SOCIALLY RESPONSIBLE INVESTMENT IN A RISING POPULISM ENVIRONMENT

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\textbf{ARTICLE INFO} & \textbf{ABSTRACT} \\
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\textbf{Article history:} & \textbf{Purpose:} The aim of this study is to examine a framework of ESG elements and constituents to investigate socially responsible investment in a rising populist environment through a literature review. \\
Received 20 February 2023 & \textbf{Theoretical framework:} Socially responsible investment aims for long-term sustainability by combining financial return with positive change in the environment. The transformation of India’s populism towards environmental sustainability drives enterprises to incorporate ESG (environment, social, and governance) practices for the long term and craves to be an efficient tool for socially responsible investment. \\
Accepted 18 May 2023 & \textbf{Design/methodology/approach:} This paper offers an overview of many reviews that are connected to the study's main terms while also discussing literature reviews as a research methodology and all data in the study comes from these secondary sources. \\
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\textbf{Keywords:} & \textbf{Findings:} As a result, this study finds out responsible investors' appetite for the identification of sustainability indicators and constituents and hunts for enterprise disclosures regarding their accomplishments towards ESG factors. The study focuses on developing an ESG constituent framework by integrating ESG compliances determined by a systematic review of literature, Global Reporting Initiative Standards, and other reporting standards. \\
SRI; ESG; Value Investing; Responsible Investment; Sustainability; Populism. & \textbf{Research, Practical & Social Implications:} Although this study was carried with the intention of providing socially responsible investors with a useful tool, more extensive study is warranted before an empirical analysis of SRI firms' performance can be conducted, and the study could also benefit from being extended into an international context in order to better assess the performance of ESG firms. \\
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\textbf{ORIGINALITY/VALUE:} This study uses a five-year thematic analysis of S&P BSE 500 firms to determine which are most committed to corporate social responsibility. The study also helps investors by providing useful information about corporate ESG compliance.

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Doi: https://doi.org/10.26668/businessreview/2023.v8i5.1685
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\textbf{INESVIMENTO SOCIALMENTE RESPONSÁVEL EM UM AMBIENTE DE POPULISMO CRESCENTE}
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\textbf{RESUMO:} O objetivo deste estudo é examinar uma estrutura de elementos e constituintes de ESG para investigar o investimento socialmente responsável em um ambiente populista crescente por meio de uma revisão da literatura. 

\textbf{Estrutura teórica:} O investimento socialmente responsável visa à sustentabilidade de longo prazo, combinando retorno financeiro com mudanças positivas no meio ambiente. A transformação do populismo indiano em direção à sustentabilidade ambiental faz com que as empresas incorporem práticas de ESG (meio ambiente, social e governança) a longo prazo e almejam ser uma ferramenta eficiente para o investimento socialmente responsável.

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**Projeto/metodologia/abordagem:** Este documento oferece uma visão geral de muitas análises que estão relacionadas aos termos principais do estudo, além de discutir as análises da literatura como uma metodologia de pesquisa, e todos os dados do estudo são provenientes dessas fontes secundárias.

**Conclusões:** Como resultado, este estudo descobre o apetite dos investidores responsáveis pela identificação de indicadores e componentes de sustentabilidade e busca divulgações de empresas com relação a suas realizações em relação a fatores de ESG. O estudo se concentra no desenvolvimento de uma estrutura de constituintes de ESG por meio da integração das conformidades de ESG determinadas por uma revisão sistemática da literatura, dos Padrões da Global Reporting Initiative e de outros padrões de relatórios.

**Implicações práticas, sociais e para a pesquisa:** Embora este estudo tenha sido realizado com a intenção de fornecer uma ferramenta útil aos investidores socialmente responsáveis, é necessário um estudo mais aprofundado antes que se possa realizar uma análise empírica do desempenho das empresas de SRI, e o estudo também poderia se beneficiar da ampliação para um contexto internacional a fim de avaliar melhor o desempenho das empresas de ESG.

**Originalidade/Valor:** Este estudo usa uma análise temática de cinco anos das empresas do S&P BSE 500 para determinar quais são as mais comprometidas com a responsabilidade social corporativa. O estudo também ajuda os investidores, fornecendo informações úteis sobre a conformidade corporativa com ESG.

**Palavras-chave:** SRI, ESG, Investimento em Valor, Investimento Responsável, Sustentabilidade, Populismo.

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**LA INVERSIÓN SOCIALMENTE RESPONSABLE EN UN ENTORNO DE POPULISMO CRECIENTE**

**RESUMEN**

**Objetivo:** El objetivo de este estudio es examinar un marco de elementos y componentes ASG para investigar la inversión socialmente responsable en un entorno de populismo creciente mediante una revisión bibliográfica.

**Marco teórico:** La inversión socialmente responsable persigue la sostenibilidad a largo plazo combinando la rentabilidad financiera con cambios positivos en el medio ambiente. La transformación del populismo indio hacia la sostenibilidad medioambiental hace que las empresas incorporen prácticas ASG (medioambientales, sociales y de gobernanza) a largo plazo y aspiren a ser una herramienta eficaz para la inversión socialmente responsable.

**Diseño/metodología/enfoque:** Este documento ofrece una visión general de muchos análisis relacionados con los términos principales del estudio, además de tratar las revisiones bibliográficas como metodología de investigación, y todos los datos del estudio proceden de estas fuentes secundarias.

**Conclusiones:** Como resultado, este estudio descubre el apetito de los inversores responsables por identificar indicadores y componentes de sostenibilidad y busca revelaciones de las empresas sobre sus logros en relación con los factores ASG. El estudio se centra en el desarrollo de un marco de componentes ASG mediante la integración de las conformidades ASG determinadas por una revisión sistemática de la bibliografía, las normas de la Global Reporting Initiative y otras normas de información.

**Consecuencias prácticas, sociales y para la investigación:** Aunque este estudio se ha realizado con la intención de proporcionar una herramienta útil para los inversores socialmente responsables, es necesario realizar más estudios antes de poder llevar a cabo un análisis empírico del rendimiento de las empresas ISR, y el estudio también podría beneficiarse de su ampliación a un contexto internacional para evaluar mejor el rendimiento de las empresas ASG.

**Originalidad/valor:** Este estudio utiliza un análisis temático quinquenal de las empresas del S&P BSE 500 para determinar cuáles son las más comprometidas con la responsabilidad social corporativa. El estudio también ayuda a los inversores proporcionándoles información útil sobre el cumplimiento de las normas ASG por parte de las empresas.

**Palabras clave:** ISR, ASG, Inversión en Valor, Inversión Responsable, Sustentabilidad, Populismo.

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**INTRODUCTION**

The global economy is advancing with increased development across manifolds and exploring various sectors leading to significant evolution and growth on creating sustainable business practices for living populism. The triple bottom line of “profit, planet and people” has
become a preferred model for long run success in the competitive market of rising populism. The integration of financial and non financial drivers enables extensive holding of organizational risk at minimal level. The entities independent adoption of ESG norms empowers stakeholders to prioritize socially responsible investing in the age of populism.

Investors concern for sustainable investments is advancing with the growth of socially responsible investment opportunities. Socially responsible investment is a step ahead for moving economy to achieve established sustainable development goals. The shift of investors paradigm from monetary return to responsible investment indulges the enterprises to adopt factors and constituents that enable them to be identified as a socially responsible investment avenue. The enterprises incorporation of ESG factors and its compliance would enable a company to be identified as socially responsible investment avenue (Al-Obaidi & Almashhadani, 2022).

The corporate reporting on the standards of ESG and their compliances enhances investor knowledge on social responsibility investments. The power of top level authority enhances ESG disclosures with greater assurance in ESG compliances suggesting transparency accountability to enhance stakeholder trust (Ali Fatemi, Martin Glaum, 2018). Environmental, social and governance disclosures (ESGD’s) provides more significant opportunity to understand firms’ non-financial reporting and their accountability for sustainable reporting (Albitar, Hussainey, Kolade, & Gerged, 2020). The prior research studies have highlighted positive impact of ESG on corporate financial performance remains stable for longer cycle (Friede, Busch, & Bassen, 2015). Despite establishing the variables and constituents of compliance with ESG standards, previous study studies have concentrated on analyzing the performance of impact investing and the impact of ESG reporting upon financial performance. As such, this study aims to establish a framework for sustainable, social, or governance (ESG) elements or constituents using the Global Reporting Standards, other reporting requirements, and a thorough assessment of the literature (Altameemi & Al-Slehat, 2022).

This study uses a five-year thematic analysis of S&P BSE 500 firms to determine which are most committed to corporate social responsibility. The study also helps investors by providing useful information about corporate ESG compliance. Furthermore, the main objective of the paper is to develop the ESG framework with factors and constituents for its reporting to influence investors for social investment. The research question for the study is which are Environmental, Social and Governance (ESG) factors and constituents to be reported for boosting the investors to invest in Socially Responsible Investment? Based on research
question objective of the study was framed that is to develop ESG framework with factors and constituents for it's reporting to influence investors for social investment. Global Reporting Standards, additional reporting standards, and a thorough literature review form the basis for the study's framework of ESG aspects and constituents, and all data in the study comes from these secondary sources. This study uses a five-year thematic analysis of S&P BSE 500 firms to determine which are most committed to corporate social responsibility. To help investors prioritize social considerations alongside financial gain, this study provides a grid of ESG variables and elements.

LITERATURE REVIEW

At present, there are finite literatures that focus towards Socially Responsible Investment in the rising Populism. For this Literature review, we searched for studies and full papers published in English between 2001 and 2019 using the keywords Responsible Asset, Impact Investing, Ethical Making investments, Sustainable Financing, Socially Responsible Investment firm, Corporate Social responsibility, Moral help finance, Environment Social Governance (ESG), Latest Populism, and Social development.

Kell, former head of the global compact (2018) called attention to the growth and potential difficulties of ESG investing. In a number of publications, he analyses the 15-year-long trends that have influenced ESG investing. He claims in his piece that the market for environmentally, socially, and governance-focused investments has grown to $20 trillion, or almost a quarter among all actively managed assets worldwide. Whether or not the instance for corporate social responsibility or ESG investing still stands inside the face of increasing populist politics and protectionism as well as a changing environment where the presumptions of such a fair level field based on rules but also trust in public organizations may no longer be held is the subject of Kell's response. He contends that technological innovation, openness, and the scarcity of resources all lead to financial factors that propel business sustainability ahead, rather than policymaking. But there is a limit. If "the collapse of the international regulation system becomes the new dominant style of policymaking, so all bets are off," he says. At the end of his piece, Kell calls for influential business executives to come out in favour of the market system based on rules as well as the values that sustain it and humanity.

Huff, Jacobson (2021),questioned the criteria by which people and organizations determine whether or not an ISP is a Socially Conscious enterprise. The Study's Authors saw this as a challenge and set out to design a method of automatically rating ISPs on a number of
social responsibility measures like environmental protection, lack of censorship, and respect for net neutrality. They gathered publicly available web sites talking about a certain ISP and social issue, ran them through stance detection, a receptive language method for discovering a user's attitude and commitment toward the object, and then used the results to determine a socially conscious score for each ISP and aspect of social responsibility. After testing their methodology with information across 13 different ISPs and more than 600 associated web pages, they found that it was 71% effective at forecasting an ISP's stance on net neutrality.

Harrington (2010) showed that the majority of Americans invest not only for financial gain but also as a means of self-expression. In this way, portfolios are analogous to consumer goods in that they provide a needed service while also contributing to a larger cause. This is related to the rise of SRI and shareholder activism, issues that affect not only social scientists and also business executives, government officials, and the tens of millions of Americans who are saving for their good times.

Rowe (2018) pointed out that populism’s ascent raises the prospect of a policy shock in the short term, and therefore the probability of fresh market volatility. This indicated that cautious investors might wish to rethink their portfolio allocations.

MATERIAL AND METHODOLOGY

The enterprises adversity in reporting ESG factors and constituents constructs disorientation dilemma among investors for identifying socially responsible investments and making distinction from conventional investments.

RESULTS AND DISCUSSION

The ESG reporting framework provides corporate transparency on environmental and social metrics for evaluating sustainability performance by engaging stakeholders’ interest. From past few decades non financial disclosures were developed and reported by nonprofit organizations (BSE, 2018). The organization’s financial health and social health disclosure by ensuing standards set by various regulatory frameworks in changing populism environment ensures achieving long term sustainability goals thereby providing key requisites for stakeholders decision. The sustainability reporting frameworks are provided by various international organizations such as The Global Reporting Initiative (GRI), The International Integrated Reporting Council (IIRC), The Sustainability Accounting Standards Board (SASB), CDP (formerly the Carbon Disclosure Project), The United Nations Global Compact (UNGC).
The enterprises reporting of ESG information to stakeholders is fairly practiced for reporting in a single annual report and few companies opt to publish separately through stand-alone Sustainability Report.

The social investments excludes company engaged in Alcohol products, Tobacco products, Weapons (Arms & ammunitions), Environmental Destruction (Poor Pollution/Poor Waste Disposal), Gambling Services, Nuclear Power, Adult Entertainment (Pornography), Animal testing (cosmetics, chemicals or health), Abortion services and Contraceptive pills production, Human Rights abuse and Poor diversity practice. The consideration of financial objective and moral values, in investing of entities looks for ESG practices such as Ethical Employee Practices/Relations, Environmental Protection Policy, Product Quality, Product Safety and Product innovation, Corporate Governance and Corporate Social Responsibility, Services/products to solve major social or environmental challenges, Board and Firm Diversity, Human Rights and Labor Policies contributing towards environmental/social good.

The research adopted thematic analysis on constituents of S&P BSE 100 ESG Index by scanning for ESG disclosures in annual reports and sustainability reports submitted for period of 5 years to extract key factors and constituents. S&P BSE 100 ESG index includes constituents meeting sustainability investing criteria and ranking highest in ESG scores. ESG Framework proposed by consolidating ESG theme disclosure for investor engagement.
Figure 2: Performance of ESG Constituents for 5 years

Table 1: The performance of ESG constituents shows an upward trend thereby assuring investors non forgoing of returns with practicing sustainable investments.

<table>
<thead>
<tr>
<th>Environmental</th>
<th>Social</th>
<th>Governance</th>
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<tbody>
<tr>
<td>Environmental Policy</td>
<td>Full time Employees</td>
<td>Gender diversity on Board</td>
</tr>
<tr>
<td>Energy Consumption</td>
<td>Monetary and Non-Monetary benefits for employees</td>
<td>Board - Independence</td>
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<tr>
<td>Energy Intensity</td>
<td>Attrition Rate</td>
<td>Board - Separation of Powers</td>
</tr>
<tr>
<td>Carbon/GHG Emissions</td>
<td>Training and development hours</td>
<td>Voting results</td>
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<tr>
<td>Primary Energy Source</td>
<td>Health Care benefits</td>
<td>Gender Pay ratio</td>
</tr>
<tr>
<td>Renewable Energy Intensity</td>
<td>Human Rights Violation</td>
<td>Incentivized Pay</td>
</tr>
<tr>
<td>Water management</td>
<td>Child &amp; Forced Labor</td>
<td>Business Ethics and Code of Conduct</td>
</tr>
<tr>
<td>Waste management</td>
<td>Gender parity ratio at Workforce</td>
<td>Supplier Code of Conduct</td>
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<tr>
<td></td>
<td>Community and social Work</td>
<td>Bribery/Anti-Corruption Code</td>
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<tr>
<td>Local procurement</td>
<td>Corporate Governance</td>
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Source: (BSE, 2018)
CONCLUSION

This study aids investors in making socially responsible company choices and provides context for the variables that should be taken into account when making such choices. The study focused on the S&P BSE 100 ESG, although the ESG elements and constituents can be used by investors to find responsible investing firms that aren’t included in the index but do follow sustainable policies. This study uses a five-year thematic analysis of S&P BSE 500 firms to determine which are most committed to corporate social responsibility. To help investors prioritize social considerations alongside financial gain, this study provides a grid of ESG variables and elements. Despite its usefulness in illuminating the ESG components that Indian companies should have in order to qualify as socially responsible investments, more study is warranted to conduct an empirical analysis of the performance of the companies that have been so designated. This study could also be applied to a global context in order to analyze ESG companies.

REFERENCES


