

Socially Responsible Investment (SRI) Attitude of Mutual Fund Investors in Nepal

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Abstract

The study is to identify the influence of various demographic and other factors on the attitude of Nepalese mutual fund investors towards Socially Responsible Investment. A structured questionnaire was applied as a tool to collect primary data from the sample rural households. The sample size of 109 mutual fund investors is selected from Kathmandu Districts of Province three. The sampling procedure adopted in this study is Non probability convenient sampling. The descriptive research design is adopted in this research.

It is found from the research that the age of the respondents has the considerable association with the factors considered for the investment decision. But the gender, educational qualification and the monthly income of the mutual fund investors has no relationship with the criteria for their investment decision.

Key-words: Socially Responsible Investment, Attitude, Mutual Fund, Investors and Demographic factors.

Introduction

During the last few decades investment funds have taken a significant part in most of the developed countries' financial system. The variety of funds and opportunities for the investors are increasing constantly together with the extent of the investments

(Haudi&Cahyono,2020).Therefore, the economies and social sectors of the 21st century simply seem to be not invisible without the investment funds (Bivainis & Volodzkiene, 2008).Socially Responsible Investment is a kind of investment which will have bothfinancial and non-financial goals (Benson & Humphrey, 2008).Non-financial goals may contain of showingenvironmental concern, social concern and also considering moral values in the processof investment decision making (Beerbaum & Puaschunder, 2019).Normally SRI say no investment in those companieswhich will not have employment policies (Steyn& Niemann, 2014)valuing human rights or companies' whichreason damage to environment in different ways, or negative social values. SRI does notmean that it guarantees return on the capital invested (Iqbal& Bilal (2021), but it gives the satisfaction to theinvestor of contributing to the betterment of the society (Fytopoulou, Tampakis, Galatsidas, Karasmanaki, & Tsantopoulos, (2021). This investment is alsounderstood as ethical and green investing. This also includes companies which areconscious about their employees (Shabbir & Wisdom2020) environment fairly and promote ethical policies.Mutually with the growth in the mutual fund industry in Nepal and concern over environmental and social issues problems a few new investment typologies have been created.

General goals of Socially Responsible Investors:

The main goal of the investor is to see the cleaner environment leading to healthy environment. The government of Nepal encourages the companies which do not pollute the environment. Hence the individual investors also can contribute (Maji, Mondal, Dey,Debnath & Sen2021) indirectly by investing their saving in a mutual fund scheme, which in turn invests funds in a company which is producing and selling (Kenney, Hargadon, Zysman, & Huberty,2020). environmentally friendly products.Investors investing with the feeling of social responsibility must also have the goal of seeking social justice in the society. Social justice can even be in the way of selling products at reasonable prices, as the people from all class of the society can afford. Investor can be the key in achieving social justice through investing their money in such companies which attempt to maintain social justice (Hutchings, 2021). Peaceful society can always achieve greater things. Investor can become the cause in promoting peace in the society by not investing his money in those funds which are indulged in the production and sale of anti-social products, such as tobacco, alcohol products etc.

These days, human beings are very aware about their health. Most of the people use major portion of their earning in order tomaintain themselves from diseases and also to preserve their health intact.Presently the whole world is in front of the COVID-19 pandemic (Sampat & Shadlen,2021) and there needs to be lot of investment of funds in those companies which are involved in theprocess of research in order to discover the vaccine. Similarly, there are manyhealth issues the people living in the society are facing in the present days. Hencethe individuals must invest lot of their money (Shah & Berry, 2021) in those pharmaceutical companies, so that the investor can earn fairly good return and can also have the satisfactionof contributing in the process of promoting health of the people.

Socially responsible investment also promotes morality in conducting business activities (Leins, (2020), Alsartawi, (2020)). Morality is not only being reasonable in charging prices (Horsfall, 2020) on the products and services, but also in all the phases' of marketing their products and services in the society. Investors with SRI Urge always search for those funds/companies promoting morality, in investing their money.

Role of an investor participating in SRI process:

Investor, who wishes to invest his hard earned money with the objective of achieving both the intention of earning fairly reasonable return on the invested capital and also achieve the gratification of contributing money to the good cause of the society, must always screen the companies and funds with their positive and negative impacts on the society. Investors must first recognize the difference between traditional and social conscious investment. If an investor invests only with the return as a criteria for judging between good and bad company, it is difficult for an investor to draw a line between traditional and SRI. The return from this investment naturally differs from traditional investment. An investor should primarily keep in mind the reason for his investment before screening the companies for taking investment decision. If his priority is to earn higher return, he cannot think of investing in SRI alternatives (K.A. & K.V., 2021).

An individual must be a researcher before making investment decision of their savings. He must study the financial market and find out which companies have social impact and which are not. If he thinks that he has already invested his savings in a company which is lacking social values or following business practices without social concern, he must take a decision of withdrawing his money and decide to invest in socially responsible companies (K.A. & K.V., 2021).

Investors must try to influence their companies to invest their capital in companies possessing social consciousness. Shareholders must always offer their suggestions to the management of the company in which they invest their capital to always move in a responsible way in the venture of conducting their business activities (K.A. & K.V., 2021).

In order to be successful in the movement of participating in the SRI practice, Investor need to select the best funds or companies for the purpose of investing their saved money as the investor can meet his goal of both earning the returns and also contributing money for the social betterment (K.A. & K.V., 2021).

Review of Literature

It is found that many research studies have been carried out on the concept of socially responsible investment. Few of the important research studies which are carried out earlier on the topic are reviewed below:

Frank et.al (2013) identified various motives behind SRI and various parties involved in SRI. The Study assessed the effectiveness of SRI on the performance of public companies in the

changing social, environmental of SRI on the performance of public companies in the changing social, environmental and corporate governance system.

Bajracharya (2017) found that there is no association between gender and attitude toward mutual fund. Viviers and Els (2017) purposed of finding our important events which had changed the Responsible Investment (RI) market from 1992 to 2014, analyzing the criteria and strategies adopted by RI fund managers while investing their funds, and also to assess the ethical considerations of local funds in their RI Process.

Siddiqui (2018) stated that the objective of analyzing the influence of demographic factors on socially responsible investors across different countries and time period. The study proved that Africa, South America and Asia are the countries which are totally under researched. The researcher found that SR investors are heterogeneous group of people. Although there are various studies in different countries, it was difficult for the researcher to conclude about the features of SR investors.

Arefeen (2019) assessed the performance and capacity of recovering from two economic shocks by socially responsible and also conventional funds which are listed in the Japan Investment Trust Association (JITA). The study found that socially responsible funds were highly resilient compared to conventional funds.

Nagpal and Chadha (2020) analyzed the influence of various demographic factors on the perception of investors about the risk and return with regard to ethical and socially mutual fund investments when compared to traditional mutual fund schemes. The study was founded that the age and qualification of the investors has no influence on their purchase decision of Socially Responsible Investment (SRI) funds. But the respondents of the gender had no influence on their risk and return with regard ethical mutual fund schemes.

Alkees and Ghalayini (2020) conducted to investigate the effect of various factors on the socially responsible investments in Lebanon. The study was found out that the concept of socially responsible investment was still in the beginning stage.

K.A. and K.V. (2021) found that the age of the respondents has the considerable association with the factors considered for the investment decision. But the gender, education qualification and the monthly income of the mutual fund investors has no relationship with the criteria for their investment decision.

SRI is the interest topic in the country like Nepal but there is no much reaseach on the attitude of mutual fund investors, to assess their attitude towards SRI in Nepal.

Statement of the Problem

Generally investors invest in those investment options, their saving which will offer higher rate of the return on the amount invested. But some investor who not only their benefit from the investment, in term of returns but also showcase their concern towards the society as they will select the investment options which will a positive social impact. Hence the study attempt to answer the following questions:

- What factors influence the mutual fund investors on their Socially Responsible Investment Attitude?
- What is the relationship between various demographic factor and the factors considered for making investment decisions by mutual fund investors?

Objectives of the Study:

The main objective of the study is to identify the influence of various demographic and other factors onthe attitude of Nepalese mutual fund investors towards Socially Responsible Investment. The specific objectives are set as follows:

- To identify different factors considered by the mutual fund investors in their investment process;
- To identify the association between various demographic factors and criteria adopted by investors in their investment decisions

Hypotheses of the Study:

Following are the hypotheses established and tested in this research study:

- H01: There is no significant association between the Gender of the respondents and thecriteria for their investment decision.
- H02: There is no significant association between the age of the respondents and the criteria for their investment decision.
- H03: There is no significant association between the educational qualification of the respondents and the criteria for their investment decision.
- H04: There is no significant association between the monthly incomes of the respondentsand the criteria for their investment decision.

Research Methodology:

The study is basically empirical one, based on data gathered from both primary and also from secondary sources. The respondents were the investors from Kathmandu Districts of Province three.

Primary Data: A structured questionnaire was applied as a tool to collect primary data from the sample rural households (Karki, Mahat, & Kandel, 2021).

Secondary Data: Secondary data have been collected from various books,journals and websites.

Sample Size: Since the population under consideration is very large, the data are collected from only 109 investors from Kathmandu Districts of Province three.

Sampling technique: The sampling procedure adopted under this study is Nonprobability convenient sampling.

Result

H01: There is no significant association between the Gender of the respondents and the criteria for their investment decision.

Table 1

Gender of the respondents and Criteria for their Investment Decision

Criteria for Investment Decision	Gender		Total
	Male	Female	
Return on investment	32	18	50
Impact of investment on the society	10	3	13
Environmental effect of investment	12	2	13
Previous performance of the Investment	25	7	33
Total	79	30	109

Noted from Researcher Survey data, 2021

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	3.672a	3	0.299
Likelihood Ratio	3.778	3	0.286
Linear-by-Linear Association	2.532	1	0.112
N of Valid Cases	109		

a 2 cells (25.0%) have expected count less than 5. The minimum expected count is 3.58.

The Table 1 shows that the chi-square tests of Gender of the respondents and the criteria for their investment decision. The calculated Pearson Chi-square value is 3.672 at 0.05 level of significance which is less than the table value 7.8115 (df = 3). Therefore, the null hypothesis is accepted as there is no significant relation between the gender of the respondents and the criteria for their investment decision making.

H02: There is no significant association between the age of the respondents and the criteria for their investment decision.

Table 2

Age of the respondents and Criteria for their Investment Decision

Criteria for Investment Decision	Age					Total
	Below 30	30-40	41-50	51-60	Above 60	
Return on investment	18	15	6	8	3	50
Impact of investment on the society	5	3	1	3	1	13

Environmental effect of investment	2	3	2	4	3	14
Previous performance of the Investment	8	6	7	8	3	32
Total	33	27	16	23	10	109

Noted from Researcher Survey data, 2021

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	9.326 ^a	12	.675
Likelihood Ratio	9.003	12	.703
Linear-by-Linear Association	3.985	1	.046
N of Valid Cases	109		

a. 13 cells (65.0%) have expected count less than 5. The minimum expected count is 1.19.

The Table 2 shows that the chi-square tests of age and the criteria for investment decision of the respondents. The calculated Pearson Chi-square value is 9.33 at 0.05 level of significance, which is less than the table value 21.03 (df = 12). Therefore, the null hypothesis is accepted as there is no significant relationship between the age of the respondents and the criteria for their investment decision making.

H03: There is no significant association between the educational qualification of the respondents and the criteria for their investment decision.

Table 3

Education of the respondents and Criteria for their Investment Decision

Criteria for Investment Decision	Education					Total
	Up to SEE	Up to Higher Secondary	Bachelor	Master	M.Phil/PhD	
Return on investment	1	5	25	16	3	50
Impact of investment on the society	0	0	5	7	1	13
Environmental effect of investment	0	1	5	6	2	14
Previous performance of the Investment	1	2	14	13	2	32
Total	2	8	49	42	8	109

Noted from Researcher Survey data, 2021

Chi-Square Tests

	Value	Df	Asymp. Sig. (2-sided)
Pearson Chi-Square	5.509 ^a	12	.939
Likelihood Ratio	6.630	12	.881
Linear-by-Linear Association	.554	1	.457
N of Valid Cases	109		

a. 12 cells (60.0%) have expected count less than 5. The minimum expected count is .24.

The table 3 shows that the chi-square of Educational qualification of the respondents and the criteria for their investment decision. The calculated Pearson Chi-square value is 5.51 at 0.05 level of significance, which is less than the table value 21.03 (df = 12). Therefore the null hypothesis is accepted as there is no significant relationship between the educational qualification of the respondents and the criteria for their decision making.

H04: There is no significant association between the monthly incomes of the respondents and the criteria for their investment decision.

Table 4

Monthly income of the respondents and Criteria for their Investment Decision

Criteria for Investment Decision	Monthly income					Total
	Below 20,000	20-30	31-40	41-50	Above 50	
Return on investment	13	8	14	11	4	50
Impact of investment on the society	3	2	4	2	2	13
Environmental effect of investment	2	2	2	6	2	14
Previous performance of the Investment	4	6	10	9	3	32
Total	22	18	30	28	11	109

Noted from Researcher Survey data, 2021

Chi-Square Tests

	Value	Df	Asymp. Sig. (2-sided)
Pearson Chi-Square	6.654 ^a	12	.880
Likelihood Ratio	6.707	12	.876
Linear-by-Linear Association	1.918	1	.166
N of Valid Cases	109		

a. 11 cells (55.0%) have expected count less than 5. The minimum expected count is 1.31.

The table 4 shows that the chi-square of monthly income of the respondents and the criteria for their investment decision. The calculated Pearson Chi-square value is 6.654 at 0.05 level of significance, which is less than the table value 21.03 (df = 12). Therefore the null hypothesis is accepted as there is no significant relationship between the monthly income of the respondents and the criteria for their decision making.

Discussion

Male respondents were 79 out of 109 respondents. Out of them 32 mutual fund investors reflect on return on investment as the criteria for their investment decision. It is proved from the analysis of the data that there is no association between the gender of the respondents and criteria for their investment decision.

In the age group below 30 years of the respondents believed in the return of investment. It is cleared from the analysis that there is no relationship between the age of the mutual fund investors and the criteria for their investment decision making process.

Majority of the mutual fund investors who were selected as sample respondents possess Bachelor's degree as their qualification. It is found that there is no relationship between the educational qualifications of the mutual fund investors with the factor consider for their investment decision.

Mutual fund investors in the monthly income category of Rs 31000- 40000 are highest in number as the investor treated return on investment as the criteria for their investment decision.

Nagpal and Chadha (2020) also found that the age and qualification of the investors has no influence on their purchase decision of socially responsible investment funds. K.A. and KV (2021) found the same result of the hypothesis except there is a relationship between the age of the mutual fund investors and the criteria for their investment decision making process.

Limitations of the study:

The sample size of the study is very small and it is limited only to mutual fund investors. The study is restricted to only Kathmandu Districts of Province three. Information provided by the respondents may not be reliable.

Conclusion

The main aim of the study is to identify different factors considered by the mutual fund investors in their investment process and to identify the association between various demographic factors criteria adopted by investors in their investment decisions. The study is conducted in Kathmandu Districts of Bagmati Province. Gender, Age, income and education of the respondents and the criteria for their investment decision was calculated by using chi-square tests. All variable seem significant association with the investment decision.

Recommendations

- Mutual fund schemes possessing both reasonable rate of return on investment along with social and environmental concern should be given special consideration in the tax laws of the government in order to promote Socially Responsibility Investment.
- There is an vital require to create awareness among the Nepalese mutual fund investors to recreational area their savings in Socially Responsible mutual fund schemes, which provide preference to the social and environmental concern.

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