



## “Ethical investment: A study on investor’s perspective in Noida region”

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**DOI:10.48047/ecb/2023.12.si4.1556**

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### **Abstract:**

Ethical investor is the one who prefers to engage money in corporate that gives importance to social activities, takes care of environmental policies while producing products and follows all corporate governance rules to promote transparency. Ethical investment has features that combine investor’s personal values and social concerns with their intention to invest. The concept of ethical investment originated from North American and European countries is now spreading in other developed and developing countries also (McLachlan & Gardner, 2004). There are various indices such as Dow Jones Sustainability index, S & P 500 ESG index, Nifty 100 ESG index and Nifty 100 enhanced ESG index which includes companies based on their ESG score. Present research focuses on examining the perception of investors towards ethical investment and factors affecting their investment decision. The study is primary in nature where data collection is done from investors of Noida region. It was found that although investors are aware about ethical investment and they are socially responsible, however returns, profitability, dividend etc play major role in investment decision making.

**Keywords:** Ethical Investing, Social responsibility, Investment decision.

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### **1. Introduction:**

Ethical investing refers to strategy where investors choose investments based on ethical code such as social values, religious values, environmental issues and governance issues. It is also referred as social responsibility investment (SRI) and Environmental, social and governance (ESG) investing. Ethical investing is all about investing in a company which do not destroy environment, society and follow corporate governance rules. Ethical investing motivates industries to make a positive impact and sustainable development. It also reduces investor’s conflict while making investment decision for making a choice between earning higher profit and moral consideration for social duty. ESG companies are leaders in industry who can anticipate and mitigate the risk better and meets standards of

corporate responsibility focusing on sustainable development. In India, there are Nifty ESG index and Nifty 100 enhanced ESG index which is based on ESG Score of company and it is calculated using base year 2011. Present research is conducted with an aim to identify investor’s mindset while they choose investment options. The study is primary in nature where data was collected from investors to know whether company’s involvement in sustainable development of country affects their investment decision or not.

## **2. Literature review:**

(Elena Escrig-Olmedo, 2013) examined society’s perception about socially responsible investing (SRI). The study also aimed to identify investor’s preferences regarding environmental, social and governance criteria, their real-life investment needs and the most relevant sustainable financial products. Researchers conducted a field survey among Spanish investors. The study shows that SRI is at an early stage where investors need more exact information regarding social, environmental, and governance criteria in order to invest in socially responsible companies and products. The study also reveals that gender also affect SRI investment where women are more likely to invest in SRI funds according to social aspects. The study concluded that percentage of socially responsible individual investors in Spain is marginal and lack of awareness was observed regarding SR financial products.

(Ritesh Chhetri, 2022) studied the level of awareness and perception of investors regarding socially responsible investing in Sikkim. The study stated that the concept of SRI which also referred as ethical investing has been increasing awareness in the context of developed countries as evidenced by different social responsibility indices that have been framed like FTSE KLD 400 index. The study reveals that investors are aware about the concept of SRI but hasn’t made that much investment in SRI funds. Investors focus mostly on return on investment aspect followed by environmental concerns. Conservation of resources, workplace safety, human rights, disclosure of data are factors which are emphasized by investors. The study concluded that there is still a gap between awareness and perception of SRI and actual investment in these funds but given the current situation relating to pandemic and the incidences of global warming and climate change, these funds and the level of expectations from the companies will surely grow in the future.

(Abdulloh Mubarak D. N., 2022) aimed to conduct a conceptual review of ethical investment research with the help of conceptual review method of 70 relevant articles. The results concludes ethical investment studies are growing with four main themes mainly investment behaviour studies, ethical investment development studies, ethical investment performance studies and ethics and religious based investment studies.

(Martini, 2021) presented the overview of historical development of socially responsible investing. The research shows that lack of globally accepted taxonomy on what constitutes sustainable activities, regulatory clarity with practical and behavioural complexities are major critical issues that discourage SRI industry at the global level. According to Sparkes (2002) corporate social responsibility and social responsible investing are mirror images of each other where both concepts asserts that business should generate wealth for society but within certain social and environmental frameworks. CSR looks from company perspective and SRI look from investor’s perspective.

(Hemlata Chelawat, 2013) aimed to understand the manner in which ethical finance research has evolved and development of literature in the field of ethical/socially responsible investing. The study reviewed 108 research papers over the time span of 15 years to understand depth of ethical financing. The study stated that measurement of ESG performance, ESG criteria for selection of stock, ethical investment portfolio construction, process of integration of ESG criteria into investment decision making, regulatory mechanism are some of the areas worthy of being explored in future research.

(Housley, 2020) studied the effect of gender on ethical investing. The respondents were surveyed regarding environmental scandal, a personal ethical scandal or no scandals at all were prompted to select a portfolio of four stocks with the various financial and ethical positions. The results of the study contradicted the hypothesis that female are more likely to respond to ethical scenario and revealed that it was male who were more responsive. The research also revealed that participants were more concerned about environmental scandals than personal ethical scandals, such as an embezzlement incident. The study concluded that generation Z is more socially conscious than prior generation of investors.

### 3. Research Methodology:

Present research is descriptive in nature where data is collected using questionnaire from 100 investors who invest in stock market. The study aims to describe the characteristics and mindset of investors while investing in stock market.

#### Objective of study:

- To examine the awareness among investors regarding ethical investing.
- To identify the factors affecting investment decision in ESG stocks.
- To study the impact of demographical factors on investment decision in ESG stocks.

### 4. Analysis:

Analysis of responses taken from 100 investors is shown below.

#### Demographic profile:

Analysis shows that 90% of the respondents are male. 49% of the respondents belong to the age category of 28-37. 44 % of respondents are post graduate. 52% are having private job. 42% of the respondents belong to the annual income category of 200001-400000.

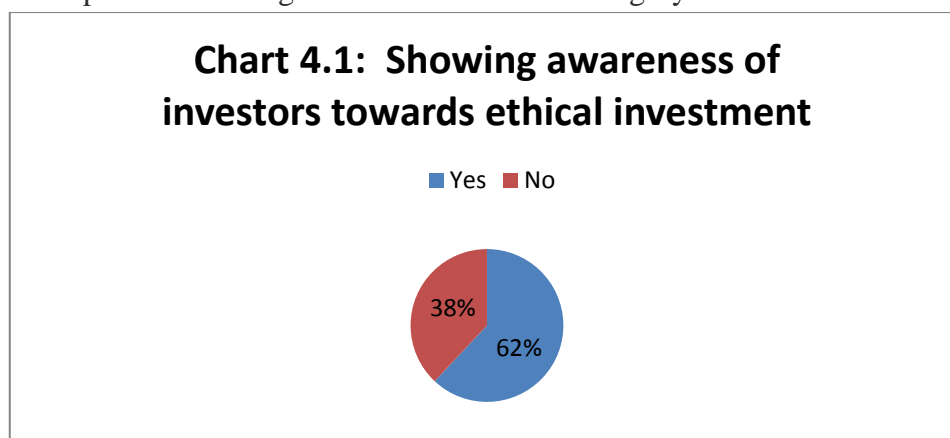
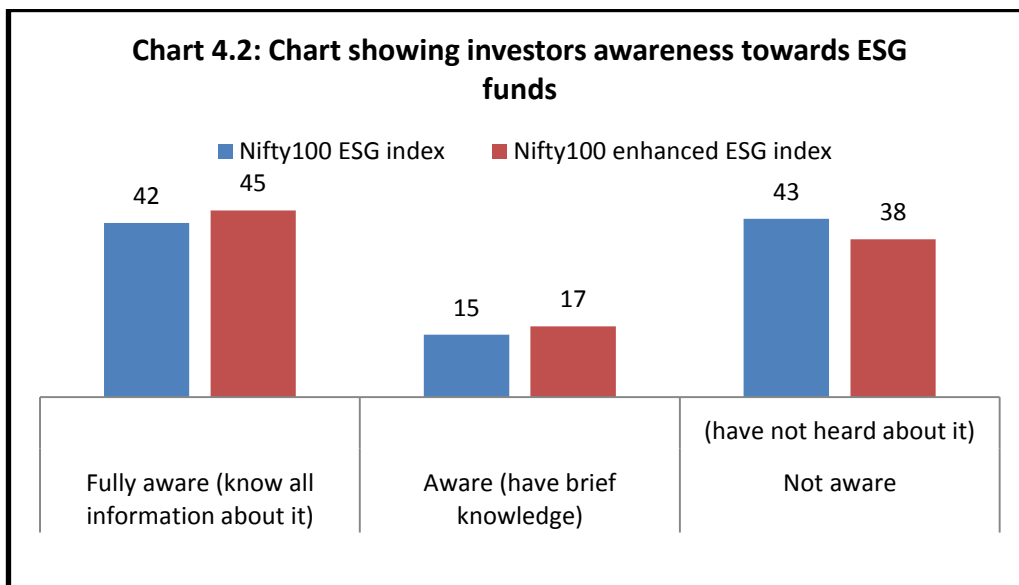


Chart 4.1. Shows that 62% of respondents were aware about the term “Ethical investment” and 38 % did not know about it.



ESG funds are investments that consider environmental, social and governance factors when making investment decisions. ESG funds try to promote sustainable business practices and motivate companies do good things for society. Chart 4.2 states that 42 % respondents are fully aware about Nifty 100 ESG index, 15% have brief knowledge about it and 43% respondents have not heard about it. 45% respondents are fully aware about Nifty 100 enhanced ESG index, 17% have brief knowledge about it and 38% have not heard about it.

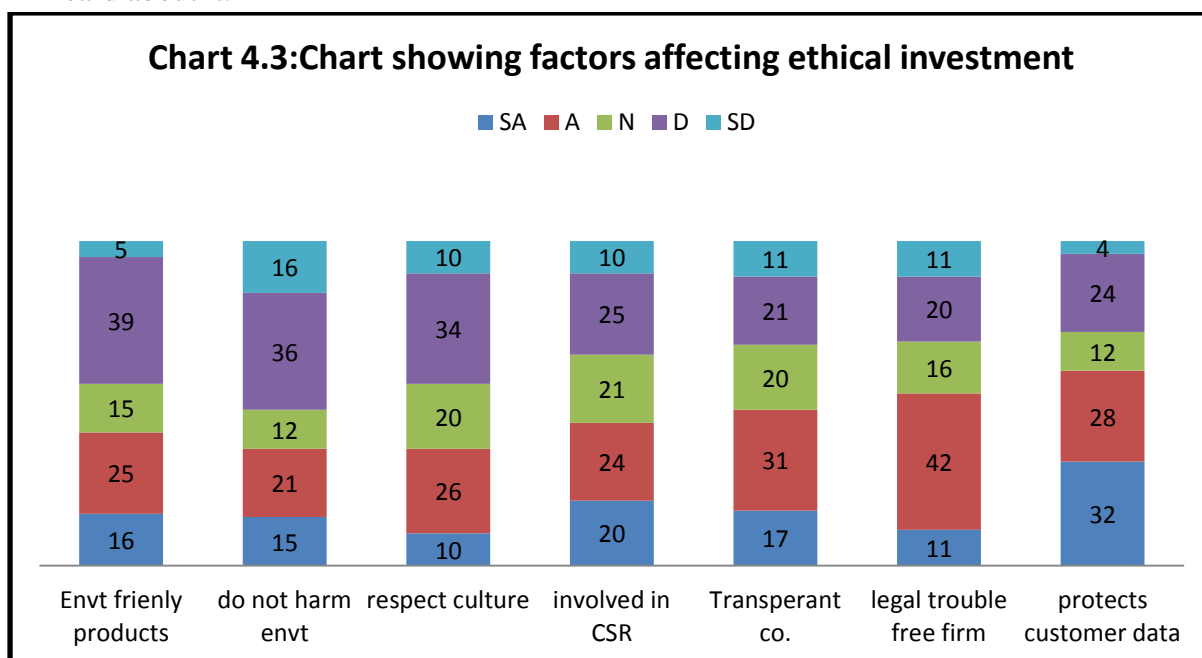


Chart 4.3 shows factors affecting ethical investment decision. It can be seen that 39 % respondents disagree that they invest only in company which produces eco friendly products, 36 % respondents are disagree that they only invest in companies which do not harm environment, 34 % investors disagree that they invest in company who respects regional culture. 25% respondents disagree that they invest in company who is involved in CSR. 31% respondents are agree that they prefer to invest in company who publishes all data on websites i.e., who is transparent in their operations. 42% respondents are

agreeing that prefer to invest in company who is not involved in any legal trouble at the time of investment. 32 % respondents are strongly agree that they prefer to invest in company who protects customer’s data.

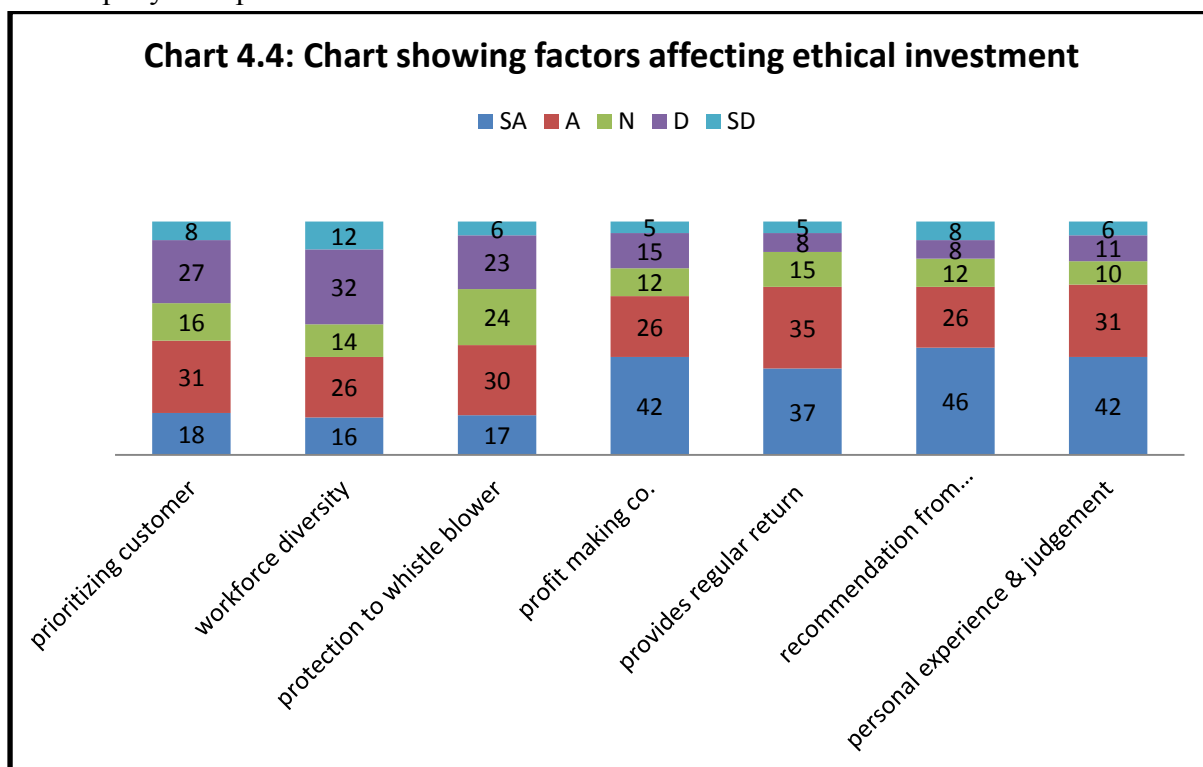


Chart 4.4 shows factors affecting ethical investment decision. 31 % respondents agree that they prefer to invest in company who prioritize their customer over anything else. 32% respondents disagree that they prefer to invest in company who promotes workforce diversity and have transparent recruitment process. 30% respondents agree that they prefer to invest in company who provides fair protection to whistleblowers. 42% respondents strongly agree that they prefer to invest in profit making companies. 37% respondents strongly agree that they prefer to invest in company who provides regular returns to investors. 46% investors strongly agree that their investment is based on suggestions from family/friends/experts. 46% investors are strongly agreed that their investment decision is based on my own past experience and judgements.

**Null hypothesis (H0):** There is no statistically significant variance between investments in ESG funds with different demographic profile of individual investors.

**Alternative hypothesis (H1):** There is no statistically significant variance between investments in ESG funds with different demographic profile of individual investors.

**TABLE 4.1: Value of Significance for One-way ANOVA:**

	Gender	Age	Education	Occupation	Annual income
Investment in ESG funds	0.350	0.021*	0.018*	0.072	0.086

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The value of significance for investment in ESG funds with Gender, occupation and annual is 0.350, 0.072 and 0.086 respectively which is more than 0.05. So, null hypothesis is accepted. It means that the decision to invest in ethical stocks does not vary with different gender, occupation and income. The value of significance is 0.021 and 0.018 for age and education which means that decision to invest in ethical stocks varies with different age and education.

### Conclusion:

Present research aim to study the perception of investors towards ethical investment. Ethical investment means investing in a company which protects environment, socially acceptable and following corporate governance rules. The study is primary where data collection is done from investors of Noida region. The study shows that majority of investors were aware about the term “ethical investment”. It was found that although investors are aware about ethical investment and they are socially responsible, however returns, profitability, dividend etc play major role in investment decision making. The study shows that age and education have influence on investment decision in ethical stocks. It is suggested that investors needs to be more educated towards ethical investing and their responsibility towards society. Apart from traditional investment analysis techniques, universities should teach the importance of ethical investment to their students. More promotional strategies should be designed for such products and government also should add some benefit of investing in ethical stocks in order to increase the market share of such companies.

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