Islam	2	.5
No religion	5	1.2
Total	424	100
Education		
Primary School	3	.7
High School/Vocational Certificate	7	1.7
Diploma/High Vocational Certificate	4	.9
Bachelor's	167	39.4
Master's/MBA	220	51.9
Post graduate	23	5.4
Total	424	100
Occupation		
Student	26	6.1
Househusband/Housewife	6	1.4
Government Officer	36	8.5
State Enterprises Officer	48	11.3
Corporate Officer	200	47.2
Entrepreneur	88	20.8
Investor	4	.9
Teacher/Professor	4	.9
Others	12	2.8
Total	424	100
	Number of respondents	%
Income / month		
≤ 10,000 Baht	22	5.2
10,001-30,000 Baht	144	34.0
30,001-50,000 Baht	114	26.9

	Number of respondents	%
50,001-70,000 Baht	65	15.3
70,001-100,000 Baht	42	9.9
100,001-200,000 Baht	21	5.0
200,001-500,000 Baht	12	2.8
> 500,000 Baht	4	.9
Total	424	100
Family Income / Month		
≤ 10,000 Baht	9	2.1
10,001-30,000 Baht	29	6.8
30,001-50,000 Baht	44	10.4
50,001-70,000 Baht	69	16.3
70,001-100,000 Baht	75	17.7
100,001-200,000 Baht	112	26.4
200,001-500,000 Baht	55	13.0
500,001-1,000,000 Baht	15	3.5
> 1,000,000 Baht	16	3.8
Total	424	100
Wealth		
≤ 1,000,000 Baht	125	29.5
1,000,001-5,000,000 Baht	193	45.5
5,000,001-10,000,000 Baht	53	12.5
10,000,001-20,000,000 Baht	18	4.2
> 20,000,000 Baht	35	8.3
Total	424	100

TABLE II. Demographic characteristics

The investment characteristics are showed in Table III. Most of investment goal is to get long term growth (80%) and generate income (18.4%). A third of respondents (33.3%) expect returns more than fixed deposit interest around 2-3% and about half (52.8%) can be less patient with some loss, if it has chance to get more returns. About Two-fifths have moderate investment literacy (38.7%) and will have annually invested (40.8%). More than half have the holding period more than one year.

Investment Characteristics	Number of respondents	%
Investment Goal		
Generating Income	78	18.4
Long term growth	339	80.0
Generating Income and long term growth	2	.5
Others	5	1.2
Total	424	100
Investment Objective		
Maintain principle, low return	67	15.8
Return more than fixed deposit interest about 1%-2%	31	7.3
Return more than fixed deposit interest about 2-3%	141	33.3
Return close to average	76	17.9

return on stock exchange		
Return more than average return on stock exchange	**82**	**19.3**
Return more than two times of principle	**27**	**6.4**
Total	**424**	**100**
Investment Attitude		
Cannot patient with any loss	**44**	**10.4**
Can little patient with some loss, if it has chance to get more return	**224**	**52.8**
Can patient with more loss, if it has chance to get more return	**123**	**29.0**
Expected high return without any condition	**31**	**7.3**
Other	**2**	**.5**
Total	**424**	**100**

TABLE III. Investment Characteristics

Socially responsible characteristics: The priority investment is return, risk, sustainable development, ethic, society and environment subsequently. About half of respondents give precedence on social responsibility equal to return. Most of respondents expect 11-20% return from socially responsible investment and hope 4-6% dividend yield.

Ordinal logistic regression reveals some relationship between three groups of independent variable and willingness to invest on socially responsible investment. The first model shows relation of demographic variable on SRI. In this model, there are three variables that have significant level for estimate: Male will invest in SRI less than female (5% level), the person who admires religion will invest in SRI more than who do not have religion (5% level), the person who has more family income will invest less in SRI (10% level). The second model shows relation of investment characteristic on SRI. In this model, there are two variables that have significant level for estimate: the person who desires more return will invest less in SRI (5% level), the person who has more risk patient will invest more in SRI (10% level).

The third model illustrates the relation of socially responsible characteristics on SRI. Three factors which got from dimension reduction by factor analysis: Factor 1 (Employee health and safety, Training and development, Community Relation, Human right, Global Warming); Factor 2 (Animal life trading, Alcohol, Animal testing, Toxic Product); Factor 3 (Corruption and tobacco) have significant level for estimate SRI (1% level, 1% level and 10% level subsequently) and the person who weight more ESG compare with return will invest more in SRI.

V. Discussion

Women have tendency to invest on SRI more than men which conform to Junkus and Berry (2010), Beal and Goyen (1998), Tippet and Leung, 2001. The result found socially responsible investors will have lower levels of income which conform to Junkus and Berry (2010), Rosen et al. (1991) and will respect to religion like Peifer (2011). Focusing on investment characteristics, the person who expect higher level of return will invest less on SRI and the person who has more risk patient will invest more in SRI. Considering Socially responsible characteristics, socially responsible characteristics in the person can transmit to the investment. The more ESG concernment causes the more investment on SRI.

VI. Conclusion

Socially responsible investment is the investment method which conforms to the philosophy of sufficiency economy suggested by His Majesty King Bhumibol Adulyadej. SRI provides competitive return while considering ESG issue. The most prospective SR investors are women who have appropriate level of income, respect to religion, expect optimum level of return, high risk patient and high level of ESG concern. The solutions for attracting socially responsible investment are serious supporting from government, suggestions from specialist, giving tax deductible and showing success case.

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