"Why-not Investment?": Implication of the "Feel-Good" Factor on Thai Sustainability Mutual Funds

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ABSTRACT

When complexity and severity of economic, environmental, and social challenges is more evident, sustainability becomes more critical to a financial sector worldwide. Socially responsible investing (SRI) has then risen not only in developed but emerging markets. In Thailand, the asset of sustainable mutual funds (SMFs) presents a dramatic, steady growth since its launch in 2009. However, it might not be promising as it seems. In 2016, the size of SMFs remains marginal as it accounts for merely 1.4% of the total Net Asset Value (NAV) of all mutual funds in the economy. The 139 samples are individual investors with investment experience in the selected SMFs. Using multiple regression analysis, the results indicated that social norms is the only factor that affects the investment decision making of sustainable equity mutual fund of individual investors. Based on behavioural financial theory, this paper then explores what individual investors considers when investing in SMFs in Thailand. Findings and implications contribute additional understanding to scholars and institutions, aiming to promote SMFs investment and SRI in Thailand.

Keywords: Socially Responsible Investment, Sustainable Mutual Funds, Corporate Social Responsibility, Behavioural Finance, Sustainability, Thailand

“ทำไมถึงไม่ลงทุน?” : นัยของปัจจัย “รู้สึกดี” ในการลงทุนในกองทุนรวมที่มีนโยบายการลงทุนในกลุ่มของหุ้นที่ดำเนินธุรกิจอย่างยั่งยืน

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บทคัดย่อ

เมื่อความสลับซับซ้อนและความรุนแรงของเศรษฐกิจ สิ่งแวดล้อม ตลอดจนประเด็นท้าทายต่าง ๆ ทางสังคมได้ก่อตัวและขยายขอบเขตในวงกว้างมากยิ่งขึ้น ความยั่งยืนได้กลายมาเป็นสิ่งที่ภาคการเงินทั่วทั้งโลกให้ความสำคัญด้วย ในขณะเดียวกัน การลงทุนอย่างรับผิดชอบต่อสังคมได้ถือกำเนิดขึ้น ไม่เพียงแต่ในตลาดที่พัฒนาแล้ว หากยังได้กำเนิดขึ้นในตลาดที่กำลังพัฒนาด้วย ในประเทศไทย มูลค่าทรัพย์สินสุทธิของกองทุนรวมที่มีนโยบายการลงทุนในกลุ่มของหุ้นที่ดำเนินธุรกิจอย่างยั่งยืน มีความน่าสนใจ กล่าวคือ กองทุนดังกล่าวเติบโตอย่างต่อเนื่องตั้งแต่ พ.ศ. 2552 แต่เมื่อพิจารณาถึงมูลค่าทรัพย์สินสุทธิแล้ว ยังมีสัดส่วนที่ยังน้อยเมื่อเปรียบเทียบกับอุตสาหกรรม กล่าวคือ ข้อมูล ณ พ.ศ. 2559 มูลค่าทรัพย์สินสุทธิของกองทุนดังกล่าวยังมีสัดส่วนที่น้อยมาก คิดเป็นร้อยละ 1.4 ของมูลค่าทรัพย์สินสุทธิในกองทุนรวมตราสารทุนทั้งอุตสาหกรรม จำนวนกลุ่มตัวอย่าง 139 คนเป็นผู้ลงทุนรายย่อยที่เคยลงทุนในกองทุนรวม ที่มีนโยบายการลงทุนในกลุ่มของหุ้นที่ดำเนินธุรกิจอย่างยั่งยืนในประเทศไทย จากการการวิเคราะห์สมการถดถอยเชิงเส้นพบว่า ปัจจัยด้านคุณค่าทางสังคมเป็นเพียงปัจจัยเดียว ที่ส่งผลต่อการตัดสินใจลงทุนของผู้ลงทุนรายย่อยในกองทุนรวม ที่มีนโยบายการลงทุนในกลุ่มของหุ้นที่ดำเนินธุรกิจอย่างยั่งยืนอย่างมีนัยสำคัญในเชิงทฤษฎีการเงินพฤติกรรม งานวิจัยฉบับนี้จะศึกษาถึงปัจจัยที่มีผลต่อการตัดสินใจลงทุนต่อผู้ลงทุนรายย่อยในกองทุนรวม ที่มีนโยบายการลงทุนในกลุ่มของหุ้นที่ดำเนินธุรกิจอย่างยั่งยืนในประเทศไทย ผู้วิจัยมุ่งหวังว่าผลการศึกษาและสิ่งที่นำเสนอในงานฉบับนี้ จะส่งเสริมให้เกิดความรู้และความเข้าใจแก่นักวิชาการและสถาบันการเงิน ในเรื่องการลงทุนอย่างยั่งยืนในประเทศไทยมากยิ่งขึ้น

คำสำคัญ : การลงทุนอย่างมีความรับผิดชอบต่อสังคม กองทุนรวมที่มีนโยบายการลงทุนในกลุ่มของหุ้นที่ดำเนินธุรกิจอย่างยั่งยืน ความรับผิดชอบต่อสังคมและสิ่งแวดล้อมขององค์กร ทฤษฎีการเงินเชิงพฤติกรรม ความยั่งยืน ประเทศไทย

INTRODUCTION

Not until recently that financial sector has practically joined the sustainability movement to ameliorate the environmental and societal perils from pursuing economic growth. Socially responsible investing (SRI) via environment, society and governance (ESG) criteria seemingly demonstrates more ensuring commitment on sustainability than any other endeavour. Increasing interests of the academia and practitioners indicate that the trend is on the rise (von Wallis and Klein, 2014). Global Sustainable Investment Alliance (GSIA) recently reported that sustainable investment assets worldwide have continually increased from USD 13.3 trillion in 2012 to USD 22.89 trillion in 2016 (Global Sustainable Investment Alliance, 2015, 2017). Thailand represents the increasing awareness of the emerging economies with the impressive asset growth of sustainable mutual funds (SMFs) from merely THB 492.65 million at the start in 2009 to THB 14,717.65 million in 2016 (AIMC, 2016) (SET and AIMC, 2016).

Nevertheless, the sustainable investment trend in the Thai investment context might not be as promising as it seems. When compared with the growth of the net asset value (NAV) of all mutual funds investing in Thai equity, the size of Thai SMFs is accountable for merely from 0.25% in 2009 to 1.40% in 2016 (SET and AIMC, 2016). Apparently, the sustainability idea has not gained much favour among the majority of Thai institutional and individual investors. Relevant previous studies are rare. This research is among the pioneering studies of SMFs in the Thai context to explore what responsible individual investors actually consider when they invest. The findings add further understanding to academic literature and endeavour to promote SMFs investment, particularly in the emerging economies.

LITERATURE REVIEW

Like corporate social responsibility (CSR), socially responsible investing (SRI) is a noble, yet vague concept involving around how to invest sustainably not only for the investors, but the greater good. An extensive review of terminology and development of SRI is articulated by von Wallis and Klein (2014). In brief, there are several terms, which are used interchangeably from formerly “ethical investing”, “value-based investing” to recently “SRI”. Despite inconsistent in the terminologies, the definitions tend to be similar. The broadly accepted meaning of SRI among scholars is the *“integration of certain non-financial concerns, such as ethical, social or environmental, into the investment process”* (Sanberg et al, 2009). SRI and CSR then collaborate as a team. As CSR can be described as ethical and responsible corporate behaviour by integrating social and ecological concerns with corporate governance, the concept involves many stakeholders both affect or are affected by corporate decision or practices (Freeman, 1984). One of the key stakeholder groups is certainly the owner, or shareholders. In a sustainability-committed company, the investors are critical as they can exercise their power to govern the corporate direction in a socially responsible manner. This is where SRI gets in.

Conceptualizingly, SRI has emerged from the religious concerns on the profiteering nature of investment and called for more ethical conduct, which results in the specific religious requirements in some equity markets in the 1900s. The influences of other concerns followed later, starting from environment, weapons, personal ethical to social convictions. All of these have then added the sustainability dimension into the conventional investment decision, which mainly limits their focuses on financial factors, such as return, risk, and liquidity (Dorfleitner and Nguyen, 2016).

Adding sustainability criteria in the investment decision equation might not be clearly rational to the mainstream financial theorists, but still “normal” to their behavioural counterparts (Statman, 2008a). Like people, investors are different. What they concern are not only financial wealth. Other than the utilitarian benefit, particularly expected returns and risks, some investors may also consider expressive benefits that signal their holding values, such as social responsibility, and emotional benefits, such as pride. SRI is then a mixture of utilitarian and expressive nature of the normal rather than conventionally rational investors (Statman, 2008b).

Built upon the “behavioural” rather than “mean-variance” portfolio theory, this study then selects four major factors from SRI literature to determine sustainable investment decision of individual fund holders. They include performance-related factors, social norms, investment advisors/asset management companies, and analysis of information, elaborated as follows.

Performance-Related Factors

Like any investors, the clients of sustainability mutual funds still expect a certain level of return. In principle, the instrumental theory of corporate social responsibility explains that corporate contribution to sustainability is legitimate when such contribution enhances the wealth of the shareholders. Based on enlightened self-interest as such, this pragmatic perspective treats social responsibility as a strategic tool to achieve the business goals (Garriga and Mele, 2004). Superior return in long term reconciling with socially responsible investing was also what two of the proactive sustainability advocates, including former US Vice President, Al Gore, and the former head of Goldman Sachs Asset Management, David Blood, attempted to convince the business community (Mendonca and Oppenhiem, 2007). Sustainability investment is then likely to attract the value-driven investors (VDI) who can wait for the yields from highly responsible companies even with some loss along the way, as well as the responsible profit-seeks (RPS) who concentrate on companies that can generate financial profits from their responsible business practices (Derwall et al, 2011).

In practice, the potential economic performance of socially responsible investment could be either positive (doing good, while doing well), negative (doing good, but not well), or neutral, if not irrelevant, (doing good, but neither well or not well) (Preston and O’Bannon, 1997). The asset management companies then have fiduciary duty on the financial performance of their sustainability mutual funds offered to the market. Nevertheless, the empirical studies suggested mix results, while meta-analysis concluded no significant difference between conventional and sustainable mutual funds (Auer and Schuhmacher, 2016; Statman, 2000; von Wallis and Klein, 2014).

Besides financial return, investors tend to consider two other related factors concentrated in the screening procedures. The one deemed necessary is the investment risk. Previous studies showed that the risk-adjusted returns for investment in sustainability funds in major global markets are not significantly different from the returns from conventional funds. Auer and Schumacher (2016) added a caveat to such findings due to several major drawbacks of SRI evaluation. For example, the constant modification of the holdings is based not only on levels of commitment to responsibility of the companies alone but also on other turbulences in the market. Besides, the alphas employed to assess the risk-adjusted performance of those conventional funds might not be valid. The total risks would be more appropriate here than the market risks because sustainability portfolio performance are typically not well diversified as required by Jensens' alpha. The number of multifactor models of Farma and French, Carhart, and many others are also still under debate. Despite these problematic measurements, risk remains a crucial factor for investment consideration.

Comparing to handling conventional financial products, such complexity in managing sustainability funds tend to cause greater challenges for the financial institutions. More management efforts eventually added to the total costs for the responsible investors. The charges on management fees are typically varied by fund families and investment objectives (Kempf and Osthoff, 2007). As the return of sustainability mutual funds are found not significantly different from the conventional funds and its measurements remain problematic, performance-related factors in this study, therefore, focus on involving risks, as well as the management fees.

Social Norms

Besides financial considerations, personal values and ethics also play a crucial role in sustainability investment decision (Statman, 2008a). The screening of gray business stocks out of sustainability investment portfolios tends to be consistent with social values, from previously in legal-yet-religious vices, such as alcohol, gambling, and tobacco, to recently in broader environmental and social issues, such as climate changes, labor practices, and armament (Hong and Kostovetsky, 2012). These values are often structured into social, environmental, ethical, and corporate governance issues (Dorfleitner and Nguyen, 2016). The influences of values on investments stands on the basis that the responsible investors tend to avoid financial involvement in the causes they oppose, similar to the consumer boycotts of irresponsible brands (Hong and Kostovetsky, 2012).

The asset management companies, therefore, take social norms, representing what the society deems right and moral, to monitor the sustainability-oriented values of their clients in large number and ensure them that their capital is invested sustainably (Dorfleitner and Nguyen, 2016). Social norms tend to heighten litigation of malpractice corporate behaviour. In managing sustainability mutual funds, social norms is employed as a risk-averse tool to incorporate in the investment policy and screening procedures. However, it does not mean that SMFs are pure. Sin stocks are just merely less found in the portfolios of financial institutions with constraint in social norms (Hong and Kacperczyk, 2009).

Investment Advisors/Asset Management Companies

Deteriorating economic, environmental, and social conditions worldwide has brought SRI into the spotlight. Proactive financial institutions see this as an opportunity to build greater ranges of their sustainability products to serve the investors. Having several sustainability funds can help an asset management company spreading the costs across its offerings and gain better control over its operational costs, particularly research to develop its sustainability products competitive enough not only among the SRI rivals but also the conventional counterparts. Reduction of management fees may not be critical now as there are limited SR funds in the market at this stage. Besides, the investors seriously concerning on ESG attributes would not opt out to conventional choices just for lower fees (In et al, 2014). Nevertheless, the financial institutions need to ensure that they are worth for their investor clients' expectation.

As sustainability mutual funds are relatively new products in the markets and several similar products may be offered by the same asset management company, the investors are likely to require some guidance from the asset management companies. The influence of advisors is then vital in SRI decisions. The advisors can educate and convince the investors to add sustainability funds in their SRI portfolios. Nevertheless, such assumption might not always be the case in practice. The empirical findings remain inconclusive as it is partly subject to the level of the advisors' knowledge of SRI products (Statman, 2008; Diouf et al, 2016). Yet, it is agreed that role of the advisors is crucial. The asset management companies need to provide more training on SRI products to equip their advisor staff with sufficient understanding prior to serve the clients.

Analysis of Information

Information analysis is crucial for responsible investment in screening the right companies. Considering beyond return and diversification, investors invest more in the mutual funds informed as socially responsible in the experimental study (Barreda-Tarrazona et al, 2011) and the case study (Diouf et al, 2016). The concern on attitude-behaviour gap is, however, addressed partly because it is not easy to find those products (Young et al, 2010). The scope and depth of corporate responsible behaviour is not clearly understood among majority of investors (Hill et al, 2007; Wimmer, 2013). Those who want to invest in companies with a strong CSR credentials tend to rely on the third party rating agencies mainly based on environment, society, and governance (ESG) performance (Auer, 2016). Their assessment for each company employs related data from various sources, including company filings, media, governments, and other third-party organizations to condense into a single composite ESG score.

RESEARCH METHODOLOGY

The samples used in this research are individual investors who have experience in investing in mutual funds with a policy to invest at least in one of the six selected sustainable equity mutual funds. To be qualified in this study, the samples must have experience in investing in at least one or more funds in the past or are still investing in the aforementioned funds. Consistent to the nature of the SMFs compared with the scale of conventional mutual funds, the size of the samples was rather limited. The samples included in this study were 139, which are yet considered adequate for multiple regression analysis as it requires at least 15 to 20 observations for each predictor variable (Hair et al, 2006).

The questionnaire that was used to collect research data is divided into four main parts as follows: 1) screening questions to determine whether or not the respondent is an individual investor, who used to invest or is currently investing in at least one of the aforementioned sustainable equity mutual funds for a period of time, 2) questions regarding investment behaviour of individual investors; emphasizing on consistency and portfolio proportion, as well as investment patterns and their financial investments. There are dichotomous questions and multiple responses, both are close-ended, 3) questions regarding sample attitude towards selecting sustainable equity mutual fund, consisting of questions of each factor from literature review: performance-related factors, social norms, investment advisors/asset management companies and analysis of information. This part also includes the measurement of dependent variable, the intention to invest, by asking the respondents to rate the level of their agreement on the statement "if you invest in the future, you will continue to invest in sustainable mutual fund". All questions in this part utilised the Likert's Rating Scale—with 5 being strongly agree and 1 being strongly disagree. The last part contains the demographic information, which are dichotomous questions and multiple responses. Both are close-ended.

The analysis employed descriptive statistics to explain sample's characteristics and variables, as well as multiple regression to examine their relationships.

FINDINGS

Out of 139 samples, it is found that 90.7% are the current sustainable equity mutual fund investors, while the other 9.3% are the ones who have already stopped investing. The current investors have the tendency to continue their investment, while the ones who are likely to hold their investment are urged to do so due to various reasons—lower performance than what they expected, their short-termed needs for cash, and the maturity of funds for taxes benefit, for instance.

In terms of investment frequency, 53.2% of the sample invests annually. When considering the portfolio proportion of sustainable equity mutual fund to total financial assets, it is found that 61.8% of the sample, who holds SMFs less than 10% and between 10% and 30% is likely to invest every year. Moreover, 43.6% of the sample, who possesses SMFs between 10% and 30%, has the tendency to invest annually as well. On the other hand, the investment frequency of the investors is varied among those who hold SMFs more than 30% to 50% and more than 50% of their investment portfolio.

In addition, when examining investment patterns, the sample generally chooses funds with both financial and tax benefits. Lastly, when considering financial instrument that the sample has invested in, the outcome shows that most of the respondents have invested in stocks/equity funds and deposit/short-term fixed-income funds—more than half have invested in government bonds/debenture/medium to long term fixed-income funds. However, only 11.5% have invested in derivatives. Table 1 shows the characteristics of respondents in this research and Table 2 illustrates the frequency and portion of investment in sustainable mutual fund in details.

Table 1: Characteristics of Investors

Type of Investor	
Current sustainable equity mutual fund investors	90.7%
Already stopped investing	9.3%
Investment Frequency	
Annually	53.2%
Every six months	10.8%
Every three months	13.7%
Every month	22.3%

Table 1: Characteristics of Investors (Cont.)

Portfolio Proportion of Sustainable Equity Mutual Fund to Total Financial Assets	
Less than 10%	64.0%
Between 10% and 30%	28.0%
More than 30% to 50%	5.8%
More than 50%	2.2%
Investment Patterns	
Taking care of principle	12.9%
Making profit from capital gain	16.5%
Maintaining a cash flow	5.0%
Investment and tax benefit	33.8%
Mixing patterns	31.7%
Financial Instrument that the Sample has Invested In	
Deposit/short-term fixed-income funds	84.2%
Government bonds/debenture/medium to long term fixed-income funds	51.8%
Stocks/equity funds	92.8%
Derivatives	11.5%

Table 2: Investment Frequency and Portfolio Proportion

Investment Frequency	Portfolio Proportion of Sustainable Equity Mutual Fund to Total Financial Assets				Total
	Less Than 10%	Between 10% and 30%	More Than 30% to 50%	More Than 50%	
Annually	55 (61.8%)	17 (43.6%)	2 (25.0%)	0 (0.0%)	74 (53.2%)
Every six months	9 (10.1%)	4 (10.3%)	1 (12.5%)	1 (33.3%)	15 (10.8%)
Every three months	7 (7.9%)	8 (20.5%)	3 (37.5%)	1 (33.3%)	19 (13.7%)
Every month	18 (20.2%)	10 (25.6%)	2 (25.0%)	1 (33.3%)	31 (22.3%)
Total	**89 (100%)**	**39 (100%)**	**8 (100%)**	**3 (100%)**	**139 (100%)**

The means and standard deviation of the levels of opinion to the measurement of independent variables that affects decision making process of sustainable equity mutual fund investors are illustrated in Table 3.

Table 3: Means and Standard Deviation of the Measurement of Independent Variables

Variable	n	Mean	Standard Deviation
1. Performance-related Factors			
The level of risk is appropriate.	128	3.85	0.68
Management fee is appropriate.	126	3.35	1.05
2. Social Norms			
Investment policy takes social norms into consideration.	125	3.69	0.93
The equity selection process takes social norms into consideration.	121	3.67	1.00
3. Investment Advisors/Asset Management Companies			
Currently, there are various products in sustainable equity investment.	127	3.46	1.01
Investment advisors (such as, advisors from asset management company, advisors from securities company, and bank officers) are knowledgeable.	124	3.19	1.04
4. Analysis of Information			
You regularly read the investment reports of these SMFs and/or sustainability reports of the equities in these SMFs.	129	3.18	1.21
The information regarding sustainable investment in different media is enough for you to make investment decisions.	129	3.31	1.11
Ranking of the sustainable funds and/or equities by reliable institutions are critical for your investment decision.	128	4.05	0.85

Please note that, the means and standard deviation of the dependent variable—the level of decision-making process on the next sustainable equity mutual fund—are 3.95 (mean) and 0.89 (standard deviation).

The results from multiple regression of the four independent variables, including performance-related factors, social norms, investment advisors/asset management companies and analysis of information, on the decision making of sustainable equity mutual fund are demonstrated in Table 4.

Table 4: Result of Hyphothesis Testing by Multiple Regression Technique

	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	3.952	.071		55.725	.000
Performance-related Factors	.126	.091	.137	1.389	.168
Social Norms	.262	.089	.295	2.938	.004
Investment Advisors/ Asset Management Companies	.098	.105	.110	.931	.354
Analysis of Information	.162	.088	.184	1.836	.069

From the results shown in Table 4, it can be concluded that social norms is the only factor that affects the investment decision making of sustainable equity mutual fund of individual investors, at a significant level of 0.05, while other factors do not show any statistical significance on investment decision making. As a result, the hypothesis 1-3 were rejected and only hypothesis 4 was not rejected.

It can be argued that social norms is the only factor that significantly affects investor’s decision making rather than the performance-related factors, investment advisors/asset management companies and analysis of information. This can be due to the fact that these three factors are also available in other types of funds in the investment market. However, when it comes to sustainable equity mutual funds, its unique characteristic is the process of selecting companies to invest in by emphasizing on social norms. This might be the special criteria for this group of investors, as it is rarely found in any other types of mutual fund.

DISCUSSION

The above findings provide a basis for further discussion. Overall results support the premise of behavioural finance that the investors do incorporate more than financial return in their decision (Statman, 2008a,b). However, the only significant influence on investment decision here is social norms. Consistent to prior empirical study (Hong and Kostovetsky, 2012), personal values of the Thai SMFs investors are expressed via the presence of social norms in the policy and equity-screening procedure in their SMFs portfolio. This partly supports Pasewark and Riley (2010) that sustainability investment is significantly driven by values. The emergence of environment, society, and governance dimensions are empirically evident in the Thai investment climate.

Several implications are worth noticing. One is that the low proportion of individual investment in SMFs, less than 10% of their asset, implies that expectation for higher financial return may largely come from other business-as-usual channels. Unlike the visionary Al Gore, the former US Vice President, and David Blood, the previous head of Goldman Sachs Asset Management (Mendonca and Oppenhiem, 2007), the Thai investors may not see significant advantage in SRI compared to conventional portfolios, which supports the recent findings in Asia-Pacific region (Auer and Schumacher, 2016). To them, SMFs are rather another form of philanthropic contribution to the society at large. Having SMFs in the investment portfolio could help materializing their personal values and enhancing their social status and public image (Statman, 2008a,b). This non-financial motives helps explaining why the Thai investors do not expect much from SMFs. However, this does not indicate that the financial and non-financial factors are weighted equally.

Nevertheless, the survey revealed this marginal percentage is held in long term and consistently added. As the advantage of investing on SMFs is not significantly attractive, the individual Thai investors holding SMFs tend to be more value-driven investors than responsible profit seekers (Auer and Schumacher, 2016). Investments on any mutual funds also provide tax benefit in Thailand. It is then a favourable option to keep adding at least once a year. This implies that their investment behaviour is consistent along with global private investors who expect long-term return from SRI (Jansson and Biel, 2011; Dorfleitner and Nguyen, 2016). Besides, the individual sustainable fund holders in Thailand will be satisfied if certain amount of their capital is invested sustainably. On top of tax benefit, they enjoy the good feelings from their sustainable investment even with lower return as long as it is still positive.

It is also worth noticing that their enthusiasm on sustainability and SMFs are present, but their action is limited. Based on the descriptive statistical results, they do not put much extra effort to analyse the information related to their SMFs investment nor care much about the knowledge of the investment advisors and product variety of their asset management companies. Instead, they seem to rely more on the ranking institutions as a mental short-cut for their investment decision. From previous studies, this could imply that with their limited knowledge on sustainability (Hill et al, 2007; Wimmer, 2013), it is not easy for them to screen the sustainable stocks (Auer, 2016). More explanation comes from the Thai investment context. This is also possibly because the focus of corporate social responsibility and sustainability as shown in general Thai media and corporate communications has long been misled and demoted from accountability on the impact from core business practices to merely “feel-good” PR events. The investors may then not even realise whether the corporate image of any particular company in their SMFs portfolio is tarnished with serious scandals related to corporate malpractice from governance or responsibility to the economy, environment, or society. The correct understanding of responsibility and sustainability is then part of the crucial emphases that the asset management companies need to communicate clearer with their clients, but firstly with their staff.

Based on the motives and concerns above, the proportion of this “why-not” investment on SMFs is then kept within the comfortable level. The overall behaviour as such indirectly supports Pérez-Gladish et al (2012) that despite their concerns for the greater good, the sustainability-fund holders still mainly seek financial return. It is then arguable whether such investment behaviour in SMFs may also be considered rational (Peylo, 2014). In the meantime, this study leaves the proportion between financial and non-financial factors for future research.

CONCLUSION

Along with the rise of global socially responsible investment (SRI), the asset of sustainable mutual funds (SMFs) in Thailand has dramatically grown over 32.4 folds in less than seven years. However, in 2016 the amount is accountable for merely 1.4% of the total NAV of all mutual funds in the economy. This empirical study primarily explores what the Thai individual investors actually consider when investing in SMFs. Four criteria selected from the literature include performance-related factors, social norms, investment advisors/asset management companies, and analysis of information. One hundred and thirty-nine respondents in the sample are recruited from individual investors, holding at least one of six mutual funds with a policy to invest in equities of companies committed to corporate governance and social responsibility. The findings indicate that out of the four criteria, only social norms significantly relates to the investment decision of the Thai individual investors. Due to the limitation of sample size, the analysis and implications of the findings of this study should also be used with caution.

There are key contributions of this research to the scholars and management. As for academic contribution, this paper primarily supports the behavioural finance theory and adds the empirical evidence of SMFs in Thailand to global SRI literature. The single significant influence of social norms on the investment decision of SMFs further demonstrates that these fund holders do support governance, environment, and society (ESG). Yet, it does not mean that their investment relies only on non-financial concerns. They tend to hold their SMFs in long term despite limited financial performance, but the proportion of SMFs is merely marginal in their investment portfolio. The mixed investment benefits between good feelings from following social norms as such then support previous studies that there are both financial and non-financial criteria in SRI.

In terms of the managerial contribution, there are certain caveats. These responsible investors are proponent to sustainability in practice, but within a certain limit. The descriptive statistics revealed that their commitment of the majority of the respondents to SRI via SMFs is accountable less than

10% of their asset. This helps explaining why the NAV of SMFs in Thailand remains marginal compared to the total NAV of the all equity mutual funds. Limited demand affects limited supply and vice versa. There are currently not many SMFs in the Thai mutual fund market. Nevertheless, in certain circumstance, good demand needs to be created, not just served.

As the economic, environmental, and social crises are rapidly increasing, the concerned institutions seriously committed to sustainability have to take a substantial, proactive role in creating demand for SMFs in the investment market. The Thai government should take the lead, in collaboration with the Security Exchange Commission (SEC) and the Stock Exchange of Thailand as well as the social sectors, to launch a series of impactful campaign that clearly demonstrates their strong commitment to the United Nations' sustainable development goals. Social conscience can be a key message to fully utilize social norm as another key investment criterion. The Thai retail investors should see investing in SMFs as a way to engage themselves along the sustainability movement.

Then it is crucial important that the asset management companies have to back up such promotional strategy with attractive, concrete ESG portfolios. In so doing, they need viable and reliable SMFs products to serve and competent staff to educate and assist their clients. As the individual investors transfer their duty to analyse the information and risks, the asset management companies must be capable to be their trust-worthy partners. Strong commitment to sustainability of the Thai individual investors in SMFs remains to be materialized and needs more encouragement. When sustainability is at stake, it takes all to pursue the better common future for everyone.

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