

Psychological Influences on Adoption of Socially Responsible Investment

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Department of Psychology, 2011

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Fakultetsopponent Erich Kirchler
Department of Psychology, University of Vienna

The thesis consists of this summary and the following four studies referred to by their roman numerals:

- I. Jansson, M., & Biel, A. (2011). Investments institutions' beliefs about and attitudes toward Socially Responsible Investing: A comparison between SRI and non-SRI management. *Sustainable Development*. In press
- II. Jansson, M., Biel, A., Andersson, M., & Gärling, T. (2011). Investment style and perceived drivers of adoption of socially responsible investment among Swedish institutional investors. *Journal of Investing*, 20, 3, 118–123.
- III. Jansson, M., & Biel, A. (2011). Motive to engage in sustainable investment: A comparison between institutional and private investors. *Sustainable Development*, 19, 135-142
- IV. Jansson, M. (2011). Moral and financial motives for socially responsible investments. Manuscript submitted for publication.



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Abstract

Jansson, M. (2009) *Psychological Influences on Adoption of Socially Responsible Investment*.
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This dissertation examines psychological factors that motivate and impede different types of investors to integrate social and environmental considerations when investing. Socially Responsible Investment (SRI) may cover several associated concepts such as ethical investments, sustainable investments, responsible investments and any other investment processes that combine investors' financial objectives with concerns about environmental and social issues. The main bulk of research on SRI has been focused on comparing the financial aspects of SRI to conventional investments, as concern about the financial return on SRI have been regarded as the major obstacle toward SRI.

This dissertation, however, also considers psychological factors that in previous research have been shown to explain altruistic and environmental behaviour. First and foremost we have adopted factors from the Value-Belief-Norm theory (VBN-theory) by Stern and colleagues.

In the first study a sample of professional investors (n=58) working at different Swedish investment institutions such as banks and fund companies, either as conventional investors (n=31) or as SRI investors (n=27), were recruited to participate in a survey study. The aim was to test if self-transcendent (altruistic) values, a positive attitude toward SRI and financial beliefs about SRI would promote SRI among professional investors. In accordance with VBN-theory we hypothesize that the influence of values and attitudes on investment behaviour would be mediated by norms. Results showed, surprisingly, that self-enhancement values such as ambition and success drive SRI investors to increase their SRI investments. Among non-SRI investors no such value influence was established. Contrary to what the VBN theory posits, the intention to promote SRI among SRI investors is not a value-expressive behaviour. Rather, egoistic values and beliefs about market and long-term financial benefits support SRI. It was also found that both groups of investors had similar beliefs about the financial performance of SRI funds, that SRI is not financially beneficial in the short term but probably financially sound in the longer term. To further examine what promotes SRI among professional investors, study II investigated professional investors own views on what promotes SRI, while comparing if SRI and non-SRI investors attached different importance to different types of drivers. Results indicated that non-SRI investors attach more importance factors associated with market regulation while SRI investors perceive the examples of others as a more important driver of SRI. To understand what influence different types of investors SRI intentions, In the third study, professional investors (n=60), private investors (n=457) and institutional investors (n=71) were recruited to participate in a comparative study of motives to engage in SRI. Result revealed that while socially responsible investment (SRI) among private and institutional investors was guided by altruistic values, this was not the case among professional investors. Rather, professional investors were motivated by beliefs about financial return. Private investors were, in addition, also highly influenced by beliefs about return, while institutional asset owners were motivated by an effort to reduce financial risks. Finally, it was shown that professional investors overrated the importance of financial returns and underestimated the importance beneficiaries (private and institutional investors) attach to social, environmental and ethical issues when investing. This indicates that investment institutions could underestimate the market for socially responsible products.

In the final study, the aim was to investigate socially responsible investments among active stock-investors. A sample of member representatives (n=724) of the Swedish association for shareholders (Aktiespararna) was recruited to participate in a survey study to test if the VBN-theory could explain socially responsible investments in this group of active investors. Results showed that the model could account for the mixed motive of egoistic financial beliefs and altruistic concerns that motivate SRI among active private stock-investors. Taken together, the four studies enrich the understanding of motives that guide different groups of investors to become socially responsible investors.

Keywords: Socially responsible investments, values, attitudes, financial belief

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