



# Investors' Perception Towards Socially Responsible Investment In Kerala

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## ARTICLE INFO

## ABSTRACT

This research article delves into the intriguing realm of investors' perceptions concerning socially responsible investment (SRI) in Kerala, aiming to bridge critical gaps in understanding the dynamics of ethical investing in this region. Despite the growing global interest in SRI and its potential impact on financial markets and societal welfare, there remains a notable dearth of empirical studies focusing specifically on investor attitudes and behaviors towards SRI in Kerala. This research seeks to fill this gap by employing a comprehensive survey methodology to gather insights from a diverse sample of investors across various demographic and investment profiles. The study investigates several key aspects, including the level of awareness and knowledge regarding SRI among investors in Kerala, the factors influencing their decision-making processes when considering SRI options, and the perceived trade-offs between financial returns and social/environmental impacts. Furthermore, it explores the role of financial institutions, government policies, and societal norms in shaping investors' attitudes towards SRI, with a particular emphasis on the unique socio-economic and cultural context of Kerala. By addressing these research gaps, this article aims to contribute valuable insights to both academic scholarship and practical policymaking in the domain of socially responsible investment. The findings are expected to shed light on the opportunities and challenges faced by investors in Kerala regarding ethical investing, thus paving the way for informed strategies to promote sustainable and responsible investment practices in the region.

**Keywords:** Investors, Perception, Socially Responsible Investment (SRI), Ethical Investment, Sustainability

## Introduction

The concept of socially responsible investment (SRI) has gained considerable traction in global financial markets, reflecting a growing recognition of the interconnectedness between financial performance and social/environmental impact. Investors increasingly seek to align their investment decisions with ethical considerations, aiming to generate positive societal outcomes alongside financial returns. In the Indian context, Kerala stands out as a region with a rich socio-cultural heritage and a strong emphasis on social welfare and environmental sustainability. However, the extent to which investors in Kerala embrace and engage with socially responsible investment practices remains a relatively underexplored area of study. This research article seeks to delve into the intricate landscape of investors' perceptions towards socially responsible investment in Kerala, aiming to unravel the nuances that shape investment behaviors in this unique socio-economic context. The study is motivated by a notable research gap, as existing literature predominantly focuses on SRI trends at a broader national or global level, often overlooking the localized dynamics and investor sentiments specific to Kerala. Understanding investors' attitudes and preferences regarding SRI in Kerala holds significant implications for multiple stakeholders. Financial institutions can leverage these insights to develop tailored SRI products and services that resonate with local investor values and priorities. Policymakers can craft targeted initiatives to promote ethical investing and sustainable financial practices, aligning with Kerala's ethos of social justice and environmental stewardship. Moreover, investors themselves can benefit from a deeper understanding of the potential benefits, challenges, and trade-offs associated with integrating social and

environmental considerations into their investment strategies. By bridging this research gap and shedding light on investors' perceptions towards socially responsible investment in Kerala, this study aims to contribute valuable insights to the evolving discourse on ethical investing in emerging markets. The subsequent sections of this article delve into the research methodology, findings, and implications derived from a comprehensive survey of investors across diverse demographic and investment profiles in Kerala.

### Review of Literature

**According to Gond et al. (2020)** study delves into the relationship between corporate social responsibility (CSR) practices and financial performance. It highlights the potential benefits for companies engaging in socially responsible activities, such as improved brand reputation, customer loyalty, and stakeholder trust. However, while this research provides insights into the broader impact of CSR, it does not specifically focus on investors' perceptions or behaviors towards socially responsible investment (SRI) in Kerala.

**Schueth (2003):** Schueth's work discusses the growing interest in socially responsible investment (SRI) globally and its impact on financial markets. The study emphasizes the role of ethical considerations and sustainability criteria in investment decision-making, highlighting the shift towards conscious investing among individuals and institutions. While this research provides a broader perspective on SRI trends, it does not delve into the localized dynamics of investor perceptions towards SRI in Kerala.

**Thomas and Joseph (2018)** study focused on investment choices among Kerala-based investors, specifically examining the influence of cultural values and ethical considerations on investment decisions. It highlighted the importance of factors such as trust, transparency, and social impact in shaping investor preferences. However, the scope of this study may be limited in capturing the broader landscape of investors' perceptions towards socially responsible investment practices in Kerala. While these studies contribute valuable insights into CSR, SRI trends, and investor behavior, there's a noticeable research gap concerning investors' perceptions towards SRI in Kerala's unique socio-cultural and economic context. This research aims to bridge this gap by conducting a comprehensive analysis of investors' attitudes, preferences, and decision-making processes regarding socially responsible investment in Kerala. By addressing this gap, the study aims to provide actionable insights for financial institutions, policymakers, and investors interested in promoting sustainable and responsible investment practices in the region.

### Research Methodology

The research employs a convenience sampling technique to gather data from investors in Kerala. Convenience sampling is chosen for its practicality and accessibility in reaching a diverse range of investors across different demographics and investment profiles within the region. The sample size for this study is set at 420 investors. This number is determined based on the population size of investors in Kerala and calculated using a confidence level of 95% and a margin of error of 5%. The sample size ensures a representative dataset while also allowing for manageable data collection and analysis. Data is collected through structured questionnaires designed to capture investors' perceptions towards socially responsible investment (SRI) in Kerala. The questionnaire includes Likert-scale questions, multiple-choice questions, and open-ended questions to gather comprehensive insights into investor attitudes, preferences, and decision-making processes regarding SRI. The collected data is analyzed using percentage analysis to interpret the responses and derive meaningful conclusions.

### Results and Analysis

**Percentage analysis:** involves calculating the percentage of respondents who agree, disagree, or remain neutral on specific survey items related to SRI. This method allows for a quantitative assessment of investor perceptions, facilitating comparisons and trend analysis. Ethical considerations are paramount throughout the research process. Participants are informed about the purpose of the study, their voluntary participation, and the confidentiality of their responses. Informed consent is obtained from all participants, and their anonymity is maintained in reporting the findings. By employing a convenience sampling approach with a sample size of 420 and utilizing percentage analysis for data interpretation, this research aims to provide valuable insights into investors' perceptions towards socially responsible investment in Kerala, contributing to the existing literature and informing strategic initiatives in sustainable and responsible investing practices.

The table 1 provides a comprehensive view of investors' attitudes towards socially responsible investments (SRI) as a component of their investment portfolio. The data reveals a significant inclination towards SRI, with a combined 78.6% of investors either agreeing or strongly agreeing that SRI is a crucial consideration. This indicates a strong positive perception among investors regarding the importance of incorporating ethical and sustainable investment practices into their portfolios. However, it's noteworthy that a small percentage (7.1%) express disagreement or neutrality towards SRI, suggesting a segment of investors who may have reservations or lack awareness about the benefits of socially responsible investing. This critical analysis highlights the

prevailing positive sentiment towards SRI among the sampled investors while also identifying potential areas for further education and advocacy to broaden acceptance and adoption of responsible investment strategies.

**Table 1**

<b>Socially responsible investments (SRI) are a crucial consideration in my investment portfolio.</b>					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Disagree	9	2.1	2.1	2.1
	Disagree	21	5.0	5.0	7.1
	Neutral	60	14.3	14.3	21.4
	Agree	151	36.0	36.0	57.4
	Strongly Agree	179	42.6	42.6	100.0
	Total	420	100.0	100.0	

The data presented in Table 2 reflects investors' beliefs regarding the correlation between companies with strong environmental and social governance practices and long-term performance. The analysis indicates a predominant positive sentiment, with 69.8% of investors either agreeing or strongly agreeing with this belief. This suggests a widespread recognition among investors of the potential benefits that ethical and sustainable business practices can bring in terms of long-term financial performance. However, it's noteworthy that a significant proportion (31.2%) remain neutral on this issue or express disagreement, signaling a segment of investors who may require further education or evidence to fully embrace the idea that environmental and social governance practices contribute to long-term business success. This critical analysis highlights the prevalent positive perception towards companies with strong ESG practices among investors while also acknowledging the need for continued awareness-building and advocacy efforts to promote sustainable investing principles.

**Table 2**

<b>I believe that companies with strong environmental and social governance practices are more likely to perform well in the long term.</b>					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Disagree	9	2.1	2.1	2.1
	Disagree	35	8.3	8.3	10.5
	Neutral	87	20.7	20.7	31.2
	Agree	196	46.7	46.7	77.9
	Strongly Agree	93	22.1	22.1	100.0
	Total	420	100.0	100.0	

The data in Table 3 provides insights into investors' willingness to prioritize social responsibility over potentially lower financial returns. The analysis reveals a strong positive sentiment, with a substantial majority (86.4%) of investors either agreeing or strongly agreeing that they are willing to accept lower financial returns to support socially responsible investments (SRI). This indicates a significant shift towards ethical considerations and a growing recognition among investors of the importance of aligning investment decisions with values related to social and environmental impact. However, it's worth noting that a small proportion (13.6%) express neutrality or disagreement on this issue, suggesting a potential need for further education or clarification on the trade-offs involved in SRI. This critical analysis underscores the prevailing positive attitude towards prioritizing social responsibility in investment decisions while also highlighting the importance of continued advocacy and communication to foster broader acceptance of sustainable investing principles.

**Table 3**

<b>I am willing to accept potentially lower financial returns if it means supporting socially responsible investments</b>					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Disagree	9	2.1	2.1	2.1
	Disagree	9	2.1	2.1	4.3
	Neutral	39	9.3	9.3	13.6
	Agree	143	34.0	34.0	47.6
	Strongly Agree	220	52.4	52.4	100.0
	Total	420	100.0	100.0	

Table 4 presents data on the influence of transparency regarding social and environmental impact on investors' investment decisions. The analysis reveals a strong positive sentiment, with the majority (84.5%) of investors either agreeing or strongly agreeing that transparency in companies' social and environmental impact influences their investment decisions. This indicates a growing awareness and importance placed by investors on companies' disclosure practices related to social and environmental responsibility. However, it's noteworthy that a small proportion (15.5%) express neutrality or disagreement on this issue, suggesting a segment of

investors who may require more information or assurance regarding the impact of transparency on investment decisions. This critical analysis highlights the significant influence of transparency in shaping investor perceptions and underscores the importance for companies to enhance their disclosure practices to meet investors' expectations for responsible and sustainable business practices.

**Table 4**

<b>The transparency of companies regarding their social and environmental impact influences my investment decisions.</b>					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Disagree	16	3.8	3.8	3.8
	Disagree	7	1.7	1.7	5.5
	Neutral	42	10.0	10.0	15.5
	Agree	139	33.1	33.1	48.6
	Strongly Agree	216	51.4	51.4	100.0
	Total	420	100.0	100.0	

Table 5 reflects investors' perceptions regarding the limited availability of socially responsible investment (SRI) options and its impact on portfolio diversification. The data analysis indicates a strong sentiment among investors, with the majority (80.2%) either agreeing or strongly agreeing that the limited availability of SRI options poses a challenge to diversifying their portfolios. This highlights a significant concern among investors regarding the need for more diverse and accessible SRI options to effectively balance risk and return while aligning with their ethical and sustainability goals. However, it's important to note that a small percentage (19.8%) express neutrality or disagreement on this issue, suggesting varying degrees of awareness or experiences among investors regarding the availability of SRI options. This critical analysis emphasizes the importance of expanding and enhancing SRI offerings to meet investors' demands for a more comprehensive and diversified range of socially responsible investment opportunities.

**Table 5**

<b>Socially responsible investment options are limited, making it challenging to diversify my portfolio.</b>					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Disagree	8	1.9	1.9	1.9
	Disagree	22	5.2	5.2	7.1
	Neutral	53	12.6	12.6	19.8
	Agree	166	39.5	39.5	59.3
	Strongly Agree	171	40.7	40.7	100.0
	Total	420	100.0	100.0	

### Conclusion

The research on "Investors' Perception Towards Socially Responsible Investment in Kerala" has successfully addressed significant research gaps by providing a comprehensive understanding of investors' attitudes and behaviors regarding socially responsible investment (SRI) in the region. Through a detailed analysis of investor perceptions, the study has revealed a strong positive sentiment towards SRI, highlighting the growing importance of ethical and sustainable investment practices among investors in Kerala. Additionally, the research has identified key areas such as transparency, diversity of SRI options, and the impact of ethical considerations on investment decisions, filling critical gaps in the existing literature. These insights not only contribute to the academic discourse on ethical investing but also offer practical implications for financial institutions, policymakers, and investors aiming to promote responsible and sustainable investment practices in Kerala, thus bridging important research gaps and fostering positive socio-environmental impact in the region.

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