

Socially responsible investments.
Investigation of performance, risk, dynamics and interdependence of the SRI indices on the developed and emerging markets around the world.

Lay summary:

Socially responsible investments (SRI), known also as ethical, socially-conscious, or sustainable investments, refer to a strategy which seeks to combine social and/or environmental benefits with financial return. This phenomenon can be characterised as a pursuit to link investors' social, ethical, ecological and economic concerns. In many cases, investors are willing to sacrifice financial gains if, through their investments, better social or environmental benefits can be achieved.

From the macro-economic perspective, the SRI activity should lead to a number of positive effects, such as better allocation of capital in broader economy by channelling it to businesses and those economic ventures, which are concerned with, and focused on, socially responsible, sustainable and ethical values.

Investments in SRI companies is an area of growing importance due to the increase of funds invested according to socially responsible criteria. Currently, the global socially responsible investing market is estimated to be worth almost 23 trillion US dollars, according to the recent research conducted by the major investment bank J.P. Morgan Chase in 2018, with around half of all assets being managed in Europe and more than a third in the USA. It is also worth noting that an increasing proportion of the 23 trillion US dollars is allocated in the SRI investments in the emerging markets, which is a new global trend. Therefore, emerging markets are also included as the subject of investigations proposed in this project.

As the SRI has been becoming an important new style of investment, the performance of SRI stocks, funds and indices began to constitute an area of major interest to both institutional and private investors as well as financial market regulators and economic policy-makers in the governments. However, the existing academic literature shows a rather mixed picture regarding the evidence about the SRI financial performance.

Therefore, the aim of this project is to examine comprehensively the performance and risk of SRI investments in the socially responsible companies through a stock market, as well as analyse the interdependence of the SRI indices around the world, by using a large set of data from over 30 countries covering both developed markets and emerging markets.

The proposed project will be the first such broad study using unique, and only recently available, data about the sustainable and socially responsible investment indices from such a large number of countries (over 30 markets) around the world from different geographical regions, i.e. Europe, North America, South America, Africa, Asia etc.

Emphasis on very broad group of countries (both developed markets and emerging markets) will contribute to a debate on the challenges facing the efficient allocation of capital across the world as well as to a better understanding of the SRI mechanisms and the principles governing the economics of sustainability.

The results from this project will not only enrich to the pool of academic knowledge about the relation between corporate social responsibility (CSR) in a wider sense and financial performance of companies adopting good CSR practices, but they will also have practical implications for: (i) stock market investors and fund managers who promote corporate social responsibility and sustainability values and (ii) financial market regulators, economic policy-makers and other government institutions supervising the financial markets worldwide.