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Profiling the Prospective Socially Responsible Investors in Thailand

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ABSTRACT

This research aims to review the socially responsible investment (SRI) studies, to construct the SRI framework and to analyze the important factors that influence SRI behavior. 424 samples were gathered from recent investors and prospective investors in Thailand via online and face to face questionnaires.

The result can generate the framework by defining SRI behavior rely on 3 factor groups: demographic factor, financial factor and social responsible factor. Multinomial logistic regression was used to extract factors that influence the level of SRI behavior. Some factors from 3 groups can explain the level of SRI behavior and indicate prospective SR investor.

JEL Classification: J10, M50, G20.

Keywords: Socially responsible investments (SRI), Mutual Fund, Sustainable Investing, Sustainable development, Ethical Investment.

1. INTRODUCTION

Infinitive demand under limited resources leads to the eventual scarcity. Actually, everyone faces with the basic problem on gathering capital in life. Almost all of them haven't known their mind how to be enough but try to gain more and more. In Macroeconomic, economic development goals have been mainly aimed to generate GDP or GNP while microeconomic based on maximised profit and maximised utility assumption.

Money is one of the most important components for driving an economic system. Without money, the economic mechanism will absolutely be disrupted. However, money accumulation objective should fail to consider other condition. Materialism is the substantial cause of world problem.

Unlike conventional investment which is the main concerns on risk and return, Socially Responsible Investment (SRI) is an investment method which concerns on Environmental, Social and Governance (ESG) in decision making process. Since 1960, SRI was founded in USA and it becomes favorable until present. In EU, SRI value growth was about 336 per cent (2005-2009) and SRI value on 31st December 2009 equal 4,986 billion Euros (Eurosif, 2010. European SRI market study called at 15.10.2010.) and since then annual growth rate was more than 35 per cent. By the end of April 2014, the Principles for Responsible Investment has more than 1,260 signatories and total signatory asset under management (AUM) has more than US\$ 45 trillion (UNPRI, 2012)

According to His Majesty King Bhumibol Adulyadej’s speech (4th December 1998) about the philosophy of sufficiency economy: “...This sufficiency means to have enough to live on. Sufficiency means to lead a reasonably comfortable life, without excess, or overindulgence in luxury, but enough. Some things may seem to be extravagant, but if it brings happiness, it is permissible as long as it is within the means of the individual...” This philosophy is compounding with 3 pillars: Moderation, Reasonableness and Risk management

Considering the conventional investment, socially responsible investment and donation in philosophy of sufficiency economy can illustrate in Table 1. This table shows six critical views (goal, return, risk, monitoring, sustainability and philosophy of sufficiency economy conformity) in each transaction method (conventional investment, socially responsible investment and donation).

Table 1
Comparison of Conventional investment, Socially Responsible Investment and Donation on six critical views

<i>Critical View</i>	<i>Transaction</i>	<i>Conventional Investment</i>	<i>Socially Responsible Investment</i>	<i>Donation</i>
1. Goal		Maximise return	Maximise return under ESG concerns	Temporarily problem relief
2. Return		Probability to get high return in short term and middle term, not secure in long term	Sustainable return in long term	No return
3. Risk		Risk from not consider ESG issue	Risk from limited ESG asset, lower diversification	Donation may not use in line the objective
4. Monitoring		Monitor only risk and return	Monitor risk, return and ESG	Not monitor
5. Sustainability		Not sustain	Sustain	Not sustain
6. Conformity of Sufficiency economy		Not conform	Conform	Not conform

Conventional investment is focus on risk and return without considering other impact from each unit of money that invests. Each unit of money can generate to four types of business:

1. Business that make high return and concern on ESG
2. Business that make high return but not concern on ESG
3. Business that make low return but concern on ESG
4. Business that make low return and not concern on ESG

Each unit of money has chance to destroy environmental, social and governance. Conventional investment is not sustain in long term because it has risk for that investors and the next generation

However the people who do not invest may face with an inflation problem and may cause the severe problem when they are older. In macroeconomic view, the countries which not invest will not have GDP or GNP growth that necessary for their population.

Donation is necessary but not enough to serve someone's need in long term because donations can just temporarily problem relief. In the worst case, it can make people who get the donation weaker and dependent than before. Donation must still happen but it should act in the appropriate time at the right situation. Nonetheless donation should not be expected that it will be happen in the future because the receivers will not intend to develop themselves. Most donations are rarely monitor the result from each donation, so it hard to measure

Socially responsible investment is the investment that conforms to the Philosophy of sufficiency economy. It considers ESG and has chance to get competitive return.

The main contributions of this paper are three-fold. First, this is the first paper that attempt to identify the prospective socially responsible investors in Thailand. Second, this is the first paper that tries to discuss socially responsible investment, conventional investment and donation in philosophy of sufficiency economy dimension. Third, this is the first effort to extract factors that influence willingness to invest on SRI.

2. HYPOTHESES

2.1. Demographic hypotheses

1. *Gender:* According to findings of Junkus and Berry (2010), Beal and Goyen (1998), Tippet and Leung, 2001, women will invest in socially responsible investment more than men.
2. *Age:* Junkus and Berry (2010), McLachlan and Gardner (2004), Tippet and Leung (2001), Rosen et. al., (1991) found younger investors will invest in socially responsible investment than older investors.
3. *Marital status:* Junkus and Berry (2010), Socially responsible investors will likely to be single than married or divorced.
4. *Educational level:* Junkus and Berry (2010), McLachlan and Gardner (2004), Tippet and Leung (2001), Rosen et. al., (1991) found socially responsible investors will be more educated.
5. *Income:* Greene (2001), Tippet and Leung (2001) Socially responsible investors will have higher levels of income which conflict with Junkus and Berry (2010), Rosen et. al., (1991) that found

Socially responsible investors will have lower levels of income. While Lewis and Mackenzie (2000) found SR investors are frequently middle-income professionals.

6. *Religion*: Peifer (2011), socially responsible investors will admire in the religion.

2.2. Investment Characteristic Hypotheses

1. *Investment Objective*: Socially responsible investors will likely to invest for long term capital growth than just generating income
2. *Risk Tolerance*: Socially responsible investors will have more risk tolerance
3. *Holding Period*: Socially responsible investors will have more holding period
4. *Timeframe*: Socially responsible investors will have more investment timeframe
5. *Investment Literacy*: Socially responsible investors will have better level of Investment literacy

2.3. Socially Responsible Characteristic Hypotheses

This part used 5 Likert scale to extract the investors' attitude and their behavior on ethics and social responsibility. Factor analysis was used to diminish variables by Principle Component Analysis method. The questions were reviewed from Gladish, P.G., Benson, K. and Faff, R. (2012) and appropriately rectified with Thailand surrounding.

3. RESEARCH DESIGN

3.1. Sample Selection

The samples in this study gathered from investors and prospective investors in Thailand by online and face to face questionnaire. For online questionnaire asked for cooperation from the members of Value Investor Association (Thailand), the members of settrade (SET: Stock Exchange of Thailand) and the members of Wealthmagik-Forum (<http://forum.wealthmagik.com/>). The face to face questionnaire gathered from Maruey Library (Stock Exchange of Thailand Building)

3.2. Multinomial Logistic Regression

Multinomial logistic regression was used to reveal the relationship between three groups of independent variable and willingness to invest on socially responsible investment. Willingness to invest in SRI (WSRI) was extracting by ordered categorical variable:

WSRI_i = 0 those who will not invest in SRI.

= 1 those who will invest 1-25 per cent of their budget in SRI.

= 2 those who will invest 26-50 per cent of their budget in SRI.

= 3 those who will invest 51-75 per cent of their budget in SRI.

= 4 those who will invest 76-100 per cent of their budget in SRI.

WSRI is designed to extract SRI level. By using ordinal logistic regression and considering three groups of factors: demographic characteristic factors, investment characteristic factors and socially responsible characteristic factors

4. RESULTS

The demographic characteristics are showed in Table 2. All 424 respondents were divided to 202 Male (47.6 per cent) and 222 Female (52.4 per cent). Majority of respondents were between 18-30 years old, 31-40 years old, 41-50 years old, 51-60 years old and more than 60 years old subsequently. About 71 per cent were single and most were Buddhism (95.5 per cent). About half, held Master's degree, were corporate officer and held assets 1-5 Million Baht.

Table 2
Demographic characteristics

	<i>Number of respondents</i>	<i>%</i>
Gender		
Male	202	47.6
Female	222	52.4
Total	424	100
Age		
18-30	200	47.1
31-40	161	38.0
41-50	44	10.4
51-60	13	3.1
> 60	6	1.4
Total	424	100
Marital Status		
Single	301	71.0
Married	118	27.8
Divorced/Widowed	5	1.2
Total	424	100
Religion		
Buddhism	405	95.5
Christianity	12	2.8
Islam	2	.5
No religion	5	1.2
Total	424	100
Education		
Primary School	3	.7
High School/Vocational Certificate	7	1.7
Diploma/High Vocational Certificate	4	.9
Bachelor's	167	39.4
Master's/MBA	220	51.9

	<i>Number of respondents</i>	<i>%</i>
Post graduate	23	5.4
Total	424	100
Occupation		
Student	26	6.1
Househusband/Housewife	6	1.4
Government Officer	36	8.5
State Enterprises Officer	48	11.3
Corporate Officer	200	47.2
Entrepreneur	88	20.8
Investor	4	.9
Teacher/Professor	4	.9
Others	12	2.8
Total	424	100
Income/month		
≤ 10,000 Baht	22	5.2
10,001-30,000 Baht	144	34.0
30,001-50,000 Baht	114	26.9
50,001-70,000 Baht	65	15.3
70,001-100,000 Baht	42	9.9
100,001-200,000 Baht	21	5.0
200,001-500,000 Baht	12	2.8
> 500,000 Baht	4	.9
Total	424	100
Family Income/Month		
≤ 10,000 Baht	9	2.1
10,001-30,000 Baht	29	6.8
30,001-50,000 Baht	44	10.4
50,001-70,000 Baht	69	16.3
70,001-100,000 Baht	75	17.7
100,001-200,000 Baht	112	26.4
200,001-500,000 Baht	55	13.0
500,001-1,000,000 Baht	15	3.5
> 1,000,000 Baht	16	3.8
Total	424	100
Wealth		
≤ 1,000,000 Baht	125	29.5
1,000,001-5,000,000 Baht	193	45.5
5,000,001-10,000,000 Baht	53	12.5
10,000,001-20,000,000 Baht	18	4.2
> 20,000,000 Baht	35	8.3
Total	424	100

The investment characteristics are showed in Table 3. Most of investment goal is to get long term growth (80 per cent) and generate income (18.4 per cent). A third of respondents (33.3 per cent) expect returns more than fixed deposit interest around 2-3 per cent and about half (52.8 per cent) can be less patient with some loss, if it has chance to get more returns. About Two-fifths have moderate investment literacy (38.7 per cent) and will have annually invested (40.8 per cent). More than half have the holding period more than one year.

Table 3
Investment Characteristics

<i>Investment Characteristics</i>	<i>Number of respondents</i>	<i>%</i>
<i>Investment Goal</i>		
Generating Income	78	18.4
Long term growth	339	80.0
Generating Income and long term growth	2	.5
Others	5	1.2
Total	424	100
<i>Investment Objective</i>		
Maintain principle, low return	67	15.8
Return more than fixed deposit interest about 1%-2%	31	7.3
Return more than fixed deposit interest about 2-3%	141	33.3
Return close to average return on stock exchange	76	17.9
Return more than average return on stock exchange	82	19.3
Return more than two times of principle	27	6.4
Total	424	100
<i>Investment Attitude</i>		
Cannot patient with any loss	44	10.4
Can little patient with some loss, if it has chance to get more return	224	52.8
Can patient with more loss, if it has chance to get more return	123	29.0
Expected high return without any condition	31	7.3
Other	2	.5
Total	424	100

Socially responsible characteristics: The priority investment is return, risk, sustainable development, ethic, society and environment subsequently. About half of respondents give precedence on social responsibility equal to return. Most of respondents expect 11-20 per cent return from socially responsible investment and hope 4-6 per cent dividend yield.

Multinomial logistic regression reveals some relationship between three groups of independent variable and willingness to invest on socially responsible investment. The first model shows relation of demographic variable on SRI. In this model, there are three variables that have significant level for estimate: Male will invest in SRI less than female (5 per cent level), the person who admires religion will invest in SRI more than who do not have religion (5 per cent level), the person who has more family income will invest less in SRI (10 per cent level). The second model shows relation of investment characteristic on SRI. In this model, there are two variables that have significant level for estimate: the person who desires more return

will be invested less in SRI (5 per cent level), the person who has more risk patient will invest more in SRI (10 per cent level).

The third model illustrates the relation of socially responsible characteristics on SRI. Three factors which got from dimension reduction by factor analysis: Factor 1 (Employee health and safety, Training and development, Community Relation, Human right, Global Warming); Factor 2 (Animal life trading, Alcohol, Animal testing, Toxic Product); Factor 3 (Corruption and tobacco) have significant level for estimate SRI (1 per cent level, 1 per cent level and 10 per cent level subsequently) and the person who weight more ESG compare with return will invest more in SRI.

5. DISCUSSION

Women have tendency to invest on SRI more than men which conform to Junkus and Berry (2010), Beal and Goyen (1998), Tippet and Leung, 2001. The result found socially responsible investors will have lower levels of income which conform to Junkus and Berry (2010), Rosen et. al., (1991) and will respect to religion like Peifer (2011). Focusing on investment characteristics, the person who expect higher level of return will invest less on SRI and the person who has more risk patient will invest more in SRI. Considering Socially responsible characteristics, socially responsible characteristics in the person can transmit to the investment. The more ESG concernment causes the more investment on SRI.

6. CONCLUSION

Socially responsible investment is the investment method which conforms to the philosophy of sufficiency economy suggested by His Majesty King Bhumibol Adulyadej. SRI provides competitive return while considering ESG issue. The most prospective SR investors are women who have appropriate level of income, respect to religion, expected optimum level of return, high risk patient and high level of ESG concern. The solutions for attracting socially responsible investment are serious supporting from government, suggestions from specialist, giving tax deductible and showing success case.

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