

A Study of Investors Education in Promoting Responsible Investing

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Abstract

With an emphasis on the effects of awareness campaigns and the function of the Securities and Exchange Board of India (SEBI), this study explores the contribution of investor education to the promotion of ethical investing. Data was gathered in Bhavnagar, Gujarat, from 100 respondents via a questionnaire-based survey. Analysing the impact of investor behaviour awareness programs and assessing SEBI's role in these educational endeavours were the goals of the research. The sample was primarily composed of people over 45, those over 25, and those between the ages of 36 and 45, with a greater proportion of women. Students made up the bulk of responders, with working professionals and business owners following closely behind.

The most popular teaching formats were found to be online workshops and courses, and the main sources of knowledge about these offerings were personal networks, such as family and friends, and financial institutions.

The data was analyzed using the Friedman test, which demonstrated the important impact of educational initiatives on investor decisions and the crucial role played by SEBI in supporting these programs.

The results highlight the value of focused investor education initiatives and point to the ongoing need for regulatory organizations such as SEBI to work toward improving responsible investing practices and financial literacy across various demographic groups.

Keywords: Investors, Behaviour, SEBI, Financial Institution and Financial literacy

Introduction

Finance encompasses activities such as lending and borrowing, investing, raising capital, and purchasing and disposing of securities. Through these initiatives, companies and individuals can fund specific projects or activities in advance, with the understanding that future revenue streams will cover the costs. This broad field includes activities related to banking, credit, leverage or debt, capital markets, money, and investments.

Investing education involves acquiring knowledge about various investment opportunities, methods, and risks to make well-informed financial decisions. It plays a critical role in achieving financial objectives and reducing investment risks. In today's ever-evolving financial landscape, investment education is essential. It empowers individuals to make informed decisions about their financial future, helping them achieve long-term goals.

Awareness programs, such as Neighborhood or Business Watch, are crime prevention and educational initiatives designed to increase community awareness. These programs teach citizens what to look for and

how to report suspicious behavior to security officers or law enforcement. Campaigns and initiatives that raise awareness disseminate information and resources to prevent violence, promote safety, and reduce perpetration. Raising

awareness is vital for mobilizing local knowledge and resources, fostering self-mobilization and action, and generating enthusiasm and support. It is particularly important to raise political awareness, as politicians and policymakers are key players in adapting policies.

In the context of investor relations, the term "investor awareness" refers to the extent to which investors and the investment market are familiar with a public firm's line of business. This awareness is crucial, as investors should base their decisions on understanding and awareness. A firm may suffer from a poor profile among its peers in the market without it.

Berry and Junkus (2013) investigate the attitudes of religious organizations towards Socially Responsible Investing (SRI), acknowledging the increasing importance of SRI in contemporary investment practices. Despite its growing significance, there is a notable lack of consensus on what SRI entails for investors. The study distinguishes itself by surveying a diverse pool of approximately 5,000 investors, encompassing both those who incorporate SRI criteria in their investment decisions and those who do not. This broad and unique sample allows for a comprehensive analysis of various SRI factors.

Key findings from Berry and Junkus (2013) indicate that environmental and sustainability issues are paramount for both sets of investors when considering SRI. There is strong concordance in the ranking of the relative importance of different SRI factors across both groups, despite variations in their overall perceived importance. Interestingly, the study reveals a preference among investors for a holistic approach to SRI, rather than the exclusionary method commonly employed by most SRI funds. This preference underscores the complexity and multifaceted nature of SRI considerations among investors.

Renneboog, Ter Horst, and Zhang (2008): Institutional Aspects, Performance, and Investor Behavior in SRI, Renneboog, Ter Horst, and Zhang (2008) provide a comprehensive review of the literature on SRI, emphasizing the dual pursuit of financial goals and social objectives inherent in SRI practices. The paper highlights the explosive growth of SRI over the past decade, reflecting heightened investor awareness of social, environmental, ethical, and corporate governance issues. The authors discuss several critical areas for future research in SRI, particularly focusing on the causes and shareholder-value impact of corporate social responsibility (CSR). This review underscores the complexity of SRI, as it intersects with various dimensions of corporate behavior and investor preferences. Renneboog et al. (2008) argue that understanding the institutional aspects, performance outcomes, and investor behavior related to SRI is crucial for advancing knowledge in this rapidly evolving field

Carlsson Hauff (2022) explores the influence of knowledge on consumer reactions to sustainability-oriented investment labels. The study is grounded in dual processing theories, which suggest that decision-making can be influenced by both intuitive and analytical processes. By examining a representative sample, Carlsson Hauff (2022) investigates how objective labels are perceived by individuals with varying levels of financial knowledge.

The experimental results demonstrate that financially knowledgeable individuals view objective sustainability labels more favorably. The study develops and validates three scales to measure general and specific financial knowledge, as well as environmental knowledge, revealing that the evaluation of sustainability labels is domain contingent. This finding suggests that enhancing financial and environmental literacy may play a significant role in promoting sustainable investing through labeling schemes.

Tripathi and Kaur (2020) aim to contribute to the sustainable development of financial systems by evaluating the performance of socially responsible investing (SRI) alternatives in emerging BRICS countries. The study examines the performance of SRI indices in BRICS nations relative to their conventional market indices using various risk-adjusted measures and conditional volatility measures. Employing the Fama Decomposition Model, the study reveals that Brazil consistently ranks among the top performers, while India emerges as the top performer during crisis periods. The evidence of outperformance in terms of risk-return by SRI indices in BRICS countries, both overall and across different market conditions, supports the positive literature on SRI. This study underscores the potential for SRI in emerging markets to contribute to sustainable financial development and highlights the resilience of SRI indices during market turbulence.

RESEARCH OBJECTIVES

- To study impact of awareness programs to investors.
- To study role of SEBI in awareness programs.

DATA COLLECTION METHOD:

The data collection method of this research is primary data collection. A questionnaire is a list or set of printed questions, which is filled by the informants. If it is filled by the enumerators, then it is known as a schedule. We are using questionnaire for the data collection. Sample size refers to the number of participants or observations included in a study. This number is usually represented by n. The sample size in this study is 100

Gender

100 responses

Figure 1

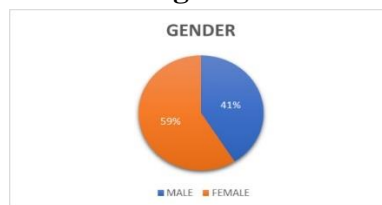


Table 1

GENDER	NO. OF RESPONSES
MALE	41
FEMALE	59

This shows that in the datasets or survey from which these replies were obtained, there were more female respondents [59%] than male respondents [41%]

Which factors consider while you invest?

100 responses

Figure 2

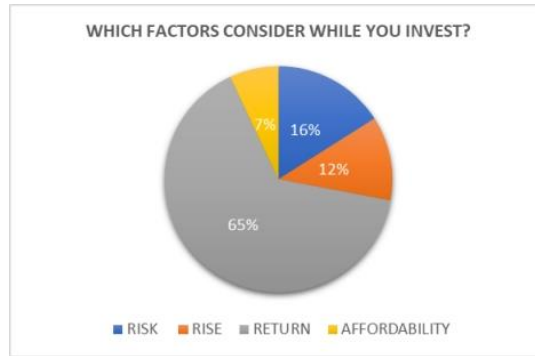


Table 2

OPTION	NO. OF RESPONSES
RISK	16
PRICE	12
RETURN	65
AFFORDABILITY	7

What is your preferred method of learning about investments?

100 responses

Figure 3

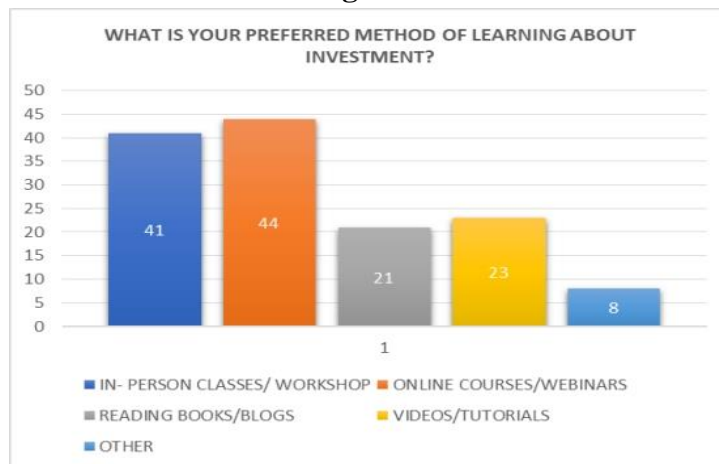


Table 3

OPTION	NO. OF RESPONSES
In person classes/Workshops	41
Online courses/Webinars	44
Reading books/ Blogs	21

Videos/ Tutorials	23
Other	8

Have you ever taken part in any investing education or awareness campaigns?
100 responses

Figure 4

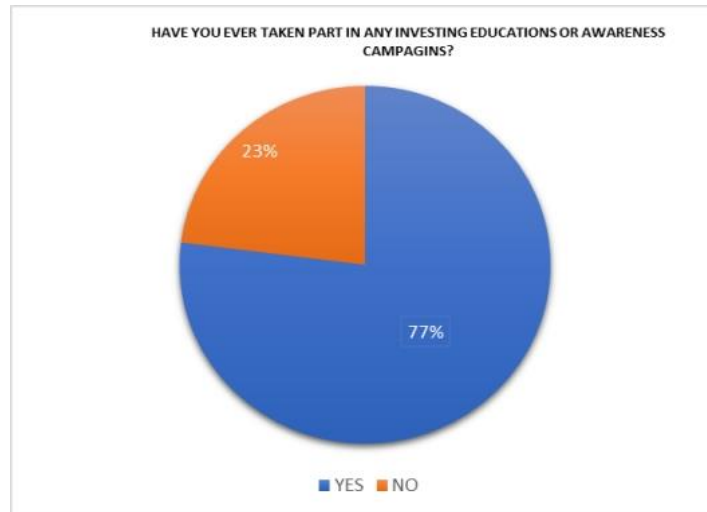


Table 4

OPTION	NO. OF RESPONSES
YES	77
NO	23

How did you find out about this educational program?
100 responses

Figure 4

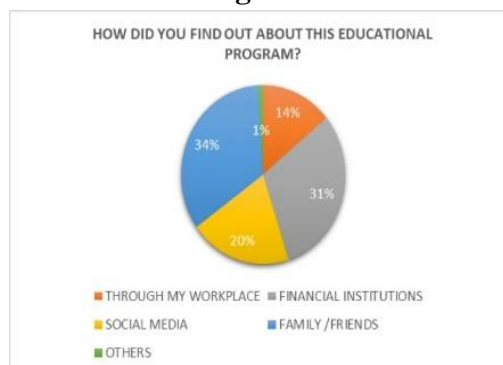


Table 4

OPTION	NO. OF RESPONSES
Through my workplace	12

Financial institution	31
Social media	20
Family or friends	34
Other	1

Did the educational program influence your investment decisions?
100 responses

Figure 5

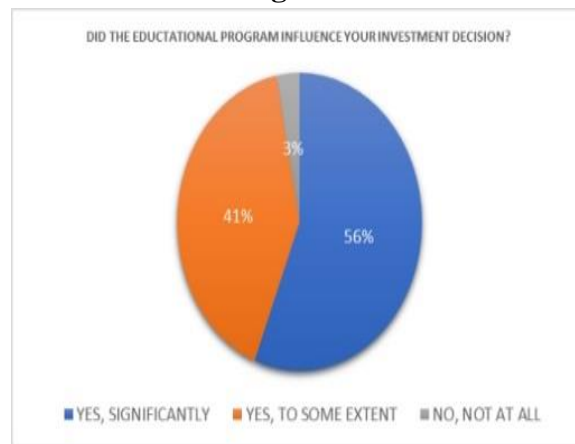


Table 5

OPTION	NO. OF RESPONSES
Yes, significantly	56
Yes, to some extent	41
No, not at all	3

Have you ever received formal education or training specifically focused on investing?
100 responses

Figure 6

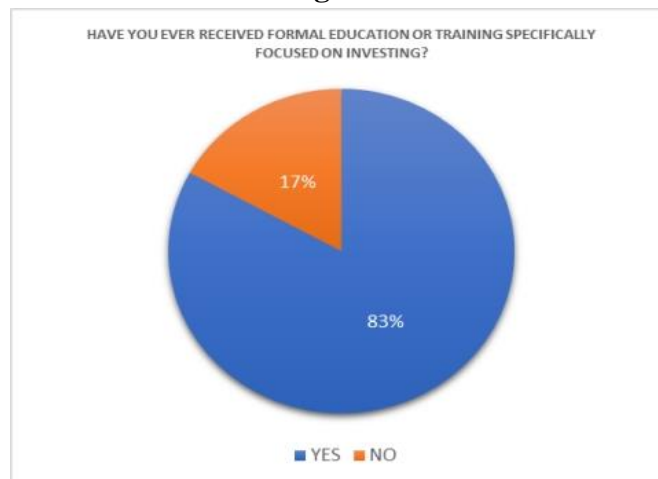


Table 6

OPTION	NO. OF RESPONSES
YES	83
NO	17

How helpful do you find investment education in making informed investment decisions?
100 responses

Figure 7

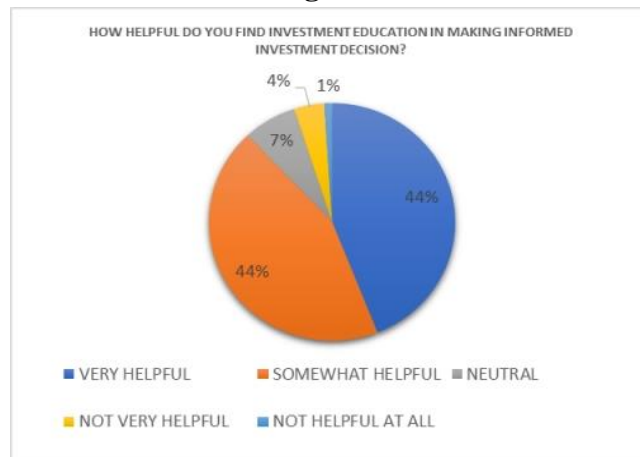


Table 7

OPTION	NO. OF RESPONSES
Very helpful	41
Somewhat helpful	44
Neutral	7
Not very helpful	4
Not helpful at all	1

If you have not participated in any investment education programs, what are the main reason?
100 responses

Figure 8

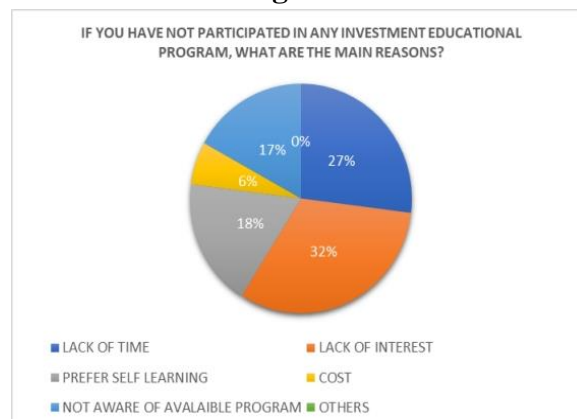


Table 8

OPTION	NO. OF RESPONSES
Lack of time	27
Lack of interest	32
Prefer self-learning	18
Cost	6
Not aware of available programs	17
Other	0

Do you believe financial institution have a responsibility to educate their clients about responsible investing?

100 responses

Figure 9

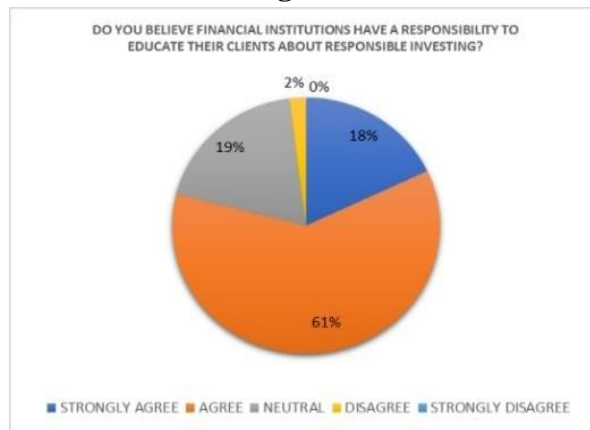


Table 9

OPTION	NO. OF RESPONSES
Strongly agree	18
Agree	61
Neutral	19
Disagree	2
Strongly disagree	0

How would you rate the effectiveness of financial institutions in providing education on responsible investing?

100 responses

Figure 10

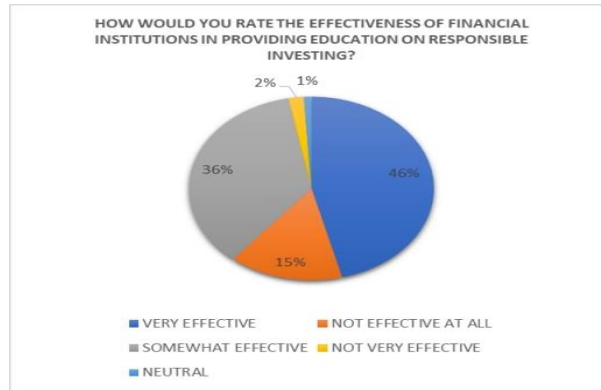


Table 10

OPTION	NO. OF RESPONSES
Very effective	46
Not effective at all	15
Somewhat effective	36
Not very effective	2
Neutral	1

If you have participated in any investment education programs, please rate the following aspects:
100 responses

Figure 11

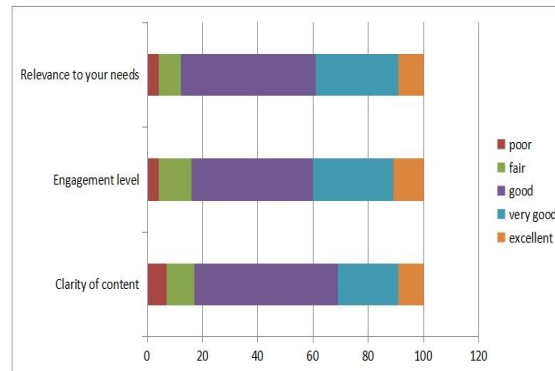


Table 11

OPTION	NO. OF RESPONSES
Clarity of content:	Poor(7) Fair(10) Good(52) Very good(22) Excellent(9)
Engagement level:	Poor(4) Fair(12) Good(44)

	Very good(29) Excellent(11)
Relevance to your needs:	Poor(4) Fair(8) Good(49) Very good(30) Excellent(9)

How important do you think collaboration between financial institution and investors is in promoting awareness of responsible investing?

100 responses

Figure 12

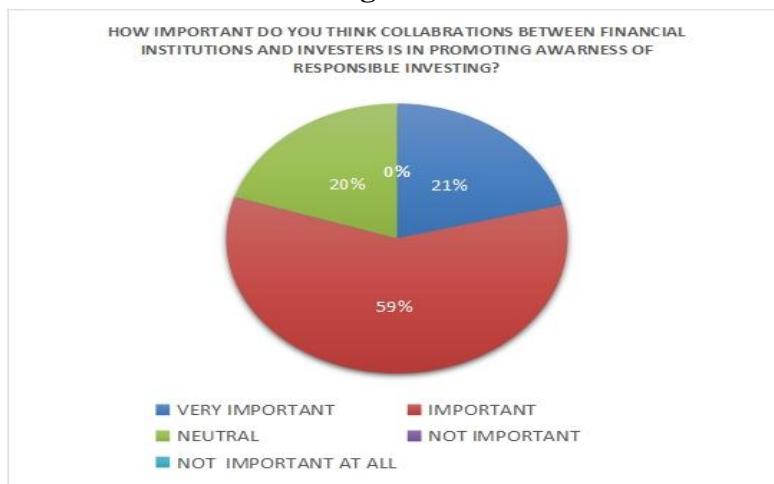


Table 12

OPTION	NO. OF RESPONSES
Very important	21
Important	59
Neutral	20
Not important	0
Not important at all	0

Do you consider ESG(Environment, Social, Governance) factors when making investment decisions?

100 responses

Figure 13

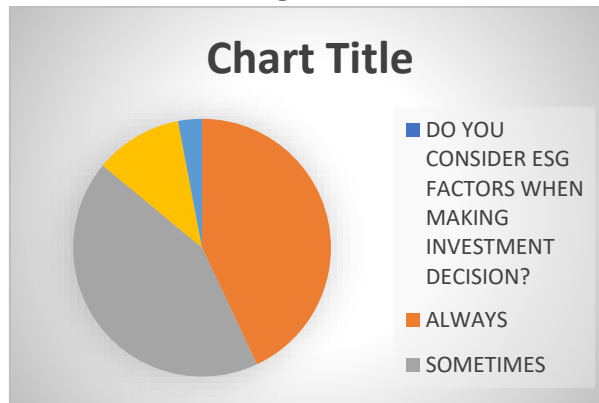


Table 13

OPTION	NO. OF RESPONSES
Always	43
Sometimes	43
Rarely	11
Never	3

Have you personally ESG factors into your investment strategy?
100 responses

Figure 14

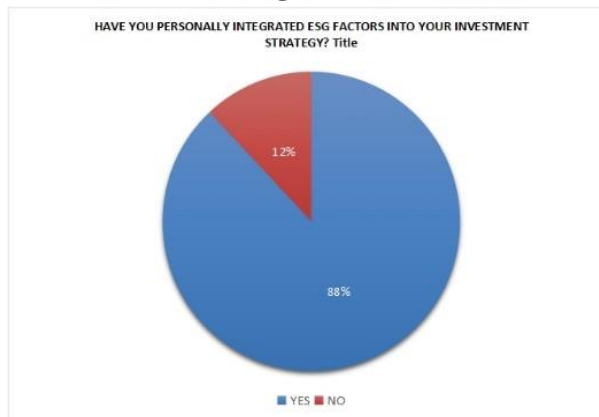


Table 14

OPTION	NO. OF RESPONSES
YES	88
NO	12

If yes, what motivates you to consider ESG factors?

100 responses

Figure 15

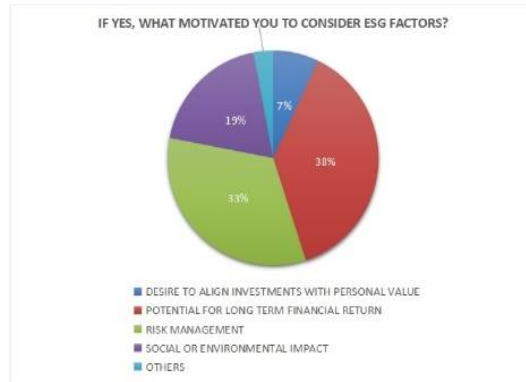


Table 15

OPTION	NO. OF RESPONSES
Desire to align investment with personal values	7
Potential long-term financial returns	38
Risk management	33
Social or environmental impact	19
other	3

Would you be interested in participating in more education programs or workshops on responsible investing organized by financial institutions?

100 responses

Figure 16

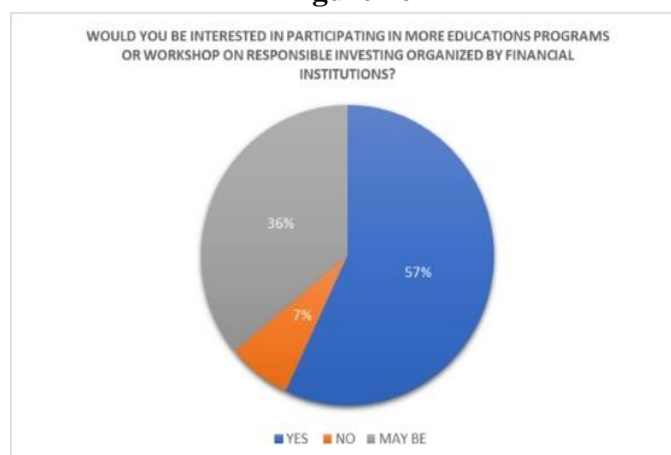


Table 16

OPTION	NO. OF RESPONSES
YES	57
NO	7
MAY BE	36

Hypotheses test

Table 17

Preferred method	Male	Female	Total
In classes/workshop	17 Fe=18.55	24 22.4	41
Online courses	16 19.91	28 24.08	44
Reading book	12 9.50	9 11.496	21
video	11 10.41	12 12.59	23
Others	6 3.62	2 4.38	8
Total	62	75	137

Table 18

F0	Fe	(F0-Fe)	(F0-Fe) ²	$\frac{(F0-Fe)^2}{Fe}$
17	18.55	-1.55	2.40	0.1295
24	22.24	1.56	2.43	0.1084
16	19.91	-3.91	15.28	0.7678
28	24.08	3.92	15.36	0.6381
12	9.50	2.5	6.25	0.6578
9	11.496	-2.496	6.23	0.5419
11	10.41	0.59	.34	0.0334
12	12.59	-0.59	0.348	0.1211
6	3.62	2.38	5.66	1.5649
2	4.38	-2.38	5.66	1.2932

$$X^2 = \sum \frac{(F0-Fe)^2}{Fe}$$

=5.8553 critical value

So, H0 is accepted

H0 is accepted therefor method investment and gender associated with each other.

Friedman test of hypothesis of

OPTION	NO. OF RESPONSES
Clarity of content:	Poor(7)
	Fair(10)
	Good(52)
	Very good(22)
	Excellent(9)

Engagement level:	Poor(4) Fair(12) Good(44) Very good(29) Excellent(11)
Relevance to your needs:	Poor(4) Fair(8) Good(49) Very good(30) Excellent(9)

H0: All aspect to participant in any investment education program are equal

H1: at least one aspect to participant in any investment education program are equal

$df_{0.05,2} = 5.991$ table value

Table 19

Clarity of content	Engagement level	Relevance to your needs
7	4	4
10	12	8
52	44	49
22	29	30
9	11	9

Table 20

Clarity of content	Engagement level	Relevance to your needs
3	1.5	1.5
2	3	1
3	1	2
1	2	3
1.5	3	1.5
$R_j = 10.5$	10.5	9
$R_j^2 = 110.25$	110.25	81

$$\sum R_j^2 = (110.25 + 110.25 + 81) = 301.5$$

$$X_r^2 = \frac{12}{bc(C+1)} \sum R_j^2 - 3b(C+1)$$

$$= \frac{12}{5(3)(3+1)} (300 - 3(5)(3+1))$$

= 0.3 critical value

So H0 is accepted

Findings

The survey reveals that the majority of respondents are from the age groups 18-25, 36-45, and 45 above, with females outnumbering males. Most respondents are students, followed by those in jobs and business, with a predominant income range of 0 to 20,000. A significant number (97) are knowledgeable about investment, primarily considering returns and preferring medium-term periods (1 to 5 years). Online courses and workshops are the favored learning methods, with many finding out about these programs through financial institutions and family or friends. While most view investment education positively and influential in their decisions, some cite lack of time, interest, awareness, and a preference for self-learning as barriers. A majority believe financial institutions should educate clients on investing, rating the quality of current programs highly. Additionally, 57 out of 100 respondents are willing to participate in further educational programs or workshops on responsible investing.

Conclusion

the project highlights the importance of investment education in bridging the knowledge gaps among individual, particularly students, and empowering them to make informed investment decisions. By leveraging preferred learning methods, fostering collaboration between financial institutions and educational stakeholders, and continuously evaluating and improving educational programs, the project can contribute to building a more financially literate society and promoting responsible investing practices.

ACKNOWLEDGEMENT

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