Why do investors hold socially responsible mutual funds?

Arno Riedl
(Maastricht University)

Paul Smeets
(Maastricht University)

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Abstract
We investigate why investors hold socially responsible (SRI) mutual funds. We use administrative investor data and link them to behavior in controlled experiments and survey responses. We find that intrinsic social preferences play an important role in the decision of investors to hold socially responsible mutual funds. Investors who are more generous in an incentivized experiment are more likely to hold an SRI fund and invest a larger fraction of their portfolio in SRI funds. Our results also suggest that selfish investors hold SRI funds for social signaling reasons, as they more often talk about their investments to others. Moreover, we find that SRI is a complement rather than a substitute for donations to charity. Socially responsible investors donate a larger sum of money than conventional investors.

Keywords: portfolio choice, social preferences, socially responsible investments, mutual funds, administrative investor data, experiment, survey

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